Pensions for 35,000 PERA retirees are not keeping up with inflation

- PERA retirees worked their entire public service careers contributing into their retirement fund, with the expectation of a pension accompanied by a COLA committed to combat inflation, as set in NM state statutes.
- In 2020, SB 72 broke that commitment.
- While Cost-of-Living has increased 26% since 2020, pensions for PERA retirees have increased only 1.6% in the same period.
- In just six years since passage of SB72, approximately 35,000 Public Retirees have lost 20% of their purchasing power, and are on a steep downward income trajectory into the future.
- Restoring compounding COLAs for current PERA retirees is about honoring employer commitments to its public employees; protecting senior citizen retirees as they age; and ensuring the economic health of New Mexico.

Cost of Living Changes 2020-2025

Impact of SB72 to Annual Pension Income
Sample 2019 Income of $45,000
(average pension for full-retirement retiree 25+ years)

	U.S. Cost of Living Change (per US CPI)		PERA Retirees				Active Public Employees** (per LFC change in salary)	
			Regular Retirees @35,000 members in 2025*		Other Retirees @7,000 members in 2025 > age 75 in 2020 ; or pension < $25,000; or disabled < $25,000			
2019 income		**$45,000**		**$45,000**		**$45,000**		**$45,000**
2020	**1.2%**	$45,554	**2% nc**	$45,900	2.5%	$46,125	4.7%	$47,115
2021	**4.7%**	$47,695	**2% nc**	$45,900	2.5%	$47,278	14.3%	$53,852
2022	**8.0%**	$51,510	**2% nc**	$45,900	2.5%	$48,460	4.8%	$56,437
2023	**4.1%**	$53,622	**0.5%**	$45,225	2.5%	$49,672	10.4%	$62,307
2024	**2.9%**	$55,177	**0.5%**	$45,451	2.5%	$50,913	5.9%	$65,983
2025	**2.6%**	$56,612	**0.63%**	$45,737	2.5%	$52,186	5.4%	$69,546
Percent Change 2019 to 2025	**25.8%**	**$11,612**	**1.6%**	**$737**	**16.0%**	**$7,186**	**54.5%**	**$24,546**
Over/Under Cost-of-Living Change			**-24.2%**	-$10,874	**-9.8%**	-$4,425	**28.7%**	$12,934

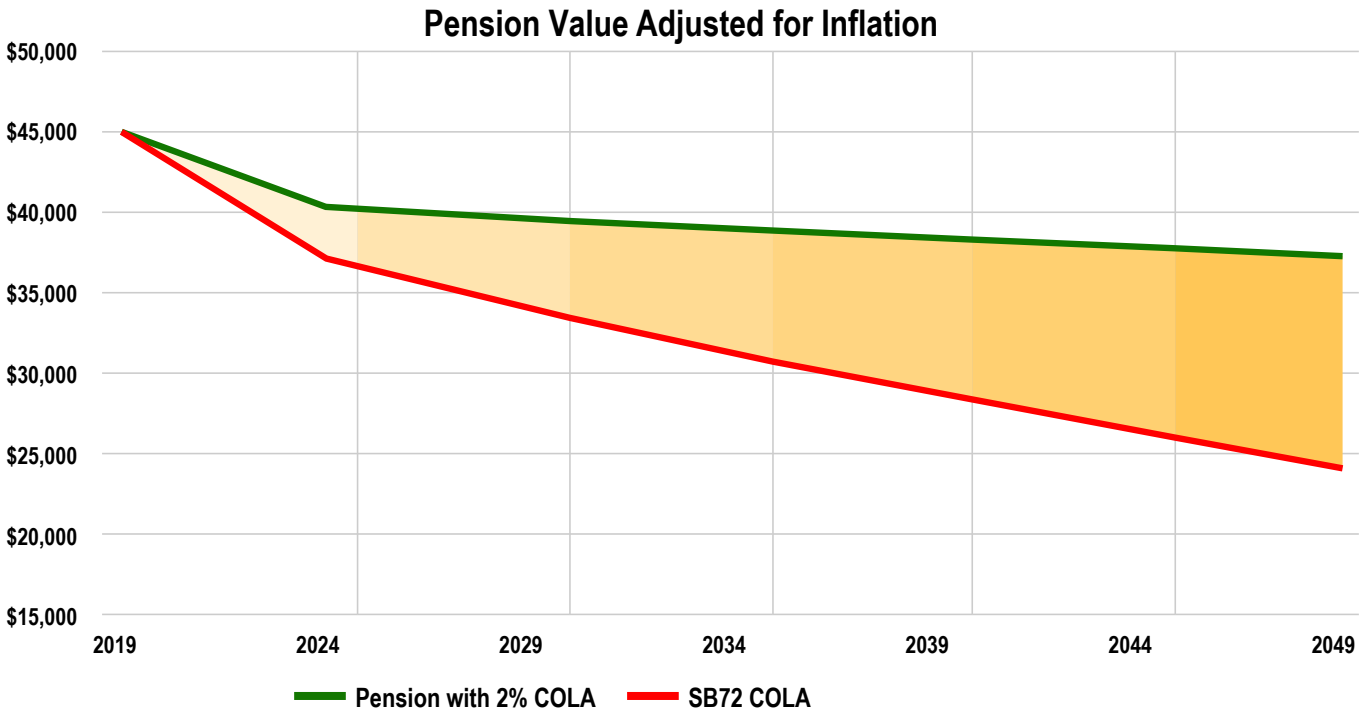
*2020-22 increases included non-compounding 13th check; thereafter variable COLA based on Investment Returns and Fund Solvency.

** LFC FY2027 Budget Recommendation, Volume 3, page 33: Change in Salary, Active Employees

Impact of SB72 COLA Changes Over Time

With the current COLA of roughly 0.5%, retiree pensions are projected to lose almost 50% of their purchasing power over a thirty-year retirement. The average full-retirement pension of $45,000 will have equivalent spending power of just $24,300 by 2049. Over that period, retirees will forego nearly $400,000 in cost-of-living adjustments compared to what their pensions would have earned prior to SB72 changes.

By contrast, the 2% compounding COLA established in statute and relied upon by retirees throughout their careers--would have limited the loss in purchasing power to approximately 17% over the same period, preserving far greater financial stability in old age.



Assumptions
2020-2025: Inflation rate based on US CPI. COLA rate is actual, including 13th checks.
2026 onward: Inflation rate 2.3%; COLA rate 0.6%

Real Dollars Lost as a result of SB72

2019	2025	2030	2035	2040	2045	2050
60 yo Retiree $45,000 avg pension	65 yo	70 yo	75 yo	80 yo	85 yo	90 yo
Average Lost Income, Full-Pension Retiree	**$10,500**	**$42,600**	**$95,000**	**$170,000**	**$270,000**	**$400,000**