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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HB454</u>	Sponsor	<u>Baca/Garrat</u>
Tracking Number	<u>.230135.2</u>	Committee Referrals	<u>HEC/HAFCS</u>
Short Title	<u>Educational Retirement Changes</u>		
Analyst	<u>Montoya</u>	Original Date	<u>2/27/2025</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 454 (HB454) would amend the Educational Retirement Act (Section 22-11-31 NMSA 1978), by granting retired Educational Retirement Board (ERB) members receiving an annuity payment an annual, non-compounding disbursement for FY26 and FY27. HB454 proposes a calculation for determining the amount of these annual disbursements, which would include multiplying the member's annual annuity payment, including all cost-of-living adjustments (COLA) applied before that fiscal year, by 2 percent.

HB454 contains an effective date of June 20, 2025.

FISCAL IMPACT

HB454 would appropriate \$60 million from the general fund to ERB for expenditure in FY26 and subsequent fiscal years to support the proposed annual payments contained in the bill. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

The House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS) does not contain an appropriation to implement the provisions of HB454. According to analysis of HB454 provided by ERB, the proposed \$60 million dollar appropriation would consist of \$29 million in total distributions for FY26, and \$31 million in total distributions for FY27 to achieve the two proposed annual annuity payments.

SUBSTANTIVE ISSUES

ERB Membership. According to ERB's 2024 Annual Comprehensive Financial Report [2024 Annual Comprehensive Financial Report](#), as of June 30, 2024 there were 172.7 thousand ERB members, 55.7 thousand of which were retirees and beneficiaries currently receiving benefits. See **Figure 1: ERB Plan Membership** for more detail. As of June 30, 2024, ERB reports there were 220 employers participating in the ERB system. These employers consisted of charter schools,

public schools, state agencies, universities and colleges, and special schools. See **Figure 2: ERB Participating Employers** for greater detail.

Figure 1: ERB Plan Membership
As of June 30, 2024

Status	Count
Active Working Members	62,970
Retirees and Beneficiaries Currently Receiving Benefits	55,706
Inactive Vested Members	13,480
Inactive Non-Vested Members	40,524
TOTAL	172,680

Source: ERB

Figure 2: ERB Participating Employers
As of June 30, 2024

Employer	Count
Charter Schools	100
Public School Districts	89
State Agencies	11
Universities and Colleges	16
Special Schools	4
TOTAL	220

Source: ERB

Pension Benefit Calculation. A member’s retirement benefit is calculated using a formula that factors in three components: the final average salary (FAS), years of service credit, and a 0.0235 multiplier. The FAS is determined by averaging the member’s highest salaries over either the last five fiscal years of service or any other consecutive five-year period, whichever is greater. The final benefit is the product of these three elements.

Cost-of-Living Adjustment. All retired members and beneficiaries receiving benefits receive an automatic COLA on July 1 following the later of either the year they retire, or the year they reach age 65 (for Tier 1 and Tier 2) or age 67 (for Tier 3 and Tier 4). See **Figure 3: ERB Membership Tiers** for more detail on membership tiers. As of July 1, 2013, COLAs were temporarily reduced until the ERB plan reaches a funded ratio of 100 percent. As of June 30, 2024, the funded ratio was 64.8 percent and is projected to reach a funded ratio of 100 percent by 2047. The COLA reduction is based on the median retirement benefit, excluding disability retirements. Retirees with benefits at or below the median and at least 25 years of service will see a 10 percent COLA reduction, resulting in an average COLA of 1.5 percent. Once funding exceeds 90 percent, the reduction decreases to 5 percent, with an average COLA of 1.7 percent. Members on a disability retirement receive a COLA starting July 1 of the third full year after retirement. Regular retirees who can prove their retirement was due to disability may also qualify for a COLA beginning in the third full year of retirement.

Figure 3: ERB Membership Tiers

Tiers	Criteria for Membership
Tier 1	Employees who became members prior to July 1, 2010.
Tier 2	Employees who became members on or after July 1, 2010, but prior to July 1, 2013.
Tier 3	Employees who became members on or after July 1, 2013, but prior to July 1, 2019.
Tier 4	Employees who became members on or after July 1, 2019.

Source: ERB

ADMINISTRATIVE IMPLICATIONS

HB454 is expected to have minimal costs for ERB regarding accounting and distribution of the two annual payments being proposed.

RELATED BILLS

Related to Senate Bill 75, Educational Retirement Changes, which proposes changes to the ERB system, including investing unclaimed member contributions, ensuring annuity adjustments for disabled members over 60, extending the service credit payment deadline to 90 days, and allowing information sharing with the Public Employees Retirement Board for administration.

Related to Senate Bill 133, Educational Retirees Returning to Work, which would raise the maximum salary a retired member can earn without suspending retirement benefits when returning to work, increasing the threshold from \$15 thousand to \$25 thousand. It would also extend the current 36 month return-to-work (RTW) period to 60 months.

Related to Senate Bill 421, Educational Retirement Board Changes, which would amend the Education Retirement Board Act by allowing ERB to purchase, acquire, or hold real property, and build or own a building and make related improvements on said property.

Related to House Bill 96, PERA Member Temporary Payment, which proposes additional payments to PERA members receiving a pension for FY26 and FYY27 and includes a \$66 million appropriation.

Related to House Bill 251, Ed. Retirement Beneficiary Changes, which proposes additional beneficiary designation options for retired ERB members.

Related to House Bill 254, Ed. Retirees Returning to Work Time Period, which would extend the current 36 month RTW period to 60 months.

SOURCES OF INFORMATION

- LESC Files
- Educational Retirement Board (ERB)
- New Mexico Higher Education Department (NMHED)
- Public Employees Retirement Association (PERA)

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