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FISCAL IMPACT REPORT

ORIGINAL DATE 1-23-07
 SPONSOR Heaton LAST UPDATED 3-15-07 HB 315/aHAFC
 SHORT TITLE Investments & Pensions Oversight Committee SB _____
 ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		General Fund
\$150.0		Recurring	Legislative Cash Balances

(Parenthesis () Indicate Expenditure Decreases)

No longer duplicates Senate Bill 319

SOURCES OF INFORMATION

LFC Files

Response Received From
 State Investment Council (SIC)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendment adds the retiree health insurance program of the Retiree Health Care Authority as a program for which the Pension and Investment Committee will undertake a continuing analysis of the financial and actuarial status. The amendment also replaces “general fund” with “Legislative cash balances.”

HB 315, as amended, no longer duplicates SB 319 by these changes.

Synopsis of Original Bill

House Bill 315 creates the “state investment and retirement systems oversight committee” as a joint interim legislative committee and appropriates \$150.0 thousand from the general fund for expenditure in FY07 and FY08 for technical, legal, and actuarial assistance, as well as operational expenses.

FISCAL IMPLICATIONS

The appropriation of \$150.0 thousand contained in this bill is a recurring expense to the general fund for FY07 and FY08. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the general fund.

SIC noted that the committee, through input and monitoring, should assist New Mexico's investment agencies pass legislation that could have a positive impact on fund returns.

Bill contains an emergency clause.

SIGNIFICANT ISSUES

House Bill 315 will provide for a permanent interim committee to oversee approximately \$35 billion invested by the state endowment funds, state pension funds, and State Treasurer. It will replace the State Permanent Fund Task Force that met during the interim in 2004 and 2005, and replace the Investments and Pension Committee that met during the interim in 2006.

The State Investment and Retirement Systems Oversight Committee will have five voting members from the House and five voting members from the Senate. There will be five non-voting members (or their designee): state investment officer, secretary of finance and administration, Educational Retirement Board chief investment officer, Public Employees Retirement Board investment director, and the state treasurer.

The State Investment and Retirement Systems Oversight Committee will have the following functions:

1. Monitor and oversee the investment and financial management practices used by state investing agencies;
2. Undertake a continuing analysis of the financial and actuarial status of the retirement systems, including benefit structures;
3. Develop recommendations to improve state investment practices and to ensure the financial and actuarial soundness of the retirement funds;
4. Make referrals of matters needing further attention to appropriate authorities;
5. Review and analyze proposed legislation received in the interim;
6. Report to the legislature prior to the start of each regular session any recommendations that the committee may have for legislative action.

ADMINISTRATIVE IMPLICATIONS

Staff for the State Investment and Retirement Systems Oversight Committee shall be provided by the legislative council service. In addition, HB 315 will have a minor impact on the related investment and pension agencies to generate additional data, reports and presentations for committee hearings.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 315 duplicates Senate Bill 319.

TECHNICAL ISSUES

SIC stated some concern that the bill would be interpreted beyond its intention of monitoring to include advising, supervising, or directing the SIC in the performance of its duties, and that oversight in this context might infer a fiduciary responsibility. However, HB 315 does not include language other than overseeing, or monitoring, the activities of the various investment and pension agencies to perform the essential public service of being informed of these agencies' policies, investment performance, fund solvency and related issues.

OTHER SUBSTANTIVE ISSUES

House Bill 315 contains an emergency clause to cover expenses in FY07.

The prior legislative interim task force has examined the investments and policies currently being implemented by the SIC, Public Employee Retirement Association, Educational Retirement Board, and the State Treasurer and has helped educate the legislature at large regarding the complexities of modern investing and the impact of recent statute relating to state investments.

ALTERNATIVES

The SIC recommended replacing the term “oversee” with “examine” or similar language.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Oversight of the various state funds and pension plans will be marginalized. Expenses incurred by the legislative council service for a “task force”-type legislative interim investment and pension oversight committee will remain unfunded. Improved legislation resulting from informed legislators may be curtailed. The forum for improved communication among the various investment and pension agencies will not be provided.

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