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FISCAL IMPACT REPORT

SPONSOR: Miera DATE TYPED: 02/12/03 HB 574

SHORT TITLE: Increase Educational Retirement Contributions SB _____

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$0.1 See Narrative	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
New Mexico Department of Education (DOE)

No Response Received From
Educational Retirement Board (ERB)

SUMMARY

Synopsis of Bill

Beginning July 1, 2003, House Bill 574 would increase the mandatory retirement contributions from Educational Retirement Association (ERA) local administrative units from 8.65% of ERA member annual salary to 10.4%.

FISCAL IMPLICATIONS

This bill does not contain an appropriation. The 1.75% increase in ERA contributions represents a significant fiscal impact to (ERA) local administrative units. In the absence of a general fund appropriation for this purpose, local administrative units would be required to absorb the fiscal impact of this bill.

OTHER SUBSTANTIVE ISSUES

According to the New Mexico Department of Education (DOE), the contribution increase specified in HB 574, is the amount specified by the Educational Retirement Board's (ERB) actuary that is necessary to keep the Educational Retirement Act (ERA) fund solvent, according to Governmental Accounting Standards Board (GASB) provisions.

The ERA fund has experienced a 26% loss in the value of its investment portfolio over the past two and one-half years, which has eroded the fund's financial soundness. In addition to the investment losses, the ERA has experienced a greater increase in teacher and educational staff salaries over the past four years than their actuarially assumed rate. To partially address this matter, the ERB has revamped its investment portfolio and replaced four of seven investment managers.

RLG/yr