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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
53rd Legislature, 1st Session, 2017

Bill Number	<u>HB34/aHCPAC/aHSIVC</u>	Sponsor	<u>Gonzales & White</u>
Tracking Number	<u>.206764.1</u>	Committee Referrals	<u>HCPAC/HSIVC; SPAC/SFC</u>
Short Title	<u>Payment of State Retirement Benefits</u>		
Analyst	<u>Simon</u>	Original Date	<u>1/30/2017</u>
		Last Updated	<u>3/9/2017</u>

FOR THE INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

BILL SUMMARY

Synopsis of HSIVC Amendment

The House State Government, Indian and Veterans' Affairs Committee amendment to House Bill 34 (HB34/aHCPAC) makes a technical, clean-up change to the bill.

Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee Amendment to HB34 clarifies that the bill primarily applies to reciprocal retirees who retire on or after July 1, 2017 unless the directors of Public Employees Retirement Association (PERA) and New Mexico Educational Retirement Board (ERB) can certify to each other that the appropriate accounting infrastructure is in place.

Synopsis of Original Bill

House Bill 34 (HB34) amends the Public Employees Retirement Reciprocity Act to require that public employees who have earned retirement benefits from more than one pension system be paid by each pension system separately, rather than requiring one pension system to make payments to the retiree and then receive reimbursement from another pension system.

FISCAL IMPACT

HB34/aHCPAC/aHSIVC does not contain an appropriation. The New Mexico Educational Retirement Board (ERB) does not anticipate fiscal impact from HB34.

SUBSTANTIVE ISSUES

HB34/aHCPAC/aHSIVC would require each of the state's pension systems from which a retiree has earned service credit to pay retirement benefits directly for members with reciprocal service credit who retire after July 1, 2017. Currently, the law requires that the pension system from

which the retiree has retired make payments on behalf of both pension systems and then seek reimbursement from the other pension system. For example, if a person earned service credit from ERB and later retires as a member of the Public Employees Retirement Association (PERA), PERA would pay the retiree the benefits earned under both systems and seek reimbursement from ERB. According to ERB, there are currently 1,662 PERA retirees with service credit from ERB and 1,290 ERB retirees with service credit from PERA.

ADMINISTRATIVE IMPLICATIONS

According to ERB, the current law requires constant communication and auditing between ERB and PERA. Information systems used by ERB and PERA are incompatible and at least 30 percent of ERB payroll staff time is used reconciling reciprocity payments. HB34/aHCPAC/aHSIVC could reduce the amount of staff time used to ensure retirees with service credit from multiple systems are paid the correct amount.

ERB notes that HB34/aHCPAC/aHSIVC could lead to a situation where one or both of the pension systems may underwithhold income taxes and a retiree could receive an unexpected tax bill when the retiree reports combined income to the Internal Revenue Service. The two pension systems would need to continue communicating to ensure accurate tax withholding.

OTHER SIGNIFICANT ISSUES

Employees who receive service credit from four retirement systems are covered by reciprocity: the Educational Retirement Act, the Public Employees Retirement Act, the Magistrate Retirement Act, and the Judicial Retirement Act. The Educational Retirement Act is administered by ERB, while PERA administers benefits earned under the three other acts.

SOURCES OF INFORMATION

- LESC Files
- Educational Retirement Board

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