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## FISCAL IMPACT REPORT

SPONSOR: Lopez DATE TYPED: 02/13/03 HB \_\_\_\_\_

SHORT TITLE: PERA Service Credit Purchases SB 516

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

Senate Bill 516 amends the Public Employees Retirement Act to allow Public Employees Retirement Association (PERA) members, who were formerly employed by New Mexico's elected members of the United States House of Representatives or Senate, to purchase up to 5 years of service credit for their period of employment with Congress. The member must pay the full actuarial present value of the time to be purchased and must have 5 or more years of service credit with a PERA affiliated employer.

### FISCAL IMPLICATIONS

According to PERA, the fiscal impact of this bill is unknown at this time. Since SB 516 requires members to pay the full actuarial present value for the purchased service credit, it appears to be cost-neutral as required by Article XX, Section 22 of the New Mexico Constitution. Although the bill requires public employees to pay the actuarial present value for this benefit, PERA's actuaries have not studied this plan change. It is important to note that PERA's actuaries will charge PERA a fee for each actuarial present value requested to be calculated.

## ADMINISTRATIVE IMPLICATIONS

This bill would require PERA to amend its regulations to address the statutory changes made to the PERA Act. Calculating actuarial present value and processing added service credit requests would increase PERA's workload.

## OTHER SUBSTANTIVE ISSUES

According to PERA, SB 516 allows a narrowly defined group of PERA members to purchase service credit. This conflicts with the general concept of a defined benefit plan whereby similarly situated members should earn and receive similar benefits. PERA members who were federal employees in other capacities are not eligible to purchase service credit for such periods of federal employment.

The PERA Act currently has a provision allowing members with 15 years or more of service credit, and subsequently go to work for the federal government within 90 days of leaving their affiliated public employer, to purchase service credit for such time by paying both the employee and employer member contributions. NMSA 1978, §10-11-6(B). Such a provision is available for all federal government service. However, SB 516 provides a benefit to a narrowly defined group of federal employees for anytime they worked for during their working careers.

The aggregate amount of permissive credited service available for purchase under SB 516 is five years. As a result, the service credit available for purchase must be reduced by any period of service credit the member acquires pursuant to any other provision of the Public Employees Retirement Act. For example, if a member purchases three years of military service, he or she would only be eligible to purchase two years of employment with a member of the New Mexico Congressional delegation as proposed by SB 516.

## AMENDMENTS

PERA recommends an amendment to page 7, Line 13, to state that the "the aggregate amount of credited service pursuant to this subsection does not exceed five years" reduced by any period of service credit acquired pursuant to any other provision of the Public Employees Retirement Act.

RLG/yr