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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/13

SPONSOR Sanchez, C. LAST UPDATED _____ HB _____

SHORT TITLE Public Safety Officers Returning to Work SB 168

ANALYST Hanika-Ortiz

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	See Fiscal Implications		Recurring	PERA Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Corrections Department (NMCD)
 Department of Public Safety (DPS)
 Public Employees Retirement Association (PERA)
 New Mexico Municipal League (NMML)
 Administrative Office of the Courts (AOC)

SUMMARY

Synopsis of Bill

Senate Bill 168 (SB 168) amends the PERA Act relating to retirees that return to work as state police officers, adult correctional officers and municipal police without suspension of benefits.

The retiree does not accrue service credits and cannot purchase credits during reemployment.

The retiree and employer must pay the contribution applicable to the coverage plan.

FISCAL IMPLICATIONS

This legislation would increase revenues to the PERA fund as the contributions are paid by the reemployed retiree and employer.

The PERA reports that the ability to return to work may increase liabilities to the PERA Fund since there is no incentive for members to work beyond when first eligible to retire. Overall, members that receive a pension earlier remain on the pension payroll a longer period of time.

If the positions being filled are already authorized and funded, there should be no additional fiscal impact for agencies and local governments.

SIGNIFICANT ISSUES

The bill will allow a PERA-affiliated employer to rehire someone for a job from which they had retired after a wait period of 90 days. This may prompt a change in retirement patterns because some employees may retire and get rehired just to get the pension benefit.

The bill adds another exemption to the list of positions retirees may fill with state and local governments without suspending their pension benefit. The other exemptions are for legislative session workers, elected officials and precinct board/poll workers.

The PERA reports serious concerns regarding the negative actuarial impact of PERA retirees returning to work after retirement and collecting both a pension and a salary.

Agencies note concerns that specific employee groups granted the opportunity to retire and return to work are rewarded over other employees in similar situations.

PERFORMANCE IMPLICATIONS

Many PERA members in PERA public safety plans can start drawing a pension worth up to 80 percent of their salary by their 50th birthday.

PERA Plan	Average Age	Average Monthly Benefit
State General Plan	59	\$2,314
State Police/Corrections	50	\$2,422
Municipal Police	49	\$3,015
Municipal Fire	49	\$3,560

Effective July 1, 2010, the PERA Act was amended to require that a retiree who returns to work with an affiliated public employer will have his or her pension suspended.

ADMINISTRATIVE IMPLICATIONS

Based upon agency responses, police officers remain extremely employable after retirement:

- NMCD reports that the bill will allow veteran officers to return to work to augment an otherwise inexperienced workforce
- DPS notes that being able to reemploy an experienced officer would be beneficial for small and rural police agencies
- NMML notes that finding qualified applicants to fill police positions is a difficult task
- AOC notes that retired officers are ideal candidates for positions in court security

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 121 allows PERA retirees to return to work as undersheriffs and chiefs-of-police without suspension of pensions and requires employee and employer contributions.

HB 147 reinstates a \$15,000 earnings limit for retired PERA members who return to work with PERA-affiliated public employers before suspension of pensions.

OTHER SUBSTANTIVE ISSUES

California, the nation's largest public pension plan, increased the minimum retirement age for public safety members to 57.

The California Public Employees' Retirement System (CalPERS), in a study of mortality rates from 1997 to 2007 found that "life expectancy of safety members is slightly higher than the life expectancy of miscellaneous members." California increased the minimum retirement age for public safety members to 57.

A National Conference of State Legislatures study shows that 37 percent of Public Safety Plans have a minimum age of 50 requirement; 11 percent have a 51 to 54 minimum age requirement; and 23 percent have a minimum age of 55 requirement.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The PERA retirees who return to work as state police, adult correctional officers or municipal police officers will continue to have their pensions suspended.

AMENDMENTS

The PERA suggests suspending cost-of-living adjustments during the period of reemployment.

The DPS suggests including retirees from all New Mexico law enforcement agencies.

Retire-rehire laws are to fill a temporary void and should not be a long-term solution. The Legislature may want to consider a specified term of reemployment and/or disallow reemployment with the employer of record at retirement.

AHO/svb