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Final Fiscal Note

Drafting Number: LLS 24-1076 Date: June 13, 2024
Prime Sponsors: Rep. Bird; Taggart Bill Status: Signed into Law
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Bill Topic: PERA STUDY CONDUCTED BY AN ACTUARIAL FIRM

Summary of Fiscal Impact:
State Revenue [ ] State Transfer [ ] Local Government [ ]
State Expenditure [x] TABOR Refund [ ] Statutory Public Entity [x]

Budget package bill. The bill requires the state auditor to contract with an actuarial firm to analyze PERA. The bill will increase state expenditures in FY 2024-25 only.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$380,750 to the Office of the State Auditor.

Fiscal Note Status: The final fiscal note reflects the enacted bill. The bill is recommended by the Joint Budget Committee as part of its FY 2024-25 budget package.

Table 1
State Fiscal Impacts Under HB 24-1427

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund), Transfers, and Other Budget Impacts (General Fund Reserve).

## Summary of Legislation

By October 31, 2024, the bill requires the state auditor to contract with an actuarial firm to conduct a study of the Public Employee's Retirement Association's (PERA) financials. The scope of the study shall be determined by the state auditor, PERA, and the Office of State Planning and Budgeting. PERA and the state auditor may jointly agree to the selection of a particular firm. If they do not agree by October 1, 2024, the state auditor may select the firm they prefer.

The firm must study the effectiveness of the hybrid defined benefit plan and compare it with alternative plans offered by public and private providers. The study must include an estimate of the costs to transition from the current plan to these alternative plans and the impact that such a transition would have on expected retirement benefits for current and future retirees.

In addition to the study of the hybrid defined benefit plan, the firm must study a comparison of the economic outcomes of the defined contribution and defined benefit plan. This component of the study must examine how different salaries and job classifications are impacted by the selection of a defined contribution or defined benefit plan, and if the defined benefit plan entices individuals to work in state government instead of the private sector.

The report detailing the findings of the study is due to the legislature on August 15, 2025.

## Background

A similar analysis was last required by Senate Bill 14-214 and is available on the [Office of the State Auditor's website](#).

## State Expenditures

The bill will increase state expenditures by \$380,750 in FY 2024-25. Of this, \$50,000 will be used by the Office of the State Auditor to review applications and approve contracts for the firm selected, in addition to monitoring progress. The remaining \$330,750 will be used by the selected firm to conduct the study. Costs are based on contracts with actuarial firms that were previously used by the state auditor and have been adjusted for inflation.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

## Statutory Public Entity

PERA will have increased workload in FY 2024-25 to provide input on the selection of the actuarial firm and to provide the required data to the firm in order to complete the study.

### **Effective Date**

The bill was signed into law by the Governor and took effect on April 18, 2024.

### **State Appropriations**

For FY 2024-25, the bill requires and includes a General Fund appropriation of \$380,750 to the Office of the State Auditor.

### **State and Local Government Contacts**

Office of the State Auditor  
Joint Budget Committee Staff

Public Employees' Retirement Association

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).