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FISCAL IMPACT REPORT

SPONSOR: Payne DATE TYPED: 3/11/03 HB _____

SHORT TITLE: Metro Court Judges Retirement SB 7/aSJC

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
(4,101.0)			Non-Recurring	Magistrate Retirement Fund
4,101.0			Non-Recurring	Judicial Retirement Fund

(Parenthesis () Indicate Revenue Decreases)

Responses Received From
Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of SJC Amendment

The Senate Judiciary Committee amendment to Senate Bill 7 corrects statutory references on pages 2 and 6 and clarifies that the judicial retirement fund is comprised of money received from docket and jury fees of metropolitan courts, district courts, the court of appeals and the supreme court, employer and employee contributions and any investment earning on fees and contributions.

Synopsis of Original Bill

Senate Bill 7 amends the Judicial Retirement Act and Magistrate Retirement Act to place metropolitan court judges under the judicial retirement plan. SB7 will only affect current and future judges in metropolitan court and the current district judges that have service credit as a metropolitan judge. It will not affect retired judges. SB 7 will convert all current magistrate service credit for the affected judges to judicial service credit.

Significant Issues

The Judicial Retirement Act has an “early retirement” provision that allows judges with 18 years or more of service credit to retire and begin receiving their pension if they are 50 years of age or

older. The Magistrate Retirement Act provides that magistrate and metropolitan court judges can retire at any age with 24 years of service credit or at age 60 with fifteen years of service credit.

FISCAL IMPLICATIONS

PERA reports that the court administrator for the Bernalillo County Metropolitan Court asked that PERA's actuaries study the impact of the change proposed in SB 7 on both the judicial retirement and the magistrate retirement funds. PERA's actuaries studied only the current 14 metropolitan court judges and the current 7 district judges that have service credit under the Magistrate Retirement Act. The actuaries stated that if the service credit and assets for the current judges were moved from the magistrate plan to the judicial plan, an additional 1.54 percent over the current judicial plan contribution level would be necessary to cover the increased cost attributable to this proposal. Alternatively, an asset transfer of \$4,010,602 could be made from the magistrate fund to the judicial fund. The magistrate fund is currently 111 percent funded. If the asset transfer is made, no other contributions will be necessary to cover the increased costs attributable to the proposal.

However, the actuaries have repeatedly warned that there are structural problems with the judicial plan and this proposal will aggravate the situation. Benefits are pay related and over 57 percent of the contributions to the judicial plan will be from docket fees after the proposed transfer of metropolitan court judges. The actuaries recommended converting the entire contribution system to a pay related method instead of funding the plan from docket or jury fees. Currently, the metropolitan and district judges contribute 5 percent of salary and their employers contribute 9 percent of salary to their respective retirement funds. Additionally, \$38 from each civil docket fee is contributed for the district judges and \$25 for magistrate judges, plus \$10 of every jury fee.

OTHER SUBSTANTIVE ISSUES

Metropolitan court judges are required by law to be attorneys and occasionally they move from the metropolitan court to the district court. When a metropolitan judge becomes a district judge, they change retirement plans. Currently, the metropolitan judge's service credit earned under the Magistrate Retirement Act can be added to their judicial service credit to qualify for the eighteen years necessary to qualify for early retirement under the Judicial Retirement Act. However, the magistrate component of retirement does not commence until the judge turns 60 years of age. SB 7 will also allow the metropolitan court judge's "final average salary" to be calculated under the Judicial Retirement Act.

SS/yr/lr/njw