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## FISCAL IMPACT REPORT

SPONSOR: Marquardt DATE TYPED: 03/12/03 HB 966/aHAFC

SHORT TITLE: Educational Retirement Service Credit SB \_\_\_\_\_

ANALYST: Gilbert

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$0.1 See Narrative	Recurring	ERB Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Commission on Higher Education (NMCHE)

New Mexico Department of Labor (DOL)

#### No Response From

Educational Retirement Association (ERA)

### SUMMARY

#### Synopsis of HAFC Amendment

House Appropriations and Finance Committee amendment to House Bill 966 specifies that purchase of service credit for military or public health service work is allowed until January 1, 2007, and the purchase provisions are changed as outlined below:

Payment for each year of allowed service credit is equal to the actuarial value of the service purchased as defined by the ERB. Payment pursuant to this paragraph may be made in installments, at the discretion of the board, over a period not to exceed one year and, if the sum paid does not equal the amount required for any full year of allowed service credit, the member shall acquire allowed service credit for that period of time that is proportionate to the payment made subject to the federal Uniformed Services Employment and Reemployment Rights Act of 1994.

This amendment appears to make the purchase of service credit for military or public health service work cost-neutral, thus compliant with NM Const., Art. XX, Section 22 (no benefits may be enhanced unless the costs of those benefits are properly funded in accordance with actuarial standards).

This amendment also restricts the purchase of service credit for military, public health service, qualified out-of-state credit, or private school educational credit unless a local administrative unit currently employs the member.

#### Synopsis of Original Bill

House Bill 966 amends NMSA 1978, § 22-11-34, to allow Educational Retirement Association (ERA) members, after four years of employment with an ERA employer, to purchase up to five years of service credit for military or public health service.

The employee cost per year of purchased service credit is 25% of the member's current salary. ERA employers are not required to make any contributions for purchases of the service credit allowed by this bill.

#### Significant Issues

Currently, ERA members may purchase allowed military service credit. However, it must be purchased within three years of the member's employment with an ERA employer and the cost is 10 ½ % of member's current salary.

#### **FISCAL IMPLICATIONS**

This bill does not contain an appropriation and it may be contrary to NM Const., Art. XX, Section 22 (no benefits may be enhanced unless the costs of those benefits are properly funded in accordance with actuarial standards). An actuarial study to determine the cost of the new benefits provided by HB 966 has not been performed.

#### **OTHER SUBSTANTIVE ISSUES**

ERA members with sufficient resources may purchase military or public health service and retire with only 20 years of service.

HB 966 could serve as an incentive for former Commissioned Corps of the Public Health Service members to accept employment with ERA employers, thus assisting with the severe nursing shortage in New Mexico.

RLG/lj:njw