Proposals Submitted by Members for Task Force Discussion	
Proposed "Solvency" Definitions:	Notes
1. 30-year funding period and no less than 75% funding ratio.	
2. Greater than an 80% funded ratio and less than 30 years to pay off unfunded liability.	
3. Generally, amortizing the unfunded liability over 30 years. That is a goal; however, I feel strongly that we should not tie ourselves in knots, or make drastic changes, to meet a goal 30 or 40 years down the road.	
4. The proposed definition was in two parts: a. Immediate solvency — to have enough assets to cover annual benefit payments and expenses over the near term, which could be the next 5 to 10 years. b. Long-term solvency — to satisfy immediate solvency and to have an amortization period to pay off the unfunded liability in less than a 100-year period.	
5. In short, being able to meet obligations when they come due. There are two funding standards that go a long way in ensuring the long-term sustainability of the plan. The first standard is that the annual contributions made to the plan will meet the actuarially determined contribution. The second standard is that the funded ratio will reach 80% within the GASB-suggested 30-year period.	
6. Solvency — 1. ability to pay debts as they mature and become due; and 2. excess of assets over liabilities.	

Educational Retirement Board Plan	
Recommendations for ERB Plan Changes:	Notes
1. No support for any changes to PERA or ERB benefits for current retirees or current employees. The case simply has not been made that either program is in significant trouble to warrant changing benefits for those groups. As for changes in benefits for future employees, in general, the task force should defer to the PERA and ERB boards of directors' approved recommendations.	
2. On August 9, 2010, ERB, through Jan Goodwin, gave a report on its status/solvency. The board also made some recommendations, which were certainly worthy but were not an entire plan as the ERB had not met to finalize a proposed plan. It will be doing so shortly. I do agree with what was proposed but would like to see the final proposed plan. Again, the legislature must work closely with ERB to ensure drafting and passage of the legislation that is beneficial to all. I feel that the legislature, associations (PERA, ERB and RHCA) and involved and interested parties (retirees, unions, current employees, etc.) should be represented in some type of ongoing interim committee, such as the Retiree Solvency Committee, but much smaller. This committee has to bring forth those issues affecting all the programs as they are brought forth to this committee.	
3. a. Cost-of-living adjustment (COLA) tied to actual cost of living with a maximum of 3% and a minimum of 0. b. Extend minimum years of service for retirement from 25 years to 30 years for all state employees and those on the 20-year plan to 25 years. c. Minimum retirement age for collection of benefits set at 60 years of age.	
4. Pension plan design is essential to sustainability and attraction and retention of quality employees. Plan design has	

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many components that can be fine-tuned without dramatically deteriorating plan benefits. Both plans should adopt the following changes in plan design for current and future members: a. Service requirement should be 30 years or Rule of 80, with a minimum retirement age of 60. Current members who are within 5 years of retirement should be held harmless. b. Calculation of final average pay should exclude overtime and be calculated over 5 years. Furthermore, if an employee worked part time for many years and switched to full time within 15 years of retirement, final average pay should be calculated over 10 years. Current members who are within 5 years of retirement should be held harmless. c. COLAs should start when the retiree is 65, and the amount should be a function of the Consumer Price Index (CPI). The COLA change should also be applied to current retirees.	
5. Long-term solvency for the New Mexico public pension plans requires reform of both plan governance and the many components of plan design. Good board governance requires that board membership be balanced among plan members, financial experts and other stakeholders. Currently, the boards of both PERA and ERB are dominated by plan members. Board composition for both plans must be evaluated to arrive at a more balanced membership.	
6. Accept an ERB-proposed plan for new employees. The board will base its recommendations on actuarial studies, which is a reasonable basis for change.	
7. Look at how to move the employer contribution rate to 13.9% over the next 6 years by restructuring the rate of payment by the state.	

Public Employees Retirement Association Plan	
<u>Recommendations for PERA Plan Changes:</u>	Notes
1. Proposed changes are for all non-vested members, effective 7/1/2011. a. Adjust the years-of-service multiplier from 3% to 2.5% for the non-uniformed members and 3% for uniformed members. b. Minimum eligibility age of 50 with the sum of age and service equal to 80 (Rule of 80) for both non-uniformed and uniformed members. c. Adjust pension amount from highest 36 consecutive months' salary to final 36 months' final average salary. d. Vesting of 5 years of service for non-duty disability retirement and 3 years for duty disability and both must qualify for social security disability. e. COLA for retirees equals no less than 1.5% and up to 3% per year based on CPI-U movement, compounding. f. To address UAAL and normal costs, contributions should be adjusted to 8% employee/13% employer for non-uniformed members; and 13% employee/23% employer for uniformed members. NOTE: The task force may need to address the solvency of the judicial and magistrate plans under PERA. They have their own issues with funding periods and ratios.	
2. No support for any changes to PERA or ERB benefits for current retirees or current employees. The case simply has not been made that either program is in significant trouble to warrant changing benefits for those groups. As for changes in benefits for future employees, in general, the task force should defer to the PERA and ERB boards of directors' approved recommendations.	
3. The following changes would affect new PERA members only:	

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a. Longer eligibility requirements for normal retirement benefits. For non-uniformed members, the plan includes a minimum retirement age of 55 with a Rule of 85. Uniformed members would have a minimum age of 50 with a service requirement of 25 years. b. Because of the longer eligibility requirements and because we want members to continue working longer, the ideal plan has a higher maximum benefit of 90% of final average salary as opposed to the current 80% maximum benefit. c. The pension factor for non-uniformed members is reduced from the current 3% to 2.5%. The pension factor is multiplied by final average salary and years of service credit to determine the benefit amount. d. The pension factor for uniformed members is proposed at 3.5%. It remains at this level because uniformed members in PERA are not eligible to receive social security benefits; so with 25 years of service, a uniformed member will be eligible to receive 87.5% of the member's final average salary. e. The ideal plan maintains the same vesting and final average salary provisions as the current plans. Members would vest after 5 years of service. Final average salary would still be the member's highest 36 consecutive months of salary over the member's entire career. Final average salary is the base salary and does not include overtime, bonuses or other lump sums. f. The other major change from the current plan is the calculation of the retiree COLA. Our proposal provides for a COLA that is calculated at 75% of the change in the CPI, with a maximum annual increase of 3% and a minimum annual increase of 0%. The timing of eligibility for a COLA would not change: a retiree would have to be retired for two full calendar years before being eligible to receive a COLA unless the retiree is at least age 65 or is receiving a disability retirement benefit. In these cases, the retiree only has to be receiving a benefit for one full calendar year before being eligible to receive a COLA. The COLA modifications described above would not apply to current PERA members and retirees but only to the new members who join PERA after the effective date of the ideal plan.	

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g. In addition to the factors above, which will improve in the long term, for the short term, as pointed out by Buck Consultants, PERA will need additional contributions to get its amortization period back within a 30-year range. A suggested solution would be that, beginning in FY13, an additional 0.5% of payroll be contributed to PERA. This percentage would be increased by 0.5% each year for 4 years until the total increase equals 2% of payroll. At that point, PERA would be able to evaluate the progress made toward improved funded status and make suggestions for adjustments for future contribution rates.	
4. I would recommend that the legislature adopt the "ideal" plan put forth by PERA and that the legislature work closely with PERA all year long to enable both PERA and the legislature to draft and pass legislation that will keep PERA solvent, if necessary. I feel that the legislature, the associations (PERA, ERB and RHCA) and involved and interested parties (retirees, unions, current employees, etc.) should be represented in some type of ongoing interim committee, such as the Retiree Solvency Committee, but much smaller. This committee has to bring forth those issues affecting all the programs as they are brought forth to this committee.	
5. a. COLA tied to actual cost of living with a maximum of 3% and a minimum of 0. b. Extend minimum years of service for retirement from 25 years to 30 years for all state employees and those on the 20-year plan to 25 years. c. Minimum retirement age for collection of benefits set at 60 years of age.	
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7. Long-term solvency for the New Mexico public pension plans requires reform of both plan governance and the many components of plan design. Good board governance requires that board membership be balanced among plan members, financial experts and other stakeholders. Currently, the boards of both PERA and ERB are dominated by plan members. Board composition for both plans must be evaluated to arrive at a more balanced membership.	
8. Accept the PERA-proposed plan for new employees. The board based its recommendations on actuarial studies, and their suggestions seem reasonable.	
9. Look at moving the PERA-suggested new COLA provisions to current members that have not yet vested or that have worked for the state for 10 years or less.	