

SANTA FE NEW MEXICAN

MY VIEW ROXANNA KNIGHT AND ANNE GREEN-ROMIG

Legislature can act to restore retiree benefits

- By Roxanna Knight and Anne Green-Romig
- Oct 11, 2025 [2](#)

A recent editorial about the large salary increases for New Mexico public employees made the important point that these increases also have a negative impact on the New Mexico Public Employee Retirement Association Fund (“Secret raises: No way to run a government,” Our View, Sept. 7).

According to PERA actuary reports, since 2020 the unfunded liability of the PERA fund has increased by \$2 billion, from \$6.7 billion to \$8.7 billion, an increase of 30% in just six years. The reports identify \$1.4 billion of the increase as being “primarily attributable to salary increases larger than expected and investment losses.”

The bottom line is that higher salaries mean higher pensions, which increase the fund’s liability. To offset that liability, additional contributions to the fund must be made before retirement, either by employee/employer contributions or from other appropriations. The most recent actuary report in October 2024 states “we recommend increasing the current contribution levels [from employees/employers] to improve the financial sustainability of the retirement system.”

In 2020, when the unfunded liability stood at \$6.7 billion, lawmakers deemed the problem so severe they altered long-standing commitments to approximately 30,000 retirees across New Mexico, taking away the 2% cost-of-living adjustment statutorily promised to them, and replacing it with a new Senate Bill 72 formula tied to unfunded liability and investment returns. The bill projected future average COLAs of 1.6%.

That projection has not materialized. Since 2020, while the cost of living has increased 25.9%, pensions for 30,000 public retirees have increased only a total of 1.63%. Retirees across New Mexico have received pension increases 24% below inflation growth. This is not the future retirees planned for, not what was committed to them in statute, and not what they paid for through biweekly contributions into the retirement fund throughout their careers.

The human consequences are severe. A 60-year-old retiree in 2019 with a \$40,000 pension, living to age 90, will have lost an estimated \$350,000 in promised income by end of life, directly attributable to SB 72. All retiree pensions will be worth only 54% of their 2019 value, adjusted for inflation.

Not all retirees will live to be 90, but those who do will face their greatest financial needs with diminished resources. The erosion of COLAs directly undermines their ability to afford housing, health care and basic living expenses.

Meanwhile, compensation for active employees has surged. In 2023 salaries rose 11.2%, in 2024 another 9.5%. Double-digit increases are expected to continue under new policies adding retention and merit pay on top of base salary increases in HB 2. These increases provide active employees the means to build private retirement savings. But current retirees do not have that opportunity, relying solely on COLAs to maintain financial stability.

The Legislature does have options to restore COLAs for current retirees. They should take action now while revenues are high, to honor the commitments made by prior Legislative bodies to their public employees, and restore incremental COLAs as retirees age. Visit nmretirees.com for more information.

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