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FISCAL NOTE

Drafting Number: LLS 20-0286 Date: February 3, 2020
Prime Sponsors: Rep. McCluskie; McLachlan; Sen. Todd; Sonnenberg Bill Status: House Finance Fiscal Analyst: Josh Abram | 303-866-3561 Josh.Abram@state.co.us

Bill Topic: EXTEND PERA RETIREE WORK AFTER RETIREMENT LIMIT

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, School District, Statutory Public Entity

The bill allows a Board of Cooperative Educational Services to employ retired special education teachers in rural school districts in excess of the state pension work-after-retirement limit. The bill may increase school district expenditures beginning in FY 2020-21.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Under current law, a service retiree of any division of the Colorado Public Employees' Retirement Association (PERA) may work for a PERA employer for limited periods and receive a salary without a reduction in benefits. Pursuant to House Bill 17-1176, a rural school district may hire a service retiree in selected categories (teachers, bus drivers, and food service workers) for longer periods. This bill allows a Board of Cooperative Educational Services (BOCES) to also employ retirees for longer periods without a reduction in benefits if the retiree:

- is a special education service provider;
provides services in two or more rural school districts;
has specific experience or skills that benefit students;
fills a critical shortage as determined by the BOCES; and
has not worked for a PERA eligible employer during the effective month of retirement.

A working retiree may not receive a health care premium subsidy during their return to employment, but may participate in the employer's health plan. A BOCES employee who retires before he or she has met the age and service credit requirements for full retirement may not be employed under these provisions for two years.

Both the BOCES and the working retiree must provide full payment of all contributions and disbursements to PERA during the time of employment, which may not exceed five consecutive years. Additionally, the employing BOCES is required to make an additional payment to PERA equal to 2 percent of the retirees salary. Statewide, BOCES may not collectively employ more than 40 total retirees during this period. The bill is repealed July 1, 2025.

School District

BOCES may employ PERA retirees to fill critical shortages of special education teachers in rural school districts. The bill increases the salary expense of these re-hired employees since the employing BOCES must pay a 2 percent fee to PERA on the salary of these employees.

Statutory Public Entity Impact

The fiscal impact of this bill is additional revenue from employee contributions to Colorado PERA; however, there the bill could minimally increase PERA's unfunded actuarial accrued liability (unfunded liability), as discussed below. Based on actuarial analysis performed by PERA, these combined impacts are expected to be revenue and cost neutral.

Additional PERA revenue. This bill increases revenue to Colorado PERA from employee contributions, employer disbursements, and a 2 percent fee on affected employees' salary. 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.

PERA's unfunded liability. The increase in revenue to PERA may be offset if a PERA service member is induced by the bill to take an early retirement, and then be rehired via this new mechanism, without a reduction in retirement benefits. In this scenario, a member begins receiving benefits earlier, increasing the number of benefit payments, and therefore the cost to PERA.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Education PERA School Districts