

**First Regular Session
Sixty-third General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 01-0324.01 John Hershey

HOUSE BILL 01-1177

HOUSE SPONSORSHIP

Scott

SENATE SPONSORSHIP

(None)

House Committees

Local Government

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE ISSUANCE OF STATE HEALTH CARE OBLIGATION**
102 **NOTES TO PAY IN ONE LUMP SUM THE STATE'S SHARE OF THE**
103 **UNFUNDED LIABILITY OF THE HEALTH CARE TRUST FUND OF THE**
104 **PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Authorizes the state treasurer, with the approval of the board of trustees of the public employees' retirement association (PERA), to issue state health care obligation notes to pay in one lump sum the share of the unfunded liability in the health care trust fund of PERA that is attributable to the state and school division and the judicial division of PERA.

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.

Provides for repayment of principal and interest on the notes from the portion of employer contributions that would otherwise be allocated to the fund and be used to amortize the unfunded liability.

Upon elimination of the share of the unfunded liability attributable to the state and school division and the judicial division, reduces the portion of employer contributions to PERA that is allocated to the health care trust fund.

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

2 **SECTION 1.** Article 36 of title 24, Colorado Revised Statutes, is
3 amended BY THE ADDITION OF A NEW SECTION to read:

4 **24-36-120. State health care obligation notes - health care trust**
5 **fund - legislative declaration.** (1) THE GENERAL ASSEMBLY HEREBY
6 FINDS AND DECLARES THAT:

7 (a) THE HEALTH CARE TRUST FUND OF THE PUBLIC EMPLOYEES'
8 RETIREMENT ASSOCIATION HAS AN UNFUNDED ACCRUED ACTUARIAL
9 LIABILITY.

10 (b) THE UNFUNDED LIABILITY IS CURRENTLY BEING AMORTIZED
11 USING A PORTION OF EMPLOYER CONTRIBUTIONS TO THE HEALTH CARE
12 TRUST FUND.

13 (c) THE STATE HAS A FINANCING VEHICLE AVAILABLE TO PAY IN
14 ONE LUMP SUM ITS SHARE OF THE UNFUNDED LIABILITY OF THE HEALTH
15 CARE TRUST FUND THROUGH THE ISSUANCE OF STATE HEALTH CARE
16 OBLIGATION NOTES.

17 (d) THE INTENT OF THIS SECTION IS TO PROVIDE AN ALTERNATIVE
18 OR SUPPLEMENTAL METHOD OF FINANCING THE HEALTH CARE TRUST FUND
19 THAT WOULD MAKE POSSIBLE A REDUCTION IN THE AMOUNT OF EMPLOYER
20 CONTRIBUTIONS OR AN INCREASE IN THE PREMIUM SUBSIDY PAID FROM THE
21 TRUST FUND. THE PROVISIONS OF THIS SECTION SHALL NOT BE CONSTRUED
22 TO CHANGE THE AMOUNT OF THE PREMIUM SUBSIDY PROVIDED IN SECTION

1 24-51-1206.

2 (e) THE PURPOSE OF THIS SECTION IS TO AUTHORIZE STATE HEALTH
3 CARE OBLIGATION NOTES AND TO FACILITATE THE USE OF THESE FINANCIAL
4 INSTRUMENTS TO PAY IN ONE LUMP SUM THE SHARE OF THE UNFUNDED
5 LIABILITY OF THE HEALTH CARE TRUST FUND THAT IS ATTRIBUTABLE TO THE
6 STATE AND SCHOOL DIVISION AND THE JUDICIAL DIVISION OF THE PUBLIC
7 EMPLOYEES' RETIREMENT ASSOCIATION IF THE STATE TREASURER AND THE
8 BOARD OF TRUSTEES OF THE ASSOCIATION DETERMINE THAT THE ISSUANCE
9 OF STATE HEALTH CARE OBLIGATION NOTES WOULD BE ADVANTAGEOUS TO
10 THE STATE AND THE ASSOCIATION.

11 (2) (a) (I) THE STATE TREASURER, WITH THE APPROVAL OF THE
12 BOARD OF TRUSTEES OF THE PUBLIC EMPLOYEES' RETIREMENT
13 ASSOCIATION, MAY ISSUE STATE HEALTH CARE OBLIGATION NOTES FOR THE
14 PURPOSE OF PAYING IN ONE LUMP SUM THE TOTAL AMOUNT NECESSARY TO
15 ELIMINATE THE SHARE OF THE UNFUNDED ACCRUED ACTUARIAL LIABILITY
16 OF THE HEALTH CARE TRUST FUND THAT IS ATTRIBUTABLE TO THE STATE
17 AND SCHOOL DIVISION AND THE JUDICIAL DIVISION OF THE ASSOCIATION.
18 PAYMENTS OF PRINCIPAL AND INTEREST ON THE NOTES SHALL BE MADE
19 USING THE NECESSARY AMOUNT OF THE CONTRIBUTIONS OF THE STATE AND
20 SCHOOL DIVISION AND THE JUDICIAL DIVISION OF THE ASSOCIATION THAT
21 WOULD OTHERWISE BE ALLOCATED TO THE HEALTH CARE TRUST FUND
22 UNDER SECTION 24-51-208 (1) (f). THE AMOUNT OF THE LUMP SUM
23 PAYMENT SHALL BE THE PRESENT VALUE OF THE SHARE OF THE UNFUNDED
24 LIABILITY THAT IS ATTRIBUTABLE TO THE STATE AND SCHOOL DIVISION AND
25 THE JUDICIAL DIVISION OF THE ASSOCIATION CALCULATED USING THE MOST
26 RECENT ACTUARIAL VALUATION AND THE ACTUARIAL ASSUMPTIONS IN
27 EFFECT AT THE TIME THE STATE HEALTH CARE OBLIGATION NOTES ARE

1 ISSUED.

2 (II) THE LUMP SUM PAYMENT SHALL BE TRANSFERRED TO THE
3 ASSOCIATION AND PLACED IN THE HEALTH CARE TRUST FUND. THE BOARD
4 SHALL ANNUALLY REPORT TO THE STATE TREASURER ON THE STATUS OF
5 THE MONEYS IN THE HEALTH CARE TRUST FUND ATTRIBUTABLE TO THE
6 STATE AND SCHOOL DIVISION AND THE JUDICIAL DIVISION AND EARNINGS
7 THEREON.

8 (b) THE STATE TREASURER SHALL CONTRACT FOR SERVICES
9 RELATED TO ISSUING STATE HEALTH CARE OBLIGATION NOTES UNDER THIS
10 SECTION. THE STATE TREASURER SHALL ENSURE THAT THE DIRECT
11 EXPENSES OR OTHER COSTS OF ALL GOVERNMENT ENTITIES INCURRED IN
12 CONNECTION WITH CONTRACTING FOR SERVICES RELATED TO ISSUING
13 STATE HEALTH CARE OBLIGATION NOTES UNDER THIS SECTION ARE PAID
14 SOLELY FROM THE PROCEEDS OF THE SALE OF THE NOTES.

15 (c) ANY FINANCIAL OR OTHER INSTRUMENT AUTHORIZING THE
16 ISSUANCE OF STATE HEALTH CARE OBLIGATION NOTES UNDER THIS SECTION
17 SHALL PLEDGE FOR THE REPAYMENT OF THE NOTES, TO THE EXTENT
18 NECESSARY UNDER SECTION 20 (4) (b) OF ARTICLE X OF THE STATE
19 CONSTITUTION TO CONSTITUTE ADEQUATE PRESENT CASH RESERVES
20 PLEDGED IRREVOCABLY AND HELD FOR PAYMENTS IN ALL FUTURE YEARS,
21 MONEYS IN THE HEALTH CARE TRUST FUND ATTRIBUTABLE TO THE STATE
22 AND SCHOOL DIVISION AND THE JUDICIAL DIVISION OF THE ASSOCIATION.

23 **SECTION 2.** 24-51-208 (1) (f), Colorado Revised Statutes, is
24 amended, and the said 24-51-208 is further amended BY THE
25 ADDITION OF A NEW SUBSECTION, to read:

26 **24-51-208. Allocation of moneys.** (1) The moneys of the
27 association shall be divided into several trust funds, including, but not

1 limited to:

2 (f) The health care trust fund, created pursuant to the provisions
3 of section 24-51-1201, which consists of a portion of the employer
4 contributions equal to one and one-tenth percent of member salaries OR
5 ANOTHER PORTION FOR EMPLOYERS IN CERTAIN DIVISIONS OF THE
6 ASSOCIATION AS DETERMINED PURSUANT TO SUBSECTION (4) OF THIS
7 SECTION; thirty percent of the amount of any reduction in the employer
8 contribution rates as determined in section 24-51-408.5 (5) to amortize
9 any overfunding in each division's trust fund; deductions of premium
10 amounts from monthly benefits of participating benefit recipients;
11 premiums paid directly to the trust fund by participating benefit recipients,
12 members, and dependents; monthly payments made by employers on
13 behalf of participating benefit recipients, members, and dependents; ANY
14 LUMP SUM PAYMENTS FROM THE PROCEEDS OF STATE HEALTH CARE
15 OBLIGATION NOTES ISSUED UNDER SECTION 24-36-120; and interest; in
16 addition to a proportional share of investment income earned thereon;

17 (4) (a) IF, AS A RESULT OF THE ISSUANCE OF STATE HEALTH CARE
18 OBLIGATION NOTES UNDER SECTION 24-36-120, THE SHARE OF THE
19 UNFUNDED ACCRUED ACTUARIAL LIABILITY OF THE HEALTH CARE TRUST
20 FUND THAT IS ATTRIBUTABLE TO THE STATE AND SCHOOL DIVISION AND THE
21 JUDICIAL DIVISION OF THE ASSOCIATION IS ELIMINATED, THE PORTION OF
22 THE CONTRIBUTION RATES FOR EMPLOYERS IN THE STATE AND SCHOOL
23 DIVISION AND THE JUDICIAL DIVISION THAT IS ALLOCATED TO THE HEALTH
24 CARE TRUST FUND SHALL BE REDUCED FROM ONE AND ONE-TENTH PERCENT
25 OF MEMBER SALARIES TO THE PERCENTAGE NECESSARY TO FUND THE
26 ACTUARIAL NORMAL COST FOR THE PREMIUM SUBSIDY FOR THE STATE AND
27 SCHOOL DIVISION AND FOR THE JUDICIAL DIVISION, AS DETERMINED BY THE

1 ASSOCIATION’S ACTUARY AT THE TIME THE NOTES ARE ISSUED.

2 (b) IF THE ACTUARIAL VALUE OF ASSETS IN THE HEALTH CARE
3 TRUST FUND EXCEEDS THE ACTUARIAL ACCRUED LIABILITIES OF THAT FUND,
4 AS DETERMINED BY THE ASSOCIATION’S ACTUARY, THE FUND SHALL BE
5 CONSIDERED OVERFUNDED BY THE AMOUNT OF THE DIFFERENCE. IF, AFTER
6 THE REDUCTION OF EMPLOYER CONTRIBUTIONS TO THE FUND PURSUANT TO
7 THIS SUBSECTION (4), THE FUND REMAINS OVERFUNDED, THE AMOUNT OF
8 THE OVERFUNDING SHALL REMAIN IN THE FUND AS A RESERVE TO BE USED,
9 AS DETERMINED BY LAW, TO FUND FUTURE UNFUNDED LIABILITIES OR TO
10 INCREASE THE PREMIUM SUBSIDY PROVIDED IN SECTION 24-51-1206.

11 **SECTION 3. Effective date.** This act shall take effect at 12:01
12 a.m. on the day following the expiration of the ninety-day period after
13 final adjournment of the general assembly that is allowed for submitting
14 a referendum petition pursuant to article V, section 1 (3) of the state
15 constitution; except that, if a referendum petition is filed against this act
16 or an item, section, or part of this act within such period, then the act,
17 item, section, or part, if approved by the people, shall take effect on the
18 date of the official declaration of the vote thereon by proclamation of the
19 governor.