



PERA

Legislative Finance Committee

Representative Patricia Lundstrom, Chair

Senator John Arthur Smith, Vice-Chair

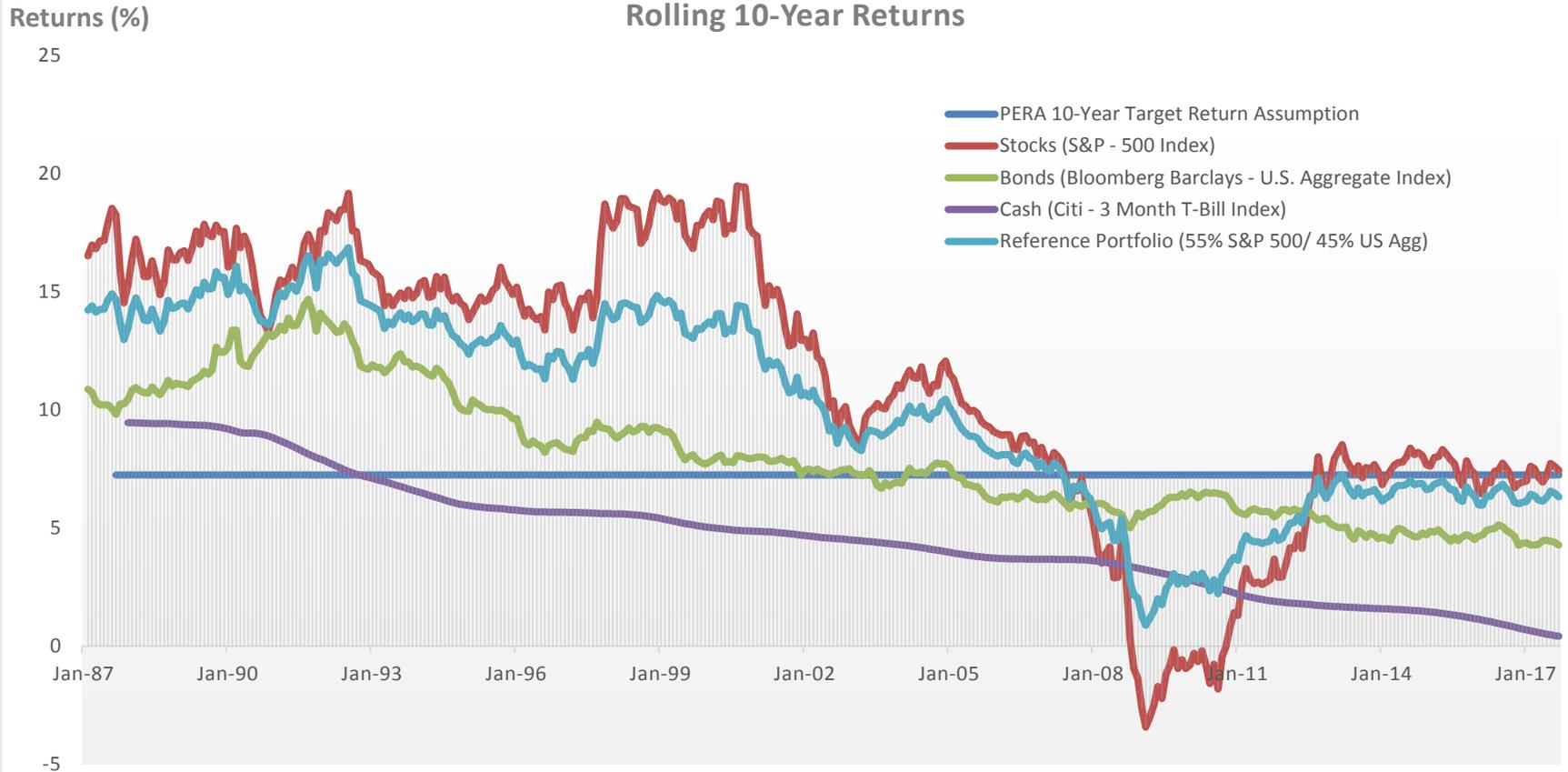
October 27, 2017

Dan Mayfield, Board Chair

Wayne Propst, Executive Director

Dominic Garcia, Chief Investment Officer

Asset Class Returns Over Time



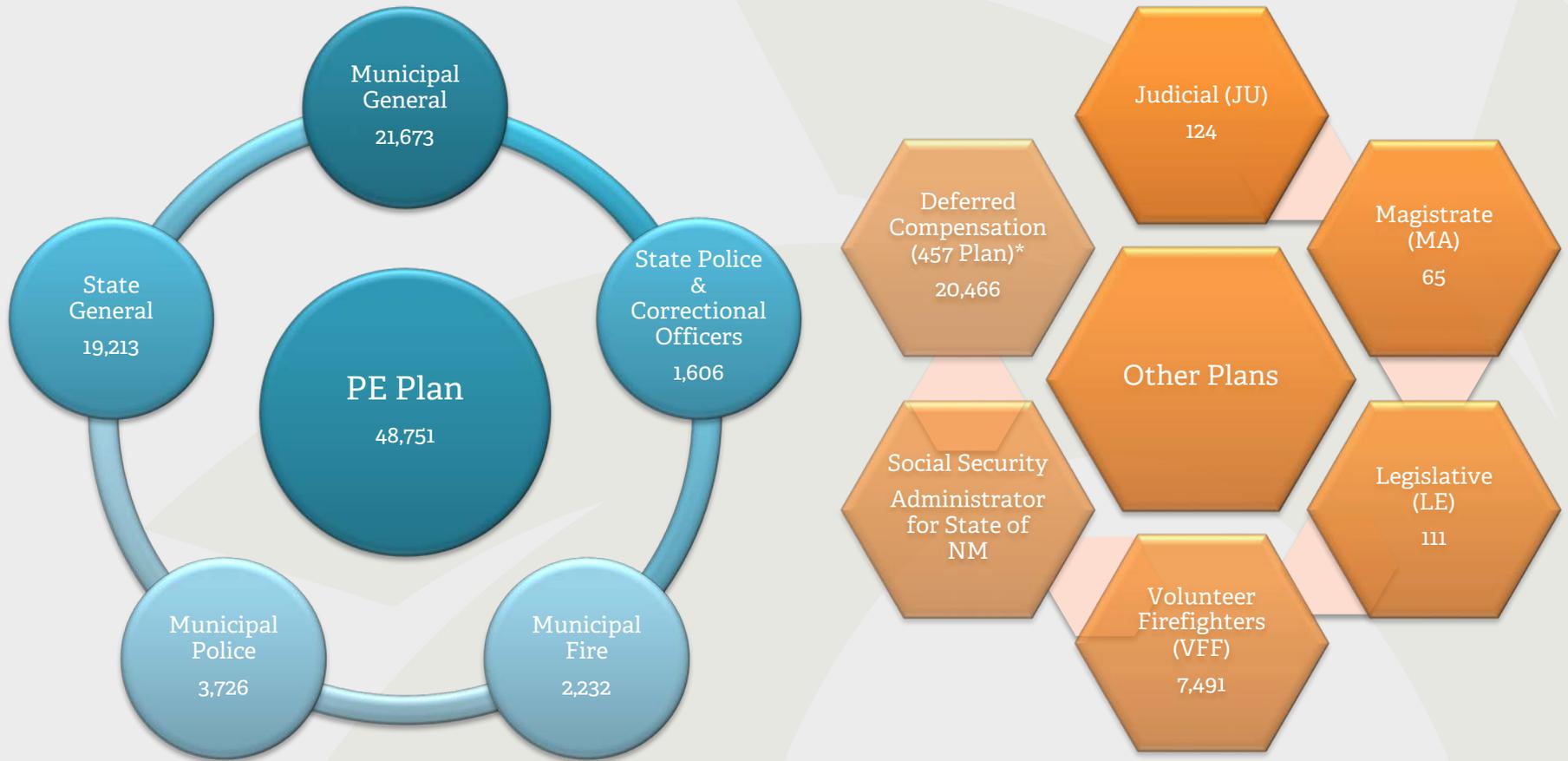
PERA Fund Performance

- The PERA Fund balance was \$15.0 billion on June 30, 2017
- During FY 2017, the Fund returned 11.13% (net of fees) and was up \$967.4 million (net of fees)
- PERA Fund paid out benefits of \$1.01 billion during FY 2017
- PERA Smart Save (457b) balance was \$567 million on June 30, 2017 with 20,466 participants

As of 6/30/2017	1 Year (FY17)	3 Year	5 Year	10 Year	Since Inception 6/30/1985
PERA Total Fund Returns (Net of Fees)*	11.13%	4.40%	8.53%	3.97%	9.05%
Policy Benchmark*	11.68%	5.22%	8.50%	5.01%	9.01%
Value Add	-0.56%	-0.82%	0.03%	-1.04%	0.03%

*Annualized returns

PERA – Who We Serve



Active membership as of 6/30/2017

Slide 4

Fiscal Year 2019 Budget Request

(Dollars in thousands)

Description	FY17 Actuals	FY18 OpBud	FY19 Base Request	Expansion	FY19 Total	% Increase/ Decrease over FY16
200 Personal Services & Employee Benefits	\$6,476.2	\$6,431.6	\$6,771.7	\$0.0	\$6,771.7	5.29%
300 Contractual Services	\$24,283.9	\$27,411.0	\$28,429.6	\$0.0	\$28,429.6	3.72%
400 Other	\$1,306.0	\$1,549.1	\$1,396.8	\$0.0	\$1,396.8	-9.83%
Total	\$32,066.1	\$35,391.7	\$36,598.1	\$0.0	\$36,598.1	3.30%
FTE	84.0	84.0	84.0	0.0	84.0	

Category 200:

- 5% Vacancy Applied on Full-time Classified Permanent Positions
- \$68.7 Decrease in GSD Workers' Compensation Insurance Premium
- \$7.0 Decrease in Employee Liability Insurance Premium

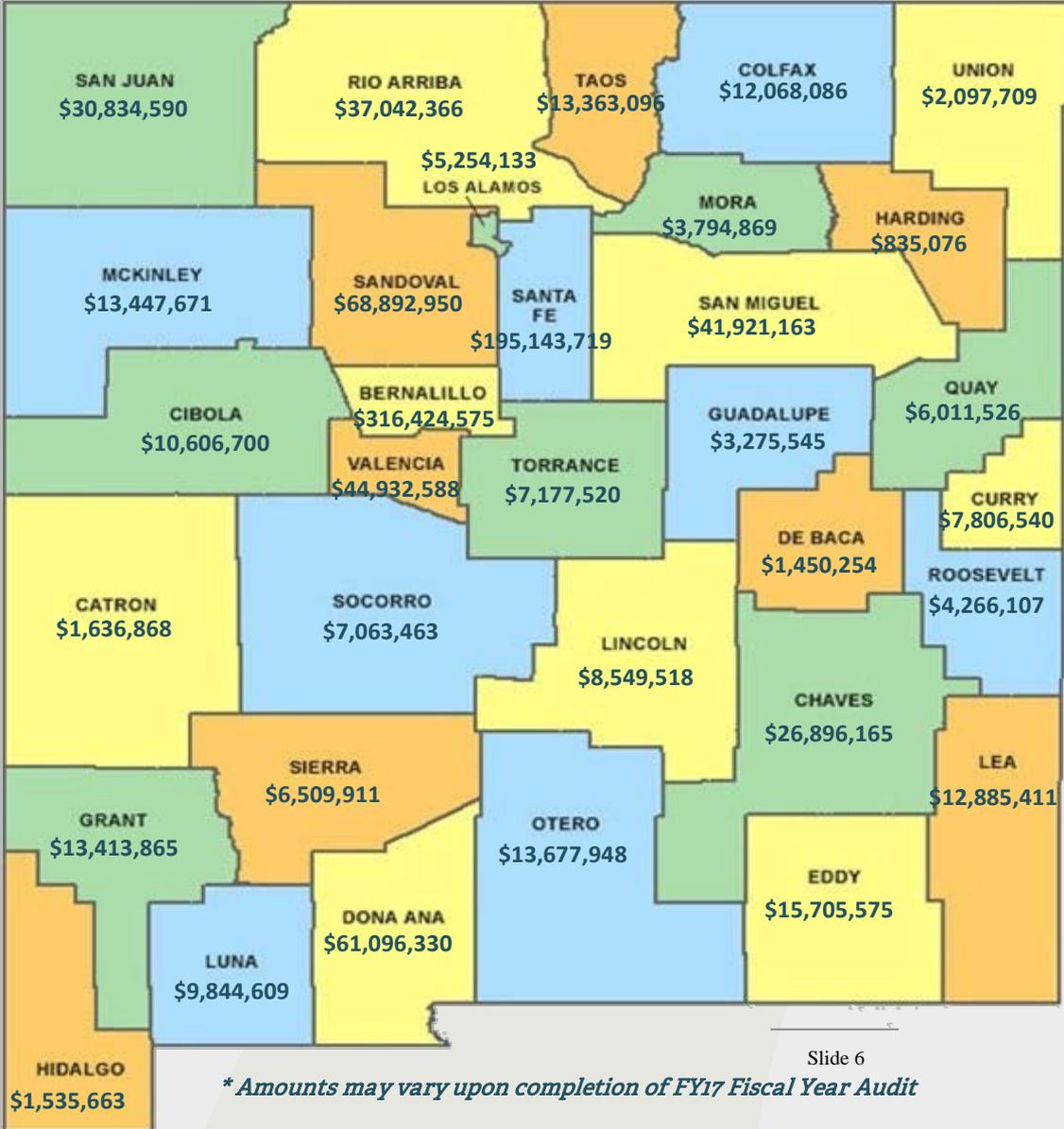
Category 300:

- Investment Contracts at \$25,633.6 Based on Assumed Rate of Return of 7.25 Percent
- \$1,505.2 in Information Technology Services
- \$162.0 in Annual Financial Audit that includes Schedule of Employer Allocations and Pension Amounts

Category 400:

- Decrease to Adjust to Level of Fiscal Year 2017 Actual Expenditures
- \$216.9 in DoIT and GSD Rates
- \$95.3 for Printing and Photo Services, and \$177.1 for Postage and Mail Services

Benefit Payments Fiscal Year 2017

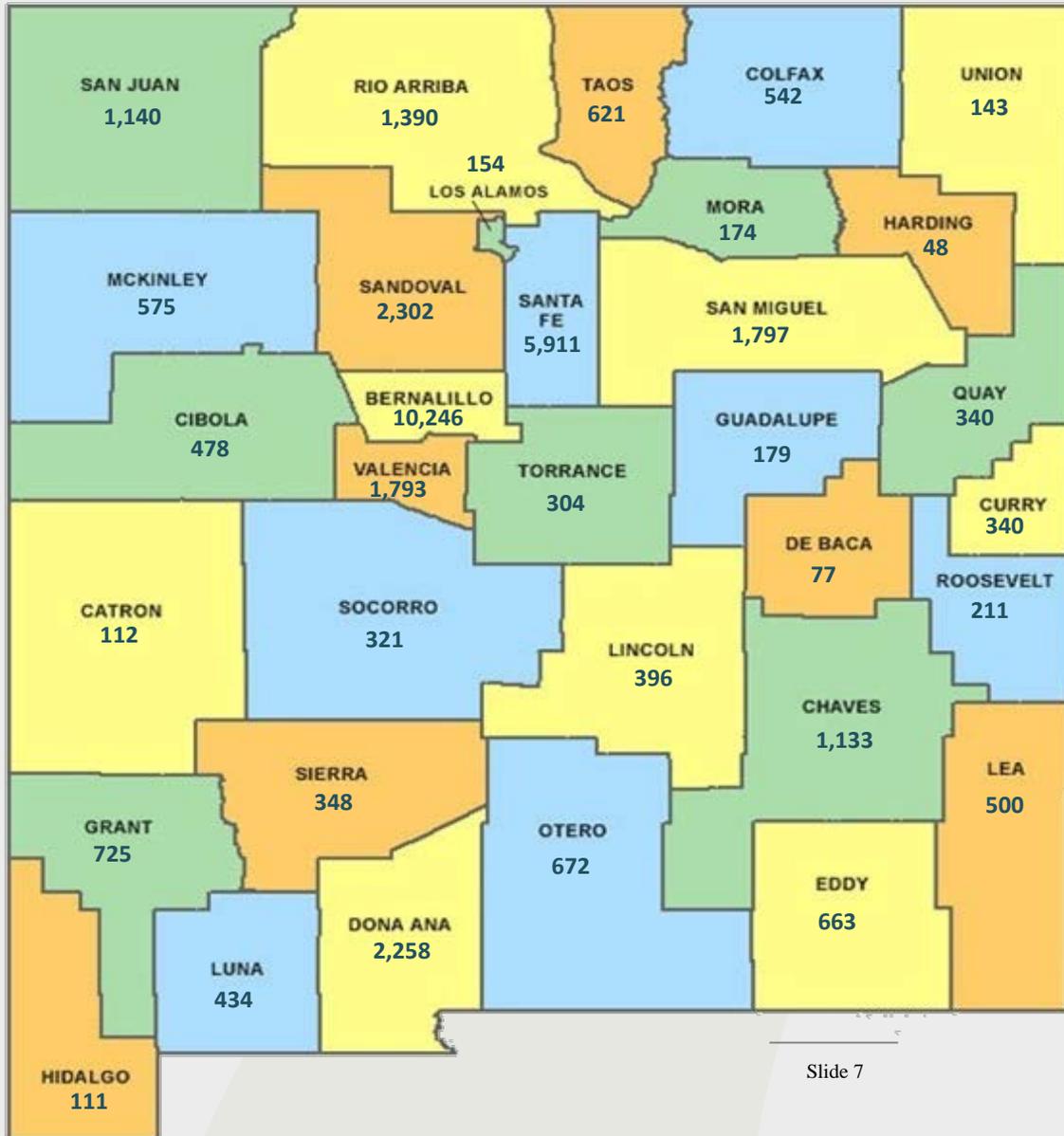


- Fiscal Year 2017 benefit payments totaled ***\$1,107,365,843****
- ***\$1,005,462,113*** in benefit payments were paid to retired members that reside in NM
- ***\$101,903,730*** in benefit payments were paid to retired members that reside outside of NM
- ***\$44,396,305*** in refunded member contributions was also paid out in FY17
- ***\$1,151,762,148*** in total payments were made by PERA in FY17

** Amounts may vary upon completion of FY17 Fiscal Year Audit*



Number of Benefit Payments Fiscal Year 2017



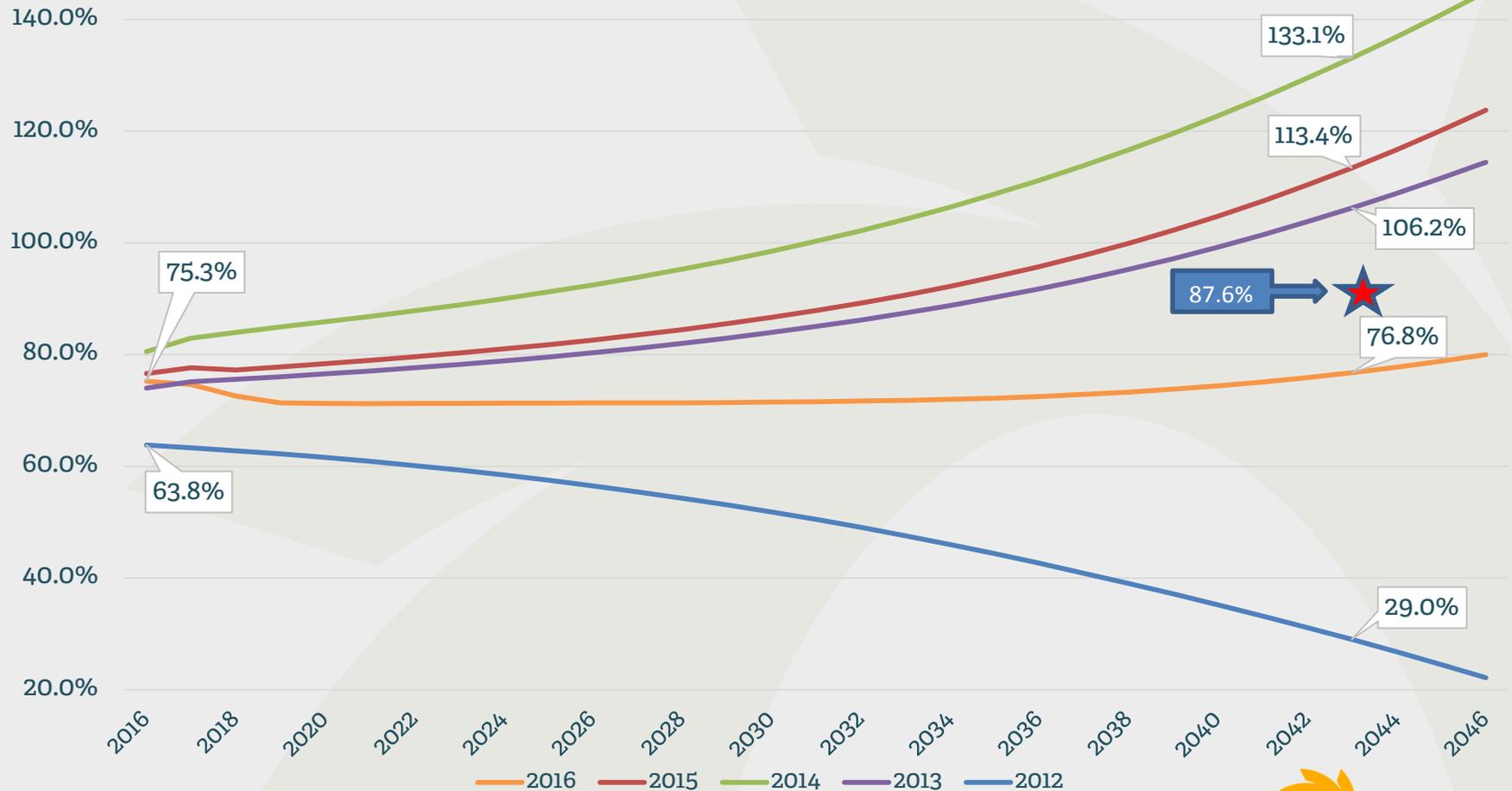
# of Retired Members as of 6/30/2017	
# that reside in NM	36,438
# that reside outside of NM	3,862

Solvency Update

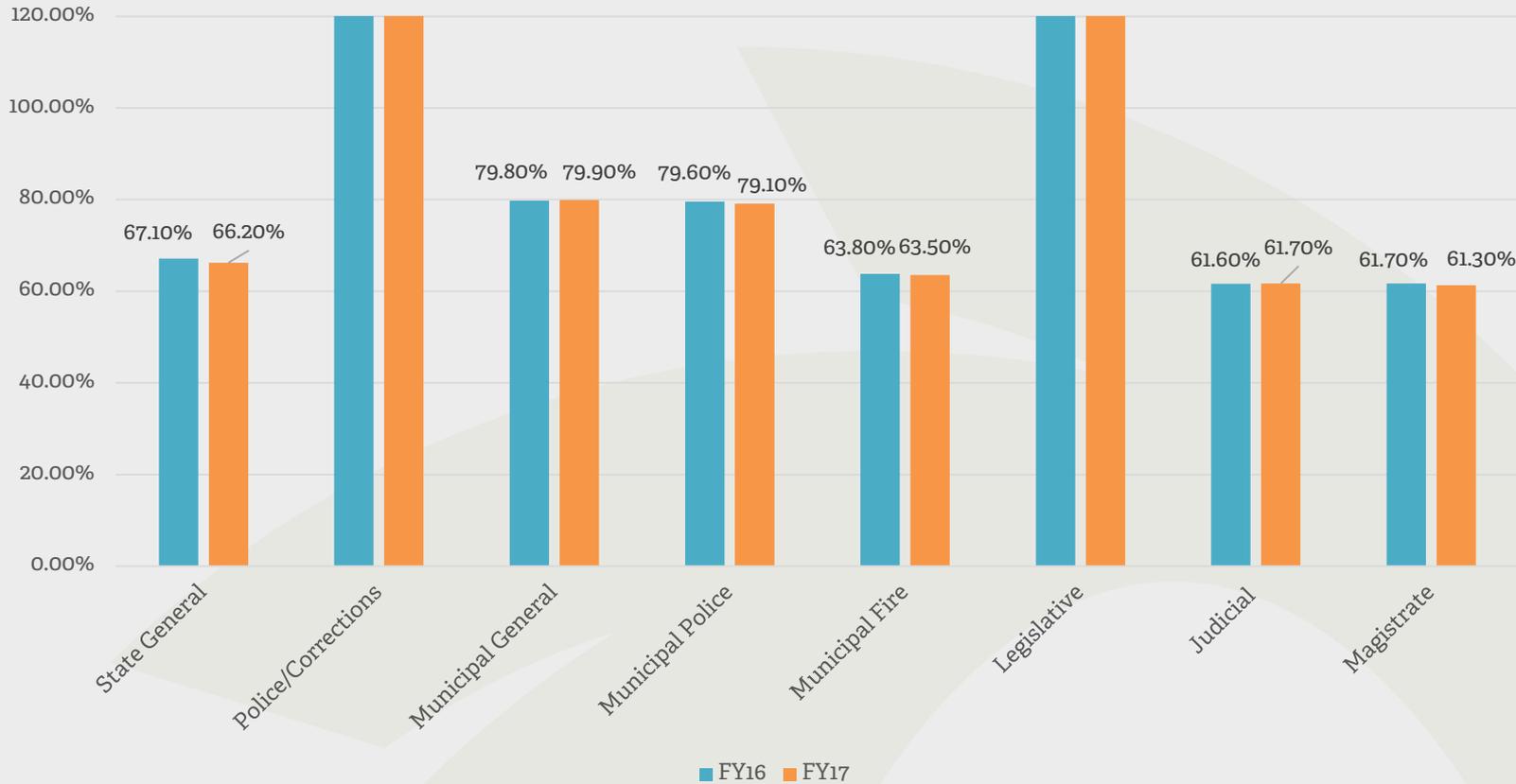
- In January 2017, in response to slower than expected growth in long term funded ratios (1.5% growth from FY16 to FY43 or 75.3% to 76.8%) and increases to PERA's amortization period to pay off its unfunded liability of \$4.9 billion (from 41 years at the close of FY15 to 58 years at the close of FY16), PERA Board leadership instructed staff to prepare a series of educational sessions focused on liabilities and intended to help clarify the major drivers of PERA's liabilities.
- The purpose of the educational sessions was not to develop recommendations for benefit changes but instead to help the Board fulfill its fiduciary responsibilities and shift focus solely from the investment side of the equation to a more in-depth understanding of PERA's incurred obligations. Staff was asked to provide information on the impact of below and above expected investment returns on the Plan's funded ratio, as well as to model the impact of major contributors to liabilities (contributions shortfalls, plan designs, etc.).
- Strong FY17 returns (11.13%) have improved the long term 2043 funded ratio projection for the total Public Employees (PE) Plan from 76.8% at the end of FY16 to 87.6% as of the end of FY17, but this still falls short of the 100% funded goal set by the Board in 2013. Municipal Fire and State General Plans continue to significantly lag the total PE Plan funded ratio.
- Lower than expected (7.25%) future returns, could quickly erode gains made as a result of pension reform and above expected investment performance such as the Fund experienced in FY17.
- NM PERA will conduct an experience study in the spring of 2018 that may result in further adjustments to economic and demographic assumptions, including revisiting the investment return assumption established in 2016. Until the experience study is completed and changes are modeled, staff would not recommend that the Board consider additional investment rate assumption, contribution or plan design changes.

Projection of PERA Funded Ratios

Comparison of Projections Total PERA 2012 to 2016
 (Star includes 2016/2017 asset return of 11.13%)



Funded Ratio by Fund



FUNDING PERIOD in YEARS

2017	Infinite	-	26	42	Infinite	-	55	65
2016	Infinite	-	26	39	Infinite	-	42	84

Projection of PERA Funded Ratios by Division

2016 Projected Funded Ratio of PERA and Each Division Including
2016/2017 Asset Return of 11.13%

