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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/14

SPONSOR Herrell LAST UPDATED _____ HB 297

SHORT TITLE Chiefs of Police Returning to Work SB _____

ANALYST Hanika Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Impact				PERA

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 297 amends the PERA Act to provide an exclusion allowing PERA retirees to return to work as chiefs-of-police and undersheriffs without suspension of pensions. The bill does not require employee or employer contributions for the period of reemployment.

FISCAL IMPLICATIONS

PERA reports the bill will have a negative fiscal impact on the PERA Fund. For the year ending June 30, 2013, the PERA Fund is 72.9 percent funded and has a \$63.7 million unfunded liability.

Undersheriffs to sheriffs are full-time salaried positions appointed by a sheriff elected for a four-year term. Chiefs-of-police are also appointed by municipal officials elected for a set term of office. If these positions are made exempt from the return-to-work provisions of the PERA Act, the PERA receives no contributions to the Fund for the position during that four-year term.

PERA notes the bill may trigger earlier retirements and encourage members to retire when first eligible. The ability to return to work may increase liabilities to the PERA Fund since there is no incentive for members to work beyond when they are first eligible to retire. Members begin receiving a pension earlier and remain on retiree payroll for a longer period of time.

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.

Historically, the PERA has voiced serious concerns regarding the negative actuarial impact of PERA retirees returning to work after retirement and collecting both a pension and a salary.

There is also a concern that specific employee groups granted the opportunity to retire and return to work are rewarded over other employees in similar situations.

RELATIONSHIP

HB 194, which amends the PERA Act to allow “public safety” retirees to return-to-work, subject to certain restrictions, and expands exemptions from PERA’s restrictions on back-to-work.

OTHER SUBSTANTIVE ISSUES

Historically the PERA Act provided an exemption for retirees who returned to work in the positions of chiefs-of-police and undersheriffs. In 2003, return-to-work provisions were enacted for all PERA retirees and the PERA Act’s exemptions for chiefs-of police and undersheriffs were removed.

Effective July 1, 2009, the elected official exemption was restored to the PERA Act. In 2010, the Legislature repealed the back-to-work provisions of the PERA Act; after July 1, 2010 a retiree who returns to work with an affiliated public employer will have his or her pension suspended.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PERA retirees who return to work after retirement as chiefs-of-police and undersheriffs will continue to have their pensions suspended. At any time a retired PERA member may suspend his or her pension and accrue additional service credit and recalculate their final average salary.

AHO/svb