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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**54th Legislature, 1st Session, 2019**

<b>Bill Number</b>	<u>HB501/aSFC</u>	<b>Sponsor</b>	<u>Trujillo, J./Cadena/Stapleton</u>
<b>Tracking Number</b>	<u>.212450.3SA</u>	<b>Committee Referrals</b>	<u>HSEIC/HAFC</u>
<b>Short Title</b>	<u>Increase Certain PERA &amp; ERB Contributions</u>		
<b>Analyst</b>	<u>Simon</u>	<b>Original Date</b>	<u>2/18/19</u>
		<b>Last Updated</b>	<u>3/13/19</u>

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**BILL SUMMARY**

Synopsis of SFC Amendment

The Senate Finance Committee Amendment to House Bill 501 (HB501/aSFC) would set the increase in employer contribution rates at 0.25 percentage points, rather than 0.5 percentage points.

Synopsis of Bill

House Bill 501 (HB501) would increase the employer contribution rate for public employers covered by the Educational Retirement Act or the Public Employees Retirement Act, beginning in FY20.

This analysis is limited to the impact of the bill on school districts and charter schools covered under the Educational Retirement Act.

**FISCAL IMPACT**

HB501/aSFC would increase employer contributions to the educational retirement fund from the current rate of 13.9 percent of annual salary to 14.15 percent of annual salary. Legislative staff estimate the general fund impact of a 0.25 percentage point increase in employer contributions to the educational retirement fund to be \$4.3 million for school districts and charter schools. Including higher education institutions and other educational entities, the general fund cost would total \$5.4 million.

HB501/aSFC does not contain an appropriation, but the Senate Finance Committee Amendment for House Appropriations and Finance Committee Substitute for House Bill 2 includes \$4.3 million to increase the public school support appropriation for increased employer contributions to the educational retirement fund. The appropriation is contingent on enactment of HB501/aSFC or another bill to increase employer-paid contributions by 0.25 percentage points.

**SUBSTANTIVE ISSUES**

According to Educational Retirement Board (ERB) financial reports, as of June 30, 2018, the educational retirement fund held \$12.996 billion in assets, equal to 63.5 percent of estimated liabilities of \$20.458 billion and ERB’s actuaries estimate it will take 70 years to pay off the unfunded liability, based on current actuarial assumptions. Combined employer and employee contributions total 24.6 percent of salary for members earning more than \$20 thousand per year, but ERB’s actuaries estimate the total cost of providing benefits earned in the current year is 13.68 percent. The remainder is directed to paying down the plan’s unfunded liability.

HB501/aSFC would increase total revenue to the educational retirement fund and could help to reduce the plan’s unfunded liability by a small amount over time. ERB’s current board policy calls for the unfunded liability to be paid down in 24 years, but ERB’s actuaries estimate this would require a 20.78 percent employer contribution, based on current policies. HB501/aSFC would bring employer contributions to 14.4 percent 6.38 percentage points short of what ERB’s actuaries estimate would be required to fully fund the pension plan within ERB’s 24-year target.

**RELATED BILLS**

Senate Bill 14 and House Bill 360 would make several changes to retirement benefits offered through ERB, including an increase in the employer contribution rate by one percentage point per year for three years.

**SOURCES OF INFORMATION**

- LESC Files

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