SB 24-099

Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 24-0726	**Date:**	February 7, 2024
Prime Sponsors:	Sen. Pelton R.; Marchman Rep. Winter T.; McLachlan	**Bill Status:**	Senate Education
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Bill Topic:	**PERA EMPLOYMENT AFTER RETIREMENT FOR RURAL SCHOOLS**
Summary of Fiscal Impact:	☐ State Revenue ☐ State Expenditure ☐ State Transfer ☐ TABOR Refund ☒ School District ☒ 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.
Fiscal Note Status:	The fiscal note reflects the introduced bill.

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. In eligible rural school districts where the school district has determined there are critical staff shortages, retired teachers, school bus drivers, cooks, school nurses, and paraprofessionals may work after retirement without a reduction in their retirement benefits. The bill adds superintendents and principals to this list of service retirees eligible for full-time reemployment. The bill also clarifies that small rural school districts with less than 1,000 pupils are eligible for this program.

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 takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Education	Public Employees' Retirement Association	School Districts