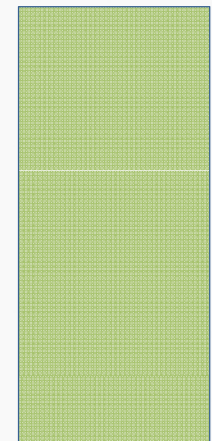


# Revenue Stabilization and Tax Policy Committee

Representative Ed Sandoval, Chair  
October 30, 2012

Gerald Chavez, PERA Board Chair  
Wayne Propst, PERA Executive Director



# Update on PERA Fund Status

- PERA will report an increase of \$1.2 billion (from approximately \$5 billion to \$6.2 billion) in its unfunded liability as of June 30, 2012 based on our FY12 actuarial valuation. While PERA had expected an increase in liabilities due to the final smoothing in of investment losses from 2009, the one-year increase since June 30, 2011 was greater than anticipated.
- The additional increase was driven primarily by investment performance in FY12.
- PERA's funded status has declined from 70.5% to 65.3%.
- PERA's investment returns for the past 12 months and the first quarter of FY13 have shown improvement over FY12.

## Updated Funded Status by Plan June 30, 2012

Plan	Funded Ratio
<b>PERA Total</b>	65.3%
State General	60.4%
State Police/Corrections	95.3%
Municipal General	69.5%
Municipal Police	65.8%
Municipal Fire	55.2%
<b>Judicial</b>	51.0%
<b>Magistrate</b>	53.2%
<b>Legislative</b>	91.8%
<b>Volunteer Fire</b>	167.9%

# PERA Reform Proposal

- **Non-Public Safety Employees Hired After 6/30/10**
  - 0.5% Reduction in Annual Pension Factor
  - Retirement Eligibility: Age and Service Rule of 85 or Age 65 with 8 Years of Service
  - 5-year Final Average Salary
  - 8-year Vesting
  - 90% Pension Maximum
  - 2% Compounding COLA
  - Seven full-calendar -year eligibility period to receive COLA
- **Public Safety Employees Hired After 6/30/10**
  - 0.5% Reduction in Annual Pension Factor
  - Retirement Eligibility: Age and Service Rule of 75 or Age 60 with 6 Years of Service
  - 5-year Final Average Salary
  - 6-year Vesting
  - 90% Pension Maximum
  - 2% Compounding COLA
  - Seven full-calendar-year eligibility period to receive COLA

# PERA Reform Proposal

- **Current Retirees:**
  - Reduce annual compounding COLA rate from 3% to 2%.
  - Suspend COLA for return-to-work retirees during period of reemployment.
- **Current Active Members Hired Prior to July 1, 2010:**
  - Reduce annual compounding COLA from 3% to 2%.
  - Graduated seven full-calendar-year eligibility to receive COLA. No change in COLA one-year eligibility for employees who retire age 65 or older or retire due to a disability.
  - 90% Pension Benefit Maximum.

# PERA Reform Proposal

- **Employer/Employee Contributions Effective 7/1/2013:**
  - Increase employee contribution rate by 1.50%.
    - Accomplished for state employees by removing sunset of contribution shift.
  - Beginning 7/1/2014 and for the following two fiscal years, increase all statutory employer contribution rates by 0.50% each fiscal year (total of 1.50%).

# A History of Reliable Pension Benefits

- PERA is celebrating its 65<sup>th</sup> year of providing pension benefits to New Mexico's public employees.
- Since 1947, when Truman was President and Jackie Robinson was breaking the color barrier in baseball, PERA has been providing a secure retirement for our members.
- We've delivered a pension benefit through the economic downturn of the early 1980s, the technology boom and bust of the 1990s and every month during the past five years through the worst economic downturn since the Great Depression.
- The Board's reform proposal will pay off our unfunded liability and allow PERA to be a source of stable, affordable retirement security for another 65 years.

# Conclusion

- While a snapshot of the Fund on a single day only, PERA's most recent actuarial valuation lends increased urgency to passing pension reform legislation in 2013.
- Even with the most recent valuation results the Fund is expected to still reach 100% funded status on or before 2042 if the Board's reform proposal is adopted. The Fund will continue to improve significantly when the new tier members begin to retire.