

SECURE | PERA

COLORADO COALITION FOR RETIREMENT SECURITY

Oppose Senate Bill 200 Until It Is Fixed & Provides Real Retirement Security

Currently, PERA is not on track to run out of money like it was in 2010 when Senate Bill 1 was passed. In Senate Bill 1 employees and retirees took \$14.9 billion in reductions, contributing 90% of the "cost" of making PERA secure in 2010.

Yet, there is real concern that a negative market return could put PERA back in that place. So, we are committed to finding a solution that:

- maintains a viable defined benefit program, PERA payments to retired public employees help support Colorado's economy, nearly \$4 Billion in benefits in 2017 resulting in \$6.1 Billion in economic output and 32,800 jobs.
- implements shared sacrifice, since 2001 the State has failed to pay \$4.5 Billion into PERA which increased the unfunded liability.
- considers the impact on the retirees and employees promises were made to and future generations that deserve retirement security.
- doesn't require tomorrow's employees to pay for the underfunding of prior generations' benefits, no contribution amounts above normal cost.
- and, doesn't make more change than necessary.

We oppose Senate Bill 200 as introduced because it goes too far in attempting to deal with the unfunded liability for the following reasons:

- 1) Employee contribution rates are too high. New employees will be contributing more than the cost of their future retirement and existing employees will be taking pay cuts. Additionally, the implementation of the employee contribution increases every six months would require unnecessary additional HR and payroll expenses.
- 2) COLA decreases are too drastic and unnecessary. The COLA (Cost of Living Adjustment) being set at 0% for two years and then 1.25% after that requires great sacrifice from PERA retirees and will provide a much less secure retirement. In the last 30 years, CPI-W has averaged 2.59%, a 1.25% COLA will not protect against inflation increases. Additionally, PERA projects that in 10 years retirees will have their benefit decreased 8.7% resulting in an average of \$22,688 fewer dollars and a reduction in their buying power of 11.9%. These reductions don't consider the two years of zero COLA which will be an additional burden.



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- 3) Benefit reductions will reduce the benefit too much and one is illegal. Increasing the retirement age of existing employees violates the employers contract with them and puts PERA in jeopardy with the IRS. Increasing the retirement age on new employees provides a recruitment and retention problem as well as safety issues.
- 4) Aligning benefits with contributions is admirable but needs further study before implementation. Changing the way salary is calculated from net to gross and how a full-time employee is determined are not well thought out enough to be in Senate Bill 200. We don't know the exact impact on employers and employees in terms of cost.
- 5) The timing of several pieces in the bill cause budgeting issues. A governmental entity wouldn't know if an auto adjust is necessary until around July 1st. Having COLAs adjust right then allows for no planning for retirees and having contribution increases happen January 1st means salary cuts for employees and no budget authorization for school districts. We support an auto adjust but also want to ensure it doesn't over react to market changes.
- 6) The language used in this bill is unnecessary and inflammatory for no legislative reason. Describing PERA as being in a "dire situation" and classifying PERA in a worse funding status than they really are, only seeks to scare employees and tax payers and. The language used in this bill does not signal a desire to compromise on a solution but rather a soap box to stand on.
- 7) Provisions that do not contribute to reducing the unfunded status do not belong under this bill title. We do not support the creation of an oversight committee that includes voting members who are not elected legislators.
- 8) A defined contribution plan does not reduce the unfunded liability, it adds to it, and it provides less retirement security. Senate Bill 200's defined contribution expansion and supplemental will cost employers between 6% - 9% more for each employee who chooses the DC plan. This is not a cost the employers can afford to take on, nor is it a should employees have reduced retirement security for a higher cost.

We look forward to working with legislators to amend this bill in a way that will reduced the unfunded liability while also maintaining promises made to employees and provide real retirement security.

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