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FISCAL IMPACT REPORT

ORIGINAL DATE 02/12/13
 SPONSOR Ingle LAST UPDATED 03/01/13 HB _____

SHORT TITLE Legislative Retirement Qualification SB 114/aSRC

ANALYST Daly

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	\$10.6	\$10.6	Recurring	Legislative Retirement Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Minimal	Minimal	Minimal	Minimal	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)

Department of Finance & Administration (DFA)

Public Employee Retirement Association (PERA)

SUMMARY

Synopsis of SRC Amendment

The Senate Rules Committee amendment to Senate Bill 114 increases the annual contribution amount for each year of credited service for State Legislator Plan 2 (Plan 2) members from \$600 to \$700. It also provides in Section 3 a temporary opportunity for Plan 2 members to enhance retirement benefits for service credit if prior to January 1, 2014 a member makes a) additional contributions of \$500, less the amount of prior contributions made by the member, for each year of credited service prior to 2012; b) \$600, less the amount of prior contributions made by the member, after 2012; and c) interest as determined by the Public Employees Retirement Board.

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The PERA reports that these amendments to SB 114 will have no material actuarial impact to the Legislative Retirement Fund.

The PERA advises that the Section 3 Temporary provision of the SRC amendment needs clarification that for calendar year 2012, the Plan 2 member contribution is \$600, as follows:

“ six hundred dollars (\$600) for ~~each year of credited service after~~ for calendar year 2012 less the amount of prior contributions made by the member for that service;”

Synopsis of Original Bill

Senate Bill 114 (SB 114) provides a temporary opportunity for State Legislator Plan 1 members who missed the deadline for making additional statutory contributions in order to enhance retirement benefits for service credit earned prior to December 31, 2002. SB 114 requires Legislator Plan 1 members who missed the prior deadline to pay an additional \$100 per year of service credit, with interest, before January 1, 2014.

FISCAL IMPLICATIONS

The PERA advises that Legislative Retirement Plans 1 and 2 (“Plans”) are unlike other PERA coverage plans in that they are not funded based upon contributions from salary. State Legislator Plan 1 is applicable to legislators who served terms of office that ended on or before December 31, 2002. The State contributes the amount sufficient to finance the membership of Legislators under State Legislator Plan 1 on an actuarial reserve basis. See Section 10-11-43, NMSA 1978. 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 liability.

SB 114 will have no material actuarial impact to the Legislative Retirement Fund, which is currently funded at 92 percent as of June 30, 2012. If the Legislature’s annual contribution to the Fund remains at \$2.4 million, the unfunded liability for the Legislative Retirement Fund is expected to be paid off in 1 to 2 years, in the absence of future gains and losses.

There is currently only one active legislator in Legislative Plan 1.

SIGNIFICANT ISSUES

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. A State Legislator Plan 1 member had the option of electing increased retirement benefits if that member 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 Plan 1 members would receive an annual pension benefit of \$500 multiplied by their years of credited legislative service. State Legislator Plan 1 closed to new members after December 31, 2003.

SB 114 requires a total contribution of \$200 minus the previously contributed amount, plus interest from December 31, 2003 to the date of payment, on or before January 1, 2014.

ADMINISTRATIVE IMPLICATIONS

The PERA reports SB 114 will have a minimal administrative impact on it.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

A Legislator Member Plan 1 member who didn't enhance the member's benefits on or before December 31, 2003, will receive an annual pension benefit of \$250 multiplied by their years of credited legislative service.

MD/svb