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## FISCAL IMPACT REPORT

SPONSOR Campos ORIGINAL DATE 2/26/19  
 LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Special Hospital Districts As Public Employer SB 384

ANALYST Jorgensen

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Indeterminate	Indeterminate	Indeterminate	Recurring	PERA Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Attorney General (NMAG)

Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 384 amends the Public Employees Retirement Act (PERA) to allow special hospital districts to become PERA-affiliated employers and offer a PERA pension benefit to their employees.

### FISCAL IMPLICATIONS

Hospital districts wishing to participate in a PERA-affiliated retirement plan would be allowed to join municipal general member coverage plan 2. The municipal pension plans are currently 76.3 percent funded with a \$1.61 billion unfunded liability and it will take the fund 43 years to reach full funding. This funding level suggests that for each additional retiree added to the municipal plan, the fund incurs an unfunded liability. Because it is not possible to know how many, if any, hospital districts may elect to affiliate with PERA and how many employees they will bring to the plan, it is not possible to estimate the additional costs to the public pension funds.

## SIGNIFICANT ISSUES

Should hospital districts opt to become affiliated with PERA, their employees would be eligible to participate in municipal general member coverage plan 2. This plan offers a 2 percent service credit multiplier meaning that after 25 years of service, a member would be eligible to receive an annual pension benefit worth 50 percent of their final average salary. Under this coverage plan, employees would be required to contribute 10.65 percent of their salary while employers would be required to contribute 9.15 percent of salary.

While the benefit offered under this plan is significantly less generous than other plans, so too are the contributions. Based on the overall unfunded liability of the municipal plans, it is likely that the addition of new members will increase the unfunded liability, however actuarial analysis of this bill has not been performed as it is not possible to know how many, if any, additional employees would be added to the plan.

## TECHNICAL ISSUES

The proposed amendments in Section 2(B)(8) and Section 2(E) include language that states employees of hospital districts which choose not to affiliate with PERA are not eligible to participate in PERA pension plans. PERA notes the current definitions of a PERA member includes “a currently employed, contributing employee of an *affiliated public employer*, or a person who has been but is not currently employed by an affiliated public employer, who has not retired and who has not received a refund of member contributions.” PERA notes that because employees of hospital districts which chose not to affiliate with PERA are already excluded from membership under the current definition of member, the changes may be unnecessary and could create the impression that there are different membership requirements for employees of special hospital districts.

## OTHER SUBSTANTIVE ISSUES

New Mexico Attorney General notes the following:

Special hospital districts are organized for the purpose of constructing or acquiring funding for a public hospital. The districts facilitate a more efficient and effectual operation of a public hospital by being able to raise money for its operation and enter into contracts with the federal or state governments for the treatment or hospitalization of patients. For these reasons, the Attorney General has concluded a special hospital district is both a “political subdivision” and “local public body,” but under the current language of the statute it would not fall under the definition of a public employer for purposes of PERA. NM Attorney General Advisory Letter (Sept. 24, 2008). The legislative changes would to expand the PERA statute to include these hospital districts under the public employer definition.