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## **Moody's: Colorado's Pension Costs and Funding Gaps Keep Growing Despite Benefit Reforms.**

New York, March 12, 2015 — Even after substantial pension reform that was upheld by the state's highest court, pension contributions by the State of Colorado and its local governments continue to trail actuarial recommendations, driving up future costs and increasing unfunded liabilities, says Moody's Investors Service. Moody's places Colorado's FY 2013 adjusted net pension liabilities at \$17.3 billion, equal to 93% of state revenues and 16th highest among US states.

Overall, Moody's assesses fiscal pressures from Colorado's state and local pension funds as moderate, with funding challenges caused by prior contribution shortfalls somewhat offset by the state's established flexibility to enact substantial reform. Moody's explores this assessment in detail in the latest report in its Public Pension Landscape series, called "Colorado's Pension Costs and Funding Gaps Still Growing Despite Reforms."

In Colorado, where pension liabilities are concentrated in plans administered by the Public Employees' Retirement Association (PERA), the law requires participating governments to increase their contributions through 2018. Even with these additional contributions, however, costs are continuing to be deferred to later years and unfunded liabilities continue to rise.

There is some clarity and flexibility in terms of controlling costs, however, after the state's Supreme Court ruled in October 2014 that the pension reform law the state passed in 2010 was legal. The law gave Colorado the authority to change a number of benefit provisions, including cost-of-living adjustments for retirees.

"The reforms substantially reduced PERA's aggregate unfunded liability, first reflected in the actuarial valuation for fiscal-year ended 2009. But in subsequent years, unfunded liabilities have generally continued to grow," says Moody's AVP-Analyst Thomas Aaron.

Legislation signed by the governor in 2014 that calls for studying alternate retirement system options and private sector comparisons, however, signals there could be additional state action.

Moody's also notes that the ratios of active workers to retirees are near-to-above national norms. Having more active employees currently provides Colorado with time to address funding gaps before liabilities grow considerably larger relative to government budgets. In Colorado, however, the ratio of actives to retirees has been decreasing over the past decade.

For more information, Moody's research subscribers can access this report [here](#).

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