

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR SFC DATE TYPED 3/9/05 HB _____

SHORT TITLE Actuarial Soundness of Certain Public Funds SB 724/SFCS

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$0.1	Recurring	Various

Relates to Appropriation in the General Appropriation Act

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		\$0.1	Recurring	Various

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

The Senate Finance Committee substitute for Senate Bill 724 If, at the beginning of a fiscal year, a fund administered by the Risk Management Division (RMD) is not actuarially sound, the total amount of contributions to be assessed state agencies and participating local public bodies for that fund during that fiscal year shall equal not less than 110% of the total incurred claims against that fund in the fiscal year before the preceding fiscal year.

Significant Issues

RMD contracts for actuarial and benefits consulting services annually. These reports are used in developing the risk coverage or group health benefit premiums. Additionally, GSD's independent auditors incorporate the actuarial reports in the annual financial audit.

It might be prudent to allow RMD to use sound actuarial principles to determine premium rates instead of legislating requirements.

FISCAL IMPLICATIONS

The premiums are adjusted to cover administrative and anticipated claims costs. The risk coverage premium rates are developed annually by RMD in consultation with a contracted actuary and benefits consultant. The risk coverage premiums are based on a five-year rolling average of claims payments and projected risk. These risk coverage premiums, through the annual budget request process become the basis for legislative appropriation discussions.

It is not possible to determine the fiscal impact of this bill as RMD would probably raise the premiums by the 10% required in this bill without enactment of the bill.

DW/lg