



Public Employee Pensions

Most state and local government employees in New Mexico, from small town firefighters to college professors, are eligible for pension plans administered by the Educational Retirement Board or Public Employees Retirement Association. Historically, New Mexico’s pension benefits have provided civil servants with a secure retirement. However, contributions to the plans have been insufficient to sustain the plans, and the Legislature has pursued reform for the past several years.

Benefits

New Mexico offers defined benefit retirement plans to public employees through the Public Employee Retirement Association (PERA), which covers state legislative, judicial, and executive government employees and local government employees, and the Education Retirement Board (ERB), which covers employees of public and higher education institutions. Defined benefit pensions provide employees with a set percent of their final average salary for each year they work. For example, a PERA member who receives a 3 percent multiplier and works for 30 years would receive 90 percent of their final average salary each year in retirement.

To support the benefit, employees and employers each contribute to the fund. These contributions are invested and the investment returns on the contributions provides the largest source of revenue to the pension fund. Employees do not have a constitutionally protected property right to a pension until they are “vested” after five years. If employees leave state service, they are entitled to a refund of their contributions but not the employer contributions.

New Mexico pension benefits are adjusted for cost-of-living increases and are paid in addition to social security benefits, significantly increasing retirement income for covered state and education employees.

In contrast to defined benefits plans, employees and employers in 401(k) and other “defined contribution” plans, common in the private sector, make tax-deferred contributions to an investment account in an employee’s name. At retirement, the worker receives the accumulated money.

In addition to contributions to pension funds, ERB and PERA employers and employees also contribute to the Retiree Health Care Authority fund for post-employment health insurance benefits.

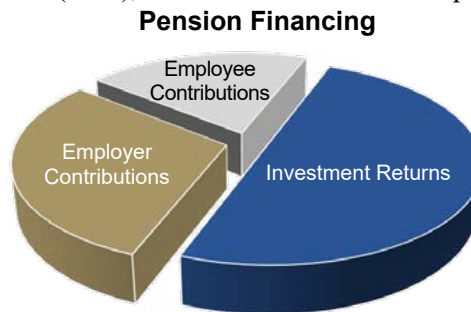
Solvency

The soundness of a retirement fund is based on its ability to pay retirement benefits for all current and future retirees. Determining the extent of the liability, or the amount of benefits promised, and the assets available to pay them requires use of actuarial projections that account for the current and projected number of retirees drawing benefits, projected contributions, and investment earnings. New Mexico’s retirement system faces liabilities greater than its assets. This is referred to as an unfunded liability.

An unfunded liability can be addressed by cutting benefits, increasing contributions, or generating greater investment returns. Because increasing returns often requires investing in riskier assets, potentially exposing the funds to greater losses, the state has opted for a combination of benefit reductions and contribution increases to improve fund solvency.

Between 2019 and 2021, benefits to teachers hired after 2019 were reduced and employer contributions to the education retirement fund were increased; employer and employee contributions to the PERA were increased and the cost-of-living factor was reduced. These reforms have reduced the unfunded liability.

In FY21, PERA employees in the state general plan contributed 10.92 percent of their salaries to the fund, while their employers contributed an amount equal to 19.24 percent; ERB employees contributed 10.7 percent and their employers contributed 16.15 percent.



Benefits at 25 Years of Service
 Share of Final Average Salary

PERA employees hired before July 1, 2013	75.0%
PERA employees hired after July 1, 2013	62.5%
ERB employees hired before July 1, 2019	58.8%
ERB employees hired after July 1, 2019	53.8%

For More Information:

- Information on retiree benefit funds and retiree healthcare, including investment performance and fund solvency, is available through the agency websites: www.pera.state.nm.us, www.nmerb.org, and nmrhca.org.
- State laws related to retiree benefits are in Chapter 10, Article 11, 12A and 12B for state employees; Chapter 22, Article 11, for school employees; and Article 7C for retiree healthcare.