

*Colorado Legislative Council Staff Fiscal Note*  
**STATE and STATUTORY PUBLIC ENTITY  
 FISCAL IMPACT**

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<b>Drafting Number:</b> LLS 14-0794	<b>Date:</b> April 28, 2014
<b>Prime Sponsor(s):</b> Sen. Lambert; Steadman Rep. Gerou; May	<b>Bill Status:</b> Senate Appropriations
	<b>Fiscal Analyst:</b> Lauren Schreier (303-866-3523)

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**SHORT TITLE:** PERA STUDIES CONDUCTED BY ACTUARIAL FIRM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>		
<b>State Expenditures</b>	<b><u>\$500,000</u></b>	
General Fund	500,000	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> \$500,000 - Multiple Agencies (FY 2014-15)		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

The bill, **recommended by the Joint Budget Committee**, requires the state personnel director within the Department of Personnel and Administration (DPA) and the state auditor within the State Auditor's Office to conduct a total compensation study. The DPA must contract with a third party compensation consulting firm with actuarial expertise and national standing to perform a total compensation study that includes retirement benefits. The study must compare total and component costs and values of the state's total compensation strategy against similar workforce structures, including both private companies and other states.

The bill also requires the Colorado Public Employees' Retirement System (PERA) to provide member information and necessary data to any third party compensation consulting firm, under a confidentiality agreement. The bill appropriates \$125,000 to the DPA for the purposes of this work. The DPA is required to submit their findings by January 15, 2015, and by January 15th every eighth year thereafter.

The state auditor must contract with a nationally recognized and enrolled actuarial firm with relevant experience in public sector pension plans to conduct a study including, but not limited to:

- the cost and effectiveness of the current hybrid defined benefit plan design currently offered by the PERA to alternative plan designs used in the public and private sectors; and
- a sensitivity analysis to determine, from an actuarial perspective, whether the PERA's model assumptions are meeting targets and achieving long-term actuarial sustainability.

The bill requires the PERA and state auditor to collaborate with the Governor's Office of State Planning and Budgeting (OSPB) to determine the appropriate scope of analyses. The state auditor and PERA must select a firm by October 1, 2014, and enter into a contract with a firm or firms by October 31, 2014. By July 15, 2015, the state auditor and PERA must submit a report to the Office of the Governor, the Joint Budget Committee, the Legislative Audit Committee, and the Finance Committees of the Senate and the House of Representatives. By December 1, 2015, the state auditor and the PERA must submit a report on the sensitivity analysis performed by the firm. The bill appropriates \$375,000 to the state auditor for this purpose. The state auditor must notify the Joint Budget Committee if the appropriation is not sufficient to complete the scope of work the bill requires.

### **State Expenditures**

The bill increase costs by \$500,000 in FY 2014-15, and workload for the DPA, the state auditor, and the Governor's Office of State Planning and Budgeting. This fiscal note assumes that the findings and recommendations of these reports will be addressed in future legislative or budgetary action.

**Department of Personnel.** The bill requires the DPA to contract with a third party compensation consulting firm to perform an analysis of the state's total compensation package. This requires the DPA to solicit vendor proposals and make a selection. The DPA must submit the findings by January 15, 2015, and every eighth year thereafter, as an addendum to their annual compensation report. The \$125,000 appropriation in the bill is anticipated to cover costs associated with the total compensation study. However, if the amount is found to be insufficient, the DPA may request additional funding through the budget process.

**State Auditor.** The bill requires the state auditor to select a nationally recognized and enrolled actuarial firm to conduct an analysis of the state's current PERA plan offerings and whether the plan is actuarially sound. The state auditor must administer a request for proposals and solicit independent third-party firms to conduct the performance review and select the vendor. The state auditor must submit its findings by December 1, 2015. The \$375,000 appropriation in the bill is anticipated to cover costs associated with the total compensation study. However, if the amount is found to be insufficient, the state auditor may request additional funding through the budget process.

**Office of State Planning and Budgeting.** The bill requires the OSPB to collaborate with the state auditor to determine the appropriate scope and analysis of the study. This will increase workload in the OSPB by a minimal amount, and does not require new appropriations.

### **Statutory Public Entity Impact**

The bill requires the PERA to enter into confidentiality agreements and share member information and relevant data to the selected third party compensation consulting firm and the selected actuarial firm, as required. This will increase workload for the PERA by a minimal amount.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State Appropriations**

The bill includes a \$125,000 General Fund appropriation in FY 2014-15 to the Department of Personnel and a \$375,000 General Fund appropriation in FY 2014-15 to the Office of the State Auditor.

**State and Local Government Contacts**

Auditor                  Personnel                  PERA