

LFC Requester:	Simon, Joseph
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**AGENCY BILL ANALYSIS
2024 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original **Amendment**
Correction **Substitute**

Date 1/18/24

Bill No: SB 10

Sponsor: Elizabeth "Liz" Stefanics
Peter Wirth
Roberto "Bobby" J. Gonzales
Short Title: Judicial Retirement Funding

Agency Name and Code 366 - PERA
Number: _____
Person Writing Anna Williams
Phone: 505-259-8489 **Email** anna.williams@pera.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Effective July 1, 2024, SB10 amends the Judicial Retirement Act [NMSA 1978 10-12B-1 et seq.] to increase the pension multiplier for service credit earned on or after July 1, 2024 to 4% for ten years of the judge or justice’s service credit and then to 3.5% for the judge or justice’s service credit that exceeds ten years. The bill also increases the current pension maximum of 85% of final average salary to 100% of final average salary. The bill decreases the vesting period for judges who became a member on or after July 1, 2014 from eight years to five years. The bill also increases employer contributions from 15% to 21.5% and the employee contributions from 10.5% to 12.5%. The bill provides a \$2.6 million dollar appropriation from the general fund to pay for the increased employer contribution.

FISCAL IMPLICATIONS

Because SB10 requires the member and employer to increase the employee and employer contributions it could have a positive impact to the funding ratio, however the increase in service credit to 4% for the first 10 years will have a negative impact to the fund. As SB10 also permits a member to earn beyond the current 85% maximum benefit, up to 100% of final average salary, it will allow for increased pension benefits. However, because a member who increases their benefit under these new provisions will also work for a longer period of time, they will ultimately collect a pension for fewer years than if they had retired earlier. The proposed benefit provision changes increases the unfunded liability from \$76 million to \$80.2 million and decreases the funded ratio from 60.5% to 59.2%. The increased contributions provides significant funding to the system and improves the financial stability and decreases the amortization period from infinite to 29 years for the Judicial Fund.

SB10 should not have an impact to PERA’s operating budget.

SIGNIFICANT ISSUES

None

PERFORMANCE IMPLICATIONS

SB10 will not affect PERA's performance measures.

ADMINISTRATIVE IMPLICATIONS

PERA will have to make system modifications to its pension administration system to ensure that credited service after an employee reaches the 85% benefit maximum now accounts for additional service up to the new 100%. PERA will also have to update validations in the pension administration system for the new contribution rates. PERA will also have to make system modifications to its pension administration system for the 4% and 3.5% service credit multiplier.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

On page 8, line 19, the newly inserted language should be removed. That language seems to indicate that the subsection shall not apply to new judges hired after July 1, 2024, however no additional subsection is included to account for those new judges. Paragraph 2 of that same subsection accounts for the calculation after July 1, 2024 and it seems that the intent is to apply that for all judges hired after July 1, 2014 for service credit earned after July 1, 2024, rather than to create a new tier.

On Subsection F of Section 3, the legislation does not include an increase to the new benefit maximum of 100%. This may be intended, but without further information, this seems to be an inadvertent omission.

Additionally, PERA is unclear on the intent of whether increasing the benefit maximum to 100% should be applied retroactively or only to credited service performed after the effective date of the bill. In the prior legislative session, the increase to the benefit maximum was applied prospectively and if that is the intent, PERA suggests applicability language similar to House Bill 106 (2023) to ensure proper administration of the intended changes.

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Judicial active members would continue to have contribution rates and service credit that were set in 2014 and will continue to be able to receive up to an 85% lifetime retirement benefit.

AMENDMENTS

None