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FISCAL IMPACT REPORT

SPONSOR Varela **ORIGINAL DATE** 1-22-07
LAST UPDATED 1-31-07 **HB** 224

SHORT TITLE Magistrate Retirement Service Credit Purchase **SB** _____

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		4.0		4.0	Non-Rec	MRA

(Parenthesis () Indicate Expenditure Decreases)

Companion to HB 222

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Employee Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 224 would amend Section 10-12C-5 NMSA 1978 to allow Magistrate Retirement Association (MRA) members that have five or more years of service credit to purchase up to one year of additional service credit.

FISCAL IMPLICATIONS

PERA reports that since HB 224 requires the MRA member to pay the full actuarial present value for the service credit purchased, it is properly funded as required by Article XX, Section 22 of the New Mexico Constitution and will not have a negative fiscal impact on the fund.

However, PERA reported that PERA's actuaries will charge PERA a fee for creating an actuarial table for the service credit calculation, which is estimated to equal the fee charged for similar actuarial reports. This fee would be non-recurring unless assumptions underlying the report changed materially.

SIGNIFICANT ISSUES

PERA stated that the primary policy issue raised by HB 224 is whether a MRA member should be able to purchase one year of service credit for time not earned. Current law requires that all other service credit in the magistrate retirement system must be earned either through service to a public employer, military or prisoner of war service. The service credit in HB 224 is not tied to any service requirement. Currently PERA members are permitted to purchase additional service credit in this manner under the PERA Act.

It is not known at this time how many of the approximately 50 active MRA members will request to purchase this time. Currently, requests for the purchase of service credit are limited to those who have served in the military or who meet very specific criteria. HB 224 expands the group of persons eligible to purchase service credit.

PERFORMANCE IMPLICATIONS

HB 224 should not impact any PERA performance measures.

ADMINISTRATIVE IMPLICATIONS

PERA notes that the administrative impact on PERA will be in calculating the actuarial present value and processing the added service credit. In addition, PERA will be required to amend its regulations to address the statutory changes to the PERA Act.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

A companion bill, HB 222, proposes to allow Judicial Retirement Association (JRA) members that have five or more years of service credit to purchase up to one year of additional credit.

OTHER SUBSTANTIVE ISSUES

PERA noted that on December 28, 2006, the PERA board voted to support legislation that would allow MRA members that have five or more years of service credit to purchase up to one year of additional service credit. The PERA board believes that it is equitable to provide MRA members with the same statutory ability to purchase additional service credit in this manner that is now only available to PERA members.

Furthermore, PERA stated that the purchase of additional service credit proposed by HB 224 can be particularly important to a MRA member who is initially appointed to fill an unexpired term. Since terms of office generally end on December 31st of the calendar year, a MRA member's term of office may end within months of his or her becoming eligible to retire. A MRA member who would like to retire has no choice but to run for reelection in order to accrue these few additional months of service credit. Allowing MRA members to purchase up to one year of additional service credit would remedy this problem.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to PERA, MRA members will be required to meet the age and service requirements for retirement. The MRA Act will continue to require that the purchase of optional service credit must be earned either through personal service, military or prisoner of war service.

MA/nt