



Legislative Council Staff

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Revised Fiscal Note

(replaces fiscal note dated February 3, 2022)

Drafting Number:	LLS 22-0513	Date:	February 24, 2022
Prime Sponsors:	Rep. Bradfield; McLachlan Sen. Woodward; Zenzinger	Bill Status:	Senate Education
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Bill Topic: PERA EMPLOYMENT AFTER TEACHER RETIREMENT

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School Districts
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

The bill waives the limit on days a retired teacher can work as a substitute. The bill will impact revenue to the Public Employees' Retirement Association beginning in the current FY 2021-22.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill.

Summary of Legislation

Under current law, the Public Employees' Retirement Association (PERA) limits the number of days that retired teachers can work as substitute teachers without a reduction in retirement benefits. The bill temporarily waives this limit for retired teachers who are hired as substitute teachers in any school district or charter school while there are critical substitute teacher shortages. This temporary waiver does not count against the additional ten service retirees that a state college or university, or the Denver Public School division may hire. For purposes of the bill, substitute teacher is defined to have no restriction in the length of a continuous assignment. The bill repeals July 1, 2025.

School districts that hire retired teachers as substitute teachers are required to pay all current employer contributions and disbursements for each rehired retiree, and the rehired retiree must pay the applicable member contribution rate. The member contribution is not credited to a member account and the period of service is not considered an additional benefit accrual.

Statutory Public Entity

The overall impact of the bill on PERA will vary considerably depending on member behavior, as discussed below.

Utilization by currently retired teachers. Currently retired teachers who are rehired by school districts or charter schools will generate additional revenue to PERA from employee contributions and employer disbursements, assuming those vacancies would otherwise go unfilled.

Utilization by teachers who retire early as a result of the bill. The bill has the potential to incentivize early retirement from PERA, which would reduce revenue to PERA. Under the bill, currently working teachers could retire and immediately be rehired as substitute teachers from the bill's effective date to June 1, 2025.

The active membership for the School and Denver Public School Divisions of PERA as of December 31, 2020, is shown in Table 1 below.

Table 1
School and DPS Division Membership and Retirement Eligibility

	School Division		Denver Public School Division	
	Overall	Retirement Eligible ¹	Overall	Retirement Eligible ¹
Number of Active Members	119,421	15,539	14,693	1,390
Average Age	44.7	56.0	41.0	57.3
Average Service	9.1	21.1	7.2	18.6
Average Reported Payroll	\$43,092	\$78,229	\$52,498	\$85,405

¹ Retirement eligible indicates teachers and administrators who are eligible to retire by June 1, 2025, with a 2020 salary above \$50,000.

Using the retirement eligible population indicated in Table 1 and assuming that 25 percent of this population accelerates retirement by one year, the following revenue impacts to the PERA trusts would result.

- **School Division.** If 25 percent of eligible School Division teachers accelerate retirement by one year, that division's unfunded actuarial liability would increase by approximately \$86.84 million and the funded percentage would decrease by approximately 0.12 percent. In addition, the division's Health Care Trust Fund liability would increase by \$2.8 million.
- **Denver Public School Division.** If 25 percent of eligible DPS Division teachers accelerate retirement by one year, that division's unfunded actuarial liability would increase by approximately \$5.77 million and the funded percentage would decrease by approximately 0.10 percent. In addition, the division's Health Care Trust Fund liability would increase by \$0.25 million.

School Districts

The bill may impact school districts in several ways that potentially impact staffing costs. It will increase the pool of available substitutes, but, as described above, may incentivize early retirement among some full-time teachers near retirement. Any impact on costs will vary by school district, but given that the total number of teachers required on a daily basis is not changed by the bill, the overall impact of any shift in type of personnel is assumed to be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Education

Public Employees' Retirement Association

School Districts