

Second Regular Session  
Sixty-eighth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 12-0465.01 Ed DeCecco x4216

HOUSE BILL 12-1179

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HOUSE SPONSORSHIP

Kerr J.,

SENATE SPONSORSHIP

(None),

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House Committees  
Finance

Senate Committees

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A BILL FOR AN ACT

101 CONCERNING MODIFICATIONS TO THE COMPOSITION OF THE BOARD OF  
102 TRUSTEES OF THE PUBLIC EMPLOYEES' RETIREMENT  
103 ASSOCIATION TO ENSURE THAT THE BOARD HAS MORE DIVERSE  
104 REPRESENTATION, AND REQUIRING A POST-ENACTMENT REVIEW  
105 OF THE IMPLEMENTATION OF THIS ACT.

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Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

Currently, the board of trustees (board) of the public employees'

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

retirement association (PERA) is comprised of the following 15 trustees:

- ! The state treasurer;
- ! 3 elected members of the state division;
- ! 4 elected members of the school division;
- ! One elected member of the local government division;
- ! One elected member of the judicial division;
- ! 2 elected retirees; and
- ! 3 trustees appointed by the governor and confirmed by the senate who are not PERA members or retirees and who are experts in certain fields.

In addition, there is one ex officio trustee from the Denver public schools division.

The bill modifies the composition of the board by:

- ! Eliminating one elected member trustee position from the state division;
- ! Eliminating 2 elected member trustee positions from the school division;
- ! Requiring at least one elected member from both the state division and the school division to be at least 15 years from retirement eligibility;
- ! Eliminating one elected retiree trustee position;
- ! Requiring the remaining elected retiree to be elected by all members who have retired from the local government division, the judicial division, the state division, or the school division; and
- ! Adding 4 more trustees appointed by the governor and confirmed by the senate who are not PERA members or retirees and who are experts in certain fields to replace the eliminated elected member trustee positions.

The bill does not change the inclusion on the board of the state treasurer or the elected members from the local government division and the judicial division on the board, nor does it affect the ex officio trustee from the Denver public schools division.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2           **SECTION 1. Legislative declaration.** (1) The general assembly  
3 hereby finds and declares that:

4           (a) The majority of the board of trustees of the public employees'  
5 retirement association is comprised of people who are retirees or current  
6 members of the association and who receive or will receive retirement

1 benefits through the association;

2 (b) The current structure of the board of trustees of the public  
3 employees' retirement association does not offer any assurance that the  
4 board will include representation of members who are relatively distant  
5 from retirement eligibility;

6 (c) This creates a conflict of interest because the members of the  
7 board of trustees are required to make decisions that affect their own  
8 retirement benefits and therefore may not make decisions that negatively  
9 impact their benefits; and

10 (d) The board of trustees of the public employees' retirement  
11 association would be in a better position to protect the investment that the  
12 taxpayers of the state make into the association if a larger proportion of  
13 the board were not association members or retirees.

14 (2) The general assembly further finds and declares that the intent  
15 of this act is to shift the composition of the board of trustees of the public  
16 employees' retirement association to a larger representation of people who  
17 are not members or retirees of the association and to guarantee that a  
18 segment of the board represents association members who are relatively  
19 distant from retirement eligibility. This will ensure that the board has a  
20 greater range of experience in investment management, finance, banking,  
21 economics, accounting, pension administration, or actuarial analysis,  
22 while retaining participation from members and retirees of the association  
23 on the board.

24 **SECTION 2.** In Colorado Revised Statutes, 24-51-203, **amend**  
25 (1), (3) (a), and (5) as follows:

26 **24-51-203. Board - composition and election.** (1) The board  
27 ~~shall consist~~ CONSISTS of the following fifteen trustees:

1 (a) The state treasurer;

2 (b) ~~Four~~ THREE members of the state division elected by the  
3 members of that division, at least one of whom ~~shall be~~ IS an employee of  
4 a state institution of higher education and at least one of whom ~~shall~~ IS  
5 not ~~be~~ an employee of a state institution of higher education until, on or  
6 after ~~January 1, 2007~~ JANUARY 1, 2013, one of those trustee positions  
7 ~~unless it is the sole position held by an employee of a state institution of~~  
8 ~~higher education,~~ is vacated OR THE TRUSTEE'S TERM ENDS, and thereafter  
9 there ~~shall be three~~ ARE TWO members of the state division elected by the  
10 members of that division, at least one of whom ~~shall be an employee of~~  
11 ~~a state institution of higher education and at least one of whom shall not~~  
12 ~~be an employee of a state institution of higher education~~ ELECTED AFTER  
13 JANUARY 1, 2013, IS FIFTEEN YEARS OR MORE FROM RETIREMENT  
14 ELIGIBILITY ON THE DATE THAT THE TRUSTEE BEGINS SERVING HIS OR HER  
15 FIRST TERM ON THE BOARD;

16 (c) ~~Five~~ FOUR members of the school division elected by the  
17 members of that division until, on or after ~~January 1, 2007,~~ one JANUARY  
18 1, 2013, TWO of those trustee positions ~~is~~ ARE vacated OR THE TRUSTEES'  
19 TERMS END, and thereafter there ~~shall be four~~ ARE TWO members of the  
20 school division elected by the members of that division, AT LEAST ONE OF  
21 WHOM ELECTED AFTER JANUARY 1, 2013, IS FIFTEEN YEARS OR MORE  
22 FROM RETIREMENT ELIGIBILITY ON THE DATE THAT THE TRUSTEE BEGINS  
23 SERVING HIS OR HER FIRST TERM ON THE BOARD;

24 (d) ~~Two members of the local government division elected by the~~  
25 ~~members of that division until, on or after January 1, 2007,~~ one of those  
26 trustee positions ~~is vacated and thereafter there shall be~~ One member of  
27 the local government division elected by the members of that division;

1 (e) One member of the judicial division elected by the members  
2 of that division;

3 (f) (I) PRIOR TO JANUARY 1, 2013, two retirees, one of whom ~~shall~~  
4 ~~be~~ IS elected by those members who have retired from the local  
5 government division, the judicial division, or from the state division, and  
6 one of whom shall be elected by those members who have retired from  
7 the local government division, the judicial division, or the school  
8 division; except that both retiree trustees cannot have retired from the  
9 same division; ~~and~~

10 (II) ONCE ONE OF THE TRUSTEES ELECTED PRIOR TO JANUARY 1,  
11 2013, VACATES THE POSITION OR HIS OR HER TERM ENDS, ONE RETIREE  
12 ELECTED BY ALL MEMBERS WHO HAVE RETIRED FROM THE LOCAL  
13 GOVERNMENT DIVISION, THE JUDICIAL DIVISION, THE STATE DIVISION, OR  
14 THE SCHOOL DIVISION; EXCEPT THAT THE OTHER RETIREE TRUSTEE  
15 ELECTED PRIOR TO JANUARY 1, 2013, MAY CONTINUE SERVING HIS OR HER  
16 TERM; AND

17 (g) Three trustees appointed by the governor and confirmed by the  
18 senate. ~~who shall not be members, inactive members, or retirees of the~~  
19 ~~association and who shall~~ ON OR AFTER JANUARY 1, 2013, THE GOVERNOR  
20 SHALL APPOINT, WITH SENATE CONFIRMATION, FOUR ADDITIONAL  
21 TRUSTEES WHO SHALL REPLACE THE ELECTED TRUSTEES' POSITIONS THAT  
22 WERE ELIMINATED PURSUANT TO PARAGRAPHS (b), (c), AND (f) OF THIS  
23 SUBSECTION (1). THE TRUSTEES APPOINTED BY THE GOVERNOR SHALL NOT  
24 BE MEMBERS, INACTIVE MEMBERS, OR RETIREES OF THE ASSOCIATION AND  
25 ARE REQUIRED TO have significant experience and competence in  
26 investment management, finance, banking, economics, accounting,  
27 pension administration, or actuarial analysis. Of the ~~three~~ SEVEN trustees,

1 appointed by the governor ~~no~~ SHALL NOT APPOINT more than ~~two~~ shall be  
2 THREE from the same political party.

3 (3) (a) ~~The term for each of the initial three appointed trustees~~  
4 ~~shall be determined by the governor and shall be staggered with a~~  
5 ~~one-year term, a two-year term, and a three-year term with no trustee~~  
6 ~~assigned the same term length.~~ THE INITIAL TERM FOR EACH OF THE FOUR  
7 ADDITIONAL TRUSTEES APPOINTED AFTER JANUARY 1, 2013, PURSUANT TO  
8 PARAGRAPH (g) OF SUBSECTION (1) OF THIS SECTION IS DETERMINED BY  
9 THE GOVERNOR AND IS STAGGERED WITH A ONE-YEAR TERM, TWO  
10 TWO-YEAR TERMS, AND A THREE-YEAR TERM. After each of the initial  
11 terms ~~conclude~~ CONCLUDES, the term for ALL appointed trustees ~~shall be~~  
12 IS four years. Appointed trustees may be reappointed to the board for an  
13 unlimited number of terms.

14 (5) When a vacancy occurs among the ~~three~~ SEVEN appointed  
15 trustees, the governor shall appoint, with THE consent of the senate, a new  
16 trustee with the experience and competence specified in paragraph (g) of  
17 subsection (1) of this section to serve the remainder of any unexpired  
18 term. Such appointee may serve on a temporary basis if the general  
19 assembly is not in session when he or she is appointed until the general  
20 assembly is in session and the senate is able to consent to such  
21 appointment.

22 **SECTION 3. Accountability.** Five years after this act becomes  
23 law and in accordance with section 2-2-1201, Colorado Revised Statutes,  
24 the legislative service agencies of the Colorado general assembly shall  
25 conduct a post-enactment review of the implementation of this act  
26 utilizing the information contained in the legislative declaration set forth  
27 in section 1 of this act.

1           **SECTION 4. Safety clause.** The general assembly hereby finds,  
2 determines, and declares that this act is necessary for the immediate  
3 preservation of the public peace, health, and safety.