

LFC Requester:	Joseph Simon
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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

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(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: January 22, 2026 Check all that apply:
Bill Number: HB 40 Original Correction
Amendment Substitute

Sponsor: <u>Cynthia Borrego</u>	Agency Name and Code Number:	NM Educational Retirement Board - 35200
Short Title: <u>Temporary ERB Member Payment</u>	Person Writing	<u>Jacob Maule</u>
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
0	\$65,500.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	\$65,500.0	0	\$65,500.0	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: House Bill 40 amends the Educational Retirement Act (ERA) to provide

Educational Retirement Board (ERB) retirees and eligible beneficiaries receiving an annuity payment with a non-compounding disbursement in fiscal years 2027 and 2028. The bill proposes providing supplemental payments equal to 2 percent of retirees or eligible beneficiaries annual payment.

FISCAL IMPLICATIONS

HB40 appropriates \$65.5 million from the general fund to ERB for expenditure in fiscal years 2027 and 2028 to support supplemental payments to retirees and eligible retirees in each of the respective fiscal years.

SIGNIFICANT ISSUES

Net Pension Liability. ERB's current fiscal year net pension liability (NPL) of \$8,538,499,035 measured based the total pension liability, less the Plan's fiduciary net position as of June 30, 2025.

Funded Ratio. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from 64.8% as of June 30, 2024 to 67.8% as of June 30, 2025. This increase was primarily due to better than assumed asset experience and expected improvement based on the current funding policy.

Age and Service Benefits. Age and service benefits paid in fiscal year 2025, including disability and death benefit payments, totaled \$1,437 million, a 4.1% increase over the prior year's net benefit payments. The increase in payments is attributable to the growth in the retiree population by 1.9% from 55,706 in fiscal year 2024 to 56,764 in fiscal year 2025 and mirrors the consistent, through modest, annual growth in the total retiree population.

Membership. Active, retired, and inactive membership totaled 173,890 as of June 30, 2025. The following schedule shows the number of members by category. A breakdown plan membership by status as of June 30, 2025 follows:

Schedule of Plan Membership

Membership Status	2025
Active Working Members	64,274
Retirees and Beneficiaries Currently Receiving Benefits	56,764
Inactive Members, Vested	13,073
Inactive Members, Nonvested	39,779
Total	173,890

Cost of Living Adjustment (COLA). All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1. The year a member retires, or 2. The year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3 and Tier 4).

Membership Tiers	
Tier	Membership is Comprised of:
1	Employees who became members prior to July 1, 2010
2	Employees who became members on or after July 1, 2010, but prior to July 1, 2013
3	Employees who became members on or after July 1, 2013, but prior to July 1, 2019
4	Employees who became members on or after July 1, 2019

As of July 1, 2023, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

ADMINISTRATIVE IMPLICATIONS

Minimal.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill is related to House Bill 41, which provides a similar additional payment for eligible PERA retirees.