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FISCAL IMPACT REPORT

SPONSOR Lujan, B DATE TYPED 2/2/2004 HB 14

SHORT TITLE Legislative Employee PERA Contributions SB _____

ANALYST Garcia

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		See Narrative		PERA Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
PERA

SUMMARY

Synopsis of Bill

Under current law, if a public-affiliated employer subsequently reemploys a PERA retiree, the retired member who returns to work is required to pay his or her associated retired member contributions. In addition, the public-affiliated employer will be required to remit employer contributions to PERA on the working retiree's behalf, as adjusted for the full actuarial cost as determined by PERA. HB 14 proposes to exempt retired members who return-to-work for the legislature to perform legislative session work from the requirement of remitting retired member and employer contributions.

Significant Issues:

- 1) The bill addresses whether the legislature deems it appropriate to exempt certain categories of PERA retirees from the requirement of remitting associated retired member and employer contributions.
- 2) PERA retirees who return to work for the legislative branch of government to perform legislative session work will be required to remit retired member contributions. In addition, the legislative branch of government that employs these PERA retirees will be required to pay employer

contributions on their behalf.

3) Exempting legislative employees from paying contributions sets a precedent for other return-to-work retirees in other agencies to request exemptions as well.

FISCAL IMPLICATIONS

The fiscal impact on PERA is unknown at this time. PERA is unaware of the number of PERA retirees that the legislature employs during a typical legislative session. Nonetheless, exempting retired legislative employees from paying into the PERA fund, will have a negative impact on the PERA fund, where before dollars were being diverted to the fund. However, this impact is minimal and will not significantly impact the actuarial valuation of fund because the number of employees is minimal as well as the dollars.

The contributions for temporary legislative staff results in a take home pay reduction of roughly 8 percent. The contributions are roughly \$100 thousand from the state and \$50 thousand from the employee.

ADMINISTRATIVE IMPLICATIONS

HB 14 will have an administrative impact on PERA. PERA will be required to amend its regulations to address the statutory changes to the PERA Act. In addition, PERA will be required to modify the development of its new pension administration system to program for the exemption of PERA retirees who work the legislative session from being required to pay contributions. This modification may result in an additional cost to PERA in its development project.

OTHER SUBSTANTIVE ISSUES

The PERA Board has adopted a position to resist efforts to repeal the current statutory requirements for remitting both employee and employer contributions, and advocates the retention of the statutory requirement of remitting contributions for retired members who return-to-work for affiliated public employers until sufficient actuarial experience is gained to determine the actuarial impact of the current return-to-work provisions of the PERA Act.

The exemption to the PERA Act's return-to-work provision for PERA retirees who return to work the session for the legislature is a policy decision for the legislature. In making its decision the legislature should be aware that the PERA Board position is that all similarly situated members should be treated alike.

Furthermore, the return-to-work provision may provide an incentive for retirees to retire when they are eligible. For instance, most retirees do not return until a few years after they retire, which is accounted for in the actuarial valuation. Consequently, more employees retiring when they are eligible creates a liability to the PERA fund. The impact of this incentive to retire when eligible and return-to-work is immeasurable at this time.

HB 14 contains an emergency clause that will make the exemption available for PERA retirees that are currently employed by the legislature for the current 2004 legislative session.