

LFC Requester:	Joseph Simon
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: January 27, 2025 *Check all that apply:*
Bill Number: SB 133 Original Correction
 Amendment Substitute

Sponsor: Peter Wirth **Agency Name and Code:** NM Educational Retirement Board - 35200
Short Title: Educational Retirees Returning to Work **Number:** _____
Person Writing: Jacob Maule **Phone:** 505-531-6739 **Email:** Jacob.maule@erb.nm

SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NA	(\$220.0 - \$1,100.0)	(\$220 - \$1,100.0)	Recurring	ERB Trust Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications			Recurring	ERB Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The bill increases the salary limit from fifteen thousand dollars (\$15,000) per year to twenty-five thousand dollars (\$25,000) per year for one of ERB's return to work (RTW) program limits.

FISCAL IMPLICATIONS

One impact of SB 133 may be the expansion of the use of the current \$15k RTW provisions, specifically an increase in compensation for these members. During FY2024, total pay under the \$15k RTW provisions was \$2.7 million. If these members were to have increased salaries to \$25k, it may be reasonable to assume that this pay may increase to \$4.6 million. No contributions are made on this pay but also no benefits accrued. Thus, to the extent this extra pay is used to replace active member pay, the fund would potentially lose out on $(\$4.6 \text{ million} - \$2.7 \text{ million}) \times 12\% = \mathbf{\$220,000 \text{ per year}}$ in contributions towards the unfunded liability.

Another impact may be that members currently under the 36 month RTW provisions and grandfathered 12 month RTW provisions, for which both employee and employer contributions are made, may convert to the \$25k RTW provision which does not require contributions.

- During FY2024, total pay for members earning less than \$24k under the 12 month and 36 month provisions was \$4.1 million. If all of these employees converted under the provision from contributory RTW to noncontributory RTW. This would result in the fund losing out on $\$4.1 \text{ million} \times 26\% = \mathbf{\$1.1 \text{ million per year}}$ in contributions towards the unfunded liability.
- During FY2024, total pay for members earning more than \$24k under the 12 month and 36 month provisions was \$96.5 million. Likely much of this contributory pay may remain under the current RTW provisions, as many of these employees are making well over the \$25k threshold. However, some of these employees that are just over the threshold may reduce their workload to stay underneath the \$25k threshold to become noncontributory. If 10% of this payroll is converted to noncontributory payroll, then the fund would lose out on $\$96.5 \times 10\% \times 29\% = \mathbf{\$2.8 \text{ million per year}}$ in contributions towards the unfunded liability. The 10% is a very rough approximation.

SIGNIFICANT ISSUES

Currently, active members have a normal cost of 14% of pay. Total payroll contributions of roughly 29% of pay and 26% of pay are made on active member pay for members whose salaries are more or less than \$24k. Thus, the fund receives 15% or 12% of pay towards the unfunded liability. As we look at the RTW provisions, certain RTW provisions can mean missing out on these contributions towards the unfunded liability to the extent that they replace active member pay.