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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-31-08

SPONSOR Martinez, W. Ken LAST UPDATED 2-5-08 HB 469/aHHGAC

SHORT TITLE Legislative Retirement Time Period Change SB \_\_\_\_\_

ANALYST Aubel

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>			\$.01	Minimal	See narrative	Legislative Plan 2

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to House Bill 290.

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Employees Retirement plan (PERA)

### SUMMARY

#### Synopsis of HHGAC Amendment

The House Health and Government Affairs Committee Amendment requires that eligible members pay interest on the contribution at a rate set by the PERA board.

#### Synopsis of Original Bill

House Bill 469 amends the PERA Act to provide a six-month window for legislators or the lieutenant governor serving on July 1, 2008 to be eligible for State Legislator Member Coverage Plan 2. HB 469 will allow those legislators and lieutenant governor to elect to become members by paying a \$500.00 contribution for each year of credited service, less the amount of prior contributions made by the member for that service, on or before December 31, 2008.

### FISCAL IMPLICATIONS

Legislative Retirement Plan 2 ("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 2 members are required to pay annual contributions of \$500.00 per year for service. The State contributes the amount sufficient to finance the membership of Legislators under State Legislator

Member Coverage Plan 2 on an actuarial reserve basis. See, NMSA 1978, Section 10-11-43. 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”).

The UAAL as of July 1, 2007 is \$2.5 million. PERA did not provide an estimate on the impact of enhancing benefits for this group on the UAAL, although the actuary notes that the funded status of the plan improved from 70.4 percent to 87.5 percent due to accelerated employer contributions and favorable experience of fewer retirements and deaths than anticipated. Assuming continued positive contributors to the plan, the impact would most likely be minimal.

PERA does note that HB 469 excludes payment of interest on the contributions from the date of first eligibility for State Legislator Member Coverage Plan 2 to the date of payment. PERA maintains that compounded interest at the rate set by the PERA’s board would be appropriate.

### **SIGNIFICANT ISSUES**

PERA states that the key policy issue is whether state legislators and the lieutenant governor, who did not exercise their right to join State Legislator Member Coverage Plan 2 members by a previous statutory deadline, should be given the opportunity to do so by making contributions totaling \$500 for each year of service credit earned on or before December 31, 2008.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to House Bill 290, which proposes to provide a time period for those eligible to make payments to Legislative Plan 1.

### **OTHER SUBSTANTIVE ISSUES**

PERA provides the following background information regarding Plan 2:

State Legislator Member Coverage Plan 2 is applicable to state legislators and lieutenant governors who served terms of offices that ended on or after December 31, 2002. To be covered under State Legislator Member Coverage Plan 2, a legislator or lieutenant governor must elect to be a member no later than 180 days after first taking office, or for those eligible members serving on July 1, 2003.

In 2003, State Legislator Member Coverage Plan 2 was enacted to provide for optional increased pension benefits for legislators who served terms ending on or after January 1, 2003. Eligible legislators who had previously enrolled in Legislator Member Coverage Plan 1 were eligible to purchase prior service credit by making contributions totaling \$500.00 for each year of earned service credit to enhance benefits on or before December 31, 2003. If a contribution totaling \$500.00 per year of service was made, State Legislator Member Coverage Plan 2 members would receive an annual pension benefit of 11% of the per diem rate in effect on December 31<sup>st</sup> of the calendar year the member retires multiplied by 60 and further multiplied by their years of credited legislative service.

The per diem rate as of June 30, 2007 is \$142.00.

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

Those current state legislators and lieutenant governor who did not make the election to be members of State Legislator Member Coverage Plan 2 within prior statutory deadlines will continue to be precluded from joining State Legislator Member Coverage Plan 2.

**AMENDMENTS**

Section 1. TEMPORARY PROVISION – TIME PERIOD FOR ELIGIBILITY FOR STATE LEGISLATOR MEMBER COVERAGE PLAN 2. --

Notwithstanding the provisions of Section 10-11-13.1 and 10-11-43.6 NMSA 1978, a legislator or lieutenant governor elects to become a member and makes a contribution in an amount that, when added to previous contributions, totals five hundred dollars (\$500) plus interest on the amount paid from December 31, 2003 to the date of payment at a rate to be determined by the retirement board created pursuant to the Public Employees Retirement Act for each year of credited service earned prior to December 31, 2008.

MA/mt