



Public Retirement Issues and Trends

**Presented to the New Mexico Legislature
Investments and Pensions Oversight Committee**

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October 2025



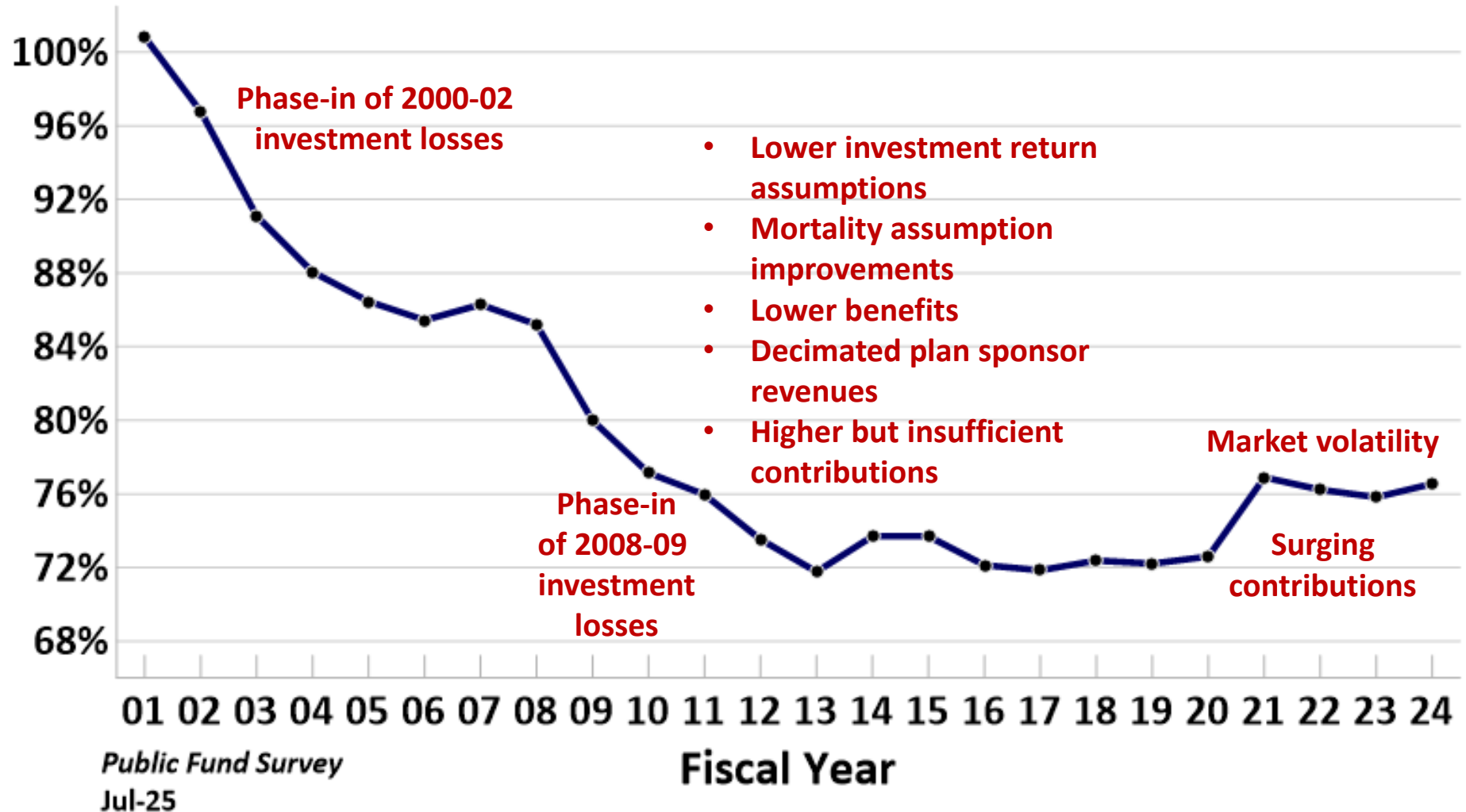
Where We Are and How We Got Here

The 2010 to 2020 period was the most consequential and unprecedented decade in the history of the public pension community.

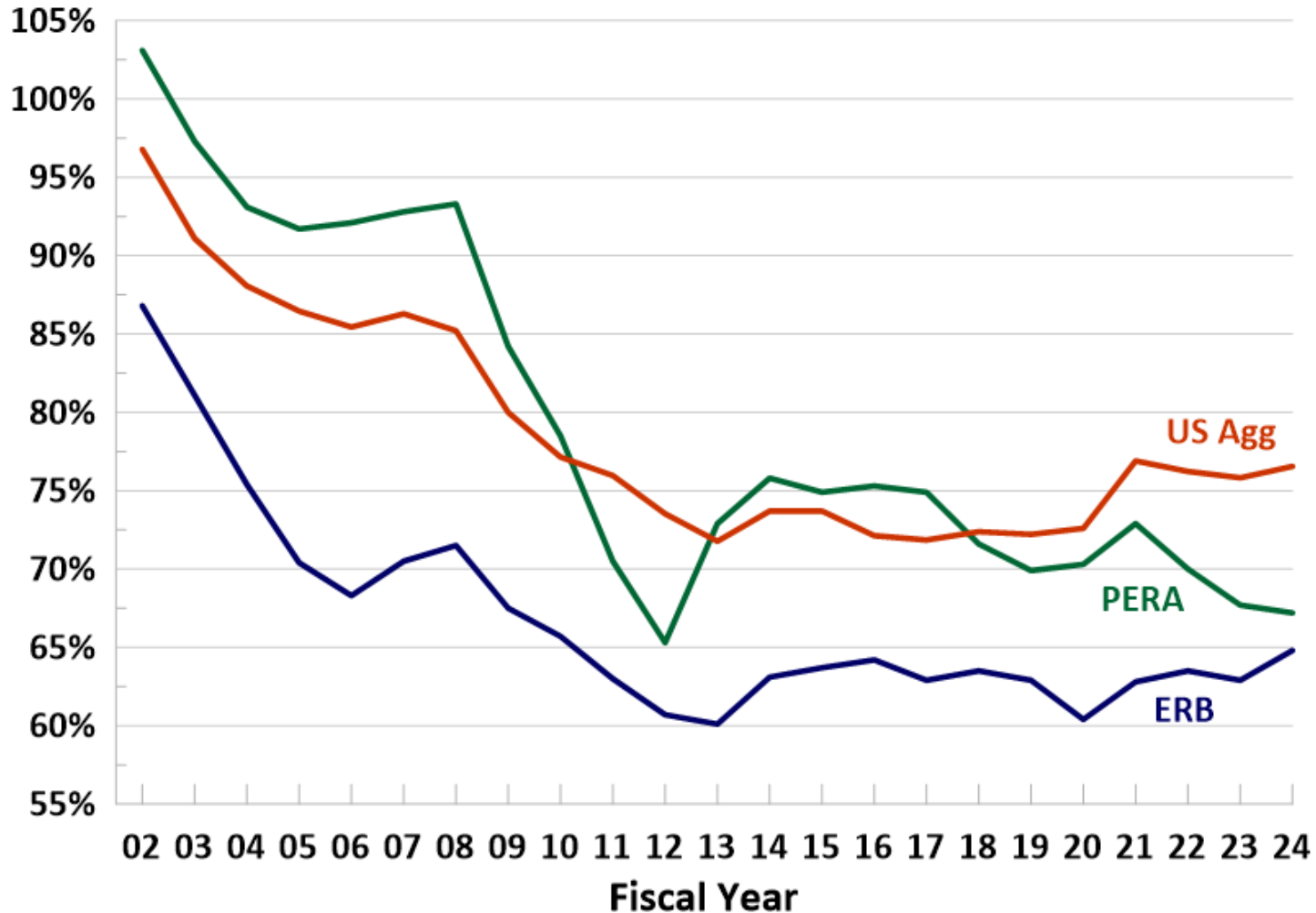
- Preceded by a *27 percent* drop in pension fund asset values
- Began with the largest decline in state and local government revenue since the Great Depression and a four percent decline in employment
- Every public plan lowered its investment return assumption
- Improving mortality assumptions increased liabilities
- Benefit reductions were common and widespread
- Actuarially recommended contributions rose and employer contributions were insufficient
- Interest rates were historically low for much of the decade
- Legal rulings adjudicating pension reform challenges set new precedents



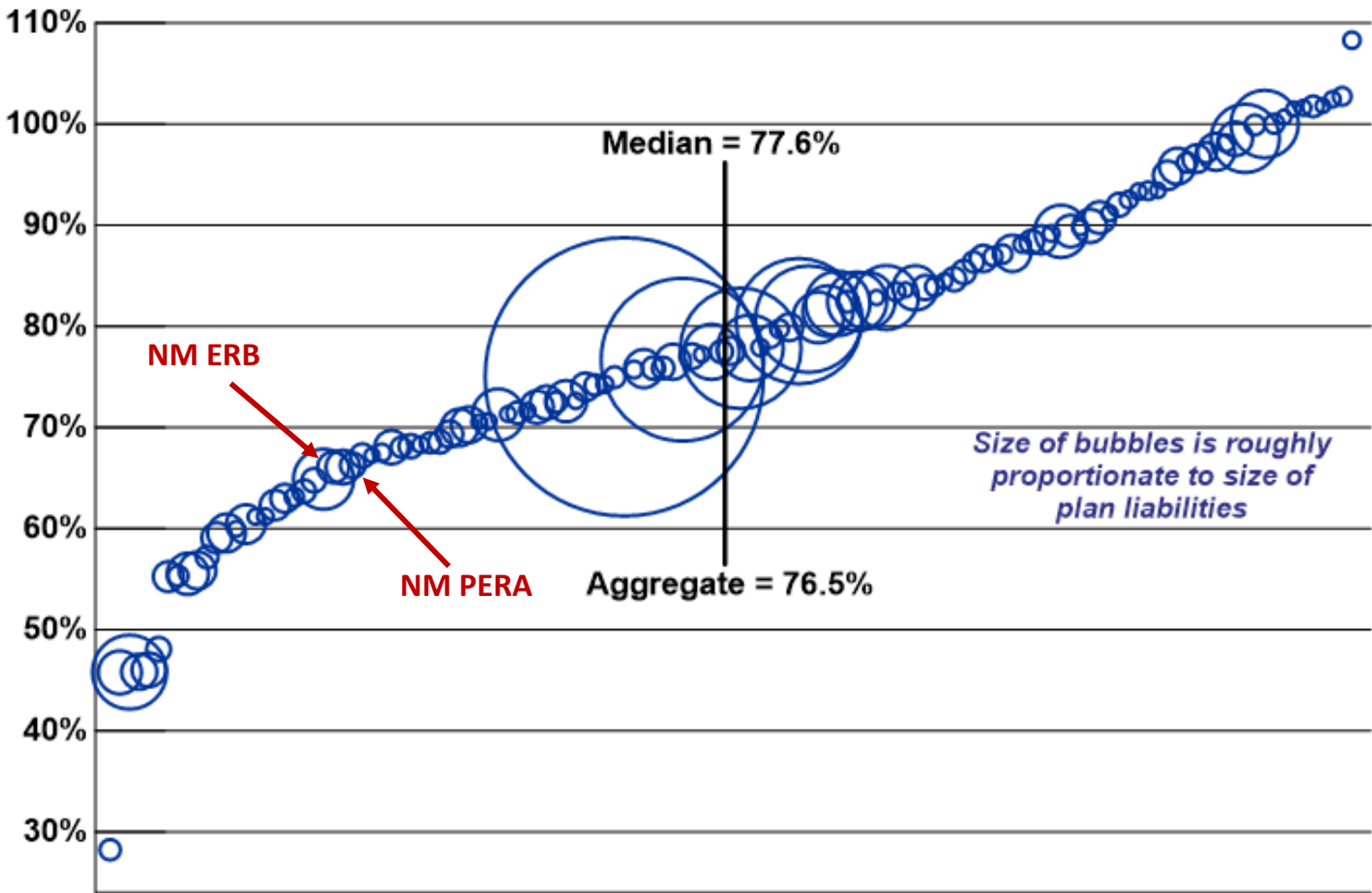
Summary of Aggregate Public Pension Funding Levels and the Factors Driving Them



Aggregate Public Pension Funding Levels Compared with New Mexico ERB and PERA



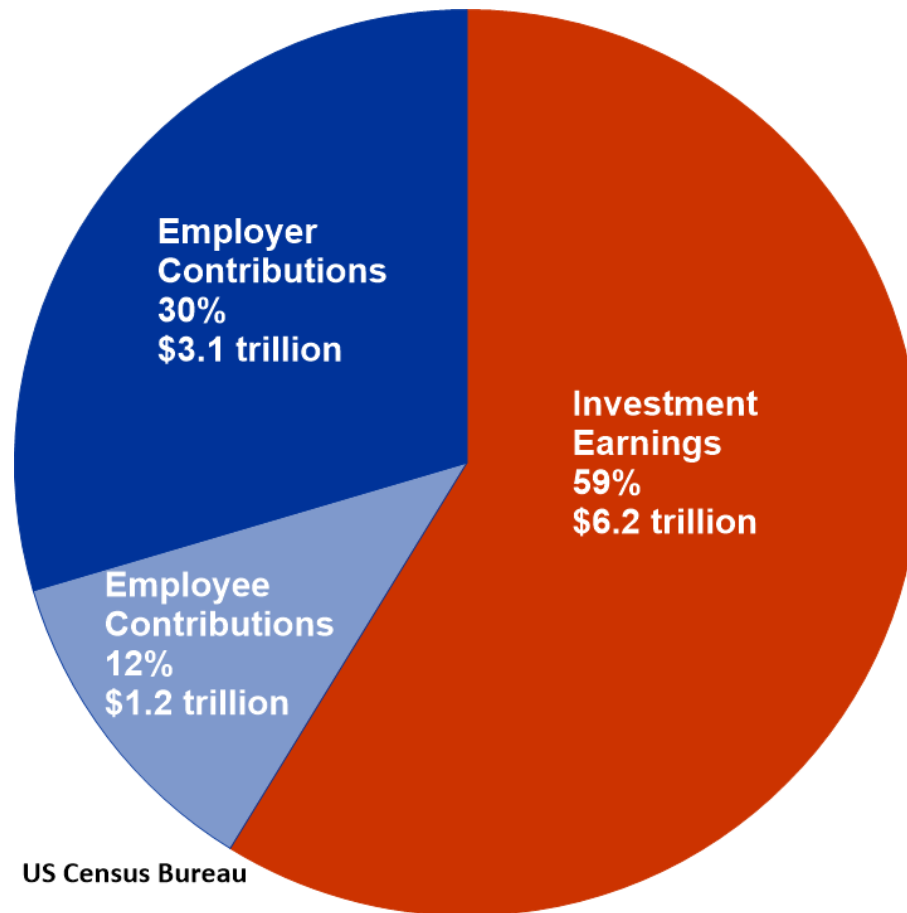
Distribution of Public Pension Funding Levels FY 24



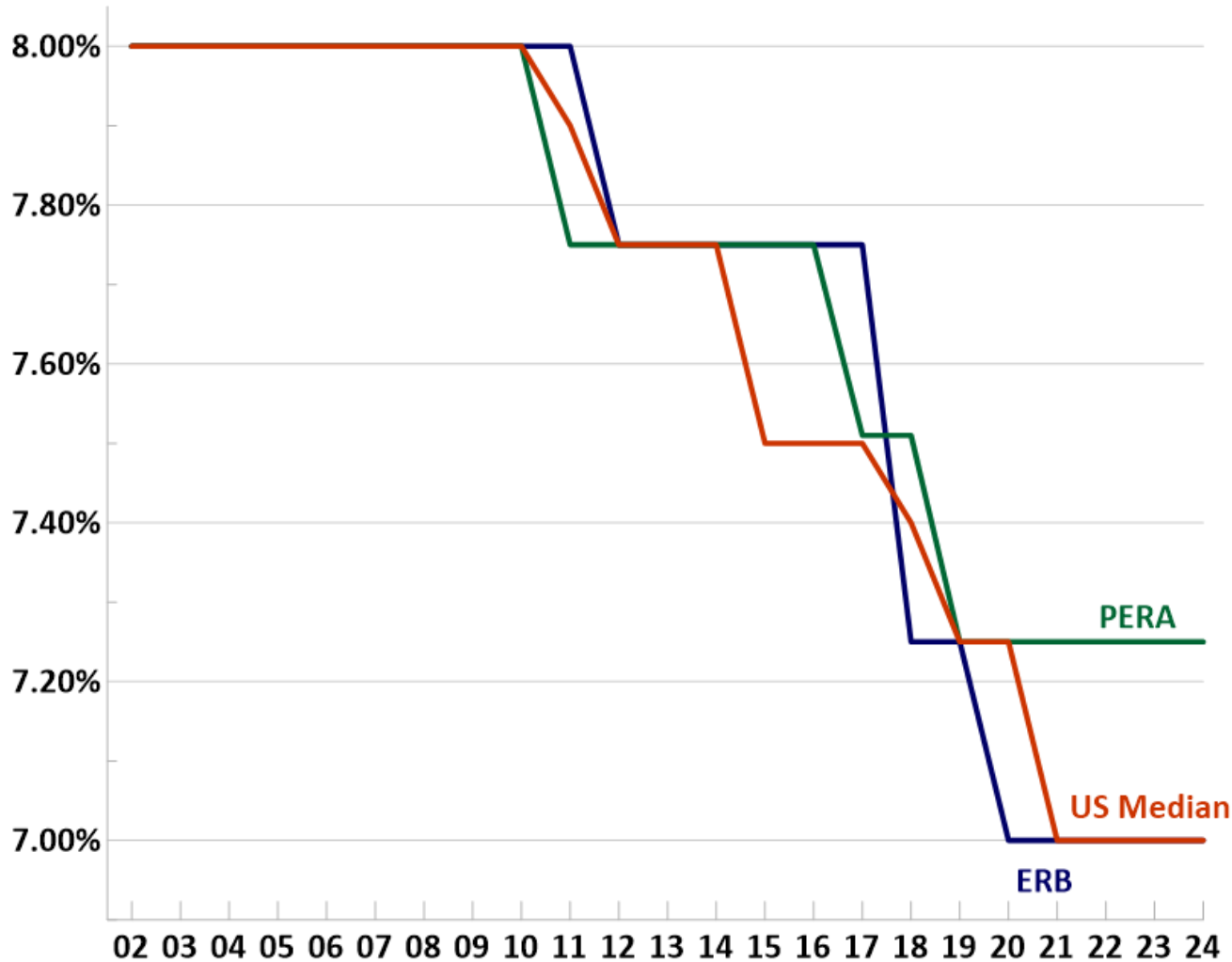
Public Fund Survey
Jul-25



Public Pension Sources of Revenue, 1995 to 2024



Investment Returns Assumptions for NM ERB, PERA, and National Median

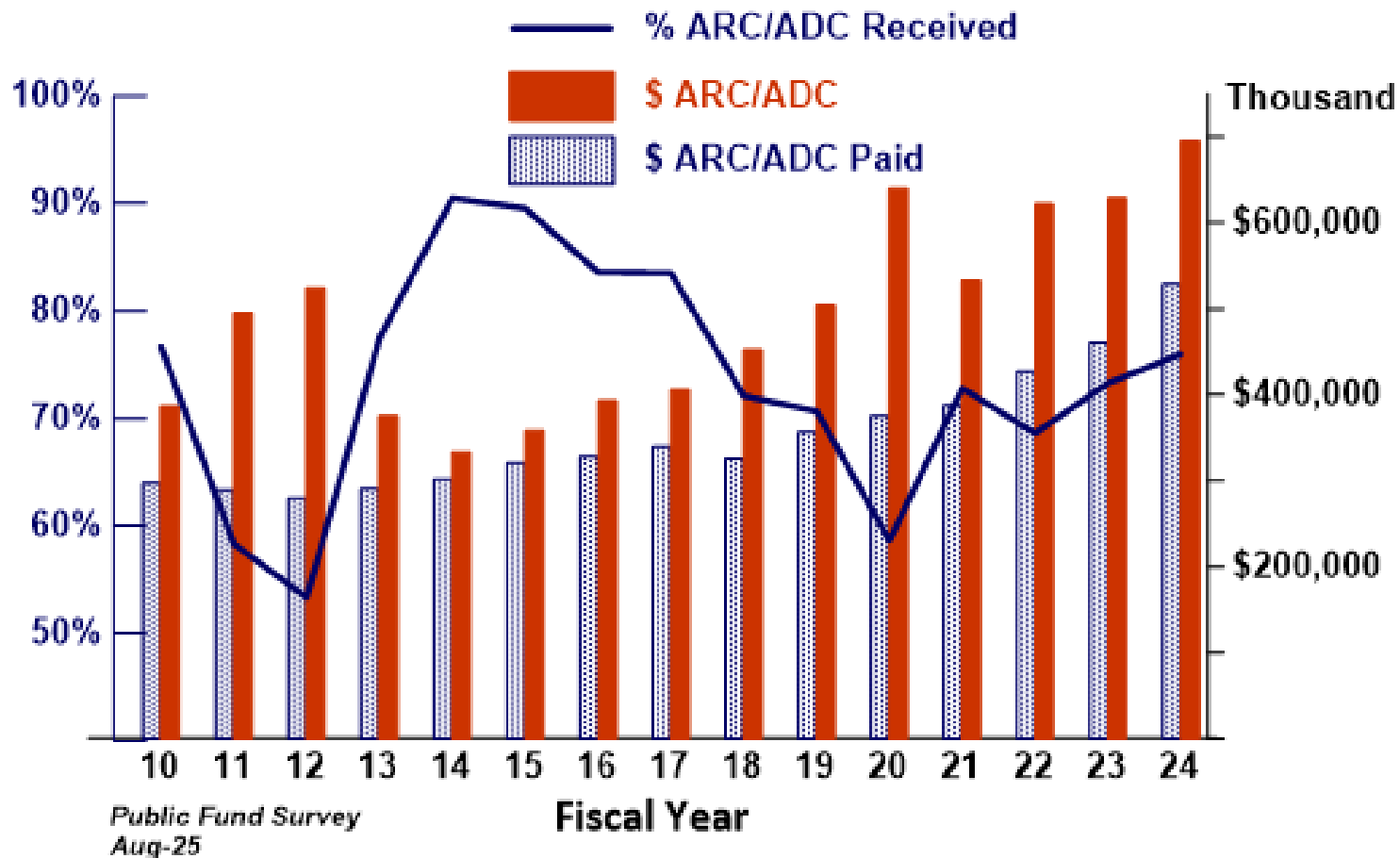


Lower investment return assumptions create a headwind to improving funding levels



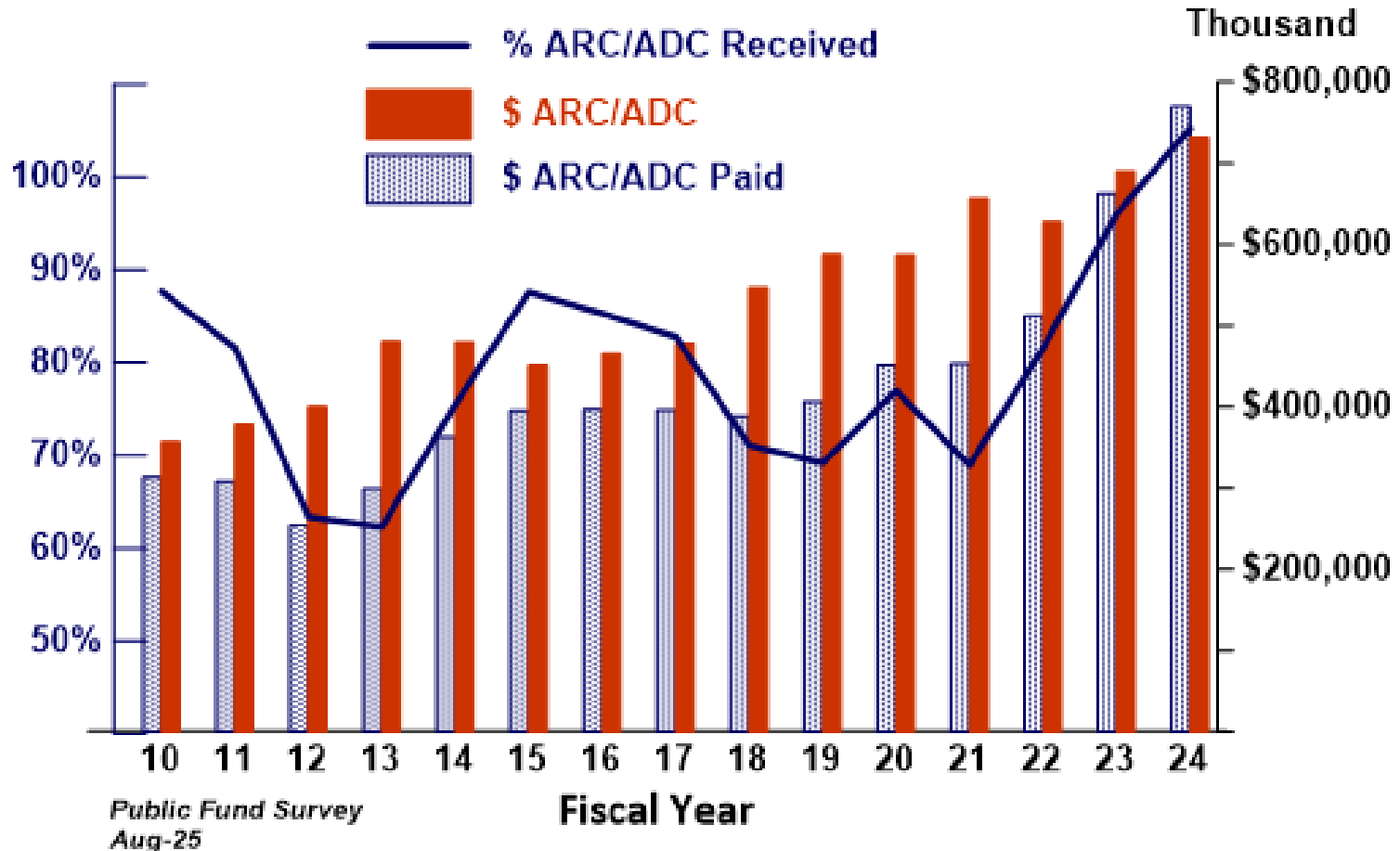
NM PERA Contribution Experience

Insufficient Contributions Impair the Plan's Progress to Full Funding

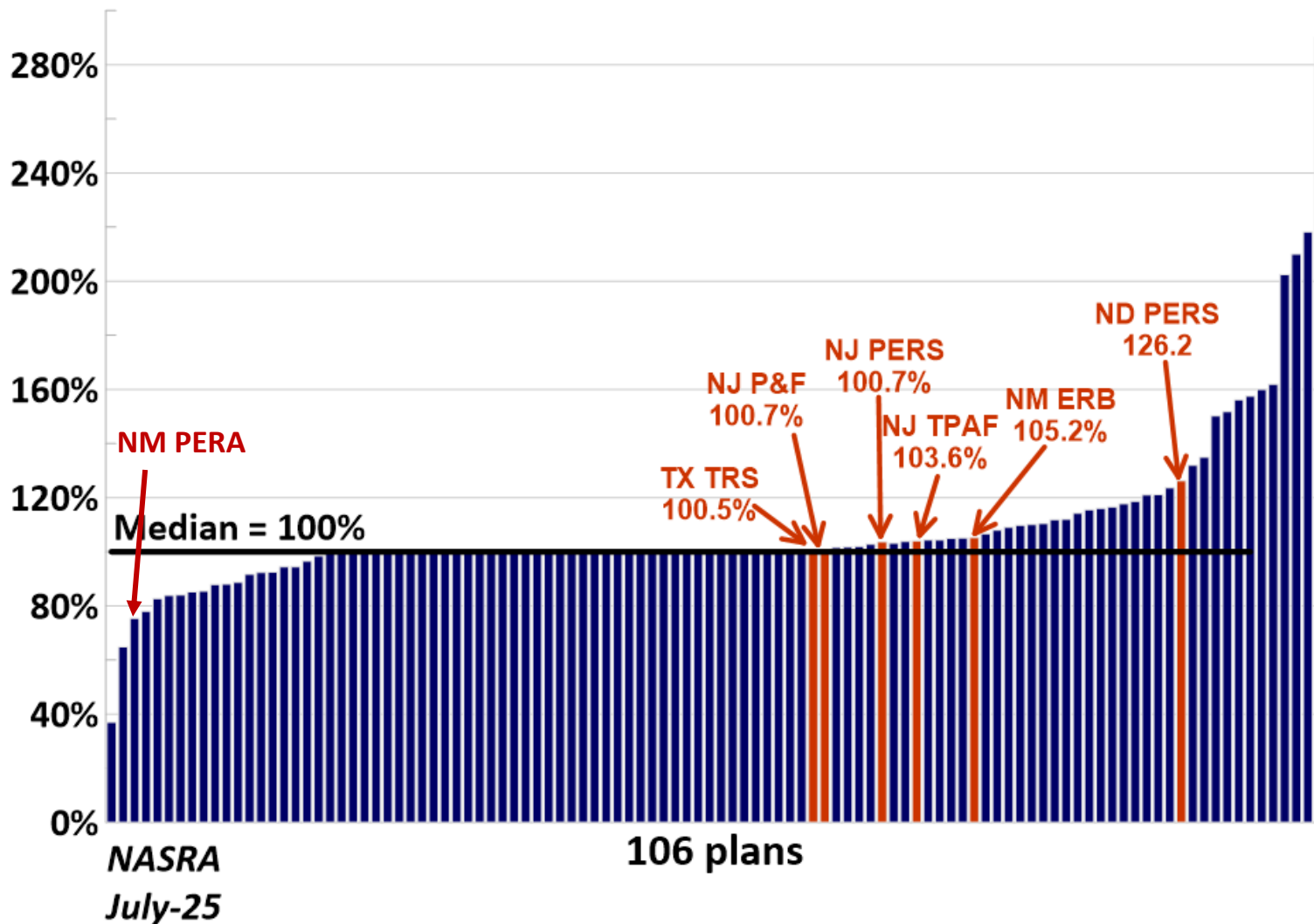


NM ERB Contribution Experience

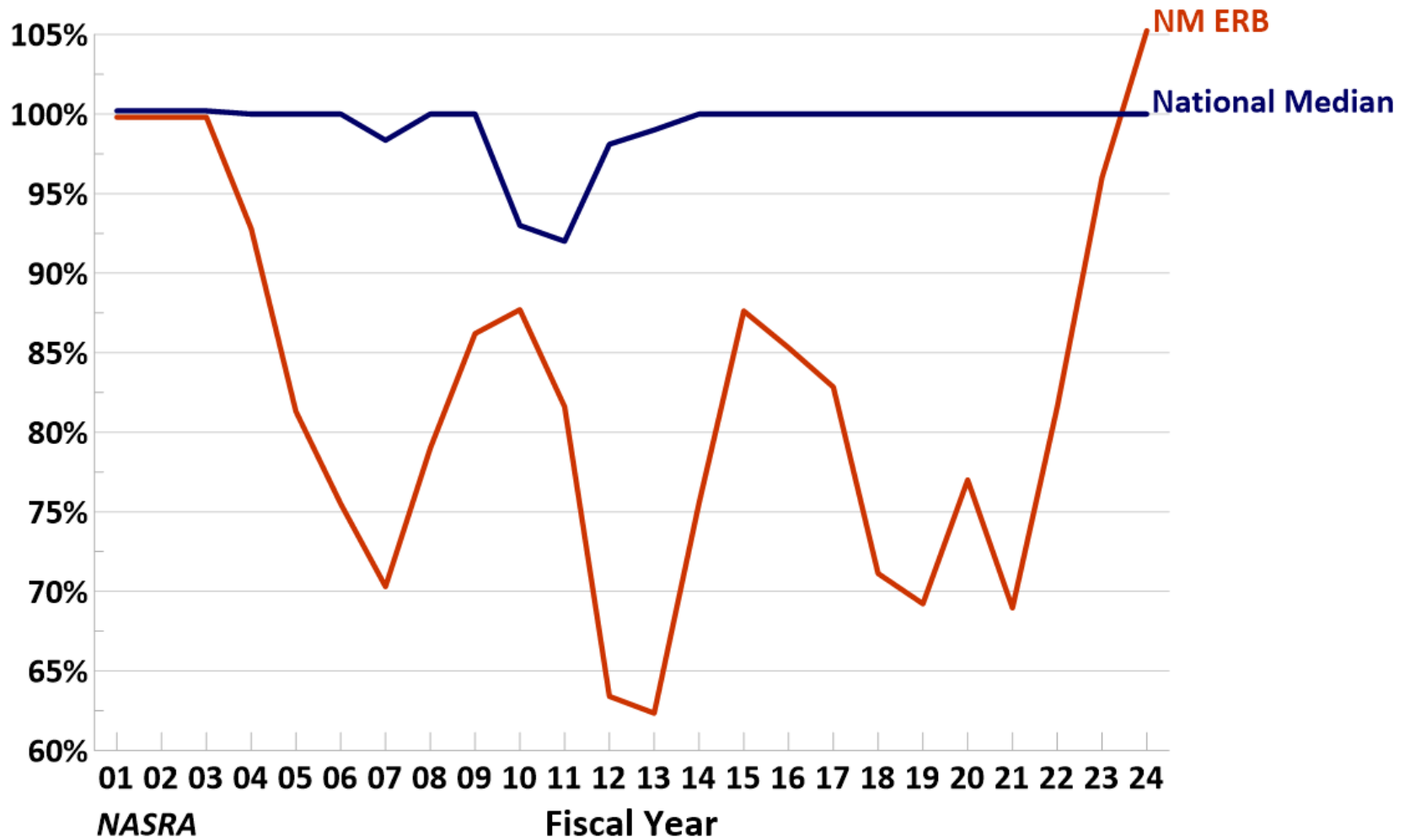
Stronger employer contributions are improving the Plan's Progression to Full Funding



Distribution of employer contributions received in FY 24 as a percentage of ADC

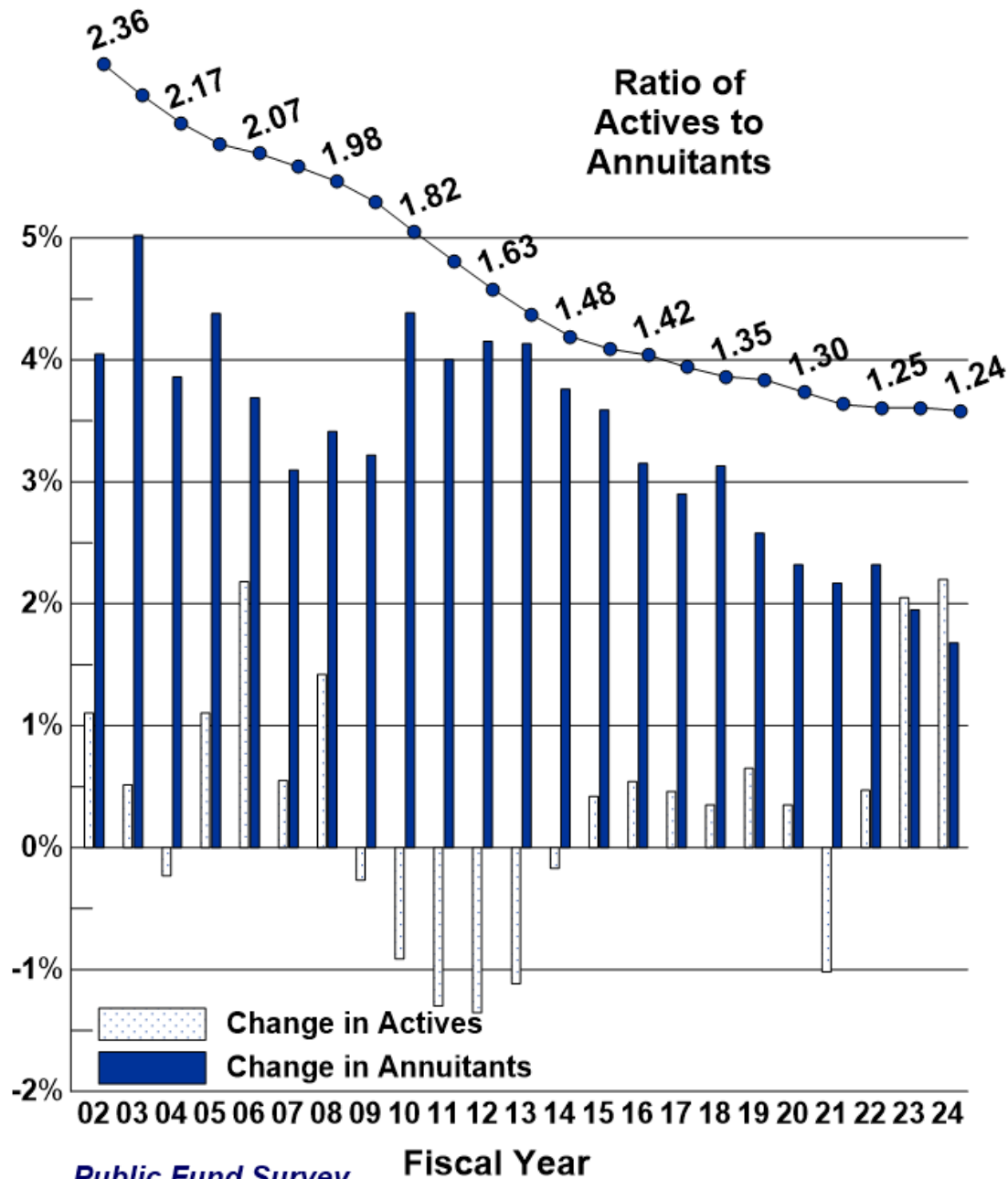


Percentage of ARC/ADC received by New Mexico Teachers since FY 01 and national median



NASRA
July-25

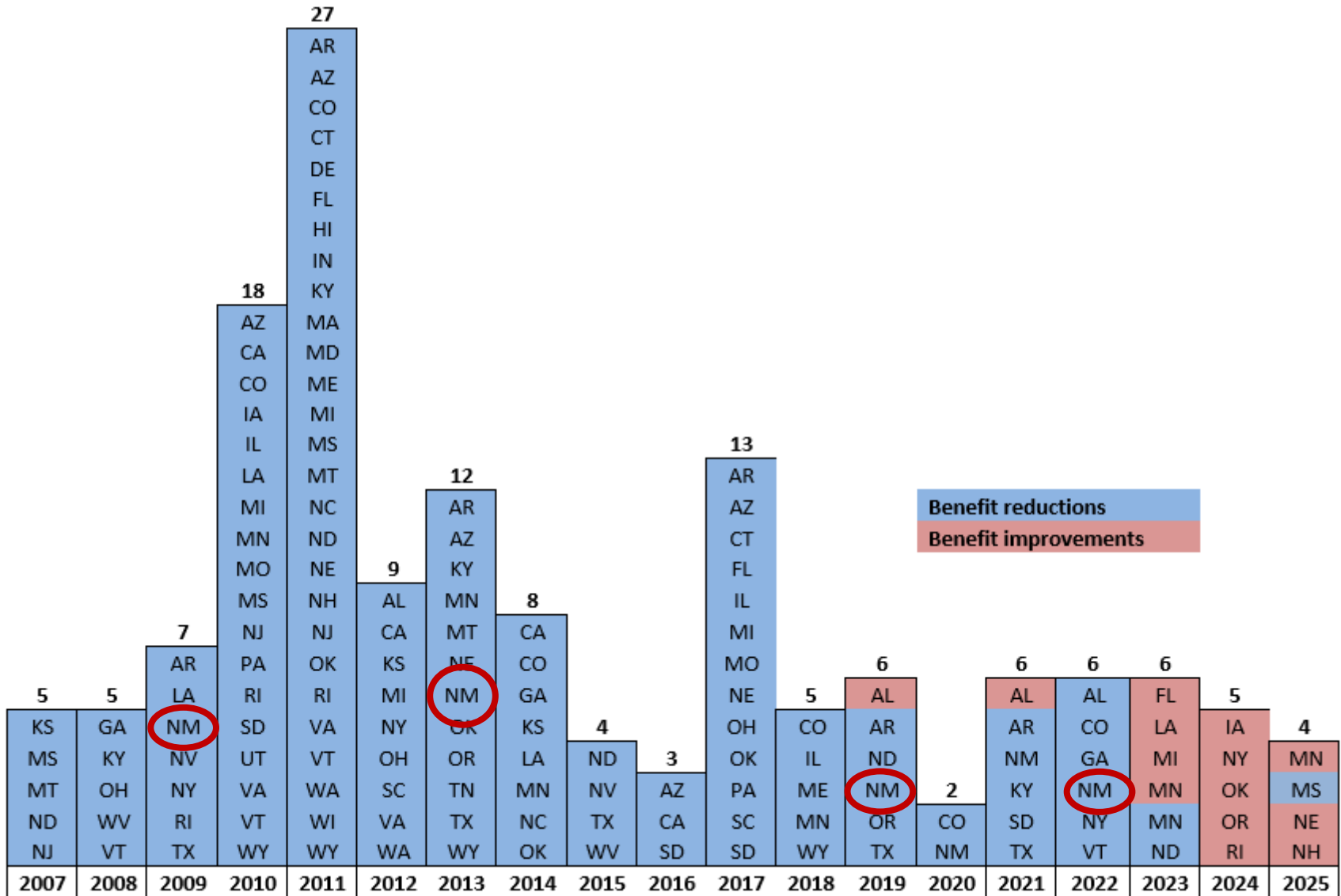




**Median
increase in
actives and
annuitants
since FY 02**



State Pension Reforms, 2007-2025



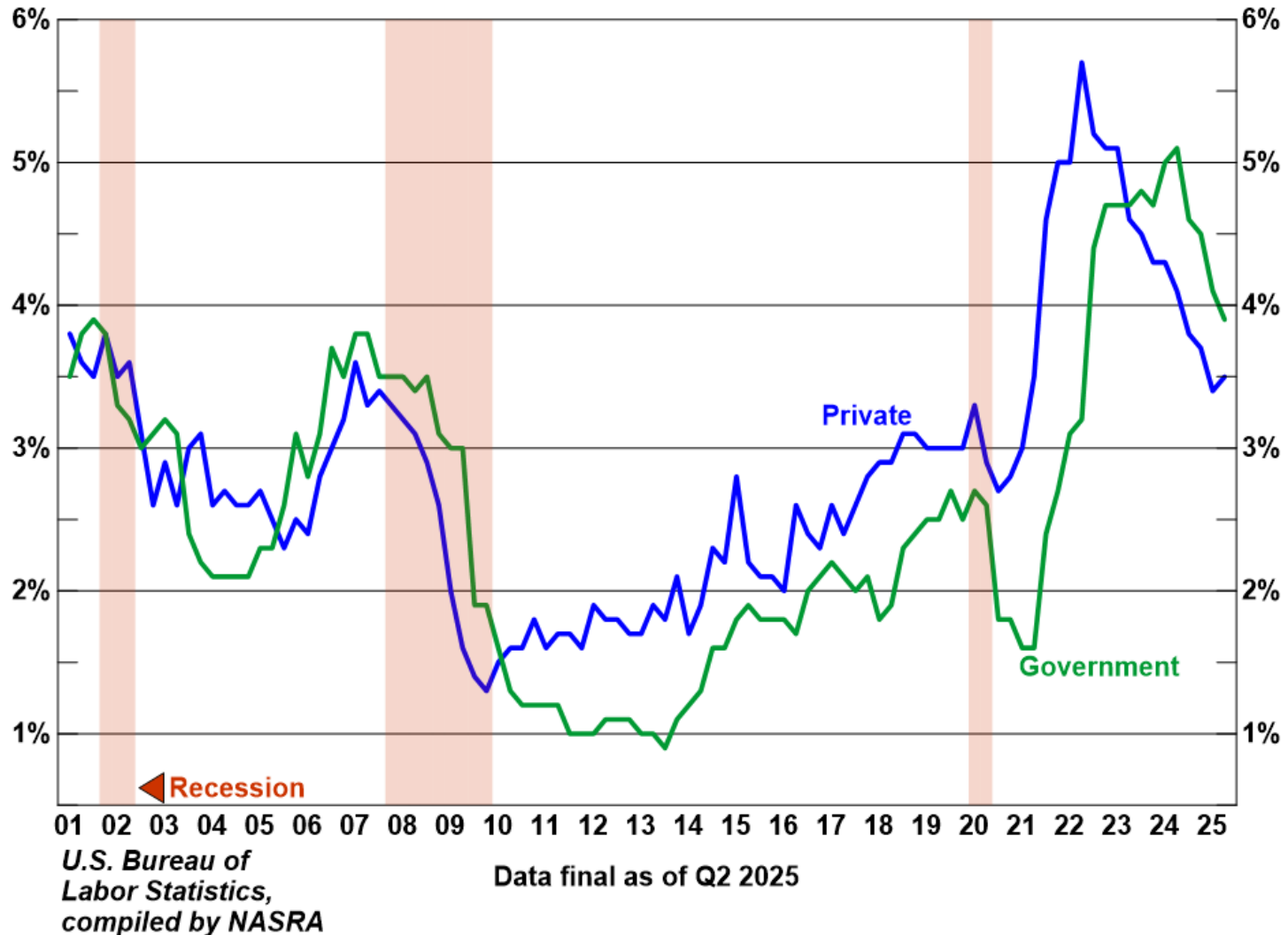
Retirement Benefit Factors

Plan	Retirement Multiplier	Normal (Full) Retirement Eligibility
NM ERB	1.35% of final average salary for years of service 1-10; 2.35% for YOS 11-20; 3.35% for YOS 21-30; 2.40% for YOS 30+	Age 67 with 5 years of service; any age with 30 years of service; Rule of 80 (sum of age and years of service) at age 65
NM PERA	2.5%	Age 65 with 5 years of service; Rule of 85 (sum of age and years of service)

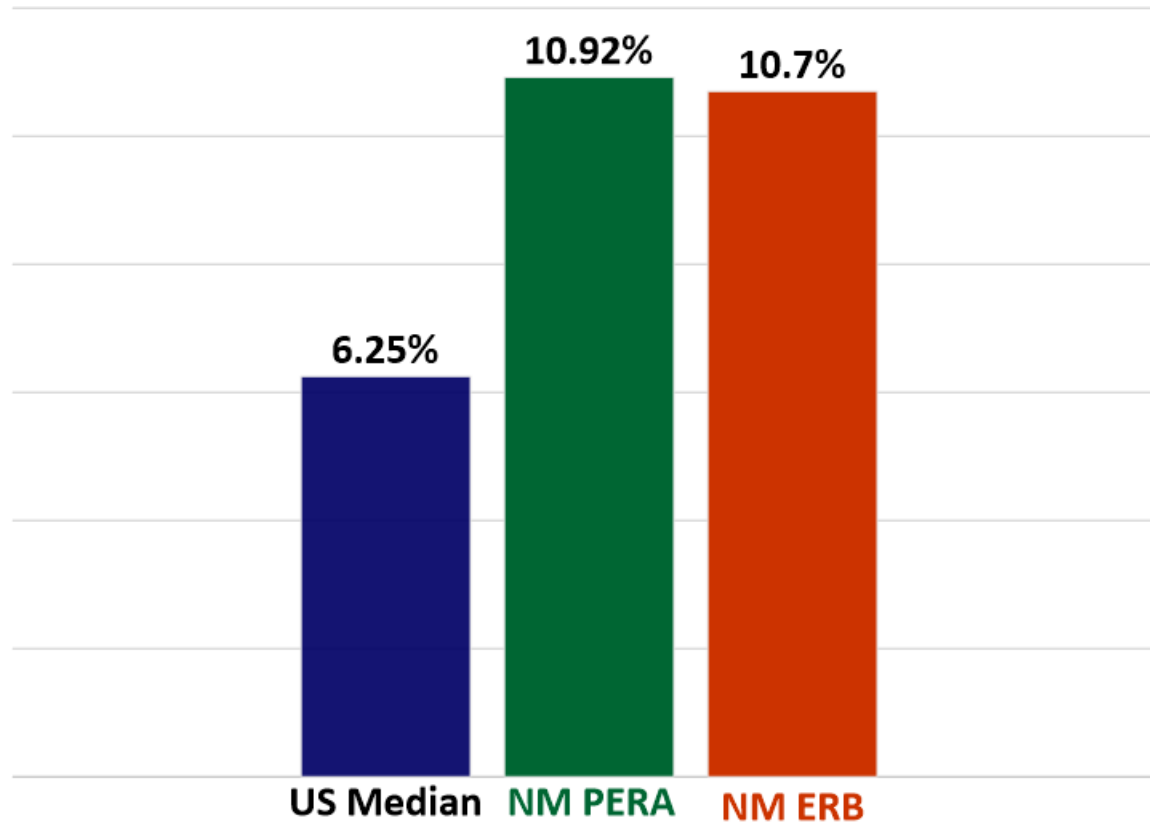
These factors apply to employees hired currently; different factors may apply to those hired previously.



Annualized Quarterly Change in Wage & Salary costs for Private and State & Local workers since 2001



Employee Contribution Rates



Rates apply to those earning \$25,000 for PERA and \$24,000 annually for ERB; PERA rates are for general state employees. Rates vary for other employee groups.



Thank you

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