



**PERA**

## **Investments and Pensions Oversight Committee**

*Representative Tomás E. Salazar, Chair*

*Senator George K. Muñoz, Vice-Chair*

*June 7, 2018*

*James Maxon, Board Chair, PERA*

*Wayne Propst, Executive Director, PERA*

*Dominic Garcia, Chief Investment Officer, PERA*

# Develop a Sustainable PERA Edge

## A More Robust Operating Model



Adapted from Peter Drucker “Model”, research from Keith Ambachtsheer, and Clark and Irwin, (2008)  
“Best-practice pension fund governance”, *Journal of Asset Management*, vol 9, 1, 2-21

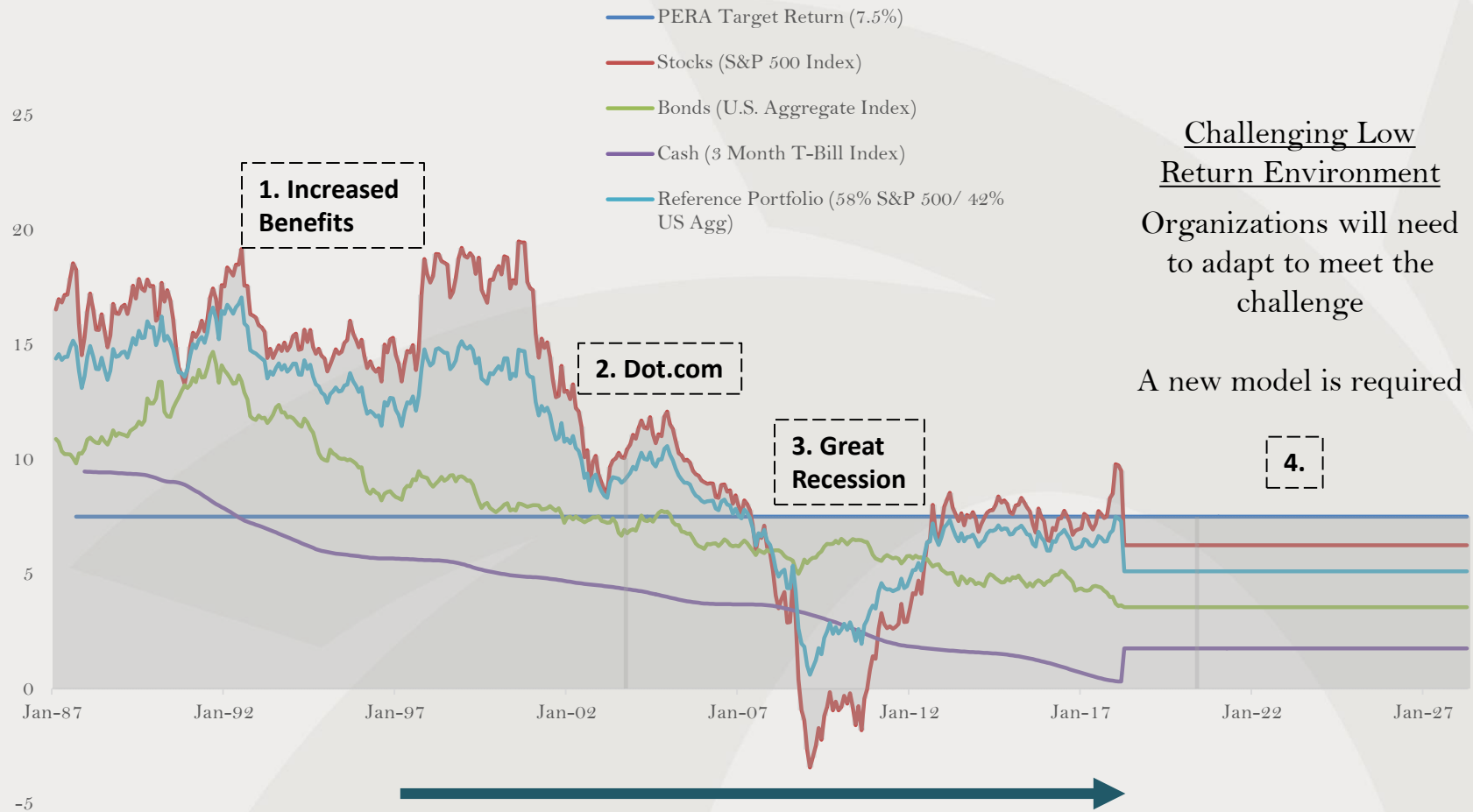
# PERA Fund Performance

- As of April 30, 2018, the PERA Fund was \$15.5 billion
- As of April 30, 2018 The PERA Smart Save Deferred Compensation Plan (457b) fund balance was \$600.4 million with over 20,000 participants

As of 04/30/2018	Fiscal YTD	1 Year	5 Year	10 Year	20 Year	Since Inception 6/30/1985
PERA Total Fund Returns (Net of Fees)*	6.53%	8.34%	6.76%	4.98%	6.37%	9.02%
Policy Benchmark*	4.77%	6.65%	6.72%	5.38%	5.93%	8.93%
Value Add	1.76%	1.68%	0.04%	-0.40%	0.44%	0.09%

\* Annualized returns

# Challenge: Pensions Have Entered a New Era



Challenging Low Return Environment  
 Organizations will need to adapt to meet the challenge  
 A new model is required

PERA 20 year return = 6.37%



# Difficulty to “Catch Up” Goal: 100% Funded

<b>75% Funded Ratio</b>	<b>10 Years</b>	<b>20 Years</b>	<b>2043 (25 Years)</b>
Approximate Required Return to “Catch Up” to 100% Funding	10.9%	9.2%	8.8%
<b>Probability of Achieving “Catch Up” Return</b>			
<i>Current Portfolio</i>	11.0%	14.8%	15.4%
<i>2018 Year End Portfolio</i>	11.2%	15.3%	15.8%
<i>2019 Year End Portfolio</i>	14.4%	22.0%	24.7%
<i>2020 Year End Portfolio</i>	18.6%	27.6%	30.1%

Source: Wilshire

# PERA – Who We Serve

## Active Membership

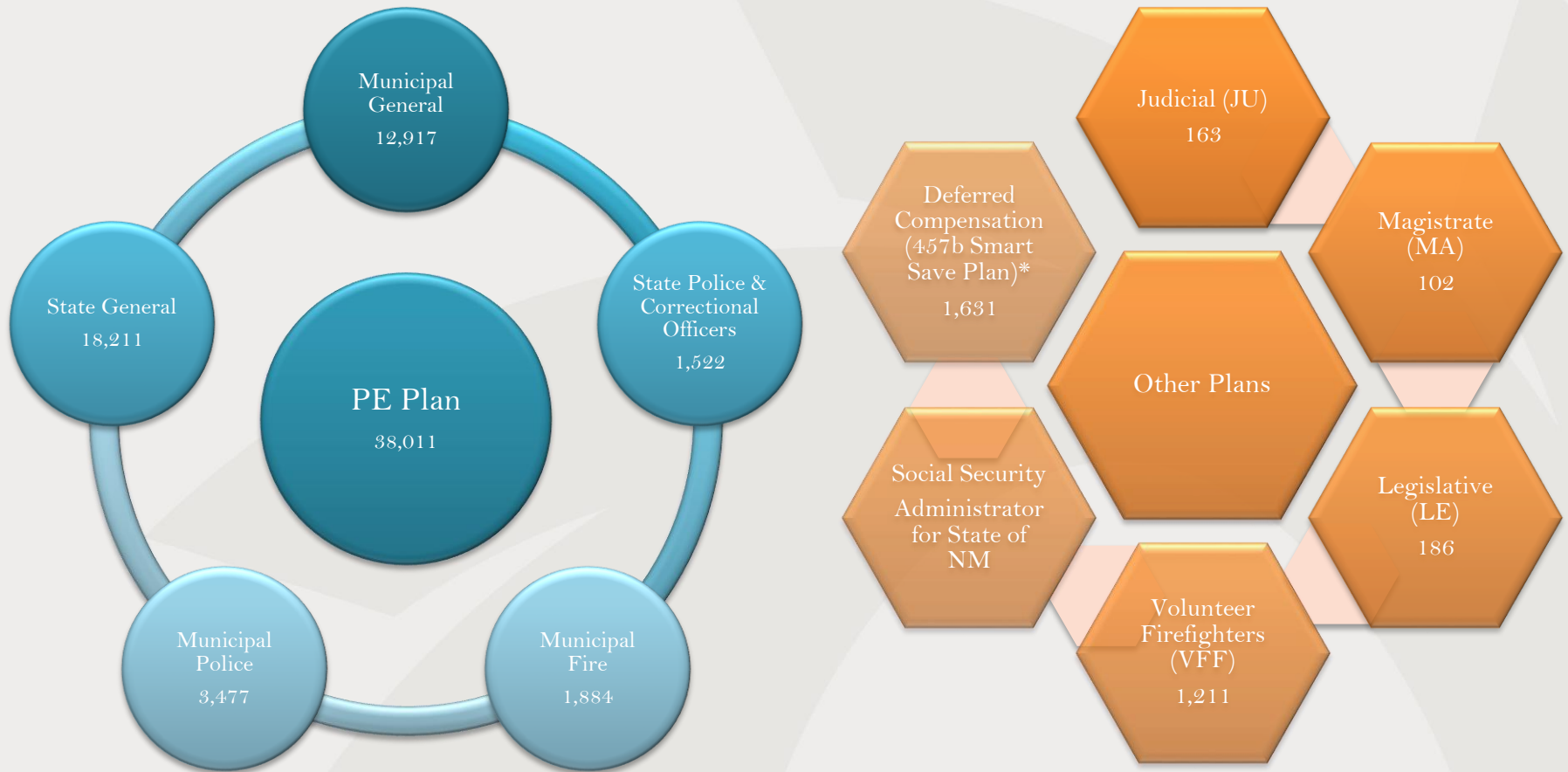


Active membership as of 6/30/2017

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# PERA – Who We Serve

## Retired Membership



*Retired membership as of 6/30/2017*

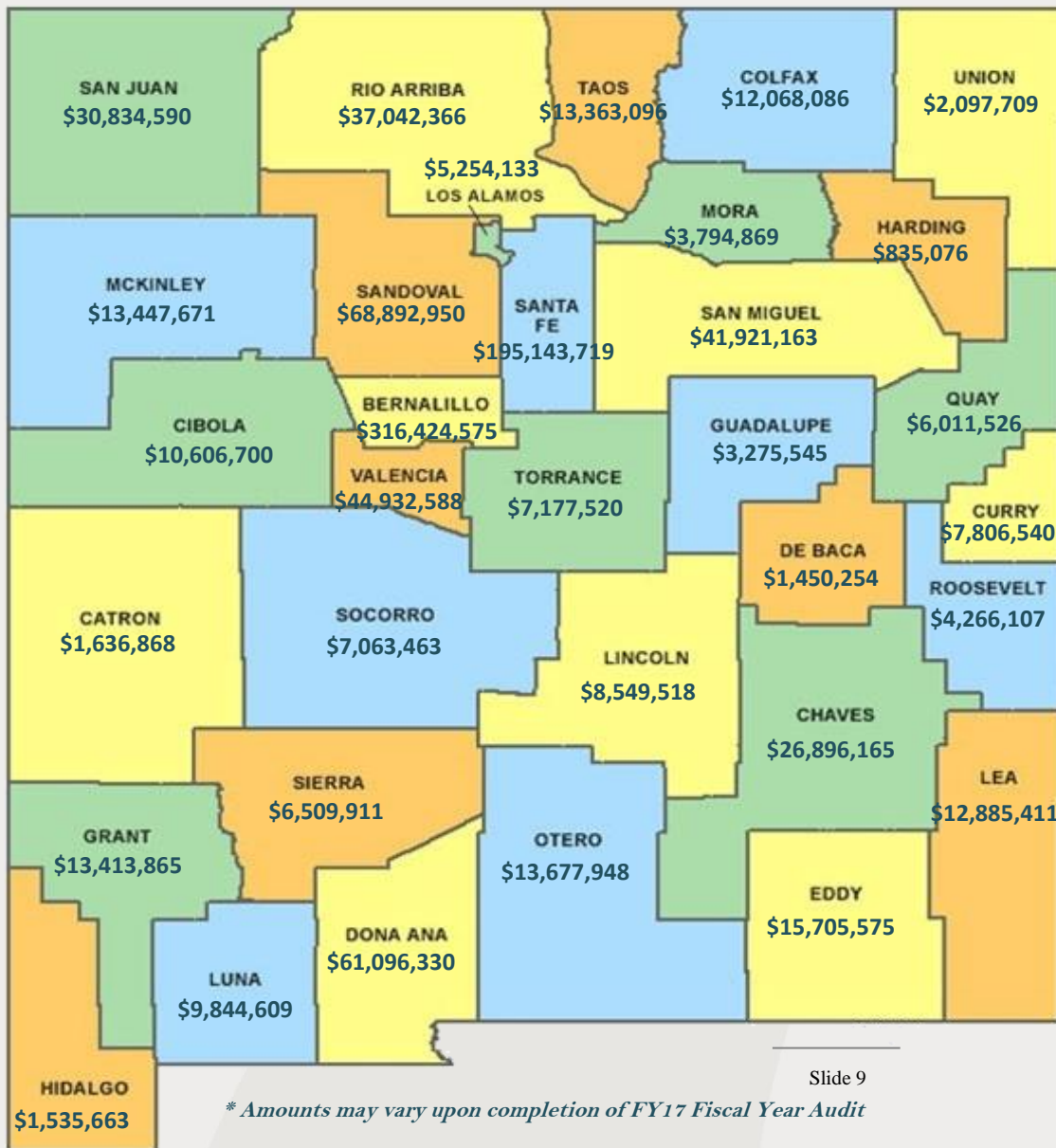
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# PERA at A Glance – FY17

	Average Annual Pension – FY17	Average Age at Retirement – FY17	Average Annual Pension – Total	Average Age at Retirement – Total
PERA Total	\$26,880	60.14	\$25,260	56.00
State General	\$26,220	61.28	\$23,892	57.50
State Police/Corrections	\$36,756	51.44	\$28,284	51.05
Municipal General	\$23,160	61.92	\$22,944	57.91
Municipal Police	\$41,880	49.23	\$34,428	47.60
Municipal Fire	\$42,840	51.16	\$34,752	47.85
Judicial	\$87,420	66.39	\$64,872	61.97
Magistrates	\$60,348	60.04	\$36,204	60.99
Legislative	\$14,964	68.89	\$8,100	64.55
Volunteer Firefighters	\$1,968	62.81	\$1,608	61.05



# 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

## # of Retired Members as of 6/30/2017

# that reside in NM	36,438
# that reside outside of NM	3,862

# PERA Initiatives

- The PERA Board is completing an economic and demographic experience study. Preliminary results indicate a possible need to adjust investment return and mortality rate assumptions. Final action expected by the Board in July.
- While still on a better solvency path than pre pension reform in 2013, PERA continues to face headwinds in paying down its unfunded liability and becoming fully funded. Results of the experience study will help guide the Board on whether further refinements to benefits and investments are necessary, and will be proposed in 2019, to ensure long term solvency and protect promised benefits.
- In December of 2017 the Board passed far reaching governance changes that removed the Board from direct involvement in selecting individual money managers and established best practices for Board oversight and monitoring.