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FISCAL IMPACT REPORT

ORIGINAL DATE 2/08/08

SPONSOR Rehm LAST UPDATED _____ HM 57

SHORT TITLE Reserve Law Enforcement Officer Retirement SB _____

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$60.0		\$60.0	Non- Recurring	PERA Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

House Memorial 57 requests the Public Employees Retirement Association (PERA) to conduct a study to determine the actuarial cost of alternative retirement benefit plans for volunteer reserve law enforcement officers and to make recommendations to the appropriate interim legislative committee by January 1, 2009.

FISCAL IMPLICATIONS

PERA indicates that its operating budget will be negatively impacted by HM 57. No appropriation for the actuarial study was requested regarding creation of this new statutory retirement plan. Actuarial studies vary from \$3.5 thousand to \$10 thousand, depending on complexity. Furthermore, to conduct an actuarial study PERA must be able to identify the proposed membership group with reasonable certainty. Unlike other actuarial studies that PERA performs, it is assumed that none of the proposed law enforcement officers are in PERA's database. The cost of utilizing existing staff to gather requisite demographic information on the proposed membership of the reserve law enforcement plan is unknown.

Adding a new retirement plan to those already administered by PERA requires system changes to PERA's computerized pension administration system. If further revisions to the system are

necessary in FY09, PERA will be required to seek a BAR to cover the costs of these system changes. Such changes have cost PERA up to \$50 thousand.

SIGNIFICANT ISSUES

HM 57 does not propose a specific retirement plan model for reserve law enforcement officers. Instead, HM 57 asks PERA to present alternative retirement plans for reserve law enforcement officers, along with their respective actuarial cost, to an interim legislative committee for consideration. However, HM 57 does propose that the retirement plan for reserve law enforcement officers be funded from the law enforcement protection fund. This approach appears to follow the Volunteer Firefighters Retirement Act, which is unlike any other PERA retirement plan in that it is not funded based upon contributions from salary. It is assumed that reserve law enforcement officers are not salaried employees and their “retirement benefits” will not derive from employment. Rather, the benefits will be provided by the Legislature and the source of funding to meet the Fund’s statutory obligations will be an annual appropriation. For example, the Volunteer Firefighters Retirement Plan is funded by the Legislature from the Fire Protection Fund by an annual appropriation of \$750 thousand.

PERA notes that the primary issues are whether it is appropriate to provide non-salaried reserve law enforcement officers with retirement benefits and whether the proposed funding source proposed by HM 57 is sufficient to fund the benefits and liabilities that will be created by a new retirement plan for reserve law enforcement officers.

ADMINISTRATIVE IMPLICATIONS

PERA notes that HM 57 will most likely have a significant administrative impact on PERA, although the exact impact remains unknown due to the insufficient information regarding the number of volunteer reserve law enforcement officers eligible to participate in the plan. Part of the administrative impact will include a statewide outreach to identify those persons who qualify as reserve law enforcement officers.

HM 57 directs PERA to examine how the cost of workers compensation premiums for the New Mexico mounted patrol officers are paid. PERA states that the agency does not have sufficient knowledge to understand how this applies to the retirement benefits for reserve law enforcement officers (unless this is funded by annual appropriation from the law enforcement protection fund).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Non-salaried reserve law enforcement officers will not be covered by any of the retirement plans PERA administers.

MA/bb