

HB20-1394 – Public Employees’ Retirement Association Judicial Division Contribution Rate Modification

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%. While HB20-1394 does not reduce the overall contribution total remitted to PERA for the Judicial Division, the impact of swapping 5% of contributions from the employer to the employee has the impact of slightly increasing the Judicial Division’s liabilities.

PERA member contributions are placed in each PERA member’s account and credited interest. Additionally, if the member has five or more years of service credit, the member’s contribution are matched at either 50% or 100%. By statute, every PERA member will receive back their contributions as either a monthly benefit payment or as a one-time lump sum distribution (refund).

Employer contributions are not credited to a member’s account and are instead allocated to fund benefits and reduce the PERA unfunded liability. A reduction in the employer contribution rate impacts the ability to fund benefits and retire the unfunded liability.

As HB20-1394 has a negative actuarial impact on the Judicial Division funding, the PERA Board opposes HB20-1394.