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FISCAL IMPACT REPORT

SPONSOR Ingle LAST UPDATED _____
ORIGINAL DATE 2/6/2023
SHORT TITLE Judicial Retirement Solvency BILL NUMBER Senate Bill 318
ANALYST Simon

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$20,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 317

Sources of Information

LFC Files

Responses Received From

Public Employee Retirement Association (PERA)

Administrative Office of the Courts (AOC)

SUMMARY

Synopsis of Senate Bill

Senate Bill 318 (SB318) appropriates \$20 million to the judicial retirement fund in FY24.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

SB318 appropriates \$20 million from the general fund to the judicial retirement fund to address the solvency of that fund. The appropriation contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall not revert to the general fund.

SIGNIFICANT ISSUES

The judicial retirement fund was created by the Judicial Retirement Act to provide retired district court judges, metropolitan court judges, court of appeals judges, and justices of the New Mexico

Supreme Court income during retirement. Judges and justices are required to participate in the plan, which is managed by the Public Employees Retirement Association (PERA).

Valuation reports from PERA show the plan does not have sufficient assets to pay for all benefits promised to date. Estimates from PERA's actuaries show accrued liabilities of \$187.2 million as of June 30, 2022, while the fund had assets of \$114.5 million, a gap of \$72.7 million. In 2022, the Legislature appropriated \$20 million to improve solvency of the judicial retirement fund, raising the actuarial value of assets from \$94 million and improving the plan's funding ratio from 53.3 percent to 61.2 percent.

The judicial retirement fund receives recurring revenue from four sources: employee contributions equal to 10.5 percent of the employee's salary, employer contributions equal to 15 percent of the employee's salary, a temporary distribution of \$100 thousand per month, which is scheduled to end in FY25, and about \$2.5 million per year from civil court docket fees. PERA's actuaries estimate that to cover the current year cost of accrued benefits, contributions would need to be 22.2 percent of salaries; additional revenue to the fund reduces the plan's unfunded liability. Actuaries estimate at current contribution rates it would take 107 years for the plan to pay off the accrued unfunded liability. PERA reports a one-time contribution of \$20 million would reduce this repayment period to 24 years, although the Administrative Office of the Courts notes other legislation, notably judicial pay increases, could affect these projections. PERA's actuaries note significant judicial pay increases increased accrued liabilities of the fund, limiting the impact of the 2022 appropriation on improving solvency of the fund.

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