



## Fiscal Note

### Legislative Council Staff

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## HB 25-1105: PERA TRUE-UP OF DPS DIV EMPLOYER CONTRIBUTION

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**Prime Sponsors:**

Rep. Camacho; Bacon

Sen. Gonzales J.

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**Fiscal note status:** The revised fiscal note reflects the reengrossed bill.

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### Summary Information

**Overview.** The bill reduces the employer contribution rate for the Denver Public Schools (DPS) Division of the Public Employees' Retirement Association from 10.4 percent to 7.4 percent of the member's salary, and makes other modifications to prevent this from impacting other PERA divisions.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- Statutory Public Entity
- School Districts

**Appropriations.** No appropriation is required.

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**Table 1**  
**State Fiscal Impacts**

<b>Type of Impact</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

## Summary of Legislation

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The bill reduces the employer contribution rate for the Denver Public Schools (DPS) Division of the Public Employees' Retirement Association (PERA) from 10.4 percent to 7.4 percent of the member's salary, or 3 percent. The DPS Division member contribution rate percentage is unchanged.

The bill also reduces the amount of employer contributions credited to the DPS Division Health Care Trust Fund, from 1.02 percent to 0.2 percent, by 0.82 percent.

Finally, the bill creates mechanisms specific to the DPS Division to avoid impacting other division's trust funds from July 1, 2025, to June 30, 2030, including:

- removing the DPS Division from direct distribution funding; and
- removing the DPS Division from the Automatic Adjustment Provision (AAP) calculation.

## Background

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### True Up Background and DPS Division Employer Contribution Rate

When the DPS Retirement System merged with PERA in 2010 through Senate Bill 09-282, the bill required a periodic "true up" calculation to be performed beginning in 2015 and every five years thereafter, with the purpose of determining the total DPS Division employer contribution rate that would result in the equalization of the ratio of unfunded actuarial accrued liability over payroll between the DPS and School Divisions at the end of the 30-year period beginning January 1, 2010. The last true-up occurred through House Bill 15-1391, which reduced the DPS Division employer contribution rate from 13.75 percent to 10.15 percent, making it equal to the School Division contribution rate.

Senate Bill 18-200 increased employer contribution rates for all but the Local Government Division by 0.25 percent, resulting in the DPS Division's current statutory employer contribution rate of 10.4 percent. Additionally, the [Automatic Adjustment Provision](#) (AAP) enacted in Senate Bill 18-200 has increased this contribution rate by 1 percent (0.5 percent on July 1, 2020 and 0.5 percent on July 1, 2022), to 11.4 percent as of this writing.

### Comparing DPS and School Division Funded Status and Contribution Rates

The assumed amortization period for the DPS Division as of PERA's 2023 Annual Comprehensive Financial Report is 6 years. Put another way, the DPS Division is 89.6 percent funded. The School Division has a 23-year amortization period, and is 66.7 percent funded.

The employer contribution rates for each division are technically the same, but the DPS Division's employer contribution rate is also reduced by payments to finance the Pension Certificates of Participation (PCOPs) issued in 1997 and 2008, and refinanced in 2011 and 2013. In CY 2025, the PCOP credit is 9.7 percent against the DPS Division's contribution amount, and expected to reduce year over year through CY 2037, when the PCOPs are fully paid.

## 2025 True Up Calculation

In the true-up calculation performed this year, PERA's actuary used the [December 31, 2023, actuarial valuation](#) and the following assumptions:

- 7.25 percent return on market-value of assets for all future years
- 1 percent increase per year in the number of active members
- New members have similar characteristics as those hired in last five years
- Starting salaries for new hires is assumed to grow at 2.3 percent per year
- No changes to Employer and Member Contribution Rates due to future AAP assessments

The calculation found that in order to equalize the unfunded actuarial accrued liability for the two divisions, the DPS Division employer contribution rate could be reduced by 10.15 percent.

## DPS Division Health Care Trust Fund

The DPS Division's Health Care Trust Fund is fully funded, meaning its [actuarially determined contribution](#) is equal to the normal cost (the contribution necessary to pay for benefits), which has been determined as 0.12 percent of employee salaries for the plan year beginning January 1, 2025.

## School District

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Denver Public Schools will have a cost savings estimated at \$31.2 million in CY 2025, \$32.3 million in CY 2026, and similar amounts ongoing.

## Statutory Public Entity

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The bill will reduce contributions to the DPS division in PERA by an estimated at \$31.2 million in CY 2025, \$32.3 million in CY 2026, and similar amounts ongoing. Of this amount, \$22.7 million in CY 2025, \$23.4 million in CY 2026, and similar amounts ongoing will be reduced from the DPS Division Trust Fund, and the remainder will be reduced from the DPS Division Health Care Trust Fund. These amounts result from the reduction in the DPS Division's Health Care Trust Fund contribution rate.

## Effective Date

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The bill takes effect July 1, 2025.

## **State and Local Government Contacts**

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Denver Public Schools

Public Employees' Retirement Association