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FISCAL IMPACT REPORT

SPONSOR: Hamilton DATE TYPED: 03/20/03 HB 111/aSFC

SHORT TITLE: PERA Retirees Earning Cap SB _____

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From
Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of SFC Amendment

Senate Finance Committee amendment to House Bill 111 adds a new subsection (F), which allows PERA retirees to be employed, without salary limitations, in state personnel exempt positions (*appointed positions*) without suspension of their PERA benefits.

There are hundreds of exempt positions in state government and these are generally the highest paid positions. If a significant number of these positions are filled with PERA retirees, the PERA fund could suffer a negative actuarial impact. PERA's actuaries have not evaluated quantitatively the extent of the negative actuarial impact this proposal may have on the PERA retirement fund. NM Const. Art. XX, Section 22 prohibits increased benefits unless the benefits are properly funded on an actuarially sound basis. This amendment does not include funding for this benefit enhancement, and there has been no actuarial study to determine the cost of this new benefit.

Synopsis of Original Bill

House Bill 111 amends the PERA Act to increase the retiree earnings cap from \$15.0 to \$25.0

per year for those who return to work with a Public Employees Retirement Association (PERA) affiliated employer. Once the earnings cap is reached, pension benefits are totally suspended.

FISCAL IMPLICATIONS

According to PERA, their actuary has reviewed this proposal and believes it will have minimal impact on PERA's funding valuation.

ADMINISTRATIVE IMPLICATIONS

If this bill is adopted, PERA must amend its regulations and retiree and member informational publications.

OTHER SUBSTANTIVE ISSUES

Raising the earnings cap to \$25.0 may encourage additional PERA retirees to return to work with affiliated public employers. This could benefit public employers in two ways: they can utilize the expertise and knowledge of PERA retirees, and reduce their payroll costs associated with group insurance benefits and PERA contributions.

With respect to earnings that cause suspension of retiree benefits, HB111 removes any connection to the dollar amount that would cause a reduction or suspension of benefits under Social Security Administration old age benefits provisions.

ALTERNATIVES

As an alternative to setting a fixed dollar amount for total suspension of PERA benefits, PERA could emulate provisions of the Social Security Administration formula for reduction or suspension of benefits.

RLG/nw