

LFC Requester:	Simon, Josphe
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 1/29/25 *Check all that apply:*
Bill Number: HB183 Original Correction
 Amendment Substitute

Sponsor: Representative Caballero **Agency Name and Code** 366-PERA
Short Title: MAGISTRATE RETIREMENT CHANGES **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: SB 151
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Effective July 1, 2025, HB 183 amends the Magistrate Retirement Act [NMSA 1978 10-12C-1 et seq.] to:

1. Amend the language of the Magistrate Retirement Fund to ensure consistency with typical fund language and the current administration of the fund, including that appropriations can be accepted and that the income derived through investment remains within the fund.
2. Decrease the vesting period for tier two magistrate members from eight (8) years to five (5) years.
3. Increase the current pension maximum for magistrate members from eighty-five percent (85%) of their final average salary to one hundred percent (100%) of their final average salary;
4. Increase the multiplier used for determining the amount of pension for tier two magistrate members from three percent (3%) to three and one-half percent (3.5%); and,
5. Increase the employer contributions from fifteen percent (15%) to nineteen and twenty-four hundredths percent (19.24%) and the employee contributions from ten and one-half percent (10.5%) to fourteen and seventy-four hundredths percent (14.74%).

FISCAL IMPLICATIONS

Because HB 183 permits a member to earn beyond the current 85% maximum benefit, up to 100% of final average salary, it will allow for increased pension benefits. However, a member who increases their benefit under these new provisions will also work for a longer period of time and they will ultimately collect a pension for fewer years than if they had retired earlier. The increase in service credit to 3.5% will have a negative impact to the fund. The increased contributions to the Magistrate fund will provide significant funding to the system and improves the system's financial stability. This would also decrease the risk of variability in the valuation results due to the changes in the docket fees received by the Fund. The proposed benefit provision changes increases the unfunded liability from \$31 million to \$31.7 million and decreases the funded ratio from 52.4% to 51.9%. The increased contributions provides significant funding to the system and improves the financial stability and decreases the amortization period from 67 years to 25 years.

HB 183 should not have an impact to PERA's operating budget.

SIGNIFICANT ISSUES

Subsections C and D of Section 3 of the legislation permits a Magistrate member to earn up to one hundred percent of their final average salary. However, the legislation is silent on how this should be administered. Similar legislation from prior sessions relating to public employees have included temporary provisions to clarify whether this would allow an increase based on previous

years of service credit for those members who have already reached the eighty-five percent maximum, or whether the legislation should only allow the increased pension benefit for years of service credit earned after the effective date of the legislation.

Similarly, Subsection B of Section 3 of the legislation provides for an increase to the multiplier used for tier two magistrate members. It is unclear whether this only applies to years of service credit earned prospectively, or whether PERA will recalculate the pension benefits for past years. PERA suggests using the following language:

“B. For a magistrate who initially became a member on or after July 1, 2014, the amount of monthly pension is equal to the sum of:

- (1) for service credit earned on and after July 1, 2014, but on or before June 30, 2025, an amount equal to one-sixtieth of the greatest aggregate amount of salary received for sixty consecutive, but not necessarily continuous, months in office multiplied by the product of three percent times the number of years of service; and
- (2) for service credit earned on and after July 1, 2025, an amount equal to one-sixtieth of the greatest aggregate amount of salary received for sixty consecutive, but not necessarily continuous, months in office multiplied by the product of three and one half percent times the number of years of service.”

PERFORMANCE IMPLICATIONS

SB 183 will not affect PERA’s performance measures

ADMINISTRATIVE IMPLICATIONS

PERA will have to make system modifications to its pension administration system to ensure that credited service after an employee reaches the 85% benefit maximum now accounts for additional service up to the new 100%. PERA will also have to update validations in the pension administration system for the new contribution rates.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Magistrate active members would continue to have contribution rates and service credit calculated consistent with the PERA Act and will continue to be able to receive up to an 85% lifetime retirement benefit.

AMENDMENTS

None.