NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

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# FISCAL IMPACT REPORT

SPONSOR:	Carraro	DATE TYPED:	02/6/02	НВ	
SHORT TITLE	E: Teachers Reemployn	nent		SB	351
ANALYST:				YST:	Gilbert

### **REVENUE**

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03	_		
	\$ (0.1)	\$ (0.1)	Dogweina	Educational Re-
	See Narrative	See Narrative	Recurring	tirement Trust Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to: SB53

SOURCES OF INFORMATION

LFC Files

No Response Received

Educational Retirement Association (ERA)

#### **SUMMARY**

Synopsis of Bill

Senate Bill 351 amends Section 22-11-25.1 NMSA 1978 to allow Educational Retirement Association (ERA) retirees to return to work for any affiliated public employer in New Mexico without suspension of their retirement benefits. To qualify, retired members must have completed twenty-eight years of service with a local administrative unit and hold a bachelor's degree plus forty-five credit hours or possess a master's degree.

Section 22-11-25.2 (new material) imposes the following restrictions on ERA retirees who return to work per the provisions of this bill:

- □ Retirees are entitled to continue to receive retirement benefits but are not entitled to acquire service credit or to acquire or purchase service credit in the future for the periods of reemployment with local administrative units;
- Retirees shall not make contributions to the fund as specified in the Educational Retirement Act. However, local administrative unit contributions as specified in

### Senate Bill 351 -- Page 2

the act shall be paid to the fund as if retired members were non-retired; and

□ Retired members who begin employment at local administrative units pursuant to the provisions of Section 22-11-25.2 shall not be paid more than 65% of their last salary as non-retired employees.

## Significant Issues

This bill would provide public schools and colleges with the option to retain their most experienced teachers and administrators (post retirement) at a maximum salary equivalent to 65% of their former pay.

### FISCAL IMPLICATIONS

This bill could have a negative impact on the actuarial funding period of the ERA trust fund. However, since a germane actuarial study has not been completed, the LFC cannot determine whether the impact of this bill will be significant. Factors such as the numbers of retired members returning to work, their ages, their gender, and their post-retirement salaries must be considered in order to make such a determination.

### **ADMINISTRATIVE IMPLICATIONS**

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

#### **TECHNICAL ISSUES**

Since a formal actuarial study has not been performed in consideration of the retirement plan changes associated with this bill, it is not possible to posit whether HB 351 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.

RLG/prr