

LFC Requester: _____

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 1/26/24 *Check all that apply:*
Bill Number: SB 133 Original Correction
Amendment Substitute

Sponsor: Sen. Peter Wirth **Agency Name and Code** CNM-968
Short Title: Educational Retirees Returning to Work **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
None	None	NA	NA

(Parenthesis () indicate expenditure decreases)

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB 133 helps to address New Mexico's demographic challenges, incenting an experienced and skilled aging workforce to continue contributing to the education of learners of all ages. Potential positive impacts of the salary threshold increase must be considered along with the potential negative fiscal impacts on local administrative units.

FISCAL IMPLICATIONS

Benefits:

1. Encourages Retired Professionals to Re-enter the Workforce:

- Increasing the income cap makes it more financially viable for retirees to supplement their retirement benefits by returning to work.
- This could alleviate workforce shortages, especially in critical roles such as education.

2. Addresses Inflation and Cost of Living:

- The previous threshold of \$15,000 may no longer be sufficient, given the rising cost of living. The increase to \$25,000 aligns with current economic realities.

3. Boosts Experience in the Workforce:

- Retired professionals bring valuable experience and knowledge, which could benefit schools and administrative units struggling to find skilled workers.

4. Potential Economic Benefits:

- Retirees with higher disposable incomes may contribute more to the local economy.

Fiscal Impact:

The fiscal impact of increasing the salary threshold from \$15,000 to \$25,000 annually under SB133 would depend on several factors, including the number of retired members returning to work, the contribution rate outlined in Section 22-11-21 NMSA 1978, and the salaries paid by local administrative units.

To estimate the precise fiscal impact, a detailed actuarial analysis would be required, considering:

1. The projected number of retirees returning to work.
2. The distribution of salaries for those retirees.
3. The current employer contribution rates as mandated by Section 22-11-21 NMSA 1978.

Factors Influencing Fiscal Impact

1. Higher Employer Contributions

- Local administrative units are required to make nonrefundable contributions to the retirement fund as though the retired member were a non-retired employee.
- Increasing the salary threshold to \$25,000 means employers will make contributions based on this higher salary cap for each retired member who opts to return to work, representing a **66.7% increase in employer contributions per eligible retiree.**

2. Increased Participation of Retired Members

- The higher threshold may incentivize more retired members to return to work since they can earn more without suspending their retirement benefits. This would further increase the number of employees for whom contributions are required.
- If participation significantly increases, it could amplify fiscal pressures on local administrative units.

3. Nonrefundable Nature of Contributions

- Since contributions are nonrefundable and do not accrue additional service credit for retirees, the

retirement fund could see increased revenues without a proportional increase in future liabilities. This is a **financially positive outcome** for the fund itself.

4. Administrative Costs

- Managing a higher volume of retirees returning to work and tracking compliance with the new rules might result in additional administrative costs for local units.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS