

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

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (www.nmlegis.gov). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/13

SPONSOR Munoz LAST UPDATED _____ HB _____

SHORT TITLE Law Enforcement Returning to Work SB 121

ANALYST Hanika-Ortiz

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	Minimal		Recurring	PERA Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

Department of Public Safety (DPS)

Department of Finance and Administration (DFA)

New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

SB 121 amends the PERA Act to allow PERA retirees appointed as chiefs of police or undersheriffs to work without suspension of pension benefits during their term of office.

FISCAL IMPLICATIONS

This legislation would increase revenues to the PERA fund as the employer and employee contributions will be paid by the reemployed retiree and new employer. However, the PERA reports that the ability to return-to-work may increase its unfunded liabilities since there is no incentive for members to work beyond when they are first eligible to retire. Overall, members that receive a pension earlier remain on the pension payroll for a longer period of time.

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

SIGNIFICANT ISSUES

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 bill provides that the retiree reemployed as a chief-of-police or undersheriff shall not accrue, acquire or purchase service credit during reemployment.

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.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 168 amends the PERA Act to allow certain public safety PERA retirees to return to work 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 pension benefits.

TECHNICAL ISSUES

Page 4, line 25; the word “employee” should be replaced with the word “employer”.

OTHER SUBSTANTIVE ISSUES

California, the nation’s largest public pension plan, recently 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 recently 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

Reemployed PERA retirees reemployed with PERA-affiliated employers as chiefs of police and undersheriffs will continue to have their pensions suspended.