

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Sanchez, M **DATE TYPED** 2/14/2004 **HB** _____

SHORT TITLE Conservation Officer Retirement **SB** 497

ANALYST Garcia

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			(\$50.0)	Recurring	PERA Fund
			Starting in FY06 (\$346.0)	Recurring	Game Protection Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 457.

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		Unknown, See Narrative on Actuarial Status	Recurring	PERA Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

New Mexico State Police Weekly Activity Report
Gabriel, Roeder, Smith & Co. June 30, 2003 PERA Actuarial Valuation

Responses Received From

Department of Game and Fish
Public Employees Retirement Association

SUMMARY

Synopsis of Bill

The bill proposes to provide conservation officer members employed by the Department of Game and Fish who have taken the oath of office prescribed for such officer the same benefits as

provided under State Police Member and Adult Correctional Officer Coverage Plan 1. Specifically, conservation officer members, if approved by an election of the affected membership, would be eligible for a 20 percent service credit enhancement benefit, a 3 percent pension factor and an 80 percent pension maximum now only available to state police and adult correctional officers. This would allow conservation offices to retire at 20 years and 10 months.

Significant Issues

1) State police and adult corrections officers' jobs are particularly hazardous and dangerous. For instance, for one week in January 2004, state police officers arrested roughly 100 people for DWI, domestic violence, and crimes against children. Also, state police officers (604) conducted 1,560 inspections of motor vehicles, have 45 on-going investigations, and issued 361 citations.

In FY03 conservation officers initiated approximately 5,500 contacts per month with hunter and anglers and issued on average 150 citations for the month. The conservation officers association notes that the vast majority of contacts are conducted in rural areas, generally alone and almost always with armed individuals. The association portrays the risk associated with game and fish law enforcement activities as similar or greater than those of the state police. The question is whether the conservation officers' job should be considered equal to a state police officer's and adult corrections officers to receive increased benefits and a 20 year 10 month retirement plan.

2) Only actual service under the new State Police Member, Adult Correctional Officer and Conservation Officer Member Coverage Plan 1 would be eligible for its associated benefit enhancements. The contribution levels under the existing State Police Member and Adult Correctional Officer Member Coverage Plan 1 (member 7.6 percent; employer 25.1 percent) represent an increase of 0.18 percent in member contributions and an 8.51 percent increase in employer contributions over current contribution levels.

3) The PERA Board has adopted a position to not endorse any benefit enhancement legislation until sufficient experience is gained to determine the actuarial impact of benefit enhancements passed during recent legislative sessions.

4) The bill does not appropriate proper funding of the increased benefits. Article XX, Section 22 of the New Mexico constitution stipulates all retirement benefit enhancements must be adequately funded. Therefore, according to PERA the bill may be unconstitutional.

FISCAL IMPLICATIONS

1) According to PERA, the Department of Game and Fish has not requested an actuarial study in order to determine the additional contributions over the current State General Plan 3 contribution levels necessary to adequately fund the enhanced benefits provided by SB 497.

The bill proposes to move the affected membership to the existing State Police and Adult Correctional Officers Plan 1, with the current statutory contribution rates contained in that Plan, requiring an increase of 0.18 percent in member contributions and a 8.51 percent increase in employer contributions over current contribution levels. Without an actuarial study, PERA cannot determine whether these contribution levels are sufficient to fund the enhanced benefits under the bill.

Currently, State Police/Hazardous Duty Division has assets equal to 140 percent of its accrued

liability (“funding status”). If the bill is adopted, the funding status of State Police/Hazardous Duty division will drop, but the amount is unclear. Furthermore, two other legislative proposals, HB 167 and SB 500, which contemplate moving specific employee groups into State Police and Adult Correctional Officer Plan 1. If all three of these legislative proposals become law, current statutory contribution rates contained in State Police and Adult Correctional Officer Member Coverage Plan 1 may not be sufficient to fund the proposed legislation. As a result, the associated cost may result in a future increase in contributions.

The following is a summary of the State Police and Adult Corrections Plan 1 actuarial status from PERA’s June 30, 2003 actuarial valuation.

State Police/Adult Corrections Plan 1	
Active Accrued Liability	\$238.5 million
Less Funding Value of Assets	\$418.4 million
Unfunded Actuarial Accrued Liability (UAAL)	(\$179.8 million)
UAAL funding period (years)	0
Funded ratio (as a percent of assets/liabilities)	140 percent

2) The Department of Game and Fish estimates the total fiscal impact of the increased benefits at \$346 thousand for employer contribution. Currently, \$674 thousand in employer contributions is paid for retirement benefits of 104 conservations officers. With enactment of the bill, total retirement contributions paid by the employer will amount to \$1.02 million coming from the Game Protection Fund.

3) Moreover, SB 497 will require the transfer of affected membership from one member coverage plan to another. PERA is implementing a new pension software system, and every revision to member coverage plans results in a change order, with associated costs, to the existing contract with the vendor. During FY04, PERA was required to incur approximately \$50 thousand in change orders incorporating into the pension system removal of the PERA’s post-retirement earning limit. Every revision to post-retirement back-to-work provisions of the PERA Act results in a change order, with associated costs, to PERA’s existing contract with the vendor. If further revisions to the system are necessary in FY05, PERA will be required to seek a BAR to cover the costs of these system changes.

ADMINISTRATIVE IMPLICATIONS

PERA will be required to coordinate the election for adoption of the new coverage plan by the conservation officers and the Department of Game and Fish. PERA would be required to move affected membership, along with corresponding assets and liabilities, from State General Plan 3 into the proposed State Police Member, Adult Correctional Officer and Conservation Officer Member Coverage Plan 1. Because State General Plan 3 is currently funded at an 85 percent rate, only assets totaling 85 percent of associated liabilities will be transferred from State General 3 to the new plan, negatively impacting the funded status of the State Police plan.

RELATIONSHIP

HB 167 moves motor transportation officers and investigation specialists employed by the De-

partment of Public Safety into a newly created State Police, Adult Correctional Officer and Motor Transportation Officer and Investigation Specialists Member Coverage Plan 1. If approved by an election of the affected membership, HB 167 will allow for retirement at any age after 20 years of service, with a 3.0 percent pension factor and an 80% pension maximum.

SB 500 moves juvenile correctional officers employed by the Children, Youth and Family Department into the newly created State Police, Adult Correctional Officer, and Juvenile Correctional Officer Member Coverage Plan 1. If approved by an election of the affected membership, will allow for retirement at any age after 20 years of service, with a 3.0 percent pension factor and an 80% pension maximum.

OTHER SUBSTANTIVE ISSUES

1) The June 30, 2003 actuarial valuation of PERA indicates the state general plan has an unfunded actuarial accrued liability (UAAL) of \$667 million and a funding period of 35 years, up from 18 years last year. The Governmental Accounting Standards Board (GASB) sets a standard of 30 years for pension funds. In addition, the actuaries expect the funding period for the state general plan's funding period to increase to around 65 years. This increase is due to a four year smoothing process of recognizing investment gains and losses where the aggregate fund is due to recognize \$511 million in losses next year if PERA gains an 8 percent return on investment in the current year.

Furthermore, the June 30, 2003 actuarial valuation indicates PERA funding sources are sufficient to fund the normal cost and finance the UAAL over an aggregate period of 17 years for all PERA plans. In aggregate, the system had an experience loss for the year ending June 30, 2003 of \$546 million due to rate of return on funding value of assets less than assumed (3 percent vs. 8 percent) and retirements greater than assumed. The actuaries expect a loss of around \$511 million will flow into the fund's 2004 actuarial valuation and will result in an overall PERA funding ratio drop to 92 percent as well as a UAAL increase to approximately 36 years.

POSSIBLE QUESTIONS

Should Game and Fish conservation officers receive the same retirement benefits as state police officers and adult corrections officers?

DG/yr