



Denver Public Schools Retirement System Basis for Support of PERA Recommendations

Presentation to PERA Board

November 20, 2009

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DPSRS Resolution #17 – Nov 2, 2009

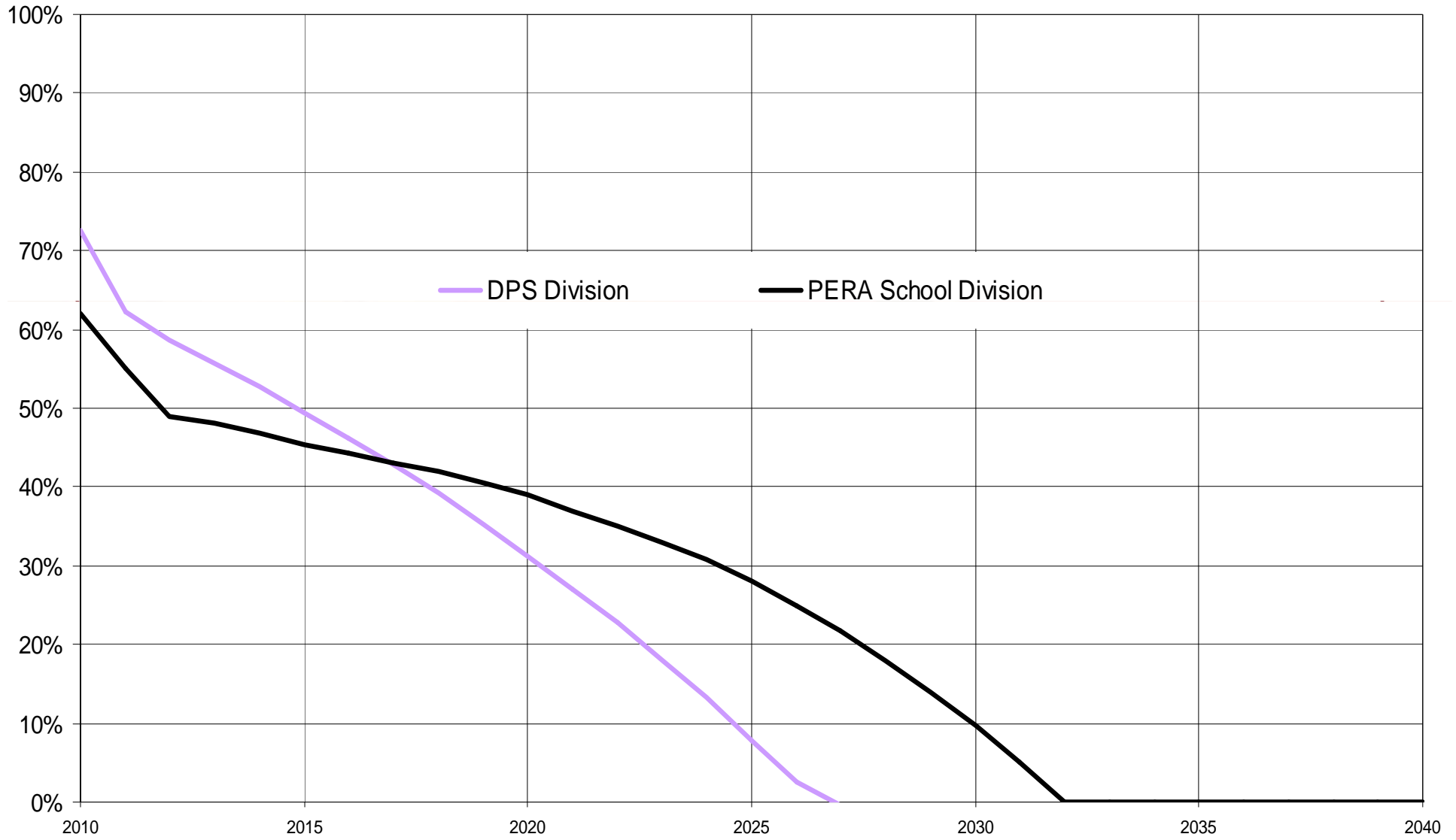
- **Whereas:**
 - ❖ DPSRS has adopted principles for sustainability
 - ❖ PERA submitted a thoughtful comprehensive package of recommended changes to General Assembly
 - ❖ It's consistent with SB 09-282 to apply same changes to PERA DPS and School Divisions
- **Therefore be it resolved that DPSRS:**
 - ❖ Supports PERA comprehensive recommendations to General Assembly
 - ❖ Recommends that changes proposed to PERA School Division also apply to DPS Division



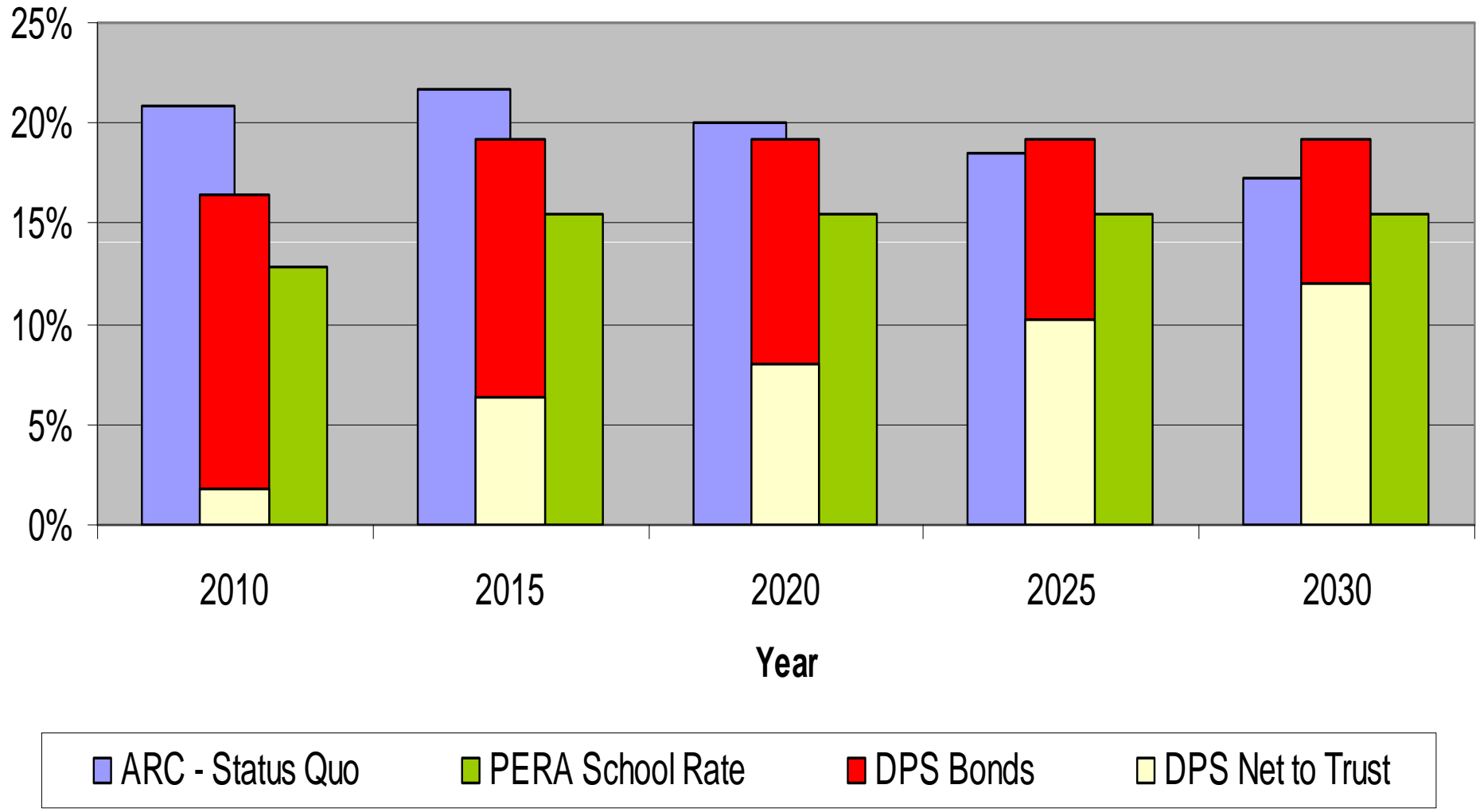
Funding Projection Study

- Funding Projection Study
 - ❖ began January, 2009
 - ❖ directed by subcommittee of DPSRS Board of Trustees
- Study initially conducted
 - ❖ using actuarial liability modeling
 - ❖ to analyze alternatives to merger, as well as the (proposed) legislation
- Study later evolved to
 - ❖ model various scenarios to create sustainability for DPS program
 - ❖ incorporate merger and PERA's recently adopted actuarial assumptions
 - ❖ test PERA recommendations within model for the DPS Division

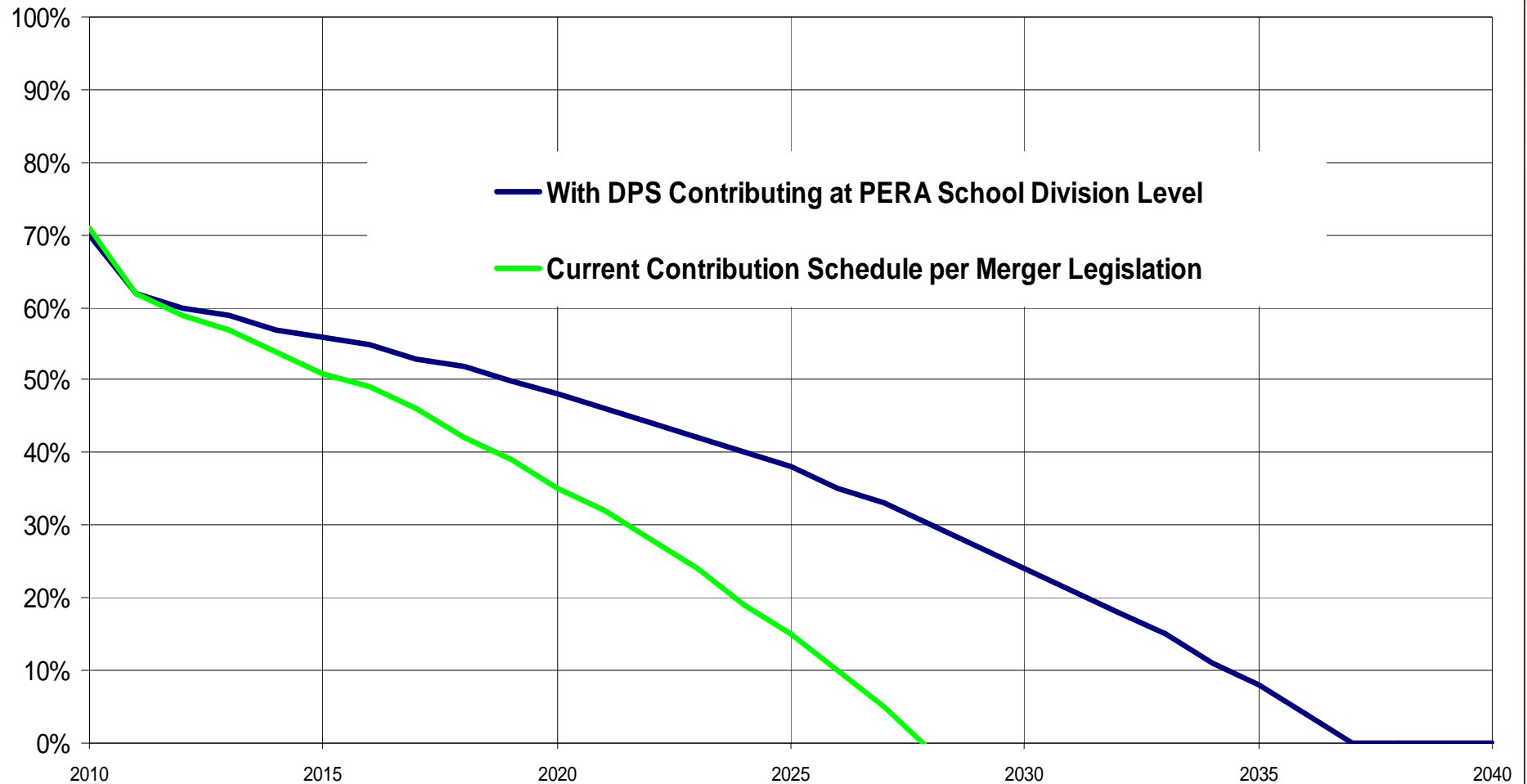
Under Current Provisions, Both Plans Projected to Become Insolvent



DPS Funding Schedule Leaves Little for Fund



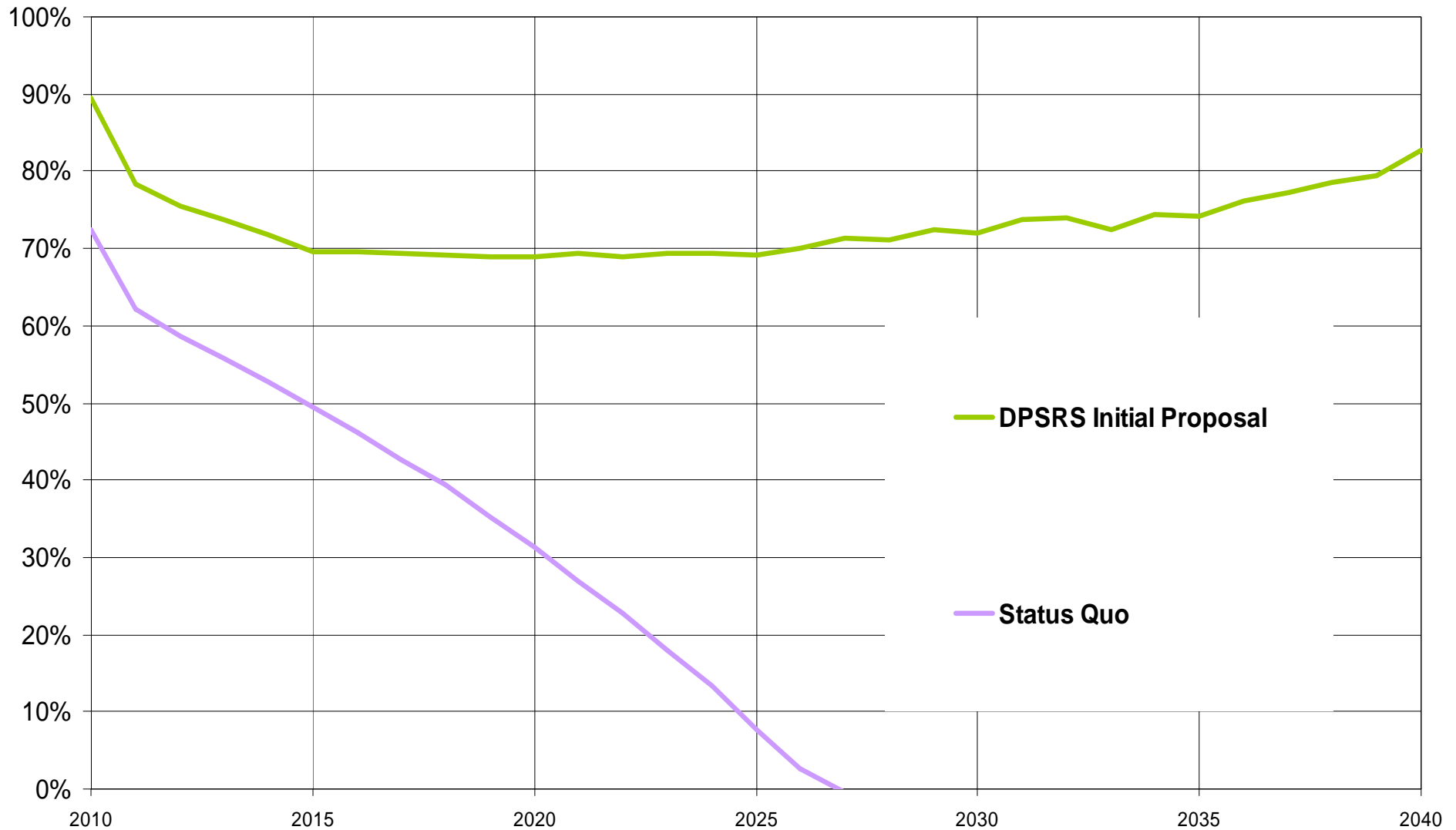
Does DPSRS have Actuarial Emergency? Consider Anticipated Funded Levels



Summer – DPSRS Analyzed Potential Changes

- Shared Sacrifice
- Decreases in COLA
- Decreases in Benefits for Current Actives
- Decreases in Benefits for Future Members
- Increased Employer and Employee Contributions

DPSRS Proposals Would Likely Lead to Sustainability





DPSRS Potential Changes are Similar to PERA Recommendations

- Shared Sacrifice
 - ❖ Retirees
 - ❖ Actives
 - ❖ Future Members
 - ❖ Employer Contributions

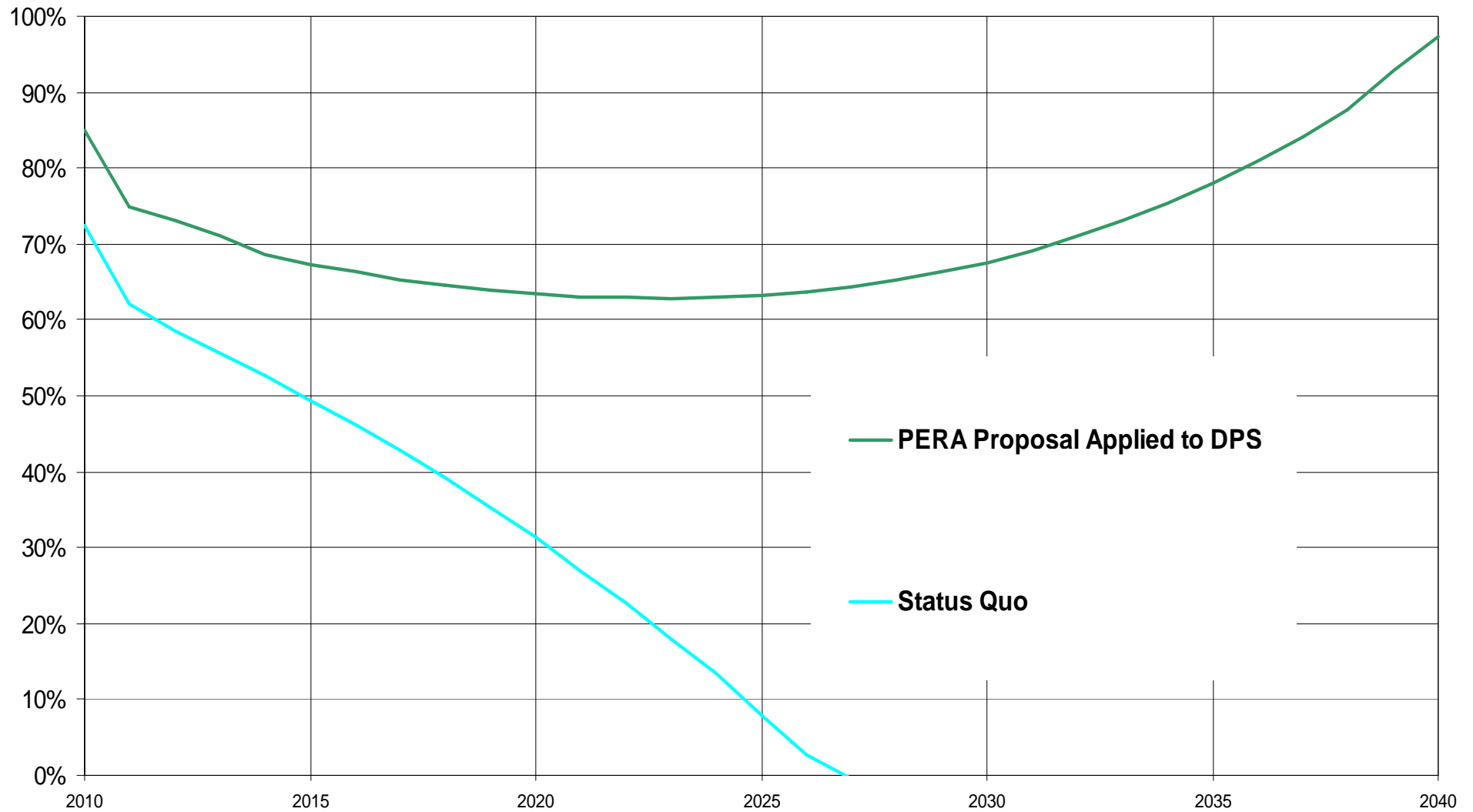
- Changes result in anticipated full funding



Autumn – DPSRS Analyzed PERA Proposal

- Like DPSRS, PERA is forecasted to be insolvent within 30 years
- PERA has proposed a solution
- PERA's proposal is:
 - consistent with solutions identified by DPSRS
 - forecasted to enable DPS Division also to remain solvent

When DPS Benefits are Set to PERA Proposed Levels Solvency is Also Forecasted





DPS Contribution “True-Up”

- “True-Up” was one key reason for DPSRS Board support for SB 09-282
- True-up leads to comparable funding levels between PERA DPS & School Divisions
- Considering PERA’s proposed recommendations + implementation of true-up, DPS Division would also be 100% funded at 30 years
- True-up is a key component of sustainability, but DPSRS Board still recommends benefit changes for DPS Division consistent with PERA School Division

The background of the slide features a collage of images including a man and a woman in business attire, various US dollar bills, and the Statue of Liberty. The title "How Does 'True-Up' Work?" is centered in white text over this collage.

How Does “True-Up” Work?

- Prior to 1/1/2015, actuarial calculations are made to determine:
 - What is PERA School Division’s anticipated funded position at 2038?
 - What change to DPS contribution is necessary so that DPS Division is projected to be at same funded position?
- PERA Board recommends this change to General Assembly every 5 years, beginning 1/1/2015
- Absent implementation of 2015 true-up, adequate funding unlikely



Conclusions

- Like DPSRS, PERA is forecasted to be insolvent within 30 years
- PERA has proposed a solution
- PERA's proposal is:
 - consistent with solutions identified by DPSRS
 - forecasted to enable DPS Division also to remain solvent
- DPSRS Board supports PERA recommendations
- True-up is essential