

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

**Drafting Number:** LLS 12-0688  
**Prime Sponsor(s):** Sen. Neville  
 Rep. Holbert

**Date:** February 7, 2012  
**Bill Status:** Senate Finance  
**Fiscal Analyst:** Kerry White (303-866-3469)

**TITLE:** CONCERNING MEASURES TO INCREASE THE FISCAL SUSTAINABILITY OF THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION.

| Fiscal Impact Summary  | FY 2012-2013  | FY 2013-2014 |
|--|---|--------------|
| State Revenue  |   |              |
| State Expenditures   | Potential reduction.<br>See State Expenditures section. |              |
| FTE Position Change  |   |              |
| <b>Effective Date:</b> August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed. |   |              |
| <b>Appropriation Summary for FY 2012-2013:</b> None required.  |   |              |
| <b>Local Government Impact:</b> See Local Government and School District and Statutory Public Entity Impact sections.                      |   |              |

### Summary of Legislation

This bill requires the Public Employees' Retirement Association (PERA) to adjust provisions governing service credit, retirement, benefit amounts, and annual benefit increases if the amortization period for an affected PERA division exceeds 30 years. It also prohibits the General Assembly from implementing any future increases in employer or member contributions above those in law as of December 31, 2011.

### State Revenue and Expenditures

This bill is assessed as having a conditional fiscal impact on state expenditures. Over the last decade, the state has increased its contributions to improve the funding status of PERA trusts on several occasions. Most recently and among other legislative actions, Senate Bill 10-001 increased the amortization equalization disbursement (AED) and supplemental AED (SAED) contribution rates paid to PERA. If PERA trusts for the state or judicial divisions require additional funding and the state would have otherwise increased its contributions, this bill will reduce state expenditures.

### **Local Government and School District Impact**

Similar to the state impact, if PERA trusts for the local government or school divisions require additional funding and employers would have otherwise increased their contributions, this bill will reduce local government and school district expenditures.

### **Statutory Public Entity Impact**

This bill requires PERA to adjust provisions governing service credit, retirement, benefit amounts, and annual benefit increases if the amortization period for an affected PERA division exceeds 30 years. Conditional upon a PERA division trust exceeding its amortization period, this bill could affect PERA in two ways. First, it may lead to an increase in lawsuits in response to a change in benefits for members that are vested. Second, assuming that PERA is required to honor the benefits payable to members who are vested in their plans, this bill prohibits the General Assembly from adopting legislation to increase contributions to address any future funding shortfalls. As the occurrence of either circumstance is speculative, no estimate of increased costs is provided.

### **Departments Contacted**

PERA