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F I S C A L I M P A C T R E P O R T

SPONSOR:	Garcia, M.J.	DATE TYPED:	02/11/00	HB	
SHORT TITLE:	Deferred Retirement Option Plan			SB	344
				ANALYST:	Eaton

APPROPRIATION

Appropriation Contained		**Estimated Additional Impact**		**Recurring or Non-Rec**	**Fund Affected**
FY00	**FY01**	**FY00**	**FY01**		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SJM 11

SOURCES OF INFORMATION

LFC files

Education Retirement Association (ERA)

SUMMARY

Synopsis of Bill

Senate Bill 344 amends Section 22-11-21 of the Education Retirement Act and creates two options for an ERA member who has twenty-eight years of service, is a certified school employee and an ERA member, elects to participate in one of the two plans.

If the member selects Option 1, OPTION ONE requires that members:

make contributions to ERA at a 7.76 percent rate,

negotiate salary with the employing school district,

contributions to ERA shall be made by the employing school district,

receive no additional credit toward retirement,

receive each month the amount the member would have received if the member had not selected a deferred retirement option plan (DROP),

If the member selects Option Two, OPTION TWO requires that a member:

receive a salary based on appropriate placement on the salary schedule,

make no contribution to ERA,

no additional service credit shall be awarded, have transferred to the member's DROP account in ERA an amount equal to the monthly benefit the members would have received that month if the member had retired at the time of making the election for Option Two, and

shall be paid the total amount credited to his DROP account at the time of retirement.

In both plans, the bill prohibits the awarding of service credit for the time employed after the election. Any salary paid to the member during the election shall not be used in calculating the Final Average Salary for retirement benefits.

Significant Issues

Significant issues emanating from this bill include:

Should school administrators and school teachers be allowed to receive both retirement benefits and a salary from the state?

Is the program proposed system actuarially sound?

Should school districts be exempt from making contributions under Plan One?

Should school districts be required to make ERA contributions under Plan Two?

FISCAL IMPLICATIONS

There appears to be no fiscal impact on the general fund as the bill is written. However, without an actuarial study, the full impact of the bill is unknown.

ADMINISTRATIVE IMPLICATIONS

The actuaries for ERA have examined SB 344 and conclude that, without an actuarial study it is not possible to determine the impact of the bill. They also conclude that it is probably actuarially unsound.

ERA staff reports that implementation of the program would require three additional benefits counselors to implement the program at an estimated annual cost of $129,423, including salary and benefits.

TECHNICAL ISSUES

The analysis prepared by ERA staff suggests a determination needs to be made as to whether the proposed program is adequately funded in order to meet legal guidelines for funding new benefits in New Mexico.

JE/njw