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Past time to put PERA on a path toward solvency

By **THE DENVER POST EDITORIAL BOARD** |

July 4, 2017 at 5:01 pm

The fiscal health of Colorado's Public Employees' Retirement Association is now so alarming that even the pension's management has discarded its rose-colored glasses and is firmly facing reality.

According to [recently released projections](#), PERA's school division actually has a greater chance of plunging into insolvency over the next few decades (a shocking 44 percent likelihood) than it does of achieving fully funded status. And the state division, PERA's second largest after schools, is in only marginally better shape, with a 38 percent chance of a death spiral.

The crisis may not be as dire as in 2010, when the legislature responded, but it's serious and demands that PERA get on with the business of recommending another set of reforms to lawmakers. This time the changes must set PERA on a certain path to solvency.

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Just one year ago, PERA officials downplayed concerns about the pension fund, with Executive Director Greg Smith confidently observing, “We understand there are ebbs and flows to the market and are built to withstand them.” Smith’s public mood began to shift late last year after PERA’s board lowered the expected rate of return from 7.5 percent to 7.25 percent and adopted new mortality tables to reflect growing longevity. Now, with the release of PERA’s annual report documenting the fund’s deteriorating position across the board, Smith seems to have dropped the last vestiges of happy talk. At least we hope so.

According to Secure Futures Colorado, which closely tracks pension issues, Smith told the PERA board last month the trend was unacceptable. “We have to move that line,” he said. “That’s the game. That’s the objective. That’s what has to happen. We’re already bad enough. Action needs to be taken.”

Yes, it does. Action is needed to protect, first and foremost, the retirement benefits of public employees but also the fiscal integrity and credit of the state. It’s also just plain wrong to kick a \$32 billion liability down the road when you know there is a good chance it will only grow larger and thus burden generations to come.

Expect, however, a rough-and-tumble struggle over how to shore up the system. Should lawmakers tap employees, their tax-funded government employers, or both for the inevitable sacrifice? As we noted in January, the employer contribution has shot up in the past decade to the point that it is closing in on 20 percent of payroll. That’s a punishing burden for school districts and other entities that already face significant budget pressure. And under the Taxpayer’s Bill of Rights, they cannot simply raise taxes to offset further hikes in their contribution. They would have to take the revenue out of programs.

Meanwhile, most employees' contribution has been stable at 8 percent. It is clearly time for this to be increased by a modest amount. In addition, although the reforms of 2010 made headway in reducing the gap in retirement age between PERA and Social Security, the next set of reforms should seek to shrink the divide still further, especially given growing longevity.

PERA officials deserve credit for the straight talk of recent weeks, but it's essential their candor continue as the board and then legislature grapple with reform. "I think many of us have been concerned that we have been painting a picture that is less critical than the situation is, in our messaging to taxpayers and to our beneficiaries," board member Susan Murphy told her colleagues at last month's meeting.

PERA officials shouldn't overhype the present danger, either, but they shouldn't have to. A 44 percent chance of going belly up should be spur enough for reform.

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