



**Colorado
Legislative
Council
Staff**

HB17-1265

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-1042 **Date:** March 27, 2017
Prime Sponsor(s): Rep. Becker K.; Nordberg **Bill Status:** House Finance
 Sen. Priola; Kerr **Fiscal Analyst:** Erin Reynolds (303-866-4146)

BILL TOPIC: PERA JUDICIAL DIVISION TOTAL EMPLOYER CONTRIBUTION

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures		<u>\$1,876,205</u>
General Fund		1,819,919
Cash Funds		56,286
Appropriation Required: None.		
Future Year Impacts: Ongoing expenditure increase through FY 2023-24.		

Summary of Legislation

The bill makes the following adjustments to the Judicial Division's contribution rates to the Colorado Public Employees' Retirement Association's (PERA's) Amortization Equalization Disbursement (AED), currently set at 2.20 percent, and Supplemental Amortization Equalization Disbursement (SAED), currently set at 1.50 percent:

- calendar year (CY) 2019: AED and SAED to 3.4 percent;
- CY 2020: AED and SAED to 3.8 percent;
- CY 2021: AED and SAED to 4.2 percent;
- CY 2022: AED and SAED to 4.6 percent; and
- CY 2023: AED and SAED to 5.0 percent.

Background

Employer contribution rates to PERA are set in state law. Contributions are deposited into each division's pension trust fund and, minimally, the PERACare Trust Fund. The AED and SAED are additional employer contributions to PERA, established in 2006 and 2008 respectively, that have built in gradual annual increases set to expire in 2018. Pursuant to Senate Bill 10-001, the AED and SAED rates have not increased for the Judicial or Local Government Divisions since 2010. Table 1 illustrates the employer contribution rates for all divisions to PERA under current law.

Division	Total Rate	Base Contribution	AED	SAED
State	20.15%	10.15%	5.00%	5.00%
State Troopers	22.85%	12.85%	5.00%	5.00%
School	20.15%	10.15%	4.50%	5.50%
Denver Public Schools	20.15%	10.15%	4.50%	5.50%
Local Government	13.70%	10.00%	2.20%	1.50%
Judicial	17.36%	13.66%	2.20%	1.50%

* Under current law, employer contributions are static and the AED and SAED will no longer increase for the State, School, or Denver Public Schools Division after 2018.

The Judicial Division of PERA includes only judges, including the Colorado Supreme Court justices, the Court of Appeals judges, district judges, county judges, and magistrates. The Independent Ethics Commission, the Office of the Alternate Defense Counsel, the Office of the Child Protection Ombudsman, the Office of the Child's Representative, the Office of the Respondent Parents' Counsel, the Office of the State Public Defender are independent agencies within the Judicial Department, and part of the State Division for PERA purposes.

State Expenditures

The bill will increase state General Fund and cash funds expenditures for the Judicial Department from FY 2018-19 through FY 2023-24, as shown in Table 2. Under the bill, the AED and SAED rate increases for the Judicial Division will stabilize at 5 percent in FY 2023-24.

Judicial Department. The fiscal note is based on actual FY 2016-17 personal services costs, which total \$66.4 million and 361.0 FTE. It also includes a 5.65 percent salary increase for FY 2017-18, based on the department's FY 2017-18 budget request, and an ongoing increase for inflation estimated at the Legislative Council Staff's current economic forecast of 2.5% in FY 2018-19 applied per year through FY 2023-24. This information is presented as the change from current law rather than the overall change. As the increase takes place at the calendar year, the percentage change is shown as two percentages, each representing the rate for half the fiscal year. Based on the fund split for the FY 2017-18 salary increase, the fiscal note assumes that 97 percent of the Judicial Department's salaries are paid with General Fund and the remainder from cash funds within the Judicial Department.

	FY 2018-19*	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
AED % Change	0% - 1.2%	1.2% - 1.6%	1.6% - 2.0%	2.0% - 2.4%	2.4% - 2.8%	2.8%
AED Increase	\$726,273	\$1,737,003	\$2,289,121	\$2,867,760	\$3,473,900	\$3,834,652
SAED % Change	0% - 1.9%	1.9% - 2.3%	2.3% - 2.7%	2.7% - 3.1%	3.1% - 3.5%	3.5%
SAED Increase	1,149,932	2,605,504	3,179,335	3,780,229	4,409,181	4,793,314
TOTAL	\$1,876,205	\$4,342,507	\$5,468,456	\$6,647,989	\$7,883,081	\$8,627,966

*FY 2018-19 represents a half-year impact.

Office of Information Technology. The Office of Information Technology is currently in the process of implementing a new Human Resources Information System (HRIS) for the Department of Personnel and Administration. Because the changes under this bill take effect in calendar year 2019, this change will be built into the new HRIS database and no appropriation is required.

Statutory Public Entity Impact

The bill will increase revenue to PERA by the amounts shown in Table 2 from FY 2018-19 through FY 2023-24. By increasing the AED and SAED contribution from the Judicial Division to PERA, the unfunded liability for the Judicial Division will decrease. According to PERA's actuaries, using the 2015 actuarial valuation and the November 2016 changes to actuarial assumptions — which reduced the rate of return to 7.25 percent and updated mortality tables to reflect longer lifespans — the amortization period is reduced from "infinite" to approximately 55 years.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Information Technology
Personnel and Administration

Judicial

PERA