

LEGISLATION TO REFORM MAGISTRATE PENSION FUND

Of the state plans administered by PERA, MRA had the second lowest funding status on June 30, 2012 (53.21%). Of the 8 mountain west states (TX, UT, AZ, NV, KS, OK, CO, WY) NM judges in FY13 paid the highest % of salary to retirement and the employer (State) contributed the lowest %. New Mexico 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. 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% (effectively 3.75%)	3.50%	3.50%*
Judge Contribution	7.50% (9% FY13)	10.5%	10.5%
State Contribution	11% (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	55+24; 60+15; 65+5	same	same
Vesting	5 years	8 years	8 years
One-time funding	\$0	\$0	\$5 million

Other possibilities:

- Employer pays the judge's share for non-participating magistrates (22 of the 66 magistrates were non-participating 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 MRA. The docket fees contribute an amount equal to 13.77% of judges' salaries to the MRA 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 MRA 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 2014, here are some impacts to MRA

Contribution increases

- Magistrates +3% to 10.5% of salary = \$99,000
- State +4% to 15% of salary = \$132,000
- Employer share (15%) for 22 non-participating magistrates = \$264,000

Total increased funding \$495,000

-total funding all sources FY 2012 = \$1,025,000

Benefits reductions

- Suspend COLA 2 years reduces costs each year, compounded in future
- New service credit of 3.5% requires magistrates to work 21.5 years to reach a 75% retirement benefit, adds \$12,600 to the fund for each magistrate and eliminates payments during the 1.5 additional years required to reach 75%

Impact on the MRA – Actuarial analysis of SB25 showed JRA would still be insolvent in 2042 (instead of 2028). Investment of at least \$5 million is needed to turn the MRA toward solvency; even with the cash investment MRA is unlikely to be at 100% funding within 30 years

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

Funded status as of 6/30/12 = 53.21% (as of 6/30/11 = 59.75%)

Contribution (revenue) shortfall 2012 = 42.02% (2011 = 31.14%)

Contributions and Expenditures in MRA for FY 2012:

- Members \$349,836
- Docket fees \$460,357 (13.77% of salary)
- Employer (State) \$215,716
- Net investment Return (\$76,797) (loss)
- Revenues in total = \$949,112
- Expenditures \$3,294,964 [-\$2,345,964] (deficit)
- EOY Value \$30,878,948 [UAAL \$27,158,127] total AAL \$58,037,075