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FISCAL IMPACT REPORT

SPONSOR <u>Ramos/Block/Thornton</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/19/2025</u>
SHORT TITLE <u>Uniform Officer Service Credit</u>	BILL NUMBER <u>Senate Bill 402</u>
	ANALYST <u>Hanika-Ortiz</u>

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PERA System	Choose an item.	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Indeterminate but minimal loss	Recurring	Trust Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 96 and 164 and Senate Bills 30 and 117

Sources of Information

LFC Files

Agency Analysis Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Senate Bill 402

Senate Bill 402 (SB402) amends Chapter 10, Article 11 NMSA 1978 (the Public Employees Retirement Act) as it relates to military members buying service credit for periods of active duty. The bill would now allow those members to buy service credit for all non-active duty periods.

The bill also strikes two provisions under this section of law for the Public Employees Retirement Association (PERA): 1) the service credit purchase amount may be reduced by service credit acquired for military service, and 2) may not be purchased for periods of service used to obtain benefits in another retirement program.

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

PERA asserts that, since the purchase of military service credit is based on a reduced formula rather than the actuarial cost, this change could have a minimal impact on the fund.

SIGNIFICANT ISSUES

The bill would allow military members to buy service credit for the same period of service in more than one retirement program. PERA explains that this is contrary to current law that a member may not obtain service credit from more than one retirement system for overlapping service. For instance, a member could buy military service for the same period of time in both PERA and the Educational Retirement Association. Further, the bill would allow members to buy military service time that is not active-duty time. PERA noted that inactive duty routine trainings, such as for national guard service, as well as other inactive military service, could also be eligible to buy.

PERFORMANCE IMPLICATIONS

A critical aspect of changing the structure of a defined benefit plan is that the provisions must not have a negative impact on the trust funds. Article XX, Section 22 of the New Mexico Constitution prohibits the Legislature from enacting any law that increases benefits without adequate funding. This section also assigns the retirement boards exclusive power to adopt actuarial assumptions.

ADMINISTRATIVE IMPLICATIONS

PERA reported it will have to make system modifications to its pension administration system to ensure all uniformed service could be purchased, as well as updating PERA forms.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to the following bills, all of which increase cost-of-living adjustments.

- House Bill 96 PERA, Member Temporary Payment (COLA);
- House Bill 164, Increase Retiree COLA;
- Senate Bill 30, PERA Two-Percent Cost of Living Adjustments; and
- Senate Bill 117 PERA Cost-of Living Adjustments.

AHO/r/SL2