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FISCAL IMPACT REPORT

SPONSOR: Vigil DATE TYPED: 02/21/03 HB 730

SHORT TITLE: Volunteer Firefighter Retirement Benefits 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)

Relates to HB 408, SB 533

SOURCES OF INFORMATION

LFC Files

Response Received From
Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 730 expands the number of persons who would be eligible to receive benefits under the Volunteer Firefighters Retirement Act. Volunteer firefighters, who have retired and are receiving pension benefits from another state system, would be eligible under HB 730 to participate in the volunteer firefighters plan. Current law excludes from membership those volunteers who are already retired or receiving a pension benefit from another state retirement system, other than the state police pension fund.

FISCAL IMPLICATIONS

Currently, there are approximately 13,000 volunteer firefighters in New Mexico. HB 730 would increase the number of persons eligible to receive a pension under the Volunteer Firefighters Retirement Act. .

According to the Public Employees Retirement Association (PERA), the proponents of this bill have not provided any demographic information that would allow PERA's actuaries to evaluate quantitatively the extent of the negative actuarial impact this proposal may have on the volunteer firefighter retirement fund. NM Const. Art. XX, Section 22 prohibits increased benefits unless the benefits are properly funded on an actuarially sound basis. The proposed bill does not include funding for these benefits, and there has been no actuarial study to determine how much the Legislature would need to appropriate in order to expand the volunteer firefighter benefits program as proposed in House Bill 730. Adding new liabilities to the fund would require an even greater annual contribution to the fund in order to keep it actuarially sound.

The Volunteer Firefighters Retirement Plan, passed by the Legislature in 1983, is unlike any other PERA coverage plan in that it is not funded based upon contributions from salary. Volunteer firefighters are not salaried employees and their "retirement benefits" do not derive from employment. Rather, the benefits are provided by the Legislature and funded by the Legislature from the Fire Protection Fund which, in turn, impacts the general fund. The source of funding to meet the fund's statutory obligations is an annual appropriation of \$750.0. This amount is supplemented, as required, to meet unfunded obligations.

ADMINISTRATIVE IMPLICATIONS

PERA would be required to amend its regulations to address the statutory changes to the PERA Act and would incur increased printing costs associated with reprinting pertinent information about the Volunteer Firefighters Retirement Plan.

Additionally, PERA states that expanding this program would have an administrative impact on PERA. PERA is unable to assess the extent of the impact, because it does not presently have information regarding the number of persons who would be added to the program as the result of this legislation. The legislation, if enacted, would require changes to PERA's computerized retirement information systems.

OTHER SUBSTANTIVE ISSUES

According to PERA, this bill raises several policy issues for the legislature. Historically, the Legislature has been adverse to "double dipping" from two public pension systems. For example, retirees from the Education Retirement Act system are exempt from membership in PERA. NMSA 1978, §10-11-3(B)(6).

RLG/lb/njw