

LFC Requester:	
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment**
Correction **Substitute**

Date 1/23/2024
Bill No: SB0063

Sponsor: Joy Garratt
Short Title: STUDY PENSION BENEFIT STRUCTURES

Agency Name and Code DFA-341
Number: _____
Person Writing Cecilia Mavrommatis
Phone: _____ **Email** Cecilia.Mavrommatis@dfa.nm

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	50,000.00	NR	GF

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

FISCAL IMPLICATIONS

BILL SUMMARY

Effective December 1, 2024, SB 63 amends the Public Employees Retirement Act [NMSA 1978 10-11-118] to change the current cost-of-living adjustment structure for qualified pension recipients to an amount equal to the Social Security and Supplemental Income cost-of-living adjustment.

FISCAL IMPLICATIONS

Senate Bill 63 replaces the current cost-of-living adjustment (COLA) for qualified recipients for the PERA fund and changes it to equal the COLA determined by the federal social security administration for that calendar year it would have a significant impact on the funding status of the PERA fund. PERA’s unfunded liability would go from \$8.1 billion to \$10.2 billion excluding the legislative retirement division. Also, PERA’s funded ratio excluding the legislative retirement division would decrease from 67.70% to 62.60% and the amortization period would go from 53 years to infinite years. For the legislative division the unfunded liability (asset) would go from \$7.6 million to \$5.2 million and the funded ratio would decrease from 119.6% to 112.5%.

The change in the COLA has a significant impact on the PERA fund, increasing the unfunded liability by more than \$2 billion. The \$50 million annual appropriation provided in the proposed legislation is not sufficient to fund the proposed COLA enhancements.

SB 63 should not have an impact on PERA’s operating budget.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

PERA will have to make system modifications to its pension administration system to ensure that the COLA is changed each year to the COLA determined by the ~~federal social security administration~~ Federal Social Security Administration. The PERA Board will have to certify the

COLA determined by the federal ~~social security administration~~Social Security Administration each calendar year.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Article XX, Section 22, of the New Mexico Constitution, prohibits the Legislature from enacting any law that increases the benefits paid by PERA unless adequate funding is provided. That section assigns the PERA board the sole and exclusive power to adopt actuarial assumptions, based on recommendations from an independent actuary. If the proposed legislation does not include adequate funding, it is possible that the proposal does not meet the requirements of that section.

ALTERNATIVES

HB172 sponsored by Representative Joseph Sanchez provides a temporary 2% lump sum non-compounding payment to eligible retired members and provides an appropriation that is sufficient to fund it. This approach can provide eligible retired members temporary relief without negatively affecting PERA funded ratio or amortization period. The payments will be in addition to any compounding COLA members are eligible for.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PERA's qualified pension recipients would continue to receive a yearly COLA based on the current COLA structure.

AMENDMENTS