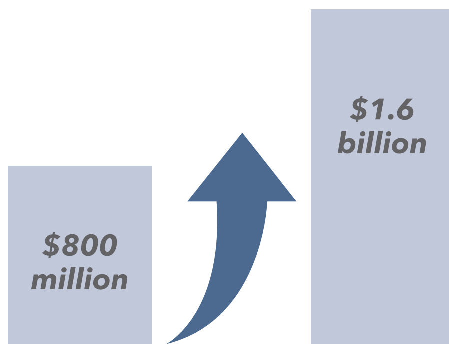
One Step Further on PERA Reform

How to Build on Proposals from Colorado PERA and Governor Hickenlooper to Eliminate Unfunded Liabilities and Reduce Burdens on State, Local and School Budgets

Conducted by the REMI Partnership

Pension costs for school districts, universities, local governments and Colorado taxpayers have dramatically increased over the past decade …



… but PERA still has a $32 billion unfunded liability.

Current plans proposed by PERA and Governor Hickenlooper would lock in, or even increase, today's high pension costs for schools, cities, counties, universities and the state government.

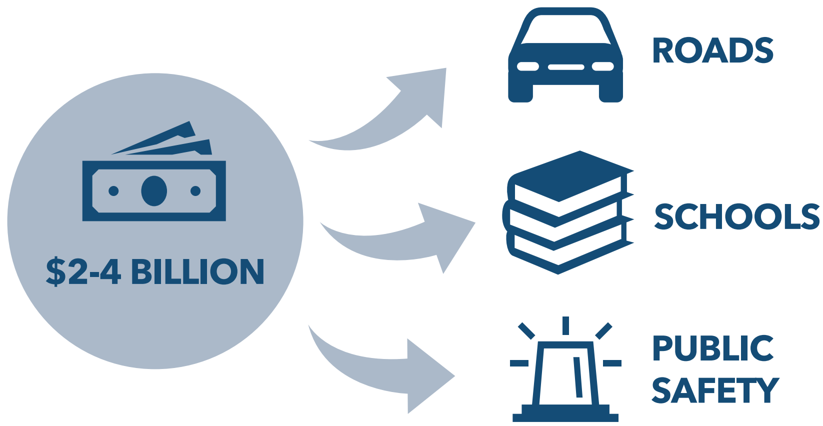
But with small revisions to the PERA and Hickenlooper plans, we can eliminate the unfunded liability and reduce the cost of pension benefits at the same time.

According to a new report by the REMI Partnership, a modest path to a 2.5% reduction in PERA contribution rates from taxpayers would save more than $250 million per year when fully phased in:

	2020	2024	2028	2029	5-year sum	10-year total
Savings Against PERA Board Plan	$220.3 million	$439.8 million	$480.1 million	$490.8 million	$1.64 billion	$3.99 billion
Savings Against Governor Plan and Current Baseline	$45.6 million	$249.1 million	$271.9 million	$277.9 million	$725.9 million	$2.06 billion

TURN OVER ➤

Over 10 years, the phased 2.5% reduction in taxpayer contributions would generate billions of dollars that could go towards roads, teacher salaries and other worthy budget demands.



Our report does not endorse or oppose a specific PERA reform plan. Instead, we used the PERA and Hickenlooper reform proposals as a starting point and created four new scenarios that would still pay off the unfunded liability in 30 years, but also produce significant savings to put towards other pressing needs:

Scenario	Retirement Age for New Hires	Highest Average Salary	Annual Increase Suspension	New Annual Increase	Employee Contribution	Taxpayer Contribution	Assumed Rate of Return
PERA Board	65 (except state troopers)	5-year HAS	2 years	1.5%	+3% (existing) +2% (new)	+2%	7.25%
Hickenlooper	65 (except state troopers)	5-year HAS	2 years	1.25%	+2% (existing) +2% (new)	No change	7.25%
Hickenlooper Plus 1	65 (except state troopers)	5-year HAS	2 years	0.5%	+2% (existing) +2% (new)	-0.5% per year over 5 years	7%
Hickenlooper Plus 2	65 (except state troopers)	5-year HAS	5 years	0.5%	+2% (existing) +2% (new)	-0.5% per year over 5 years	6.8%
Hickenlooper Plus 3	65 (except state troopers)	7-year HAS	2 years	0.5%	+3% (existing) +2% (new)	-0.5% per year over 5 years	6.8%
Hickenlooper Plus 4	65 (except state troopers)	5-year HAS	2 years	0%	+2% (existing) +2% (new)	-0.5% per year over 5 years	6.5%

Both PERA and the Hickenlooper Administration say the time to act is now. We agree. But the debate must include the impact of pension costs on schools, universities, local governments and the state budget.

States like Illinois and giants of U.S. industry like General Motors have been dragged down by the failure to control pension costs. We cannot afford to let that happen in Colorado.