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FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/13

SPONSOR HLC LAST UPDATED 02/06/13 HB 147/HLCS

SHORT TITLE Public Employees Returning to Work Retirement SB _____

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$25.0				Nonrecurring	PERA

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

The House Labor and Human Resources Committee substitute for House Bill 147 amends the Public Employees Retirement Act for members returning to public employment after retirement from public service.

The substitute bill amends Section 10-11-8 NMSA 1978 as follows:

- reinstates a \$15,000 earnings limit for PERA retirees who return to work with PERA-affiliated employers;
- suspends retiree pension benefits if earnings from reemployment exceed \$15,000; and
- allows reemployed retirees to earn service credit and have pension benefits recalculated under certain conditions.

Under the substitute bill, when a return-to-work retiree returns to retirement after less than three years of reemployment the member's pension payments resume as before. If the return-to-work retiree returns to retirement more than three years after reemployment, the pension is recalculated to take into account the additional contributions made during reemployment.

FISCAL IMPLICATIONS

The PERA will make modifications to its pension administration system (RIO) to administer the proposed earnings cap for retirees. Costs are reflected in the table above.

The PERA notes that historically the board has had concerns regarding the negative actuarial impact of retirees returning to work after retirement and collecting both a pension and a salary.

SIGNIFICANT ISSUES

According to PERA, the substitute bill changes the order in which the original bill was drafted without having a material impact.

The substitute bill returns the PERA Act to its original language prior to repeal of an earnings cap for retirees returning to work after retirement and collecting both a pension and a salary.

The PERA notes that if a retired member fails to report earnings that would have suspended pension benefits, the retired member is required to repay to PERA amounts erroneously received.

The other exemptions for retirees returning to work without suspension of pension benefits are legislative session workers, elected officials and precinct board/poll workers.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 121 allows chief-of-police and undersheriffs an exemption to return to work after retirement and requiring employee and employer contributions.

HB 168 allows certain public safety members to return to work after retirement and requiring employee and employer contributions.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Reemployed PERA retirees reemployed with PERA-affiliated employers will continue to have their pensions suspended.

Reemployed PERA retirees grandfathered in under the law in effect at the time of reemployment (on or before June 30, 2010) may continue to receive both a pension and a salary. According to PERA, these retirees pay nonrefundable employee contributions to the Fund while reemployed.

AHO/svb