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## FISCAL IMPACT REPORT

SPONSOR:	<u>Wright</u>	DATE TYPED:	<u>01/23/01</u>	HB	<u>51</u>
SHORT TITLE:	<u>Amend Volunteer Firefighters Retirement Act</u>			SB	
		ANALYST:		<u>Eaton</u>	

Conflicts with New Mexico Constitution Article XX, Section 22(C).

### SOURCES OF INFORMATION

Public Employees Retirement Association (PERA)  
New Mexico Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

House Bill 51 expands the number of persons who can receive a benefit under the Volunteer Firefighters Retirement Act by eliminating the existing age limit for volunteer firefighter members. Current law excludes from membership those volunteers whose first year of service credit was accumulated later than during the year in which they attained the age of forty-five (45).

#### Significant Issues

This bill violates Article XX, Section 22(C) of the New Mexico Constitution which states "The legislature shall not enact any law that increases the benefits paid by the system in any manner or changes the funding for a retirement plan unless adequate funding is provided." Without providing any funding for the additional persons eligible to receive the retirement benefit, this bill violates this Constitutional provision. This legislation as written will have a negative actuarial impact on the volunteer firefighter retirement fund, a fund that is already underfunded.

### FISCAL IMPLICATIONS

PERA does not have any demographic information that would allow PERA's actuaries to evaluate quantitatively the extent of the negative actuarial impact this proposal would have on the volunteer firefighter retirement fund.

The volunteer firefighters retirement plan, passed by the Legislature in 1983, is unlike any other PERA coverage plan in that it is not funded based upon contributions from salary. Volunteer firefighters are not salaried employees and their "retirement benefits" are not incidents of employment. Rather, the benefits are provided by the Legislature and funded by the Legislature from the Fire Protection Fund. Currently, the fund receives annual transfers of \$750,000 from the Fire Protection Fund to the retirement fund. PERA's actuaries have advised that \$3,385,000 per year is currently needed to bring the fund back into a position in which it can reasonably pay for its existing liabilities in the future. Adding new liabilities to the fund as this bill does would require an even greater annual contribution to the fund.

**ADMINISTRATIVE IMPLICATIONS**

The legislation, if enacted, would require changes to PERA's computerized retirement information systems. Additionally, PERA will incur increased printing costs associated with reprinting pertinent information about the volunteer firefighter retirement plan.

**OTHER SUBSTANTIVE ISSUES**

Currently, there are over 12,000 volunteer firefighters around New Mexico. Due to actuarial considerations, contributions from the Legislature for older members of the plan would have to be greater than for existing members in order to fund the benefits identified in the plan. It can be assumed that, generally, such older members of the plan would be volunteers for shorter periods of time prior to applying for benefits. In other words, because their benefits are financed over a shorter time period and because these persons would be closer to retirement when they join the plan, the amount of money needed to finance their benefits is generally greater than for the average volunteer firefighter.

JBE/ar