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FISCAL IMPACT REPORT

SPONSOR Gonzales DATE TYPED 01/27/04 HB HJM 26

SHORT TITLE Cost-of-Living Benefit for Education Retirees SB _____

ANALYST Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Significant	Recurring	General Fund
			Significant	Recurring	Educational Retirement Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

No Response Received From
Educational Retirement Association

SUMMARY

Synopsis of Bill

House Joint Memorial 26 directs the Educational Retirement Association (ERA) to provide a 3% cost-of-living benefit increase to all ERA retirees and that this Memorial be forwarded to the ERA.

Significant Issues

N.M. Const. Art. XX, Sec. 22 states in part:

B. The retirement board of the public employees retirement system and the board of the educational retirement system shall be the trustees for their respective systems and have the sole and exclusive fiduciary duty and responsibility for administration and investment of the trust fund held by their respective systems.

C. A retirement board shall have the sole and exclusive power and authority to adopt actuarial assumptions for its system based upon the recommendations made by an independ-

ent actuary with whom it contracts. The legislature shall not enact any law that increases the benefits paid by the system in any manner or changes the funding formula for a retirement plan unless adequate funding is provided.

FISCAL IMPLICATIONS

An increase in ERA retirement benefits would likely require an increase in contributions. However, ERA did not provide actuarial funding data relating to the impact of this bill. If contributions were increased to fund the COLA recommended in bill, existing school employees may be required to pay additional retirement contributions and/or the public schools would need additional appropriations for this benefit increase to be actuarially sound.

RLG/sb