



2018 Legislation Impacting COLORADO PERA

During the 2018 legislative session, two bills affecting Colorado PERA were introduced, one of which was signed into law.

SENATE BILL 18-200: MODIFICATIONS TO PERA PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION TO ELIMINATE UNFUNDED LIABILITY

Status: Signed into law by Governor Hickenlooper on June 4, 2018.

The bill makes the following changes:

CURRENT MEMBERS

- » Increase the member contribution rate by an additional 2 percent of pay (phased-in beginning July 1, 2019) totaling 10 percent for most members by July 1, 2021.
- » Require a three-year wait before receiving the first annual increase.
- » Set the annual increase cap at 1.5 percent.
- » Redefine PERA-includable salary to include sick leave payout.
- » Increase to five years the Highest Average Salary (HAS) calculation for nonvested members (for those with fewer than five years of service credit as of January 1, 2020); increase to three-year HAS for Judicial Division members who do not have five years of service credit as of January 1, 2020.

CURRENT RETIREES

- » Set the annual increase cap at 1.5 percent.
- » Suspend the annual increase for two years (effective for 2018 and 2019).
- » Increase the working retiree contribution rate (for retirees working for PERA employers) by an additional 2 percent of pay (phased-in beginning July 1, 2019) totaling 10 percent for most retirees by July 1, 2021.

EMPLOYERS

- » Increase the employer contribution rate by an additional 0.25 percent except for Local Government Division employers, effective July 1, 2019.
- » Require contributions on deductions made to cafeteria or qualified transportation plans for new members hired on or after July 1, 2019.
- » Redefine PERA-includable salary to include sick leave payout for all current and future members.

FUTURE MEMBERS (STARTING MEMBERSHIP JANUARY 1, 2020, OR AS INDICATED)

- » Increase eligibility requirements (age and service) for full service retirement benefits to age 64 with 30 years of service; age 55 and 25 years of service for a reduced service retirement. (For State Troopers, full service retirement

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eligibility will increase to age 55 with 25 years of service and age 55 with 20 years of service for reduced service retirement eligibility.)

- » Increase the number of years used in the HAS calculation to five years; increase to three-year HAS for Judicial Division members.
- » Set the annual increase cap at 1.5 percent.
- » Require a three-year wait before receiving the first annual increase.
- » Increase the member and working retiree contribution rates incrementally by an additional 2 percent of pay for new hires, totaling 10 percent for most members as of July 1, 2021.
- » Redefine PERA-includable salary to include sick leave payout.
- » Require contributions on deductions made to cafeteria or qualified transportation plans (applies to new PERA members hired on or after July 1, 2019).
- » Expand Defined Contribution (DC) Choice to employees hired in the Local Government Division on or after January 1, 2019, and to classified college and university employees hired on or after January 1, 2019.

STATE DIRECT DISTRIBUTION

- » Receive an annual direct distribution from the State budget of \$225 million to the trust funds of the State, School, Denver Public Schools, and Judicial Divisions, starting July 1, 2018.

OTHER PROVISIONS

Senate Bill 18-200 contains additional provisions to ensure PERA remains a stronger and more stable retirement fund.

- » **Automatic Adjustment Provision**—Adjusts four components: member contributions, employer contributions, State direct distribution, and the annual increase. If the fund is behind the 30-year goal, member and employer contributions will increase, the direct distribution will increase, and the annual increase percentage will be reduced by up to 0.5 percent in one year.
- » **Legislative Oversight**—Expands the existing Police Officers' and Firefighters' Pension Reform Commission to include oversight of PERA and creates a pension review subcommittee exclusively focused on PERA. The 14-member subcommittee will include four legislators appointed from the Commission and 10 appointed external experts from relevant industries.
- » **Safety Officer Rate and Benefit**—Apply the State Trooper contribution rate and benefits to certain other safety officers, including sheriff deputies and corrections officers hired on or after January 1, 2020.

PERA's Position: The PERA Board did not take a position on this bill.

HOUSE BILL 18-1111: MODIFICATIONS TO PERA BOARD OF TRUSTEES

Status: Postponed indefinitely by the House Committee on State, Veterans and Military Affairs.

The bill would have eliminated one elected Trustee position from the State Division and three elected Trustee positions from the School Division. These four elected Trustees would have been replaced by Trustees appointed by the Governor and confirmed by the State Senate, bringing the total of appointed Trustees to seven. The appointed Trustees would have been required to have at least 10 years of experience in a set of predefined professional fields. The elected Trustees who would have remained on the Board must be at least 20 years away from retirement eligibility.

The bill would have also authorized a Trustee to review all PERA records, including member salary and benefit information, even if that information would otherwise be deemed confidential by law.

PERA's Position: The PERA Board voted to oppose this bill.