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## FISCAL IMPACT REPORT

SPONSOR Munoz LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 02/03/2023  
BILL \_\_\_\_\_  
SHORT TITLE State Police Retirement Changes BILL NUMBER Senate Bill 145  
ANALYST Simon

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate but minimal	Indeterminate but minimal		Recurring	PERA Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 64, 65, 66, 106 and Senate Bills 96 and 124

### Sources of Information

LFC Files

#### Responses Received From

Public Employees Retirement Association (PERA)

Department of Public Safety (DPS)

## SUMMARY

### Synopsis of Senate Bill

Senate Bill 145 (SB145) would grant additional service credit to state police members who were hired prior to June 30, 2013 but are currently excluded from a 20 percent service credit enhancement applied to other state police and correctional officers. The bill removes the requirement that the member either hold the permanent rank of patrolman, sergeant, lieutenant, or captain or be an aircraft division pilot. The bill also removes the exclusion for those members holding an exempt rank.

The bill would apply to service credit for a state police member who has not retired, including credited service previously earned by a member who has not retired.

This bill 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**

SB145 changes the funding formula for the state police and adult correctional officer plan, potentially allowing some state police members to retire earlier than is currently allowed. Article XX, Section 22, of the New Mexico Constitution prohibits the Legislature from enacting any law that changes the funding formula for a retirement plan unless adequate funding is provided. That section assigns the PERA board the sole and exclusive power to adopt actuarial assumptions, based on recommendations from an independent actuary.

The Public Employees Retirement Association (PERA) does not report a fiscal impact from SB145, noting “the impact to the fund has not been determined at this time by PERA’s actuaries.”

However, PERA also notes the state police and adult corrections division currently has more assets than its actuaries estimate are required to pay all accrued benefits. As of June 30, 2022, the plan has a funded ratio of 127.1 percent, with total assets of \$1.502 billion and total accrued liabilities of \$1.182 billion. This amounts to a total of \$320 million more in additional funding not required to pay liabilities that have been accrued to this point.

## **SIGNIFICANT ISSUES**

SB145 addresses disparities between how different state police members of the state police and adult correctional officer plan are treated under a statutory enhancement to service credit—essentially the number of years served that is credited to the member’s pension payment. Currently, some state police members receive an extra 20 percent service credit if they were members of PERA on or before June 30, 2013. But current law excludes State Police personnel outside the rank of patrolman, sergeant, lieutenant, or captain.

Analysis from the Department of Public Safety notes state police members, regardless of rank, are required to pay higher contribution rates. Additionally, the current law restricts only state police members. Other state agencies with employees on the plan, the Corrections Department and the Children, Youth and Families Department reported no impact from SB145.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Senate Bill 96 and 124 and House Bill 106 would increase the maximum pension benefits members of the state police and adult correctional officer may receive, theoretically incentivizing members to work longer. Because the pension benefit is determined by multiplying service credit by a statutory multiplier, increasing service credit would allow those members currently excluded from the service credit enhancement to retire earlier. While not directly in conflict, if both proposals were to pass, the service credit enhancement could effectively eliminate the additional incentive for the subset of members not already receiving the enhancement.