



Colorado
Legislative
Council
Staff

HB17-1176

FINAL
FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

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Prime Sponsor(s): Rep. Becker J.;
McLachlan
Sen. Sonnenberg

Bill Status: Signed into Law

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BILL TOPIC: PERA RETIREES EMPLOYED BY RURAL SCHOOL DISTRICTS

Summary of Legislation

The bill permits a retiree to be hired by a rural school district and receive a salary without any reduction in the benefits the retiree receives from the Colorado Public Employees' Retirement Association (PERA). A school district may hire a retired employee only if the retiree has not worked for any PERA eligible employer during the effective month of retirement, and the school district:

- is rural, as identified by the Colorado Department of Education (CDE);
- determines there is a critical shortage of qualified employees and that the retiree possesses unique skills or qualifications needed by the district;
- hires the service retiree as a teacher, school bus driver, or food services cook; and
- notifies PERA of any service retiree hired under these provisions each calendar year.

Both the employing school district and the working retiree must provide full payment of all contributions and disbursements to PERA during the time of employment, which may not exceed six consecutive years. A working retiree may not receive a health care premium subsidy during their return to employment, but may participate in the health plan offered by the school employer. A teacher who retires before he or she has met the age and service credit requirements for full retirement may not be employed by the school that was the teacher's last employer until two years after his or her retirement.

No later than December 1, 2020, PERA is required to submit a report to the legislature regarding the employment of retired teachers authorized under the bill. Local education providers who employ retired teachers are required to provide PERA information for the report, which must include:

- the number of teachers, school bus drivers, and school food services cooks who have been employed after retirement as of the date of the report;
- the extent to which working retirees have helped employers address employee shortages;
- the costs to PERA, if any, that result from allowing service retirees to return to work under the provisions of this bill; and
- ▶ any other information deemed relevant by PERA.

The bill is repealed July 1, 2023.

Background

Under current law, employers in the school division may hire up to 10 PERA retirees in areas where there is a critical shortage of qualified candidates, and a service retiree is available with the unique skills necessary to fill the position. These employees may work up to 140 days or 916 hours per calendar year without a reduction in their benefits (140 days is about 7 months and public schools provide 180 days of instruction, or about 9 months). Both the employing school district and the working retiree must provide full payment of all contributions and disbursements to PERA during the time of employment. These contributions and disbursements do not change the calculation of the retiree's benefits, nor does the employee's salary during this period have an effect on the calculation of highest average salary.

Based on the October 2016 student count, 147 out of 178 school districts are designated as rural school districts. Of these, 108 are considered small rural school districts enrolling fewer than 1,000 students, and 39 are rural districts enrolling more than 1,000 students, but fewer than 6,500 students.

Statutory Public Entity Impact

The primary fiscal impact of this bill is additional revenue from employee contributions to Colorado PERA; however, there is also potential that the bill will extend PERA's unfunded actuarial accrued liability (unfunded liability), as discussed below.

Additional PERA revenue. This bill increases revenue from employee contributions and employer disbursements to Colorado PERA. For each retiree a rural school district hires, PERA will receive additional employee contributions and employer disbursements that it would not have otherwise received, therefore increasing PERA's revenue.

The bill allows a rural school district to hire and retain retired employees for the entire academic year, extending the allowed time of employment for these rehires, and the contributions and disbursements to PERA for two additional months. Because the bill requires that retirees fill a critical qualified staff shortage, this fiscal note assumes that, but for this bill, these vacancies would otherwise go unfilled. Unfilled positions contribute nothing in employee contributions or employer disbursements to PERA. Therefore, the payments received by the association for two additional months per rehired employee is revenue that would otherwise not be paid into the system. Payments to PERA for a non-working retired employee rehired full time is also revenue that would otherwise not be paid into the system. School districts contribute 20.15 percent of an employee's salary amount, and employees contribute 8 percent of their pay.

PERA's unfunded liability. The increase in revenue to PERA may be offset if a PERA service member is induced by this bill to take an early retirement, and then be rehired via this new mechanism, without a reduction in retirement benefits. Under this bill, a member could begin receiving benefits earlier, increasing the number of retirement benefit payments, and therefore the cost to PERA. In this scenario, the member would have otherwise contributed revenue to the system without taking benefits for additional years and remained in regular employment with the rural school district. A working employee who is not yet receiving benefits contributes revenue to PERA, since the association is not yet paying out the retirement benefits for that employee, but is receiving contributions and disbursements. The bill's two-year employment hiatus is expected to greatly limit or negate this possibility.

Effective Date

The Governor signed the bill into law and it took effect on June 6, 2017.

State and Local Government Contacts

Education

PERA

School Districts