

Sen. Stefanics Bill Proposal – IPOC Meeting October 13, 2026

PURPOSE

To increase the compounding COLA for current PERA retirees to 1.6%, achieving parity with the average ERB retiree COLA of 1.6%.

SUMMARY

The bill will provide a compounding COLA of 1.6% for PERA retirees eligible for a COLA as of July 1, 2027, and every year thereafter. The appropriation will fund the differential between the profit-share COLA and the 1.6% COLA. If the profit-share COLA increases to be higher than 1.6%, retirees will receive the higher COLA.

The bill will not impact retirees who qualify for the 2.5% COLA.

The bill makes a recurring General Fund appropriation of \$60 M.

SIGNIFICANT ISSUES

While the cost-of-living since 2019 has increased 30%, pensions for PERA retirees have increased only a total of 2% in the same period. These retirees retired under laws that committed to them an annual increase of 2%. They have now received an aggregate total of only 2.1% over the last 7 years.

This was not the intended outcome of SB 72.

Since the passage of SB 72 in 2020, PERA retirees have lost 22% of their purchasing power, and are on a steep downward income trajectory into the future unless the legislature makes changes. If meaningful COLAs are not restored for public retirees, they will continue to lose significant spending power in the foreseeable future, seriously impacting their ability to live independently as they age and their ability to contribute positively to New Mexico's economy.

The state now has significant new revenues to be able to restore higher COLAs for its public retirees. Appropriating recurring General Fund will ensure that there will be no impact to the PERA Fund.

Restoration of a 1.6% COLA will not meet the 2% COLA in statute in 2020. It is only half of the 3% COLA that was set in statute from 1982 through 2013, when most of these employees worked. However, it will bring equity between PERA and ERB retirees.

APPROPRIATION

This proposal seeks a recurring general fund appropriation of \$60 million. Intended to be added to Section 4 of House Bill 2 in PERA's base budget, with language restricting its use only for the COLA differentials specified in the bill.

We have requested an estimate of the cost of the proposal from LFC, who will work with the PERA Actuary to get hard numbers. Our estimate is based on interpolation of powerpoint presentations made to IPOC by the GRS Actuary.

OTHER SUBSTANTIVE ISSUES

Restoring meaningful compounding COLAs for current PERA retirees is about honoring our commitments to our public employees. It is also about protecting senior citizen retirees as they age; and finally, it is about ensuring the economic health of New Mexico.

Why the proposal does not include future retirees as well

- Current retirees were promised something they did not get. This bill is an attempt to restore at least a portion of the commitment that was made to them by their employers (who are us - the Legislature - and also Local Government officials). We all agree we need to honor our commitments.
- Future retirees (current employees) have had 40% salary increases, which will increase their pensions by 40%. They will be fine with the profit-share COLA, which will rise as the fund improves, which it is on track to do over time.
- Future retirees have now been working 7 years with the promise of a profit-share COLA. They have had and still have the opportunity to make additional plans for their retirement if they think the profit-share COLA is insufficient. Current retirees were not given the opportunity to make other or additional retirement plans.
- Increasing COLAs for future retirees is increasing a benefit for current employees. Sound fiscal policy for the PERA Fund requires that when benefits increase, the increase should be paid for by employer/employee contributions. That is the premise of the structure of the pension fund.
- State Revenues should support the pensions of state employees, and local government revenues should support the pensions of local government employees.