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FISCAL IMPACT REPORT

ORIGINAL DATE 01/22/14

SPONSOR Candelaria LAST UPDATED _____ HB _____

SHORT TITLE Legislative Retirement Minimum Age SB 12

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(See fiscal impact)			Recurring positive	Legislative Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 12 provides for a minimum retirement age of 55 years for legislators covered by Legislator Member Coverage Plan 2 who became a member on or after July 1, 2009. SB 12 affects 54 legislators with less than 5 years of service credit that are not as of yet vested.

Currently, legislators covered by Plan 2 can retire at age 65 with 5 or more years of service or at any age with 10 or more years of credited service.

FISCAL IMPLICATIONS

According to PERA, State Legislator Member Coverage Plan 2 (Plan 2) is not funded based upon contributions from salary. Plan 2 members pay annual contributions of \$600 per year of service. In turn, the Legislature transfers \$2.4 million annually, which applies to both “normal costs” and the unfunded actuarial accrued liability. The “normal cost” is the amount of money that must be set aside today to pay for the future pension benefits that have accrued this year.

SIGNIFICANT ISSUES

The Legislative Retirement Fund is funded at 115.2 percent as of June 30, 2013. A funded ratio

of about 100 percent is recommended under governmental accounting standards.

PERA notes that actuaries make assumptions regarding retirement trends for actuarial valuation purposes; a minimum retirement age that delays retirements will be a gain to the Fund.

PERFORMANCE IMPLICATIONS

SB 12 will not affect PERA's performance measures.

ADMINISTRATIVE IMPLICATIONS

SB 12 will have a minimal administrative impact on PERA

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

State Legislator Member Coverage Plan 2 is applicable to state legislators and lieutenant governors who served terms of offices that ended on or after December 31, 2002.

Plan 2 members receive an annual pension benefit of 11 percent of the per diem rate in effect on the first day of the calendar year the member retires multiplied by 60 and further multiplied by their years of credited legislative service. The per diem rate in effect on January 1, 2014 is \$159.

For the year ending June 30, 2013, the average age at retirement for Plan 2 was 64 years.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

State Legislator Member Coverage Plan 2 members will continue to be eligible to retire with 10 years of service credit at any age; or at age 65 years with 5 or more years of service.

AHO/ds