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FISCAL IMPACT REPORT

SPONSOR Trujillo/Cadena/
Stapleton **ORIGINAL DATE** 2/15/2019 **LAST UPDATED** 3/12/2019 **HB** 501/aSFC

SHORT TITLE Increase Certain PERA and ERB Contributions **SB** _____

ANALYST Jorgensen

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	\$5,500.8	\$5,500.8	Recurring	PERA
	\$6,750.0	\$6,750.0	Recurring	ERB

(Parenthesis () Indicate Revenue Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Educational Retirement Board (ERB)

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Amendment to House Bill 501 (HB501) reduces the employer contribution increase from 0.5 percent to 0.25 percent for PERA and ERB employers.

Synopsis of Original Bill

House Bill 501 increases employer contribution rates for PERA and NMERB affiliated employers would increase by 0.5 percent. The employer contribution rate for the state police and adult correctional officer plan 1 would not change. The contribution rate increase would be effective July 1, 2019.

FISCAL IMPLICATIONS

Under HB501, PERA employer contributions would increase by 0.5 percent and would generate

an additional \$11 million. State general plan 3, which covers active state employees, would see employer contributions increase from 16.99 percent to 17.49 percent. The ERB employer contribution rate would increase from 13.9 percent to 14.4 percent. ERB anticipates the 0.5 percent employer contribution increase would generate additional revenue of approximately \$13.5 million annually on a recurring basis.

LFC analysis suggests that a 0.5 percent increase in employer contribution rates would cost state employers \$4.8 million per year of which \$2.5 million would come from general fund sources. Higher education institutions receive approximately 53 percent of their personnel budget through states and account for around a third of ERB revenues so that of the \$13.5 million increase in ERB costs, approximately \$4.5 million would come from higher education institutions with the additional amount coming from public schools.

SIGNIFICANT ISSUES

Both PERA and ERB have significant unfunded liabilities. For the year ending June 30, 2018 the PERA Fund had an unfunded actuarial accrued liability (UAAL) of \$6 billion and has assets sufficient to pay for 71.6 percent of total liabilities. ERB has a UAAL of \$7.4 billion and has sufficient assets to pay for 63 percent of total liabilities.

In an analysis for another pension reform bill, HB360, ERB estimated that a 3 percent increase in the employer contribution would improve the funded status of the plan by approximately 24 percent over the next 30 years. HB501 proposes an increase of approximately 1/12th the size which would translate into a 2 percent increase in the plan's funded ratio. PERA estimates that a 0.5 percent increase will improve the plan's funded ratio by 1 percent over the next 30 years.

HB501 does not include an appropriation so the 0.25 percent increase will have to be absorbed by employers in their operating budgets.

PERA covers county and municipal workers in addition to state employees. These local governments would face increased costs for employee benefits should HB501 be enacted. The table below shows the impact by PERA employer group:

	2018 Total Annual Payroll	0.25% increase in Employer Contributions
State General Division	\$ 927,528,589.00	\$2,318,821.48
Municipal General Division	\$ 928,666,178.00	\$2,321,665.45
Municipal Police Division	\$ 213,105,900.00	\$532,764.75
Municipal Fire Division	\$ 131,019,607.00	\$327,549.02
TOTAL	\$ 2,200,320,274.00	\$5,500,800.69

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Section 8 of House Bill 333, general appropriations act, includes sufficient funding for a 0.25 percent increase for PERA and ERB retirees contingent on passage of enabling legislation.