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FISCAL IMPACT REPORT

ORIGINAL DATE 2-22-07
 LAST UPDATED 2-24-07 HB _____

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SHORT TITLE Educational Retirement Board Appointments SB 1162/aSEC

ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Educational Retirement Board (ERB)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee Amendment establishes the new position on the ERB as an elected position by the Council of University Presidents rather than as a governor-appointee. This elected board member, the chief financial officer of a four-year state institution of higher education, will serve for a term of four years.

Synopsis of Original Bill

Senate Bill 1162 changes the composition of the Educational Retirement Board by replacing the member currently elected to a four-year term by the New Mexico members of the American Association of University Professors with the chief financial officer of a four-year state institution of higher education, appointed by the governor.

FISCAL IMPLICATIONS

There is no direct fiscal impact associated with this bill.

SIGNIFICANT ISSUES

The ERB fund is currently over \$9.2 billion. This last year the board has been spending a great deal of time assessing, learning, and moving into alternative investments. This area, along with other recent changes in the investment world, is making expertise in investments essential to board decisions and the fund's performance. Adding that specific expertise on the board would facilitate this knowledge transfer.

In addition, ERB has considering a reorganization that would place much more responsibility on the Investment Committee, which is made up primarily of board members. Although the current governor appointee to the board does have this expertise, this bill would codify the required expertise into the appointment.

Of the seven board members, only two are elected. SB 1162 would reduce this number to one. ERB notes that while the bill would add the financial expertise of a chief financial officer of an institute of higher learning, it would remove the input and expertise of a professor and member of the retirement fund.

PERFORMANCE IMPLICATIONS

Adding investment expertise will most likely add valued input into board decisions.

TECHNICAL ISSUES

SB 1162 amends Section 22-11-3 NMSA 1978 by striking reference to a member elected by the American Association of University Professors and adding a governor appointee in Section B.(5). However, the length of the term is also struck, which appears to leave length of the term for this position unspecified.

ALTERNATIVES

One option is adding two positions to bring the total number of board members to nine: add the governor appointee as specified in SB 1162 and add another representative with financial expertise, such as an elected or appointed position from either the New Mexico School Administrators or Counsel of University Presidents.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The board will function as it currently structured.

MA/nt