LFC Requester:	Simon

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

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SECTION I: GENERAL INFORMATION

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

Date Prepared: *Jan 30, 2025* *Check all that apply:*
Bill Number: *HB 182* Original *X* Correction __
Amendment __ Substitute __

Sponsor: Roybal Caballero
Short Title: Judicial Retirement Changes

Agency Name and Code Number: AOC 218
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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: This bill duplicates SB 150
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

Synopsis: HB 182 increases contributions by judges (employees covered by the Judicial Retirement Act (JRA)) and the employer (courts).

Member (Judge) Service Credits – HB 182 changes the service credit earned by judges beginning July 1, 2025, from the 3.5% rate in effect since July 1, 2014 through June 30, 2025, to 4.0% beginning July 1, 2025, with the 4% rate in effect for up to the 10 years of membership after July 1, 2025 (Sections 3.B(2) and (3), C(2) and (3), and D(2)). Once a judge earns 4% service credit for 10 years, the judge's service credit returns to 3.5% (Sections 3.B(4), 3.C(4) and 3.D(3)).

The separation of these provisions into three sections (3.B, 3.C and 3.D) recognize changes made to service credit in 2005 and 2014 created different tiers of service credit depending on when a judge became a member of JRA. Despite these tiers, for all judges on the bench as of July 1, 2025, the service credit rate is 4% for the next 10 years (or fewer years if the judge leaves the bench before 10 years have passed) and 3.5% after 10 years.

For judges joining the bench on or after July 1, 2025, service credit is 10% for their first 10 years of service (or fewer if they leave the bench before 10 years) and 3.5% after their first 10 years Sections 3.E(1) and (2).

HB 182 increases the ceiling for accumulated credits from 85% to 100% (Section 3.F).

Member (Judge) Contributions – Currently judges pay into JRA 10.5% of their salary. HB 182 provides that on and after July 1, 2025, the judges' contribution rate will be 14.24%, an increase of 4.24% of salary (Section 4.B). HB 182 does not appropriate funds for the increased payments by judges which will be taken from current judicial salaries.

Employer (Court) Contributions – HB 182 provides for courts to increase contributions to JRA from 15% of salary to 19.24% as of July 1, 2025 (Section 5). HB 182 does not appropriate funds for the increased payments by judges which will be taken form current court appropriations.

Vesting Period – HB 182 returns the vesting period for JRA to five years from the current eight years for judges who became judges on or after July 1, 2014 (Section 2.C(1)). Prior to July 1, 2014 the vesting period was five years which is the same vesting period state employees have in their PERA retirement (Sections 2.A and 2.B).

Effective Date – The effective date of HB 182 is July 1, 2025.

FISCAL IMPLICATIONS

HB 182 does not create any impact on the general fund.

HB 182 increases by 40%, from 10.5% to 14.74%, the percentage of salary judges contribute to the JRA retirement fund at PERA. HB 182 does not appropriate funds for this increase, so that judges will pay the increased contribution rate from existing salaries.

HB 182 also increases by 28%, from 15% to 19.24%, the percentage of salary courts contribute to the JRA retirement fund at PERA. HB 182 does not appropriate funds for this increase, so that courts will pay the increased contribution rate from existing appropriations.

SIGNIFICANT ISSUES

The changes proposed by HB 182 address continuing challenges to the solvency of JRA. Recognizing that the Legislature has in recent years improved judicial salaries, the increased contributions in HB 182 will be paid from judges' salaries and court appropriations without additional general fund appropriations.

In PERA's FY24 annual report on JRA as of June 30, 2024, the most recent year available report, the JRA funded ratio was 56.1% funded (down from 60.5% in FY23). PERA's FY23 report showed the amortization period falling from 107 years to "N/A" and it remains "N/A" for FY24, which means JRA will never achieve 100% funding. At AOC's request, PERA had actuaries analyze the impact of HB 182. PERA actuaries project that the proposals in HB 182 will reduce the period to solvency (100% funding) in JRA from "infinite" (N/A) to 59 years. The report states in its Executive Summary (emphasis in original):

> **"It is important for the Board to understand that the currently scheduled contributions are not expected to accumulate sufficient assets in order to pay all of the currently scheduled benefits when due. We recommend increasing the current contribution levels to improve the financial sustainability of the retirement system."**

In January 2025, PERA endorsed HB 182.

Upon meeting the applicable age and service requirements, public pension benefits become a vested right of the employee as provided by New Mexico Constitution, article XX, section 22D. It is likely the State of New Mexico is obligated to pay any accumulated benefits whether or not the JRA provides a sufficient source for those payments.

In seeking increases to judicial salaries in the past few years, AOC related the experience of Judicial Nominating Commissions reporting that low salaries restricted the ability of qualified applicants to seek vacant judgeships. Since salaries were increased, the predictable impact was increased applications for judgeships. Similarly, potential experienced candidates will be more likely to apply with an accelerated service credit rate for the first 10 years of service. Judicial turnover is also likely to be reduced with an incentive for experienced judges to remain on the bench and earn the increased service credit. Experience with challenging business, family, and other case types is critical to making a judicial candidate highly qualified.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB138 reduces payments to the JRA by 14% per year by eliminating payments to JRA from the Oil and Gas tax. While HB 182 increases contributions to JRA by 8.48% (4.24% increase from both judges and courts) without any impact on the general fund, the progress these increased contributions would make toward JRA solvency would be overwhelmed by a 14% decrease in payments to JRA the Oil and Gas Tax proposed in SB138.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

As noted in PERA's FY24 report, without increased contributions JRA will not accumulate sufficient assets to pay current benefits. JRA will continue to decline in its funded ratio, likely soon falling below 50% funded. It is likely there would come a point at which JRA could not pay the accumulated benefits and the Legislature would be required to pay accumulated benefits from direct general fund appropriations.

AMENDMENTS