



Legislative Council Staff

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Final Fiscal Note

Drafting Number: LLS 23-0695
Prime Sponsors: Rep. Wilson

Date: June 22, 2023
Bill Status: Postponed Indefinitely
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Bill Topic: PERA DEFINED CONTRIBUTION PLAN SCHOOL PERSONNEL

Summary of Fiscal Impact:

- | | |
|--|---|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> School District |
| <input type="checkbox"/> State Transfer | <input checked="" type="checkbox"/> Statutory Public Entity |

The bill would have required the Public Employees' Retirement Association to offer a Flexible Defined Contribution Plan to employees in the School and Denver Public Schools divisions. The bill would have increased school district expenditures and statutory public entity workload on an ongoing basis.

Appropriation Summary: No appropriation was required.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was postponed indefinitely by the House Education Committee on March 15, 2023; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill requires the Public Employees' Retirement Association (PERA) to establish a new retirement plan option for employees in public schools hired on or after July 1, 2024. This new plan is a Flexible Defined Contribution (DC) Plan, where member contributions to the plan are voluntary and self-determined. Employers are required to contribute at least 6.5 percent of a participating member's salary to the DC plan and an additional 15 percent of that member's salary to PERA's Defined Benefit (DB) Plan. DC plan members vest immediately in their own contributions and 50 percent in employer contributions, with their vested percentage increasing 10 percent for each year of employment.

Background

As of December 31, 2021, there are approximately 125,000 members in PERA's School Division and approximately 16,000 members in PERA's Denver Public Schools Division. These employees are not currently eligible to enroll in PERA's DC plan, also known as PERAChoice.

School District

The bill increases expenditures for school districts by increasing the employer contribution rate in certain cases from the current 10.4 percent of a member's salary to 21.5 percent of a member's salary, of which 15.0 percent goes to PERA's DB Plan and 6.5 percent goes to the member's Flexible DC Plan. The increase in required employer contributions will decrease the amount of funds available to school districts for other uses.

Statutory Public Entity

Workload and costs will increase for PERA to develop, track, and publicize the new Flexible Defined Contribution Plan to eligible teachers. Development work would include processes for members to set their own contribution rates to the plan. Additionally, employee participation in the DC plan, particularly for the DPS division, could impact the automatic adjustment provision pension-wide.

Technical Note

PERA's DB and DC plans meet Internal Revenue Code (IRC) requirements for providing deferred compensation (i.e. retirement benefits) to government employees. As government plans, the IRC prohibits a cash or deferred arrangement whereby a member may choose to take cash instead of deferring compensation. Because of this, PERA is likely unable to implement the Flexible DC Plan as currently outlined in the bill.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Public Employees' Retirement Association