

LEGISLATIVE FINANCE COMMITTEE
December 4, 2019

To: Chair of the Legislative Finance Committee and Committee Members

From: Lenora Chavez, PERA Member

Subject: PUBLIC COMMENTS (NMPERA)

The legislature must address the unfunded liability of \$6.2 billion by implementing the recommendations of the 2012 study. Effective July 2013 retirees contributed automatically \$1.4 billion to shore up the fund with a significant reduction of our cost of living benefits from 3% to 2%. The 2012 study was never fully implemented as the unfunded liability continues to climb. A 1% savings which equals \$1.4 billion and over six years equals \$8.4 billion? What happened to the savings and why aren't we out of the hole yet?

The proposal by Gov. Michelle Lujan Grisham suggested a combined 4% increase in pension contributions with the increased costs divided evenly between state government and state employees as reported by the Albuquerque Journal, November 2, 2019. A12-A13). The suggested proposal is a step in the right direction as the State of New Mexico, Judiciary and Magistrate along with Municipal Firefighters funds continue to be 50% underfunded. The Municipal Firefighters' work schedule is based on 56 hours per week and the contributions from the municipal firefighters plan should be inclusive and calculated based on 112 hours bi-weekly.

The pension solvency task force suggested annual cost of living adjustments would shift to a profit-sharing model (Wisconsin Plan) and links annual pension pay increases to the investment returns. Retirees have already paid their fair share as many retired with only 75% or 80% of their salaries after working 25, 27, 30 years or more. Senate Bill 27 provides retirees 90% of their salaries at 30 years of service. The governor and task force plan proposal provides active employees upon retirement to receive 100% of their salary. The math is certainly creative to say the least.

Retirees continue to face rising health care insurance costs. New Mexicans spend 13.5% on premiums and deductibles, (Albuquerque Journal, November 22, 2019, A7-A8.) Retirees continue to finance under performing funds.

As taxpayers and more so as voters it is alarming to read about the misuse of state funds such as:

- “a Legislative Finance Committee report in which analysts documented concerns over close to \$2 billion in government spending—concerns ranging from lazy consumerism to unnecessary purchases of high-end goods to sweetheart deals for former colleagues.” (Albuquerque Journal, November 15, 2019, page A12)
- Some agencies take advantage of loose rules resulting in lucrative contracts with former staff and the employment of high-priced consultants without seeking other options.” (Albuquerque Journal, November 2, 2019, page A7-A8)

- Abuse of power in secret settlements as the former administration fast-tracked, approved with little to no investigation or documentation, and then buried under illegal confidentiality agreements (Albuquerque Journal, November 19, 2019, A1&A3).
- \$5 million worth of settlements, two-thirds were ‘high dollar’ and failed to follow internal controls designed to ensure taxpayer money was protected.” (Albuquerque Journal, November 19, 2019, A1&A3)
- Legislators to propose buying small jet plane (Albuquerque Journal, November 20, 2019, A1-A2).
- Taxpayers spend \$1.17 for every \$1 generated in revenue when collecting court fees and fines (Albuquerque Journal, November 30, 2019, A1&A6).

Taxpayers continue to absorb the cost of state government in light of our income being drastically reduced. It has been a milestone record run for the stock market (S&P 500, NASDAQ, DOW) as “Wall Street is enjoying its third record-setting run of this year, with the major stock indexes delivering a string of all-time highs in recent weeks,” (Albuquerque Journal, November 22, A10).

The statement made by Senator Burt is exactly how retirees feel, “This is our money that, if we don’t get a correct count, is going to go to other states or somewhere else” as retirees worked 25, 30 years and more for our benefits (Albuquerque Journal, November 22, 2019, A2). Retirees had a 20% to 25 % reduction in salary upon retirement. The one percent contributed to shore up SB27 affected retirees immensely as debt continues to rise. When do retirees catch up to the economy or break even?

- August 2, 2018 and February 19, 2019 Gov. Lujan Grisham stated she would oppose cuts to benefits, including any reduction in the annual cost of living adjustments that retired state workers and teachers receive. Live up to your promises. (Albuquerque Journal)
- NO CHANGES TO THE COLA and fully implement the 2012 study.

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