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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Stefanics/Roybal Caballero **ORIGINAL DATE** 1/30/2025

SHORT TITLE Judicial Retirement Changes **BILL NUMBER** Senate Bill 150

ANALYST Simon

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Judicial Employer Contributions	\$0.0	\$1,443.4	\$1,486.7	\$1,531.3	\$1,577.3	Recurring	Judicial Retirement Fund
Judicial Employee Contributions	\$0.0	\$1,273.2	\$1,311.4	\$1,350.7	\$1,391.3	Recurring	Judicial Retirement Fund
Total	\$0.0	\$2,716.6	\$2,798.1	\$2,882.0	\$2,968.6		

Parentheses () indicate revenue decreases.
 Numbers may not sum due to rounding.
 *Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Court Budgets	\$0.0	\$1,443.4	\$1,486.7	\$2,930.1	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Duplicates to House Bill 182, Relates to Senate Bill 138

Sources of Information

LFC Files

Agency Analysis Received From
 Administrative Office of the Courts (AOC)
 Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Senate Bill 150

Senate Bill 150 (SB150) would increase retirement benefits for district court judges, Bernalillo County Metropolitan Court judges, appellate court judges, and justices of the Supreme Court. The bill reduces the number of years a judge must serve before qualifying for a benefit from eight years to five years, increases the multiplier used to calculate pension benefits for future judicial service, and increases the maximum pension benefit from 85 percent of salary to 100

percent of salary.

To fund these increases and improve the stability of the judicial retirement fund, the bill would increase employer contributions from 15 percent of salary to 19.24 percent of salary and employee contributions from 10.5 percent of salary to 14.74 percent of salary.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

The bill would increase benefits paid to members of the Public Employees Retirement Association (PERA) covered by the Judicial Retirement Act. Article XX, Section 22, of the New Mexico Constitution prohibits the Legislature from enacting any law that increases the benefits paid by PERA unless adequate funding is provided. That section assigns the PERA board the sole and exclusive power to adopt actuarial assumptions, based on recommendations from an independent actuary.

In addition to benefits increases, the bill also includes additional revenue to the judicial retirement fund. Analysis from PERA indicates that although the plan’s actuaries expect an immediate increase in the plan’s unfunded liability, over time the increased contribution rates included in the bill could offset the costs of the increased benefits and improve the overall stability of the fund. PERA reports that current analysis suggests the increased contributions would cause the plan to become fully funded in 29 years. However, PERA staff note the fiscal impact analysis from the plan’s actuaries could change as the bill is further reviewed.

Analysis from the Administrative Office of the Courts (AOC) does not calculate the fiscal impact of the bill but notes contributions will rise for both judges and the courts. Similarly, analysis from PERA does not project anticipated revenue should the bill pass. Total judicial salaries were estimated from state personnel records as of January 1, 2025, with an increase of 4 percent applied for FY26, based on the Legislative Finance Committee’s recommendation for the General Appropriation Act. PERA’s actuaries assume annual payroll growth of 3 percent and this assumption was used to project salary increases from FY27 through FY29. The table below includes calculations by job using these assumptions:

Fiscal Impact of Senate Bill 150: Contributions to the Judicial Retirement Fund

Position	FTE	FY26 Estimate* Salaries	Current Employer	SB150 Employer	Diff.	Current Member	SB150 Member	Diff.
Chief District Judge	13	\$2,947,706	\$442,156	\$567,139	\$124,983	\$309,509	\$419,753	\$110,244
Chief Judge Court of Appeals	1	\$238,687	\$35,803	\$45,923	\$10,120	\$25,062	\$33,989	\$8,927
Chief Metro Judge	1	\$3,845,088	\$576,763	\$739,795	\$163,032	\$403,734	\$547,541	\$143,806
Court of Appeals Judge	9	\$2,130,276	\$319,541	\$409,865	\$90,324	\$223,679	\$303,351	\$79,672
District Court Judge	88	\$19,788,088	\$2,968,213	\$3,807,228	\$839,015	\$2,077,749	\$2,817,824	\$740,075
Metro Judge	18	\$3,845,088	\$576,763	\$739,795	\$163,032	\$403,734	\$547,541	\$143,806
Associate Justice	4	\$996,630	\$149,494	\$191,752	\$42,257	\$104,646	\$141,920	\$37,274
Chief Justice	1	\$251,234	\$37,685	\$48,337	\$10,652	\$26,380	\$35,776	\$9,396
Total	135	\$34,042,798	\$5,106,420	\$6,549,834	\$1,443,415	\$3,574,494	\$4,847,694	\$1,273,201

*Adjusted from current salaries based on the LFC recommendation for FY26.

Source: State Personnel Records

Overall, LFC estimates the bill would increase contributions to the judicial retirement fund by \$2.7 million, or 31.3 percent, in FY26. Employer contributions would increase by an average of \$10,700 per current member and member contributions would increase by an average of \$9,400. The bill does not include an appropriation and analysis from AOC notes the increased employer contributions will be paid “without additional general fund appropriations,” suggesting courts currently have sufficient funds within their budget to cover the estimates \$1.4 million in payments. Separately, the judicial branch has submitted a request for a \$13.6 million appropriation from the general fund for compensation increases for judicial branch employees earning less than \$100 thousand per year and it is unclear why the court has not already deployed the \$1.4 million available to partially address this issue.

SIGNIFICANT ISSUES

Pension benefits from PERA’s judicial retirement fund are calculated by multiplying a member’s salary against a multiplier set in state law by the number of years of service credit a member has accrued. Currently, the multiplier for the judicial retirement fund is set at 3.5 percent, meaning for each year of service credit the member’s benefit increases by 3.5 percent of salary. So, for example, a member with 10 years of service credit would receive 35 percent of their salary. Salary is calculated based on the average of the amount earned during the member’s highest paid five consecutive years, typically at the end of the member’s career.

SB150 would create a tiered benefit structure for future service earned by judges, increasing the multiplier from 3.5 percent to 4 percent for up to 10 years of service, before reverting to the 3.5 percent multiplier. So, for example, under SB150, pension amounts would increase from 35 percent of salary to 40 percent of salary for a member with 10 years of service, an increase of 14.3 percent. A hypothetical member with 20 years of service would see a smaller percentage increase because only the first 10 years of service credit would accrue at the higher rate. That member’s benefit would increase from 70 percent of salary to 75 percent of salary, an increase of 7.1 percent. The higher multiplier would not apply to any previously earned service credit.

According to PERA’s most recent financial report, of the 156 active retirees in the judicial fund, 44 earned less than 10 years of service credit, 82 earned at least 10 years but less than 20 years, and 29 earned 20 years or more of credit. The average monthly benefit, as of June 30, 2024, was \$5,899.

SB150 would also increase the maximum allowable benefit, which is currently capped at 85 percent of salary. The bill would increase the cap to 100 percent, in line with recent changes made to the PERA fund for other public employee plans. Analysis from PERA indicates it expects this provision to have a small positive impact on the fund’s solvency because when members delay retirement to earn a larger benefit they end up collecting pension payments for fewer years.

Finally, SB150 would decrease the minimum amount of service credit needed before a member is eligible for a benefit payment. Members who do not reach the minimum service credit requirement are eligible to receive a refund of their contributions to PERA plus interest but are not eligible for pension benefits. Since July 2014, new members must serve for eight years to qualify for a benefit; the bill would lower that to five years. Members whose service began before July 2014 need five years of service before becoming eligible. Data from PERA’s financial report indicates 23 of the 155 active retired members, or about 15 percent, served

between five years and nine years. It is likely most of these members began their service prior to July 2014 and likely needed only five years of service to qualify. It is unclear what percentage of members whose service began after 2014 have completed at least five but less than eight years of service, but the change could increase the number of members eligible for a pension benefit. PERA's analysis does not address the number of additional members that may become eligible for benefits and does not address this change when discussing fiscal implications of the bill.

SB150 addresses the persistent underfunding of the judicial retirement fund. As of June 30, 2024, PERA reported total liabilities of the judicial fund \$214.3 million and total assets of \$120.2 million for a funded ratio of 56.1 percent. The unfunded liability has grown significantly in recent years, from \$79.5 million at the end of fiscal year 2020 to \$94.1 million at the end of FY24.

ADMINISTRATIVE IMPLICATIONS

PERA notes the agency must make modifications to its pension administration system but does not anticipate an impact on its operating budget. Further, PERA notes the judicial retirement fund is already complex, making it difficult to understand how a member's benefit is calculated.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB150 duplicates House Bill 182. SB150 relates to Senate Bill 138, which would eliminate a \$1.2 million per year distribution to judicial retirement fund from tax proceeds that would otherwise be directed to the general fund.

TECHNICAL ISSUES

PERA makes several suggestions to address technical issues it contends are in the bill.

- **Page 9, Line 13.** Because a new membership tier is created in subsection E (see page 10, beginning on line 11), PERA suggests the current tier be closed by adding “but on or before June 30, 2025,” after the comma.
- **Page 9, Lines 15 and 16.** To remain consistent with prior sections and because paragraph 2 includes “on or after July 1, 2025” (see page 9, line 22), PERA suggests replacing “July 1, 2025” with “June 30, 2025.”
- **Throughout Section 3 of the Bill.** PERA notes both “years of service credit” and “years of service” are used in in current law. PERA suggest the consistent use of the phrase “years of service credit.”

OTHER SIGNIFICANT ISSUES

Section 1 of the bill would amend the section of law creating the judicial retirement fund to include appropriations among the funding sources that could be deposited in the fund. Analysis from PERA and AOC do not address the impacts of this section and it is unclear what, if any, impact it will have on the agencies.