LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 2nd Session, 2024

Bill Number HM1	**Sponsor**	Garratt
Tracking Number . 227155.1	**Committee Referrals**	HLVMC
Short Title Study Pension Benefit Structures		
Analyst Estupiñan	**Original Date** **Last Updated**	1/19/2024

BILL SUMMARY

Synopsis of Bill

House Memorial 1 (HM1) requests the Legislative Finance Committee (LFC), the Investments and Pensions Oversight Committee, and the University of New Mexico Bureau of Business and Economic Research collaborate in completing a comprehensive study that focuses on equalizing the benefit structures of the Educational Retirement Board (ERB) and the Public Employees Retirement Association (PERA). The memorial requests the LFC and the Bureau of Economic Research report their findings and recommendations to the Legislature and external stakeholders before the beginning of the 2025 regular legislative session.

FISCAL IMPACT

Legislative memorials do not carry appropriations.

SUBSTANTIVE ISSUES

ERB provides secure retirement benefits to active and retired employees of public schools and higher education institutions while PERA does so for state and municipal personnel. In the fiscal year ended June 30, 2023 (FY23), the benefit funds distributed $2.7 billion to approximately 101 thousand beneficiaries, with a combined benefit fund net position of $33.1 billion. For FY23, average annual allowances were $24.9 thousand for ERB beneficiaries and $30.3 thousand for PERA beneficiaries.

Inequities in Benefit Plan Structures. Various inequities exist between the benefits structures of ERB and PERA, including employee and employer contributions, multipliers, and cost-of-living adjustments. These inequities in each plan's statutory structures, combined with historical inequities in compensation between educators and state employees, have contributed to variances in average annual allowances for beneficiaries. However, there also exist various inequities within the benefit structures themselves, particularly for those enrolled in PERA, as the program has different coverage plans for municipal employees, police officers, firefighters, detention officers, and state employees. Each of these coverage plans also have different sub-plans, depending on the

year in which the employee began service, and each of those sub-plans have different pension factors as well as employee and employer contribution rates.

A comprehensive study of ERB and PERA by the University of New Mexico Bureau of Economic Research found that ERB beneficiaries earned lower annual allowances than those in PERA, even when adjusting for employee contributions and average annual career salaries. Additionally, the study also found a large majority of ERB beneficiaries earned lower salaries during their careers than those in PERA. For those beginning their service in 2018, the study estimated an individual enrolled in PERA would earn approximately 21 percent more in their active career and 40 percent more in retirement than those enrolled in ERB.

Recent Legislative Action. During the 2022 legislative session, the Legislature passed Laws 2022, Chapter 29 (Senate Bill 36), which increased employer contributions to ERB by a total of two percentage points, staggered over two fiscal years. As of FY24, the employee contribution rates for personnel earning above $24 thousand is 10.70 percent, with employers contributing 18.15 percent, for a total contribution of 28.85 percent. Enactment of the bill is estimated to have reduced ERB's current funding period from 42 years to 33 years.

During the 2020 legislative session, the Legislature passed Laws 2020, Chapter 11 (Senate Bill 72), which increased employee and employer contributions to PERA by a total of four percentage points, staggered over four fiscal years. The bill also included triggers that would automatically reduce pension contributions as the health of the fund improved, reduced the vesting period for tier 2 state employees and public safety members to five years, and removed the 90 percent cap on pension earnings. As of FY24, the employee contribution rates for personnel in State Plan 3 earning above $25 thousand is 10.92 percent, with employers contributing 19.24 percent, for a total contribution of 30.16 percent.

RELATED BILLS

Duplicates SM4, PERA & ERB Pension Benefit Structures, which requests the LFC, the Investments and Pensions Oversight Committee, and the New Mexico Bureau of Business and Economic Research collaborate in completing a comprehensive study that focus on equalizing the benefit structures of the Educational Retirement Board and the Public Employees Retirement Association.

SOURCES OF INFORMATION
- LESC Files
- ERB
- PERA

DE/mca