

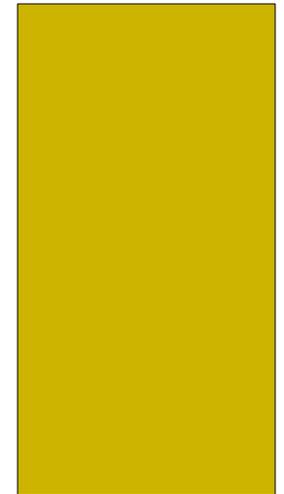
Legislative Retirement Overview

Investments and Pensions Oversight Committee

Senator George K. Munoz, Chair

Gerald Chavez, Chair

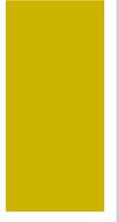
Wayne Propst, Executive Director



**Public Employees
Retirement Association**
of New Mexico

Legislative Retirement Fund at a Glance

June 30, 2012



** See, Appendix A for funding detail.*

Legislative Plan 2

- Currently, there are 110 active members under Plan 2.
- Legislators and lieutenant governors **must elect** membership no later than 180 days after first taking office.
- In 2012 the member contribution was raised to \$600 for each year of service (from \$500). Service credit is verified after each legislative session.
- The PERA Board's proposed cost-of-living adjustment (COLA) benefit reform will apply to legislative retirement plan members:
 - ✓ Lower compounding COLA from 3% to 2%; no change in eligibility for employees who retire at age 65 years or older or due to disability.
 - ✓ COLA eligibility increased to 7 calendar years after retirement from current 2 calendar years, with a graduated eligibility period for active members retiring between July 1, 2014 and July 1, 2016.

Annual Pension Benefit Calculations

- **Plan 1:** \$250 multiplied by years of service.
- **Plan 1 Enhanced:** \$500 multiplied by years of service.
- **Plan 2:** 11% of per diem rate in effect on the first day of the calendar year the legislative member retires multiplied by 60 and further multiplied by service credit. The per diem rate for January 1, 2012 is \$154.

Example for Legislator under Plan 2 with 10 years of service:

- 11% multiplied by \$154 = \$16.94
- \$16.94 multiplied by 60 = \$1,016.40
- 10 years of service credit multiplied by \$1,016.40 = \$10,164 annually
- \$10,164 divided by 12 months = \$847.00 monthly pension*

**Note: Pension example is calculated under Option A- providing a monthly benefit for the member's lifetime*

Appendix A- Legislative Retirement Funding

- In 2003, the legislative retirement fund was created in the state treasury to finance the benefits under state legislator member coverage plan 2. The State contributes the amount sufficient to finance the benefits provided under Plan 2 on an actuarial reserve basis.
- The Oil and Gas Withholding Tax imposes a withholding tax requirement on (1) all payments of oil and gas proceeds derived from wells located in New Mexico except for payments to individual residents of New Mexico or tax exempt entities, and (2) distributions to non-resident owners of profits not subject to the oil and gas proceeds withholding provisions from pass-through entities that do business in New Mexico.
- The Tax Administration Act requires an automatic monthly distribution of \$200,000 to the legislative retirement fund. The \$2.4 million distribution is sufficient to fund the normal costs associated with the plans, in addition to their respective unfunded actuarial accrued liability (“UAAL”).
- The legislative retirement fund is currently funded at 92% as of June 30, 2012. If the Legislature’s annual contribution to the fund remains at \$2.4 million, the existing unfunded liability of \$2.8 million is expected to be paid off in 1-2 years.
- For the fiscal year ending June 30, 2012, the annual member contribution to the legislative retirement fund was \$55,500 for its 111 members.