

HOUSE BILL 164

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

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This document may incorporate amendments proposed by a committee, but not yet adopted, as well as amendments that have been adopted during the current legislative session. The document is a tool to show amendments in context and cannot be used for the purpose of adding amendments to legislation.

AN ACT

RELATING TO PUBLIC EMPLOYEES RETIREMENT;
HGEIC→TEMPORARILY←HGEIC INCREASING THE COST-OF-LIVING
ADJUSTMENT FOR CERTAIN RETIRED MEMBERS; MAKING AN
APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 10-11-118 NMSA 1978 (being Laws 2020, Chapter 11, Section 61) is amended to read:

.228909.3AIC February 10, 2025 (1:12pm)

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"10-11-118. COST-OF-LIVING ADJUSTMENTS--QUALIFIED PENSION
RECIPIENT--DECLINING INCREASE.--

A. As used in this section:

(1) "cost-of-living adjustment hurdle rate"
means the investment rate of return required to fund a cost-of-
living adjustment in excess of one-half percent, as determined
by the association's actuaries;

(2) "funded ratio" means the ratio of the
actuarial value of the assets of the fund to the actuarial
accrued liability of the association for payments from the
fund, as determined by the association's actuaries;

(3) "preceding calendar year" means the full
calendar year preceding the July 1 on which pensions are being
adjusted; and

(4) "smoothed investment rate of return" means
a calculation made by spreading the difference between the
expected actuarial value in investment income and the actual
market value investment income over a smoothing period, as
determined by the association's actuaries.

B. A qualified pension recipient is eligible for a
cost-of-living pension adjustment. A qualified pension
recipient is:

(1) a normal retired member who has been
retired for at least two full calendar years from the effective
date of the latest retirement prior to July 1 of the year in

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which the pension is being adjusted;

(2) a normal retired member who has attained the age of sixty-five years and has been retired for at least one full calendar year from the effective date of the member's latest retirement prior to July 1 of the year in which the pension is being adjusted;

(3) a disability retired member who has been retired for at least one full calendar year from the effective date of the latest retirement prior to July 1 of the year in which the pension is being adjusted;

(4) a survivor beneficiary who has received a survivor pension for at least two full calendar years; or

(5) a survivor beneficiary of a deceased retired member who otherwise would have been retired at least two full calendar years from the effective date of the latest retirement prior to July 1 of the year in which the pension is being adjusted.

C. Except as provided in Subsections F, G and H of this section, during fiscal years 2021, 2022 and 2023, a qualified pension recipient shall receive an annual, non-compounding, additional payment. The amount of the payment shall be determined by multiplying the amount of annual pension payments, inclusive of all cost-of-living adjustments prior to fiscal year 2021, by two percent.

D. Beginning May 1, 2023 and no later than each May

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l thereafter, the retirement board shall certify to the association the:

(1) funded ratio as of June 30 of the preceding calendar year; and

(2) smoothed investment rate of return as of June 30 of the preceding calendar year.

E. Except as provided in Subsections F [~~G and H~~] through J of this section, beginning July 1, 2023 and each July 1 thereafter, immediately following the retirement board's certification of the funded ratio and smoothed investment rate of return, the cost-of-living adjustment to a qualified pension recipient payable pursuant to the Public Employees Retirement Act shall be determined as an amount equal to the smoothed investment rate of return on the actuarial value of assets on June 30 of the preceding calendar year less the cost-of-living adjustment hurdle rate, as determined by the association's actuaries, multiplied by the funded ratio on June 30 of the preceding calendar year or five-tenths percent, whichever is greater, and subject to the following conditions:

(1) if the funded ratio of the fund is less than one hundred percent on June 30 of the preceding calendar year, the amount of the adjustment made pursuant to this subsection shall not exceed three percent;

(2) if the funded ratio of the fund is equal to or greater than one hundred percent on June 30 of the

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preceding calendar year, the adjustment made pursuant to this subsection shall not exceed five percent;

(3) notwithstanding the provisions of this subsection, a qualified pension recipient shall receive a minimum annual cost-of-living adjustment of five-tenths percent; and

(4) the amount of increase shall be determined by multiplying the amount of pension, inclusive of all prior adjustments, by the cost-of-living adjustment as determined by this subsection.

F. For a normal retired member who worked for at least twenty-five years under one or more applicable coverage plans and whose annual pension benefit, after all previous annual cost-of-living adjustments, is equal to an amount not greater than twenty-five thousand dollars (\$25,000), the pension benefit shall be increased by two and one-half percent each July 1. The amount of the increase shall be determined by multiplying the amount of pension, inclusive of all prior adjustments, by two and one-half percent.

G. For a disability retired member whose annual pension benefit, after all previous annual cost-of-living adjustments, is equal to an amount not greater than twenty-five thousand dollars (\$25,000), the pension benefit shall be increased by two and one-half percent each July 1. The amount of the increase shall be determined by multiplying the amount

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of pension, inclusive of all prior adjustments, by two and one-half percent.

H. For a normal retired member who has attained the age of seventy-five years prior to July 1, 2020, the pension benefit shall be increased by two and one-half percent each July 1. The amount of the increase shall be determined by multiplying the amount of pension, inclusive of all prior adjustments, by two and one-half percent.

I. HGEIC→~~For~~←HGEIC HGEIC→Until January 1, 2030,
for←HGEIC a normal retired member who retired from employment with the state before July 1, 2025 and who has attained the age of sixty-five, the pension benefit shall be increased by two percent each July 1. The amount of the increase shall be determined by multiplying the amount of pension, inclusive of all prior adjustments, by two percent.

J. HGEIC→~~For~~←HGEIC HGEIC→Until January 1, 2030,
for←HGEIC a normal retired member who retired from employment with a local government before July 1, 2025 and who has attained the age of sixty-five, the pension benefit shall be increased by two percent each July 1, contingent on the local government making contributions to the income fund in an amount adequate to fund the increase, as determined by the department of finance and administration. The amount of the increase shall be determined by multiplying the amount of pension, inclusive of all prior adjustments, by two percent.

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[~~F.~~] K. A qualified pension recipient may decline an increase in a pension by giving the association written notice of the decision to decline the increase at least thirty days prior to the date the increase would take effect."

SECTION 2. APPROPRIATION.--Ten million dollars (\$10,000,000) is appropriated from the general fund to the public employees retirement association for expenditure in fiscal year 2026 and subsequent fiscal years to provide a cost-of-living increase of two percent beginning July 1, 2025 for normal retired members over the age of sixty-five who retired from state government by June 30, 2025. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.