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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>HB189</u>	Sponsor	<u>Brown</u>
Tracking Number	<u>.224347.1</u>	Committee Referrals	<u>HEC/HAFC</u>
Short Title	<u>Educational Retirement Changes</u>		
Analyst	<u>Hoxie</u>	Original Date	<u>2/6/2023</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 189 (HB189) amends several sections of statute relating to educational retirement. First, HB189 amends the Procurement Code, Section 13-1-150 NMSA 1978, to allow Educational Retirement Board (ERB) contracts to exceed four years to design, develop, implement and operate the pension administration system of the board. Second, HB189 amends the Educational Retirement Act (ERA), Section 22-11-2 NMSA 1978, to allow eligible employees of Southeast New Mexico College (SENMC) to participate in alternative retirement plans offered by ERB. Finally, HB189 amends law to align the age by which distribution of pension benefits must begin with federal law.

FISCAL IMPACT

HB189 does not contain an appropriation.

SUBSTANTIVE ISSUES

Procurement Code. HB189 amends the Procurement Code—the code that provides for the fair and equal treatment of all persons involved in public procurement to maximize the purchasing value of public funds and to provide safeguards for maintaining a quality procurement system—regarding multi-year contracts. HB189 would allow professional services required to design, develop, implement, or operate the pension administration’s system of ERB to exceed four-year contracts. The Legislative Finance Committee analysis notes the ERB is currently in the process of replacing its pension administration system.

Importantly, HB189 would allow ERB to contract with a provider for more than the four-year limit currently allowed by the Procurement Code to operate the pension administration system.

Alternative Retirement Plan. HB189 would make eligible employees of Southeast New Mexico College eligible to enroll in ERB’s alternative retirement plan. During the 2021 legislative session, New Mexico State University’s Carlsbad branch campus was established as an independent

community college called SENMC Under current law, eligible employees of SENMC are not allowed to join ERB's alternative retirement plan. According to ERB agency analysis, under HB189 certain employees of New Mexico universities and colleges would be eligible to elect to participate in ERB's alternative retirement plan.

ERB Alternative Retirement Plan. ERB's alternative retirement plan is a defined contribution plan. The benefit received upon retirement is based on the amount you have contributed during your career, subject to any investment gains or losses. New faculty and professional employees who are eligible for the alternative retirement plan must make this selection within the first 90 days of their employment. If the employee does not make this selection within the first ninety days of employment, the employee shall become a member of ERB's defined benefit plan, which is commonly known as a pension. Upon retirement, participants in ERB's alternative retirement plan have three options:

- A monthly annuity based on the retiree's estimated life span;
- Payments received over a fixed term of years; or
- A lump-sum payout.

Required Minimum Distributions. Required minimum distributions generally are minimum amounts that a retirement plan account owner must withdraw annually. HB189 would amend the Educational Retirement Act to remove the specific age an ERB member would be required to take a minimum distribution from the fund. The statute currently states that distributions are required for members beginning at age 70.5. However, federal law has been amended twice since 2019, increasing the required age to 73 or 75, depending on certain factors. HB189 amends statute to reference the federal law, eliminating the need to amend the Educational Retirement Act each time federal law changes the required minimum distribution age.

RELATED BILLS

HB189 duplicates Senate Bill 20, Educational Retirement Board Changes.

HB189 relates to Senate Bill 76, Procurement Code Changes, a bill that makes several changes to the procurement code to remove several existing exemptions from the procurement code and adding new definitions to the procurement code.

SOURCES OF INFORMATION

- LESC Files
- Education Retirement Board
- Public Education Retirement Board
- Southeast New Mexico College
- Legislative Finance Committee

EH/cf/mb/jkh/msb