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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/22/07

SPONSOR Nunez LAST UPDATED \_\_\_\_\_ HB 1271

SHORT TITLE NMSU to Join Retiree Health Care Authority SB \_\_\_\_\_

ANALYST Propst

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$6,700.0	Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico State University (NMSU)  
Retiree Health Care Authority

### SUMMARY

#### Synopsis of Bill

House Bill 1271 appropriates \$6,700.0 from the General Fund to the Board of Regents of New Mexico State University in FY08 to pay the cost of NMSU joining the Retiree Health Care Authority.

### FISCAL IMPLICATIONS

The appropriation of \$6,700.0 contained in this bill is a non-recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the General Fund.

### SIGNIFICANT ISSUES

RHCA reports that it appears that NMSU's request is based on an old calculation methodology that was amended by RHCA effective January 1, 2007. Using the old calculation methodology significantly understates the actual buy-in amount required for entities to join RHCA. Even under the old rule, the buy-in amount for NMSU would have been amended upward to reflect the

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value of RHCA long-term investments as of December 31, 2006. The old, expired buy-in amount would have been \$8,800.0 not the \$6,700.0 appropriated in HB 1271. The old methodology was determined by RHCA to significantly understate the true buy-in costs for entities wishing to join RHCA and to be actuarially unsound.

Under the new calculation methodology adopted effective January 1, 2007, RHCA, using demographic data provided two years ago by NMSU, estimates the correct buy-in amount required for NMSU to join RHCA is \$93,936.0.

Therefore, according to RHCA, the \$6,700.0 contained in HB 1271 would fund only 8% of the amount NMSU would be required to pay to join RHCA.

NMSU proposes to move 800 retirees to the Retiree Health Care Authority.

WEP/mt

**Buy In Estimator for periods 7/1/06 - 6/30/07**

**NMSU**

Actives	4007
AAL at 7.75%/Active	\$ 13,030
Active AAL	\$ 52,211,210
Retirees	898
AAL at 7.75%/Retiree	\$ 46,464
Retiree AAL	\$ 41,724,672
Grand Total	\$ 93,935,882

*Note: Assumes average age, service, pay and election patterns match those assumed in NMRHCA GASB 43 valuation.*