

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

		<b>LAST UPDATED</b>	<u>2/13/2025</u>
<b>SPONSOR</b>	<u>Mirabal Moya/Garratt/Baca/Gonzales</u>	<b>ORIGINAL DATE</b>	<u>2/08/2025</u>
	Ed. Retirees Returning to Work Time	<b>BILL</b>	House Bill
<b>SHORT TITLE</b>	<u>Period</u>	<b>NUMBER</b>	<u>254/aHLVMC</u>
		<b>ANALYST</b>	<u>Hanika-Ortiz</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	*FY26	*FY27	*3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Educational Retirement</b>	<b>No fiscal impact</b>	<b>At least \$2,000.0</b>	<b>At least \$2,060.0</b>	<b>At least \$4,060.0</b>	<b>Recurring</b>	<b>ERB Trust Fund</b>

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 133/aSEC and Relates to Senate Bills 165, 251, and 292  
 \*The impact assumes a small annual adjustment to reflect payroll growth.

### Sources of Information

LFC Files

Agency Analysis Received From  
 Educational Retirement Board (ERB)  
 New Mexico’s Independent Community Colleges (NMICC)  
 Public Education Department (PED)

## SUMMARY

### Synopsis of HLVMC Amendment to House Bill 254

The House Labor, Veterans, & Military Committee Amendment to House Bill 254 (HB254) increases the amount of time a retired member collecting a pension may work after retirement to 60 months.

### Synopsis of House Bill 254

House Bill 254 increases the time a retired member from the Educational Retirement Board may return to work with a local administrative unit, without losing their monthly retirement benefit, from the current maximum of 36 months to a new maximum of 84 months.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

The original bill increased the time a retiree collecting a pension can work after retirement to 84 months, from 36 months (48 months). ERB reported a material negative impact to plan funding of \$4 million in year one, increasing each year with payroll growth. ERB cautioned extending provisions for RTW programs because the actual impacts will not be known until retirement rates after the changes can be observed for several years. ERB suggested, however, reducing the increase in time to 48 or 60 months, and only for those currently in the 36-month RTW program. Because the HLVMC amendment does not restrict who can participate, LFC staff suggest the actuarial impact could be half the negative impact of extending the time as originally proposed.

## SIGNIFICANT ISSUES

Return-to-work programs help retirees stay engaged and contribute their expertise in a temporary, part-time or flexible capacity. One of the critical aspects of return-to-work programs is that the re-employment provisions must not have a negative impact on the trust fund. Article XX, Section 22 of the New Mexico Constitution prohibits the Legislature from enacting any law that increases benefits without adequate funding. This section also assigns ERB the sole and exclusive power to adopt actuarial assumptions, using an independent actuary of its choosing.

Under normal circumstances, ERB retirees wait 90 consecutive days before reentering the workforce with an ERB-affiliated employer. These retirees may work 36 consecutive or non-consecutive months while continuing to receive retirement benefits. During the reemployment period, retirees and employers make non-refundable contributions to ensure the fund's stability.

HB254 does not focus its impact on hard-to-fill teacher vacancies, for instance, in K-8 and special education. Public Education Department (PED) quoted a 2024 study from New Mexico State University that found 1,259 educator vacancies statewide, 737 of them teacher vacancies; 280 special education teacher vacancies, the area with the highest need, were 38 percent of vacancies; 179 elementary teacher vacancies were 24 percent of vacancies; and 87 were middle school teacher vacancies.

## ADMINISTRATIVE IMPLICATIONS

ERB will need to modify its IT system to account for the time extension.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with Senate Bill 133/aSEC Educational Retirees Returning to Work Time Period, that increases the time a retiree may work after retirement to 60 months and raises the maximum amount a retiree may earn to \$25 thousand, without suspending retirement benefits.

This bill relates to Senate Bill 165 Return to Work for Lifeguards, which adds conditions under the Public Employees Retirement Act, alongside other public safety positions.

This bill relates to Senate Bill 251 Certain Retirees Returning to Work, which expands definition of “peace officer,” under the Public Employees Retirement Act.

This bill relates to Senate Bill 292 Protective Service Workers Returning to Work, which adds conditions under the Public Employees Retirement Act, alongside other public safety positions.

AHO/sgs/rl/SL2