

SECURE | PERA

COLORADO COALITION FOR RETIREMENT SECURITY



2020 Legislative Session: Balancing the Budget

Representative Julie McCluskie, HD61

Joint Budget Committee Member

Secure PERA & CSPERA: 2020 Legislature & Impact on PERA

July 13, 2020

Select another tab to see additional visuals

Budget Across Departments

Share by Department

Growth in Perspective

State Operating Budget

All Funds, Dollars in Millions

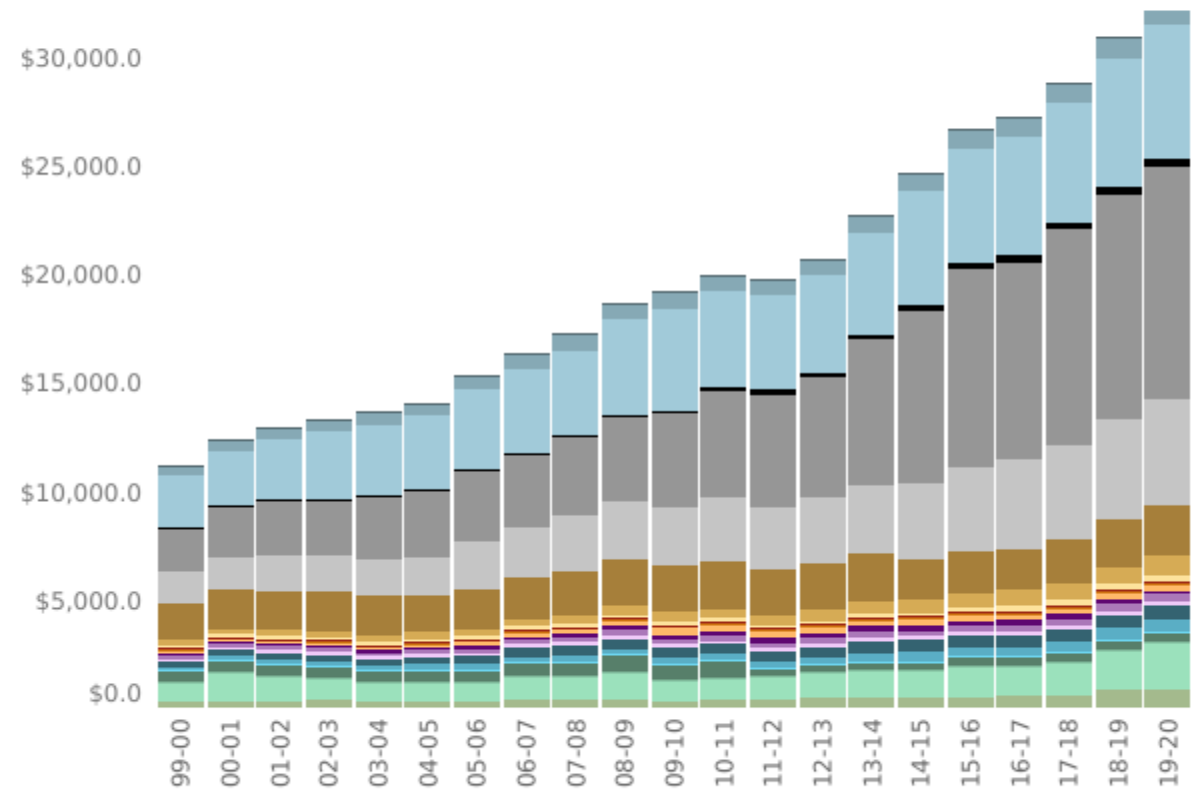
Operating Budget

● All Funds

○ General Fund Only

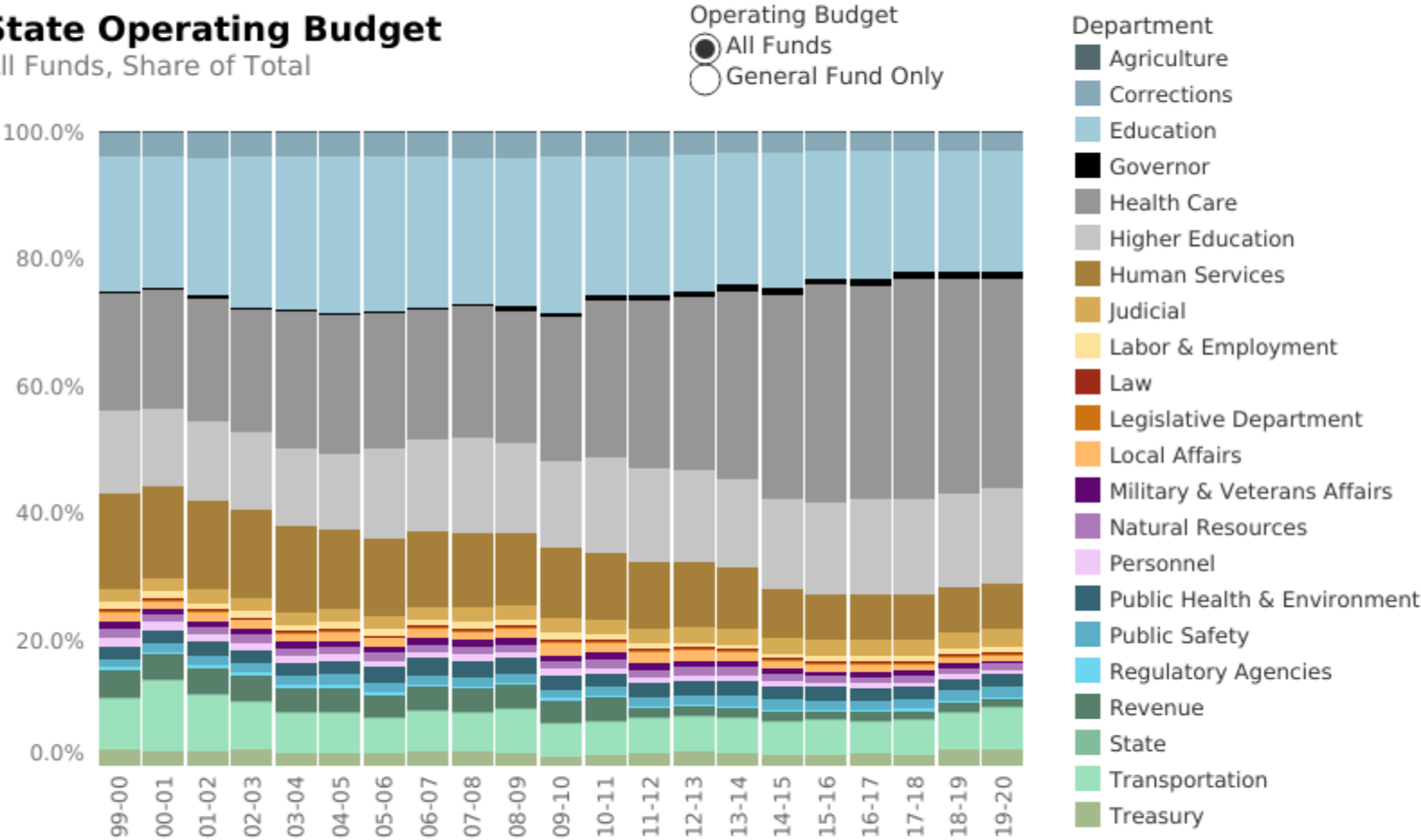
Department

- Agriculture
- Corrections
- Education
- Governor
- Health Care
- Higher Education
- Human Services
- Judicial
- Labor & Employment
- Law
- Legislative Department
- Local Affairs
- Military & Veterans Affairs
- Natural Resources
- Personnel
- Public Health & Environment
- Public Safety
- Regulatory Agencies
- Revenue
- State
- Transportation
- Treasury



State Operating Budget

All Funds, Share of Total



Next Year | FY 2020-21 Budget Outlook

Additional revenue available to spend above FY 2019-20 spending levels.*



March 2019

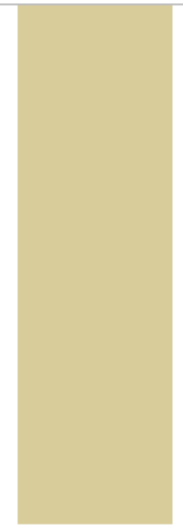
Forecast

\$27.3 Million

Enough revenue to
hold appropriations
flat, no inflation or
caseload growth

May 2020

Forecast Update



-\$3.3 Billion Shortfall

-25.3% of FY 2019-20

Expenditures

Changes relative to March:

\$895.8 million deficit carried
over from FY 2019-20

General Fund revenue
expectations were reduced in
FY 2020-21 by \$2.42 billion

Shortfall amount does not
include inflation or caseload
pressures

Any budget changes for
FY 2019-20 will carry into
FY 2020-21

Source: Legislative Council Staff forecasts based on current law.

*Amounts hold FY 2019-20 appropriations constant and incorporate the revenue forecast, current law transfers, rebates and expenditures, TABOR refund obligations, and the 7.25% reserve requirement.

Getting to a Balanced Budget

- Sweeping of Cash Funds to General Fund, including repeal of diversions
- Defund, eliminate or decrease funding to grant programs, new programs
- Freeze on new Capital Construction projects
- Increase BS Factor, Cut Base Funding for Higher Education
- Expand HAS Fee, Increase to FMAP
- 5% Personal Services cut all departments
- 1% across-the-board provider rate cut
- Miscellaneous
- PERA Options...

PERA Options

- Postpone PERA Employer Automatic Increase Adjustments of 0.5 percent
- Postpone PERA Employee Automatic Increase Adjustments of 0.5 percent
- Postpone PERA Employee Contribution Structural Increase of 0.75 percent
- Shift 2.5 Percent of PERA Employer Contribution to Employees
- Reduce AED and SAED rates by 2.5 percent
- Delay or Suspend PERA Direct Distribution



Contact Information:

Rep. Julie McCluskie

Julie.McCluskie.House@state.co.us

303-866-2952 office

970-977-0021 mobile

McCluskieforCO.com (website)

Secure PERA & CSPERA

2020 Legislature & Impact on PERA

July 13, 2020

Ron Baker, Executive Director



2019 Comprehensive Annual Financial Report



Comprehensive Annual Financial Report
Public Employees' Retirement Association of Colorado
For the Year Ended December 31, 2019



■ HOW ARE PERA'S INVESTMENTS DOING?

At the end of 2019, PERA's investment return was 20.3% net-of-fees.

■ WHAT IS PERA'S FUNDED STATUS?

PERA's funded status increased to 61.9%.

PERA Provides for 1 in 10 Coloradans

For the Year Ended December 31, 2019

Contributions

621,000 members and
489 employers contribute to
PERA from each paycheck

Each year, PERA
pays more than
\$4.7 billion to
retirees, **90%** of
whom **live in**
Colorado

Investments

PERA invests the money and
leverages **economies of**
scale and **investment**
expertise to generate returns

PERA
manages
\$52 billion

9.1%
10-year
average return

Budget Package Legislation Concerning PERA

HB20-1379: Suspend Direct Distribution to PERA for FY 2020-21

This bill suspended the \$225 million annual direct distribution payment of state funds to PERA for one fiscal year

HB20-1394: PERA Judicial Division Contribution Rate Modification

The bill decreases the employer contribution rate by 5 percent and increases the member contribution rate by 5 percent in the Judicial Division of PERA for the next two fiscal years

Projected Amortization Periods (in years)

For the Year Ended December 31, 2019

Division Trust Fund	2019 Valuation Results Considering HB 20-1379 and HB 20-1394	2019 Valuation Results	2018 Valuation Results
State	22	22	28
School	24	24	34
Local Government	14	14	29
Judicial	12	12	21
Denver Public Schools (DPS)	11	11	17

What is the Automatic Adjustment Provision

Four Components



How does the Automatic Adjustment Provision keep PERA on schedule?

IF PERA IS BEHIND SCHEDULE



Decrease AI percentage by up to 0.25% in one year, not to fall below 0.5%



Increase employer contributions by up to 0.5% in one year, not to exceed an additional 2%



Increase member contributions by up to 0.5% in one year, not to exceed an additional 2%



Increase the direct distribution from the State budget by up to \$20 million in one year, not to exceed \$225 million

PERA'S PROGRESS TOWARD FUNDING GOAL



IF PERA IS AHEAD OF SCHEDULE



Increase AI percentage by up to 0.25% in one year, not to exceed 2%



Decrease employer contributions by up to 0.5% in one year, not to fall below 2018 levels



Decrease member contributions by up to 0.5% in one year, not to fall below 2018 levels

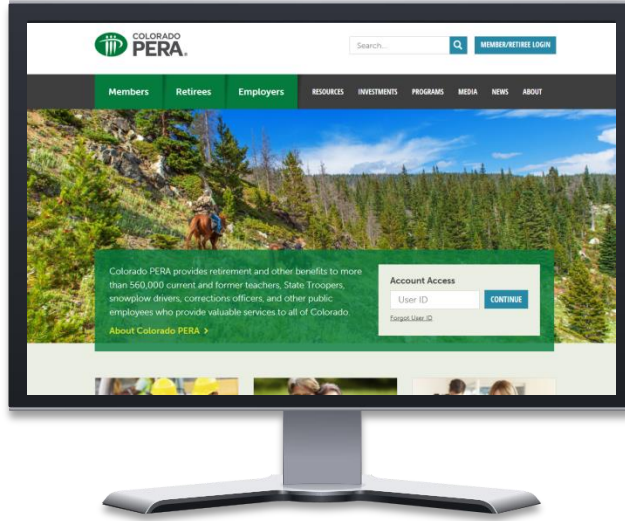


Decrease the direct distribution from the State budget by up to \$20 million in one year

What to Expect Moving Forward

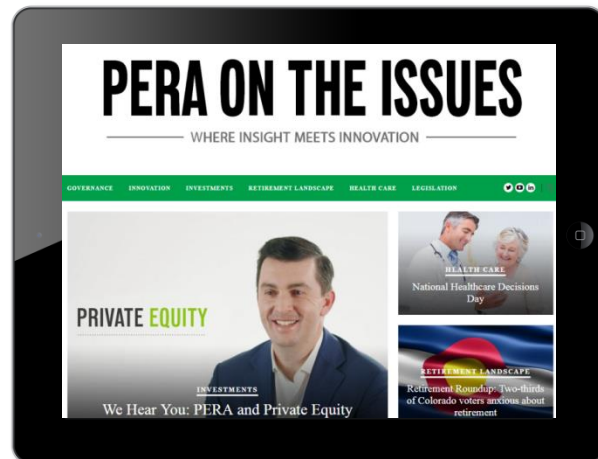
- Experience Study
- SB1/SB200 Report
- Financial results for 2020 will be calculated as of December 31, 2020

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Blog
www.peraontheissues.com

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COLORADO COALITION FOR RETIREMENT SECURITY



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Stabilizing the state budget

Repeal of the Gallagher Amendment

- Will be on ballot in November
- Gallagher requires 45% of the state's property tax base be levied on homes, and 55% on commercial properties.
- With rising home values over the years, the state has had to ratchet down the assessment rate to maintain that ratio. That's hurt rural communities that rely more on residential property taxes for schools and forced the state into a situation where it now pays 65% of the cost of public education, with local property taxes covering the rest. Repealing this amendment will stop cuts that happen due to this ratcheting down of the assessment rate.

Stabilizing the state budget

Fair Tax Colorado: fairtaxcolorado.org

- Collecting signatures to get on the November ballot.
- Reduces taxes for families who make under \$250,000; increases taxes for those who make more than that. Generates \$2 billion in new revenue – half will go to increasing pay for teachers and support staff. The other half will go toward the impacts of a growing population and changing economy.

ACTION NEEDED:

- Sign a Petition: fairtaxcolorado.org/sign-a-petition
- Help collect signatures (safely): fairtaxcolorado.org/volunteer-information

Stabilizing the state budget

Tell Congress: More support for State & Local Governments!

- Congress is debating making additional funds available to help state and local governments and school districts. These funds are critical to keeping public services available and help our state.

ACTION NEEDED:

- Contact Colorado's Senators Bennet and Gardner and your Congressperson
- Tell them to support additional funding for critical public services and relief for state and local governments, including school districts.
- While you are at it, point out they need to repeal GPO/WEP. Learn more here: www.nea.org/home/16819.htm

US Senate

Michael Bennet: (202) 224-5852

Corey Gardner: (202) 224-5941

US House

CD1 – Dianna DeGette: (202) 225-4431

CD2 – Joe Neguse: (202) 225-2161

CD3 – Scott Tipton: (202) 225-4761

CD4 – Ken Buck: (202) 225-4676

CD5 – Doug Lamborn: (202) 225-4422

CD6 – Jason Crow: (202) 225-7882

CD7 – Ed Perlmutter: (202) 225-2645

THANK YOU!



www.SecurePERA.org



www.CSPERA.org