

LFC Requester: _____

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION
WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
(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: 1/28/2026 *Check all that apply:*
Bill Number: S52-341 Original Correction
 Amendment Substitute

Sponsor: Sen. Padilla **Agency Name and Code Number:** DFA-341
Sen. Wirth
Short Title: PERA COST-OF-LIVING ADJUSTMENTS **Person Writing Analysis:** George Hypolite, Ashley Leach
 (505) 490-2840 george.hypolite@dfa.nm.gov
Phone: (505)629-745 **Email:** Ashley.Leach@dfa.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)0

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

0

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected

Total						
--------------	--	--	--	--	--	--

(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:

Senate Bill 52 (SB52) proposes changes to the Public Employees Retirement Act regarding cost-of-living adjustments (COLAs) for qualified pension recipients. SB52 aims to align public employee pension COLAs with those determined by the federal Social Security Administration, so that retired public employees and their beneficiaries receive adjustments that reflect inflation and changes in the cost of living.

Key Provisions:

- Repeal and Reenactment of § 10-11-118, NMSA 1978:
 - SB52 repeals the existing §10-11-118, NMSA 1978, and enacts a new section that establishes updated guidelines for cost-of-living adjustments for qualified pension recipients.
- Definition of Qualified Pension Recipients:
 - SB52 defines "qualified pension recipients" as:
 - Normal retired members who have been retired for at least two full calendar years before July 1 of the adjustment year.
 - Normal retired members aged 65 or older who have been retired for at least one full calendar year before July 1 of the adjustment year.
 - Disability-retired members who have been retired for at least one full calendar year before July 1 of the adjustment year.
 - Survivor beneficiaries who have received survivor pensions for at least two full calendar years.
 - Survivor beneficiaries of deceased retired members who would have been retired for at least two full calendar years before July 1 of the adjustment year.
- Eligibility for Cost-of-Living Adjustments:
 - Qualified pension recipients are eligible for annual cost-of-living adjustments (COLAs).
- COLA Determination:

- Effective January 1, 2027, and annually thereafter, the retirement board will certify the Social Security and Supplemental Security Income COLA for the calendar year as determined by the federal Social Security Administration.
- Beginning July 1, 2027, and annually thereafter, the COLA for qualified pension recipients will be set at the certified Social Security and Supplemental Security Income COLA. The increase will be calculated by multiplying the pension amount (including prior adjustments) by the certified COLA percentage.
- Option to Decline COLA:
 - Qualified pension recipients may decline the COLA by giving the association at least 30 days' written notice before the adjustment takes effect.
- Appropriation:
 - SB52 appropriates \$50 million from the general fund to the Public Employees Retirement Association for fiscal year 2027 and subsequent fiscal years supplement the cost of COLAs. Any unspent funds at the end of a fiscal year will not revert to the general fund.
- Effective Date:
 - The provisions of the bill will take effect on December 1, 2026.

FISCAL IMPLICATIONS

SB52 allocates \$50 million in general fund funding and establishes a recurring obligation to provide annual COLAs to qualified pension recipients. While SB52 aims to ensure fairness and stability for retirees, actuarial analysis by PERA shows that the bill will increase the unfunded liability from \$2.8 billion to \$12.6 billion.

- Appropriation of \$50 Million: SB52 allocates \$50 million from the general fund to the Public Employees Retirement Association (PERA) for fiscal year 2027 and subsequent fiscal years. Any unspent funds at the end of a fiscal year will not revert to the general fund, remaining available to PERA for future use to meet COLA obligations. PERA's actuarial analysis indicates that the appropriation is insufficient to fund the proposed COLA enhancements.
 - Impact on PERA Fund Solvency: According to PERA's actuarial analysis, the \$50M annual appropriation is insufficient to fund the proposed COLA enhancements. This is estimated to increase the unfunded liability from \$2.8B to \$12.6B and reduce the funded ratio from 65.2% to 59.2%
- Long-Term Financial Commitment: SB52 imposes an ongoing obligation to provide annual COLAs to qualified pension recipients using the Social Security Administration's COLA rates. This will increase the unfunded liability and reduce the funded ratio.
- Impact on State Budget: The \$50 million appropriation may reduce funding available for

other state programs or initiatives. The legislature may need to adjust future budgets to accommodate this recurring expense.

- Potential Savings from Declined COLAs: SB52 allows qualified pension recipients to decline their COLA adjustments. If a significant number of recipients opt out, it could reduce the financial burden on PERA and the general fund. However, the likelihood of recipients opting out remains uncertain.
- Potential for Increased Administrative Costs: The requirement for the retirement board to annually certify the federal COLA rates and implement adjustments may increase administrative costs for PERA. These costs are not explicitly addressed in the bill but could require additional funding.

SIGNIFICANT ISSUES

- The estimated increase in the unfunded liability from \$2.8 Billion to \$12.6 Billion and the reduction in the funded ratio from 65.2% to 59.2%, resulting from SB52, would significantly and negatively impact the state's creditworthiness and fiscal stability. The passage of SB52 would almost certainly result in a credit rating decrease for the state.
- Moody's Ratings just upgraded the state's issuer rating from Aa2 to Aa1. This was the first improvement in the State's credit rating since the early 1990s.
 - The report called out recent legislation for both PERA and ERB and stated that such efforts by the state are viewed very positively.
 - "The state's debt management policies are conservative and recent steps taken to address its unfunded pension liabilities, including reducing return target, COLA adjustments, and mandating increased employer and employee contributions, also evidence proactive fiscal management."
 - The ratings report specifically highlights as a credit strength the state's "Proactive and conservative fiscal, debt and pension management."
 - The report further stated, "New Mexico's leverage (net tax supported debt, pension, OPEB, and other long-term liabilities) will continue to be manageable, supported by the state's proactive approach to addressing pension liabilities, which represent the largest share of the state's long-term liabilities."
- Because SB52's COLA enhancements are estimated to negatively impact fund solvency, it would likely result in a ratings downgrade.
 - Any rise in unfunded pension liabilities or signs that the state is abandoning its proactive approach to managing pension obligations will alter the ratings agency's perception of the state's fiscal, debt, and pension management as proactive and conservative. This change would negate the positive effects and cost savings resulting from the pension reforms enacted by the Legislature in recent years.

PERFORMANCE IMPLICATIONS

N/A.

ADMINISTRATIVE IMPLICATIONS

SB52 introduces new administrative tasks for PERA, including annual certifications, pension adjustments, and fund management, which may increase operational complexity and costs.

- **Annual Certification of COLA Rates:** The retirement board is required to annually certify the Social Security and Supplemental Security Income cost-of-living adjustment (COLA) rates determined by the federal Social Security Administration. This certification must be completed by January 1 each year, starting in 2027.
- **Implementation of COLA Adjustments:** Beginning July 1, 2027, and annually thereafter, PERA must adjust pensions for qualified recipients based on the certified federal COLA rates. This will require administrative processes to calculate and apply the adjustments to individual pensions.
- **Option to Decline COLA Adjustments:** SB52 allows qualified pension recipients to decline their COLA increases by providing written notice to PERA at least 30 days before the adjustment takes effect. PERA will need to establish procedures to manage and process these opt-out requests.
- **Management of Appropriated Funds:** PERA will need to manage the \$50 million appropriation and ensure it is used exclusively for funding COLA adjustments. This includes tracking expenditures and maintaining unspent funds for future obligations.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A.

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

- **Funding COLA increases through annual appropriations instead of through the fixed employer and employee contribution rates weakens the stability of the public pension system's funding structure.** Employer and employee contribution rates are usually fixed and not revised annually, so using legislative appropriations for COLA increases decreases the stability and predictability of future COLA payments.

ALTERNATIVES

N/A.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SB52 is not enacted, the rating agency's confidence in the state's management of its pension liabilities and the credibility of legislative reform efforts, both past and future, would remain intact. The advancements achieved through pension reform would be reinforced, positioning the State to sustain its recently upgraded credit rating.

AMENDMENTS

N/A.