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FISCAL IMPACT REPORT

SPONSOR: Vigil DATE TYPED: 02/03/03 HB 348

SHORT TITLE: Suspension of Retiree Benefits While Employed SB _____

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$0.1 See Narrative	Recurring	PERA

(Parenthesis () Indicate Expenditure Decreases)

Relates to: HB 111, SB 376

SOURCES OF INFORMATION

LFC Files

Response Received From
Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 348 amends the Public Employees Retirement Act to allow Public Employees Retirement Association (PERA) retirees to return to work with PERA affiliated employers, without suspension of pension benefits. To avoid suspension of benefits, such individuals must have received a pension pursuant to PERA for at least twelve months and not have been employed as an employee or independent contractor by an affiliated employer for at least 12 consecutive months. This provision would remain in effect from January 1, 2004, until January 1, 2014.

Significant Issues

Without a determination of its actuarial cost (if any) by PERA's actuary, HB 348 may violate NM Const., Art. XX, Section 22 (no benefits may be enhanced unless the costs of those benefits are properly funded in accordance with actuarial standards).

FISCAL IMPLICATIONS

Although PERA's actuaries have not performed a study to determine the impact of removal of the retiree earnings limit, PERA believes that HB 348 may represent an increase in benefits to PERA members.

NM Const., Art. XX, Section 22 provides that no benefits may be enhanced unless the costs of such benefits are properly funded in accordance with actuarial standards. For HB 348 to be consistent with NM Const. Art. XX, Section 22, an actuarial study must be performed showing that such benefits are cost-neutral.

ADMINISTRATIVE IMPLICATIONS

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

RELATIONSHIP

HB 111 proposes to increase the earnings limit for PERA retirees from the current \$15.0 to \$25.0.

SB 376 proposes to allow a retiree to collect a pension and continue working for an affiliated public employer without restriction if they remain unemployed for a period of 90-days after retirement.

OTHER SUBSTANTIVE ISSUES

If implemented, HB 348 could benefit public employers in two ways: they could utilize the expertise and knowledge of PERA retirees, and also reduce their payroll costs associated with group insurance benefits and PERA contributions.

According to PERA, HB 348 proposes to change the definition of "retire" as the term is used throughout the PERA Act by permitting retirees to collect pensions and, without earnings restrictions, continue to work for a PERA affiliated employer.

POSSIBLE QUESTIONS

Would HB 348 be cost neutral and thus avoid issues arising from NM Const., Art. XX, Section 22, if public employers and retirees are required to continue making contributions to PERA for all such earnings according to the provisions of the relevant retirement plan?

RLG/yr