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FISCAL IMPACT REPORT

SPONSOR Park **ORIGINAL DATE** 1/28/09
LAST UPDATED _____ **HB** 156
SHORT TITLE PERA Notices to Members **SB** _____
ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$150.0	\$120.0	\$120.0	\$390.0	Recurring	PERA

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 156 would require the Public Employees Retirement Association (PERA) to give written notice to a member when he or she meets the minimum age and service requirement. In addition, the bill requires PERA to provide written notice to members when a change is made by rule or law to a retirement requirement or benefit change.

FISCAL IMPLICATIONS

PERA claims that its operating budget will be negatively impacted. PERA currently has approximately 61,000 active and deferred members. There is no automation within PERA's existing pension administration system ("RIO") that will generate written notification to a member when they meet the minimum age and service requirements for retirement under the coverage plan in which he or she participates. If further revisions to the RIO system are necessary in FY09, PERA will need to seek budget adjustment authority to cover the costs of these system changes, as well as add 3 FTE to process the workload. The total estimated budget required for FY09 is \$150 thousand and the recurring amount for workload processing is estimated at \$120 thousand.

SIGNIFICANT ISSUES

PERA administers 31 different retirement plans, many of which have different minimum age and service credit requirements for normal retirement. For example, State General Plan 3 members can retire with 25 years of service credit at any age; at age 65 with 5 years of service; and under six other categories of age and service requirements that constitute “normal retirement.”

According to PERA, the agency provides many opportunities for members to be aware of their retirement accounts and options, as follows:

“Currently, PERA provides all members with a written annual Member Statement of Account that details service credit accrued and contributions on account with PERA. In addition, members may access their account information through a PERA web-based self service application that provides coverage plan information, service credit and contribution balances.

At any time, a member can request written service credit verification and validation of when a member is eligible to retire from PERA. Due to the volume of requests received, the turn around for such requests takes from 45-60 days.

PERA members can personally meet with Customer Service Representatives in either PERA’s Santa Fe or Albuquerque offices to discuss their retirement accounts and be provided with service credit verifications, retirement eligibility dates and assistance with completing the retirement process.

La Voz, PERA’s quarterly membership newsletter, annually publishes a legislative update that highlights all legislation affecting PERA members and retirees.

PERA members and retirees are encouraged to use PERA’s Interactive Voice Response telephone system. Active members maintain the current balance and refund information for their member contributions; retired members may obtain pension and deduction amounts for their retirement benefits.

PERA produces Member Handbooks for each of its retirement systems. PERA liaison staff provides educational seminars statewide and encourages one-on-one counseling regarding the PERA retirement process. Annual seminars are also presented to groups such as the judicial conclave and municipal police organizations where members are encouraged to ask questions about their specific retirement plans.”

HB 156 requires PERA to provide written notice when a change has been made by rule or law to a retirement requirement or to the amount of normal retirement for which a member would have been eligible prior to the change. All legislative changes regarding vested benefits are prospective in nature.

ADMINISTRATIVE IMPLICATIONS

PERA estimates that the agency would need to add 3 FTE to its current staff in the Customer Request Unit to process this additional workload. This unit responds to all member requests, including verification of retirement dates, the cost of purchasing military service credit, prior service credit, withdrawn service credit and airtime purchases. Due to data cleansing issues for

RIO, the response times have yet to achieve the targeted 15-30 days. Unless the FTE are added, the response time for member requests would most likely increase beyond the anticipated 30-45 days for FY10.

OTHER SUBSTANTIVE ISSUES

PERA points out that PERA members generally do not retire when they first become eligible. For example, State General members and Municipal General, Police and Firefighter members are first eligible to retire at age 65 with 5 or more years of service credit. Yet, few members actually retire at this first-eligibility threshold. Thus, the agency suggests that for the majority of PERA members, the first eligibility date is not useful information. According to PERA, most member requests are for the date a member earns 25 years of service credit (the date they are eligible to retire with 75 percent of final average salary, or verification of when they reach 26 years and eight months of service credit and can retire with 80 percent of final average salary.) Police and firefighters in Plans 3, 4 and 5 request verification for when they have 20 years of service credit.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PERA will continue to provide written annual statements to its members reflecting service credit earned and member account balances.

PERA will continue to provide its membership with information regarding legislative changes that affect the retirement system through its website, statewide employer presentations, and quarterly publications.

PERA members will continue to be eligible to retire upon meeting statutory age and service requirements and submitting required documents to PERA (NMSA 1978 Section 10-11-8).

MA/svb