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FISCAL IMPACT REPORT



SPONSOR: Komadina DATE TYPED: 01/23/02 HB _____

SHORT TITLE: Continued Retiree Benefits SB 144

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		Indeterminate – See narrative			PERA and ERA Trust Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to: SB53

SOURCES OF INFORMATION

LFC Files
 State Personnel Office (SPO)
 Educational Retirement Association (ERA)
 Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 144 amends Section 10-11-3 NMSA 1978 and Section 22-11-25.1 NMSA 1978 to allow Public Employees Retirement Association (PERA) and Educational Retirement Association (ERA) retirees to return to work for any affiliated public employer in New Mexico without suspension of their retirement benefits. Reemployed retirees, however, would not accrue additional service credit for such employment. SB 144 also removes the PERA Act provision which limits annual earnings from post-retirement employment with an affiliated public employer to \$15,000.00 per year and supercedes the ERA Board rule, which limits earnings to a maximum of \$10,000 per year.

Significant Issues

This bill would provide state and local governmental entities and public schools the option to retain their most experienced employees or to employ other highly qualified PERA or ERA retirees.

FISCAL IMPLICATIONS

PERA and ERA believe that this bill will have an adverse impact on the actuarial soundness of their respective trust funds. Even though ERA and PERA have not provided an estimate as to how many retirees would take advantage of this change or completed germane actuarial studies, both believe that it will cause an increase to the affected retirement plans' funding periods and be detrimental to the financial soundness of the PERA and ERA trust funds. Retirement contribution increases from employees, the employer, or both may be necessary to maintain current funding periods.

However, according to PERA's actuary, increasing the PERA earnings amount up to \$25,000 per calendar year from the current \$15,000 would have minimal impact on their fund.

ADMINISTRATIVE IMPLICATIONS

Passage of this bill would require PERA and ERA to revise their board rules and procedures.

TECHNICAL ISSUES

Although a formal actuarial study has not been performed to substantiate their assertions, both PERA and ERA believe that SB 144 would violate the Constitution of New Mexico, Article XX, §22(E), which prohibits modifications to public employment retirement systems that do not enhance or preserve the actuarial soundness of the affected trust fund.

LG/njw