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FISCAL IMPACT REPORT

SPONSOR Smith **ORIGINAL DATE** 1-23-07
LAST UPDATED 3-15-07 **HB** _____

SHORT TITLE Investments & Pensions Oversight Committee **SB** 319

ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
\$150.0		Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

No longer duplicates HB 315/aHAFC

SOURCES OF INFORMATION

LFC Files

Response Received From
State Investment Council (SIC)

SUMMARY

Synopsis of Bill

Senate Bill 319 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 non-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.

SIGNIFICANT ISSUES

SB 319 will provide for a permanent interim committee to oversee approximately \$35 billion in-

vested 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, SB 319 will have a minor impact on the related investment and pension agencies to generate additional data, reports and presentations for committee hearings.

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, SB 319 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.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 319 duplicates House Bill 315.

OTHER SUBSTANTIVE ISSUES

SB 319 contains an emergency clause to cover expenses in FY07.

The prior legislative interim task force has examined the investments and policies currently be-

ing 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.

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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