



**Public Employees
Retirement Association**
of New Mexico

Spring 2012 *VOZ* member edition

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The Voice of the Public Employees Retirement Association of New Mexico

PERA 2012 Board

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Legislature

APPROVES TIMELINE FOR PERA TO PROPOSE PLAN CHANGES

With the Public Employees Retirement Association's \$4.9 billion unfunded actuarial accrued liability on legislators' minds, pension reform proposals abounded during the 2012 legislative session. None of the bills introduced with plan changes, however, could muster enough support for passage. A 30-day session, no actuarial analysis of proposed changes and opposition by special-interest groups complicated garnering legislative support.

During the session, PERA board members and staff urged legislators to forgo supporting bills that offered piecemeal solutions to PERA's funding problems.

“ In HJM 19, PERA committed to presenting an all-encompassing and actuarially sound plan to address funding liabilities at the October 2012 Investment and Pension Oversight Committee. ”

As an alternative, PERA's strategy for pension solvency was presented in HJM 19, which requested until October 2012 to provide a timeline for studying pension reform and proposing plan changes. Both the Senate and House unanimously approved HJM 19.

Legislators sent PERA a clear message, however, that either PERA came up with pension reform changes or the legislators would do it for the retirement fund in the upcoming 60-day session. While testifying before legislative committees, PERA Board Chair Gerald Chavez, numerous PERA board members and PERA staff assured legislators that crafting sound and sustainable pension-plan changes was the Board's major focus. In HJM 19, PERA committed to presenting an all-encompassing and actuarially sound plan to address funding liabilities at the October 2012 Investment and Pension Oversight Committee.

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MISSION STATEMENT

The mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the Trust to meet its current and future obligations and provide quality services to association members.

Memorials

HJM 19, STUDY CHANGES TO PUBLIC EMPLOYEES RETIREMENT

HJM 19—co-sponsored by Rep. Jim R. Trujillo (D) and Sen. Carlos R. Cisneros (D)—outlines the Public Employee Retirement Association’s strategy to address PERA’s unfunded actuarial accrued liability (UAAL), initiate pension reform and achieve 100% funding on or before the year 2041.

To achieve these goals, PERA’s actuaries will perform a series of detailed actuarial projections to provide definitive baseline data regarding current benefit structures to determine the long-term actuarial condition of the retirement plans. In February 2012, PERA’s actuaries and its investment consultants completed an asset liability study to determine how future investment return assumptions will affect the long-term actuarial condition of the retirement plans.

The PERA Board will communicate results of these studies with recommendations for plan design changes to the active and retiree membership, as well as stakeholder groups. The recommendations to address the UAAL will be based on a sound actuarial process.

Another memorial—**SM 18 EVALUATE PUBLIC SAFETY MEMBERS RETIREMENT**—also passed. The memorial creates a task force for evaluating the retirement plans for PERA’s public safety members. PERA defines public safety members to include all peace officers in State General Member Coverage Plan 3; state police officers; adult correctional officers; municipal firefighters; municipal police officers and municipal detention officers.

Neither memorial requires Governor Susana Martinez’s signature.

PERA Bills That Passed

The following two PERA-related bills were signed by the Governor:

SB 52 NO PRECINCT WORKER BENEFIT SUSPENSION

SB 52 was introduced by Sen. George Munoz (D) and Rep. Luciano “Lucky” Varela (D).

The bill provides an exception to the PERA Act’s return-to-work provisions for retired PERA members who work after retirement as precinct poll workers for elections. Currently, retired members working as precinct poll workers would have their pensions suspended.



The only other exceptions to the return-to-work provisions are for a PERA retired member serving a term as an elected official or a retired member employed by the legislature for legislative session work.

HB 42—LEGISLATIVE RETIREMENT CONTRIBUTION CHANGES

Rep. Dennis Kintigh (R) introduced HB 42 which increases the annual member contribution rate for State Legislator Member Coverage Plan 2 members to \$600 for each year of credited service (from \$500).

The bill also changes the day that sets the per diem rate upon which the pension is calculated from December 31 of the calendar year to the first day of the calendar year the legislator retires (January 1).

Bill Vetoed

Vetoed by Gov. Martinez—

HB 72/A—JUDICIAL RETIREMENT CHANGES

For the second time, Gov. Martinez has vetoed a bill that would have funded all employer contributions required under the Magistrate and Judicial retirement systems as a statutory percentage of salary. Docket fees being deposited into the retirement funds would have been replaced with provisions depositing docket fees directly to the General Fund. HB 72 provided for corresponding increases to the statutory employer contribution rates to the judicial and magistrate retirement funds.

Letter from the Board Chair

Dear PERA Members, Retirees:

To ensure the long-term sustainability and solvency of our fund we must first acknowledge the fund's current state, determine our upcoming challenges, understand our actuarial projections, and plan our path into the future accordingly. Cavanaugh Macdonald Consulting completed PERA's June 30, 2011 Annual Actuarial Valuation in October, 2011.

Current State—The report showed PERA's funded ratio at 70.46% as of June 30, 2011, while PERA's funded ratio was 78.48% as of June 30, 2010. The value of PERA's assets was \$11.9 billion and our actuarial accrued liability (AAL) was \$16.8 billion. This left us with a total unfunded actuarial accrued liability (UAAL) of approximately \$4.9 billion. The total \$16.8 billion of actuarial accrued liability is allocated as follows: active & deferred vested members \$6.6 billion and retired members \$10.2 billion.

Upcoming Challenges—The economic downturn in 2008 caused investment losses of huge proportions. PERA is still recovering from those losses. The current—as well as upcoming challenges—include a stock market that has defined a “new normal” as being unpredictable. There are upcoming General Accounting Standards Board (GASB) reporting changes which will mandate unfunded liabilities (UAAL) from public pension funds to be reported on the balance sheets of the municipalities, counties and state. PERA is becoming a “mature” fund. This means that as the numbers of current active members are projected to remain at a close to constant number, retired members receiving pensions are projected to surpass those of active members by around the year 2021.

Actuarial Projections—In December 2011, Cavanaugh Macdonald Consultants completed what is called an open group actuarial study. This is the first time this major study has been done for PERA. This study determined that as PERA continues into the future and meets all actuarial assumptions (as defined in the June 30, 2011 valuation) it is estimated that by 2061, PERA's funding ratio will drop to 19.9%, and the UAAL will grow to \$94 billion. This means that if PERA does nothing, and even if PERA meets expected investment returns, the ability to meet future pension benefit obligations is bleak at best.

Future Plans—In November 2011, the PERA Board adopted a goal of developing a plan to become 100%

funded by 2041 or sooner. The objective is to develop a plan for the 2013 legislative session, which will be presented to the Investment and Pension Oversight Committee by October 2012. The Board is working with

Cavanaugh Macdonald in conducting an analysis to determine the reality of PERA becoming 100% funded by 2041 or sooner. With the condition that the burden be shared by the prospective membership, current active membership and retiree membership groups, the objective is to first determine the depth in which benefit cuts would have to be considered. This does not mean that a variety of other benefit adjustments are not being considered, it just means that at this point, we cannot afford to concentrate on plan changes that have little to no impact on the funding status, or the unfunded liability.

Cavanaugh Macdonald presented four changes that prove to have the most impact and meet the condition that

the solution be shared among all membership groups while maintaining very good retirement benefits for all membership groups:

1. **Prospective Members and Non-vested Members hired 7/01/2010 and later;** Benefit changes for this new tier group would include a .5% pension factor reduction across the board, age and service requirement changes, a 5-year final average salary, a longer vesting period, and a 2% Cost-of-Living Adjustment (COLA) at retirement.
2. **Current Active Members;** The pension factor would be reduced by .5% across all plans. This means that all service credit earned up to adopting a change would be factored at the rate earned. All future service credit earned would be calculated at .5% lower, with a 2% COLA at retirement. **Example:** If a person worked 15 years under a plan with a 3% pension factor, then they earned 45% of final average salary at this point (15 years x 3% = 45%). If they worked 10 more years with a 2.5% pension factor, they would earn 25% more of final average salary (10 years x 2.5% = 25%). This would mean that the member could retire after 25 years of service at 70% of their salary, or work additional years, increasing their pension amount by 2.5% per year. The Board is also considering increasing the pension maximum as a percentage of final average salary from 80% to

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Gerald L. Chavez
Board Chair

Letter from the Board Chair (continued from page 3)

90% of salary. This would allow members to work longer to earn a higher benefit.

3. **Retiree Members;** COLA payments for future years of retirement would be calculated at 2%.
4. **Contribution Increase;** a contribution increase of 2% would be applied to all membership plans.

The Board has not made final recommendations regarding the changes discussed above, but must do so in the very near future. The sooner these plans are funded at 100% and the UAAL is paid off, the sooner the Board can consider restoring certain benefit reductions, such as the COLA, and reducing contribution rates. The Board's goal is to preserve the defined benefit plans for all membership groups. To preserve reasonable, well-funded, sustainable benefits significant but reasonable benefit changes must be made immediately. Alternatives to maintaining the current defined benefit plans will not provide reasonable, well-funded, sustainable benefits and are not acceptable.

We cannot expect to meet the challenges of tomorrow, if we fail to make the tough decisions today. As we move along 2012, keep an eye on PERA's website at www.pera.state.nm.us for updates and the Board's progress in developing an all-encompassing plan to ensure the solvency of our fund.

PERA staff and Board Members will be conducting meetings throughout the state to educate members as to the state of our solvency, and to communicate necessary plan changes to protect and preserve our fund. Please view our website for finalized locations and dates of these meetings and/or call our office at (505) 476-9305 if you have any questions.

Sincerely,



Gerald L. Chavez
Board Chair

Gerald Chavez and Patricia French Elected as 2012 PERA Board Officers; Roman Jimenez appointed as State Board Member



Mr. Gerald L. Chavez
Board Chair



Ms. Patricia French
Board Vice Chair



Lt. Roman Jimenez
State Board Member

At its first meeting of the year, the PERA Board elected Gerald Chavez and Patricia French as the Board Chair and Vice Chair for 2012.

Mr. Chavez has been a Municipal Board Member since July 2010 and has served as member of the Rules Committee and Chair of the Disability Review and Legislative Committees. Ms. French has been on the Board since 2005 and has served on every committee of the Board, including 2 years as Chair of the Rules & Administration Committee.

Mr. Chavez is the Customer Services Manager of the Albuquerque Bernalillo County Water Utility Authority and was previously a combat medic with the 3rd of 60th Infantry. He holds an A.A.S. degree in Business Administration and a B.S. degree in Applied Management.

Ms. French has been employed by the Albuquerque Police Department for over 23 years. She has received a Certificate of Achievement in Public Plan Policy, two Certificates from the International Foundation of Employee Benefit Plans and is a Board member for National Conference on Public Employee Retirement Systems.

Roman Jimenez was appointed to the Board in January as a State member to complete a 3-year term. Mr. Jimenez, a Lieutenant in the New Mexico State Police, has been with that department for 17 years.

The Mysteries of the Retirement Process Revealed

The retirement process can be a mysterious process for many people. You are submitting forms, documents and quitting the job you have had for years. We will outline the different steps you need to take so the process won't seem so scary.

STEP ONE: DO YOU QUALIFY?

If you are within three years of your expected retirement date, upon written request, PERA will calculate an estimate of benefits. This will give you an estimate of the gross amount of your pension payment. The amount in the estimate is before any taxes and before any healthcare premiums are paid. Remember, PERA does not administer healthcare insurance, that is provided by another agency. Check with your HR staff to find out who would provide your healthcare insurance after retirement.

Once you are within one year of your retirement date, request another estimate of benefits. This will give you a closer idea of your gross pension amount. This is important information that you need to complete the *Application for Pension Form* because you need to choose your form of payment option from the information on the estimate of benefits.

STEP TWO: SUBMITTING YOUR PAPERWORK

PERA suggests you submit your completed retirement paperwork 60 days prior to your retirement date. You may submit them earlier but no more than one year in advance. You will need to submit proof of age for both you and your beneficiary, a copy of your marriage certificate, copies of divorce decree and property settlement agreements, the *Application for*

Pension Form, the *Affirmation of Marital Status Form* (if not married at the time of retirement), the *Spousal Consent Form* (if married at the time of retirement), the *Tax Deduction Form* and the *PERA Direct Deposit Form*.

Three things must happen before you qualify for retirement. First, you must reach the age and service requirements to qualify for retirement. Second, you must submit a completed retirement packet and third you must quit your job. After all three, PERA can retire you.

STEP THREE: ENJOY RETIREMENT!

Your first check will be direct deposited on the last working day of the month in which you retire. PERA pays just once a month and always on the last working day of the month. If you have reciprocity service with ERB, then your first check might be delayed and mailed to you. Starting the second month of retirement, your pension payments will be direct deposited. If you need to change your direct deposit or tax deduction information, submit a new form found on the PERA website to PERA by the 15th of the month. Your information should take effect at the end of that month.

PERA does not send out monthly pay advices. This information is available to you through the PERA RIO Self Service feature on the PERA website www.pera.state.nm.us. You must create a user ID and password and then you would have access to your pension payment information.

Last, enjoy your retirement. You have earned it.

You Asked the Question



Question—How much money do I have in my PERA account?

Answer—You can obtain your account balance in three ways. A member can call 1-800-342-3422 or in Santa Fe (505) 476-9300. You will reach our Integrated Voice Response telephone system. By choosing the appropriate selection you can find the balance of your account, the amount of tax to be paid if you withdraw your contributions, and the amount you would receive after taxes and penalties.

The second way to obtain your account balance is to speak to a PERA customer service representative. Call the same numbers as above and you may choose to speak to a customer service representative.

The third way is to go to the PERA RIO Self Service website <https://perass.state.nm.us/SelfService/viewPage?component=/home.jsp>. Log in using your User ID and password. If you do not have a User ID and password, go to Open An Account and follow the instructions, then just log in. Your account information is listed under the View Member Accounts under the Things To Do list on the left side of the page.

PERA Fund Status

By Joelle Mevi, PERA Investments Director

Market volatility that had dampened equity returns during the spring and summer of 2011 dissipated by December, due in large part to Eurozone action to support the distressed peripheral economies such as Greece. Election year jitters will likely keep market returns unpredictable in 2012, but consensus estimates are for continuing improvement in U.S. economic data, which is also a primary contributor to global economic stability. Driven primarily by a “risk on” investor sentiment, public equity markets rose by 4% – 6% domestically and 5% – 12% internationally during January.

The PERA Total Fund returned 4.08% for January 2012, which was approximately 0.15% more than its

benchmark. The market value of the PERA Fund increased \$413 million during the month, ending January 2012 at \$11.7 billion.



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What to Do When a Member Dies

When someone close passes away, there are many practical issues that must be addressed even while the grieving process is just beginning. This is one of the more difficult times that most of us endure, but PERA is here to help with one of the practicalities.

The first step falls to the family or beneficiary (not necessarily the same)—and that is to notify PERA as soon as possible upon the death of the member. There are several ways to contact PERA:

Call: (505) 476-9300 in Santa Fe or;
Call: (800) 342-3422 toll-free from anywhere in New Mexico
Fax: (505) 476-9401
Write to: PO Box 2123, Attn.: Member Services
Santa Fe, NM 87504-2123
E-mail: pera-memberservices@state.nm.us

This is where PERA comes in. We will research our records for the member’s beneficiary designation while an active member or at the time of retirement. For the retiree who opted for a reduced pension so that they could name a survivor beneficiary, that beneficiary will be entitled to a survivor pension for the rest of his or her life. Not all retirees elect to name a pension beneficiary but take a straight life option instead. In that case, pension payments simply cease.

Once PERA is notified of the death, we will get information from you concerning the deceased member, retiree or beneficiary. We will also need an original death certificate for the member, retiree or beneficiary. After we have researched our files, we will notify the designated person (if any) in writing of the benefits they will receive. The beneficiary will need to complete a new *PERA Tax Deduction Form* and *PERA Direct Deposit Form*.

Regardless of the situation, PERA can help guide the beneficiary during a difficult time—just contact us via the methods listed above, and we will be happy to assist.



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