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Fiscal Note

Drafting Number:	LLS 22-0174	Date:	January 13, 2022
Prime Sponsors:	Rep. Bird; Sandridge Sen. Kolker; Priola	Bill Status:	House Finance
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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 restores a suspended direct distribution payment of \$225.0 million to the Public Employees' Retirement Association that was not made on July 1, 2020, due to pandemic-related budget cuts, plus an estimate of missed investment gains that would have accrued over two years. It creates a one-time state expenditure to a statutory public entity in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$303.57 million to the Office of the State Treasurer.

Fiscal Note Status: The fiscal note reflects the introduced bill, which was requested by the Pension Review Commission.

**Table 1
State Fiscal Impacts Under HB 22-1029**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$303.57 million	-
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$45.5 million	-

Summary of Legislation

The bill requires the State Treasurer to issue a warrant to the Public Employees' Retirement Association (PERA) for \$303.57 million on July 1, 2022. This amount reflects the suspended direct distribution payment to PERA of \$225.0 million from July 1, 2020, plus an estimate of investment gains that would have accrued on that amount from July 1, 2020, through June 30, 2022.

The estimate of investment gains that would have accrued over two years is based on:

- PERA's actual annual investment return of 25.8 percent in FY 2020-21 (\$58.05 million); and
- on top of the prior year's total, PERA's annual rate of return of 7.25 percent for FY 2021-22 (\$20.52 million).

Background

Senate Bill 18-200 created the requirement for an annual direct distribution to be paid to PERA each July 1 until the unfunded liabilities of the state, judicial, school, and Denver Public Schools divisional trusts are paid. PERA is required to credit these funds proportionally to the relevant divisional trusts based on the reported payroll for each participating division for the prior plan year ending December 31. The direct distribution is paid primarily from the General Fund, but may also come from cash funds—including the PERA Payment Cash Fund created by Senate Bill 21-228—reappropriated funds, and federal funds. House Bill 20-1379 suspended the July 1, 2020, direct distribution payment to PERA.

Assumptions

The fiscal note currently assumes the bill requires a General Fund appropriation. It will be updated if the bill identifies another funding source.

State Expenditures

The bill will increase state General Fund expenditures by \$303.57 million in FY 2022-23 to the Office of the State Treasurer for distribution to PERA.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$45,535,500 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

Statutory Public Entity

The \$303.57 million will be credited to the state, judicial, school, and Denver Public Schools divisional trusts and will go toward paying down PERA's unfunded liability. For the 2020 calendar year, the unfunded actuarial accrued liability of the pension reported in their certified annual financial report was \$31.0 billion.

Effective Date

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

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$303,570,000 General Fund to the Office of the State Treasurer.

State and Local Government Contacts

Joint Budget Committee Staff
Treasury

Public Employees Retirement Association