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HOUSE BILL 41

**57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

INTRODUCED BY

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AN ACT

RELATING TO PUBLIC EMPLOYEE PENSIONS; PROVIDING A TEMPORARY,  
ADDITIONAL, NON-COMPOUNDING PAYMENT TO RETIRED MEMBERS UNDER  
THE PUBLIC EMPLOYEES RETIREMENT ACT; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 10-11-118 NMSA 1978 (being Laws 2020,  
Chapter 11, Section 61) is amended to read:

"10-11-118. COST-OF-LIVING ADJUSTMENTS--QUALIFIED PENSION  
RECIPIENT--DECLINING INCREASE.--

A. As used in this section:

(1) "cost-of-living adjustment hurdle rate"  
means the investment rate of return required to fund a cost-of-  
living adjustment in excess of one-half percent, as determined  
by the association's actuaries;

(2) "funded ratio" means the ratio of the  
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1 actuarial value of the assets of the fund to the actuarial  
2 accrued liability of the association for payments from the  
3 fund, as determined by the association's actuaries;

4 (3) "preceding calendar year" means the full  
5 calendar year preceding the July 1 on which pensions are being  
6 adjusted; and

7 (4) "smoothed investment rate of return" means  
8 a calculation made by spreading the difference between the  
9 expected actuarial value in investment income and the actual  
10 market value investment income over a smoothing period, as  
11 determined by the association's actuaries.

12 B. A qualified pension recipient is eligible for a  
13 cost-of-living pension adjustment. A qualified pension  
14 recipient is:

15 (1) a normal retired member who has been  
16 retired for at least two full calendar years from the effective  
17 date of the latest retirement prior to July 1 of the year in  
18 which the pension is being adjusted;

19 (2) a normal retired member who has attained  
20 the age of sixty-five years and has been retired for at least  
21 one full calendar year from the effective date of the member's  
22 latest retirement prior to July 1 of the year in which the  
23 pension is being adjusted;

24 (3) a disability retired member who has been  
25 retired for at least one full calendar year from the effective

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1 date of the latest retirement prior to July 1 of the year in  
2 which the pension is being adjusted;

3 (4) a survivor beneficiary who has received a  
4 survivor pension for at least two full calendar years; or

5 (5) a survivor beneficiary of a deceased  
6 retired member who otherwise would have been retired at least  
7 two full calendar years from the effective date of the latest  
8 retirement prior to July 1 of the year in which the pension is  
9 being adjusted.

10 C. ~~[Except as provided in Subsections F, G and H of~~  
11 ~~this section]~~ During fiscal years ~~[2021, 2022 and 2023]~~ 2027  
12 and 2028, a qualified pension recipient shall receive an  
13 annual, non-compounding, additional payment. The amount of the  
14 payment shall be determined each fiscal year by multiplying the  
15 amount of annual pension payments, inclusive of all cost-of-  
16 living adjustments prior to that fiscal year ~~[2021]~~, by two  
17 percent.

18 D. Beginning May 1, 2023 and no later than each May  
19 1 thereafter, the retirement board shall certify to the  
20 association the:

21 (1) funded ratio as of June 30 of the  
22 preceding calendar year; and

23 (2) smoothed investment rate of return as of  
24 June 30 of the preceding calendar year.

25 E. Except as provided in Subsections F, G and H of  
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1 this section, beginning July 1, 2023 and each July 1  
2 thereafter, immediately following the retirement board's  
3 certification of the funded ratio and smoothed investment rate  
4 of return, the cost-of-living adjustment to a qualified pension  
5 recipient payable pursuant to the Public Employees Retirement  
6 Act shall be determined as an amount equal to the smoothed  
7 investment rate of return on the actuarial value of assets on  
8 June 30 of the preceding calendar year less the cost-of-living  
9 adjustment hurdle rate, as determined by the association's  
10 actuaries, multiplied by the funded ratio on June 30 of the  
11 preceding calendar year or five-tenths percent, whichever is  
12 greater, and subject to the following conditions:

13 (1) if the funded ratio of the fund is less  
14 than one hundred percent on June 30 of the preceding calendar  
15 year, the amount of the adjustment made pursuant to this  
16 subsection shall not exceed three percent;

17 (2) if the funded ratio of the fund is equal  
18 to or greater than one hundred percent on June 30 of the  
19 preceding calendar year, the adjustment made pursuant to this  
20 subsection shall not exceed five percent;

21 (3) notwithstanding the provisions of this  
22 subsection, a qualified pension recipient shall receive a  
23 minimum annual cost-of-living adjustment of five-tenths  
24 percent; and

25 (4) the amount of increase shall be determined

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1 by multiplying the amount of pension, inclusive of all prior  
2 adjustments, by the cost-of-living adjustment as determined by  
3 this subsection.

4 F. For a normal retired member who worked for at  
5 least twenty-five years under one or more applicable coverage  
6 plans and whose annual pension benefit, after all previous  
7 annual cost-of-living adjustments, is equal to an amount not  
8 greater than twenty-five thousand dollars (\$25,000), the  
9 pension benefit shall be increased by two and one-half percent  
10 each July 1. The amount of the increase shall be determined by  
11 multiplying the amount of pension, inclusive of all prior  
12 adjustments, by two and one-half percent.

13 G. For a disability retired member whose annual  
14 pension benefit, after all previous annual cost-of-living  
15 adjustments, is equal to an amount not greater than twenty-five  
16 thousand dollars (\$25,000), the pension benefit shall be  
17 increased by two and one-half percent each July 1. The amount  
18 of the increase shall be determined by multiplying the amount  
19 of pension, inclusive of all prior adjustments, by two and one-  
20 half percent.

21 H. For a normal retired member who has attained the  
22 age of seventy-five years prior to July 1, 2020, the pension  
23 benefit shall be increased by two and one-half percent each  
24 July 1. The amount of the increase shall be determined by  
25 multiplying the amount of pension, inclusive of all prior

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1 adjustments, by two and one-half percent.

2 I. A qualified pension recipient may decline an  
3 increase in a pension by giving the association written notice  
4 of the decision to decline the increase at least thirty days  
5 prior to the date the increase would take effect."

6 SECTION 2. APPROPRIATION.--Seventy million dollars  
7 (\$70,000,000) is appropriated from the general fund to the  
8 public employees retirement association for expenditure in  
9 fiscal year 2027 and subsequent fiscal years to provide  
10 adequate funding to cover the cost of the temporary,  
11 additional, non-compounding payments. Any unexpended balance  
12 remaining at the end of a fiscal year shall not revert to the  
13 general fund.

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