

# What is the **AUTOMATIC ADJUSTMENT** Provision?

The automatic adjustment provision is an innovative approach to pension funding that keeps PERA on a path to full funding in 30 years. This new approach writes in statute the automatic changes, which helps ensure the long-term stability of benefits today and in the future. The provision requires changes in member and employer contribution rates

## What are the Components of the Automatic Adjustment Provision?

EMPLOYER CONTRIBUTIONS

ANNUAL INCREASE (AI)

DIRECT DISTRIBUTION

## How Does the Automatic Adjustment Keep PERA on Schedule?

### IF PERA IS BEHIND SCHEDULE

Decrease AI percentage by up to 0.25% in one year, not to fall below 0.5%

Increase employer contributions by up to 0.5% in one year, not to exceed an additional 2%

Increase member contributions by up to 0.5% in one year, not to exceed an additional 2%

Increase the direct distribution from the State budget by up to \$20 million in one year, not to exceed \$225 million

### CLOSED 30-YEAR FUNDING PERIOD

BEHIND ON SCHEDULE AHEAD

### IF PERA IS AHEAD OF SCHEDULE

Increase AI percentage by up to 0.25% in one year, not to exceed 2%

Decrease employer contributions by up to 0.5% in one year, not to fall below 2018 levels

Decrease member contributions by up to 0.5% in one year, not to fall below 2018 levels

Decrease the direct distribution from the State

## When Would These Changes Take Effect?

PERA will announce the progress toward the funding goal each year in June, along with any automatic adjustments that will take effect on July 1.



June 2019



July 1, 2020



COLORADO

Colorado Public Employees' Retirement Association

March 2019