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FISCAL IMPACT REPORT

SPONSOR: Tinnin DATE TYPED: 02/27/03 HB 788

SHORT TITLE: State Police Retirement Plan Applicability SB _____

ANALYST: Gilbert

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 788 expands eligibility for membership in State Police Member Coverage Plan 1 (a 20 year 10 month retirement plan) to include lieutenants and captains, thus allowing their actual credited service to be increased by 20%.

This bill also adds a new Section 2, NMSA 1978, § 10-11-27.1, specifying that the improved benefits for state police lieutenants and captains are dedicated to the memory of Sergeant Brent H. Bateman, who passed away only six months after his retirement, and to all other state police officers. It also recognizes the hazardous nature of the work performed by state police officers.

Significant Issues

In consideration of the hazardous nature of the ir work, the 20 year 10 month retirement benefit in the PERA State Police Member Coverage Plan 1 only applied to state police patrolmen and sergeants. This bill places lieutenants and captains in the same category.

FISCAL IMPLICATIONS

In December 1999, PERA's actuaries determined a cost equal to 1.0% of payroll would be necessary to adequately fund the benefits contained in HB 788. However, because of the healthy funding level of the plan in 1999, PERA's actuaries determined that current contribution rates would be sufficient to fund the benefit increase for lieutenants and captains.

PERA does not know if there has been a significant change in state police demographics since the actuarial study in 1999.

For the period ending June 30, 2001, PERA's unfunded actuarially accrued liability (UAAL) grew significantly. The June 30, 2002 actuarial valuation indicates that PERA funding resources are sufficient to finance the UAAL over an aggregate period of 10 years. In aggregate, the system had an experience loss for the year ending June 30, 2002 of \$258 million, due to a lower rate of return than assumed (5.5% vs. 8%) and greater retirements than assumed. PERA's actuaries reported a loss of \$328 million for 3 of the 4 years of investment activity that will flow into the recognized gain/loss in next year's actuarial valuation. If a loss of this magnitude occurs next year, the effect would be that the overall PERA funding ratio will drop below 100% and PERA UAAL will increase to approximately 20 years.

NM Const. Art. XX, Section 22 prohibits increased benefits unless the benefits are properly funded on an actuarially sound basis.

ADMINISTRATIVE IMPLICATIONS

PERA would be required to amend its regulations to address the statutory changes to the PERA Act and to reprint pertinent information relating to State Police Member Coverage Plan 1.

The actual transfer of lieutenants and captains into State Police Plan 1 will have little administrative impact on PERA.

RLG/prr/njw