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FISCAL IMPACT REPORT

ORIGINAL DATE 1/18/17
LAST UPDATED 2/15/17 **HB** _____

SPONSOR Ortiz y Pino

SHORT TITLE Post-Employment Life Insurance Trusts **SB** 13/aSPAC/aSFC

ANALYST Romero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Municipal League

SUMMARY

Synopsis of Senate Finance Committee Amendment to Senate Bill 13

This amendment changes an instance of “post-retirement” to “post-employment” providing consistency to the bill language.

Synopsis of Public Affairs Committee Amendment to Senate Bill 13

This amendment strikes reference to “Section 115 of the Internal Revenue Code of 1986” and inserts the reference to the act itself, inserting the language, “by this act” instead.

Synopsis of Original Bill

Senate Bill 13 allows a municipality to establish a post-employment life insurance benefits trust (trust) used and maintained by a municipal treasure with the advice and consent of the municipal board of finance. The municipality’s contributions to the trust shall be dedicated exclusively to funding post-retirement life insurance benefits pursuant to the provisions of the trust established by the municipal treasurer. Money in a trust shall be invested pursuant to the Uniform Prudent Investor Act and the provisions of this section. Earnings and income from investment of money in the trust shall be credited to the trust. The municipal treasurer shall serve as the trustee and may use the services of a trust company to manage the investment of money in the trust.

Establishes definitions.

ADMINISTRATIVE IMPLICATIONS

Governmental Accounting Standards Board (GASB) 45 requires all public sector employers offering post-employment benefits, other than pensions, to reflect the cost of the benefits in their financial statements and to disclose the amount of any unfunded liability. Employers should be accruing funds throughout an employee's career to fund the benefits. It also allows for a separate irrevocable trust to be set up to fund the liability and to increase the discount rate at which the funds can be invested thus reducing the overall liability.

IR/jle/al/jle