

LFC Requester:	Joseph Simon
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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: February 20, 2025 *Check all that apply:*
Bill Number: HB 454 Original Correction
Amendment Substitute

Sponsor: Brian G. Baca **Agency Name and Code:** NM Educational Retirement Board - 35200
Short Title: Educational Retirement Changes **Number:** _____
Person Writing: Jacob Maule
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
0	\$60,000	Nonrecurring	ERB Trust Fund

(Parenthesis () indicate expenditure decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Minimal	0	0	Minimal	Nonrecurring	ERB Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

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

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The bill calls for an annual, non-compounding, additional payment for ERB retirees during fiscal years 2026 and 2027. The amount of the payment is to be determined by multiplying a retired member's annual annuity by two percent.

FISCAL IMPLICATIONS

HB454 provides a temporary increase in benefits paid by ERB equal to two percent of a member's annual pension. The bill appropriates \$60 million (\$29 million for FY26 / \$31million for FY27) to provide one-time non-compounding payments for ALL ERB pension recipients.

SIGNIFICANT ISSUES

Section 22-11-31 of the New Mexico Statutes Annotated provides for cost-of-living adjustments to certain members whose benefits are in pay status. The annuity is adjusted annually and cumulatively commencing on July 1 of the year in which a member attains the age of 65 (age 67 if the member became a member on or after July 1, 2013) or on July 1 following the year a member retires, whichever is later. These cost-of-living adjustments also apply to members who were disabled at retirement, except that the benefits are adjusted annually and cumulatively commencing on July 1 of the third full year following the year in which the member was approved by the Board for disability or retirement.

Adjustment Factor

If the plan's funded ratio for the next preceding fiscal year is 100% or greater, Section 22-11-31(C)(1) defines the adjustment factor as $\frac{1}{2}$ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index. If the plan's funded ratio for the next preceding fiscal year is greater than 90% but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1). If the plan's funded ratio for the next preceding fiscal year is 90% or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

July 1, 2024 Adjustment

The adjustment factor defined in Section 22-11-31(C)(1) and applicable on July 1, 2024, to retirement benefits for retirees whose 65th birthday (67th birthday if the member became a member on or after July 1, 2013) falls in or before the current calendar year is 2.1%. This adjustment factor will apply to all disability retirements who have been retired for at least three years, i.e., members who began receiving a disability retirement benefit in calendar year 2020 or earlier. The funded ratio as reported in the actuarial valuation report for the next preceding fiscal

year, or the actuarial valuation report as of June 30, 2023, was 62.9%. Additionally, the median adjusted annuity for fiscal year next preceding the adjustment date, or the median monthly benefit of all non-disability retirements as of June 30, 2023, is \$1,746.63. It should be noted that the comparison to this median benefit should be based on the benefit the retiree was receiving as of June 30, 2023, prior to receiving the COLA increase effective July 1, 2023. Since the plan's funded ratio as of June 30, 2023, is 90% or less, all non-disability retirements with 25 or more years of service credit at retirement and whose monthly annuity is less than or equal to \$1,746.63 will receive an annual adjustment of 1.89%. All remaining non-disability retirements will receive an annual adjustment of 1.68%. Note that these adjustments only apply for members who retired in calendar year 2023 or earlier; members who retired in 2024 are ineligible.

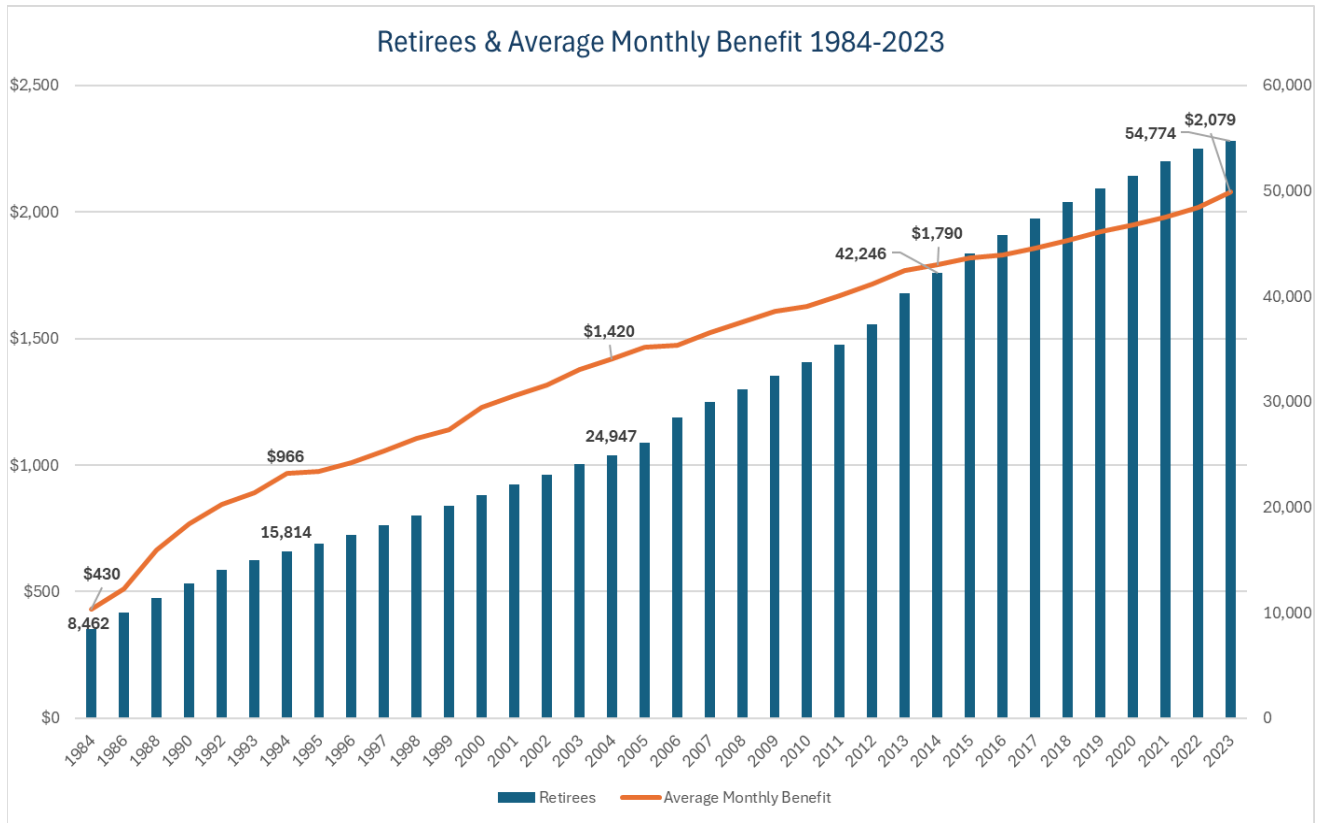
ADMINISTRATIVE IMPLICATIONS

ERB would incur minimal and insignificant programing charges associated with accounting for and distributing the additional payments.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill is similar to House Bill 96, which provides a similar additional payment for eligible PERA retirees.

OTHER SUBSTANTIVE ISSUES



ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

ERB retirees and eligible beneficiaries would not receive the supplemental payments contemplated in the bill.

AMENDMENTS