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FISCAL IMPACT REPORT

SPONSOR Hall/Moya/Baca/Terrazas/Cullen LAST UPDATED _____
ORIGINAL DATE 2/7/2025
BILL
SHORT TITLE Ed. Retirement Beneficiary Changes NUMBER House Bill 251
ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

| Agency/Program | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|----------------|------|------------------|------|-------------------|---------------------------|---------------|
| | | No fiscal impact | | | | |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bills 75 and 133 and House Bill 254

Sources of Information

LFC Files

Agency Analysis Received From
Educational Retirement Board (ERB)

SUMMARY

Synopsis of House Bill 251

House Bill 251 (HB251) amends Section 22-11-29 NMSA 1978, as it relates to beneficiary options under the Educational Retirement Act, to allow a retired ERB member to exercise a one-time irrevocable option to deselect their spouse as designated beneficiary and select a new designated beneficiary. The current spousal beneficiary must provide signed and notarized, written approval to relinquish the designation as a beneficiary. The bill also adds options for a retired ERB member who becomes divorced from their designated spousal beneficiary to select a new beneficiary. Such an election would be subject to a court order as provided in Section 22-11-42(B) NMSA 1978.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

ERB reported no fiscal impact, which suggests the updates necessary to inform the membership of these changes can be implemented with existing staff and within resources.

SIGNIFICANT ISSUES

At retirement, an ERB member may elect to receive an unreduced annuity payment or a reduced annuity payment if they want to provide for a beneficiary. For a retired member that had opted for the beneficiary option, the bill adds a new paragraph F that says, if a spouse was named as that beneficiary, the retired member may opt one time to select another beneficiary, provided that the spouse consents, or in the case of the division of community property or child support obligation, pursuant to a court order. The retired member can also opt to deselect the beneficiary option.

The option for a retired ERB member to exercise a one-time irrevocable option to deselect their designated beneficiary and select a new designated beneficiary already exists for non-spousal beneficiaries. According to ERB, this bill fills a current gap in ERB's beneficiary options.

PERFORMANCE IMPLICATIONS

In New Mexico, once the first annuity payment is made by PERA or ERB, certain modifications, such as the original annuity election or beneficiary designation, are barred by law, to ensure the long-term viability of the funds. Post-retirement adjustments can impact actuarial calculations and thus, the program's funding needs. There are exceptions, such as divorce proceedings, for instance.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill relates to Senate Bill 75, which clarifies gift exemptions, unclaimed contributions, service credit calculation, disability COLAs, and information sharing with PERA, and Senate Bill 133, which raises the salary cap for reemployed retirees under a return-to-work exception from \$15 thousand to \$25 thousand. The bill also relates to House Bill 254, which increases the time a retiree may work after retirement from 36 months to 84 months, without suspension of benefits.

OTHER SUBSTANTIVE ISSUES

ERB noted the Public Employees Retirement Association provides similar options for retirees.

AHO/hj/hg/sgs