



PERA

Legislative Finance Committee

Senator George K. Muñoz, Chair

Nathan P. Small, Vice Chair

October 25, 2023

Diana Rosales-Ortiz, Board Chair

Greg Trujillo, Executive Director

Michael Shackelford, Chief Investment Officer

Fiscal Year 2023 In Review



Total Fund Value
\$16.7 Billion



Rate of Return (net of fees)
4.23%



Active Members
47,855



Participating Employers
335



Retirees and Benefit Recipients
45,216



Retirement Benefits Paid
\$1.42 Billion



Funded Ratio
67.70%



Amortization Period
53 Years

FY25 Appropriation Request

(Dollars in thousands)

| Description | FY23 Actuals | FY24 OpBud | FY25 Base Request | Expansion | FY24 Total | % Increase/Decrease over FY24 OpBud |
|---|-------------------|--------------------|--------------------|--------------|-------------------|-------------------------------------|
| 200 Personal Services & Employee Benefits | \$8,778.5 | \$9,913.40 | \$10,205.70 | \$0.7 | \$10,277.50 | 3.97% |
| 300 Contractual Services | \$13,767.5 | \$25,968.80 | \$26,868.90 | \$0.0 | \$26,868.90 | 3.47% |
| 400 Other | \$3,740.6 | \$4,258.20 | \$4,988.60 | \$0.0 | \$4,988.60 | 17.15% |
| Total | \$26,286.6 | \$40,140.40 | \$42,063.20 | \$0.7 | \$42,135.0 | 4.97% |
| FTE | 87.0 | 87.0 | 87.0 | 1.0 | 88.0 | |

Category 200:

- The 3.97% increase is related to requesting one new FTE and factoring in increases for health insurance cost.

Category 300:

- The 3.47% increase is mainly related to an increase in the Investment Contracts which are \$25,060,000 and is related to the current higher market value of the investments in which those fees are calculated.

Category 400:

- The increase of 17.15% is mainly related to increase in IT costs, building maintenance, subscriptions, travel which is related to overall higher cost to purchase goods and services.

Update on SB72

Effective 7/1/2020

Retired Members:

- Non-compounding, additional 13th check in lieu of Cost Of Living Adjustment for three consecutive fiscal years (FY21, 22 and 23), funded by a \$55 million appropriation.
- Reduced the COLA eligibility period from 7 to 2 full calendar years before eligibility.
- Effective July 1, 2023, provides for a profit-share compounding COLA calculation tied to both investment performance and the funded ratio of the PERA Fund for all current and future retirees, with a .5% floor and 3% maximum until 100% funded.
- Protects most vulnerable pension recipients, including disability retirees and retirees with 25 years of service and annual pension benefit of \$25,000 or less, who will continue to receive a flat 2.5% COLA.
- Increased the COLA to 2.5% for pension recipients age 75 years on or before June 30, 2020.

Active Members:

- State Employees: FY2021 – FY2024 - increases employee and employer contribution rates .5% over 4 years (2% employee/2% employer), excludes State Police & Adult Correctional Officer Plan and employees earning less than \$25,000.
- Municipal and County Employees: FY2023 – FY2026 – increases employee and employer contribution rates .5% over 4 years (2% employee/2% employer), excludes employees earning less than \$25,000.
 - ✓ Includes triggers to reduce contribution rates depending on the ratio of each coverage plan.
- Reduced vesting for Tier 2 members to 5 years for general members (from 8) and public safety members (from 6).

Funded Ratio as of 6/30/2023

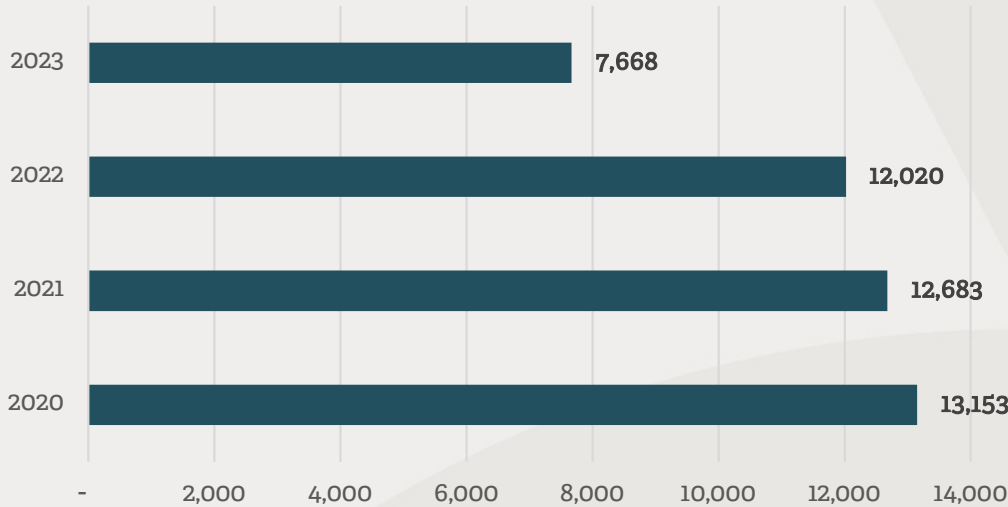
67.7%

Funding Period

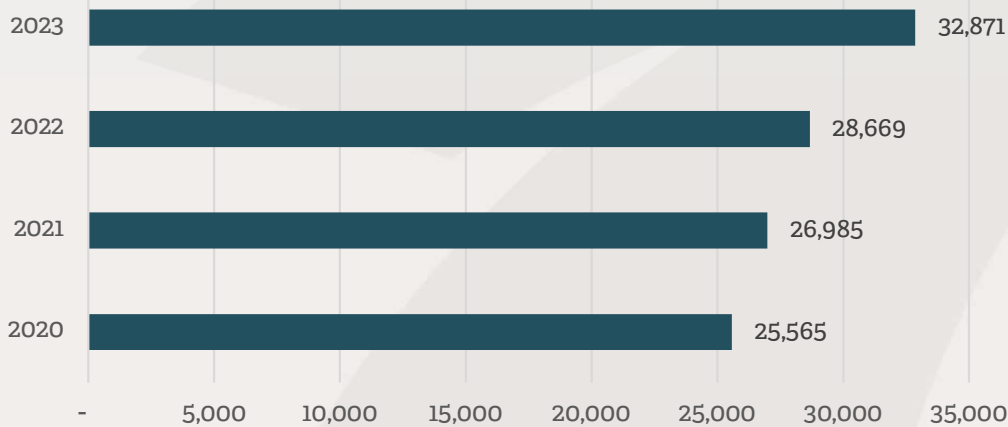
53 years

SB72 – COLA, 13th Check, Contribution Increases

2.50% Cost of Living Adjustment



Cost of Living Adjustment/13th Check



40,539 Retirees received a COLA in 2023, approximately 90% of Retirees.

Contribution Increases (State General)

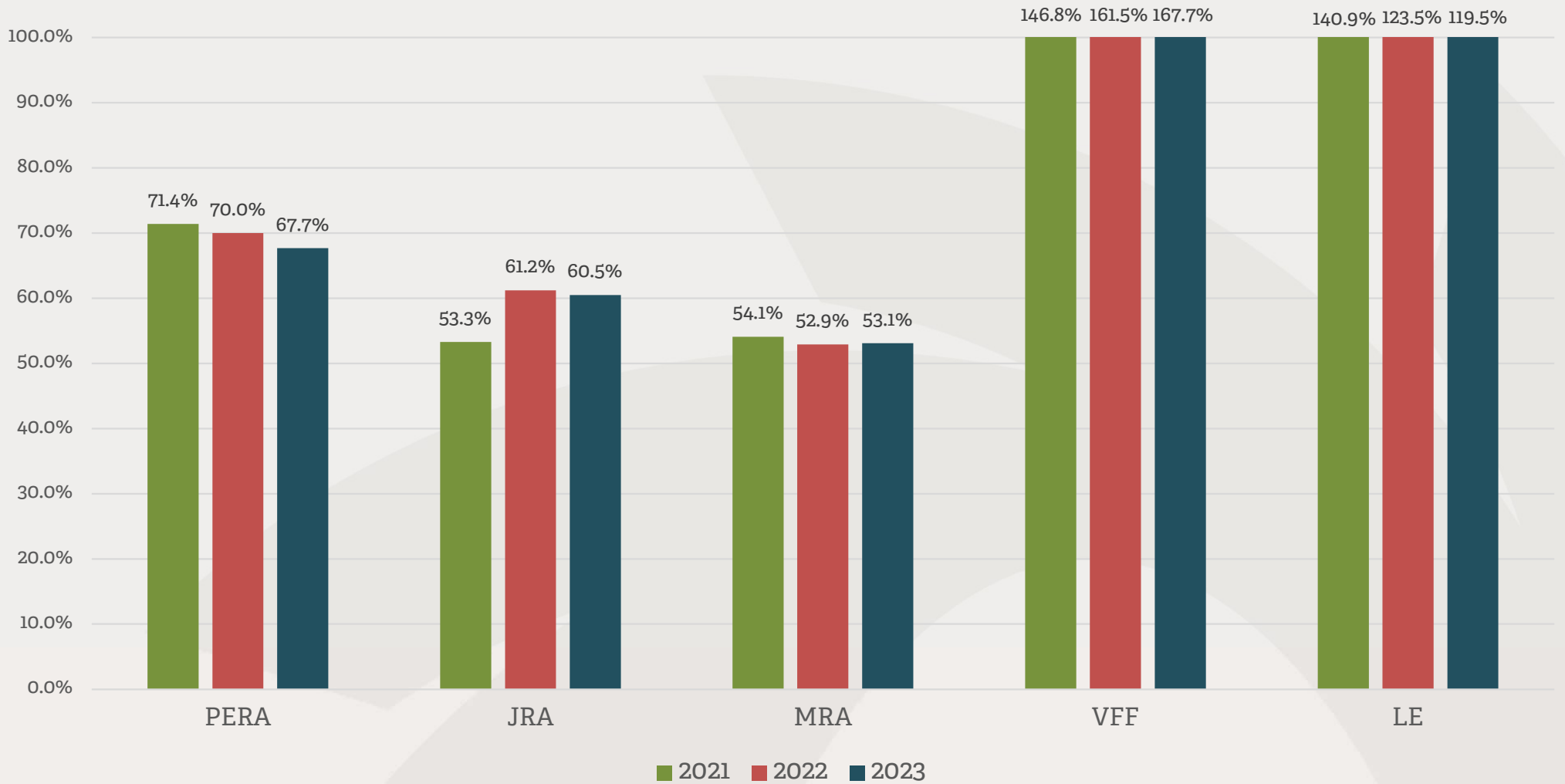
| Year | Increase % | Total Increased Contributions (Combined) |
|--------------|------------|--|
| FY2021 | 0.50% | \$ 10,846,176.11 |
| FY2022 | 1.00% | \$ 21,591,456.78 |
| FY2023 | 1.50% | \$ 36,312,731.55 |
| Total | | \$68,750,364.44 |

Contribution Increases (Municipal General, Police, Fire)

| Year | Increase % | Total Increased Contributions (Combined) |
|--|------------|--|
| FY2023 | 0.50% | \$ 17,640,967.50 |
| Total | | \$ 17,640,967.50 |
| Total Recurring Contributions in Year 3 of SB72 | | \$ 86,391,331.94 |



Funded Ratio By Fund



Amortization Period

72 59 53

41 107 N/A

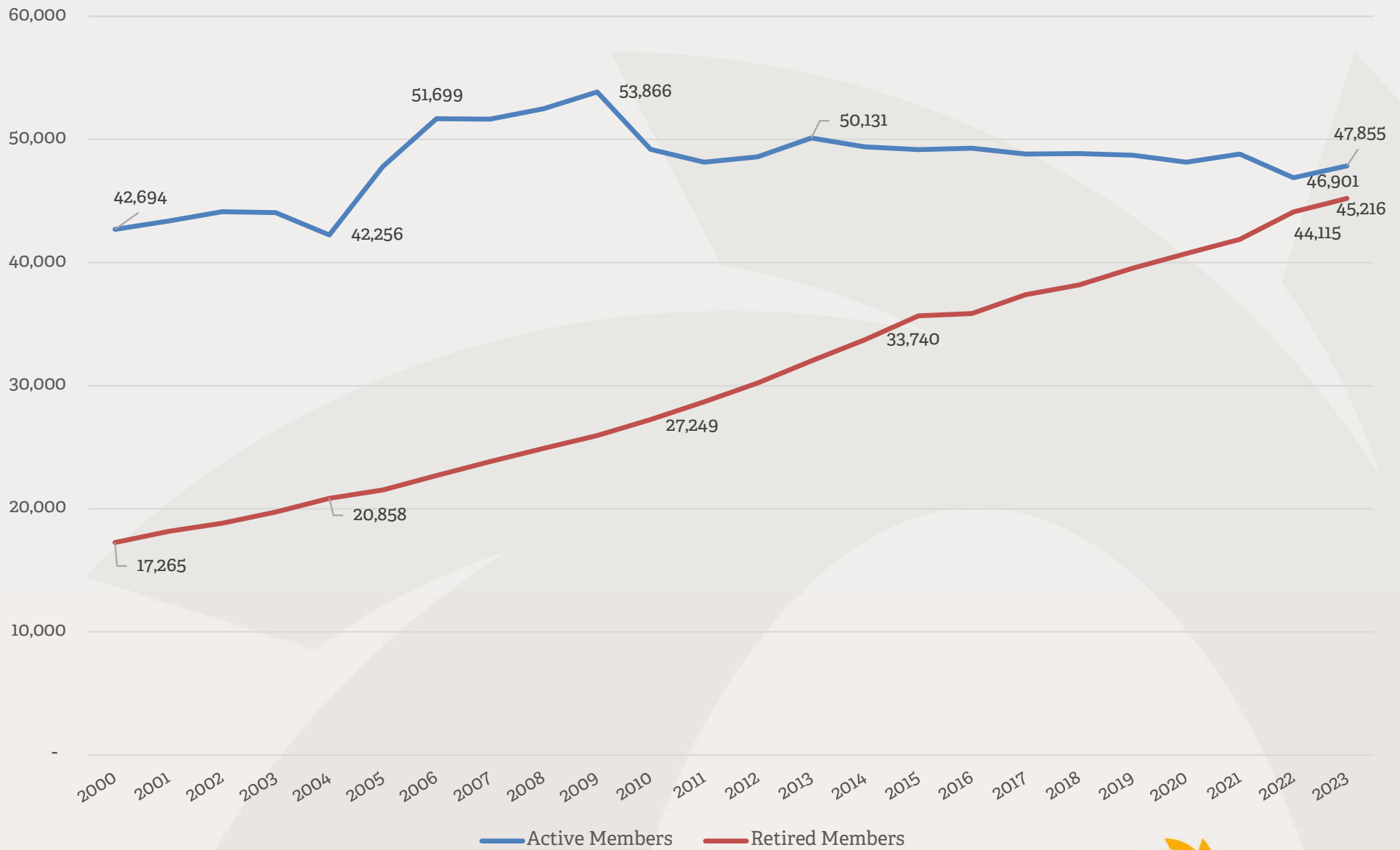
41 N/A 53

0 0 0

0 0 0



Active Members vs: Retired Members



PERA Fund Performance – FY2023

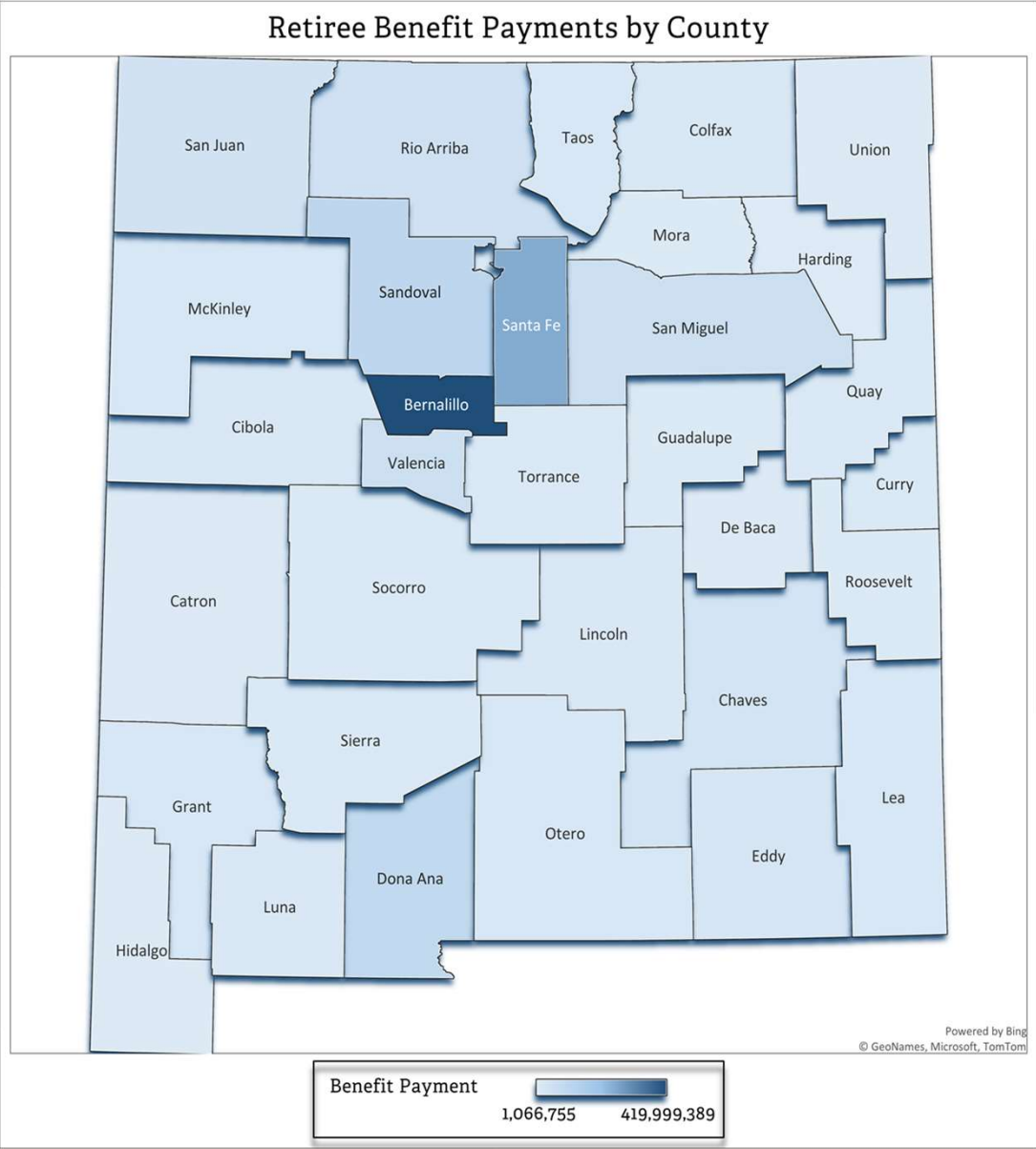
- PERA's market value increased by \$29m in FY2023, closing the Fiscal Year at \$16.6b
- PERA paid out \$1.42b in total member benefits for FY2023, investment activities funded \$661m (46%) of member benefit payments
- PERA continues to outperform its Policy benchmark in the medium and long-term
- Despite significant market volatility, long-term results continue to track PERA's assumed rate of return (7.25%)
- PERA outperforms peers on a risk adjusted basis with Sharpe Ratios in the upper third of public pension peers >\$1b

| As of 06/30/2023 | FYTD 2023 | 3 Years | 5 Years | 7 Years | 10 Years | 20 Years | 30 Years | ITD (1985) |
|--------------------------|-----------|---------|---------|---------|----------|----------|----------|------------|
| PERA Total Fund Returns* | 4.23% | 8.33% | 5.90% | 6.77% | 6.60% | 6.52% | 7.56% | 8.58% |
| Policy Benchmark* | 6.89% | 5.76% | 4.51% | 5.62% | 5.91% | 6.44% | 6.91% | 8.21% |
| Value Add | -2.66% | 2.57% | 1.39% | 1.15% | 0.69% | 0.08% | 0.65% | 0.37% |

NOTE: performance is based on annualized, net of fee, lagged private market results.

PERA's Economic Force in New Mexico

NM PERA provides financial stability for thousands of New Mexico retirees and their communities. In FY23, PERA paid \$1.42 billion in pension benefits 91% went to retirees living in New Mexico.



| New Mexico | Benefit Payment |
|--------------------------|----------------------|
| Bernalillo | 419,999,389 |
| Santa Fe | 250,628,832 |
| Sandoval | 103,877,609 |
| Dona Ana | 89,902,643 |
| Valencia | 58,148,561 |
| San Miguel | 57,127,817 |
| Rio Arriba | 48,377,923 |
| San Juan | 42,452,158 |
| Chaves | 33,719,573 |
| Eddy | 22,118,446 |
| Taos | 19,726,613 |
| Otero | 18,618,834 |
| Grant | 18,359,006 |
| Mckinley | 17,928,821 |
| Lea | 17,758,671 |
| Colfax | 15,826,030 |
| Cibola | 13,109,386 |
| Luna | 12,151,283 |
| Lincoln | 11,951,903 |
| Curry | 10,802,024 |
| Socorro | 9,744,616 |
| Sierra | 9,457,160 |
| Torrance | 9,297,660 |
| Quay | 7,636,320 |
| Los Alamos | 5,883,630 |
| Mora | 5,815,506 |
| Roosevelt | 5,507,797 |
| Guadalupe | 4,746,647 |
| Union | 2,803,176 |
| Hidalgo | 2,361,929 |
| Catron | 2,071,146 |
| De Baca | 1,716,340 |
| Harding | 1,066,755 |
| TOTAL NM Benefits | 1,350,694,204 |

