

LFC Requester:	Simon
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(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: Jan 30, 2025 *Check all that apply:*
Bill Number: HB 183 Original Correction
 Amendment Substitute

Sponsor: Roybal Caballero **Agency Name and Code** AOC 218
Short Title: Judicial Retirement Changes **Number:** _____
Person Writing Artie Pepin
Phone: 505-470-3214 **Email** aoccaj@nmcourts.gov

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 duplicated SB 151
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB 183 increases contributions by magistrate judges (employees covered by the Magistrate Retirement Act (MRA)) and the employer (courts).

Member (Magistrate Judge) Service Credits – HB 183 recognizes and maintains the current rate of service credit earned by magistrate judges at 3.5% and increases the maximum benefit a magistrate judge may accumulate at 100% of salary after July 1, 2025 from the current maximum of 85% (Sections 3.B, 3.C and 3.D)). To reach the maximum benefit at 3.5% would require service for 28.5 years, or at least 7 elections to 4-year terms.

Member (Judge) Contributions – Currently magistrate judges pay into MRA 10.5% of their salary. HB 183 provides that on and after July 1, 2025, the magistrate judges' contribution rate will be 14.24%, an increase of 4.24% of salary (Sections 4.A and 4.B). HB 183 does not appropriate funds for the increased payments by magistrate judges which will be taken from current judicial salaries.

Employer (Court) Contributions – HB 183 provides for courts to increase contributions to MRA from 15% of salary to 19.24% as of July 1, 2025 (Section 5.A). HB 183 does not appropriate funds for the increased payments by judges which will be taken from current court appropriations.

Age and Service Requirements – HB 183 deletes repetitive language and recognizes that for all MRA members a retirement pension is paid at age sixty-five years or older and five or more years of service credit, age sixty years or older and fifteen or more years of service credit, or any age and twenty-four or more years of service credit (Section 2.A).

Effective Date – The effective date of HB 183 is July 1, 2025.

FISCAL IMPLICATIONS

HB 183 does not create any impact on the general fund.

HB 183 increases by 40%, from 10.5% to 14.74%, the percentage of salary magistrate judges contribute to the MRA retirement fund at PERA. HB 183 does not appropriate funds for this increase, so that magistrate judges will pay the increased contribution rate from existing salaries.

HB 183 also increases by 28%, from 15% to 19.24%, the percentage of salary courts contribute to the MRA retirement fund at PERA. HB 183 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 183 address continuing challenges to the solvency of MRA. Recognizing that the Legislature has in recent years improved judicial salaries, the increased

contributions in HB 183 will be paid from magistrate judges' salaries and court appropriations without additional general fund appropriations.

In PERA's FY24 annual report on MRA as of June 30, 2024, the most recent year available report, the MRA funded ratio was 52.4% funded, continuing a downward trend that, for example, showed the MRA funded ratio in FY21 was 54.1%. PERA's FY24 report showed the amortization period falling from in FY23 to 67 years, which means MRA will achieve 100% funding in the year 2091, although the trend indicates that time will increase in FY25 and beyond. At AOC's request, PERA had actuaries analyze the impact of HB 183. PERA actuaries project that the proposals in HB 183 will reduce the period to solvency (100% funding) in MRA from 67 years to 29 years. The FY24 PERA 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.”

In January 2025, PERA endorsed HB 183.

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 MRA provides a sufficient source for those payments.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB138 reduces payments to the MRA by 36% per year by eliminating payments to MRA from the Oil and Gas tax. While HB 183 increases contributions to MRA 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 MRA solvency would be overwhelmed by a 36% decrease in payments to MRA 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 MRA will not accumulate sufficient assets to pay current benefits. MRA will continue to decline in its funded ratio, likely soon falling below 50% funded. It is likely there would come a point at which MRA

could not pay the accumulated benefits and the Legislature would be required to pay accumulated benefits from direct general fund appropriations.

AMENDMENTS