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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Kernan</u>	<b>LAST UPDATED</b> <u>2/26/2023</u>
<b>SHORT TITLE</b> <u>Educational Retirement Board Changes</u>	<b>ORIGINAL DATE</b> <u>1/23/2023</u>
	<b>BILL NUMBER</b> <u>Senate Bill 20/aSFC</u>
	<b>ANALYST</b> <u>Simon</u>

### REVENUE\* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	Up to (\$10.0)	Up to (\$10.0)		Educational Retirement Fund

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent version of this legislation.

Duplicates House Bill 189

Relates to Senate Bill 76

### Sources of Information

LFC Files

Responses Received From

Educational Retirement Board (ERB)

Southeast New Mexico College

## SUMMARY

### Synopsis of SFC Amendment to Senate Bill 20

The Senate Finance Committee Amendment to Senate Bill 20 strikes Section 1 of the bill making amendments to the Procurement Code.

### Synopsis of Original Bill

Senate Bill 20 (SB20) makes three changes to state law, as follows:

**Section 1** of the bill amends the Procurement Code to allow the Educational Retirement Board (ERB) to enter into a professional services contract to operate the agency’s pension administration system for more than the four years currently allowed by law.

**Sections 2 and 4** of the bill amend the Educational Retirement Act to allow employees of Southeast New Mexico College to participate in alternative retirement plans offered by ERB.

**Section 3** of the bill amends the Educational Retirement Act to align the age at which an ERB member is required to take a minimum distribution with the age specified in federal law.

SB20 does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

## **FISCAL IMPLICATIONS**

### **Southeast New Mexico College**

Under current law, employees of Southeast New Mexico College are not allowed to join ERB's alternative retirement plan (ARP), a defined contribution alternative to ERB's traditional, defined benefit pension plan. As a result, all employees must join the defined benefit plan, which currently requires employer contributions of 17.15 percent of salary. (This amount is scheduled to increase to 18.15 percent of salary, effective July 1, 2023). However, the college must only contribute 6.25 percent of salary to the educational retirement fund (scheduled to increase to 7.25, effective July 1, 2023), and the remainder of 10.9 percent must be directed to the employee's individual accounts.

If Southeast New Mexico College employees choose the alternative retirement plan, contributions to the educational retirement fund could decrease, however, any amount would be de minimus and is not expected to significantly impact the fund. The fund would also not be liable to provide future benefits to the employee opting for the alternative plan.

## **SIGNIFICANT ISSUES**

### **Southeast New Mexico College**

Sections 2 and 4 of the bill address an oversight of Laws 20121, Chapter 104, which transitioned the Carlsbad branch campus of New Mexico State University into an independent community college, now known as Southeast New Mexico College. Provisions of the Educational Retirement Act list each college or university whose employees are eligible to participate. Currently, employees of all public colleges and universities, except for Southeast New Mexico College, are eligible to join the alternative retirement plan. The bill would allow employees hired after July 1, 2023 to participate in the alternative retirement plan.

### **Required Minimum Distributions**

Section 3 of the bill 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 states that distributions are required for members beginning at age 70.5. However, federal law has been amended twice, increasing that age to between ages 73 and 75, depending on an individual's circumstances. The proposed amendment would reference the federal law, eliminating the need for future amendments to this section if the minimum age for a required distribution is changed in the future.