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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/19/17

SPONSOR Dodge LAST UPDATED \_\_\_\_\_ HB 469

SHORT TITLE Legislative Retirement Changes SB \_\_\_\_\_

ANALYST Hanika-Ortiz

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19		
	\$1,650.0	\$1,650.0	Recurring	General Fund (GF)

(Parenthesis ( ) Indicate Revenue Decreases)

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

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	(\$750.0)	(\$750.0)	(\$750.0)	(\$2,250.0)	Nonrecurring after FY20	Fire Protection Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

No Responses Received From

Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of Bill

House Bill 469 (HB 469) modifies terms for distributions to the legislative retirement fund (LRF) and suspends for three years transfers to the volunteer firefighters retirement fund (VFF).

### FISCAL IMPLICATIONS

HB 469 reduces distributions from the General Fund by about \$4.9 million over the next three years.

The bill has two functions to increase General Fund revenues. The first function distributes to the

LRF only the amount necessary to fund the benefit as opposed to a fixed amount that continues in perpetuity even if the plan is actuarially fully funded according to governmental accounting standards. The second function temporarily suspends a distribution to the VFF from the state's Fire Protection Fund in fiscal years 2018 through 2020. In FY21, the distribution resumes.

### **SIGNIFICANT ISSUES**

HB 469 does not change eligibility or retirement benefits earned or received by participants.

According to the FY16 valuation, the VFF has maintained a significant surplus of assets over liabilities. The surplus of the fund's actuarial value of assets over the actuarial accrued liability is about \$19 million. In part because the fund received \$716,663 more in contributions than the actuarially determined amount, the funded ratio increased from 140 percent to 143 percent.

According to the same valuation, the LRF has also maintained a significant surplus of assets over liabilities. The surplus of the fund's actuarial value of assets over the actuarial accrued liability is about \$12 million. In part because the fund received \$2.5 million more in contributions than the actuarially determined amount, the funded ratio increased from 138 percent to 144 percent.

Historically, the Legislature transferred \$2.4 million annually to cover the costs associated with the legislative retirement plans. During the 2016 special session, however, the Legislature reduced the distribution to the LRF from \$200,000 per month to \$75,000 per month, resulting in a \$900,000 annual distribution in subsequent fiscal years. However, because the required "employer" contribution is still \$0, the bill eliminates the fixed distribution amount to the LRF to provide for only the amount necessary to cover the costs associated with legislative retirement.

### **OTHER SUBSTANTIVE ISSUES**

Volunteer firefighters earn one year of service credit for each year that they attend 50 percent of all drills and business meetings and respond to 50 percent of emergency response calls. Volunteer firefighters age 55 and older with 25 or more years of service receive \$250 per month, and with 10 or more years of service receive \$125 per month. For FY16, there were 7,823 active members and 1,054 retirees with an average annual benefit of \$1,792 and average age of 68.

Membership in PERA's retirement plan for legislators is voluntary. Legislators earn service credit by fulfilling obligations of the position for more than six months each year, by participating in the legislative session, and by making contributions of \$600. Legislators may retire if age 65 and older with 5 or more years of service credit or at any age with 10 or more years of service credit. Legislators receive an annual pension equal to 11 percent of the per diem rate (for 2017 it is \$164) on the first day of the calendar year that the legislator retires multiplied by 60 and further multiplied by credited service as a state legislator. In FY16, there were 122 active members and 152 retirees with an average annual benefit of \$9,757 and average age of 75.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Without these modifications and assuming PERA's assumptions for calculating liabilities hold true, the funded ratios will continue to grow beyond the minimum requirement of 100 percent.