January 19, 2026

Mr. David Archuleta
Executive Director
New Mexico Educational Retirement Board
P.O. Box 26129
Santa Fe, NM 87502-0129

Re: 2026 Cost of Living Adjustment for Retirees and Anti-Spiking Threshold

Dear David:

Section 22-11-31 of the New Mexico Statutes Annotated provides for cost-of-living adjustments to certain members whose benefits are in pay status. The annuity is adjusted annually and cumulatively commencing on July 1 of the year in which a member attains the age of 65 (age 67 if the member became a member on or after July 1, 2013) or on July 1 following the year a member retires, whichever is later. These cost-of-living adjustments also apply to members who were disabled at retirement, except that the benefits are adjusted annually and cumulatively commencing on July 1 of the third full year following the year in which the member was approved by the Board for disability or retirement.

Adjustment Factor

If the plan's funded ratio for the next preceding fiscal year is 100% or greater, Section 22-11-31(C)(1) defines the adjustment factor as ½ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90% but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90% or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

July 1, 2026 Adjustment

The adjustment factor defined in Section 22-11-31(C)(1) and applicable on July 1, 2026 to retirement benefits for retirees whose 65th birthday (67th birthday if the member became a member on or after July 1, 2013) falls in or before the current calendar year is **2.0%**. This adjustment factor will apply to all disability retirements who have been retired for at least three years, i.e., members who began receiving a disability retirement benefit in calendar year 2022 or earlier.

The funded ratio as reported in the actuarial valuation report for the next preceding fiscal year, or the actuarial valuation report as of June 30, 2025, was **67.8%**. Additionally, the median adjusted annuity for fiscal year next preceding the adjustment date, or the median monthly benefit of all non-disability retirements as of June 30, 2025, is **$1,834.85**. It should be noted that the comparison to this median benefit should be based on the benefit the retiree was receiving as of June 30, 2025, prior to receiving the COLA increase effective July 1, 2025.

Since the plan's funded ratio as of June 30, 2025 is 90% or less, all non-disability retirements with 25 or more years of service credit at retirement and whose monthly annuity is less than or equal to $1,834.85 will receive an annual adjustment of **1.80%**. All remaining non-disability retirements will receive an annual adjustment of **1.60%**.

Note that these adjustments only apply for members who retired in calendar year 2025 or earlier; members who retired in 2026 are ineligible.

Procedures

The adjustment factors have been determined based on the following procedures:

1. The data set is the CPI-U Consumer Price Index for each month in 2024 and 2025. The index is for U.S. cities, all urban consumers, and all items, not seasonally adjusted. Attached is a table showing the monthly and average CPI-U index for the last ten years.

2. The average of the twelve monthly indices is determined for 2024 and 2025. These values are 313.689 for 2024 and 322.153 for 2025.

3. The percentage increase from 2024 to 2025 is calculated based on these averages. The increase this year is 2.698%. The adjustment factor is equal to ½ of the percentage increase of the consumer price (1.349%), but cannot exceed four percent, nor be less than two percent. Therefore, the adjustment factor defined in Section 22-11-31(C)(1) this year is 2.0%.

4. Annuities shall not be decreased in the event that there is a decrease in the consumer price index between the two years. There are also special rules that apply if the percentage increase

in CPI-U is less than 2.0% in absolute value, which does not apply this year. As such, the resulting adjustment factor is equal to the percentage determined in Item 3 (2.0%).

5. We received data for 56,764 annuitants that were in receipt of their benefit as of July 1, 2025. This data includes 714 annuitants that are receiving disability retirement benefits and 906 annuitants that retired and began receiving retirement benefits on July 1, 2025. According to the provisions of Section 22-11-31, the median benefit is determined based on all annuities and retirement benefits paid for the fiscal year next preceding the adjustment date but excluding disability retirement benefits. Therefore, to determine the median adjusted annuity, we first excluded the 714 disability retirees and the 906 new retirees who began receiving their benefit after June 30, 2025. We then took the middlemost benefit of the remaining annuitants. If there is an even number of remaining annuitants, then the median is found by taking the average of the two middlemost numbers. The median adjusted annuity stated in this letter should be validated by ERB prior to any adjustments being paid to retired members.

6. Based on prior procedures, the adjustment factor defined in Section 22-11-31(C)(1) has been rounded to one decimal place. The adjustment factors defined in Sections 22-11-31(C)(2) and 22-11-31(C)(3) have been rounded to two decimal places to ensure that they are the appropriate proportion of the adjustment factor defined in Section 22-11-31(C)(1), if applicable.
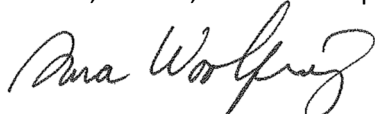
We believe the procedure used to determine the increase complies with Section 22-11-31. We have also enclosed a history of the ERB COLAs since 1990.

Anti-spiking Threshold

Section 22-11-30(L) describes an anti-spiking provision that applies to those who retire after July 1, 2019. The anti-spiking provision only applies to members whose average annual salary (also known as Final Average Salary or FAS) is greater than an indexed limit. This limit was $60,000 as of July 1, 2019. In accordance with Section 22-11-30(M), the $60,000 threshold will be adjusted annually in accordance with any annual increase in the consumer price index. As noted, the increase in CPI based on the 12-month averages for calendar years 2024 and 2025 was 2.698%. Accordingly, the limit will increase from $74,953 to $76,975 effective July 1, 2026.

If you have any questions about this information, please do not hesitate to call or write.

Sincerely,
Gabriel, Roeder, Smith & Company

Dana Woolfrey, FSA, EA, MAAA
Senior Consultant

Enclosures

Consumer Price Index for Last Ten Calendar Years

CPI-U, Current Series, All Items, Not Seasonally Adjusted

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
2025	317.671	319.082	319.799	320.795	321.465	322.561	323.048	323.976	324.800	324.461	324.122	324.054	322.153
2024	308.417	310.326	312.332	313.548	314.069	314.175	314.540	314.796	315.301	315.664	315.493	315.605	313.689
2023	299.170	300.840	301.836	303.363	304.127	305.109	305.691	307.026	307.789	307.671	307.051	306.746	304.702
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	296.797	292.655
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	278.802	270.970
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474	258.811
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007

October 2025 CPI-U not provided by the U.S. Bureau of Labor Statistics due to the 2025 lapse in appropriations. October data point was interpolated between September and November data.

New Mexico Educational Retirement Board
COLA History Since 1990

COLA Effective July 1,	COLA for disability retirements eligible for adjustment	COLA for members with 25 years of service at retirement and receiving less than median adjusted annuity	COLA for all remaining members eligible for adjustment	Monthly median adjusted annuity
2026	2.0%	1.80%	1.60%	$ 1,834.85
2025	2.0%	1.80%	1.60%	1,798.02
2024	2.1%	1.89%	1.68%	1,746.63
2023	4.0%	3.60%	3.20%	1,720.56
2022	2.3%	2.07%	1.84%	1,703.84
2021	1.2%	1.08%	0.96%	1,677.19
2020	1.8%	1.62%	1.44%	1,653.20
2019	2.0%	1.80%	1.60%	1,627.76
2018	2.0%	1.80%	1.60%	1,611.45
2017	1.3%	1.17%	1.04%	1,605.46
2016	0.1%	0.09%	0.08%	1,586.22
2015	1.6%	1.44%	1.28%	1,566.22
2014	1.5%	1.35%	1.20%	1,543.06
2013	2.0%	1.80%	1.60%	1,504.20
2012	2.0%	same	same	N/A
2011	1.6%	same	same	N/A
2010	0.0%	same	same	N/A
2009	2.0%	same	same	N/A
2008	2.0%	same	same	N/A
2007	2.0%	same	same	N/A
2006	2.0%	same	same	N/A
2005	2.0%	same	same	N/A
2004	2.0%	same	same	N/A
2003	1.6%	same	same	N/A
2002	2.0%	same	same	N/A
2001	2.0%	same	same	N/A
2000	2.0%	same	same	N/A
1999	1.6%	same	same	N/A
1998	2.0%	same	same	N/A
1997	2.0%	same	same	N/A
1996	2.0%	same	same	N/A
1995	2.0%	same	same	N/A
1994	2.0%	same	same	N/A
1993	2.0%	same	same	N/A
1992	2.1%	same	same	N/A
1991	2.7%	same	same	N/A
1990	2.4%	same	same	N/A

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