

**NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.**

**Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.**

## FISCAL IMPACT REPORT

SPONSOR: Romero DATE TYPED: 03/01/01 HB \_\_\_\_\_  
 SHORT TITLE: Amend Educational Retirement Act SB 109/aSJC  
 ANALYST: Eaton

### REVENUE

| Estimated Revenue |      | Subsequent<br>Years Impact | Recurring<br>or Non-Rec | Fund<br>Affected |
|-------------------|------|----------------------------|-------------------------|------------------|
| FY01              | FY02 |                            |                         |                  |
|                   | NFI  |                            |                         |                  |

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Educational Retirement Board (ERB)

### SUMMARY

#### Synopsis of SJC amendment

The Senate Judiciary Committee amendment changes the effective date of the allowable service credit purchase from July 1, 2001, to July 1, 2002.

#### Synopsis of Bill

This bill provides for technical cleanup of Educational Retirement Board (ERB) statutes to clarify language; move into compliance with new IRS rules and regulations, clarify compliance with New Mexico community property laws and allow the Educational Retirement Board to set certain interest rates regarding purchasing of service credits and payments to members to make them more reasonable for service credit purchase and certain pay-outs to members or their beneficiaries. Much of this bill is technical in nature.

### FISCAL IMPLICATIONS

The Educational Retirement Board reports that any small costs associated with this bill could be absorbed by the Educational Retirement Fund.

### OTHER SUBSTANTIVE ISSUES

Allowing the board to set the interest rate on the refund of contributions and the purchase of service credit is a very important change. The board could set the interest rate at a rate lower (or higher) than what the current statute calls for. The purchase of service credit today for example may be prohibi-

tively expensive under current statutes because of the strong returns on the fund in recent years. But there is also the other side of the coin.

As an example, on a refund, the board could set the rate closer to the interest rate set by the Federal Reserve Board (when five year average rates of return on the Fund are exceptionally high and current interest rates are comparatively low, as they are now). Conversely, the Board could set rates closer to the rate of return on the Fund in periods when the fund performed below average (and interest rates are high).

#### **ADMINISTRATIVE IMPLICATIONS**

Minimal.

#### **POSSIBLE AMENDMENTS**

To protect the active and retiree members in regard to the setting the interest rate, a possible amendment might provide for interest rate minimums in the case of refunds and interest rate maximums in the case of the purchase of service credit.

JBE/ar