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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>SB20/a</u>	Sponsor	<u>Kernan</u>
Tracking Number	<u>.223372.2SA</u>	Committee Referrals	<u>SEC/SFC</u>
Short Title	<u>Educational Retirement Board Changes</u>		
Analyst	<u>Hoxie</u>	Original Date	<u>1/23/2023</u>
		Last Updated	<u>3/3/2023</u>

FOR THE INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

BILL SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to Senate Bill 20 (SB20/aSFC) strikes Section 1 of the bill making amendments to the Procurement Code.

Synopsis of Bill

Senate Bill 20 (SB20) amends several sections of statute relating to educational retirement. First, SB20 amends the Procurement Code, Section 13-1-150 NMSA 1978 to allow Educational Retirement Board (ERB) contracts to exceed four years to design, develop, implement and operate the pension administration system of the board. Second, SB20 amends the Educational Retirement Act (ERA), Section 22-11-2 NMSA 1978 to allow eligible employees of Southeast New Mexico College to participate in alternative retirement plans offered by ERB and further amends the act to align the age by which distribution of pension benefits must begin with federal law.

FISCAL IMPACT

SB20 does not contain an appropriation.

SUBSTANTIVE ISSUES

Alternative Retirement Plan. SB20 would make eligible employees of Southeast New Mexico College eligible to enroll in ERB's alternative retirement plan. During the 2021 Legislative Session, New Mexico State University's Carlsbad branch campus was established as an independent community college called Southeast New Mexico College (SENMC). Under current law, eligible employees of SENMC are not allowed to join ERB's alternative retirement plan. According to ERB agency analysis, under SB20/aSFC certain employees of New Mexico universities and colleges would be eligible to elect to participate in ERB's alternative retirement plan.

ERB's alternative retirement plan is a defined contribution plan. The benefit received upon retirement is based on the amount you have contributed during your career, subject to any investment gains or losses. New faculty and professional employees who are eligible for the alternative retirement plan must make this selection within the first 90 days of their employment. If the employee does not make this selection within the first ninety days of employment, the employee shall become a member of ERB's defined benefit plan, which is commonly known as a pension. Upon retirement, participants in ERB's alternative retirement plan have three options:

- A monthly annuity based on the retiree's estimated life span;
- Payments received over a fixed term of years; or
- A lump-sum payout.

Required Minimum Distributions. Required minimum distributions generally are minimum amounts that a retirement plan account owner must withdraw annually. SB20/aSFC would amend the Educational Retirement Act to remove the specific age an ERB member would be required to take a minimum distribution from the fund. The statute currently states that distributions are required for members beginning at age 70.5. However, federal law has been amended twice since 2019, increasing the required age to 73 or 75, depending on certain factors. SB20/aSFC amends statute to reference the federal law, eliminating the need to amend the Educational Retirement Act each time federal law changes the required minimum distribution age.

RELATED BILLS

SB20/aSFC is a duplicate of HB189/aHEC.

SOURCES OF INFORMATION

- LESC Files
- Education Retirement Board
- Public Education Retirement Board
- Southeast New Mexico College
- Legislative Finance Committee

EH/cf/msb