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FISCAL IMPACT REPORT

ORIGINAL DATE 2/12/06

SPONSOR Rodella LAST UPDATED _____ HB 145

SHORT TITLE Adjust Volunteer Firefighter Service Credits SB _____

ANALYST Geisler

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 145 would allow a volunteer firefighter member or former member who was a member at any time on or after June 20, 2003 to post or adjust unlimited service credit already earned prior to January 1, 2006 by filing with the PERA no later than December 31, 2006. Current law requires the posting of service credit for the preceding year on or before March 31st of each year.

FISCAL IMPLICATIONS

According to PERA, it is not anticipated that posting past service credit through this legislation will require an increase in the current contribution to the fund due to its strong actuarial position. However, there will be additional workload for the PERA staff. See additional discussion under “administrative implications.”

SIGNIFICANT ISSUES

Whether volunteer firefighters should be given an opportunity to post and/or adjust service credit earned for one or more calendar years of service prior to January 1, 2006. PERA does not oppose this bill.

ADMINISTRATIVE IMPLICATIONS

PERA will incur some additional operating costs related to printing, postage and dissemination of information associated with department procedures and reporting forms. In addition, PERA will require increased staff utilization in order to review reporting records and to post eligible

service credit.

Last year's legislation allowing an active member in 2005 to post or adjust up to 5 years of service credit earned prior to January 1, 2005 created a significant impact on PERA's existing staff. Volunteer fire departments statewide have reported past or adjusted service credit for approximately 1300-1500 individual volunteer firefighters. Existing PERA staff has been required to absorb the additional service credit reporting and audit the information for posting to member accounts. It has been PERA's experience that significant follow-up with volunteer fire departments is required to ensure correct reporting for individual firefighter members. Currently, PERA has one staff person posting volunteer firefighter service credit, which is in addition to their regular fulltime duties.

OTHER SUBSTANTIVE ISSUES

1) Background on Service Credit Issue

House Bill 145 allows a member or former member who was an active member on the rolls of a fire department at any time on or after June 20, 2003 to post unlimited years of service credit earned prior to January 1, 2006 by filing with the retirement association no later than December 31, 2006. PERA does not oppose permitting a posting of unlimited actual, earned service credit by members who have been active since June 20, 2003; it should be noted, however, that last year the Legislature provided an active volunteer firefighter to post or adjust up to 5 years of service credit earned but not reported.

Prior to 2003, certain members were statutorily ineligible to post prior earned service credit because their first year of service was performed when the member was 45 years of age or older. This limitation was removed from the statute effective June 20, 2003, however, the change was prospective only. Firefighters who had been excluded from membership based upon age were unable to post service credit for any year prior to 2003. Last year's legislation partially addressed this issue by allowing an active member in 2005 to post or adjust up to 5 years of service credit already earned prior to 2005. House Bill 145 broadens this group and removes the 5 year cap by allowing any member who has been active since the effective date of the removal of the age limitation to post unlimited prior service credit. As was done last year, House Bill 145 again places the responsibility for reporting service credit corrections upon the member rather than the individual chief of each fire department.

HB 145 will not address the issue of those individuals whose service as an active volunteer firefighter ended prior to June 20, 2003 and who were not on the active rolls of a volunteer fire department on that date. These individuals remain ineligible for retirement benefits for their past volunteer firefighter service.

2) Funding for Volunteer Firefighter Plan and Actuarial Status

The Volunteer Firefighters Retirement Plan ("Plan"), passed by the Legislature in 1983, is unlike any other PERA coverage plan in that it is not funded based upon contributions from salary. Volunteer firefighters are not salaried employees and their "retirement benefits" do not derive from employment. Rather, the benefits are provided by the Legislature and funded by the Legislature from the Fire Protection Fund. The source of funding to meet the Fund's statutory obligations is an annual appropriation of \$750,000. This amount is supplemented, as required, to meet unfunded obligations. Adding new liabilities to the fund may increase the annual contribution to

the Fund in order to keep it actuarially sound. However, due to the recent favorable experience of members retiring less frequently than anticipated, the Plan is currently 142% funded for the year ending June 30, 2005. It is not anticipated that posting past service credit through this legislation will impact the current contribution to the Fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Volunteer Firefighter members will be required to have service credit for the preceding year posted to their accounts by March 31st. Failure to post service credit by the chief of each volunteer firefighter department on or before the March 31st deadline shall result in the member's loss of service credit for the preceding year. Volunteer firefighter members with actual service earned prior to January 1, 2006 that was not reported to PERA will not be able to correct their service credit histories for retirement benefits purposes.

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