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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>SB75/aSEC</u>	Sponsor	<u>Figueroa</u>
Tracking Number	<u>.228647.2SA</u>	Committee Referrals	<u>SEC/SFC</u>
Short Title	<u>Educational Retirement Changes</u>		
Analyst	<u>Montoya</u>	Original Date	<u>1/27/2025</u>
		Last Updated	<u>2/10/2025</u>

FOR THE INVESTMENT AND PENSION OVERSIGHT COMMITTEE

BILL SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment to Senate Bill 75 (SB75/aSEC) eliminates proposed modifications to Education Retirement Board (ERB) specific gift restrictions and ensures ERB's gift policies conform to the provisions of the Gift Act.

Synopsis of Bill

Senate Bill 75 (SB75) would amend several sections of the Educational Retirement Act to make technical language corrections throughout existing law.

- **Restrictions on receipt of gifts:** SB75 would amend restrictions on gifts received by Education Retirement Board (ERB) board members and staff. The amendment makes a technical language change to clarify gifts must not be in excess of \$50 in value. Additionally, amendments clarify the aggregate value of gifts received shall not exceed \$150 in a single calendar year.
- **Unclaimed member contributions:** SB75 would make a technical language change by adding unclaimed member contributions to the list of items that must be deposited into the educational retirement fund.
- **Minimum contributory employment:** SB75 would add new language defining “five years of contributory employment” as a member and employer who has made contributions up to the last business day of the 60th month of their employment, and for members under contract, the member and employer has made contributions up to the last business day of the five-year contract that is in place for the employee’s services.
- **Cost of living adjustment:** SB75 would specify that a member retiring with disability status and receiving a cost-of-living adjustment (COLA) would continue to receive adjustments based on their established disability benefit rate, even upon reaching 60 years of age.

- **Allowed service credit:** SB75 would extend the timeframe for ERB members who served in the U.S. military, commissioned corps, or public health service to provide full payment for the service credits they are purchasing, increasing it from the current 60 days to 90 days after they are notified of the payment amount.
- **Member information sharing:** SB75 would specify the entities with whom ERB can share member information, including Public Employees Retirement Association (PERA) among the entities authorized to receive member data, and clarifying that the purpose of sharing this information is to facilitate administrative functions of the Public Employee Retirement Reciprocity Act.

FISCAL IMPACT

SB75/aSEC does not carry an appropriation.

SUBSTANTIVE ISSUES

Unclaimed Contributions. When ERB staff identify that a member's account is dormant, a notification is sent to the member informing them of the required actions. Dormancy may be identified for several reasons, including the mandatory "required beginning date" (RBD) when payments to a plan participant must begin, with minimum payments required annually starting from the RBD pursuant to [Section 401\(a\)\(9\) of the Internal Revenue Code](#), with which ERB must comply. If no response is received within 60 days, the account is placed on an inactive status and ceases to accrue additional interest. Funds associated with the account are then classified as "unclaimed" and are returned to the corpus of the Educational Retirement Fund for reinvestment. If the member or a beneficiary later comes forward to claim the retirement benefits or account balance, the full account value at the time it was deemed "unclaimed" is paid out, excluding any interest accruals after the account became inactive.

Five Years of Contributory Employment. When an ERB member applies for retirement benefits, there may be differences in interpretation regarding what qualifies as "five years of contributory employment." This distinction is significant because an ERB member's retirement distribution is calculated based on the average salary earned during the five-year period in which the member received their highest compensation throughout their career.

Sharing of Information. The Public Employee Retirement Reciprocity Act (see [Section 10-13A NMSA 1978](#)) allows service credit under earned under the PERA and the ERB to meet retirement eligibility and benefits requirements, provided they have a total of five years of combined service, even if they the member is not vested in either system individually. Members must file their retirement application with the system where they were last employed, and failure to notify PERA or ERB of reciprocal service can result in a loss of benefits. The ability for information to be shared directly between PERA and ERB could help eliminate the number of occurrences of service credit not being accounted for under either of the state's retirement plans and allows for the accurate calculation of retirement benefits for applicable members.

RELATED BILLS

Senate Bill 133, which raises the maximum salary a retired member can earn without suspending retirement benefits when returning to work, increasing the threshold from \$15 thousand to \$25 thousand.

SOURCES OF INFORMATION

- LESC Files

MAM/nd/mca/jkh/jkh2