LFC Requester:	Simon, Joseph

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(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: *1/22/25* *Check all that apply:*
Bill Number: *SB 30* Original _x Correction __
Amendment __ Substitute __

Sponsor: Senator Stefanics, Representative Alan Martinez, Representative Garratt, Representative Borrego

Agency Name and Code Number: 366-PERA

Short Title: PERA Two Percent COLA

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	$10,000.00	Recurring	General Fund

(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)

Duplicates/Conflicts with/Companion to/Relates to: HB 96
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Effective July 1, 2025, SB 30 amends the Public Employees Retirement Act [NMSA 1978 10-11-118] to increase the pension benefit received by normal retired members who retired with the state before July 1, 2025 and have attained the age of sixty-five by adding a compounding two percent payment each July 1. The bill also increases the pension benefit received by a normal retired member who retired with local government before July 1, 2025 and who has attained the age of sixty-five by adding a compounding two percent payment each July 1; however, the increase will be contingent on local government making contributions to the income fund to adequately fund the payment.

FISCAL IMPLICATIONS

Because SB 30 changes the current cost-of-living adjustment (COLA) for retired members who retired before July 1, 2025 and who have attained the age of sixty-five it will have a significant impact on the funding status of the PERA Fund.

PERA's unfunded liability would increase for the State division by $392 million including the legislative retirement division and for the Municipal divisions by $447 million. Also, PERA's amortization period would go from 52 years to 82 years.

This proposed change has a significant impact on the PERA fund, increasing the unfunded liability by more than $839 million. The $10 million appropriation provided in the proposed legislation is not sufficient to fund the proposed benefit enhancements. The intent of the appropriation may be to provide an annual appropriation, however, that would be dependent on future General Appropriations Acts and is unable to be provided in this legislation. In order for the funding period to remain at 53 years, the minimum annual appropriation would need to be increased to $33 million annually from the State General Fund and the Municipal would need to appropriate $38 million. The legislation acknowledges that funding may not be provided by local governments and provides that the benefit increase for the Municipal division retirees is contingent on that funding, which is commonly referred to as an ad hoc COLA in other states. However, this same consideration is not applied to the benefit increase for the State division retirees, who are provided an automatic benefit increase regardless of funding.

The inclusion of July 1, 2025 as the date to determine eligibility, which will be after the legislation is passed, will likely cause an increase in retirements so that members may guarantee the benefit increase provided by this legislation. Encouraging early retirement will likely have a negative impact on the fund.

SB 30 should not have an impact to PERA's operating budget

SIGNIFICANT ISSUES

The proposed change has a significant impact on PERA fund, increasing the unfunded liability by more than $2 billion. The $50 million appropriation provided in the proposed legislation is not sufficient to fund the proposed enhancements.

Due to the uncertainty of future appropriations, the benefit increase that is provided for the State division retirees should be contingent on funding, similar to the language that is included for the Municipal division retirees.

The legislation provides that the Department of Finance and Administration will determine the amount necessary to fund the benefit increase for the Municipal division retirees. The Board of the Public Employees Retirement Association has the sole constitutional authority to administer the PERA Fund and to adopt actuarial assumptions. This determination should be made by PERA.

Eligibility is determined by the division under which a member retires. The bill makes the benefit increase for the municipal retirees contingent, but the benefit increase for state retirees is automatic. Due to these distinctions, a member would receive a guaranteed benefit increase if they were employed for a majority of their career under a municipal plan, but briefly worked and then retired under the state, while a member would not receive a guaranteed COLA if they were employed for a majority of their career with the state, but briefly worked and then retired under a municipal.

PERFORMANCE IMPLICATIONS

SB 30 will not affect PERA's performance measures.

ADMINISTRATIVE IMPLICATIONS

PERA will have to make system modifications to its pension administration system to ensure that the benefit payment is changed for retired members who are over the age of 65 and retired prior to July 1, 2025.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

Article XX, Section 22, of the New Mexico Constitution prohibits the Legislature from enacting any law that increases the benefits paid by PERA unless adequate funding is provided. That section assigns the PERA board the sole and exclusive power to adopt actuarial assumptions, based on recommendations from an independent actuary. If the proposed legislation does not include adequate funding, it is possible that the proposal does not meet the requirements of that section.

ALTERNATIVES

HB96 sponsored by Representative Joseph Sanchez provides a temporary 2% lump sum non-compounding payment to eligible retired members and provides an appropriation that is sufficient to fund it. This approach can provide eligible retired members temporary relief without negatively affecting PERA funded ratio or amortization period. The payments will be in addition to any compounding COLA members are eligible for.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

PERA's qualified pension recipients would continue to receive a yearly COLA based on the current COLA structure.

AMENDMENTS

None