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Final Fiscal Note

Drafting Number:	LLS 24-0726	Date:	June 14, 2024
Prime Sponsors:	Sen. Pelton R.; Marchman Rep. Winter T.; McLachlan	Bill Status:	Signed into Law
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Bill Topic:	PERA EMPLOYMENT AFTER RETIREMENT FOR RURAL SCHOOLS
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Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> School District
	<input type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input checked="" type="checkbox"/> Statutory Public Entity

The bill adds rural superintendents and principals to the list of allowed retirees who may return to work for a school district without a reduction in retirement benefits. The bill may impact school district and statutory public entity expenditures beginning in FY 2024-25.

Appropriation Summary:	No appropriation is required.
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Fiscal Note Status:	The final fiscal note reflects the enacted bill.
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Summary of Legislation

Under current law, all Public Employees' Retirement Association (PERA) retirees may work up to 110 calendar days without experiencing a reduction in retirement benefits. Under the critical shortage retiree program, retired teachers, school bus drivers, cooks, school nurses, and paraprofessionals employed by rural school districts, charter schools within those districts, and Boards of Cooperative Educational Services, may work after retirement for more than 110 days without a reduction in their retirement benefits.

The bill adds superintendents and principals to the list of critical shortage retirees. The bill clarifies that small rural school districts with funded pupil counts of less than 1,000 are eligible for the program. The bill requires that the eligible critical shortage retirees may not be rehired until two years after their retirement date. Finally, the bill extends PERA's reporting requirements for the critical shortage retiree program indefinitely and modifies information required to be included in this report.

Background

A factsheet on the critical shortage provision is available on [PERA's website](#). PERA last conducted an [analysis of the critical shortage program](#) in December 2020.

School District

School districts will have additional flexibility to address administrator shortages under the bill. As a result, employer contributions to PERA may increase depending on the number of retirees that school districts hire.

Statutory Public Entity

The overall impact to PERA will vary considerably on member behavior, as described below.

Utilization by currently retired administrators. Any currently retired administrators who are hired by school districts under the bill's provisions will generate additional employer and employee contributions to PERA, increasing PERA's revenues.

Utilization by administrators who are nearing retirement. Administrators currently employed by school districts may retire sooner as a result of the bill, which would reduce revenue to PERA. Under the bill, currently employed administrators in rural school districts could retire and then immediately be rehired on a temporary or contract basis as of the bill's effective date of August 30, 2024. Administrators who do this would likely pay less in contributions to PERA due to a reduced salary, while also beginning to withdraw their retirement benefits sooner than if they had not retired.

As an example, if 25 percent of eligible administrators choose to retire one year early as a result of the bill, the funded percentage of the School Division would decrease by 0.04 percent. In addition, the Actuarially Determined Contribution (ADC) rate, which estimates the level of payroll contributions required to achieve full funding over time, would increase as a result by approximately 0.05 percent.

This increase to the ADC may trigger a sooner activation of PERA's Automatic Adjustment Provision, which would automatically increase employer and employee contributions to PERA while reducing retiree cost of living adjustments. This would allow PERA to maintain the target date to achieve full funding.

Effective Date

The bill was signed into law by the Governor on April 11, 2024, and takes effect on August 7, 2024, assuming no referendum petition is filed.

State and Local Government Contacts

Education

Public Employees' Retirement Association

School Districts

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).