

1 A MEMORIAL

2 REQUESTING THE CREATION OF A WORK GROUP TO STUDY THE PUBLIC
3 EMPLOYEES RETIREMENT ASSOCIATION FUND, POLICIES IMPACTING
4 BENEFITS AND THE SOLVENCY OF THE FUND AND THE IMPACT OF
5 CHANGES MADE TO RETIREE COST-OF-LIVING ADJUSTMENTS AND TO
6 MAKE RECOMMENDATIONS TO IMPROVE FUND SOLVENCY AND EXPLORE THE
7 POSSIBILITY OF PROVIDING COST-OF-LIVING ADJUSTMENTS TIED TO
8 INFLATION.

9 WHEREAS, the long-term stability of the public employees
10 retirement association fund is necessary to ensure that
11 public retirees receive their earned pensions; and

12 WHEREAS, the public employees retirement association
13 fund's unfunded liability has risen dramatically in recent
14 years; and

15 WHEREAS, in the six years since passage of Senate Bill
16 72 in the 2020 regular legislative session, many public
17 retiree pensions have not kept up with inflation,
18 significantly reducing retiree spending power; and

19 WHEREAS, changes enacted by the legislature in 2020
20 suspended cost-of-living adjustments for three years and
21 altered the methodology of compounding cost-of-living
22 adjustments for approximately thirty thousand current public
23 retirees, shifting their basis from inflation to a statutory
24 formula based on public employees retirement association fund
25 solvency and investment performance; and

1 WHEREAS, although the changes made in 2020 were intended
2 to reduce the public employees retirement association fund's
3 unfunded liability and projections were that retirees would
4 receive average compounding cost-of-living adjustments of one
5 and sixty-four hundredths percent, those projections have not
6 materialized; and

7 WHEREAS, the rise in the public employees retirement
8 association fund's unfunded liability since 2020 suggests the
9 possibility that factors other than cost-of-living
10 adjustments were the cause of the large unfunded liability
11 prior to 2020 and that elimination of the cost-of-living
12 adjustments was not an effective solution to the solvency
13 crisis; and

14 WHEREAS, under the current cost-of-living adjustment
15 formula, the value of a public retiree pension when adjusted
16 for inflation may shrink to just over one-half of its 2019
17 value in another twenty-five years; and

18 WHEREAS, the projected loss in economic activity
19 resulting from the reduced spending power of almost thirty
20 thousand senior citizens across New Mexico could be as high
21 as three hundred million dollars (\$300,000,000) since 2020,
22 and by 2030 could exceed one billion dollars (\$1,000,000,000)
23 in lost economic activity and more than fifty million dollars
24 (\$50,000,000) in lost income taxes to the state; and

25 WHEREAS, public employees retirement association actuary

1 reports for the last four years indicate that of the three
2 billion one hundred million dollars (\$3,100,000,000) growth
3 in unfunded liability, six hundred million dollars
4 (\$600,000,000) is primarily the result of investment
5 underperformance and one billion six hundred million dollars
6 (\$1,600,000,000) is the result of higher-than-expected salary
7 increases for active employees; and

8 WHEREAS, fund solvency projections by the public
9 employees retirement association actuary necessary to achieve
10 long-term solvency are based on assumptions of annual three
11 and one-fourth percent salary increases for active employees
12 and that increases above that amount will add to the unfunded
13 liability of the public employees retirement association fund
14 unless accompanied by increased employer contributions to
15 cover the increase in benefits driven by the salary
16 increases; and

17 WHEREAS, the average public employee salary has
18 increased an average of forty-seven percent since 2019, an
19 average increase of more than nine percent annually, far
20 above the three and one-fourth percent required to achieve
21 public employees retirement association fund solvency;

22 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE
23 STATE OF NEW MEXICO the legislative finance committee be
24 requested to create and staff a work group to study the
25 public employees retirement association fund to examine the

1 impact of cost-of-living adjustment changes on current
2 retirees and consider improvements to restore compounding
3 annual adjustments, to examine fund solvency factors in order
4 to ensure that pensions will be provided to future retirees,
5 to examine the causes of increasing unfunded liability, to
6 examine the impact of fund contributions from employers and
7 employees and to evaluate benefits for and impacts to future
8 retirees; and

9 BE IT FURTHER RESOLVED that the work group be requested
10 to examine formulas for the calculation of benefits, rules
11 and policies governing benefits and incentives for delaying
12 benefits, including consideration of social security
13 incremental pension formulas to determine what changes in
14 retirement program requirements will improve fund solvency
15 without negatively impacting retirees and giving
16 consideration to directing those changes for new hires; and

17 BE IT FURTHER RESOLVED that the work group be requested
18 to study and evaluate the impact of changes to retiree
19 cost-of-living adjustments since 2019 and consider options to
20 restore cost-of-living adjustments for retirees that are tied
21 more closely to actual cost-of-living changes and that the
22 work group develop recommendations that do not negatively
23 impact the solvency of the public employees retirement
24 association fund or the financial stability of retirees in
25 their retirement years; and

1 BE IT FURTHER RESOLVED that the work group be requested
2 to seek the assistance of an outside entity with expertise in
3 pension funds to independently evaluate issues impacting fund
4 solvency, including investment performance and investment
5 oversight; and

6 BE IT FURTHER RESOLVED that the work group be composed
7 of nine members with demonstrated experience in finance,
8 budget and government policy, including one public employees
9 retirement association retiree appointed by the speaker of
10 the house of representatives, one public employees retirement
11 association retiree appointed by the president pro tempore of
12 the senate, one public employees retirement association
13 retiree appointed by the governor, the chair and vice chair
14 of the appropriate interim legislative committee that
15 oversees investments and pensions or their designees, the
16 chair of the public employees retirement association board,
17 the executive director of the public employees retirement
18 association, an analyst of the department of finance and
19 administration and an analyst of the legislative finance
20 committee; and

21 BE IT FURTHER RESOLVED that the work group be requested
22 to make its recommendations to the appropriate interim
23 legislative committee that oversees investments and pensions
24 and to the legislative finance committee no later than
25 December 31, 2026; and

1 BE IT FURTHER RESOLVED that copies of this memorial be
2 transmitted to the governor, the legislative finance
3 committee, the executive director of the public employees
4 retirement association and the department of finance and
5 administration.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25