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FISCAL IMPACT REPORT

SPONSOR <u>Tallman</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/28/2023</u>
SHORT TITLE <u>Study Defined Contribution Pensions</u>	BILL NUMBER <u>Senate Memorial 16</u>
	ANALYST <u>Hanika-Ortiz</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSA	No fiscal impact	Indeterminate but minimal	No fiscal impact	No fiscal impact	Nonrecurring	General Fund

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

Sources of Information

LFC Files

Responses Received From
 Educational Retirement Board (ERB)
 Public Employees Retirement Board (PERA)
 State Personnel Office (SPO)

SUMMARY

Synopsis of Senate Memorial 16

Senate Memorial 16 (SM16) requests the Office of the State Auditor (OSA) to convene a task force to study the feasibility of implementing a defined contribution pension plan for public employees.

The memorial provides the following:

- A defined contribution plan allows the employee or the employer, or both, to contribute to the employee's individual account under the plan, and those contributions are invested on the employee's behalf.
- At retirement, the employee will receive the balance in the employee's individual account under the plan, based on contributions plus investment gains.
- Defined contribution plan holders are empowered to prepare for retirement by having complete control over the amount of income they are investing in their financial future.
- Nineteen other states have implemented defined contribution plans for public employees and almost all 19 have more robust general funds, indicating that a defined contribution plan could benefit New Mexico in a similar way.

- A shift from defined benefit plans to defined contribution plans may save the state money.

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).

FISCAL IMPLICATIONS

OSA would need to expend resources in terms of time, staff, and funding to support the task force.

According to PERA, changing public employee retirement benefits from a defined benefit plan to a defined contribution plan would have a negative impact on the PERA fund because there would not be any new members contributing to the fund. In addition, changing from a defined benefit plan to a defined contribution plan could also have a negative impact on recruiting public employees.

SIGNIFICANT ISSUES

The memorial requests OSA to convene and administratively support a task force to study the feasibility and effects of implementing a defined contribution pension plan for public employees; and that the task force be composed of representatives of the following:

- A. Two members of ERB;
- B. Two members of PERA;
- C. One member who is a representative of the interests of the retired public employees of New Mexico;
- D. One member appointed by the governor;
- E. One member appointed by the chair of the Senate Finance Committee; and
- F. One member of the Legislative Finance Committee staff.

PERFORMANCE IMPLICATIONS

The task force will present a report on the results of its study to the legislative interim committee that is responsible for investments and pensions oversight by December 2023.

ADMINISTRATIVE IMPLICATIONS

SM16 requests OSA administratively support the task force.

AHO/al/hg