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FISCAL IMPACT REPORT

SPONSOR: Lopez DATE TYPED: 02/13/03 HB _____

SHORT TITLE: PERA Exception for Nurse Employment SB 537

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 348, HB 376 & HB 408

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Employees Retirement Association (PERA)

New Mexico Health Policy Commission (HPC)

New Mexico Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 537 amends the Public Employees Retirement Act (PERA) by providing an earnings cap exemption for retired nurses. PERA retirees who return to work with a PERA affiliated employer, in registered nurse or licensed practical nurse positions, may do so without forfeiting their PERA pension benefits. The subsequent employment waiting period, required by the PERA Act, is also waived for these individuals.

Significant Issues

Under current law, if a PERA affiliated employer subsequently reemploys a PERA retiree, the retiree's pension will be suspended when post-retirement earnings reach \$15,000. PERA membership is mandatory after reaching the \$15,000 earnings cap, and both employee and employer contributions must be remitted to PERA on the member's behalf.

FISCAL IMPLICATIONS

According to PERA, without a determination of its actuarial cost by PERA's actuary, SB 537 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). PERA's actuaries have not been asked to determine whether SB 537 will have a cost to the PERA Fund.

PERA believes SB 537 represents a benefit enhancement since it permits some retirees to receive both pension benefits and unlimited salaries from affiliated public employers.

According to the New Mexico Department of Health (DOH), SB 537 could save state resources by reducing overtime and high-dollar contract nurse expenses.

ADMINISTRATIVE IMPLICATIONS

This bill would require PERA to amend its regulations to address the statutory changes made to the PERA Act.

RELATIONSHIP

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.

SB 376 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 90 days after retirement.

HB 408 would all volunteer firefighters, who have retired and are receiving pension benefits from another state system, to be eligible to participate in the volunteer firefighters retirement plan.

OTHER SUBSTANTIVE ISSUES

The New Mexico Health Planning Commission (HPC) states that NM is experiencing a nursing shortage that is reducing access to basic health care for many New Mexicans. When people who are ill do not have access to primary care, they often wind up delaying treatment until they are sicker, and then utilizing emergency health care services, which are generally more expensive. Encouraging retired nurses who wish to continue their public service to return to work may help alleviate the nursing shortage, and thereby improve access to basic care for many New Mexicans.

State agencies, including DOH, have difficulty recruiting and retaining nurses to provide essential health services. DOH facilities, local health programs experience a nurse vacancy rate of up to 25%. This in part is due to the statewide and national nursing shortage. Another contributing factor is non-competitive pay with the private sector, including inability to provide "sign-on" bonuses and other incentives.

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There is a severe nursing shortage nationally and in New Mexico (NM). The US Department of Health and Human Services projects that if the current trend continues New Mexico's nursing shortage will reach 25% in 2005, 36% in 2010 and 57% in 2020. According to the New Mexico Consortium for Workforce Development (NMCWD), NM nurses' average age is 50 years. New Mexico currently produces 500 new RNs each year, but continues to experience escalating vacancies in health care facilities projected to reach 57% by 2020, double the national average. As a direct result of the shortage and nursing vacancies, as reported in the NMCWD Survey in 2002, 72% of the hospitals curtailed services, 38% of home care agencies refused referrals, 15% of long-term care facilities refused admissions, and public health offices curtailed services.

According to PERA, this bill raises several policy issues for the legislature. Historically, the Legislature has been adverse to "double dipping" from two public pension systems. For example, retirees from the Education Retirement Act system are exempt from membership in PERA. NMSA 1978, §10-11-3(B)(6).

AMENDMENTS

On Page 5, line 25, delete "he" and replace with "the member".

RLG/yr/njw