| LFC Requester: | Simon |
|---|---|

# 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:** *SB 151* Original *X* Correction __
Amendment __ Substitute __

**Sponsor:** Stefanics
**Short Title:** Judicial Retirement Changes

**Agency Name and Code Number:** AOC 218
**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 duplicates HB 183
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

## BILL SUMMARY

Synopsis: SB151 increases contributions by magistrate judges (employees covered by the Magistrate Retirement Act (MRA)) and the employer (courts).

Member (Magistrate Judge) Service Credits – SB151 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. SB151 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). SB151 does not appropriate funds for the increased payments by magistrate judges which will be taken from current judicial salaries.

Employer (Court) Contributions – SB151 provides for courts to increase contributions to MRA from 15% of salary to 19.24% as of July 1, 2025 (Section 5.A). SB151 does not appropriate funds for the increased payments by judges which will be taken form current court appropriations.

Age and Service Requirements – SB151 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 SB151 is July 1, 2025.

## FISCAL IMPLICATIONS

SB151 does not create any impact on the general fund.

SB151 increases by 40%, from 10.5% to 14.74%, the percentage of salary magistrate judges contribute to the MRA retirement fund at PERA. SB151 does not appropriate funds for this increase, so that magistrate judges will pay the increased contribution rate from existing salaries.

SB 151 also increases by 28%, from 15% to 19.24%, the percentage of salary courts contribute to the MRA retirement fund at PERA. SB151 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 SB151 address continuing challenges to the solvency of MRA. Recognizing that the Legislature has in recent years improved judicial salaries, the increased contributions in SB151 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 SB151. PERA actuaries project that the proposals in SB151 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 SB151.

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 SB151 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