

HB20-1379 - Suspend Direct Distribution To PERA Public Employees Retirement Association For 2020-21 Fiscal Year

While the PERA Board of Trustees understands the budget deficit faced by the State of Colorado due to the Covid-19 pandemic, as fiduciaries to the members and beneficiaries of the PERA trust funds and in accordance with their funding policy, the PERA Board of Trustees will oppose any bill that reduces the contributions into PERA or increases PERA's unfunded liability until PERA's overall funded ratio exceeds 110%. Below is the both the immediate dollar impact to the PERA trust funds and the projected impact to PERA's unfunded liabilities of HB20-1379.

Immediate dollar impact to the Division Trust Funds under the proposed legislation:

Displayed below is the amount of dollars allocated by Division Trust Fund, as anticipated as of July 1, 2020, but which will not be received by PERA if this legislation is enacted:

Fiscal Year	State Division	School Division	Local Government Division	Judicial Division	DPS Division	Fiscal Year Total Impact
2020-21	\$75,594,000	\$129,334,000	\$0	\$1,340,000	\$18,732,000	\$225,000,000

Projected Impact on PERA Unfunded Actuarial Accrued Liability (UAAL) of HB20-1379

To assess the potential impact to the unfunded actuarial accrued liability (UAAL) of each division, the table below displays the projected additional UAAL resulting from the loss of the \$225 million direct distribution for fiscal year 2020-21. The summary of impact is based on an estimated investment return of 20.0% for the 2019 plan year, and that economic and demographic assumptions will be met over time.

	Estimated Additional UAAL (\$ in millions) resulting from suspension of the \$225 million direct distribution for FY 20-21 under the assumptions as stated
Division	20.0% for 2019 Plan Year, 7.25% for 2020 Plan Year (all demographic assumptions met)
State	\$320
School	\$640
Local Government	N/A
Judicial	\$3
DPS	\$30

As HB20-1379 reduces the contributions into PERA and has the effect of increasing PERA's projected UAAL, the PERA Board opposes HB20-1379.