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FISCAL IMPACT REPORT

ORIGINAL DATE 01/19/11
 SPONSOR Kintigh LAST UPDATED 03/17/11 HB 18/aHFl#1/aSFC
 SHORT TITLE Increase Legislative Retirement Contributions SB _____
 ANALYST Aubel

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	\$10.0	\$10.0	Recurring	Legislative Retirement Fund
	\$12.5	\$12.5		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA) (Original bill)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment strikes the House Floor Amendment #1 and makes two changes:

1. Increases the annual payment to \$750 for each year of credited service beginning on or after January 1, 2011; and
2. Changes the day that sets the per diem rate upon which the pension is calculated from December 31 of the calendar year to the first day of the fiscal year, which is July 1.

Reportedly, most legislators retire in January after the end date of their term. Under current statute, technically they have to wait until the following December 31 for the calculation of the pension—a 12-month waiting period. The amendment sets the date to July 1 of the fiscal year in which they retire so their pension could be calculated on the day of retirement.

It is uncertain why the date wasn't set to January 1 (first day of the calendar year) to coincide with the normal retirement cycle. The per diem rate as of July 1 might differ for Santa Fe from the per diem rate mid-winter, producing an unknown actuarial impact to the plan. If the rate is higher, then the calculated pensions would be higher. No actuarial study was performed.

Synopsis of HFl Amendment #1

The House Floor Amendment #1 clarifies that the current \$500 per year of service applies to calendar years prior to 2011 and increases the annual payment to \$600 after January 1, 2011.

Synopsis of Original Bill

House Bill 18 (HB18) increases the annual member contribution rate for State Legislator Member Coverage Plan 2 from \$500 for each year of credited service to \$600. HB 18 contains an emergency clause and that would affect the 2011 annual contribution rate.

FISCAL IMPLICATIONS

If implemented, PERA estimates additional \$10 thousand recurring revenue to the Legislative Retirement Fund.

SIGNIFICANT ISSUES

PERA provides the following background information:

State Legislator Member Coverage Plan 2 (“Plan 2”) is unlike other PERA coverage plans in that it is not funded based upon contributions from salary. Legislators are not salaried employees and their “retirement benefits” do not derive from employment. Plan 2 members are required to pay annual contributions of \$500 per year of service. This contribution rate is not calculated actuarially. The State contributes the amount sufficient to finance the benefits provided to legislators under Plan 2 on an actuarial reserve basis. See, NMSA 1978, Section 10-11-43. The Legislature transfers \$2.4 million annually, which applies to both the normal costs associated with State Legislator Member Coverage Plans 1 and 2 and their respective unfunded actuarial accrued liability (“UAAL”).

The Legislative Retirement Fund is currently funded at 82.9% as of June 30, 2010. If the Legislature’s annual contribution to the Fund remains at \$2.4 million, the existing unfunded liability of \$4.5 million for the Legislative Retirement Fund is expected to be paid off in 2-3 years, in the absence of future gains and losses.

PERA proposes that an increase in the Plan 2 annual contribution rate is not required for the solvency of the Legislative Retirement Fund.

OTHER SUBSTANTIVE ISSUES

According to PERA, State Legislator Member Coverage Plan 2 is applicable to state legislators and lieutenant governors who served terms of offices that ended on or after December 31, 2002. To be covered under State Legislator Member Coverage Plan 2, a legislator or lieutenant governor must elect to be a member no later than 180 days after first taking office.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The member rate for State legislator Member Coverage Plan 2 would remain at \$500.

MA/svb:bym