



PERA

Investments and Pensions Oversight Committee

*Representative Patricia Roybal Caballero, Chair
Senator Roberto “Bobby” J. Gonzales, Vice Chair*

August 15th, 2022

*Claudia Armijo, Board Chair
Diana Rosales Ortiz, Vice Chair
Greg Trujillo, Executive Director*

PERA's 75th Anniversary

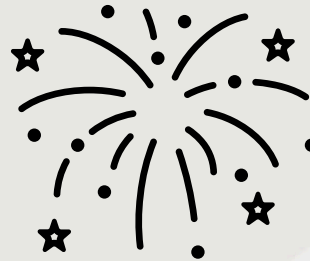


HM40 – August 1st as PERA Day
Rep. Roybal Caballero & Rep. Anderson



PERA

Public Employees
Retirement Association
of New Mexico



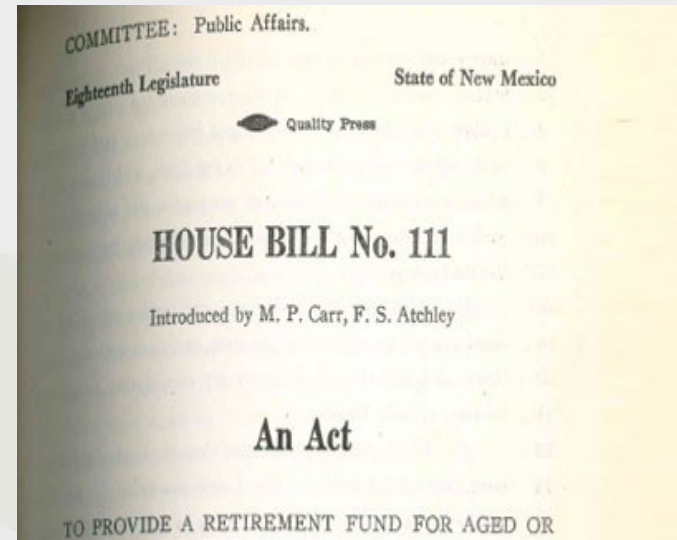
INVESTED IN TOMORROW.

PERA Act

The PERA Act was enacted in 1947 and became effective on August 1, 1947.



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Fiscal Year 2021 In Review



Total Fund Value
\$17.6 Billion



Rate of Return (net of fees)
24.02%



Active Members
47,679



Participating Employers
335



Retirees and Benefit Recipients
42,743



Retirement Benefits Paid
\$1.3 Billion



Funded Ratio
71.4%



Amortization Period
72 Years

NM PERA Board of Trustees

PERA is governed by a 12-member Board of Trustees. The Board is composed of:

State Members

Four Members under a state plan elected by state members;

- Claudia Armijo, Board Chair – Executive Director, NM Work and Save, NM State Treasurer's Office
- Diana Rosales Ortiz, Board Vice Chair – Forensic Auditor – Investigator, NM Office of the Attorney General
- Steve Neel – Deputy Chief Investment Officer, NM Educational Retirement Board
- Paula Fisher – Juvenile Justice Services, Children Youth & Families Department

Municipal Members

Three Members under a municipal plan elected by municipal members;

- Lawrence Davis – Budget Officer, City of Albuquerque
- Valerie Barela – Administrative Assistant, Albuquerque Civilian Police Oversight Agency
- Roberto Ramirez – Utility Technician, Albuquerque Bernalillo County Water Authority

County Members

One Municipal Member employed by a county elected by municipal members;

- Shirley Ragin, Deputy County Manager – Finance, Bernalillo County

Retired Members

Two Retired Members elected by PERA retirees

- Francis Page, MA, CFE – Budget Bureau Chief - Retired
- Loretta Naranjo Lopez, City Planner - Retired

Ex-Officio Members

The Secretary of State and the State Treasurer

- Maggie Toulouse Oliver, NM Secretary of State
- Tim Eichenberg, NM State Treasurer

NM PERA Board of Trustees – Governance Focus

- PERA Board has engaged Funston Advisory Services, LLC to assist with Board Governance and Strategic Planning
- Governance Committee established in 2022
- PERA Board adopted a Strategic Plan at July meeting. This had not been done since 2005.



Board Smart
An Enterprise Governance eLearning Resource 2.0

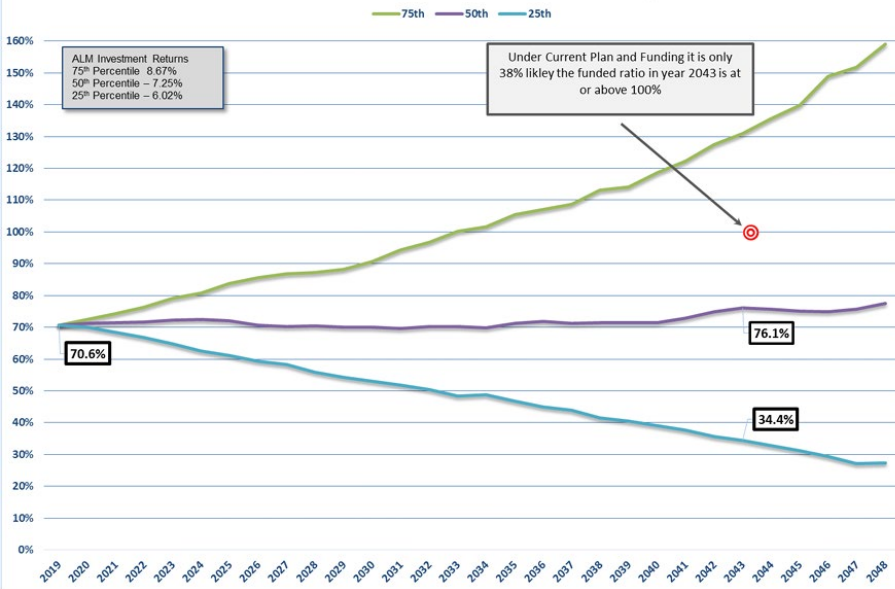
Board Smart – educational resource that delivers what every public pension trustee needs to know and ask about Enterprise Governance of a Public Retirement System and the powers reserved specifically for the Board.

Reason for SB72

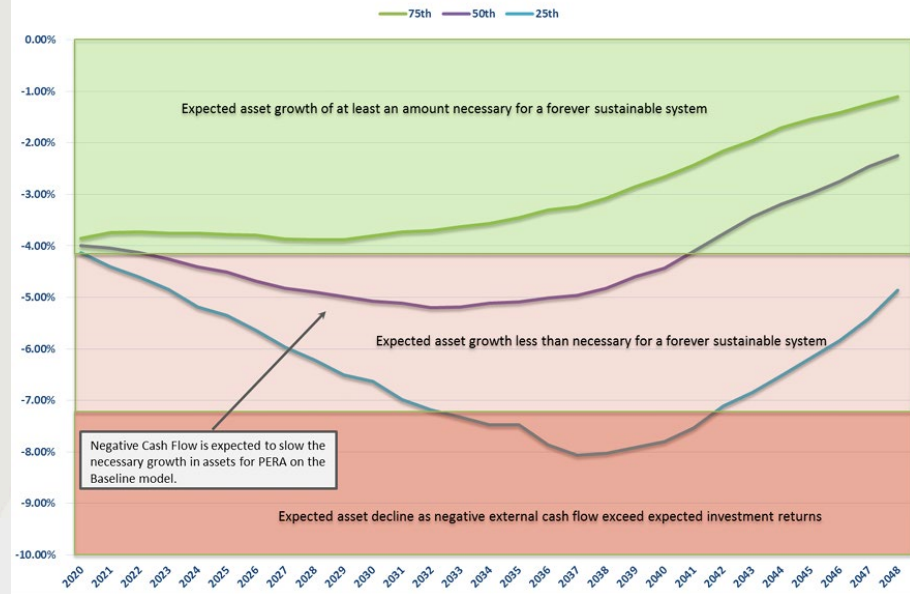
Assuming assumptions were correct, the Fund did not show improvement over the long term. And with lower actuarial experience and investment returns the fund was headed towards insolvency.

Negative cash flow was becoming an issue. A growing retiree population coupled with very little projected growth in the active membership meant we could find ourselves selling assets at a pace that could jeopardize the growth of the fund over the long term.

**Funded Ratio by Percentile Rank of ALM Outcomes
Baseline - Current Plan and Current Funding**



**Net Percent of Negative External Cash Flow by Percentile Rank of Outcomes
Current Plan ALM**



Funded Ratio as of 6/30/2019

69.9%

Funding Period

Infinite

Overview of 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 6/30/2020

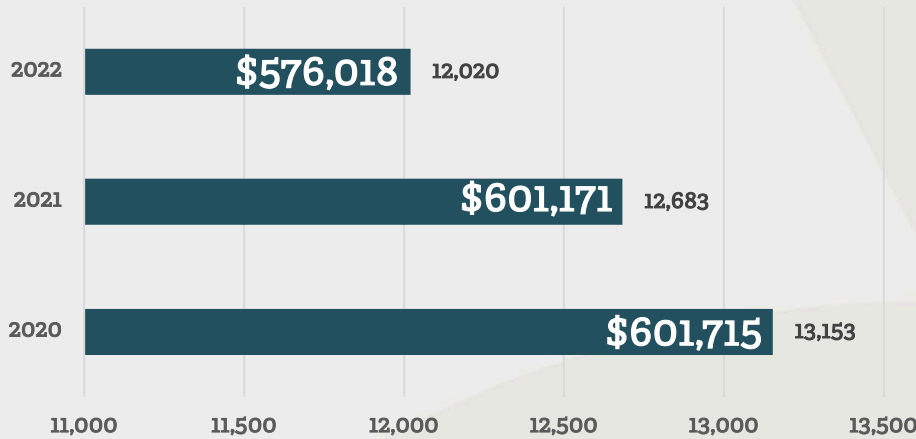
70.3%

Funding Period

106 years

SB72 – COLA, 13th Check, Contribution Increases

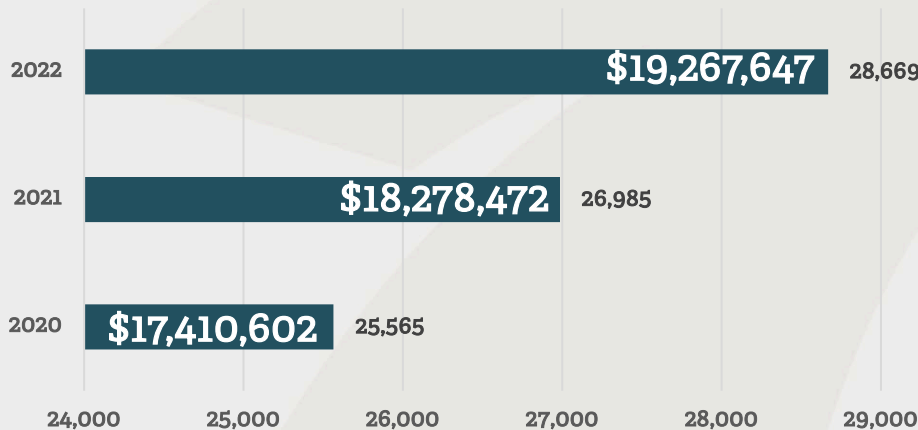
2.50% Cost of Living Adjustments



13th Check Reconciliation

2020 13th Check Amount	\$ 17,410,602.35
2021 13th Check Amount	\$ 18,278,472.41
2022 13th Check Amount	\$ 19,267,647.11
Total:	\$ 54,956,721.76
SB72 Legislative Appropriation	\$ 55,000,000.00
Surplus	\$ 43,278.24

13th Check Payments



Contribution Increases (State General)

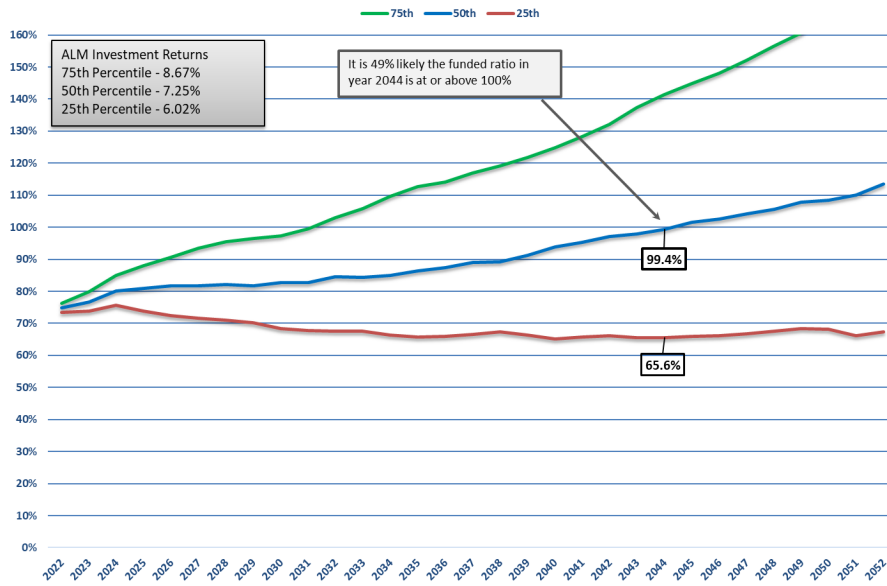
Year	Increase %	Total Increased Contributions (Combined)
2020	0.50%	\$10,846,176.11
2021	1.00%	\$21,591,456.78
Total		\$32,437,632.89

SB72 Projections FY2021

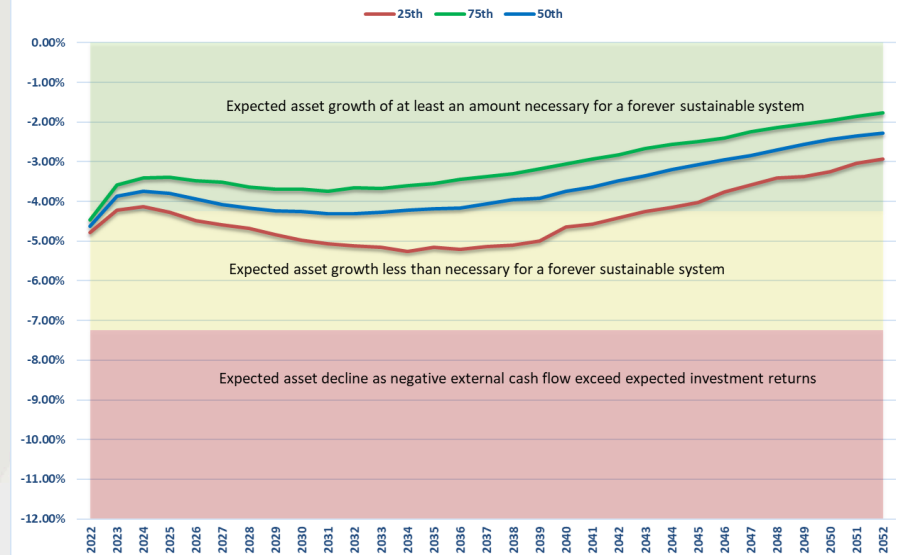
After 1 year of actuarial experience, PERA is projected to be near 100% funded by 2044 and even with returns in the 25th percentile over the long term the fund is sustainable.

By reducing the amount of benefits being paid out while increasing the contributions paid in PERA has tightened our cash flow in all three scenarios and it appears we are not headed to a situation where we are paying assets out at an unsustainable rate.

Funded Ratio by Percentile Rank of ALM Outcomes
PERA 2021 Baseline



Net Percent of Negative External Cash Flow by Percentile Rank of Outcomes
PERA 2021 Baseline



Funded Ratio as of 6/30/2021

71.4%

Funding Period

72 years

Other Items of Interest/Looking Forward



Michael Shackelford – CIO



\$20 Million appropriation to the Judicial Retirement Fund



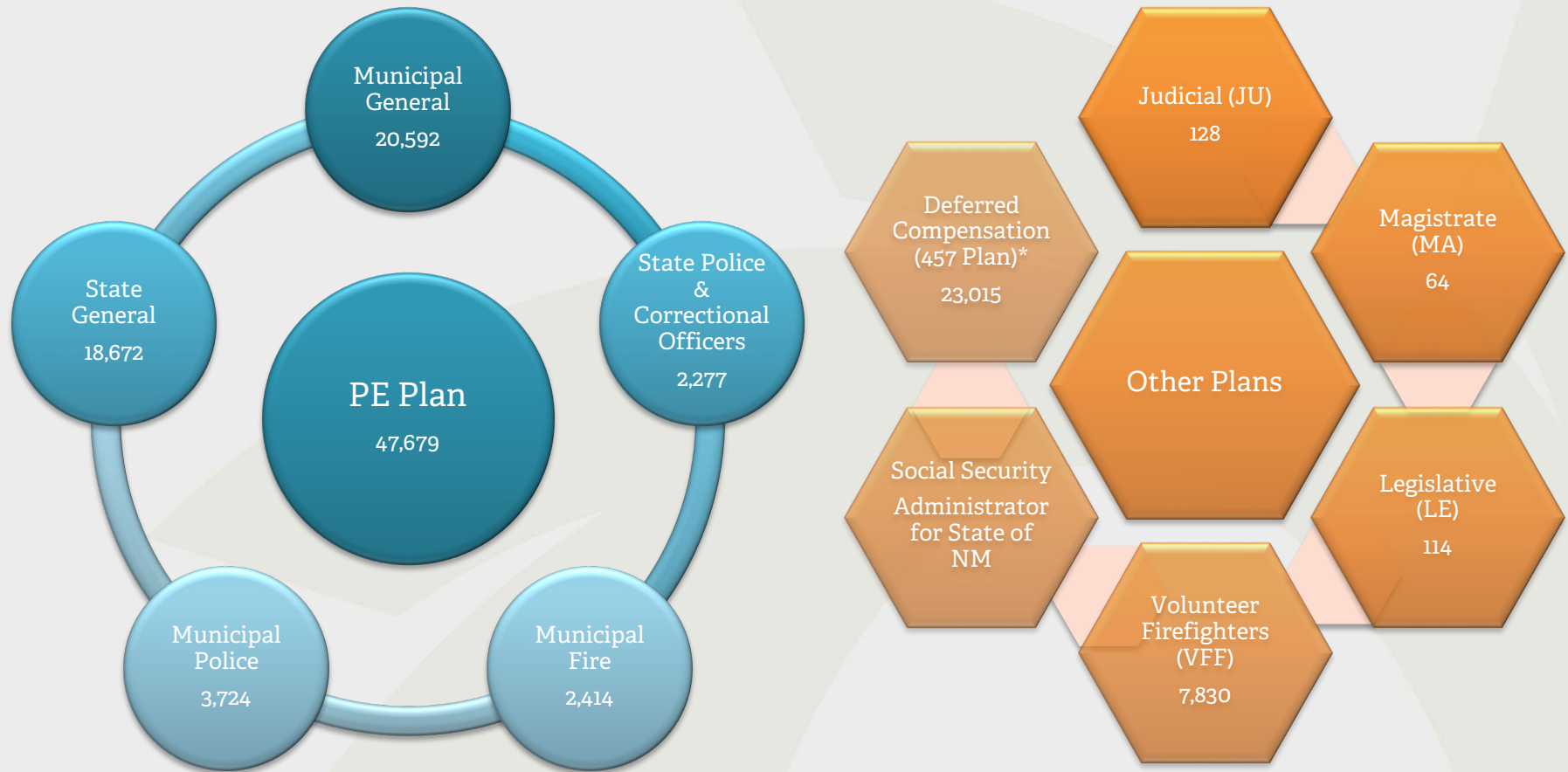
PERA Offices have been fully open to the public since May 2, 2022



GRS – Actuarial Consultant
Moss Adams – External Audit
CLA – Internal Audit

Full Implementation of SB72

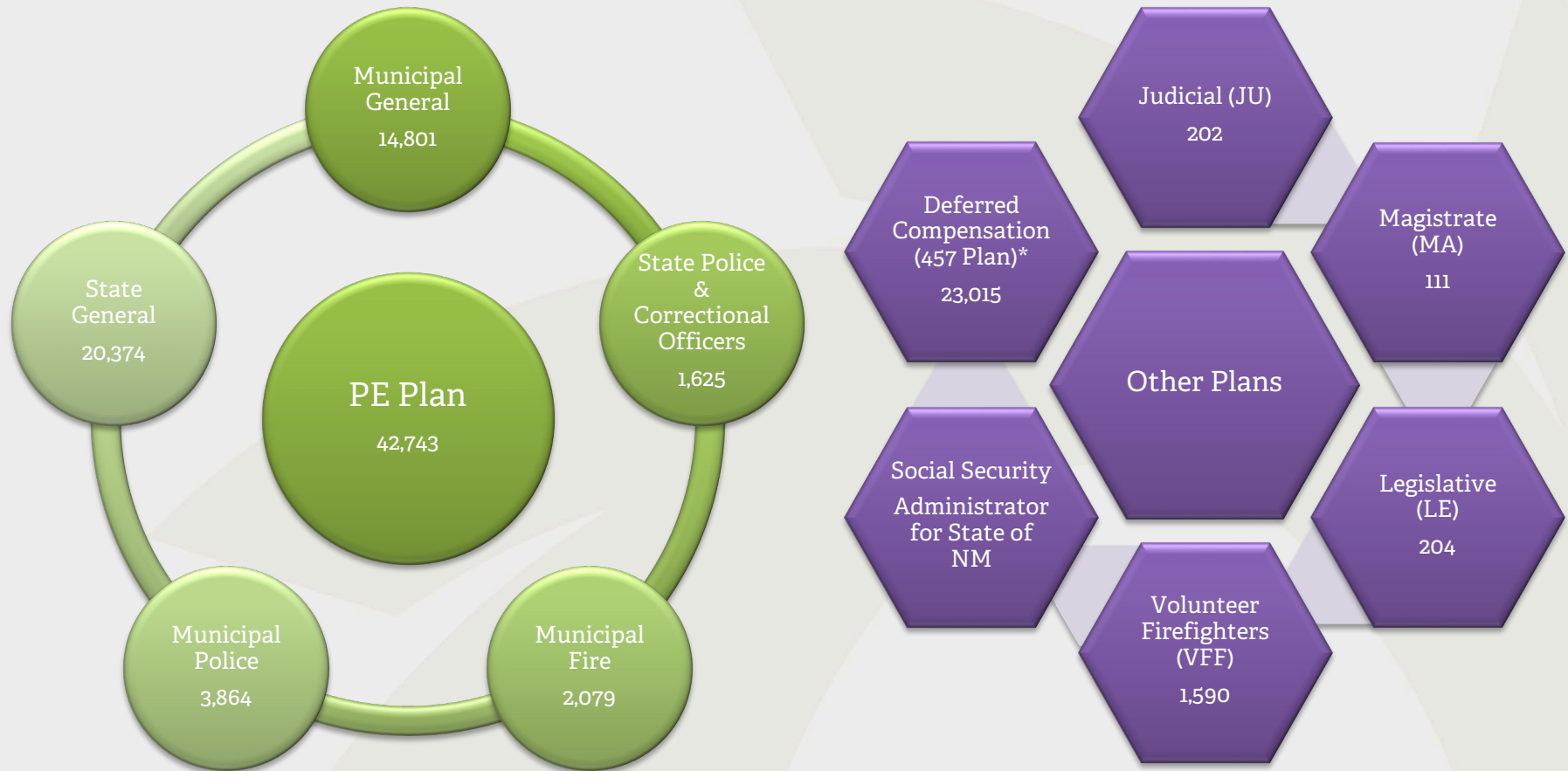
PERA – Active Membership



Membership as of 6/30/2021

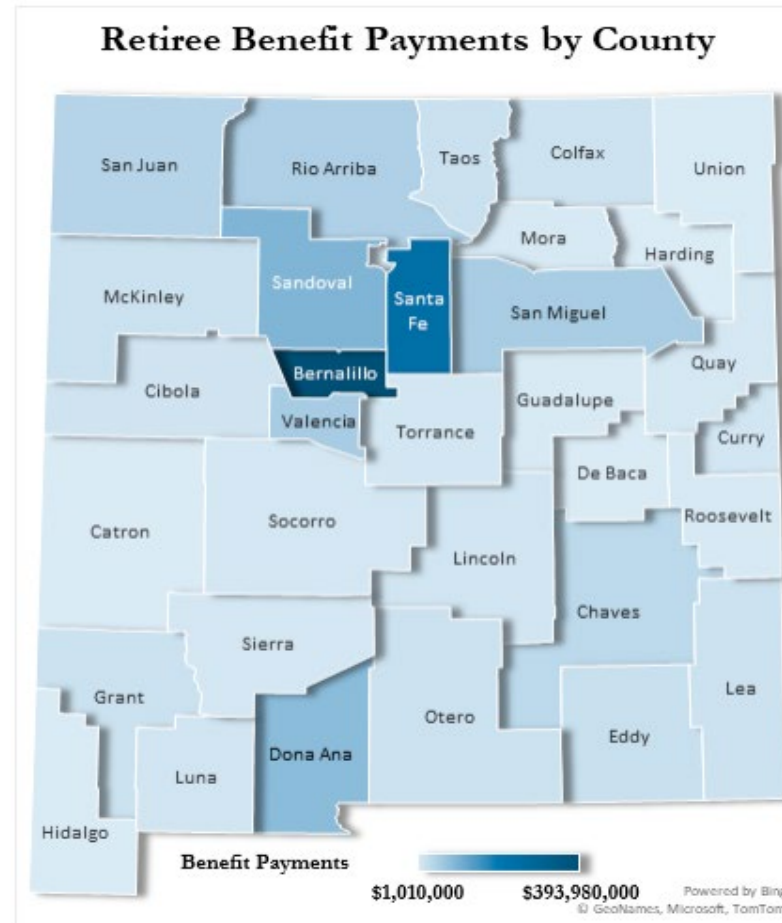
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PERA – Retired Membership



PERA's Economic Force in New Mexico

NM PERA provides financial stability for thousands of New Mexico retirees and their communities. In FY21, PERA paid \$1.33 billion in pension benefits 92% went to retirees living in New Mexico.



County	Benefit Payments
Bernalillo	393,980,000
Santa Fe	239,121,000
Sandoval	93,710,000
Dona Ana	82,521,000
Valencia	53,878,000
San Miguel	52,473,000
Rio Arriba	46,004,000
San Juan	39,423,000
Chaves	32,549,000
Eddy	20,105,000
Taos	17,877,000
Otero	17,194,000
Grant	17,037,000
McKinley	16,763,000
Lea	16,419,000
Colfax	15,103,000
Gibola	13,140,000
Luna	11,650,000
Lincoln	11,292,000
Curry	9,981,000
Torrance	8,943,000
Socorro	8,746,000
Sierra	8,384,000
Quay	7,243,000
Los Alamos	5,759,000
Mora	5,233,000
Roosevelt	5,078,000
Guadalupe	4,303,000
Union	2,622,000
Hidalgo	2,128,000
Catron	1,753,000
De Baca	1,585,000
Harding	1,010,000