FISCAL IMPACT REPORT

SPONSOR	Munoz/Lane	**LAST UPDATED**	
		ORIGINAL DATE	1/26/2023
SHORT TITLE	Public Safety Officer Pensions	**BILL NUMBER**	Senate Bill 96
		ANALYST	Simon

REVENUE*
(dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	**FY24**	**FY25**		
	Indeterminate but minimal	Indeterminate but minimal	Recurring	PERA Fund

Parentheses ( ) indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		Indeterminate but minimal	Indeterminate but minimal		Recurring	PERA Fund
Total						

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 64 and 65
Conflicts with House Bill 66
This bill duplicates Sections 3 and 20 of Senate Bill 124
This bill duplicates Sections 2 and 19 of House Bill 106

Sources of Information

LFC Files

Responses Received From
Public Employee Retirement Association (PERA)
Department of Public Safety (DPS)
State Personnel Office (SPO)

SUMMARY

Synopsis of Senate Bill 96

Senate Bill 96 (SB96) would amend the Public Employee Retirement Act to raise the maximum

amount of a pension benefit for a member of the "state police member, correctional officer member, and probation and parole officer member" coverage plan from 90 percent to 100 percent of an employee's final average salary.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

SB96 would increase the cap for pension payments for certain members of the Public Employees Retirement Association (PERA), which is currently at 90 percent of a member's final average salary. (For Tier 1 members, the final average salary is the average from the member's highest 36 consecutive months of pay; for Tier 2 members it is the highest 60 consecutive months.) SB96 would apply only to service credit earned after the law goes into effect. Members who are currently employed but have accrued the 90 percent maximum currently in effect would earn additional credit beginning June 2023 but would not be retroactively granted service credit for prior service.

SB96 would apply to members of the state police and correctional officer plan. Data from the State Personnel Office indicates 2,080 employees of the Corrections Department, the Children, Youth and Families Department, and the State Police are members of that plan. Currently, a member must have 30 years of service credit to accrue the maximum pension benefit. SB96 would allow a member to accrue a 100 percent pension benefit after 33 years and four months.

SB96 would increase benefit payments for future retirees. 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. PERA has yet to complete an actuarial analysis of SB96 to ensure the bill conforms with this section of the constitution. However, analysis from PERA notes the bill would require retirees to work for a longer period to realize increased benefits, making contributions for a longer period and collecting a pension for fewer years.

SIGNIFICANT ISSUES

The Department of Public Safety notes SB96 would incentivize law enforcement officers to work beyond the minimum number of years to retire and anticipates the bill will allow the agency to retain officers. The department argues the bill would be particularly effective because officers retained will have many years of experience and training.

Data from PERA suggests only a limited number of public safety employees serve for 30 years or more and reach the current maximum pension benefit. PERA's 2022 annual valuation report indicates only 5 percent of state police and correction plan members serve 30 years or more; 49 percent serve between 25 and 29 years. HB96 may successfully encourage some members to continue working to boost pension benefits and provide compensation to that small percentage of employees who continue to work after achieving the maximum benefit, but may not encourage a large number of employees to continue to work for more years.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Several bills have been introduced for consideration of the First Session of the Fifty-Sixth Legislature that would incentivize public employees to provide more years of service. These proposals include
- House Bill 64, which would create a return-to-work program for public employees;
- House Bill 65, which would create a return-to-work program for retirees from all PERA plans;
- House Bill 66, which would increase the maximum pension benefit from 90 percent to 100 percent of salary, but in a different manner that SB96;
- House Bill 106, which would increase the maximum pension benefit for all PERA members; and
- Senate Bill 124, which would both enact a return-to-work program for all PERA retirees and increase the maximum pension benefits if employees serve for more years.

JWS/mg/hg