

LFC Requester:

Simon, Jospeh

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://agencyanalysis.nmlegis.gov) and email to billanalysis@dfa.nm.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}***Date Prepared:** 3/14/25*Check all that apply:***Bill Number:** HB183Original ☐ Correction ☐Amendment ☒ Substitute ☐**Agency Name****and Code**

366-PERA

Number:**Sponsor:** Representative Caballero**Short Title:** MAGISTRATE RETIREMENT CHANGES**Person Writing** Anna Williams**Phone:** 505-259-8489 **Email** Annae.williams@pera.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Effective July 1, 2025, HB 183 amends the Magistrate Retirement Act [NMSA 1978 10-12C-1 et seq.] to:

1. Amend the language of the Magistrate Retirement Fund to ensure consistency with typical fund language and the current administration of the fund, including that appropriations can be accepted and that the income derived through investment remains within the fund.
2. Decrease the vesting period for tier two magistrate members from eight (8) years to five (5) years.
3. Increase the current pension maximum for magistrate members from eighty-five percent (85%) of their final average salary to one hundred percent (100%) of their final average salary;
4. Increase the multiplier used for determining the amount of pension for tier two magistrate members from three percent (3%) to three and one-half percent (3.5%); and,
5. Increase the employer contributions from fifteen percent (15%) to nineteen and twenty-four hundredths percent (19.24%) and the employee contributions from ten and one-half percent (10.5%) to fourteen and seventy-four hundredths percent (14.74%).

FISCAL IMPLICATIONS

Because HB 183 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, a member who increases their benefit under these new provisions will also work for a longer period of time and they will ultimately collect a pension for fewer years than if they had retired earlier. The increase in service credit to 3.5% will have a negative impact to the fund. The increased contributions to the Magistrate fund will provide significant funding to the system and improves the system's financial stability. This would also decrease the risk of variability in the valuation results due to the changes in the docket fees received by the Fund. The proposed benefit provision changes increases the unfunded liability from \$31 million to \$31.7 million and decreases the funded ratio from 52.4% to 51.9%. The increased contributions provides significant funding to the system and improves the financial stability and decreases the amortization period from 67 years to 25 years.

HB 183 should not have an impact to PERA's operating budget.

SIGNIFICANT ISSUES

None

PERFORMANCE IMPLICATIONS

SB 183 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.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Magistrate active members would continue to have contribution rates and service credit calculated consistent with the PERA Act and will continue to be able to receive up to an 85% lifetime retirement benefit.

AMENDMENTS

None.