

**NOTE:** As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR: Altamirano DATE TYPED: 02/08/03 HB \_\_\_\_\_

SHORT TITLE: Suspension of Retiree Benefits for Re-Employed SB 376

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, HB 348

### SOURCES OF INFORMATION

LFC Files

Response Received From  
Public Employees Retirement Association (PERA)  
State Personnel Office (SPO)

### SUMMARY

#### Synopsis of Bill

Senate Bill 376 amends the Public Employees Retirement Act to allow Public Employees Retirement Association (PERA) retirees, who wait 90 days prior to returning to work, to accept employment with a PERA affiliated employer, without suspension of their pension benefits. However, such retirees would not accrue service credit for such post-retirement employment and would be required to pay PERA employee contributions as specified in the PERA Act. In addition, public employers must remit employer contributions as specified in the PERA Act or as adjusted for the full actuarial cost, as determined by PERA.

#### Significant Issues

Under current law, if an affiliated employer subsequently reemploys a PERA retiree, the retiree's pension is suspended when post-retirement earnings reach \$15.0.

## FISCAL IMPLICATIONS

According to PERA, without a determination of its actuarial impact by PERA's actuary, SB 376 may be contrary to 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).

However, the bill appears to resolve this issue with the inclusion of the following language: *The affiliated public employer's contributions as specified in that act or as adjusted for full actuarial cost at the determination of the association shall be paid to the fund.* Therefore, this PERA benefit change appears to be cost neutral.

## ADMINISTRATIVE IMPLICATIONS

According to PERA, SB 376 would result in minimal administrative impact to the Association. However, PERA would be required to amend its regulations to address the statutory changes to the PERA Act.

## RELATIONSHIP

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

HB 348 proposes to allow a retiree to collect a pension and continue to work for a public affiliated employer without restriction if they remain unemployed for a period of 12 consecutive months after retirement.

## OTHER SUBSTANTIVE ISSUES

If implemented, SB 376 could benefit public employers in two ways: they could utilize the expertise and knowledge of PERA retirees, and potentially reduce payroll costs associated with group insurance benefits, assuming such employees remain covered by the Retiree Health Care Authority (RHCA).

## AMMENDMENTS

On page 5, line 6, after the word "act.", strike the last sentence in Section 1(C)(2) and replace with, "*The affiliated public employer shall make contributions as specified in the act or as adjusted for the full actuarial cost as determined by the association; and*

## POSSIBLE QUESTIONS

Would retirees who return to work be allowed to participate in their employers' group insurance plans, or would RHCA coverage continue?

Upon returning to work with an affiliated public employer, would retirees be allowed under law to continue receiving payments from their deferred compensation plans?

RLG/prr