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FISCAL IMPACT REPORT

SPONSOR Ingle ORIGINAL DATE 02/12/14
 LAST UPDATED _____ HB _____

SHORT TITLE Increase Legislative Retirement Contributions SB 266

ANALYST Hanika Ortiz

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
	\$17.8	\$17.8	Recurring	Legislative Retirement Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 266 increases the annual member contribution rate for State Legislator Member Coverage Plan 2 from \$600 to \$750 for each year of credited service earned on or after July 1, 2014.

FISCAL IMPLICATIONS

The bill provides for additional member contributions which would be a gain to the Legislative Retirement Fund, however, the bill does not increase the retirement benefit paid to legislators.

For the year ending June 30, 2013, the Legislative Retirement Fund was funded at 115 percent.

SIGNIFICANT ISSUES

Legislators are not salaried employees and their retirement benefits do not derive from employment. Plan 2 members pay annual contributions of \$600 per year of service. In turn, the State contributes the amount sufficient to finance the benefits on an actuarial reserve basis.

The Tax Administration Act, Section 7-1-6.43, provides a distribution to the Legislative Fund of either \$200 thousand per month or one-twelfth of the amount necessary to fund the benefits if the required contribution needed is larger. For FY13, the distribution of \$2.4 million to the Legislative Fund exceeded the amount necessary to fund the benefits by about \$1.6 million.

If the annual contribution to the Fund remains at \$2.4 million, PERA reports the Legislative Fund is expected to continue to have a surplus, in the absence of future gains and losses.

Pension plans of this relatively small size are sensitive to changes in assumptions. For instance, according to the actuarial valuation as of June 30, 2013, the Legislative plan's funded ratio increased from 91.8 percent in FY12 to 115.2 percent in FY13, due to multiple factors that included a 10.45 percent investment return which represented a 2.8 percent increase to the funded ratio; a decrease in the assumed per diem rate which represented a 4.3 percent increase to the funded ratio; \$1.8 million more in contributions that expected which represented a 6.2 percent increase to the funded ratio; and Laws 2013, Ch. 225 (Senate Bill 27) that decreased the annual cost-of-living adjustment from 3 to 2 percent which represented an 8.9 percent increase to the funded ratio.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 12, provides for a minimum retirement age under Legislator Member Coverage Plan 2.

SB 304, provides for temporary distributions over three years to the Judicial and Magistrate Retirement Funds contingent on the passage of pension reform legislation during 2013.

OTHER SUBSTANTIVE ISSUES

To be covered under State Legislator Member Coverage Plan 2, a legislator must elect to be a member no later than 180 days after first taking office.

According to PERA, if a contribution totaling \$600 per year of service is made, State Legislator Member Coverage Plan 2 members receive an annual pension benefit of 11 percent of the per diem rate in effect on January 1st of the calendar year the member retires multiplied by 60 and further multiplied by their years of credited legislative service.

There are currently 119 active members. For the year ending June 30, 2013, the average retirement age for a legislator was 64 years and their average annual pension was \$13,272.

ALTERNATIVES

Amend the Tax Administration Act to provide a distribution each year that is based on the projected funded ratio of the Legislative Fund; or increase the benefit paid to legislators.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

State Legislator Member Coverage Plan 2 members will continue to pay an annual contribution of \$600 for each year of credited legislative service.