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## FISCAL IMPACT REPORT

**SPONSOR** Park                      **DATE TYPED** 01/26/04                      **HB** 109

**SHORT TITLE** Educational Retirement Act Contributions                      **SB** \_\_\_\_\_

\_\_\_\_\_  
**ANALYST** Geisler

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
None	None	Indeterminate	Recurring	Educational Retirement Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Educational Retirement Board (ERB)

### SUMMARY

#### Synopsis of Bill

HB 109 exempts Educational Retirement employees from contributing to the Educational Retirement system if they are less than full time employees for an ERB employer and contribute to PERA. State laws prohibit a person from retiring from more than one state pension system. If a person has service in both systems, they can combine their service under the Reciprocity Act. If the service is simultaneous such as this bill contemplates, the employee must chose one system to get service credit and the other system will refund their contributions plus applicable interest upon their termination of work and subsequent member's request for a refund.

#### Significant Issues

ERB has identified a number of issues with the bill. First, the bill is set up in such a fashion as to make it quite easy for a member of the Educational Retirement System to exempt themselves from having to make contributions to the fund. The bill allows any ERB employee who is working less than full time and who is contributing to PERA to exempt themselves from making contributions. A member of PERA must make contribution to that system, even if they are working a minimum number of hours. Thus, an ERB employee could work less than 40 hours (for example, 39 hours), claim they are less than full time, work one hour a week for PERA, make the re-

quired minimal PERA contribution and be exempted from making ERB contributions. This is counter to the legislative intent that being a contributing member to ERB is a condition of ERB employment. 1978 NMSA §22-11-16.

Second, the loss of the member contribution for an ERB position would have an actuarial effect on the fund. This would especially be acute if the large loophole was used extensively by ERB members. The Actuarial effect has not been determined at this time and would require an actuarial study.

ERB already has an exemption for part time employees. ERB rules do not require contributions from an employee if they are employed less than the equivalent of .25 of a full time position or \$10,570 per year (adjusted each for cost of living increase), whichever is greater.

### **FISCAL IMPLICATIONS**

There would be an actuarial effect on the fund. An actuarial study would have to be conducted to determine this amount.

### **ADMINISTRATIVE IMPLICATIONS**

Added administrative duties due to tracking and confirming PERA employment and ERB “part time” employment

### **ALTERNATIVES**

ERB currently has rules that allow true part-timers (.25 FTE or earning less than \$10,570 per year) to not have to contribute to ERB. This is an ERB rule. Instead of this bill, ERB could, by rule, raise the \$10,570 limit to a yearly earning that could accommodate more of the true ERB part timers. A study would need to be done by ERB to determine the amount of the increase that would best meet practical and actuarial needs.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

ERB members will continue to contribute to the fund and receive a refund plus interest if they worked simultaneously for a PERA employee, choose the PERA service credit and terminated ERB employment.

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