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FISCAL IMPACT REPORT

ORIGINAL DATE 1-23-08

SPONSOR Taylor LAST UPDATED _____ HB 290

SHORT TITLE Legislative Retirement Eligibility SB _____

ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	MINIMAL	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public Employees Retirement Association (PERA)

No Response
Legislative Council Services

SUMMARY

Synopsis of Bill

House Bill 290 amends the PERA Act to provide a temporary opportunity for State Legislator Plan 1 members who missed the deadline for making additional statutory contributions for the purpose of enhancing their retirement benefits for service credit earned prior to December 31, 2002. HB 290 will allow state legislator members to pay the \$200 contribution for each year of credited service, less the amount of prior contributions made by the member for that service, together with interest from December 31, 2003, on or before December 31, 2008.

FISCAL IMPLICATIONS

Legislative Retirement Plan 1 ("Plan") is unlike other PERA coverage plans in that it is not funded based upon contributions from salary. Legislators are not salaried employees and their "retirement benefits" do not derive from employment. State Legislator Member Coverage Plan 1 members were required to pay annual contributions of \$100.00 per year for service prior to December 31, 2002. Per Section 10-11-43 NMSA 1978, the state contributes the amount

sufficient to finance the membership of Legislators under State Legislator Member Coverage Plan 1 on an actuarial reserve basis. The Legislature transfers \$2.4 million annually, which applies to both the normal costs associated with State Legislator Member Coverage Plans 1 and 2 and their respective unfunded actuarial accrued liability (“UAAL”).

PERA did not indicate any impact to the plan’s UAAL.

SIGNIFICANT ISSUES

State Legislator Member Coverage Plan 1 is applicable to state legislators and lieutenant governors who served terms of offices that ended on or before December 31, 2002.

In 2003, State Legislator Member Coverage Plan 1 was amended to provide for optional increased pension benefits for Legislators who served terms prior to January 1, 2002. Eligible legislators who had not previously enrolled in Legislator Member Coverage Plan 1 were eligible to purchase prior service credit for \$100 and make an additional contribution to enhance benefits. Under the proposal, a State Legislator Member Coverage Plan 1 member had the option of electing increased retirement benefits if he or she made additional member contributions of \$100 per year for prior service on or before December 31, 2003. If a contribution totaling \$200 per year of service was made, State Legislator Member Coverage Plan 1 members would receive an annual pension benefit of \$500 multiplied by their years of credited legislative service. State Legislator Member Coverage Plan 1 closed to new members after December 31, 2003.

PERA notes that the primary policy issue is whether State Legislator Member Coverage Plan 1 members who did not make contributions to enhance retirement benefits by the previous deadline should be given the opportunity to do so by making the additional contributions, with interest, on or before December 31, 2008.

MA/mt