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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/13
 SPONSOR Roch LAST UPDATED 02/26/13 HB 275
 SHORT TITLE Volunteer Firefighter Retirement Benefits SB _____
 ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$200.0			Recurring	Volunteer Firefighters Retirement Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 275 (HB 275) amends Section 10-11A-5 to increase annuity payments so that a Volunteer Firefighters Retirement Plan member who has attained the age of 55 years and has accrued 25 or more years of service credit would be eligible for a monthly retirement annuity of \$250 (as opposed to \$200 under current law). A member who has attained the age of 55 years and has accrued 10 or more years, but less than 25 years, of service credit would be eligible for a monthly retirement annuity of \$125 (as opposed to \$100 under current law).

HB 275 does not amend age or service credit requirements.

FISCAL IMPLICATIONS

This bill does not amend the section of law transferring money from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund, and thus does not affect any reversions to the general fund. The bill's fiscal impact is absorbed entirely by the excess funds currently existing in the Volunteer Firefighters Retirement Fund. Therefore, there is no immediate general fund impact, and this bill will not create any future general fund impact as long as the Volunteer Firefighters Retirement Fund remains actuarially sound.

The PERA reports that the Volunteer Firefighters Retirement Plan passed by the Legislature in 1983 is unlike other PERA coverage plans in that it is not funded based upon contributions from salary. Volunteer firefighters are not salaried employees and their retirement benefits do not derive from employment. Rather, the benefits are provided by the Legislature and funded by the Legislature from the Fire Protection Fund. The source of funding to meet the Fund's statutory obligations is an annual appropriation of \$750,000 which is transferred to the Volunteer Firefighters Retirement Fund. The plan is 167.91 percent funded.

The PERA's actuary advises that a modest increase in the benefit is sustainable. However, increasing the benefits payable under the plan could increase the plan's liabilities and may require a future increase in the annual contribution to the fund to keep the fund actuarially sound.

SIGNIFICANT ISSUES

Benefits under the Volunteer Firefighters Retirement Plan have remained fixed since the plan was first enacted in 1983. Pursuant to NMSA 1978, Section 10-11A-5, a member who has attained the age of 55 years and has accrued 25 or more years of service credit is eligible for a monthly retirement annuity of \$200. A member who has attained the age of 55 years and has accrued 10 or more years, but less than 25 years, of service credit is eligible for a monthly retirement annuity of \$100.

ADMINISTRATIVE IMPLICATIONS

The PERA reports no significant administrative impact from this legislation because it does not affect the number of volunteer firefighter members or service credit.

OTHER SUBSTANTIVE ISSUES

According to the PERA, there are currently 5,065 total active members and 667 retirees in the Volunteer Firefighters Retirement Plan.

Effective January 1, 2009 active members in the Volunteer Firefighters Retirement Plan earn one year of service credit as a volunteer firefighter for each year that a member:

- attends 50 percent of all scheduled fire drills,
- attends 50 percent of all scheduled business meetings, and
- participates in at least 50 percent of all emergency response calls

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Volunteer firefighter benefits will remain at 1983 levels.

ALTERNATIVES

Because the plan is over-funded at 167.91 percent, the distribution from the Fire Protection Fund could be reduced. Another option would be a "rate holiday" on the distribution from the fund.

AHO/bm:svb