



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

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<b>Drafting Number:</b>	LLS 24-0395	<b>Date:</b>	May 14, 2024
<b>Prime Sponsors:</b>	Rep. Hamrick; Taggart Sen. Hansen	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** **ADDITIONAL PERA SERVICE RETIREES FOR SCHOOLS**

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<b>Summary of</b>	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> School District
<b>Fiscal Impact:</b>	<input type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input checked="" type="checkbox"/> Statutory Public Entity

The bill modifies the number of service retirees that school districts, state colleges, and universities may hire while still being eligible for pension benefits. The bill will affect school district and PERA expenditures beginning in FY 2024-25.

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**Appropriation Summary:** No appropriation is required.

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**Fiscal Note Status:** The final fiscal note reflects the enacted bill. The bill was recommended by the Pension Review Commission.

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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. When school districts, state colleges, or universities have a critical shortage of qualified candidates, they may hire up to 10 retirees who may work up to 140 days without the retiree experiencing a reduction in their retirement benefits. The bill modifies this provision to allow these entities to hire up to 10 retirees whenever they identify a need for additional instructors. Additionally, school districts may exceed the 10 retiree cap by 1 retiree for every 1,000 students above 10,000 students. Retirees hired by school districts under this provision may not work more than six consecutive years.

## Background

Using student enrollment counts from SY 2022-23, 19 districts would become eligible to hire more than 10 retirees to work 140 calendar days. If these school districts hired the maximum allowable amount of retirees to be eligible for 140 calendar days of work, an additional 444 retirees would work the additional 30 calendar days.

## School District

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

## Statutory Public Entity

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

**Utilization by currently retired teachers.** Any currently retired teachers 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 teachers who are nearing retirement.** Teachers 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 teachers could retire and then immediately be rehired as substitute teachers as of the bill's effective date of July 1, 2024. Teachers 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 30 percent of those nearing retirement choose to retire early as a result of the bill, the following revenue impacts to PERA would result:

- the funded percentage of the **School Division** would decrease by 0.27 percent as a result of the bill, while 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 0.29 percent; and
- the funded percentage of the **Denver Public Schools Division** would decrease by 0.32 percent and the ADC would increase by approximately 0.19 percent.

These increases to the ADC may trigger a sooner activation of PERA's Automatic Adjustment Provision, which would automatically increase employer and employee contributions to PERA, a reduce retiree cost of living adjustments, in order to maintain the target date to achieve full funding.

## Effective Date

The bill was signed into law by the Governor on April 19, 2024, and takes effect July 1, 2024.

## State and Local Government Contacts

Education

Public Employees' Retirement Association

School Districts

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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: [leg.colorado.gov/fiscalnotes](https://leg.colorado.gov/fiscalnotes).