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SENATE MEMORIAL 31

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

INTRODUCED BY

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and Natalie Figueroa and Michael Padilla and Peter Wirth

A MEMORIAL

REQUESTING THE CREATION OF A WORK GROUP TO STUDY THE PUBLIC
EMPLOYEES RETIREMENT ASSOCIATION FUND, POLICIES IMPACTING
BENEFITS AND THE SOLVENCY OF THE FUND AND THE IMPACT OF CHANGES
MADE TO RETIREE COST-OF-LIVING ADJUSTMENTS AND TO MAKE
RECOMMENDATIONS TO IMPROVE FUND SOLVENCY AND EXPLORE THE
POSSIBILITY OF PROVIDING COST-OF-LIVING ADJUSTMENTS TIED TO
INFLATION.

WHEREAS, the long-term stability of the public employees
retirement association fund is necessary to ensure that public
retirees receive their earned pensions; and

WHEREAS, the public employees retirement association
fund's unfunded liability has risen dramatically in recent
years; and

WHEREAS, in the six years since passage of Senate Bill 72

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1 in the 2020 regular legislative session, many public retiree
2 pensions have not kept up with inflation, significantly
3 reducing retiree spending power; and

4 WHEREAS, changes enacted by the legislature in 2020
5 suspended cost-of-living adjustments for three years and
6 altered the methodology of compounding cost-of-living
7 adjustments for approximately thirty thousand current public
8 retirees, shifting their basis from inflation to a statutory
9 formula based on public employees retirement association fund
10 solvency and investment performance; and

11 WHEREAS, although the changes made in 2020 were intended
12 to reduce the public employees retirement association fund's
13 unfunded liability and projections were that retirees would
14 receive average compounding cost-of-living adjustments of one
15 and sixty-four hundredths percent, those projections have not
16 materialized; and

17 WHEREAS, the rise in the public employees retirement
18 association fund's unfunded liability since 2020 suggests the
19 possibility that factors other than cost-of-living adjustments
20 were the cause of the large unfunded liability prior to 2020
21 and that elimination of the cost-of-living adjustments was not
22 an effective solution to the solvency crisis; and

23 WHEREAS, under the current cost-of-living adjustment
24 formula, the value of a public retiree pension when adjusted
25 for inflation may shrink to just over one-half of its 2019

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1 value in another twenty-five years; and

2 WHEREAS, the projected loss in economic activity resulting
3 from the reduced spending power of almost thirty thousand
4 senior citizens across New Mexico could be as high as three
5 hundred million dollars (\$300,000,000) since 2020, and by 2030
6 could exceed one billion dollars (\$1,000,000,000) in lost
7 economic activity and more than fifty million dollars
8 (\$50,000,000) in lost income taxes to the state; and

9 WHEREAS, public employees retirement association actuary
10 reports for the last four years indicate that of the three
11 billion one hundred million dollars (\$3,100,000,000) growth in
12 unfunded liability, six hundred million dollars (\$600,000,000)
13 is primarily the result of investment underperformance and one
14 billion six hundred million dollars (\$1,600,000,000) is the
15 result of higher-than-expected salary increases for active
16 employees; and

17 WHEREAS, fund solvency projections by the public employees
18 retirement association actuary necessary to achieve long-term
19 solvency are based on assumptions of annual three and one-
20 fourth percent salary increases for active employees and that
21 increases above that amount will add to the unfunded liability
22 of the public employees retirement association fund unless
23 accompanied by increased employer contributions to cover the
24 increase in benefits driven by the salary increases; and

25 WHEREAS, the average public employee salary has increased

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1 an average of forty-seven percent since 2019, an average
2 increase of more than nine percent annually, far above the
3 three and one-fourth percent required to achieve public
4 employees retirement association fund solvency;

5 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE STATE
6 OF NEW MEXICO the legislative finance committee be requested to
7 create and staff a work group to study the public employees
8 retirement association fund to examine the impact of cost-of-
9 living adjustment changes on current retirees and consider
10 improvements to restore compounding annual adjustments, to
11 examine fund solvency factors in order to ensure that pensions
12 will be provided to future retirees, to examine the causes of
13 increasing unfunded liability, to examine the impact of fund
14 contributions from employers and employees and to evaluate
15 benefits for and impacts to future retirees; and

16 BE IT FURTHER RESOLVED that the work group be requested to
17 examine formulas for the calculation of benefits, rules and
18 policies governing benefits and incentives for delaying
19 benefits, including consideration of social security
20 incremental pension formulas to determine what changes in
21 retirement program requirements will improve fund solvency
22 without negatively impacting retirees and giving consideration
23 to directing those changes for new hires; and

24 BE IT FURTHER RESOLVED that the work group be requested to
25 study and evaluate the impact of changes to retiree cost-of-

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1 living adjustments since 2019 and consider options to restore
2 cost-of-living adjustments for retirees that are tied more
3 closely to actual cost-of-living changes and that the work
4 group develop recommendations that do not negatively impact the
5 solvency of the public employees retirement association fund or
6 the financial stability of retirees in their retirement years;
7 and

8 BE IT FURTHER RESOLVED that the work group be requested to
9 seek the assistance of an outside entity with expertise in
10 pension funds to independently evaluate issues impacting fund
11 solvency, including investment performance and investment
12 oversight; and

13 BE IT FURTHER RESOLVED that the work group be composed of
14 nine members with demonstrated experience in finance, budget
15 and government policy, including one public employees
16 retirement association retiree appointed by the speaker of the
17 house of representatives, one public employees retirement
18 association retiree appointed by the president pro tempore of
19 the senate, one public employees retirement association retiree
20 appointed by the governor, the chair and vice chair of the
21 appropriate interim legislative committee that oversees
22 investments and pensions or their designees, the chair of the
23 public employees retirement association board, the executive
24 director of the public employees retirement association, an
25 analyst of the department of finance and administration and an

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1 analyst of the legislative finance committee; and

2 BE IT FURTHER RESOLVED that the work group be requested to
3 make its recommendations to the appropriate interim legislative
4 committee that oversees investments and pensions and to the
5 legislative finance committee no later than December 31, 2026;
6 and

7 BE IT FURTHER RESOLVED that copies of this memorial be
8 transmitted to the governor, the legislative finance committee,
9 the executive director of the public employees retirement
10 association and the department of finance and administration.

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