Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

F I S C A L   I M P A C T   R E P O R T

SPONSOR Stewart/Ingle **ORIGINAL DATE** 02/09/11 **LAST UPDATED** **HB** 251

SHORT TITLE Amend Certain Retirements **SB**

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Plan Sponsors		Significant Potential For Reduced Employer Contribution or Reduced Contribution Increase			Recurring	All funds/state and municipal
PERA Operating			$100.0	$100.0	Nonrecurring	PERA

(Parenthesis ( ) Indicate Expenditure Decreases)

Conflicts with House Bill 58, House Bill 251, Senate Bill 87, Senate Bill 88, Senate Bill 204 and Senate Bill 303
Relates to Senate Bill 248 and Senate Bill 268

SOURCES OF INFORMATION
LFC Files

Responses Received From
Educational Retirement board (ERB)
Public Employees Retirement Association (PERA)
New Mexico Municipal league (NMML)
Administrative Office of the courts (AOC)
Administrative Office of the District Attorneys (OADA)
New Mexico Corrections Department (NMCD)

SUMMARY

Synopsis of Bill

House Bill 251 amends the Public Employees Retirement Act and the Educational Retirement Act by increasing the age and service requirements for certain legislators and employees and reducing the cost-of-living adjustment (COLA) for all PERA-qualified pension recipients. The bill provides a “safe harbor” for members eligible to retire before July 1, 2014.

Specifically, the new eligibility requirements apply to the following plans:

- State General Plan 3
- Municipal General Plans 1-4
- Legislator Plans 1-2

The new service requirements for state and municipal plans relating to uniform employees (public safety) remain unaffected by the bill, although peace officers under State General Plan 3 are affected by the bill.

FISCAL IMPLICATIONS

Pension Solvency and Employer Contributions
House Bill 251 would most likely improve the solvency of ERB and PERA by reducing the unfunded actuarial accrued liability (UAAL), while providing the potential for significant savings to pension plan sponsors by reducing the normal cost of the plans. Neither ERB nor PERA provided the associated reduction in operating costs for employer contributions under this bill. However, particularly in regards to the PERA COLA, prior analysis and testimony suggests that fiscal impact could be substantial for reducing this benefit as proposed. At the very least, the bill offers an option to relying solely on contribution increases, as being requested by both plans, as a means of addressing deteriorated funding status. The bill may reduce or even eliminate the need for those increases, thereby reducing the employer's obligation.

As an example of the impact, ERB provides the following analysis from its actuary:

> ERB's outside actuaries determined that the if the changes proposed in HB 251 become law, the Educational Retirement Fund would reach an 87.6% funding level and have an unfunded actuarial accrued liability ("UAAL") of $6.343 billion in 30 years. The projection is based on the following contribution rates currently in Sec. 22-11-21: employee contribution rate effective July 1, 2011 – 7.9%; employer contribution rates effective July 1, 2011 to June 30, 2012 – 13.15%, and July 1, 2012 and thereafter – 13.9%. The projection also assumes an average 8% investment rate of return over the 30 year period. Changes in the contribution rates and the assumed rate of return would affect the projection.

The projected UAAL of $6.343 billion in 30 years and funded ratio of 87.6 percent compares with the baseline provided during ERB's pension reform discussions of $16.9 billion UAAL and a 66.4 percent funded ratio. Thus, the fiscal impact to improving pension solvency could be significant for both plans.

Operating Impacts to ERB and PERA
PERA notes that it will incur additional operational costs to revise its pension information system, RIO. ERB assumes any changes can be made under its existing maintenance contract.

PERA also suggests that the bill would lead to a court challenge based on vested members having a "property right" to the pension benefit under the New Mexico Constitution and foresees having to pay litigation costs. However, the Attorney General has taken lead on the current challenge to the pension contribution shifts and the cost to PERA is uncertain.

SIGNIFICANT ISSUES

The pension solvency measures for both ERB and PERA are below industry standards. The

pension plans could be considered unsustainable given current assumptions, contributions and benefit levels, and actuaries project continued deterioration unless action is taken to address the shortfall in the funding status.

As of June 30, 2010	Funded Ratio	Funding Period	Unfunded Liabilities
Educational Retirement board (ERB)	65.7% ↓	62.5 years ↓	$4.9 billion ↑
Public Employees Retirement Association (PERA)-combined plans	78.5% ↓	Infinite ↓	$3.4 billion ↑
Minimum Industry Standards	80%	30 years	

To address the pension solvency issues recorded by PERA and ERB, the Legislature has two options:

1) Increase contributions or
2) Reduce the value of the pension obligations.

(1) ↑ (2)↓
(I)nvestments + (C)ontributions ↑ < (B)enefits ↓ + (A)dministrative Expenses

Reducing pension obligations entails benefit plan changes; this is called pension reform. Senate Bill 248 is a pension reform bill that looks to reduce the cost of the benefit plans and make them sustainable as defined by the ability and willingness of plan sponsors to make the pension contributions. By introducing a minimum age and reduced COLA, the bill tracks with similar legislation passed in other states to improve the deteriorated funding status for pension plans in the face of states' impaired ability to increase contributions due to the economic recession.

A core issue is the plans, particularly the PERA plans, with their current eligibility requirements and pension formulas, are extremely expensive. As defined by how much the "normal cost" or day-to-day value of each employee's earned benefit, PERA ranks at the top of comparable plans for all five divisions (see Attachment A.)

The question of whether the plans align with demographic trends, such as people living longer, is also important. Laws 2009, Chapter 288 increased the required years of service from 25 years to 30 years for non-uniform members for new hires as of July 1, 2010. This bill supplants that legislation. The new eligibility requirements are applied according to two distinct timelines. First, the bill divides employees into two groups: (Tier 1) those in the plans before June 30, 1010 and (Tier 2) those who become members after that date. Then, within the first group (Tier 1), the bill creates a "safe harbor" for those members who are eligible to retire before July 1, 2014. Those members would be eligible to retire under current rules, such as the "25 and out" at any age. It should be noted that these "grandfathered" employees can retire at any time; they do not need to retire by July 1, 2014 in order to avoid the age 55 requirement or other provisions.

For those not qualifying under the "safe harbor", the bill imposes a minimum age for ERB and the general state and municipal plans, as follows:

PERA-State and Municipal General Plans
TIER 1: age 55 years or older and at least 25 years of service credit (totaling 80). Note that peace officers, as defined in the bill, would be subject to this minimum age requirement, furthering the disparity between peace officers under State General Plan 3 and those in the enhanced or 20-and-out first responder plans. The bill retains the various combinations of age and service available for those over 60 for TIER 1 employees.
TIER 2: age 55 years or older and the sum of age and service equal at least 80 (Rule of 80). The only other eligibility criteria available to the Tier 2 employees is the ability to retire at age 67 with five or more years of service. The other combinations for are eliminated in favor of the Rule of 80.

ERB
TIER 1: age 55 and 20 years of service (totaling 75), or age 65 with five years of service credit. As currently drafted, the bill does not provide for any combination of age and service, such as age 60 and fifteen years of service that would be provided if the language had simply stipulated a minimum age of 55 and a "rule of 75" or a "rule of 80" that would be comparable to the PERA Tier 1 members.
TIER 2: age 55 years or older and 30 years of service credit (totaling 85) or age 67 and five years or a Rule of 80. Members retiring under this last provision are subject to benefit reductions.

Note that Tier 2 PERA employees can retire without benefit reductions under a combination of age and service equal to 80 and ERB Tier 2 members are subject to a combination of age 55 and 30 years without benefit reductions. Under current law, the two plans treat members equally under the 30 and out and other provisions.

LEGISLATOR PLANS:
Section 10-11-40: For state legislators under plan 1, the requirements for normal retirement are:

1) Before 7-1-14: any age and 14 or more years of credited service;
2) After 7-1-14: age 55 or older and 14 or more years of credited service.

Section 10-11-43.2: For state legislators under plan 2, the requirements for normal retirement are:

3) Before 7-1-14: any age and 10 or more years of service;
4) After 7-1-14: age 55 or older and 10 or more years of credited service.

Minimum Age Requirements
Other states that have already implemented a minimum age requirement and have raised it in the last couple of years to address pension solvency include the following:

California: raised from age 55 to 60 for most employees
Colorado: raised from 55 to 60 for future retires
Illinois: raised from 60 to 67 for new employees (the highest of any state)
Montana: raised from 60 to 65
Rhode Island: from 60 to 62 for new hires

Cost-of-living Adjustment
PERA provides a summary of the bill's changes to the PERA COLA:

- Reduces the cost-of-living adjustment (COLA) for retirees from 3% each July 1st and instead provides a COLA increase equal to three-fourths of the percentage increase in the consumer price index (CPI) between the next preceding calendar year and the preceding calendar year; Provides for a maximum COLA of 3%; pensions are not reduced in the event of a decrease in the CPI;
- Delays receipt of COLAs by defining "qualified pension recipient" as a normal retirement member who has reached age 65 and has been retired for one full calendar year; and
- Applies to all qualified pension recipients not eligible to retire on or before July 1, 2014, including current PERA, Judicial Retirement Act (JRA), Magistrate Retirement Act (MRA) and Legislator plan members.

The PERA COLA is one of the most expensive parts of the pension, allowing a compounded 3 percent regardless of age or inflation, once the two-calendar-year period is met. Attachment B shows the impact of moving the PERA COLA to one more like the ERB COLA, which starts at age 65. The analysis, completed in 2009, would have completely eliminated the funding shortage that has grown since that report and will continue to compound unless addressed. It is that shortfall in the amount needed to amortize the unfunded liability over a reasonable period (30 years is standard) that has prompted PERA (and ERB) to request higher contribution rates. PERA is requesting 8 percent over four years, split 1/3 employee and 2/3's employer. ERB is requesting another 2 percent over its current total statutory rates, with the employer picking up 1.5 percent and all ERB employees picking up 0.5 percent.

PERA did not provide an actuarial analysis for this bill. However, as Attachment B indicates, Senate Bill 251 may significantly reduce or even erase the need to raise contributions. In light of the state's budget deficits, employer-employee contribution shifts, let alone the lack of salary increases and furloughs, it is unlikely that employees or employers are readily able to pay more into the plans. The policy issue is whether to place pension solvency entirely on the employer and current employees, leaving the retirees with no participation in shoring up the plans, or whether to foster the concept of "shared sacrifice" that is prompting other legislation in other states, such as Colorado.

South Dakota, Colorado and Wisconsin enacted legislation that impacted current employees and also retirees—such as reducing the cost of living adjustment (COLA). Lawsuits filed in these states are being closely watched for how courts will view pension rights.

Selected COLA Changes – 2010

	From	To	Members
Colorado PERA	3.5% per year	Lesser of 2.0% CPI of negative return in last 3 years, with funded ratio rules	All members
Illinois	3.0% per year	Lesser of 3.0% per year or 50% of CPI	New members on or after January 1, 2011
South Dakota RS	3.1% per year	3.1% if funded ratio (FR)>90%, 2.6% if 90%, 2.6% if FR between 80%-90%,2.1% if FR<60%	All members

Source: Buck Consultants

Pension Sustainability

The table below shows the final contribution rate for State General plan 3 under PERA's scheduled request (SB87) would be 31 percent, with the employer paying 21.92 percent. This is almost a 6 percentage point increase from the current statutory rate (July 1, 2011) of 15.59 percent. The proposed rates for the municipal plans run as high as 45.45 percent for the total contribution, with the employer portion ranging from 26.38 percent to 40.733 percent of salary for each employee depending on the "pick up" rate employed by the governing entity.

Table 9: Proposed Schedule for 8% Pension Contribution Increase - State

	Current Statute	SB87 State General Plan 3				
	FY12	FY12	FY13	FY14	FY15	FY12-FY15 Change
Employer	16.59%	17.92%	19.25%	20.58%	21.92%	5.33%
Employee	7.42%	8.09%	8.76%	9.43%	10.09%	2.67%
Total Contribution	**24.01%**	**26.01%**	**28.01%**	**30.01%**	**32.01%**	
Incremental Increase		2%	2%	2%	2%	8%

Pension sustainability has been defined by Girard Miller, an industry expert, as the ability and willingness of pension sponsors to make contributions into the plans. Due to the recession, the state and municipal plan sponsors have seen a reduction in revenues to support contributions. State solvency measures in 2009 and 2010 partially depended on reducing the burden for state employers by shifting 1.5 percent of the employer contributions to the employee and delaying the ERB 0.75 percent employer increase by one year.

Given the projected budget deficit of at least $215 million for FY12 and reduced revenue projections for the foreseeable future as the economy recovers, it is questionable whether the sponsors have both the "ability and willingness" to support the plan benefits as currently structured in a sustainable manner.

The New Mexico Constitution (Article XX, Section 22) states that vested employees acquire a property right to pensions. Both PERA and ERB note that both aspects of the bills, the new eligibility requirements and the changed COLA applied according to the July 1, 2014 deadline, would likely be challenged in court.

However, the Legislature might have some flexibility to alter benefits given the additional language contained in Article XX, Section 22 (E) that states that "Nothing in this section shall be construed to prohibit modifications to retirement plans that either enhance or preserve the actuarial soundness of an affected trust fund or individual retirement plan."

The issue of addressing pension solvency through pension reform that impacts vested employees as proposed by this bill will ultimately need to be decided by the courts.

ADMINISTRATIVE IMPLICATIONS

PERA indicates the bill will impact that agency as follows:
HB 251 will have a substantial administrative impact on PERA, some of which would also apply to ERB:

- PERA will be required to identify all active members eligible to retire on or before July, 1, 2014 and segregate these member accounts under existing member coverage plans for retirement eligibility and COLA calculations. PERA anticipates an increase in members purchasing optional service credit under the PERA Act in order to qualify for the safe harbor under HB 251. PERA further anticipates an exponential increase in retirements prior to July 1, 2014 to qualify for the existing retirement benefits available under the safe harbor.

Regarding this last point, it is unclear why PERA thinks people will have to retire under the bill unless they are concerned that future legislation may take away their “safe harbor” status.

- PERA will incur operating costs related to printing, postage and dissemination of information associated with implementing the new retirement eligibility and the reduced COLA benefits. In addition, PERA will require increased staff utilization to review age and service requirements, COLA calculations and 1099 reporting will require revisions to PERA’s pension administration system (“RIO”). PERA will be required to seek a BAR to cover the costs of these system changes.

- PERA will experience litigation related to HB 251. Lawsuits related to reducing benefits for active employees are currently pending in the States of Colorado, Minnesota and South Dakota. PERA does not have sufficient resources to handle such litigation in house. PERA will be required to seek a BAR to cover the costs of litigation.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 251 might conflict with the bills calling for contribution increases (HB 58, SB 87 and SB 88) because a reduction in the COLA may mitigate or eliminate the need to increase contributions.

House Bill 251 might also conflict with HB 51, which also proposes reduced COLA and increased age and service requirements for ERB and PERA.

House Bill 251, while similar in intent to Senate Bill 204 that also addresses PERA’s COLA, the terms are slightly different. SB204 does not impose a minimum age for receiving the COLA, just the change to a CPI-based model.

House Bill 251 relates to SB 248, which reduces the employer’s burden for pension contributions due to state solvency concerns.

House Bill 251 relates to PERA’s “ideal” plan that uses a similar CPI-based COLA formula as part of its new proposed plan packages for new hires that reduce both plan benefits and plan costs.

TECHNICAL ISSUES

ERB provides a detailed analysis of what it considers technical issues and suggested amendments:

Tier 2 Rule of 80 Age-based pension reduction. As noted above, the Educational Retirement Act current includes age-based reductions to pension benefits for Tier 1 and Tier 2 members who retire before Age 60 and Age 65 respectively. As written, under Section 10 of HB 251 (amending 22-11-23.1 (A)) Tier 2 members could continue to retire below Age 55 under the Rule of 80. However, as shown below the age-based reduction factors should be a disincentive to retiring before Age 55.

Example: Tier 2 member, started at ERB local administrative unit ("LAU") at Age 24, retires at Age 51 with 28 years earned service credit (assumes started on 24th birthday and retired the day before 52nd birthday).

Unreduced Pension $24,000/year
Age-based reduction – Age 60 through Age 64 = (12.0%)
(5 x 4 x 0.6%)
Age 52 through Age 59 = (57.6%)
(8 x 4 x 1.8%)
Total Age-based reduction (69.6%)
Age-reduced Pension Benefit $7,296.00/year ($608/month)

The pension benefit of a Tier 2 member who retired at Age 55½ would be reduced by 41%. The pension benefit of a Tier 2 member who retired at Age 60 would be reduced 12%. The current age-based reductions would be a significant disincentive for Tier 2 members to retiring before Age 55 and in many cases to retiring before Age 60. If HB 251 is amended as set forth below, it would change the Tier 2 Rule of 80 to a Rule of 85. Age-based reduction factors would still apply.

Tier 1 Deferred Retirement. Section 11 of HB 251 adds the Age 55 plus 20 Years Earned Service Credit to Sec. 22-11-27; however, it does not specifically require a member retiring under that form of deferred retirement to be subject to the Tier 1 age reduction factors. The ERB believes the reduction factors would be applied if the section is construed together with Section 22-11-23 as it would be amended, however Section 9 could be amended as set forth below to eliminate any ambiguity.

Tier 2 Deferred Retirement. Section 11 also does not include a deferred Rule of 80 retirement. Again, the ERB does not believe that the omission precludes such a retirement in cases where a member satisfied the Rule of 80 and deferred retirement to over Age 55 when Sections 22-11-23 and 22-11-23.1 as they would be amended are read together. To eliminate any ambiguity, Section 11 of HB 251 could be amended as set forth below.

AMENDMENTS

Tier 2 - Rule of 80. If the intent is for all ERB members who first become eligible to retire on or after July 1, 2014 to be at least Age 55, Section 10 could be amended as set forth below. This would affect Tier 2 members retiring under the Rule of 80. Such members would still be subject to Tier 2 age-based pension reduction factors.

Page 15, Line 7, after "(3)" add "the member is age fifty-five years or older and"

Tier 1 – Age 55 plus 20 Years Earned Service Credit. To confirm that this deferred retirement would be subject to the Tier 1 age-based reduction factors:

Page 16, Line 5, after "credit" and before "if" insert "subject to the reduction in benefits set forth in Paragraph (2) of subsection (A) of Section 22-11-23,"

Tier 2 – Deferred Rule of 80 Retirement. To confirm deferred Rule of 80 Retirements:

Page 16, Line 17, insert "F. A member who initially became a member on or after July 1, 2010 whose age and years of service credit equals at least eighty may terminate employment and retire at any time after reaching the age of fifty-five years subject to the reduction in benefits set forth in subsection (H) of Section 22-11-30, if the contributions the member has made are left in the fund."

Page 16, Line 17, strike "F" and insert "G"

OTHER SUBSTANTIVE ISSUES

Due to deteriorated funding status, PERA is requesting contribution increases of 2 percent per year for four years (8 percent total) for five plans: State General Plan 3, Municipal Fire, Municipal Police, JRA and MRA. The combined employer contributions associated with the two bills, SB 87 and SB 88, are provided in below. As mentioned, this bill may reduce or eliminate the need for the requested contribution increases for PERA with the reduced COLA.

Combined Fiscal Impact of SB 87 and SB88

	FY12	FY13	FY14	FY15**	4 Year Total Cost	Recurring or Non-Rec	Fund Affected
Employer Contribution Increase – SG3	$11,547.9-$12,478.2	$23,095.9-$24,956.4	$34,643.8-$37,434.6	$46,191.7-$49,912.8	$115,479.3-$124,782.1	Recurring**	Primarily General Fund
Employer Contribution Increase – Muni Police	$3,274.1-$3,421.4	$6,548.1-$6,842.8	$9,822.2-$10,264.2	$13,096.3-$13,685.6	$32,740.7-$34,214.1	Recurring**	Local Gov
Employer Contribution Increase – Muni Fire	$1,674.1-$1,749.4	$3,348.2-$3,498.9	$5,022.3-$5,248.3	$6,696.4-$6,997.8	$6,696.4-$6,997.7	Recurring**	Local Gov
Employer Contribution Increase - JRA	$173.9 - $182.1	$347.8 - $364.3	$521.7 - $546.4	$695.6 - $728.6	$1,738.9 to $1,821.5	Recurring**	General Fund
Employer Contribution Increase - MRA	$46.9 - $49.9	$93.9 – $99.8	$140.8 - $149.6	$187.7 – $199.5	$469.3 - $498.8	Recurring**	General Fund

PERA provides a history of the COLA in a February 4, 2004 memo:

Until 1992, the PERA Act's cost-of-living provisions contained an "adjustment factor,"

which reflected the change in the consumer price index (CPI), with a minimum and maximum range for any year. Calculation of the adjustment factor varied from year to year, but typically was determined by dividing the CPI for the preceding year by the CPI for the next preceding calendar year, with the result being rounded to three decimals. In 1992, the PERA Act was amended to remove all reference to the CPI and provided for a fixed-rate COLA at 3%.

In this memo, PERA provided a comparison of the impact of changing from a CPI-based COLA to the 3 percent COLA, indicating that at the end of the 10-year period from 1994 to 2004, "the annual 3 percent COLA gives the member a monthly benefit that is 6.2% higher than if the COLA was based directly off the CUI-U" (CPI-Urban).

The recent inflation rate, as measured by the Consumer Price Index, has been:

Year Ended June 30					Average for		
2009	2008	2007	2006	2005	Last 5 Yrs	Last 10 Yrs	Last 30 Yrs
(1.4%)	5.0%	2.7%	4.3%	2.5%	2.6%	2.6%	3.7%

Current benefits allow most current employees to work for 25 years and retire, which no longer aligns with demographics where people are living longer and drawing a pension longer. The tables below provide snapshots of PERA and ERB members as of June 30, 2010.

PERA MEMBERSHIP DATA – STATE GENERAL PLAN
(Dollars in millions)

STATE GENERAL PLAN	2000	2010	Change
Active Members	20,108	20,867	3.6%
Retired Members	8,089	12,981	37.7%
Ratio of Active/Retired	2.5/1	1.6/1	Ratio is declining
Employer Payroll	$607.4	$866.1	29.9%
Retiree Payroll	$133.1	$313.4	57.5%
Total Contributions	$143	$248.4	42.4%
Average age at retirement State General* State Police/Corrections		57.91* 48.67	
Longevity Expectations* Men Women		At average retirement* 81.32 84.78	

ERB MEMBERSHIP DATA
(Dollars in millions)

	2000	2010	Change
Active Members	60,090	63,297	5.3%
Retired Members	21,186	33,749	59.3%
Ratio of Active/Retired	2.8 active/1 retired	1.9 active/1 retired	Ratio is declining
Employer Payroll	$1,795.7	$2,902.7	61.6%
Retiree Payroll	$312.2	$659.3	111.2%
Total Contributions	$295.9	$560.9	89.6%
Average age at retirement	59	59	0%
Longevity Expectations Men Women	 82.8 85.8	 83.7 86.7	 3.8% 3.4%

ALTERNATIVES

One alternative that would ensure the legislative intent to address pension solvency was clearly articulated would be to tie the COLA change to a solvency metric and/or investment returns, such as those put in place in for Colorado and South Dakota.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The pension plans will continue to show a deteriorated funding status absent other actions to reduce the liabilities or increase contributions, holding all other factors constant.

POSSIBLE QUESTIONS

1. Does the bill require employees qualifying under the "safe harbor" provision to retire by July 1, 2014?
2. Should the eligibility terms for ERB members and PERA members be in parity?
3. Should the peace officers be subject to a minimum age of 55 for retirement?

MA/mew

COMPARISON OF PERA TOTAL NORMAL COST TO COMPARABLE PLANS

	Total Normal Cost %					
	State General	State Police	Municipal General@	Municipal Police	Municipal Fire	Total#
June 30, 2009 Valuation	19.65%	31.95%	18.16%	31.03%	30.74%	21.22%
June 30, 2009 Valuation With New Eligibility Conditions*	18.51%	31.95%	17.29%	31.03%	30.74%	20.39%
Hawaii						
Contributory	14.97%	24.58%	14.32%	22.49%	22.33%	16.20%
Non-Contributory**	6.53%	24.58%	6.27%	22.49%	22.33%	9.46%
Hybrid**	12.17%	24.58%	11.37%	22.49%	22.33%	13.86%
Iowa	9.84%	17.25%	9.26%	14.42%	14.06%	10.58%
New Hampshire	9.28%	22.36%	9.04%	19.48%	19.40%	11.19%
Utah***	11.73%	27.38%	11.10%	23.04%	28.01%	14.02%
Wyoming	14.73%	25.40%	13.95%	20.67%	21.78%	15.81%

	Increase(Decrease) in Total Normal Cost %					
	State General	State Police	Municipal General@	Municipal Police	Municipal Fire	Total#
June 30, 2009 Valuation With New Eligibility Conditions*	(1.14)%	0.00%	(0.87)%	0.00%	0.00%	(0.83)%
Hawaii						
Contributory	(4.68)%	(7.37)%	(3.84)%	(8.54)%	(8.41)%	(5.02)%
Non-Contributory**	(13.12)%	(7.37)%	(11.89)%	(8.54)%	(8.41)%	(11.76)%
Hybrid**	(7.48)%	(7.37)%	(6.79)%	(8.54)%	(8.41)%	(7.36)%
Iowa	(9.81)%	(14.70)%	(8.90)%	(16.61)%	(16.68)%	(10.64)%
New Hampshire	(10.37)%	(9.59)%	(9.12)%	(11.55)%	(11.34)%	(10.03)%
Utah***	(7.92)%	(4.57)%	(7.06)%	(7.99)%	(2.73)%	(7.20)%
Wyoming	(4.92)%	(6.55)%	(4.21)%	(10.36)%	(8.96)%	(5.41)%

* *Applies to State General coverage plan 3 and Municipal General coverage plans 1-4 only.*

** *Applies to non-uniform members only.*

*** *Fire members are assumed to be in the contributory plan, all others are assumed to be in the non-contributory plan.*

\# *Weighted on total PERA payroll.*

@ *Includes Municipal Detention.*

NEW MEXICO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
SUPPLEMENTAL VALUATION REPORT AS OF JUNE 30, 2009
COST-OF-LIVING ADJUSTMENT ACTUARIAL STUDY

Actuarial Statement

The estimated impact on PERA system costs for the **State General** Division is illustrated below:

	UAAL ($Mill)	UAAL %	Normal Cost %	Total Contribution %	Statutory Rate	Short Fall
Total Prior to Proposal (Based on 30 yr amort)	$ 1,547.7	**8.49%**	**19.65%**	**28.14%**	**24.01%**	**4.13%**
Increase/(Decrease) For						
Current Retirees	$ (552.6)	(3.03)%	0.00%	(3.03)%		
Current Actives with 5 or More Years of Service	$ (335.6)	(1.84)%	(1.32)%	(3.16)%		
Current Actives with Less Than 5 Years of Service	$ (20.2)	(0.11)%	(0.62)%	(0.73)%		
Total Increase/(Decrease)	$ (908.4)	(4.98)%	(1.94)%	(6.92)%		
Total After Proposal (based on 30 yr amort)	$ 639.3	3.51%	17.71%	21.22%	24.01%	none

Comments:

1. If the proposal applied only to new hires, then the normal cost would decrease gradually over the next 20 years. The ultimate reduction in normal cost (once all the current active members have been replaced) would be approximately 1.65% of payroll (there would be no change in the unfunded accrued liability as a result of changing benefits for new hires only).
2. Percents shown are percent of payroll for the division of $935,865,642.
3. If the change had been made to the plan as of June 30, 2009 and applied to ALL members, the amortization period as of June 30, 2009 would have been 22 years, presuming no change in the statutory contribution rate.
4. UAAL = Unfunded Actuarial Accrued Liability.
5. The shortfall is the amount of additional contributions necessary to meet the Board funding objective of 30-year financing. "None" means that the current statutory contributions result in a financing period less than or equal to 30 years.