



Legislative Council Staff
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Fiscal Note

Drafting Number: LLS 24-0399
Prime Sponsors:

Date: October 16, 2023
Bill Status: Bill Request
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Bill Topic: **COMPENSATORY DIRECT DISTRIBUTION TO PERA**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill requires the state to issue \$21 million to the Public Employee’s Retirement Association to recompense it for adjustments to the direct distribution. It will increase state expenditures and statutory public entity revenue in FY 2024-25 only.

Appropriation Summary: No appropriation is required. The bill provides the State Treasurer with the authority to pay the warrant.

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

Table 1
State Fiscal Impacts Under Bill 5

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	General Fund	\$21 million	-
Transfers		-	-
Other Budget Impacts		-	-

Summary of Legislation

The bill requires the State Treasurer to issue a \$21 million warrant to the Colorado Public Employee’s Retirement Association (PERA), paid from the General Fund, to fully recompense PERA for the missed direct distribution payment in 2020, and subsequent legislative modifications.

Background

Under current law, the State Treasurer is required to issue an annual warrant on July 1 to PERA in the amount of \$225 million (commonly referred to as the direct distribution) until there are no unfunded actuarial accrued liabilities in any PERA division. In 2020, [House Bill 20-1379](#) eliminated the July 1, 2020, direct distribution. To recompense PERA for the missed direct distribution, [House Bill 22-1029](#) authorized a \$380 million payment to PERA, which was designed to cover the \$225 million missed direct distribution, and include a \$155 million prepayment to reduce two future direct distributions in FY 2023-24 and FY 2024-25 by amounts to be determined based on PERA’s interest earnings. [Senate Bill 23-056](#) authorized a payment of \$14,455,499 to PERA, which consisted of the remaining balance of the PERA Cash Fund, plus \$10 million from the General Fund. The impact of these bills is illustrated in Table 2.

Table 2
Direct Distribution Payments to PERA by Fiscal Year

Fiscal Year	Payments Required Under SB 18-200	Payments as Adjusted by Subsequent Legislation
FY 2019-20	\$225m	\$225m
FY 2020-21	\$225m	\$0m ¹
FY 2021-22	\$225m	\$225m
FY 2022-23	\$225m	\$605m (\$225m + \$380m) ²
FY 2023-24	\$225m	\$49.5m (\$225m - \$190m + 14.5m) ^{3,4}
FY 2024-25	\$225m	\$225m (\$225m - \$0m) ⁵
FY 2025-26	\$225m	\$225m
	\$1,575.0m	\$1,554.5m
	<i>Net difference: \$20.54 million</i>	

¹ HB 20-1379 suspended the July 1, 2020, direct distribution payment to PERA.

² HB 22-1029 partially recompensed PERA for the suspended 2020 payment, as discussed in the Background section, by making a \$225 million payment, plus a \$155 million pre-payment to reduce two future direct distributions based on PERA’s interest earnings.

³ Based on the known total fund investment return for 2021 of 16.1%, the July 1, 2023, direct distribution payment of \$225 million will be reduced by \$190 million, resulting in a total payment of \$35 million.

⁴ SB 23-056 provided an additional compensatory payment to PERA of approximately \$14.5 million.

⁵ The July 1, 2024, direct distribution may be reduced by an amount to be determined, but not greater than \$27.55 million, resulting in a payment of not less than \$197.45 million and up to \$225 million. The known total fund investment return for 2022 was less than 0%, resulting in no reduction and a payment of \$225 million.

State Expenditures

In FY 2024-25, the bill creates a one-time General Fund expenditure of \$21 million for the State Treasurer to issue a warrant to PERA.

Statutory Public Entity

In FY 2024-25, PERA will receive an additional \$21 million in state funds, which will be credited proportionally to the unfunded liability in the State, Judicial, School, and Denver Public Schools Divisional Trusts.

Technical Note

The actual amount required to fully recompense PERA for the direct distribution is \$20,544,501.

Effective Date

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

State and Local Government Contacts

PERA

Treasury