

## LEGISLATION TO REFORM JUDICIAL PENSION FUND

Of the state plans administered by PERA, JRA had the lowest funding status on June 30, 2012 (51%). Of the 8 mountain west states (TX, UT, AZ, NV, KS, OK, CO, WY) NM judges in FY13 paid the second highest % of salary to retirement and the employer (State) contributed the lowest. NM judges have a lower salary than judges in all 8 states, receive a lower annual service credit and have a retirement cap (75% of salary) that is among the lowest. As of January 1, 2013, salaries of New Mexico trial judges ranked lowest in the US, #51 out of 51. Here is a summary of SB25 and *possible* proposals for 2014.

	<u>Current</u>	<u>SB 25</u>	<u>Proposal [???] 2014</u>
Annual Service Credit	5% (3.75% after 2006)	3.50%	3.50%*
Judge Contribution	7.50% (9% FY13)	10.5%	10.5%
State Contribution	12% (9.5% FY13)	15%	15%
COLA**	2% (3% pre-2013)	0% or 2%	0% or 2%
Maximum Benefit	75% salary	85% salary	85% salary
Age	60+15; 65+5	same	same
Vesting	5 years	8 years	8 years
One-time funding	\$0	\$0	\$0

Other possibilities:

- employer pays the judge's share to PERA for non-participating judges (4 of the 91 judges in FY12)
- modify the survivor beneficiary provision to mirror the actuary-based payout in PERA general plan 3
- do **not** include the "docket fee swap" that was in SB25, which would have sent docket fees to the general fund and appropriated a like amount to the JRA. Docket fees contributed 16.72% of judges' salaries to the JRA in FY12.

\*A new annual service credit could apply to active judges or only to new judges.

\*\*SB25 had a 0% COLA for up to 2 consecutive years when JRA funded status was not >70%. A 2014 proposal could be 0% for up to 2 years when funding is not >80%.

**If the *possible* proposals are enacted in legislation in 2014, here are some of the impacts to the Judicial Retirement Fund.**

Contribution increases

- Judges +3% to 10.5% of salary = \$396,000
- State +3% to 15% of salary = \$396,000
- Employer share for 4 non-participating judges (15%) = \$67,200

**Total increased funding \$859,200** [+19.65% above FY 2012 revenues]

-total funding all sources FY 2012 = \$4,382,486

Benefits reductions

- Suspend COLA 2 years reduces costs each year, compounded in future years
- New service credit of 3.5% requires judges to work 21.5 years to reach a 75% retirement benefit, adds \$25,200 to the fund for each judge and eliminates payments in the 1.5 additional years required to reach 75%

**Impact on the JRA – Actuarial analysis showed that SB25 would lead to JRA at 100% funding within 30 years**

**JRA FUNDING STATUS JUNE 30, 2013 [NO FY13 DATA UNTIL OCT. 2013]**

Funded status as of 6/30/12 = 51% (as of 6/30/11 = 56%)

**Contribution (revenue) shortfall 2012 = 23.68%** (2011 = 18.24%)

Contributions and Expenditures in JRA for FY 2012:

- Members \$1,348,107
- Docket fees \$2,206,730 (16.72% of salary)
- Employer (State) \$1,059,473
- Net investment Return (\$432,358) (loss)
- Revenues in total \$4,382,486
- Expenditures \$7,848,102 [-\$3,465,616] (deficit)
- EOY Value \$75,506,702 [UAAL \$72,416,141] total AAL \$147,922,843