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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-27-09

SPONSOR Taylor LAST UPDATED \_\_\_\_\_ HB 65

SHORT TITLE Legislative Retirement Contributions SB \_\_\_\_\_

ANALYST Aubel

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	Indeterminable		N/A	PERA

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of Bill

House Bill 65 amends the PERA Act to provide a temporary opportunity for State Legislator Plan 1 members who missed the deadline to make additional statutory contributions for the purpose of enhancing their retirement benefits for service credit earned prior to December 31, 2002. HB 65 will allow state legislator members who missed the statutory deadline to enhance their retirement benefits by paying additional contributions on or before January 1, 2010.

### FISCAL IMPLICATIONS

State Legislator Member Coverage Plan 1 members were required to pay annual contributions of \$100.00 per year for service prior to December 31, 2002. The state contributes the amount sufficient to finance the membership of Legislators under State Legislator Member Coverage Plan 1 on an actuarial reserve basis under, Section 10-11-43 NMSA 1978. The Legislature transfers \$2.4 million annually, which applies to both the normal costs associated with State Legislator Member Coverage Plans 1 and 2 and their respective unfunded actuarial accrued liability ("UAAL"). To the extent that additional pension benefits are accrued by members, plan liabilities are increased. To the extent the fund does not cover these liabilities, the UAAL will

increase. Assuming market conditions improve fund values, the current distribution to this fund of \$2.5 million would appear sufficient to cover additional liabilities. It is unknown how many Legislators would take advantage of this temporary ability to earn additional service credit to enhance benefits. Thus, the fiscal impact to the fund, while most likely not substantial, is indeterminable.

### **SIGNIFICANT ISSUES**

According to PERA, “Legislative Retirement Plan 1 (“Plan”) is unlike other PERA coverage plans in that it is not funded based upon contributions from salary. Legislators are not salaried employees and their “retirement benefits” do not derive from employment.

HB 68 would require those purchasing prior service credit pay \$200 per year plus interest from December 31, 2003 as determined by PERA board pursuant to the PERA Act. It is a policy decision whether those who missed the original deadline should be given another opportunity to add service credit during this proposed window.

### **ADMINISTRATIVE IMPLICATIONS**

PERA notes that HB 65 will have a minimal administrative impact on the agency.

### **TECHNICAL ISSUES**

It should be noted that January 1, 2010 is a holiday; to avoid any administrative confusion, contributions proposed under HB 65 should be payable on or before December 31, 2009.

MA/mc