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FISCAL IMPACT REPORT

SPONSOR Brandt ORIGINAL DATE 1/22/19
 LAST UPDATED _____ HB _____

SHORT TITLE Former Officers as School Safety Personnel SB 148

ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate	Indeterminate	Indeterminate	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

Education Retirement Board (ERB)

SUMMARY

Synopsis of Bill

Senate Bill 148 amends the Public Employees Retirement Act [10-11-8 NMSA 1978] to allow retired law enforcement officers to be reemployed under the educational retirement association as school security personnel without suspension of their annual cost-of-living adjustment. Under current law, all retired Public Employees Retirement Association (PERA) members, including those who return to work with an employer covered by the Educational Retirement Act, have their cost-of-living-adjustment (COLA) suspended for the period of reemployment.

FISCAL IMPLICATIONS

The impact on the PERA fund is not known and was not estimated by PERA. However, according to PERA's comprehensive annual financial report (CAFR), the average state police retiree receives a monthly benefit of \$2,954 or \$35,448 per year. Municipal police receive average pensions of \$3,595 per month or \$43,140 per year. Currently, PERA pays an annual COLA of 2 percent on the pension benefit. Based on this data, the cost to PERA for applying a COLA to these benefits is as follows:

Retirement Plan	Annual Benefit	Annual COLA	1 Year COLA Cost	10 Year COLA Cost
State Police	\$35,448	2%	\$709	\$7,763
Municipal Police	\$43,140	2%	\$863	\$9,447
Average Police	\$39,294	2%	\$786	\$8,605
Cost Per 100 Return to Work Officers	\$3,929,400	2%	\$78,588	\$860,516

Based on the average police pension benefit, if 100 retired law enforcement officers were to return to work and receive a COLA on their pensions under the provisions of SB148, the total additional annual cost to the retirement funds would be \$78 thousand. If those officers remained employed for a period of 10 years, the total cost of the compounded COLAs would be \$860 thousand.

The number of return to work employees who may be affected by this legislation is unknown.

SIGNIFICANT ISSUES

PERA is significantly underfunded. The provisions of SB148 will increase fund liabilities.

ADMINISTRATIVE IMPLICATIONS

PERA may be required to make system modifications to its RIO pension administration system so it will not automatically suspend COLAs for certain retired members with educational retirement association covered employment.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 14, which requires PERA retired members who return to employment covered by the Educational Retirement Act to pay employee contributions.

CJ/sb