

STATEMENT OF PURPOSE

RS29079C1 / H0555

This statutory change is required due to uneven cost issues between segments of PERSI's member population and economic issues that are impacting employer's ability to attract an adequate workforce. The normal cost is the actual cost of the PERSI benefit. While overall costs of PERSI remain the same, PERSI actuaries have noticed that the normal cost for school employees is increasing at a more rapid rate than other general members and exceed that of general members.

PERSI asked Milliman to conduct an experience study last spring. Milliman found that the demographics for school employees are significantly different than those of other general members. School employees start their careers earlier, remain on their career path more consistently and live longer than other general members. As a result, they tend to draw benefits for a longer period of time. The increased length of benefits increases the overall cost.

The PERSI Board proposes the establishment of a new School Employee rate. If the statute is approved providing for a new School Employee rate, the board is prepared to reduce general member rates to the actual normal cost for general members. All public service employers seem to be struggling to maintain a work force. For example, the state currently has approximately 2600 open positions. This legislation would allow the rehire of retirees who retired prior to January 1, 2022. The legislation would in theory increase the pool of potential candidates for open positions (current retiree pool is in excess of 50,000 retirees). A public service retiree could return to work fulltime without an impact to their benefit. Such retiree returning to work would not accrue additional retirement benefits. One aspect of this proposed legislation is the sunset clause providing this legislation would end on June 30, 2026.

FISCAL NOTE

If the legislation providing for a new School Employee rate were to pass, the board would consider lowering the general member contribution rate. PERSI estimates that such a reduction could result in a \$24 million savings for public employers and general members. If retirees are allowed to return to work under the terms of this statutory proposal, employers would have a larger pool of candidates enabling them to staff vacant positions. This will enable them to better provide the services to the public. The draft legislation sets retirement dates and a sunset clause which should mitigate costs to the PERSI fund. Employers do not have to offer benefits to this pool of potential employees. The employers could experience cost savings by not offering benefits and a retiree may bring job skills which mitigate training or startup costs. It should be noted that school districts have provided benefits to the teachers and administrators that have returned to work after retiring.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).