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FISCAL IMPACT REPORT

SPONSOR <u>Brandt/Moores</u>	LAST UPDATED <u>1/28/2024</u>
	ORIGINAL DATE <u>1/23/2024</u>
	BILL
SHORT TITLE <u>Law Enforcement Retirement Svc. Credit</u>	NUMBER <u>Senate Bill 124</u>
	ANALYST <u>Simon</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			PERA Funds

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Section 1 of Senate Bill 124 Duplicates Section 1 of Senate Bill 87

Sources of Information

LFC Files

Agency Analysis Received From
Department of Public Safety (DPS)
Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Senate Bill 124

Senate Bill 124 (SB124) would allow a person who was a certified or otherwise qualified law enforcement officer in another state or for the federal government the ability to purchase service credit from the Public Employees Retirement Association. The bill required the member to be vested in the pension system before credit may be purchased. Up to five years of service credit may be purchased.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

SB124 could increase benefits payments from PERA's trust fund. Article XX, Section 22 of the New Mexico Constitution prohibits the Legislature from enacting any law that increases the

benefits paid by PERA unless adequate funding is provided. That section assigns the PERA board the sole and exclusive power to adopt actuarial assumptions, based on recommendations from an independent actuary.

Although SB124 could increase payments from the fund, the bill includes a funding mechanism by requiring a member to pay for the service credit based on a formula set in statute. The cost for each month of service credit is equal to the member's final average salary multiplied by the total employee and employer contribution rate (see page 6 of SB124, lines 15 through 22). PERA states an actuarial analysis of the bill found it would have a "negligible" impact on the fund.

SIGNIFICANT ISSUES

Provisions of the Public Employee Retirement Act allow members with military service to purchase up to five years of service credit with PERA and SB124 would expand this benefit to members who were certified law enforcement officers in another state, or if the member was "otherwise qualified law enforcement." The bill would extend the benefit to anyone who was a full-time employee and had the power to make arrests for crime. In addition to purchasing time for military service, current law allows PERA members to purchase up to one year of additional service credit.

Analysis from the Department of Public Safety states SB124 could increase the number of law enforcement officers in New Mexico by allowing law enforcement officers in other states to move to New Mexico, begin a career with a PERA-covered employer and, after five years of earned service credit, purchase up to an additional five years of service credit. Service credit purchasing programs might reduce the financial disincentive from losing earned service credit by moving to another jurisdiction.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Section 1 of SB124 duplicates Section 1 of Senate Bill 87. That bill also allows some retired PERA members to return-to-work without suspending their pension payments.

JWS/ss/ne/al