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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Padilla</u>	<b>LAST UPDATED</b> <u>2/13/2024</u>
	<b>ORIGINAL DATE</b> <u>1/26/2024</u>
	<b>BILL</b> <u>Senate Bill</u>
<b>SHORT TITLE</b> <u>State Fire Retirement</u>	<b>NUMBER</b> <u>128/aSHPAC</u>
	<b>ANALYST</b> <u>Hanika-Ortiz</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PERA unfunded liability	minimal	minimal	minimal	minimal	Recurring	PERA Trust Fund
RHCA unfunded liability	minimal	Indeterminate/actuarial analysis not complete	minimal	minimal	Recurring	RHCA Fund
EMNRD/state firefighter payroll costs	minimal	\$130.0 to \$145.0 initially covered with vacancy savings	indeterminate, likely small	indeterminate, likely small	Recurring	Fire Protection/Fed/GF

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

#### Agency Analysis Received From

Public Employees Retirement Association (PERA)

Energy, Minerals and Natural Resources Department (EMNRD)

Department of Homeland Security and Emergency Management (DHSEM)

Retiree Health Care Authority (RHCA)

## SUMMARY

### Synopsis of SHPAC Amendment to Senate Bill 128

The Senate Health and Public Affairs Committee amendment to Senate Bill 128 changes the date the “state public safety member coverage plan” would be applicable to state fire members to July 1, 2024; and the date by which to hold an election to adopt the changes to June 30, 2024.

### Synopsis of Original Senate Bill 128

Senate Bill 128 amends Section 10-11-2 NMSA 1978 to add a definition for “state fire member” for nonvolunteer firefighters in the Public Employees Retirement Act. The bill changes the name of the current enhanced plan for state police and correctional officers to “state public safety member coverage plan 1” and adds state fire members. Service credit, pension multipliers, and payroll contribution rates remain the same. Finally, SB128 increases by 20 percent the service credit accrued by those state fire members who were members on or before June 30, 2013.

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**

If adopted, the plan changes would be applicable the first full pay period after July 1, 2025.

PERA actuaries indicated because SB128 primarily applies to service accrued on or after July 1, 2024, the bill would have a negligible impact on the unfunded actuarial liability and the employer contribution. For the year ending June 30, 2023, the current plan for state police and correctional officers has a funded ratio of 124.9 percent which suggests that without changes to eligibility or retirement rules, the plan has sufficient assets to cover its long-term liabilities.

RHCA, on the other hand, subsidizes premiums for retirees in an “enhanced” retirement plan, on a sliding scale basis, with the maximum of 64 percent for working 20 years. Enhanced retirement plans were created to boost benefits for law enforcement. Since then, such plans have been expanding to include other high-risk occupations. For retirees in “non-enhanced” retirement plans, 25 years of work and a minimum age of 55 is required to receive a similar subsidy. There is no minimum age requirement to receive a premium subsidy if retired under an enhanced plan.

RHCA explains that moving state fire members from a non-enhanced state general plan to a state public safety enhanced plan is expected to add \$250 thousand to \$300 thousand to the program’s long-term liabilities, most of which have been historically unfunded on an actuarial basis, as opposed to if they had remained in a non-enhanced plan, subject to the additional five years of work and minimum age of 55 requirements to receive a subsidized healthcare premium from RHCA.

EMNRD suggested that the increased employer costs to provide for an enhanced plan for its wildland firefighters could be covered by vacancy savings. The table above includes estimates for those higher payroll costs. In FY26 and beyond, additional appropriations are likely needed.

## **SIGNIFICANT ISSUES**

PERA notes that juvenile correctional officers were permitted the option to join this plan through an election in Chapter 11 (SB72) during the 2020 regular session. Ultimately, those members did not elect to join. Therefore, removing references for those officers provides a technical update.

The change applies to wildland firefighters employed by the state and not municipal firefighters.

## **PERFORMANCE IMPLICATIONS**

Defined benefit plans are generally free to change retirement plan rules for the future, as long as benefits earned up to the date the changes were made are protected. Retiree health care plans, on the other hand, are free to make changes, including to eligibility, subsidized premiums, and plan design in general, to ensure it remains actuarially sound within the limits of expected revenues.

PERA is a 401(a) qualified governmental plan with 31 different plans, two tiers of membership and 335 public employers as well as 46,901 active and 44,115 retirees and beneficiaries. Despite the different benefit structures, assets in the overall fund accrue for the benefit of all members.

## **ADMINISTRATIVE IMPLICATIONS**

PERA and NMRHCA would be required to update their administration systems.

## **OTHER SUBSTANTIVE ISSUES**

EMNRD believes that SB128 would improve retention and reduce disparities in retirement benefits between state fire members and other public safety workers. DPS concurred.

AHO/ne/rl/hg/al/ne