Public Employees Retirement Association of New Mexico – 2026 Board Retreat

PERA – Past, Present, and Future

July 28, 2026

GRS

Key Actuarial Valuation Results from 2019 and 2025 Valuations

	2019 Valuation	**2025 Valuation**
Unfunded Liability	$6.7 billion	$9.7 billion
Funded Ratio	69.9%	65.2%
Member Contribution	12.01%	13.97%
Employer Contribution	15.12%	17.29%
Amortization Period	Infinite	41 years

GRS

Significant Legislative Changes

Senate Bill 72 (2020 Legislative Session)

- Froze COLAs for three years
  - Replaced with one-time payment equal to 2% of annual benefit
- Beginning July 1, 2023, profit sharing COLA implemented to replace 2% COLA
  - Minimum COLA of 0.5% and a maximum of 3% tied to funding levels and investment performance
  - Eliminated 7-year delay to COLA payment and reinstated 2-calendar-year eligibility
- Maintained 2.5% grandfathered COLA for retirees with pensions below $25,000 who have worked 25 years or receiving disability retirement
  - Members age 75 or older on 7/1/2020 are grandfathered into a permanent 2.5% COLA
- Increased employee and employer contributions by 4% (2% employee, 2% employer)
  - 1% increase per year for 4 years
  - Did not apply to State Police/Adult Correctional Officers Division

GRS

Significant Legislative Changes

Senate Bill 90 (2021 Legislative Session)

- Included overtime pay required for regular scheduled tour of duty in the definition of salary for Municipal Fire plans
- Increased employee contribution rates for Municipal Fire plans by an additional 1.5% of pay

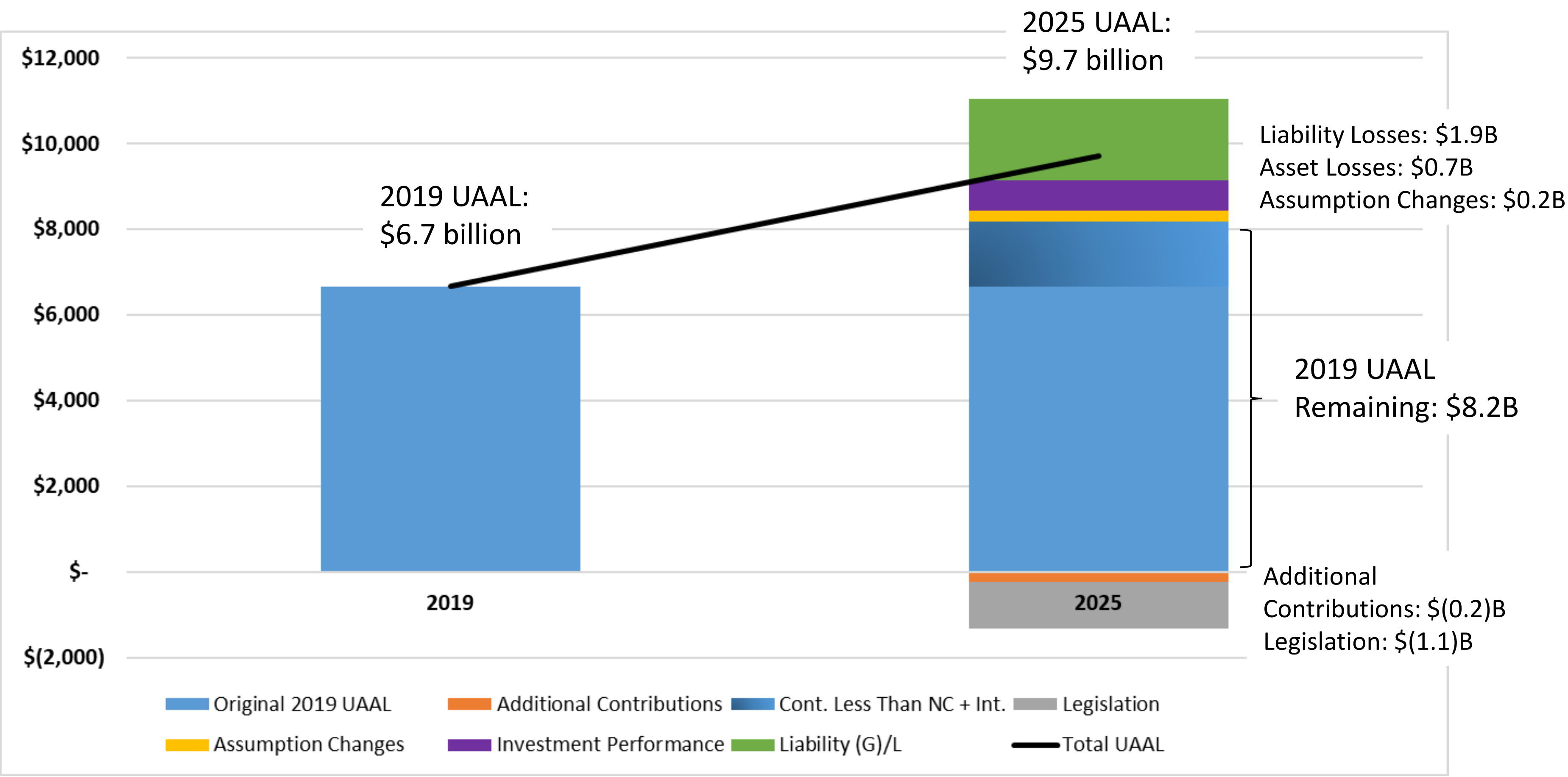
House Bill 106 (2023 Legislative Session)

- Increased the maximum pension benefit from 90% to 100% of final average salary

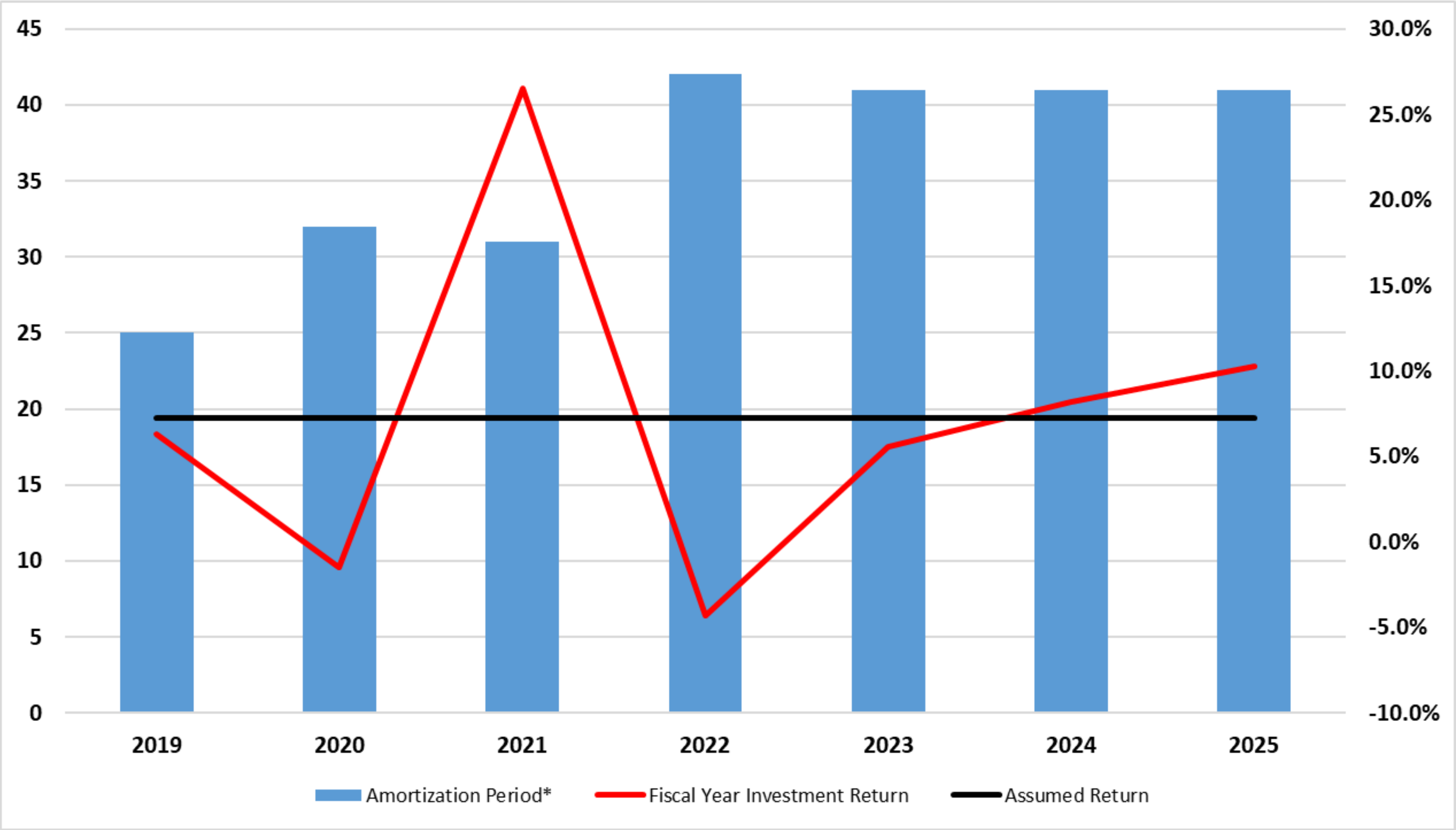
Senate Bill 145 (2023 Legislative Session)

- Provided the 20% enhanced service credit to certain state police members who had not previously been eligible

Despite decreases from legislative changes, unfunded liability has increased due to demographic and investment experience and contributions less than normal cost plus interest on the UAAL



Amortization period has increased from original projections due to recent market volatility. Demographic experience has been partially offset by payroll growth



* Estimated amortization period, assuming smoothed value of assets earn 7.25% each year and normal cost rate decreases as Tier 2 members replace Tier 1 members

What if SB 72 never passed?

- Unfunded liability would be projected to be more than $1 billion greater as of June 30, 2025
  - Higher projected benefits from COLAs
  - Lower projected assets from reduced contributions
- Without the contribution rate increases, assets not expected to keep up with growing liabilities

Historical Cash Flow

- Increases in payroll and contribution rates have increased contributions significantly over the past five years

Fiscal Year Ending	Change in Contributions	Contributions	Benefits & Expenses	Cash Flow	Cash Flow (% of Assets)
2021		$689	$1,368	-$679	-3.8%
2022	↑ 5.2%	$725	$1,441	-$716	-4.4%
2023	↑ 14.2%	$828	$1,484	-$656	-4.0%
2024	↑ 14.7%	$950	$1,514	-$564	-3.2%
2025	↑ 11.8%	$1,062	$1,571	-$509	-2.7%

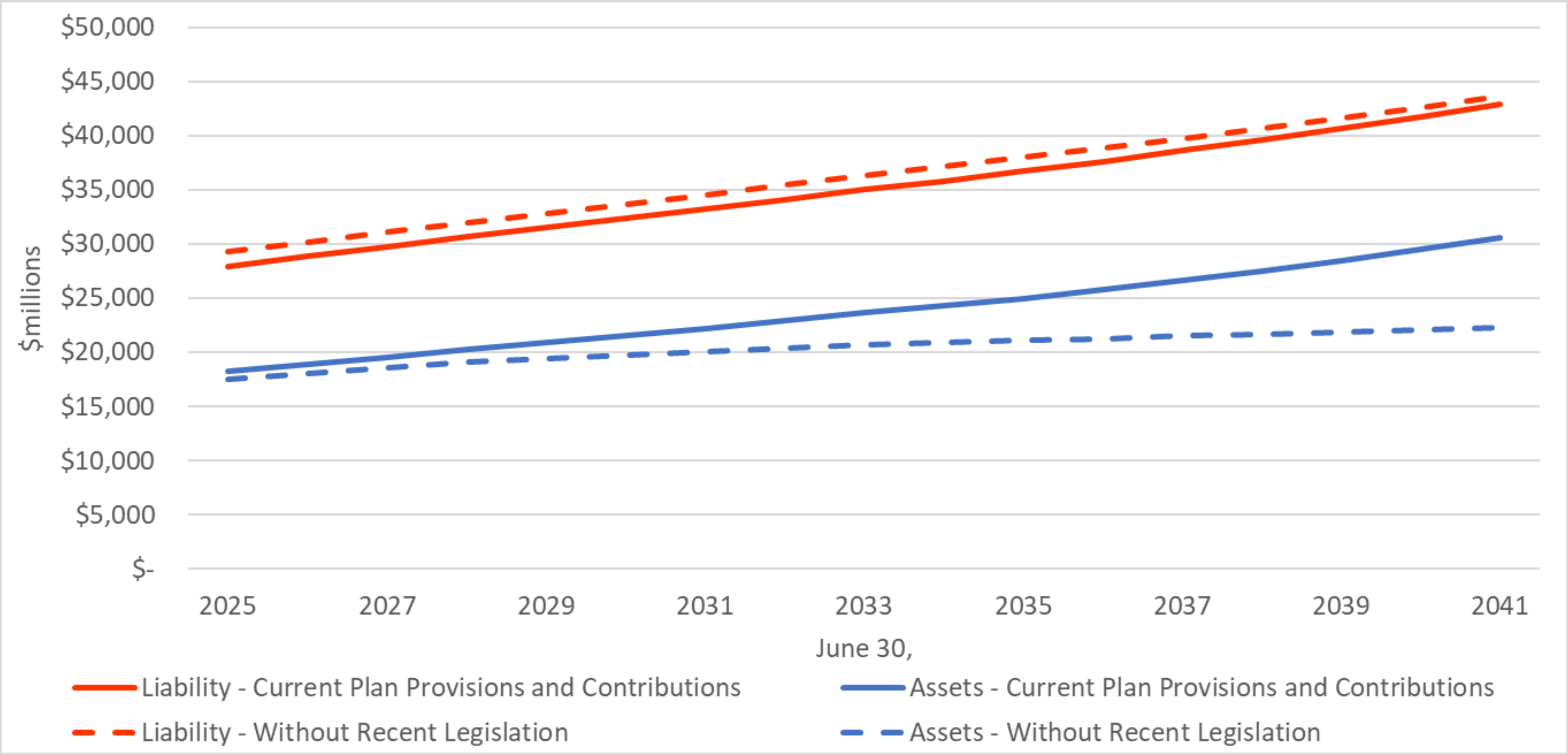
* Amounts in $millions

Historical Cash Flow
What if SB 72 never passed?

	Actual Cash Flow		Estimated Cash Flow without Legislative Changes	
Fiscal Year Ending	Cash Flow	Cash Flow (% of Assets)	Cash Flow	Cash Flow (% of Assets)
2021	-$679	-3.8%	-$691	-3.9%
2022	-$716	-4.4%	-$752	-4.6%
2023	-$656	-4.0%	-$765	-4.7%
2024	-$564	-3.2%	-$750	-4.4%
2025	-$509	-2.7%	-$737	-4.1%

* Amounts in $millions

Looking forward – What if SB 72 never passed?

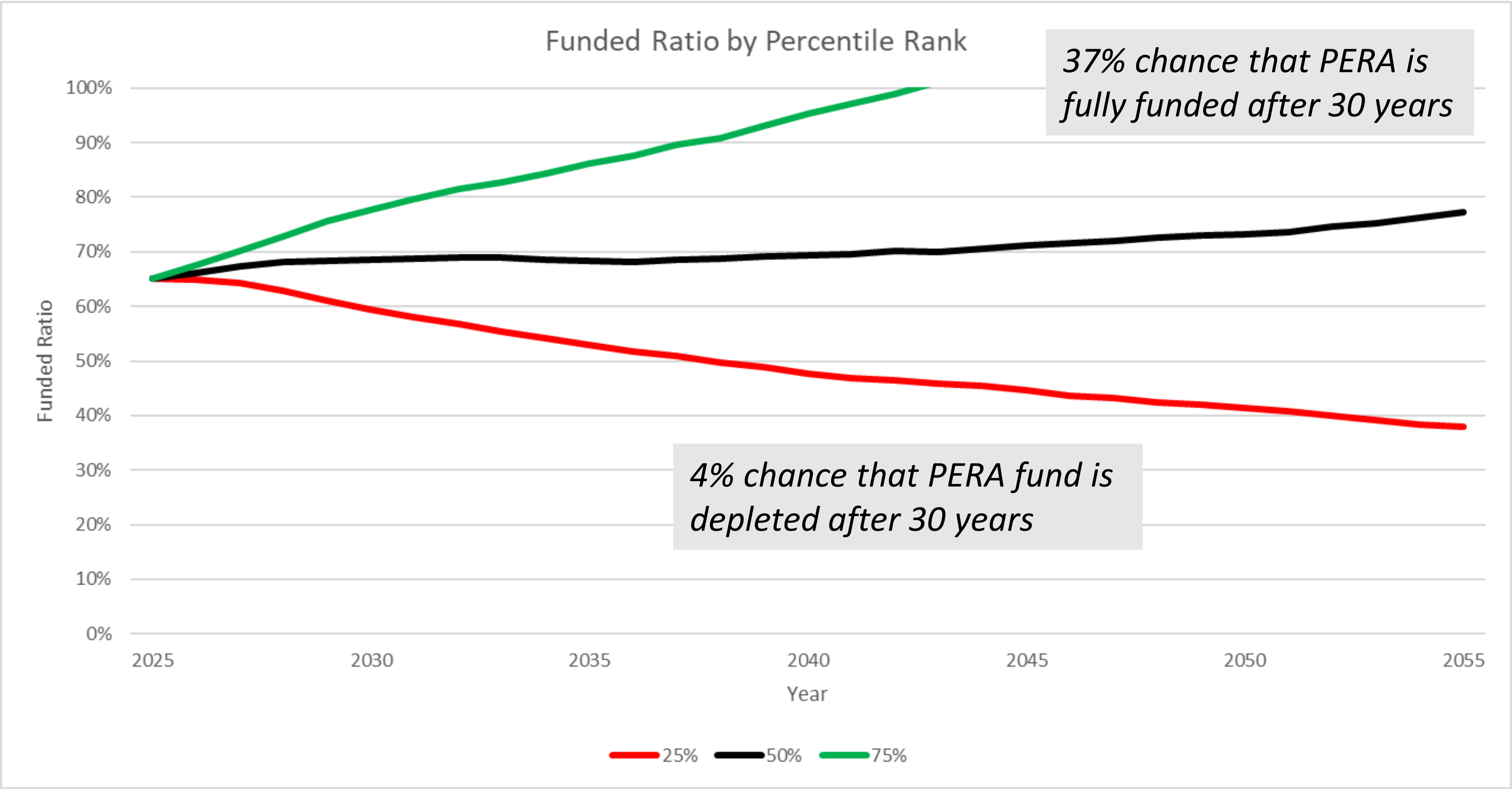


Investment volatility: actual future funding levels will depend on actual plan experience

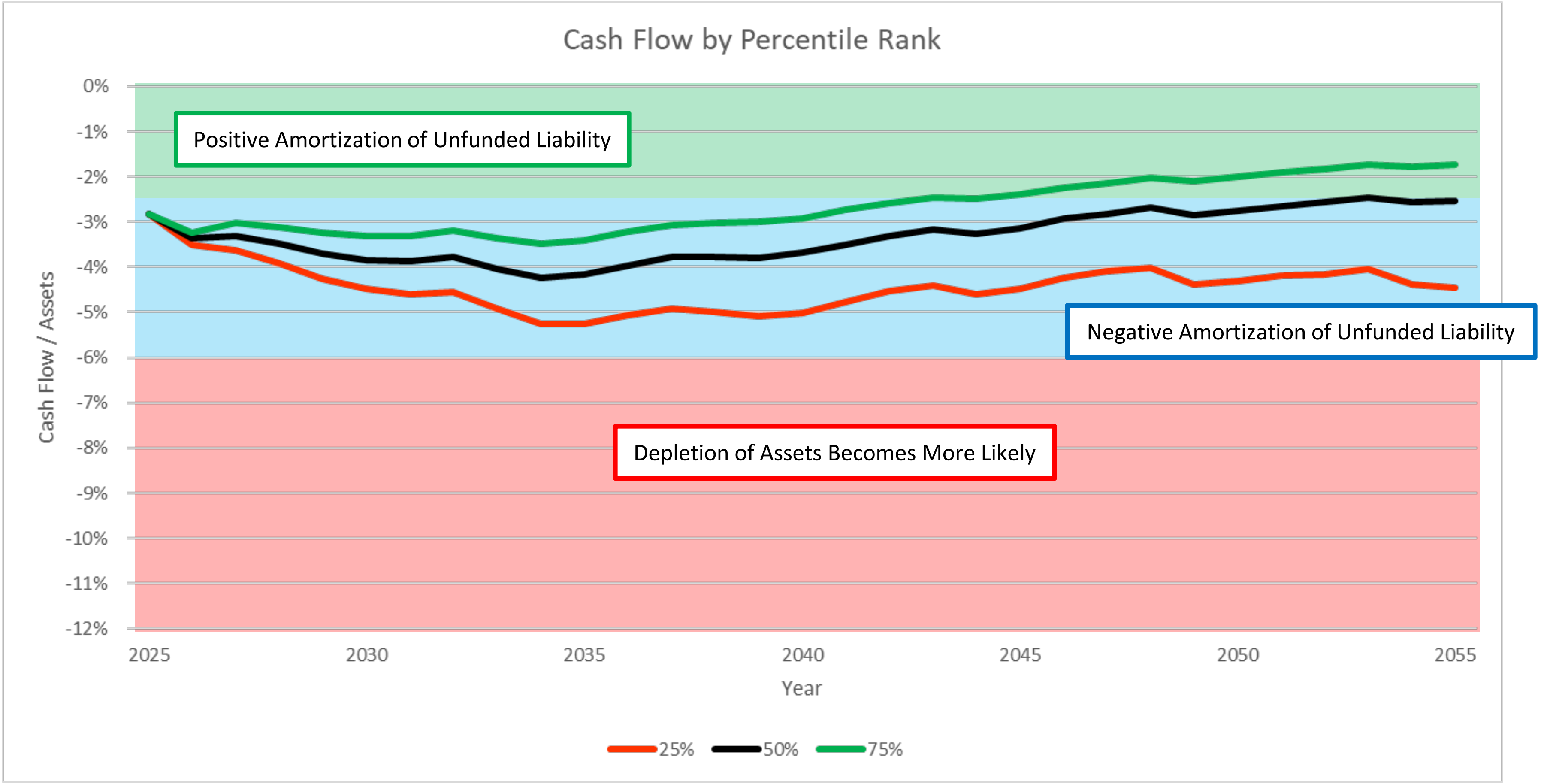
- Future contribution rates are fixed so they do not adjust for actual experience
- Purpose of Stochastic Projections
  - Establishes probability ranges (e.g. 25%, 50%, 75%) of possible financial outcomes related to investment volatility
- Future investment returns were developed using a Monte Carlo simulation based on 5,000 different investment return scenarios
  - Stochastic returns based on 7.66% return and 12.70% standard deviation
  - This results in a median return of 6.92%
- COLAs paid based upon current profit sharing formula

GRS

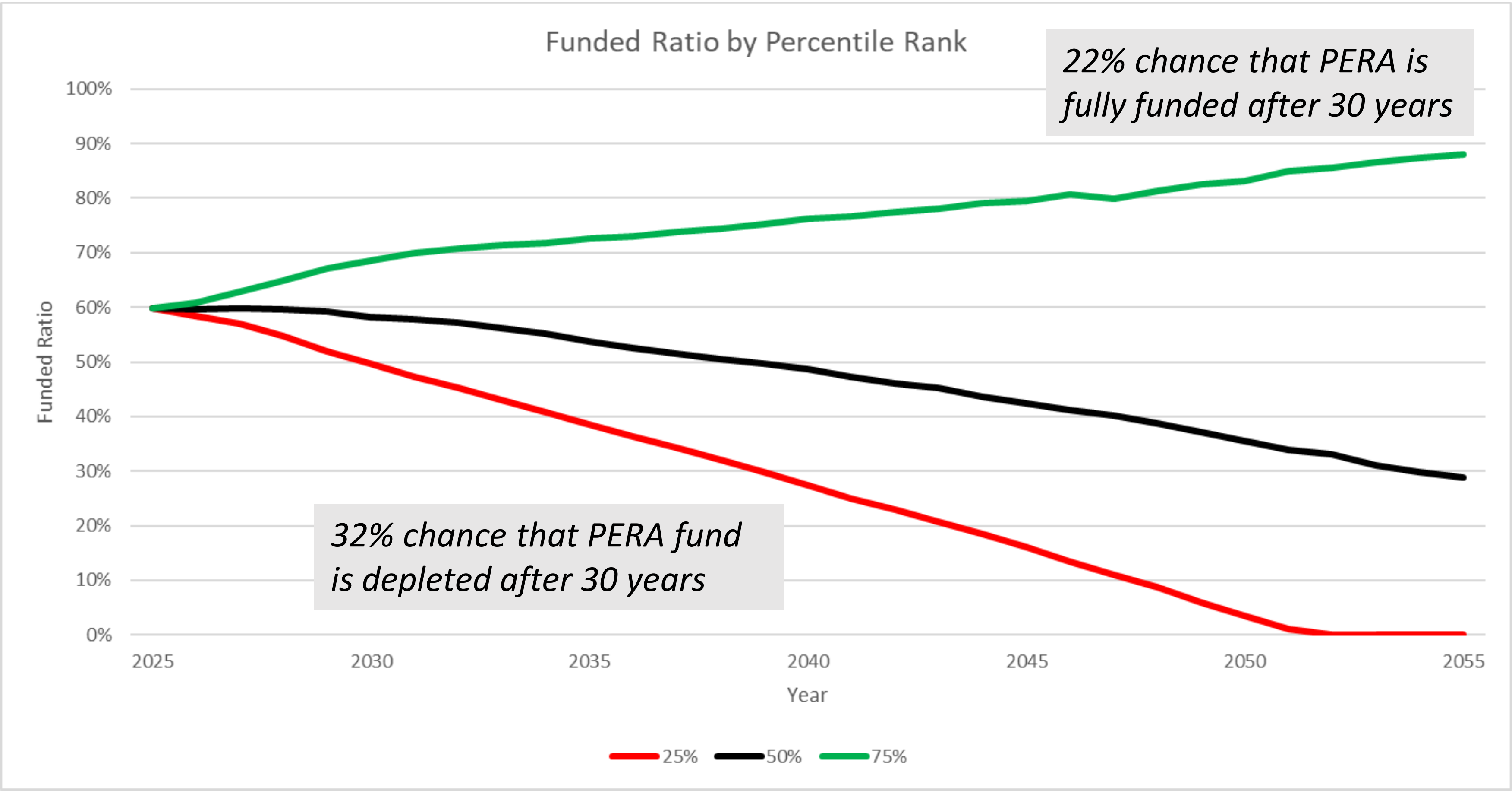
Investment Volatility: Projected Funded Ratio under Current Provisions and Contributions



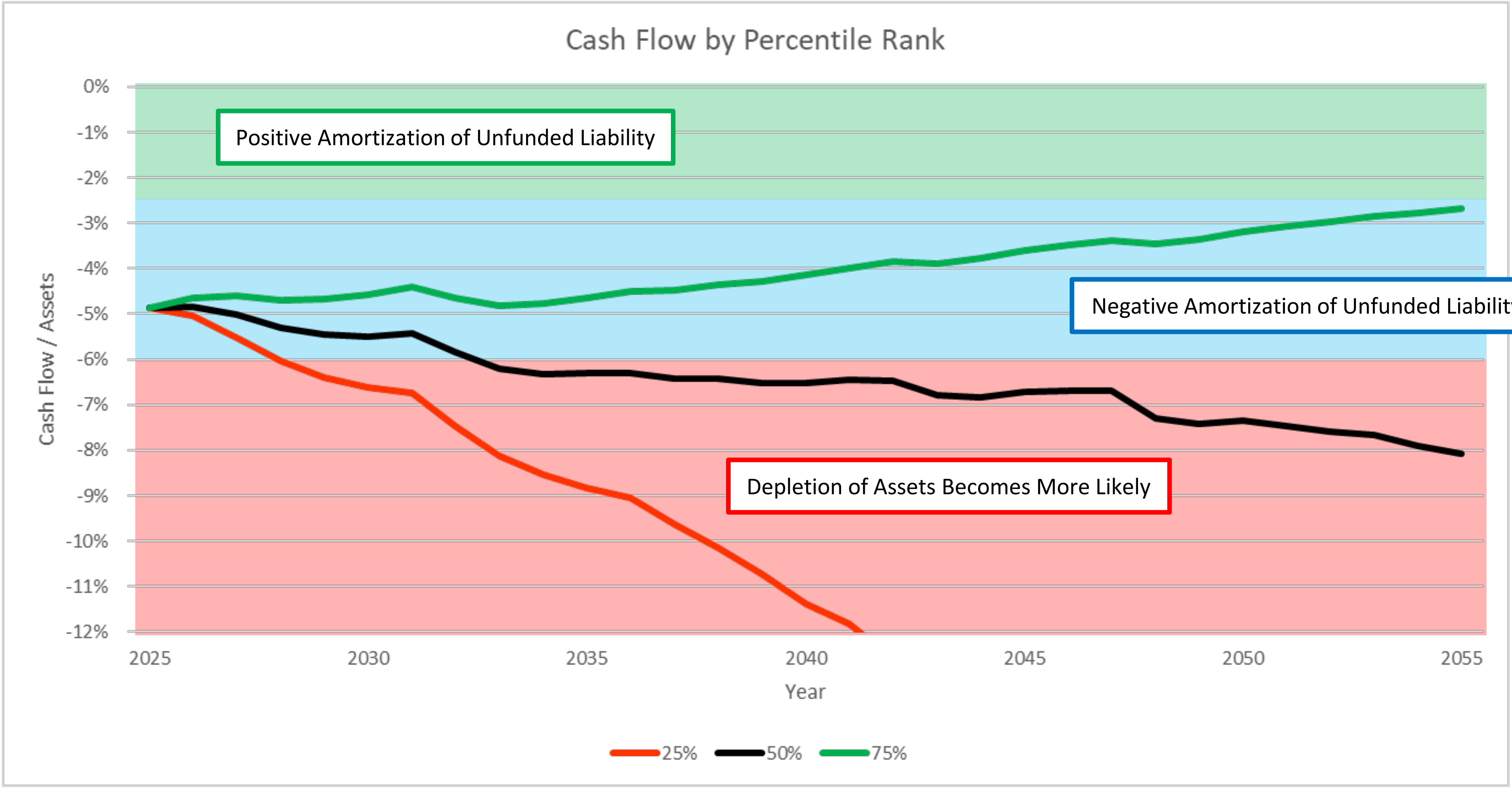
Investment Volatility: Projected Cash Flow under Current Provisions and Contributions



Investment Volatility: Projected Funded Ratio
What if SB 72 never passed?



Investment Volatility: Projected Cash Flow
What if SB 72 never passed?



QUESTIONS