



PERA

2017 Proposed Legislative Changes

Investments and Pensions Oversight Committee

Senator George K. Munoz, Chair

Representative Monica Youngblood, Vice-Chair

November 29, 2016

Patricia "Patty" French, PERA Board Chair

Wayne Propst, PERA Executive Director

Karyn Lujan, PERA Smart Save Plan Manager

NM PERA Smart Save Deferred Compensation Plan

- The PERA Smart Save Deferred Compensation Plan is an optional, supplemental retirement plan under 457b of the Internal Revenue Code
- *A defined contribution plan* - participant directed, based on risk tolerance; no liability to the Plan Sponsor (PERA)
- Designed to provide government and other public employees with a tax-deferred savings vehicle for retirement
- PERA Board oversight as fiduciary of the Plan
- As of October 2016:
 - 19,800 participants
 - \$510 million AUM

Defined Contribution Act – History

- Deferred Compensation Act, NMSA 1978, Section 10-7a-12 (Enacted April 6, 1981; Laws of 1981, ch. 151)
- There have been no substantive amendments to the Deferred Compensation Act since it was enacted
- As a result of evolving plan operations and to bring the statute up to current practice, revisions are warranted
- **Endorsed by the PERA Board**

Proposed Amendments

- Allow electronic transactions to increase participation and enhance retirement savings (§10-7A-3)
- Update and accurately define the Plan's investment opportunities to coincide the Plan's investment policy statement (§10-7A-5)
- Routine legislative clean-up to accurately reflect the Plan's administrative operations (§10-7A-2, §10-7A-3, §10-7A-8)

Amend Reciprocity Act Payor Fund Requirement

- Under the Public Employees Reciprocity Retirement Act (“Reciprocity Act”), service credit earned under different state retirement systems (PERA, ERA, MRA, JRA) may be combined towards retirement eligibility and used to calculate pension benefits. Members with reciprocal service credit retire under the state system of their last employer.
- Current law requires that the state system from which the member retires be the “payor” fund for the pension. NMSA 1978, Section 10-14-1 (E) (1978). Each state system then reimburses the payor fund the amount of the pension payments made on behalf of the other state system.

15 Years of Service

15 x 3.0% = 45.0% FAS



10 Years of Service

10 x 2.35 = 23.5% FAS



25 Years of Service

45.0% + 23.5% = 68.5% FAS



- If the member retires from PERA, PERA pays the entire benefit amount and is reimbursed by ERB on a monthly basis and vice-versa if the member retires from ERB.

Issues Caused among PERA & ERB Include

Reconciliation Issues	Manual Cost of Living Adjustments	1099 Discrepancies	Plan Changes/Programming Changes	Confusion amongst members
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Amend Reciprocity Act Payor Fund Requirement

Proposal would amend NMSA 1978, Section 10-14-1 (E) (1978) as follows:

E. ~~[the state system from which a member with eligible reciprocal service credit retires shall be the payor fund for the pension; provided that:~~

~~(1)]~~ each state system shall ~~[reimburse the payor fund]~~ pay the amount of the component of the pension attributable to service credit accrued under that state system; ~~[and~~

~~(2) reimbursements shall be made in the manner and frequency determined by the boards]~~

Endorsed by the PERA Board