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## FISCAL IMPACT REPORT

**SPONSOR**     Hochman-Vigil/                      **ORIGINAL DATE**     1/23/22  
                     Roybal Caballero                              **LAST UPDATED**     2/9/22                      **HB**     92/aHAFC  
**SHORT TITLE**     Magistrate Judge Retirement Changes                      **SB** \_\_\_\_\_  
**ANALYST**     Dick-Peddie/Jorgenson

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

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Implications				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Administrative Office of the Courts (AOC)

Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment strikes the appropriation in the bill.

#### Synopsis of Original Bill

House Bill 92 (HB92) would increase pension benefits for magistrate judges and make direct appropriations to the magistrate retirement fund. Specifically, the bill amends statute to allow appropriations to the magistrate retirement fund, and appropriates \$10 million to the retirement fund.

HB92 increases the service credit multiplier for judges in their first 10 years of service from 3 percent per year to 3.5 percent per year. A service credit multiplier is the percent of salary a pension participant earns for each year of service. For example, with a service credit multiplier of 2.5 percent, a retiree with 10 years of service would receive an annual pension benefit of 25 percent of salary.

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 original bill provided an appropriation of \$10 million to the magistrate retirement fund. The HAFC amendment stripped this appropriation from the bill.

The current Legislative Finance Committee nonrecurring funding framework includes \$20 million for judicial and magistrate retirement fund solvency.

## SIGNIFICANT ISSUES

The original appropriation equates to \$57.1 thousand per member for the magistrate fund. As of June 30, 2021, there were 175 members in the magistrate retirement fund.

According to the 2021 valuations of the PERA plans, the judicial and magistrate retirement plans pay the greatest benefit and are the worst funded of all plans under PERA as shown in the table below:

**Comparison of PERA Pension Plans**

Plan	Employee Contribution	Employer Contribution	Total Contribution	Service Credit Multiplier	Benefit at 25 Years	Funded Ratio
<b>Judicial Retirement</b>	<b>10.5%</b>	<b>15.0%</b>	<b>25.5%</b>	<b>3.5%</b>	<b>85%</b>	<b>53.3%</b>
<b>Magistrate Retirement</b>	<b>10.5%</b>	<b>15.0%</b>	<b>25.5%</b>	<b>3.5%</b>	<b>85%</b>	<b>54.1%</b>
State General	9.9%	18.2%	28.2%	2.5%	63%	60.6%
State Police/Corrections	9.0%	25.6%	34.6%	3.0%	75%	129.1%
Municipal General	10.0%	13.5%	23.5%	2.5%	63%	78.0%
Municipal Police	17.3%	19.0%	36.3%	3.0%	75%	76.2%
Municipal Fire	17.6%	21.8%	39.4%	3.0%	75%	60.9%

Many states that offer pension benefits do not participate in social security. In New Mexico, PERA benefits are paid in addition to social security so that between a state pension and social security, retirees may experience higher incomes in retirement than they did while working.

PERA notes that with a \$10 million appropriation the magistrate pension plan would achieve full funding by 2034.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill relates to Senate Bill 2, which provides the same \$10 million appropriation to the magistrate fund, in addition to \$35 million to the judicial retirement fund, and raises the salary of a district court judge to that of a New Mexico federal magistrate judge. The bill also relates to House Bill 110 which provides for direct appropriations to the judicial and magistrate retirement funds.

## OTHER SUBSTANTIVE ISSUES

PERA data show the average retirement age for magistrate judges was 60.8 years.