

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/13/06

SPONSOR Fox-Young LAST UPDATED _____ HB 547

SHORT TITLE Legislative Retirement Coverage Plan Changes SB _____

ANALYST Geisler

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	Indeterminate, see fiscal impact		Recurring	Public Employees Retirement Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 547 decreases legislative retirement benefits for current and future legislative members whose terms of office end on or after January 1, 2006. Under HB 547, future and current legislators will receive retirement benefits calculated under State Legislator Member Coverage Plan 1 (Legislative Plan 1). The enhancement benefits provided under State Legislator Member Coverage Plan 2 would no longer be available to previously enrolled active Legislator members; all future pension benefits for affected Legislator members would be paid under Legislator Plan 1's enhanced benefits.

FISCAL IMPLICATIONS

By decreasing retirement benefits, PERA believes that HB 547 may have a favorable fiscal impact on the PERA Fund. As a result of Legislative Retirement Plan changes in 2003, there has been a substantial increase in participation by eligible legislators (retired membership increased by 30%; inactive membership increased by 49%). For the year ending June 30, 2005, the Legislative Retirement Fund has a funding ratio of accrued valuation assets to accrued liabilities of 61% (80% is the industry standard benchmark for fund solvency).

SIGNIFICANT ISSUES

HB 547 conflicts with Article XX, Section 22 of the New Mexico Constitution. Members of Legislative Plan 2 have a constitutionally protected property interest in retirement benefits under the plan (upon meeting the minimum service requirements of an applicable retirement plan a member of a plan shall have a vested property right with due process protections).

ADMINISTRATIVE IMPLICATIONS

The administrative impact of HB 547 on PERA will be in administering another member coverage plan for Legislators. There will be a minimal administrative impact on PERA. PERA will be required to amend its regulations to address the statutory changes to the PERA Act.

TECHNICAL ISSUES

In order to modify retirement coverage plans for future legislators, a new Legislative Plan 3 must be created and apply to Legislators prospectively.

OTHER SUBSTANTIVE ISSUES

Background on Legislative Retirement

In 2003, the legislature amended the legislative retirement plans to provide optional increased retirement benefits for certain legislators. Legislative Plan 1 was amended to provide for optional increased pension benefits for Legislators who served terms prior to January 1, 2004. Legislative Plan 1 closed to new members on December 31, 2003.

Currently, all current and future legislator members are covered under Legislative Plan 2, unless they elected to be covered by Plan 1 prior to December 31, 2003. Under Legislative Plan 2, legislator members will receive an amount equal to 11% of the of the per diem rate in effect, pursuant to Section 2-1-8 NMSA 1978, on December 31 of the calendar year the legislator retires multiplied by 60 and further multiplied by credited service. Annual member contributions under Legislative Plan 2 are \$500.00 and members are eligible to retire at any age with 10 years of service credit. The State contributes amounts sufficient to finance membership of members under the new legislative coverage plan on an actuarial reserve basis from the Legislative Retirement Fund in the State Treasury, which is independently invested to finance all legislative retirements.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

All current and future legislator members are covered under Legislative Plan 2, unless they elected to be covered by Plan 1 prior to December 31, 2003. Under Plan 2, legislator members are eligible to receive an amount equal to 11% of the of the per diem rate in effect, pursuant to Section 2-1-8 NMSA 1978, on December 31 of the calendar year the legislator retires multiplied by 60 and further multiplied by credited service. Annual member contributions under Legislative Plan 2 are \$500.00 and members are eligible to retire at any age with 10 years of service credit.

GG/nt