

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: SB 355

50th Legislature, 1st Session, 2011

Tracking Number: .183985.3

Short Title: Certain PED Employees not ERA Members

Sponsor(s): Senator Howie Morales

Analyst: Craig J. Johnson

Date: February 10, 2011

Bill Summary:

SB 355 allows a Public Education Department (PED) employee who is a member of the Educational Retirement Board (ERB) to switch to a Public Employee Retirement Association (PERA) plan.

Fiscal Impact:

SB 355 does not contain an appropriation.

Fiscal Issues:

PERA retirement benefits are greater than ERB benefits (see Attachment). Since PERA members contribute less of their salary than ERB members, there would be an incentive for eligible PED employees to make this change.

There would be an increased expense for PED's operating budget because employer contributions for PERA are at a higher rate compared to ERB employer contribution rates.

Substantive Issues:

The provisions of SB 355 apply to a PED employee who:

- is a regular ERB member;
- was employed by PED on June 30, 2011; and
- held a license issued by PED at the time of employment.

These employees would be allowed a one-time option to join the PERA by filing a request to do so by December 31, 2011.

The election is irrevocable regardless of the employee's future employment by the ERB, PED, ERB employers, the Northern New Mexico State School, the New Mexico School for the Deaf, New Mexico School for the Blind and Visually Impaired, the New Mexico Girls School, the New Mexico Boys School, or the Los Lunas Medical Center.

However, the employee would again become an ERB member if in the future he or she were employed by any other ERB local administrative unit.

If SB 355 is enacted, beginning July 1, 2011, newly hired employees of PED, regardless of whether or not they hold a license, will be regular members of PERA.

The bill analysis from the ERB notes there would be a loss of contributions to the Educational Retirement Fund from PED employees who move from ERB to PERA and from future PED employees who would have been ERB members. The amount of lost revenue and its actuarial impact is unknown at this time; however ERB estimated the FY 12 lost Educational Retirement Fund revenue to be approximately \$1.3 million. These reduced funds also create a loss in the opportunity for ERB to invest the contributions.

PED indicated the agency has about 122 positions requiring licensure which would make them ERB contributors.

Background:

Attached to this analysis is a comparison of ERB and PERA plans.

Related Bills:

- SB 87 *Public Employee Retirement Contribution*
- SB 248 *Change Public Retiree Contributions*
- SB 265 *Educational Retirement Contributions*
- HB 133 *Delay Educational Retirement Contributions*
- HB 251 *Amend Certain Retirement Acts*