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## FISCAL IMPACT REPORT

**SPONSOR** Sanchez                      **DATE TYPED** 02/10/05                      **HB** \_\_\_\_\_

**SHORT TITLE** Conservation Officer Retirement Plan                      **SB** 507

**ANALYST** Geisler

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		See narrative		

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to: SB 266

Conflicts with: SJM 18, HJM 5

### SOURCES OF INFORMATION

- LFC Files
- Public Employees Retirement Association (PERA)
- Corrections Department (CD)
- Department of Game and Fish (DGF)

### SUMMARY

#### Synopsis of Bill

Senate Bill 507 adds conservation officer members employed by the Department of Game and Fish to those employee groups eligible for enhanced retirement benefits provided under State Police Member and Adult Correctional Officer Coverage Plan 1. The proposed change from

State General Plan 3 benefits to State Police Plan 1 benefits will result in a 20% increase in all credited service (past and future) for conservation officers covered by Senate Bill 507.

The contribution levels under the existing State Police Plan 1 (member 7.6%; employer 25.1%) represent an increase of .18% in member contributions and an 8.51% increase in employer contributions over current contribution levels paid under State General Plan 3 (member 7.42%, employer 16.59%) for the membership affected by Senate Bill 507

Significant Issues

The primary policy issue raised by SB 507 is whether conservation officer members employed by the Department of Game and Fish should receive the increased benefits of a 20% service credit enhancement retirement benefit. There are currently 105 of these sworn officers, who serve under hazardous conditions at times. In addition, there is the question of whether the statutory contribution increases contained in SB 507 are sufficient to finance the unfunded accrued actuarial liability of enhancing conservation officers' past credited service.

**FISCAL IMPLICATIONS**

The proposed change from State General Plan 3 benefits to State Police Plan 1 benefits will result in a 20% increase in all past and future credited service for conservation officers. Benefits payable to conservation officers will include a 20% service credit enhancement for benefits determination and retirement eligibility.

There are a number of fiscal impacts associated with Senate Bill 507:

- 1) The cost of enhancing all past service credit is estimated at \$4.5 million by PERA as shown on the chart below and would require a contribution increase of 6.17% to amortize it over 30 years.
- 2) The cost of covering the future enhanced benefit (normal cost) would require a 10.21% contribution increase as shown below.

The current combined employee/employer contribution rate for State General Plan 3 is 24.01%. The combined employee/employer contribution rate for State Police Plan 1 is 32.7%. Moving the conservation officers to the new plan will provide for a combined 8.69% increase in employee/employer contributions, which is 7.69% less than the contribution increase required as shown below. This shortfall will be subsidized by the assets of the state police plan moving forward.

Normal Cost	Increase in Unfunded Accrued Liability		Total Computed Contribution Rate % of Payroll
	\$\$	% to amortize over 30 years	
10.21%	\$4,496,995	6.17%	16.38%

Additional costs include:

3) Moving the conservation officers to the State Police Plan 1 will require a transfer of associated assets and liabilities from State General Plan 3 for service-to-date accrued by conservation officers. However, since State General Plan 3 is only 84% funded, only assets totaling 84% of associated liabilities will be transferred to State Police Plan 1, negatively impacting the funded status of that plan.

4) The cost of the increase employer contributions have been estimated by Game and Fish at \$350 thousand in FY07 and continuing thereafter.

### **ADMINISTRATIVE IMPLICATIONS**

PERA will be required to coordinate the election for adoption of the new coverage plan by the conservation officers and the Department of Game and Fish. PERA will be required to move affected membership, along with corresponding assets and liabilities, from State General Plan 3 into the proposed State Police Plan 1.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Senate Joint Memorial 18 and House Joint Memorial 5 propose a 2-year moratorium on benefit enhancement legislation for the retirement systems administered by PERA and the ERB.

Senate Bill 266 provides juvenile correctional officers employed by the Children, Youth and Family Department a retirement benefit 20% increase of all credited service (past and future).

### **TECHNICAL ISSUES**

Senate Bill 507 adds language to 10-11-27 to include Correction Officers in all sections of the plan. This language was accidentally dropped during 2003.

### **OTHER SUBSTANTIVE ISSUES**

The PERA Board endorses the two-year moratorium on any benefit enhancement legislation as proposed by Senate Joint Memorial 18 and House Joint Memorial 5 until sufficient experience is gained to determine the actuarial impact of benefit enhancements passed during recent legislative sessions.

SB 507 requires that in order for a conservation officer member to be eligible to retire under the enhanced benefits provided by State Police, Adult Correctional Officer and Conservation Officer Member Coverage Plan 1, he or she must accrue 36 months of service credit in the plan subsequent to July 1, 2006. When this condition is met, all past service credit accrued as a conservation officer under State General Plan 3 is enhanced by 20% when transferred to the State Police, Adult Correctional Plan. B

SB 507 states that the "retirement board" will conduct an election to submit to conservation officer members the question of adopting the enhanced benefits now available under State Police and Adult Correctional Officers Plan 1. PERA Rule 2.80.1700 delineates the procedures for an affiliated public employer to conduct employee elections for a change in coverage plan.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Conservation officer members will continue to be covered by State General Plan 3 and are eligible to retire at any age with 25 or more years of service credit. Their retirement benefit will continue to be calculated with a 3% pension factor and are capped at 80% of their final average salary. For State General Plan 3, members pay 7.42% of their salary in contributions and their employer pays 16.59% of salary in contributions.

**AMENDMENTS**

PERA has the following suggested amendment, which will clarify that conservation officers will be the ones voting in the election.

On page 8, lines 21 and 22:

C. State police member, adult correctional officer member and conservation officer member coverage plan 1 is applicable to conservation officer members in the first full pay period after July 1, 2006, if the retirement board certifies to the secretary of state that, of those conservation officer members to be covered under state police member, adult correctional officer member and conservation officer member coverage plan 1, [a majority of the members voting have voted to approve adoption of that plan] a majority of affected conservation officer members have voted to approve adoption of the plan at an election.”

GGG/yr