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FISCAL IMPACT REPORT

ORIGINAL DATE 02/10/12
LAST UPDATED _____ **HB** 269

SPONSOR Stewart _____

SHORT TITLE Educational Retirement Contribution Increases **SB** _____

ANALYST Smith _____

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	37,500*		Recurring	Educational Retirement Fund
	Positive		Recurring	ERB Funding Ratio

(Parenthesis () Indicate Revenue Decreases)

Conflicts with SB150

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Educational Retirement Board (ERB)

SUMMARY

Synopsis of Bill

HB 269 increases contribution rates for members of the Educational Retirement Board from 7.9% to 9.4% of the members' salary starting in FY14. The member contribution rate for FY14 would decrease to 7.9% if the ERB employer's contribution rate for FY14 is reduced to a rate less than 13.15%. Regardless of any contribution rate changes for employers and employees, the employee contribution rate from FY15 going forward would be 9.4%.

The bill also alters the parameters for members who would be subject to the second tier of ERB retirement eligibility as set forth in Section 22-11-23.1 NMSA 1978. According to HB 269, a member would fall into the second tier of retirement eligibility if the member does not have five or more years of ERB service credit on or before June 30, 2012. Under current statutes, a member qualifies for the second tier if they initially became an ERB member on or after July 1, 2010. HB 269 changes the second tier retirement eligibility by inserting a minimum age of fifty-five before a member can retire and reduces the age of retirement for members with at least five years of service credit from sixty-seven to sixty-five while maintaining the rule of eighty,

that is, the sum of the member's age plus years of service equals eighty or greater.

HB 269 also cleans up language in the affected statutes and adds tier two eligibility language to the Deferred Retirement statute, Section 22-11-27 NMSA 1978.

Effective Date: January 1, 2013

FISCAL IMPLICATIONS

Starting in FY14, HB 269 would increase revenue because the member's rate of contribution would increase from 7.9% to 9.4%. However, there could be a revenue decrease if the employer's contribution rate fell below 13.15%.

HB 269 provides that all members who do not have five or more years of service credit on or before June 30, 2012, would be eligible for retirement under tier two. This would affect current tier one members who started on or after September 1, 2007 but before July 1, 2010 by shifting them into tier two. Moving these members (an amount unknown at this time) from tier one to tier two would be beneficial to fund as these members would have to wait longer to retire.

OTHER SUBSTANTIVE ISSUES

Does the bill meet the Legislative Finance Committee tax policy principles?

- Adequacy: Revenue should be adequate to fund needed government services.
- Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.
- Equity: Different taxpayers should be treated fairly.
- Simplicity: Collection should be simple and easily understood.
- Accountability: Preferences should be easy to monitor and evaluate

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