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FISCAL IMPACT REPORT

SPONSOR Beffort DATE TYPED 2/12/04 HB _____

SHORT TITLE State Retirement System Actuarial Study SB SJM 70

ANALYST Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to SJM 17, SB 460, HJM 26, SJM 70

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Joint Memorial 70 requests the New Mexico Legislative Council to direct the appropriate interim committee to study the issues surrounding the actuarial soundness of the public employee retirement systems.

If such study finds that a retirement program cannot be maintained at the current benefit levels and contribution rates, the committee shall ask the governing body of the affected retirement program to propose a plan that will ensure that the system remains actuarially sound.

Copies of this memorial shall be transmitted to the co-chairs of the New Mexico Legislative Council, the retirement board of the Public Employees Retirement Association and to the Educational Retirement Board (ERB).

Significant Issues

This bill appears to target the ERB, since they no longer meet the Governmental Accounting Standards Board (GASB) 30-year funding period benchmark for public pension funds. The most recent actuarial study for the ERA fund reflects an unfunded actuarial liability period of 78 years, which is likely to increase in future years due to unrealized fund losses.

The Executive and Legislative Finance Committee (LFC) have recommended additional FY04 BAR language to allow the ERB to request budget increases from other state funds for up to \$100 thousand for the purpose of contracting for a study outlining options for achieving actuarial soundness for the ERB fund. Such funding is contingent on review by the Secretary of the Department of Finance and Administration (DFA), and approval by the State Board of Finance and LFC. The study is to be completed and recommendations made to the DFA and the LFC by September 1, 2004.

RELATIONSHIP

Both SJM 17 and HJM 26 request the Educational Retirement Board to consider a cost-of-living increase to retirees.

SB 460 appropriates \$40 million from the general fund to the Educational Retirement Board (ERB) for expenditure in fiscal year 2005 and subsequent fiscal years. It also amends §22-11-21 NMSA 1978, to increase the percentage of retirement contributions from both employees and employers by 1% of member salary, effective July 1, 2004. As a result, ERA employee contributions would go from 7.6% to 8.6%, and the employer contributions from 8.65% to 9.65%.

SJM 65 asks the Educational Retirement Board (ERB) to develop a plan to restore its pension fund to a state of actuarial soundness and to report its findings and recommendations to the Legislative Education Study Committee and the Legislative Finance Committee prior to the first session of the forty-seventh legislature.

RLG/dm:lg