LFC Requester:	

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: *2/6/25* *Check all that apply:*
Bill Number: *SB30* Original *X* Correction __
Amendment __ Substitute __

Sponsor: Stefanics
Short Title: PERA Two Percent Cost of Living Adjustments

Agency Name and Code Number: Municipal League (ML)
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SECTION II: FISCAL IMPACT

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Up to $38,000.0	Up to $38,000.0	Up to $76,000.0	Recurring	Municipalities

(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:

FISCAL IMPLICATIONS

From LFC FIR Fiscal Implications Analysis. Detailed data from PERA along with an estimate of local governments likely to opt-in to the proposed 2% COLA increase would be needed for a more precise estimate.

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

SIGNIFICANT ISSUES

The proposed 2% COLA increase structure unfairly treats local governments given that local governments are paying their statutorily required contribution amounts agreed to in SB 72 (2020) and are actively balancing contribution amounts with current and future expense commitments to be on an actuarially sound path. The proposed 2% COLA increase is a departure from the agreed upon framework and actuarial soundness put into statute with SB72 during the 2020 legislative session.

The Municipal General plan is on pace to achieve a 100% funded ratio in 26 years, whereas the State General plan is on an unsustainable path that is expected to never achieve a 100% funded ratio, and the proposed 2% COLA increase worsens the situation. The differing plan trajectories are due to local governments being mindful of salary increases, number members (retirees and current employees), and the plan multiplier.

The proposed 2% Cost of Living Adjustment (COLA) is automatic for state retirees but is not guaranteed for local government retirees. Local government retirees' COLA increase is contingent on local government making increased contributions to the PERA trust fund to cover the 2% increase for local government retirees, estimated in the LFC FIR to be up to $38 million annually. PERA estimates the proposed 2% COLA increase would increase the unfunded liability by $839 million—$392 million for the State General plan and $447 million for the municipal plans. The local government increased contribution amount helps subsidize the 2% COLA increase for state retirees (estimated LFC FIR to be $33 million annually) as the $10 million annual appropriation to the PERA trust fund is insufficient.

The COLA increase guidelines brough about through SB72 (2020), based on Investment Return and the Funded Ratio by plan, has not been met to justify the proposed 2% COLA increase for the State General Plan.