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## FISCAL IMPACT REPORT

SPONSOR Ingle/Wirth ORIGINAL DATE 1/29/22  
LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_  
SHORT TITLE Legislative Retirement Changes SB 159  
ANALYST Jorgensen

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 159 (SB159) amends Section 10-11-43.3 NMSA 1978 to increase the annual amount of the legislative pension under form of payment A from 11 percent to 14 percent of the per diem rate in any calendar year.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

### FISCAL IMPLICATIONS

The provisions of SB159 would result in a 27 percent increase in the amount of the pensions paid to legislators who retire at age 65 or older with five or more years of service.

The 2021 PERA valuation report shows there are currently 204 legislative pension benefit recipients who receive an average annual pension benefit of \$11 thousand. Under the provision of the bill, the average benefit received would increase to approximately \$14 thousand.

PERA reports that, for the year ending June 30, 2021, the legislative retirement fund has a funded ratio of 140.9 percent. The table below shows a comparison of the June 30, 2021 results both before and after the proposed benefit enhancement.

<b>June 30, 2021 Actuarial Valuation Results</b>			
	<b>Baseline (No Change to current valuation)</b>	<b>14% Enhanced Legislator Benefits</b>	<b>Difference</b>
Actuarial Accrued Liability (AAL)	\$ 32,766,532	\$ 35,842,801	\$ 3,076,269
Actuarial Value of Assets (AVA)	<u>\$ 46,180,779</u>	<u>\$ 46,180,779</u>	<u>\$ 0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$(13,414,247)	\$(10,337,978)	\$ 3,076,269
<b>Funded Ratio (AVA/AAL)</b>	<b>140.9%</b>	<b>128.8%</b>	<b>(12.1)%</b>
Actuarial Determined Contribution			
Normal Cost	\$ 1,010,430	\$ 1,286,002	\$ 275,572
Expected Member Contributions	<u>\$ (68,400)</u>	<u>\$ (68,400)</u>	<u>\$ 0</u>
Employer Normal Cost	\$ 942,030	\$ 1,217,602	\$ 275,572
Expected Admin Expenses	\$ 40,000	\$ 40,000	\$ 0
UAAL Amortization (25 Yr)	<u>\$ (1,137,339)</u>	<u>\$ (876,515)</u>	<u>\$ 260,824</u>
<b>Actuarial Determined Contribution (not less than \$0)</b>	<b>\$ 0</b>	<b>\$ 381,087</b>	<b>\$ 536,396</b>

Currently, there are no employer contributions being made to the Legislative plan. As such, the actuarially determined contribution of \$381,000 is the annual amount that is expected to be needed to maintain the funding level of the plan if the per diem percentage is increased. Without this additional amount, the funded ratio of the plan will decline.

Because SB159 does not increase contributions to the fund and because actuarial analysis shows the plan funding will remain over 100 percent under the provisions of SB159, this bill is scored as having no fiscal impact.

CJ/fl