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## FISCAL IMPACT REPORT

SPONSOR Kintigh ORIGINAL DATE 01/31/12  
LAST UPDATED \_\_\_\_\_ HB 42  
SHORT TITLE Legislative Retirement Contribution Changes SB \_\_\_\_\_  
ANALYST Smith

### REVENUE (dollars in thousands)

| Estimated Revenue |        |        | Recurring<br>or<br>Nonrecurring | Fund<br>Affected                  |
|-------------------|--------|--------|---------------------------------|-----------------------------------|
| FY12              | FY13   | FY14   |                                 |                                   |
| \$10.6            | \$10.6 | \$10.6 | Recurring                       | Legislative<br>Retirement<br>Fund |

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
PERA

### SUMMARY

#### Synopsis of Bill

House Bill 42 makes two changes affecting legislative retirement:

1. Increases the annual member contribution rate for State Legislator Member Coverage Plan 2 members to \$600 for each year of credited service. Currently, the legislator member annual contribution rate is \$500.

2. Changes the day that sets the per diem rate upon which the pension is calculated from December 31 of the calendar year to the first day of the calendar year the legislator retires (January 1).

HB 42 contains an emergency clause and will affect the 2012 annual contribution rate.

### FISCAL IMPLICATIONS

No actuarial study was performed for HB 42.

State Legislator Member Coverage Plan 2 ("Plan 2") 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. Plan 2 members are required to pay annual

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contributions of \$500 per year of service. This contribution rate is not calculated actuarially. The State contributes the amount sufficient to finance the benefits provided to legislators under Plan 2 on an actuarial reserve basis. See, NMSA 1978, Section 10-11-43. 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”).

The Legislative Retirement Fund is currently funded at 89.2% as of June 30, 2011. If the Legislature’s annual contribution to the Fund remains at \$2.4 million, the existing unfunded liability of \$2.8 million for the Legislative Retirement Fund is expected to be paid off in 1-2 years, in the absence of future gains and losses. Since the State contributes the amount sufficient to finance the benefits provided to legislators under Plan 2 on an actuarial reserve basis an increase in the Plan 2 annual contribution rate is not actuarially required, however, additional contributions are always a gain to the Fund.

Legislator Plan 2 members receive an annual pension benefit of 11% of the per diem rate in effect on December 31st of the calendar year the member retires multiplied by 60 and further multiplied by years of credited legislative service. Higher per diem rates will produce higher legislative pensions, producing an unknown actuarial impact to the plan.

### **SIGNIFICANT ISSUES**

In 2003, State Legislator Member Coverage Plan 2 was enacted to provide for optional increased pension benefits for legislators who served terms ending on or after January 1, 2003. Eligible legislators who had previously enrolled in State Legislator Member Coverage Plan 1 were eligible to purchase prior service credit by making contributions totaling \$500 for each year of earned service credit to enhance benefits on or before December 31, 2003. If a contribution totaling \$500 per year of service was made, State Legislator Member Coverage Plan 2 members would receive an annual pension benefit of 11% of the per diem rate in effect on December 31st of the calendar year the member retires multiplied by 60 and further multiplied by their years of credited legislative service.

State Legislator Member Coverage Plan 2 is applicable to state legislators and lieutenant governors who served terms of offices that ended on or after December 31, 2002. To be covered under State Legislator Member Coverage Plan 2, a legislator or lieutenant governor must elect to be a member no later than 180 days after first taking office.

ANA/lj