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PERA reforms necessary again; taxpayers should be shielded

By **THE DENVER POST EDITORIAL BOARD** |
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There are no easy answers left for repairing the fiscal health of Colorado's Public Employees' Retirement Association, but admitting that the $47 billion pension is sick is half the battle.

State Treasurer Walker Stapleton has admirably been beating that drum for years — and in thanks some have labeled him an alarmist — but the bleak new financial picture for PERA, laid out last Friday, makes it clear Stapleton has been right all along.

First, we want to be clear that PERA isn't on the brink of insolvency, as it was in 2010, when reforms were put in place that required everyone — including taxpayers — to give a little to shore up the damages done by the Great Recession.

But those reforms have proved to be too little and too slowly implemented to make the retirement fund stable again.

PERA Executive Director Greg Smith said the new financial outlook accounts for a lower expected return on investment and longer lives of retirees as "a much higher-risk profile than we're comfortable with."

Another uncomfortable fact: Much of that "risk" is borne by taxpayers. As the program operates presently, current and future employees are shielded from investment losses, and much of their contribution to their savings actually comes from taxpayers at the front end.

For example, Douglas County School District paid $54.5 million into PERA in 2016, which is 20.5 percent of the district's payroll for PERA eligible employees, according to the district's 2016 Comprehensive Annual Financial Report.

Comparatively, in 2007, the district paid only $27.1 million, or 10.6 percent.

It's undeniable that the 2010 reforms implemented through the notorious Senate Bill 1 are hurting the budgets of our school districts, state governments, certain college systems, judicial offices and other public entities. Both employees and employers are paying more for the generous retirement plans of a previous generation.

We would urge lawmakers and Smith, as they consider a fix to PERA, to be cognizant of the fact that there is little left to give when it comes to asking state-funded entities to give more.

Certainly employees and retirees have made sacrifices, too.

Employees increased their contributions to 8 percent of their income, except for state troopers, who pay 10 percent. Retirees, who once enjoyed a reliable 3 percent annual cost-of-living increase, saw that amount reduced to 2 percent, and even less when PERA's investment returns are negative.

It's difficult to ask employees to pay more, especially if it coincides with a reduction in the benefits they hope to see when they reach retirement age, and to increase the retirement age. But those difficult actions have become necessary.

The good news is that the PERA board — long reluctant to acknowledge trouble — is again discussing the need for change.

We hope that the conversations will prove to be unneeded because the slow recovery becomes a rapid boom that fuels the pension with needed investment income. But no retirement plan — public, private or federal — should be based on hope for good market conditions, even if they can amortize their risk — as PERA is doing — beyond 50 years.

It's time, sadly, for PERA, lawmakers and retirees to sit back at the table and reconfigure the formula for financial soundness again. As in 2010, it's likely everyone will have to give beyond the point of comfort, but taxpayers who we think took more of the burden in 2010 should be shielded as much as possible from this round of solutions.

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