



## Legislative Council Staff

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# Fiscal Note

**Drafting Number:** LLS 24-0395  
**Prime Sponsors:**

**Date:** October 24, 2023  
**Bill Status:** Bill Request  
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**Bill Topic:** **ADDITIONAL PERA SERVICE RETIREES FOR SCHOOLS**

**Summary of Fiscal Impact:**

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

The bill expands the number of service retirees that school districts may hire while still being eligible for pension benefits. The bill will affect PERA expenditures beginning in FY 2024-25.

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

**Fiscal Note Status:** The fiscal note reflects the bill draft requested by the Pension Review Commission.

## Summary of Legislation

Under current law, when school districts have a critical shortage of qualified instructors, they may hire up to 10 retirees without the retiree experiencing a reduction in their retirement benefits. These retirees may work up to 140 school days per calendar year.

The bill allows school districts to hire up to 10 retirees whenever the district identifies the 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. School districts must provide a list to the Public Employee's Retirement Association (PERA) of all service retirees it employs under this law.

## Background

All PERA retirees may work up to 110 calendar days without experiencing a reduction in retirement benefits; school districts may designate 10 retirees to work an additional 30 calendar days (140 days total) without experiencing a reduction in benefits.

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.

## **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.

Assuming that 30 percent of those nearing retirement choose to retire early as a result of the bill, the following revenue impacts to PERA would result.

- **School Division.** The funded percentage of the school division would decrease by 0.27 percent as a result of the bill. 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.
- **Denver Public Schools (DPS) Division.** The funded percentage of the DPS Division would decrease by 0.32 percent and the ADC would increase by approximately 0.19 percent.

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

## **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.

**Effective Date**

The bill takes effect July 1, 2024.

**State and Local Government Contacts**

Education

Public Employees' Retirement Association

School Districts