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HOUSE BILL 164

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

INTRODUCED BY

Alan T. Martinez and Joy Garratt

AN ACT

RELATING TO PUBLIC EMPLOYEES RETIREMENT; 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:

"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

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1 actuarial value of the assets of the fund to the actuarial
2 accrued liability of the association for payments from the
3 fund, as determined by the association's actuaries;

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

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

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

15 (1) a normal retired member who has been
16 retired for at least two full calendar years from the effective
17 date of the latest retirement prior to July 1 of the year in
18 which the pension is being adjusted;

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

24 (3) a disability retired member who has been
25 retired for at least one full calendar year from the effective

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1 date of the latest retirement prior to July 1 of the year in
2 which the pension is being adjusted;

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

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

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

17 D. Beginning May 1, 2023 and no later than each May
18 1 thereafter, the retirement board shall certify to the
19 association the:

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

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

24 E. Except as provided in Subsections F [~~G and H~~]
25 through J of this section, beginning July 1, 2023 and each July

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1 1 thereafter, immediately following the retirement board's
2 certification of the funded ratio and smoothed investment rate
3 of return, the cost-of-living adjustment to a qualified pension
4 recipient payable pursuant to the Public Employees Retirement
5 Act shall be determined as an amount equal to the smoothed
6 investment rate of return on the actuarial value of assets on
7 June 30 of the preceding calendar year less the cost-of-living
8 adjustment hurdle rate, as determined by the association's
9 actuaries, multiplied by the funded ratio on June 30 of the
10 preceding calendar year or five-tenths percent, whichever is
11 greater, and subject to the following conditions:

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

16 (2) if the funded ratio of the fund is equal
17 to or greater than one hundred percent on June 30 of the
18 preceding calendar year, the adjustment made pursuant to this
19 subsection shall not exceed five percent;

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

24 (4) the amount of increase shall be determined
25 by multiplying the amount of pension, inclusive of all prior

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1 adjustments, by the cost-of-living adjustment as determined by
2 this subsection.

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

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

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

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1 I. For a normal retired member who retired from
2 employment with the state before July 1, 2025 and who has
3 attained the age of sixty-five, the pension benefit shall be
4 increased by two percent each July 1. The amount of the
5 increase shall be determined by multiplying the amount of
6 pension, inclusive of all prior adjustments, by two percent.

7 J. For a normal retired member who retired from
8 employment with a local government before July 1, 2025 and who
9 has attained the age of sixty-five, the pension benefit shall
10 be increased by two percent each July 1, contingent on the
11 local government making contributions to the income fund in an
12 amount adequate to fund the increase, as determined by the
13 department of finance and administration. The amount of the
14 increase shall be determined by multiplying the amount of
15 pension, inclusive of all prior adjustments, by two percent.

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

20 SECTION 2. APPROPRIATION.--Ten million dollars
21 (\$10,000,000) is appropriated from the general fund to the
22 public employees retirement association for expenditure in
23 fiscal year 2026 and subsequent fiscal years to provide a cost-
24 of-living increase of two percent beginning July 1, 2025 for
25 normal retired members over the age of sixty-five who retired

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1 from state government by June 30, 2025. Any unexpended or
2 unencumbered balance remaining at the end of a fiscal year
3 shall not revert to the general fund.

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