EMBRACING CHANGE

to position PERA for the future

Joint Budget Committee
Staff Budget Balancing Recommendations and Options

Additional Information Following PERA Presentation on May 11, 2020
Suspend PERA Direct Distribution

- The JBC staff recommends that the Committee sponsor legislation to (1) suspend the PERA Direct Distribution payment for FY 2020-21, currently scheduled July 1, 2020, and (2) permanently change the payment date of the PERA Direct Distribution from the first day of each fiscal year, July 1, to the last day of each fiscal year, June 30.
Postpone PERA Employer Automatic Increase Adjustments of 0.5 percent
  • The JBC staff recommends that the Committee pursue legislation to postpone
    the automatic increase adjustment for FY 2020-21 to FY 2021-22.

Postpone PERA Employee Automatic Increase Adjustments of 0.5 percent
  • The JBC staff recommends that the Committee pursue legislation to postpone
    the automatic increase adjustment for FY 2020-21 to FY 2021-22.

Postpone PERA Employee Contribution Structural Increase of 0.75 percent
  • The JBC staff recommends that the Committee pursue legislation to postpone
    the employee contribution structural increase of 0.75 percent for FY 2020-21
    to FY 2021-22. Relatedly, staff recommends that the structural increase of 0.5
    percent for FY 2021-22 be postponed to FY 2022-23.

Shift 2.5 Percent of PERA Employer Contribution to Employees
  • The JBC staff recommends that the Committee pursue legislation to
    implement a PERA contribution swap of 2.5 percent for FY 2020-21 for budget
    balancing purposes.
JBC Staff Budget Balancing Recommendations and Options Concerning PERA
Addendum to the Statewide Compensation JBC staff balancing document

» Reduce AED and SAED rates by 2.5 percent
  • The JBC staff as an additional balancing action and “next step” recommendation, includes a 2.5 percent decrease in the AED and SAED rates, currently set at 5.0 percent for state employees, as outlined in ‘JBC Staff Memo: Addendum to the Statewide Compensation JBC staff balancing document’ dated May 1. The JBC staff recommends such a change for state employees in the State Division only.
## Contribution Impact Estimates Reflecting Elements of JBC Staff Recommendations and Options*

*Impacts Based on PERA-Includable Salary Amounts for the Division Trust Funds FY 2020-21*

<table>
<thead>
<tr>
<th>FY 2020-21 Impacts</th>
<th>State</th>
<th>School</th>
<th>Local Government</th>
<th>Judicial</th>
<th>DPS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suspend PERA Direct Distribution</td>
<td>(75,594)</td>
<td>(129,334)</td>
<td>N/A</td>
<td>(1,340)</td>
<td>(18,732)</td>
<td>(225,000)</td>
</tr>
<tr>
<td>Postpone PERA Employer Automatic Increase Adjustments of 0.5 percent</td>
<td>(15,369)</td>
<td>(26,190)</td>
<td>(3,495)</td>
<td>(274)</td>
<td>(3,778)</td>
<td>(49,106)</td>
</tr>
<tr>
<td>Postpone PERA Employee Automatic Increase Adjustments of 0.5 percent</td>
<td>(15,369)</td>
<td>(26,190)</td>
<td>(3,495)</td>
<td>(274)</td>
<td>(3,778)</td>
<td>(49,106)</td>
</tr>
<tr>
<td>Postpone PERA Employee Contribution Structural Increase of 0.75 percent</td>
<td>(23,054)</td>
<td>(39,285)</td>
<td>N/A</td>
<td>(411)</td>
<td>(5,667)</td>
<td>(68,417)</td>
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<tr>
<td>Shift 2.5 Percent of PERA Employer Contribution to Employees Suspend PERA Direct Distribution</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
</tr>
<tr>
<td>Reduce AED and SAED rates by 2.5 percent</td>
<td>(153,692)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>(153,692)</td>
</tr>
</tbody>
</table>

**Total Estimated Impact**  =  **$ (545,321)**

*(all contribution impact estimates in thousands)*
Incremental Impact Estimates Reflecting Elements of JBC Staff Recommendations and Options

State Division

Projected Unfunded Actuarial Accrued Liability in 2041 - State Division

Incremental impact in $ billions

UAAL Projected to increase to $1.57 billion through 2041 if all JBC Staff Recommendations are implemented
Incremental Impact Estimates Reflecting Elements of JBC Staff Recommendations and Options
School Division

Projected Unfunded Actuarial Accrued Liability in 2043 - School Division
Incremental impact in $ billions
UAAL Projected to Increase to $1.83 billion through 2043 if all JBC Staff Recommendations are Implemented
Incremental Impact Estimates Reflecting Elements of JBC Staff Recommendations and Options
All Divisions

Projected Unfunded Actuarial Accrued Liability in 2043 - All Divisions
Incremental Impact in $ billions
UAAL Projected to Increase to $3.54 billion through 2043 if all JBC Staff Recommendations are Implemented
By changing the date of the FY 21-22 Direct Distribution Payment (DD) from July 1, 2021 to June 30, 2022, PERA would not be able to use those dollars in its projections until the 2022 plan year. This alone would result in an Auto Adjust (AA) in 2019 that would have not otherwise occurred (2019 AA would kick in July 1, 2022, resulting in increased ER and EE contributions, and a reduced Automatic Increase for retirees.) Because the State would be budgeting for this DD regardless of payment date, PERA recommends the July 1 payment date remain, as per current statute.

**Auto Adjust Calculation**
(per statute, the Automatic Adjustment kicks in if the ratio of expected contribution rates is <98% of the required rates to reach fully funded status)

<table>
<thead>
<tr>
<th>Estimated Total ER, EE and DD Rate 2021</th>
<th>31.38%</th>
<th>NO Auto Adjust</th>
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</thead>
<tbody>
<tr>
<td>Estimated Total ER and EE Required Rate (per 2019 valuation) 2021</td>
<td>30.28%</td>
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</tr>
<tr>
<td>Ratio</td>
<td>103.63%</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated Total ER, EE and (no) DD Rate 2021</th>
<th>29.21%</th>
<th>Auto Adjust</th>
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</thead>
<tbody>
<tr>
<td>Estimated Total ER and EE Required Rate (per 2019 valuation) 2021</td>
<td>30.28%</td>
<td></td>
</tr>
<tr>
<td>Ratio</td>
<td>96.47%</td>
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</tbody>
</table>
For additional questions, please contact:

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