



**Legislative Council Staff**

*Nonpartisan Services for Colorado's Legislature*

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**Fiscal Note**

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**Drafting Number:** LLS 22-0174  
**Prime Sponsors:**

**Date:** October 22, 2021  
**Bill Status:** Bill Request  
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**Bill Topic:** **COMPENSATORY DIRECT DISTRIBUTION TO PERA**

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- Summary of Fiscal Impact:**
- State Revenue
  - State Expenditure
  - State Transfer
  - TABOR Refund
  - Local Government
  - Statutory Public Entity

The bill restores a suspended direct distribution payment of \$225.0 million to the Public Employees' Retirement Association that was not made on July 1, 2020, due to pandemic-related budget cuts, plus an estimate of missed investment gains that would have accrued over two years. It creates a one-time state expenditure to a statutory public entity in FY 2022-23.

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**Appropriation Summary:** For FY 2022-23, the bill requires an appropriation of \$303.57 million to the Office of the State Treasurer.

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**Fiscal Note Status:** The fiscal note reflects the bill draft requested by the Pension Review Commission.

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**Table 1**  
**State Fiscal Impacts Under Bill 3**

		<b>Budget Year FY 2022-23</b>	<b>Out Year FY 2023-24</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$303.57 million	-
<b>Transfers</b>		-	-
<b>TABOR Refund</b>		-	-

## **Summary of Legislation**

The bill requires the State Treasurer to issue a warrant to the Public Employees' Retirement Association (PERA) for \$303.57 million on July 1, 2022. This amount reflects the suspended direct distribution payment to PERA of \$225.0 million from July 1, 2020, plus an estimate of investment gains that would have accrued on that amount from July 1, 2020, through June 30, 2022.

The estimate of investment gains that would have accrued over two years is based on:

- PERA's actual annual investment return of 25.8 percent in FY 2020-21 (\$58.05 million); and
- on top of the prior year's total, PERA's annual rate of return of 7.25 percent for FY 2021-22 (\$20.52 million).

## **Background**

Senate Bill 18-200 created the requirement for an annual direct distribution to be paid to PERA each July 1 until the unfunded liabilities of the state, judicial, school, and Denver Public Schools divisional trusts are paid. PERA is required to credit these funds proportionally to the relevant divisional trusts based on the reported payroll for each participating division for the prior plan year ending December 31. The direct distribution is paid primarily from the General Fund, but may also come from cash funds – including the PERA Payment Cash Fund created by Senate Bill 21-228 – reappropriated funds, and federal funds. House Bill 20-1379 suspended the July 1, 2020, direct distribution payment to PERA.

## **Assumptions**

The fiscal note currently assumes the bill requires a General Fund appropriation. It will be updated if the bill identifies another funding source.

## **State Expenditures**

The bill will increase state General Fund expenditures by \$303.57 million in FY 2022-23 to the Office of the State Treasurer for distribution to PERA.

## **Statutory Public Entity**

The \$303.57 million will be credited to the state, judicial, school, and Denver Public Schools divisional trusts and will go toward paying down PERA's unfunded liability. For the 2020 calendar year, the unfunded actuarial accrued liability of the pension reported in their certified annual financial report was \$31.0 billion.

## **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## **State Appropriations**

For FY 2022-23, the bill requires an appropriation of \$303,570,000 General Fund to the Office of the State Treasurer.

## **State and Local Government Contacts**

JBC Staff

PERA

Treasury