PERA Legislative Framework

Representative Cynthia Borrego, Chair
Senator Roberto "Bobby" J. Gonzales, Vice- Chair

September 25, 2026

Valerie Barela, Board Chair
Greg Trujillo, Executive Director
Anthony Montoya, General Counsel

Fiscal Year 2025 In Review

Total Fund Value
$18.5 Billion

Rate of Return (net of fees)
9.68%

Active Members
52,581

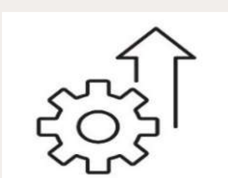
Participating Employers
335

Retirees and Benefit Recipients
46,942

Retirement Benefits Paid
$1.5 Billion

Funded Ratio
65.20%

Amortization Period
50 Years



Actuarial Accrued Liability
$27.9 Billion

Unfunded Actuarial Accrued Liability (UAAL)
$9.7 Billion

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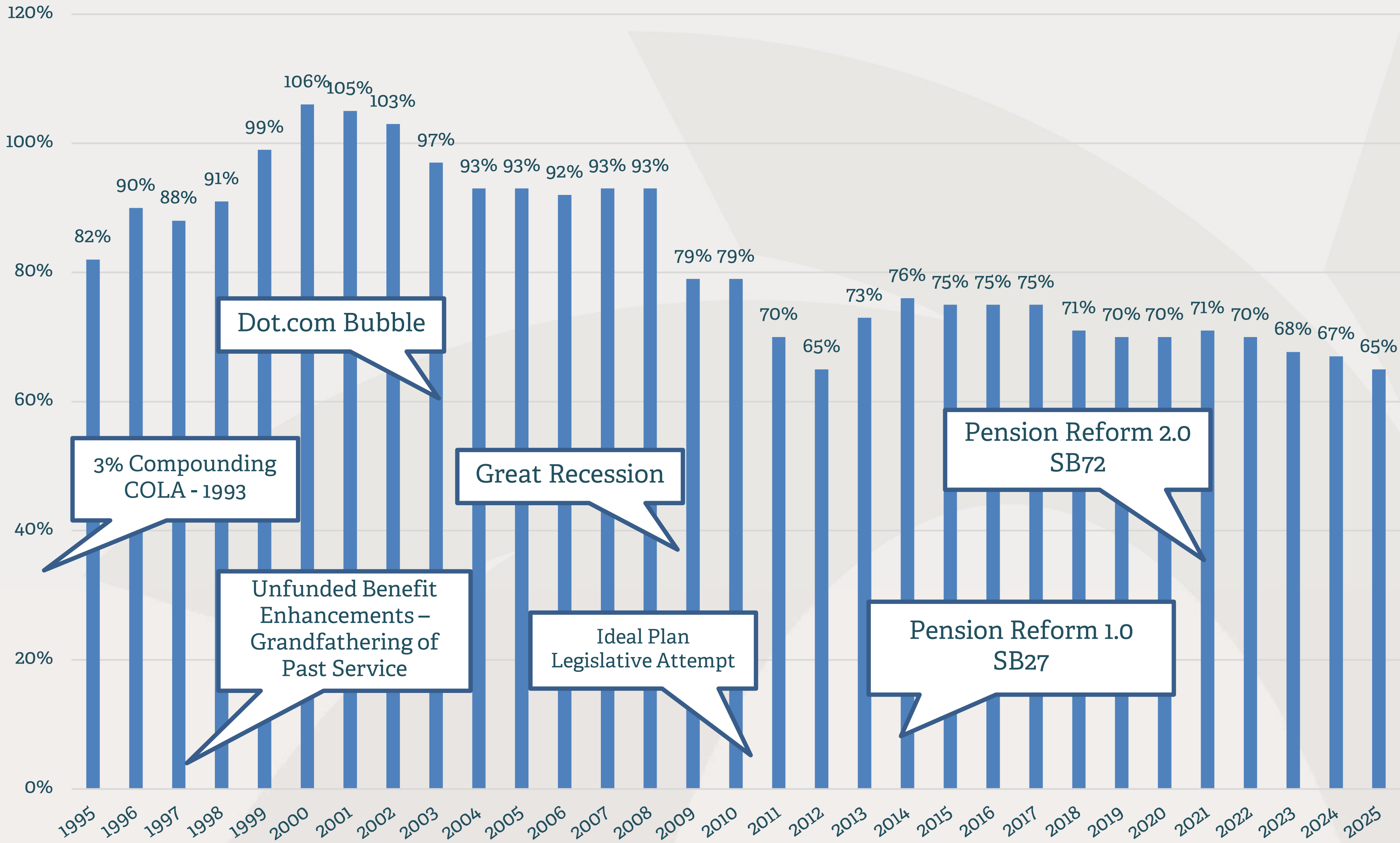
PERA Fund – Funded Ratio



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Pension Reform – PERA Fund

	SB27 (2013)	SB72 (2020)
COLA	Reduced from 3% to 2%, 7-year deferral period rather than 2	Variable rate model 0.5% to 3.0%, back to 2-year deferral period, 2.5% for members age 75 or older as of 6/30/2020, disability retirees earning < $25k, retirees with 25 years earning < $25k
Contribution Increase	Employee 1.5%, Employer 0.4% + pension swap reversal of 1.5%	Employee 2.0%, Employer 2.0%
Benefit Changes	Tier 2 created, General members hired 7/1/2013 or later subject to 0.5% pension factor reduction, rule of 85, 8-year vesting, 60-month FAS. Public Safety members subject to 0.5% pension factor reduction, 25-year retirement, 6-year vesting, 60-month FAS	All vesting periods reduced to 5 years.
Pension Maximum	Increased from 80% to 90%	Increased from 90% to 100%

Tier 1 = 31% of active population
Tier 2 = 69% of active population

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Cost-of-Living Adjustments (COLAs)

- When a member retires, their *base pension benefit* is calculated based on:
  - Years of Service Credit
  - Plan Multiplier
  - Final Average Salary

- A member has a *constitutionally protected property right* in this earned base benefit.

- Additional benefits that are provided after retirement and above that base benefit make up the COLA.

- COLAs can be *non-compounding* or *compounding*, but once a compounding COLA is received by a retiree, it is considered part of the base benefit and is subject to constitutional protections.

- The COLA provided to PERA Retirees is *statutory* and created by the Legislature. The PERA Board and PERA have no authority to changes COLAs and must administer the PERA Act.

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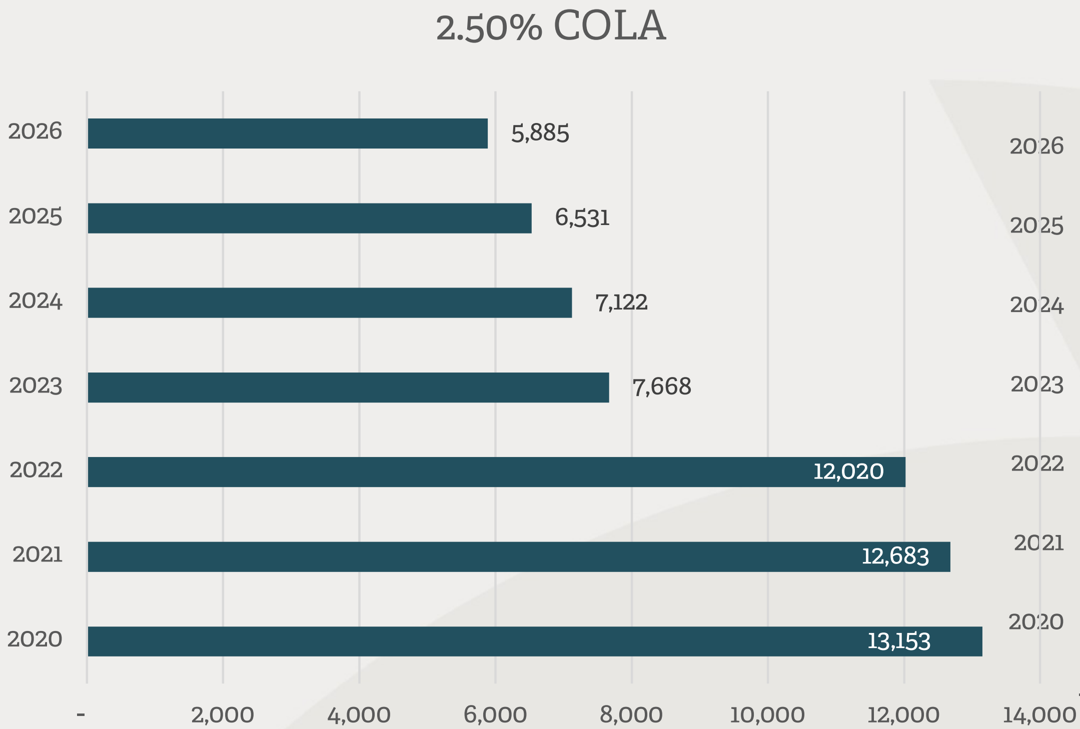
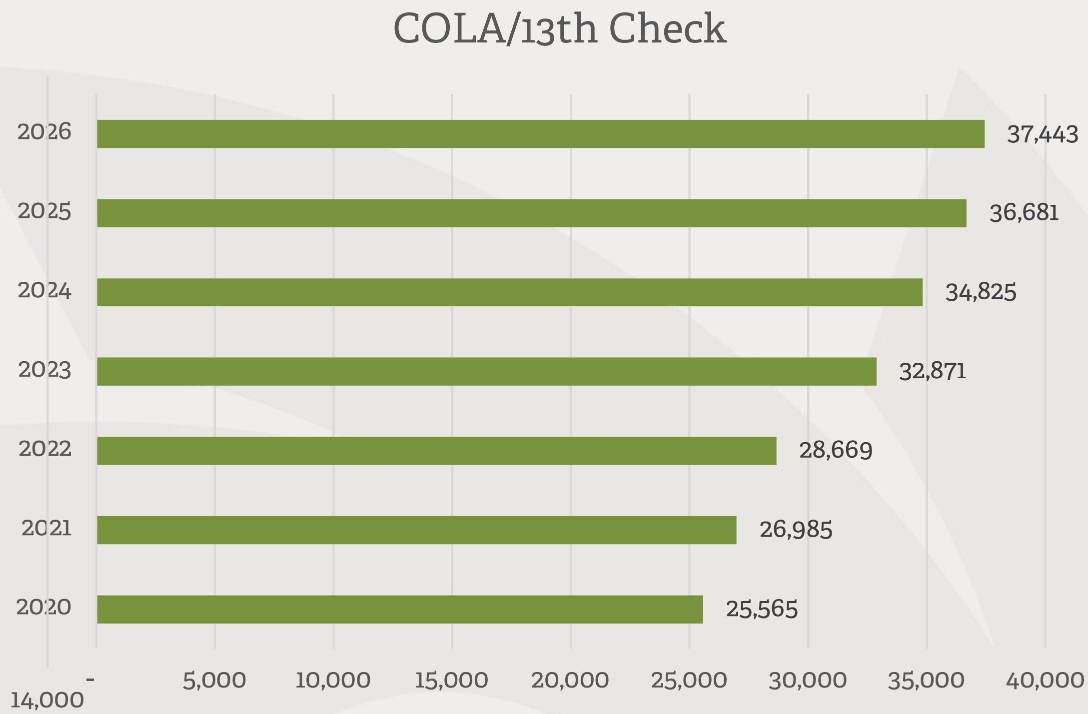
Cost of Living Adjustment: 2020 - 2026





43,328 PE Fund Retirees received a COLA in 2026, approximately 92% of eligible Retirees.

182 JRA Fund Retirees received a COLA in 2024
100 MRA Fund Retirees Received a COLA in 2024
JRA/MRA Retirees receive a 2% COLA every 3rd year
VFF Retirees are not eligible for a COLA

Compounding COLA: 2023 - 2026			
2023	2024	2025	2026
0.50%	0.50%	0.63%	0.50%

Proposal 1 – Ad hoc COLA Framework

- In recent years, the COLA has been under 1% and has not kept up with inflationary pressures.

- Using a *one-time appropriation of $250 million*, PERA could provide a *1.5% compounding COLA* to retirees for the next *7 years*.

- PERA would provide the current COLA required by statute and draw down from the appropriation to increase that COLA to 1.5%. (Ex: .75% Standard COLA + .75% Ad hoc COLA = 1.5%)

- The Legislature may decide to continue to fund additional COLAs after the conclusion of the 7 years.

State General	$100 million	Municipal General	$77 million
State Public Safety	$13 million	Municipal Police	$38 million
		Municipal Fire	$22 million
State Total	*$113 million*	*Municipal Total*	*$137 million*

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Ad hoc COLA Framework – Alternatives Discussed

- *Alternative uses of $250 million appropriation:*

- *Seven years of 13th checks* for all eligible COLA recipients, equal to 2% of member's annual benefit. Assumes current COLA model remains in effect.

- *Two years of guaranteed 2% compound COLAs* for all eligible COLA recipients, with the current COLA model resuming after the two years.

- *Three years of guaranteed 1.75% compound COLAs* for all eligible COLA recipients, with the current COLA model resuming after the three years.

- *Seven years of guaranteed 1.50% compound COLAs* for all eligible COLA recipients, with the current COLA model resuming after the seven years.

Proposal 2 – Address Fund Solvency

- PERA is currently at a funded status of 65.2% with an amortization period of approximately 50 years.

- A contribution deficiency of approximately $160 million currently exists. This means that PERA should be receiving $160 million more per year to properly fund existing benefits and obtain a 25-year amortization period.

	PE	State General	State Public Safety	Municipal General	Municipal Police	Municipal Fire
Payroll	$ 3,458,970,832	$ 1,459,100,858	$170,947,151	$ 1,304,103,698	$ 302,858,353	$ 221,960,772
Deficiency in Contribution Rate	4.65%	9.96%	-21.75	0.21%	7.69%	11.03%
Dollar Amount Deficiency	$ 160,842,144	$ 145,326,445	N/A	$ 2,738,618	$ 23,289,807	$ 24,482,273
Employer/Employee Rate	17.29%/13.97%	19.24%/10.92%	25.65%/9.07%	12.04%/15.57%	21.00%/19.36%	23.83%/20.95%
Funded Ratio	65.2%	54.1%	120.6%	71.8%	69.0%	54.8%
Amortization Period	50	N/A	0	26 Years	71 Years	N/A

- PERA is proposing to obtain this additional revenue through either a recurring appropriations, a tax distribution, or employer contribution increases.

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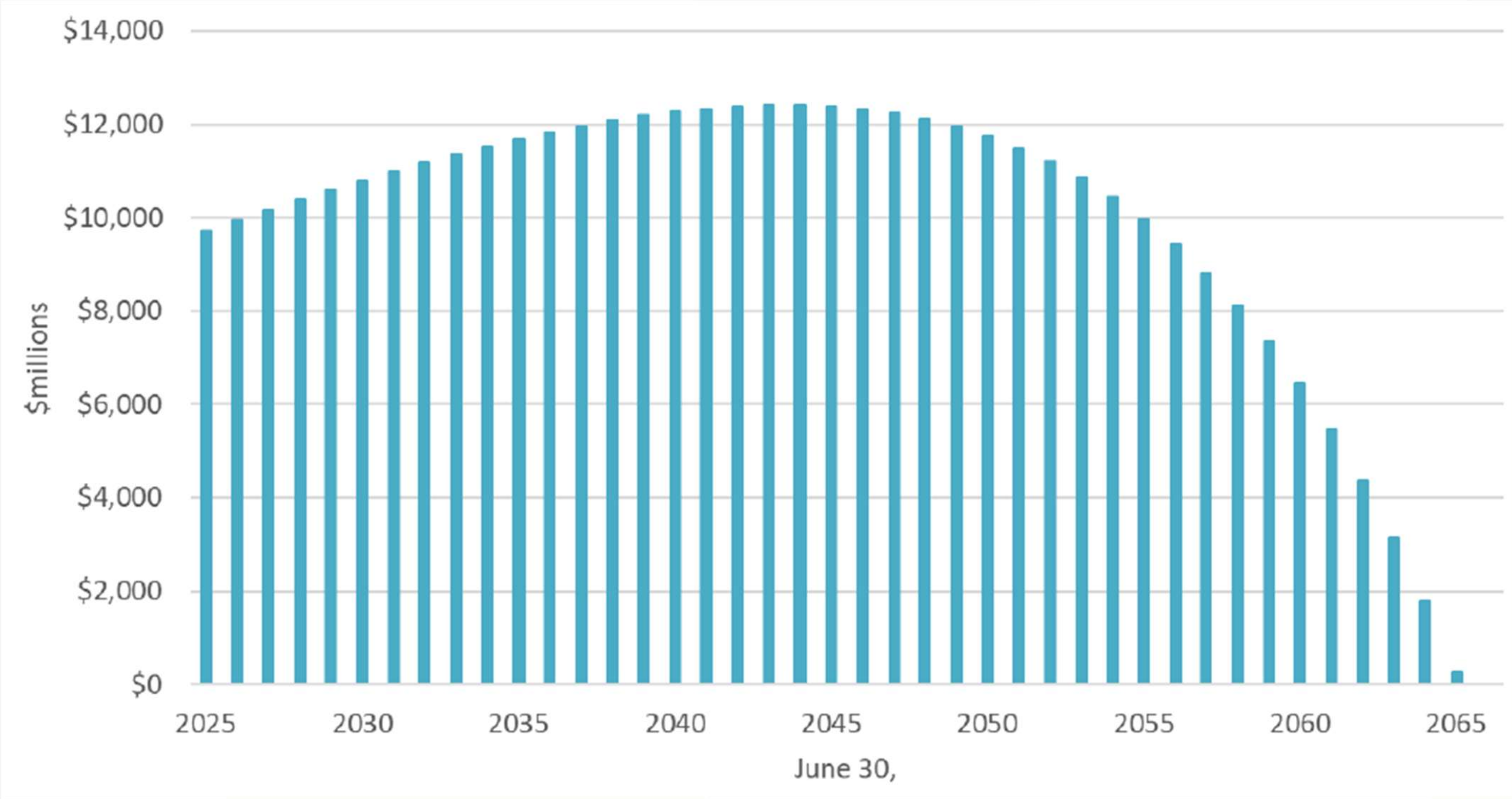
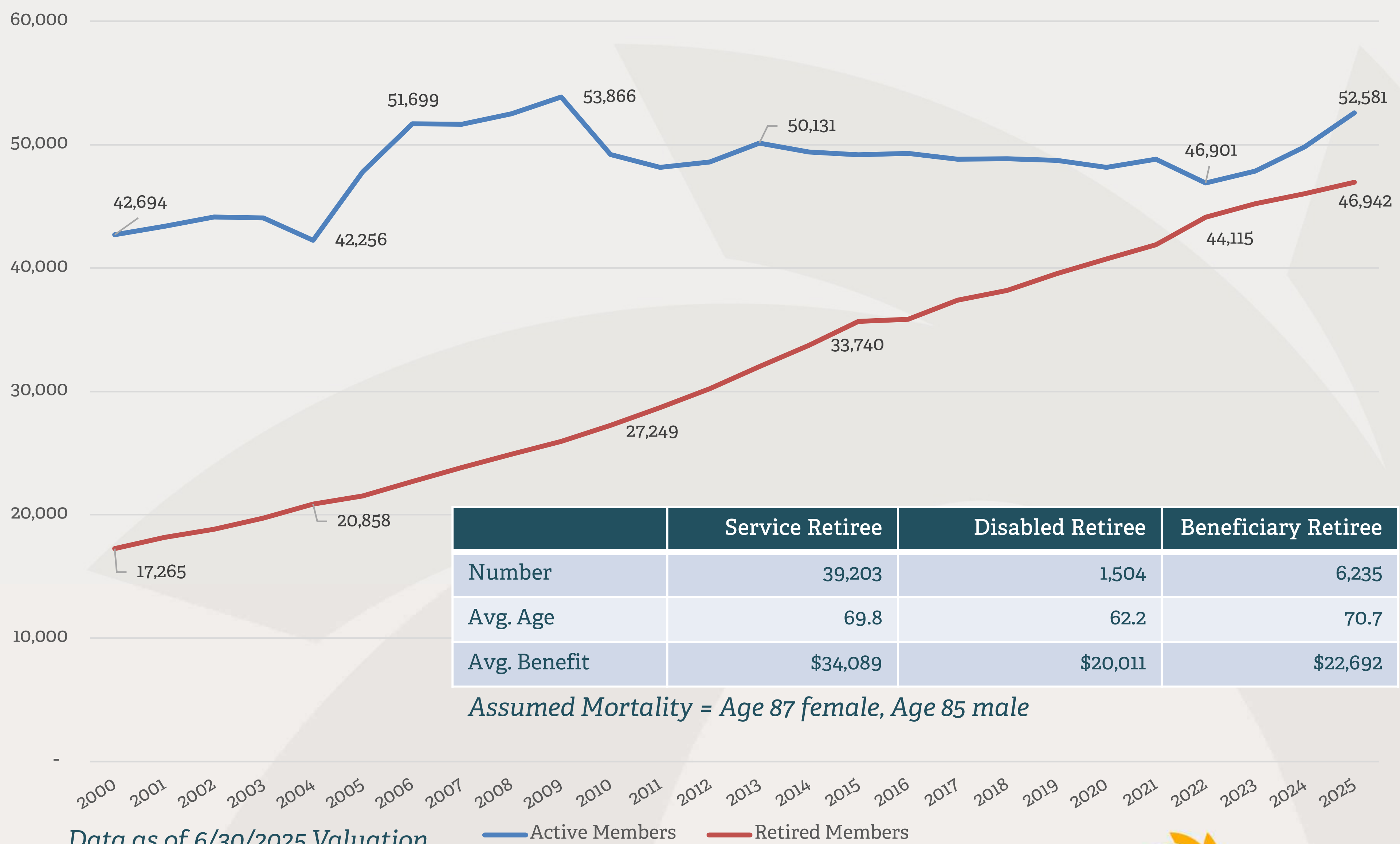
Funded Ratio* For PERA Fund

- Without additional funding to PERA, the unfunded liability is expected to continue to increase.



* Projected funded ratio assumes 7.25% annual investment returns and COLAs equal valuation assumption

Active Members vs: Retired Members



	Service Retiree	Disabled Retiree	Beneficiary Retiree
Number	39,203	1,504	6,235
Avg. Age	69.8	62.2	70.7
Avg. Benefit	$34,089	$20,011	$22,692

Assumed Mortality = Age 87 female, Age 85 male

Data as of 6/30/2025 Valuation

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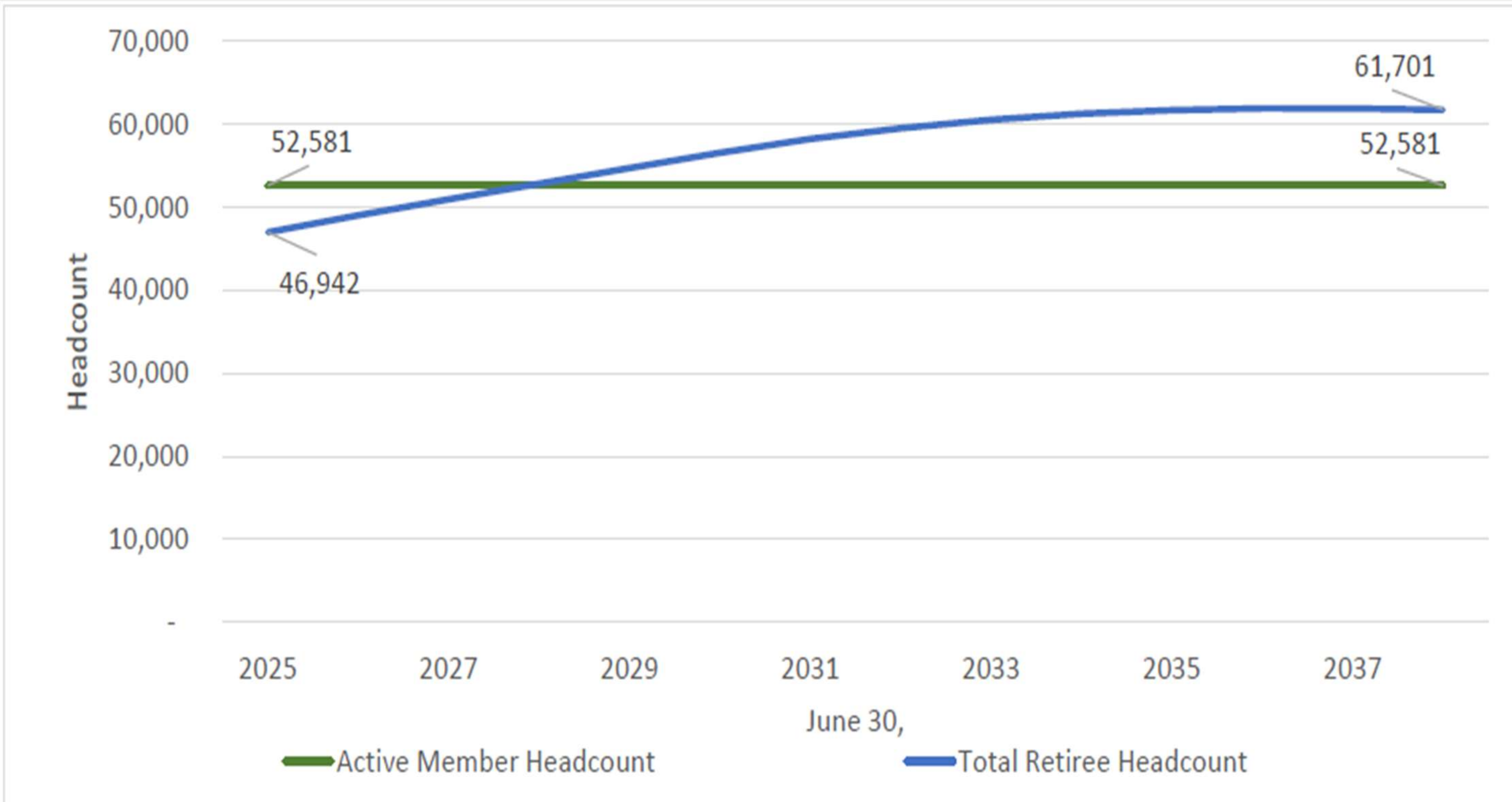
Active vs: Retired - Projections



Data as of 6/30/2025 Valuation

Proposal 3 – Tax Relief for Pension Recipients

- During the 1990s, a tax exemption existed for PERA retirees. The US and New Mexico Supreme Courts ruled on a related tax exemption issue and found that an exemption for in-state pensioners *must also apply to federal pensioners to be constitutional.* The exemption was ultimately repealed rather than expanded.

- PERA is proposing to revisit this issue. Tax relief could be provided through a tax credit or through an exemption.

- This proposal would include PERA and ERB retirees and individuals receiving a federal pension.

- This could help alleviate the monetary pressures felt by retirees within New Mexico.

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Proposal 4 – Expand Automatic COLAs

- Senate Bill 72 provided an exemption from the current COLA model for certain retirees. The following retirees receive an automatic 2.5% compounding COLA:
  - Normal Retiree + 25-Year Career + Annual Pension under $25,000
  - Disability Retiree + 25-Year Career + Annual Pension under $25,000
  - Age 75 or older as of July 1, 2020

- PERA is proposing to increase the income threshold from $25,000 to recognize the change in the economic value of those retirement benefits. This would result in more retirees receiving an increased automatic COLA

- To account for this increase in benefits paid and to remain cost-neutral, the current 2.5% COLA would revert to the 2% COLA provided prior to SB 72.

- No change is proposed to the "Age 75 or older as of July 1, 2020" threshold.

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Activity in Other States

- Connecticut State Pensions Systems has received more than $11 billion in excess revenues over the last 7 fiscal years.
  - Connecticut State Employees Retirement System is ***61.50%*** funded compared to ***35.8%*** in 2020.
  - Connecticut State Teachers Retirement System is ***63.7%*** funded compared to ***51.2%*** in 2020.
  - The payments are estimated to save the state more than $18 billion in debt payments by 2049.

- Colorado and Michigan allows a pension/annuity subtraction for taxpayers who are at least 55 years of age.

- Louisiana, Massachusetts, and New York also have carve outs for their public sector plans.

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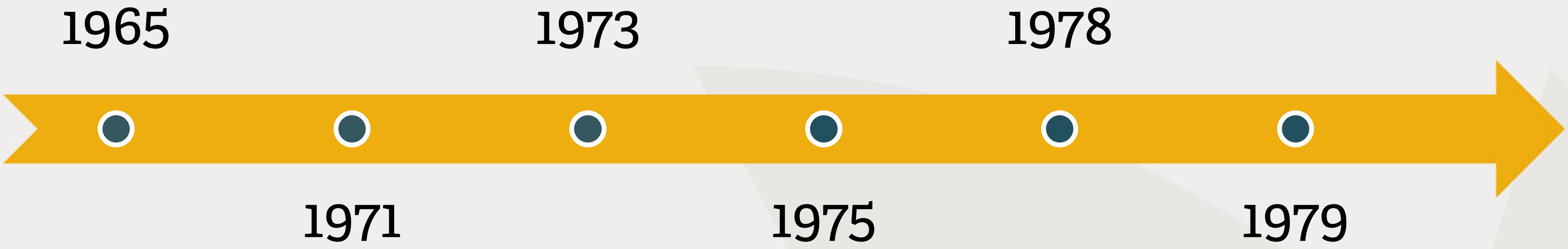
History of COLA – Part I



1965	1971	1973	1975	1978	1979
First COLA awarded effective July 1, 1965 2% per year on base pension.	COLA increased to 2.3% less any amounts received in prior years of 2% adjustments.	Authorized COLAs between 0.25% and 6% based on member's retirement date, effective July 1, 1973.	Authorized COLAs of 6% for all annuities, effective July 1, 1975. Minimum adjustment $10 and maximum $25 per month.	Authorized COLAs ranging from 3% to 10% with adjustment caps for one year only, based on retiree's retirement date.	Permanent COLA tied to the Consumer Price Index (CPI), maximum 2% per year, not compounded, 5-year deferral to receive COLA.

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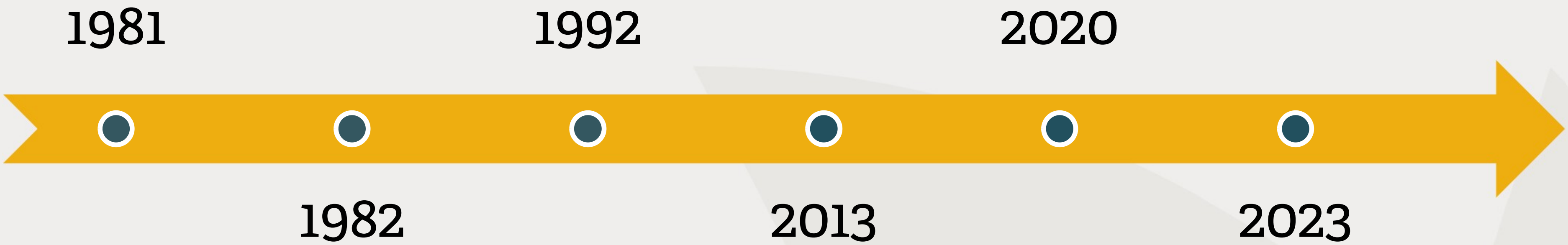
History of COLA – Part II



1981	1982	1992	2013	2020	2023
Ad hoc COLA of $1.00 per month for every year of service credit and $1.00 per month for every year retired; Applicable to all members retired as of July 1, 1980	Permanent COLA tied to the Consumer Price Index (CPI), maximum 3% per year, compounded, 2-year deferral to receive COLA.	3% compounded annually.	2% compounded annually; Pension reform tied to SB27 affected all future, current and retired members of PERA.	SB72 enacted a 2% non-compounding, additional payment (13th check) for FY21, FY22, and FY23.	SB72 enacted a profit-share COLA based on PERA's funded status and investment returns.

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1990s – Benefit Increases and Constitutional Amendment

- The 1990s saw increases to the benefits of both active employees and retirees.
- The COLA was increased to an automatic 3% compounding COLA.
- Plan multipliers were increased with retroactive increases for active members.
- Partly in response to these changes, the New Mexico Constitution was amended to both protect the funds as independent trust funds and to prohibit the legislature from passing any law that increases benefits without proper funding. (Article 20, Section 22)
- Due to this Constitutional Amendment, any increase to the COLA must be properly funded by the Legislature.

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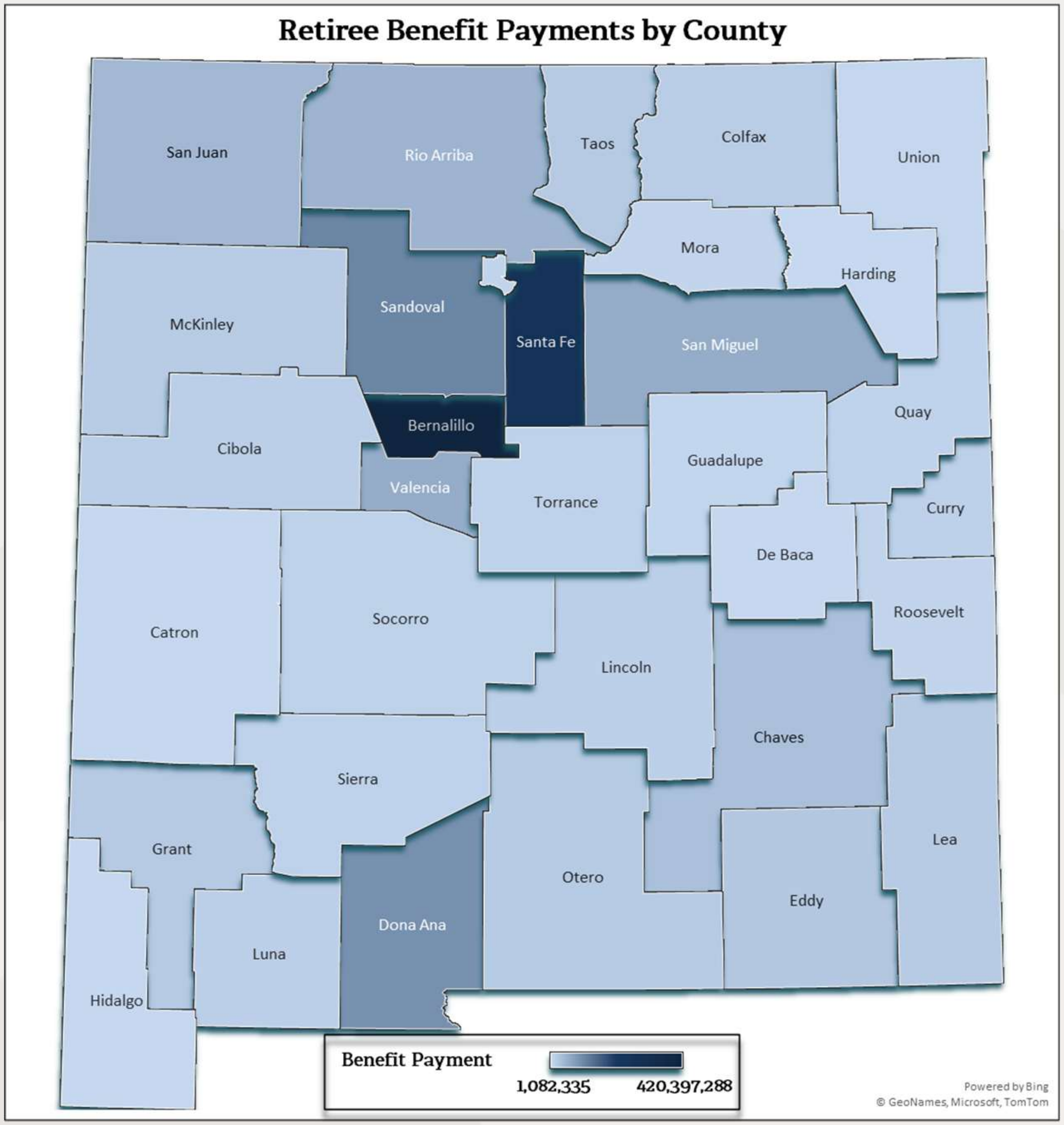
PERA's Economic Force in New Mexico

NM PERA provides financial stability for thousands of New Mexico retirees and their communities. In FY25, PERA paid $1.52 billion in pension benefits 90% went to retirees living in New Mexico.



New Mexico	Benefit Payment
Bernalillo	420,397,288
Santa Fe	250,100,138
Sandoval	108,099,185
Dona Ana	93,718,913
Valencia	57,940,779
San Miguel	57,492,301
Rio Arriba	47,951,079
San Juan	42,872,869
Chaves	33,261,129
Eddy	21,990,893
Taos	20,128,114
Grant	19,468,515
Otero	19,181,896
Lea	18,129,682
Mckinley	17,601,159
Colfax	15,837,905
Cibola	13,271,978
Lincoln	12,212,893
Luna	12,034,600
Curry	10,538,162
Socorro	10,072,836
Sierra	9,591,302
Torrance	9,238,320
Quay	7,571,241
Los Alamos	5,989,890
Mora	5,822,364
Roosevelt	5,641,449
Guadalupe	4,764,122
Union	3,065,078
Hidalgo	2,201,740
Catron	2,111,548
De Baca	1,922,343
Harding	1,082,335
Total NM Benefits	1,361,304,046