NOTE: As provided in LFC policy, this report is intended only 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 for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR:	Romero		DATE TYPED:	02/27/03	HB		
SHORT TITL	E:	Educational Retireme	ent Contributions		SB	609	
				ANAL	YST:	Gilbert	

### **APPROPRIATION**

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

(Parenthesis ( ) Indicate Expenditure Decreases)

## **SOURCES OF INFORMATION**

LFC Files

Response Received From
State Department of Education (SDE)
Educational Retirement Board (ERB)

#### **SUMMARY**

# Synopsis of Bill

Senate Bill 609 adds a new section to the Educational Retirement Act, which exempts retired Public Employees Retirement Association (PERA) employees from making employee contributions to the Educational Retirement Association (ERA) fund, should they accept employment with a local administrative unit. Such employees are not eligible to purchase or acquire service credit for the time worked with local administrative units. Local administrative units, however, must make required employer contributions for these employees.

Currently, persons employed more than .25 FTE by an ERA local administrative unit make contributions to the ERA fund. This includes PERA retirees who have not suspended PERA retirement. When such persons leave employment with a local administrative unit, ERA refunds their contributions, plus interest.

## FISCAL IMPLICATIONS

ERB believes that this bill would not have an actuarial effect on their fund. However, under current law, ERA invests employee contributions and returns such contributions and interest upon employee termination. Under this bill, the ERA fund would be impacted if investment returns typically exceeded the interest rate paid on refunds.

To guarantee that SB 609 is consistent with NM Const. Art. XX, Section 22, (no benefits may be enhanced unless the costs of such benefits are properly funded in accordance with actuarial standards), an actuarial study should be performed to verify that this bill is cost-neutral.

RLG/ls/njw