



May 8, 2020

Dear Members of the Joint Budget Committee,

On behalf of the members of Secure PERA, the Colorado Coalition for Retirement Security, we urge you to maintain the state's commitments to the Colorado Public Employees' Retirement Association (PERA).

Secure PERA represents the workers across the state who have kept Colorado running during these uncertain times such as our public healthcare workforce continuing to face the virus head on each day. Our educators and administrators managed to rapidly transition to a remote learning environment while also providing ways for children to still receive the food they may only receive in a school environment. And countless public employees who have maintained vital government services accessible to communities across the state.

We recognize you are undertaking the significant and challenging task of revising the state's budget due to changes in costs incurred and revenue lost because of the COVID-19 crisis. We appreciate the thoughtfulness with which you are weighing these tough decisions across many vital state services and areas of need.

While it may seem like a cost savings to the state to alter its contributions to PERA, these actions will have compounding and negative consequences that the state will need to address in the future. We strongly think the state's commitment should be one of the last places to go to for budget balancing options. Most notably of concern are:

1. Forgoing the state's obligation of \$225 million in a direct contribution to PERA for FY20-21,
 2. Shifting the payment date of the \$225 million from July 1 to June 30 of each fiscal year.
- Combined with the non-payment in FY 20-21, the next payment to PERA would not be until in June 2022. PERA would lose out on more than 25 months of investing and benefiting from any economic recovery in the markets.

In 2018, the Colorado General Assembly passed significant reforms, SB18-200, to put PERA on the path for full funding for each of the divisions within 30 years. To do so, there were major concessions and changes for employers, employees, and retirees. Employers and employees across each PERA division saw their contributions increase and their benefits – from their retirement dates to the way in which their benefits are calculated – change. The state was also directed to make a \$225 million direct contribution to PERA to catch up from the state's past underfunding of the system. Further, it implemented the "auto-adjust" provision that increases or decreases contribution rates to keep the system on track to meet the 30-year fully funded timeline.

Following the staff recommendations could have negative consequences, namely:

- Should the state not make these contributions, the ability of PERA to meet the 30 year fully funded timeline will be significantly harder. While we are waiting for the 2019 CAFR report from PERA and anticipate a higher than projected rate of return, we know that at the end of 2018, the state division was on track to be fully funded in 28 years.

- Further, all retirees, employees and employers across all divisions will bear the brunt. This is because of the auto adjust feature. Retirees see a decrease in their cost of living and employers and employees see their contributions increase.
- Increasing the unfunded liability for PERA could have an impact on the state’s credit rating. In 2017, S&P downgraded the state’s credit rating due to several factors, which included the state not paying its share of their pension obligations. After the passage of SB19-200, that rating stabilized.

A strong, stable PERA system is critical to recruiting and retaining high quality public employee workforce. PERA retirement payments are also an economic lifeline to many parts of our state. In fact, [a recent study by Pacey Economics](#) found that PERA generates \$6.5 billion in economic output. Over \$4.1 billion in benefits is paid out to PERA retirees annually and since eight seven percent of PERA retirees stay in Colorado, they spend their retirement income in every county in Colorado, providing a steady stream of income to businesses in Colorado. These retirement distributions are even more critical in an economic downturn and in rural parts of our state.

As a coalition of PERA members, retirees, and supporters, we are dedicated to supporting retirement security for all Coloradans, especially public employees. We know you have challenging decisions to make. We hope you will work hard to uphold the commitment the state made in SB18-200.

Sincerely,

American Federation of State County & Municipal Employees
 American Federation of Teachers Colorado
 Association of Colorado State Patrol Professionals
 Colorado AFL-CIO
 Colorado Association of School Executives
 Colorado Education Association
 Colorado Professional Fire Fighters
 Colorado School & Public Employees Retirement Association
 Colorado WINS
 National Public Pension Coalition

CC:

Speaker KC Becker
 Senate President Leroy Garcia
 Alfredo Kemm, JBC Staff

