

LFC Requester:

Simon, Joseph

**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:** 2/4/26 *Check all that apply:*  
**Bill Number:** HB 242 Original  Correction   
Amendment  Substitute

Representative Alan T. Martinez  
Representative Cynthia Borrego  
Representative Joseph L. Sanchez

**Agency Name and Code Number:** 366-PERA

**Sponsor:** Representative Tara L. Lujan  
**Short Title:** COST-OF-LIVING ADJUSTMENT FOR RETIREES

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
		\$10,000.00	

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(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:

Effective July 1, 2026, HB 242 amends the Public Employees Retirement Act [NMSA 1978 10-11-118] to increase the pension benefit received by a qualified pension recipient who has attained the age of sixty-five by adding a compounding one and sixty-eight hundredths percent payment each July 1 for Fiscal Years 2027 and 2028. The proposed legislation otherwise maintains the existing Cost-of-Living Adjustment (COLA) structure, which allows for a COLA adjustment of one-half percent or more if the investment rate of return achieves the COLA hurdle rate. If a retiree is over the age of 75, or is a normal or disability retiree with a pension benefit less than \$25,000.00, the COLA is two and one-half percent. 10 million dollars has been appropriated from the General Fund to fund the proposed legislation.

#### **FISCAL IMPLICATIONS**

Because HB 242 changes the current cost-of-living adjustment (COLA) for certain retired members it will have a significant impact on the funding status of the PERA Fund.

This proposed change has a significant impact on the PERA fund, increasing the unfunded liability by more than \$69 million. The \$10 million appropriation provided in the proposed legislation is not sufficient to fund the proposed benefit enhancements. Also, PERA's amortization period would increase to 51 years.

Legislation that provides a temporary compounding COLA may cause an increase in retirements so that members may guarantee the benefit increase provided by this legislation. Encouraging early retirement will likely have a negative impact on the fund.

HB 242 should not have an impact to PERA's operating budget.

#### **SIGNIFICANT ISSUES**

The proposed change has a significant impact on PERA funds, increasing the unfunded liability. The \$10 million appropriation provided in the proposed legislation is not sufficient to fund the proposed enhancements.

#### **PERFORMANCE IMPLICATIONS**

HB 242 will not affect PERA's performance measures.

#### **ADMINISTRATIVE IMPLICATIONS**

PERA will have to make system modifications to its pension administration system to ensure that the benefit payment is changed for retired members who are over the age of 65 and retired prior to July 1, 2026.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 52 and SB 169

## **TECHNICAL ISSUES**

None

## **OTHER SUBSTANTIVE ISSUES**

Article XX, Section 22, of the New Mexico Constitution prohibits the Legislature from enacting any law that increases the benefits paid by PERA unless adequate funding is provided. That section assigns the PERA board the sole and exclusive power to adopt actuarial assumptions, based on recommendations from an independent actuary. If the proposed legislation does not include adequate funding, it is possible that the proposal does not meet the requirements of that section.

## **ALTERNATIVES**

HB 41 sponsored by Representative Cynthia Borrego provides a temporary 2% lump sum non-compounding payment to eligible retired members and provides an appropriation that is sufficient to fund it. This approach can provide eligible retired members with temporary relief without negatively affecting PERA funded ratio or amortization period. The payments will be in addition to any compounding COLA members are eligible for.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

PERA's qualified pension recipients would continue to receive a yearly COLA based on the current COLA structure.

## **AMENDMENTS**

None.