

# Impact of CHANGES

Senate Bill 18-200 (SB 200) was passed by the Colorado General Assembly on May 9, 2018, and signed by Governor Hickenlooper on June 4, 2018. This legislative package will restore PERA to full funding within 30 years. By enacting SB 200, PERA's membership and Colorado taxpayers will benefit from a stronger, more stable retirement fund.

Listed below are the provisions of SB 200 that affect PERA's membership.



## 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.



## State Direct Distribution

- » Receive a 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.



## Future Members (starting membership 1/1/2020 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 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.\*
- » 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.

\* Applies to new PERA members hired on or after July 1, 2019.



### Other Provisions

SB 200 contains additional provisions to ensure PERA remains a stronger and more stable retirement fund.

- » **Automatic Adjustment Provision**—Makes incremental changes to four factors to keep PERA on-track to reach its funding goal: member and employer contribution rates, the State direct distribution, and the annual increase. The amount of the adjustments to each of these factors is not fixed and will depend on the funding needs. If the fund is behind schedule, the member and employer contribution rates can increase by no more than 0.5 percent and the annual increase can be reduced by no more than 0.25 percent in a single year. If the fund is ahead of schedule, member and employer contribution rates can be decreased by up to 0.5 percent, the annual increase can be raised by up to 0.25 percent in one year and the State direct distribution can be decreased by up to \$20 million. In total and over multiple years, changes from the automatic adjustment provision to member and employer contribution rates will not exceed an additional 2 percent or fall below 2018 levels, the annual increase will not fall below 0.5 percent or exceed 2 percent, and the State direct distribution will not exceed \$225 million.
- » **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 other safety officers, including sheriff deputies and corrections officers hired on or after January 1, 2020.

### PERA BENEFITS THAT DIDN'T CHANGE

PERA's Defined Benefit Plan remains one of the most competitive plans in the country, providing Colorado's public employees with a comprehensive benefit package that includes the following:

- » A secure retirement income that cannot be outlived.
- » The ability to take retirement savings to other Colorado public employers who are affiliated with PERA.
- » An individual account where your money is always yours and earns interest.
- » Annual cost-of-living increases in retirement benefits that are compounded year over year.
- » Disability and survivor benefits.
- » Access to voluntary programs such as 401(k) and 457 plans as well as health and life insurance.