

Administrative Office of the Courts

Supreme Court of New Mexico

Arthur W. Pepin, Director
Karl Reifsteck, Deputy Director



202 East Marcy Street
Santa Fe, NM 87501
(505) 470-3183
(505) 827-4824 (fax)

Proposals to Amend the Judicial Retirement Fund (JRA) and Magistrate Retirement Fund (MRA)

During the 2024 legislative session, the Judiciary will seek a number of changes to the Judicial Retirement Account (JRA) and the Magistrate Retirement Account (MRA) to improve the solvency of both funds. PERA analyses of these proposals includes the assumption of a 15% compensation increase for all non-magistrate judges with no change in magistrate compensation. The proposals significantly improve fund solvency.

In summary the proposed changes are:

1. For JRA judges with 10 years of service or less, increase service credit for service as of July 1, 2024 from 3.25% to 4% per year for the next 10 years of service and 3.5% for any year accumulated beyond 10 years;
2. Reduce the vesting period for JRA and MRA from 8 years to 5 years;
3. Increase to the maximum pension a RA or MRA member would be permitted to earn from 85% to 100%;
4. Increase JRA and MRA member contribution rates from 10.50% to 12.50%;
5. Increase employer contribution rates for JRA and MRA from 15.00% to 21.50%.

1. Increase Service Credit for Judges in JRA

- In JRA, increase service credit as follows: 4.0% per year for the first 10 years, with any judges now on the bench who have less than 10 years of service credit earning the 4.0% until they have 10 years of service credit at 4%. After any judge has accumulated 10 years at 4%, the service credit would be 3.5% per year. The current service credit is 3.25%. MRA service credit would remain at 3.0%.
 - For example, a JRA judge on the bench for 5 years has accumulated service credit of 16.25% (3.25% x 5 years) under the 2014 statute. That judge would earn 4.0% per year for the next 10 years, or 40%, added to the existing 16.25% would total 56.25% service credit after 15 years. Thereafter the judge would earn 3.5% service credit per year.

- A JRA judge who started service on or after July 1, 2024, the effective date of statutory changes to service credit, would earn 40% for the first 10 years and 35% for the next ten years, accumulating a total of 75% service credit after 20 years.
- A JRA judge who began service on or after July 1, 2024, and served 10 years would accumulate service credit of 40%.

2. Reduce JRA and MRA Vesting Period from 8 years to 5 years

- Change the vesting period in JRA and MRA to 5 years for current and future members. The current vesting period of 8 years requires judges to face two elections before being eligible to draw benefits at retirement age. Matching the vesting period to PERA State General Plan 3 (5 years) will assist in the recruitment of district court and appellate judges.

3. Increase Maximum Pension Amount to 100% Final Average Salary

- Change the maximum pension amount to 100% to match State General Plan 3. With the proposed service credit changes in JRA, to reach 100% would require a JRA judge to serve over 27 years and a magistrate in MRA to serve over 33 years.

4. Increase Judge and Employer Retirement Contributions in JRA and MRA

- The Judiciary also proposes to change increase contribution rates for judges. Contributions by judges in both JRA and MRA would increase from the present 10.5% to 12.5%.
 - Judges and Magistrates would contribute more of their salaries to retirement to ensure the long-term health of the funds
 - Contributions by judges would increase by +19% to 12.5% of salary, **making the judges' contributions 15% higher than state employee contributions to retirement (10.92%).**

5. Increase Employer Retirement Contributions in JRA and MRA

- The Judiciary proposes to increase state employer contributions to JRA and MRA from 15.0% to 21.50% to improve the health of the funds.
 - Employer contributions to JRA and MRA would be 11.7% higher than the State contributes to employee retirement, while judges would pay 15% more than state employees.

Actuarial Impact of Changes

The 2022 Annual Actuarial Evaluation of the JRA as of June 30, 2022, shows the funded ratio improved from 53.3% to 61.2% “primarily due to the one-time \$20 million appropriation to the Judicial Fund, which exceeded the cost of the 17% pay increases received by the judges on April 1, 2022 and July 1, 2022.” The annual report for MRA found the funded ratio decreased from 54.1% to 52.9% “primarily due to the 17% pay increases received by the Magistrates on April 1, 2022 and July 1, 2022.”

The proposal to increase non-magistrate pay is included in the PERA actuarial analysis that shows a projection to reach full solvency (100% funding) in JRA in 31 years, reduced from 107 years currently. The proposal to leave magistrate pay unchanged is included in the analysis that projects full MRA solvency in 27 years, reduced from “infinite” currently.

Current solvency projection

JRA = 107 years
MRA = “infinite”

Solvency projection with proposals

JRA = 31
MRA = 27 years

Continue to follow current practices

There is also currently a statutory direction of \$100,000 per month to both the JRA and MRA. That investment continues under the current law until either the retirement funds (JRA or MRA) are 100% funded or the legislative retirement fund is less than 100% funded. The statute requires a review by PERA and AOC in December 2024 of the solvency of the funds. At the end of FY22 the legislative retirement fund was 120.3% funded.

There is *no* proposal to change the 5-year final average salary as a basis for retirement pay. The current restriction on retiree COLAs in JRA and MRA would also continue until the funds reach 100% funding. Under current law, until that goal is achieved, a COLA may only be provided every third year. The minimum COLA in the third year is 2%.