



**Public Employees
Retirement Association
of New Mexico**

la VOZ

Winter
Retiree Edition

The Voice of the Public Employees Retirement Association of New Mexico

PERA 2015 Board

OFFICERS

MUNICIPAL MEMBER

Ms. Patricia (Patty) French, Chair
City of Albuquerque
(505) 480-1335

COUNTY MEMBER

Mr. Stewart Logan, Vice Chair
San Juan County
(505) 344-4514

EX-OFFICIO MEMBERS

Mr. Tim Eichenberg
State Treasurer
(505) 955-1120

Ms. Dianna J. Duran
Secretary of State
(505) 827-3600

STATE MEMBERS

Capt. Roman D. Jimenez
New Mexico State Police
(505) 382-2500

Ms. Paula Fisher
Children Youth & Families Dept.
(505) 841-2400

Ms. Jackie Kohlasch
Taxation & Revenue Department
(505) 383-0176

Mr. John Reynolds
Public Regulation Commission - Utility
Division
(505) 986-9163

MUNICIPAL MEMBERS

Mr. Louis Martinez
Albuquerque Bernalillo County
Water Utility Authority
(505) 768-3675

Mr. Dan Esquibel
City of Santa Fe
(505) 490-6482

RETIREE MEMBERS

Ms. Loretta Naranjo-Lopez
(505) 270-7716

Mr. Dan Mayfield
(505) 259-0528

EXECUTIVE DIRECTOR

Mr. Wayne Propst
(505) 476-9301

Presentation of Flag Honoring PERA

On July 4, 2014, Monica Lujan, had a US flag flown over Afghanistan for the PERA Board, staff and members as a token of her appreciation for everyone's support during her recent deployment. The flag was flown on a B-1 bomber and is displayed in the PERA Board room along with a certificate of appreciation.



Board Chair Patricia French, Monica Lujan and Retiree member Dan Mayfield



Monica, PERA's Deaths and Disabilities Manager, recently returned from a 1-year deployment to Afghanistan where she served as an intelligence analyst for US Central Command Ms. Lujan currently holds the rank of an Intelligence Specialist 3rd Class, U.S. Naval Reserve. The PERA Board and staff are happy to have her home and thanks her for her service.



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.

Letter from the Board Chair



Dear Members:

With 2014 winding down and the 2015 Legislative Session fast approaching, this is an excellent opportunity to reflect on accomplishments of the PERA Board and staff during the last two years.

As you are all aware, in 2012 the PERA Board faced the challenge of charting

a course toward pension solvency with the objective of reaching 100% funding within a 30-year time period. The Board adopted a core principle of shared sacrifice among all membership groups- active members, retirees and future members. During the 2013 legislative session, the Board supported comprehensive pension reform that was passed by an overwhelming bi-partisan majority of the House and Senate and signed by Governor Martinez. Throughout the process the Board listened to the concerns of our members with the objective of making the final bill as fair and equitable as possible. One example was the concern the Board heard about the impact of reducing the annual cost-of-living-adjustment on low-income retirees. Because of the Board's support, the final legislation contained a higher, 2.5% COLA, for our low-income and disability retirees who earn less than \$20,000.

Again in 2014, the PERA Board was instrumental in establishing a path to solvency for the Judicial and Magistrate Retirement Plans. Given the severe underfunding of these Plans, judges and magistrates were required to dig deeper and take even more cuts to their pension benefits than our members who were impacted by pension reform in 2013. Most notably, the judges and magistrates agreed to suspend COLAs for consecutive two-year periods until the Plans reach a funded ratio of 100%.

As of September 30, 2014, the PERA Fund stood at \$14.4 billion. Because of pension reform and an improving market environment, PERA has made excellent progress in both our overall funding, as well as in decreasing our unfunded liabilities. The funded ratio for the PERA Fund improved from 72.9% to 75.8% in the past year. In addition, the unfunded liabilities decreased by \$321 million. Overall, since the passage of pension reform, PERA's unfunded liability has been decreased by almost \$2 billion and the amortization period to pay off existing liabilities dropped from 128 years to 40 years. If we stay on course, the Fund is well positioned to reach its goal of 100% funding ahead of our 30-year target of 2043.

At this same time, with the support of the Board, PERA's administration has made changes that are helping to reorient the agency towards better customer service and resolve long-standing shortcomings in our financial oversight and reporting.

In May 2012, the PERA Board hired Wayne Propst as Executive Director of PERA. Mr. Propst was tasked with the mission of improving customer service and providing increased transparency and oversight to all areas of PERA's administration. As Chair of the PERA Board, I appreciate the focus and direction Wayne, and the talented staff he has assembled, has brought to the Association. In January 2013, PERA hired Jonathan Grabel as Chief Investment Officer to head PERA's investment team. In his short tenure, Jon has been sought out as a leader whose opinion is frequently sought by the pension industry, including appearing on Fox Business News, as well as being nominated as an Industry Innovation Nominee for public defined benefit plans under \$15 billion by CIO Magazine. PERA has also attracted highly qualified staff such as Natalie Cordova as Chief Financial Officer to help oversee the financial activity of the Association and, Greg Trujillo as Deputy Director to help to streamline customer service and business practices within PERA.

The Board takes its fiduciary responsibility very seriously. That includes providing proper oversight of the Fund and the administration of the agency. While we are pleased with the direction of PERA, we know we can always do better and hope that we will hear from you in 2015.

As most of you know I have been a PERA Board Member for over 10 years. I was here during the 2008/2009 years. Because of the Board's leadership and your sacrifices and support, we weathered the difficult storm better than most states and are still providing one of the top pension benefits in the country.

Recently, more than 4,000 of you participated in a survey on PERA and the benefit we offer. That is a remarkable demonstration of the importance of a strong and stable PERA and your input is very important to the Board as we look to consolidate the gains we've made in the past few years. Over the next few months you will see the impact of your participation as we roll out new initiatives including a much improved web site. We will continue to look to engage you in your PERA and thank you for your support.

A handwritten signature in black ink, which appears to read "Patricia French". The signature is fluid and cursive.

Patricia "Patty" French
Board Chair

2014 Board Election Results

The Public Employees Retirement Association of New Mexico (PERA) held an election for a State Member on the PERA Board of Trustees (Board) in September 2014. Captain Roman Jimenez was reelected to a new four-year term. Captain Jimenez is a 20-year veteran of the State Police and currently works in the Las Cruces district. He has served as the Chair of PERA's Legislative Committee and Vice Chair of the Investments committee.



Capt. Roman Jimenez

served as the Vice Chair of the Rules and Administration Committee and as a member of the Legislative Committee.



Dan Esquibel

“On behalf of the Board and staff at PERA I want to congratulate both Roman and Dan. We look forward to continuing to work with them and appreciate their many contributions to the Board. I know both of these gentleman will represent all PERA members with integrity and thoughtfulness,” said Board Chair, Patricia (Patty) French.

Current Board member Dan Esquibel also starts a new four-year term of office in January 2015. Mr. Esquibel ran unopposed in the 2014 Municipal election and was automatically declared the winner of the municipal seat. Originally appointed to the Board in March 2013, he has

Chair French noted that, while PERA has recently seen significant improvements in its finances and administration, the Board must continue to work diligently to build on the successes of the past couple of years.

PERA will have a new look for 2015

Along with working on a new strategic plan for PERA, we have been working on a new look. PERA staff is working to create a new website, new logo and a new look and feel to our publications and outreach efforts. We hope to launch the new website in the spring of 2015 and other initiatives throughout this year.

Legislative Update

The PERA Board voted to endorse a joint memorial seeking a moratorium on any changes to the PERA retirement plans from now through January 1, 2020. House Joint Memorial 2, introduced by Representative Jim Trujillo, asks for a time-out for benefits changes



long enough to ensure pension reform and the new asset allocations have put the Fund on a permanent path to long-term solvency.

The memorial was endorsed by the Investments and the Pensions Oversight Committee (IPOC) at its December meeting.

PERA Fund Status

The New Mexico Public Employees Retirement Association's Fund has a value of \$14.5 billion, and has returned 8.21% for the twelve months ending October 31, 2014. All asset classes have performed well over the year, with domestic equities and alternative assets showing returns that exceed 14%.

The Fund is a broadly diversified portfolio with a goal to exceed the actuarial return assumption of 7.75%, while mitigating the risk of potential losses and maintaining sufficient liquidity. Asset allocation is defined as an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to individual goals, risk tolerance and investment horizon. The mixture of these asset categories drives 90% of a portfolio's return. As a result, the Board is diligently focused on regularly reviewing the broad asset classes that constitute the PERA Fund. This is referred to as the Fund's strategic asset allocation.

PERA's strategic asset allocation includes public and private equities, fixed income, and real return and absolute return strategies. The public equity portion (45.9% target) is comprised of shares of stock in companies purchased through public markets such as the New York Stock Exchange. The purpose of investing in public equities is capital appreciation and liquidity. The private equity portion (7% target) is an ownership interest that is not publicly listed or traded on an exchange. These capital pools are invested directly

into companies in order to gain significant influence over their operations and governance. The purpose of investing in private equities is diversification and superior returns with the potential to outperform public equities over the long-term. The fixed income portion of the Fund's assets allocation (31.1% target) invests in debt instruments such as U.S. Treasuries and government agencies, corporate debt, and mortgage-backed securities. The purpose of investing in fixed income is downside protection, diversification and current income. Real return strategies (12% target) include natural resources, infrastructure, agriculture, farmland and real estate. These investments are comprised of public and private investments and have low correlation to other financial instruments while providing steady, elevated income generation and a consistent risk-adjusted cash flow stream. Absolute return strategies are targeted at 4% of the Fund. Unlike traditional asset managers, who try to track and outperform a benchmark, absolute return managers employ different strategies to produce a positive return regardless of the direction and the fluctuations of capital markets.

The Board regularly reviews the Fund's strategic asset allocation and makes changes every few years to maintain a long-term investment strategy that focuses on preserving the fund, meeting or surpassing the actuarial target of a 7.75% rate of return and achieving better risk-adjusted returns.



Expanded Customer Service Coming at PERA's Albuquerque Office

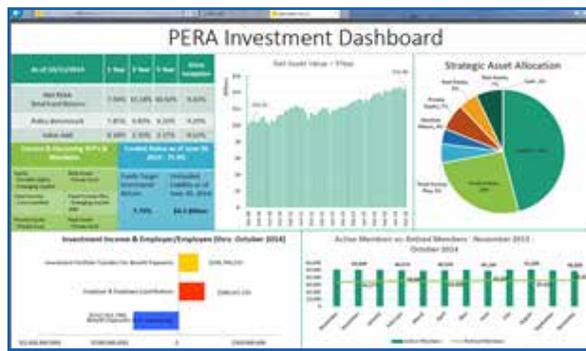
PERA will soon have new offices in Albuquerque to better serve our members. Construction of the new office space will double the size of the current office. The new office space will include additional retirement benefit specialists and have a large seminar room for educational presentations. The new office space is tentatively scheduled to open in April 2015, and will be located on the same floor as the current office at 2500 Louisiana Blvd., NE, across from Coronado Center.



Photo: Albuquerque Office Manager, Angela Romero; Vicky Chavez; and Anna Leyba

PERA Launches New Video Presentation on Website

Sometimes it is hard to make it to a PERA retirement presentation because life gets in the way. Courtesy of Dona Ana County, PERA now has recorded the general retirement presentation and has posted the video on our website at <http://www.pera.state.nm.us/mediacenter.html>. The presentation is composed of three sections; active member, deferred compensation and the retirement process. If you are not able to attend a presentation in person, this is a great place to get some answers about your PERA benefits.



PERA Launches New Investment Dashboard

We have added a new feature to our Investment and Financial Information page. The Investment Dashboard can be found at www.pera.state.nm.us/investments and gives you a quick update of a fund's investment status. The Dashboard will be updated regularly to give current information on the PERA funds.

Important 1099-R Information

Every year, PERA provides members with year-end tax information on an IRS form 1099-R. New Mexico PERA benefits are subject to federal and state income taxes. Please review the amount of your income tax withholding each year to make sure you have enough tax withheld. PERA does not withhold income tax for other states because of a variety of tax regulations for each state.

IMPORTANT INFORMATION:

- * PERA also withholds Retiree Health Care Authority (RHCA) premiums, AFSCME union dues and Retired Public Employees of New Mexico dues if directed to do so by the member.
- * 1099-R forms for income received in 2014 will be mailed to each benefit recipient by January 31, 2015
- * Your form will be mailed to the address PERA has on file. If you have moved in the last year, please notify PERA as soon as possible of the change of address. The notification must be made in writing, to protect the security of member information. Contact PERA in Santa Fe at (505) 476-9300 or toll-free at 1-800-342-3422 to request a change of address form. You can also go to the PERA website at www.pera.state.nm.us and download the *Change in PERA Records Form*.
- * Please allow 10 business days after January 31, 2015 for the postal delivery before calling PERA if you have not received your 1099-R form.
- * You can also print your 1099R form from the PERA RIO Self Service website at: <https://perass.state.nm.us/SelfService/viewPage?component=/home.jsp>

Public Employees Retirement Association
PO Box 2123
Santa Fe, NM 87504-2123

PRST STD
US Postage
PAID
Abq., NM
Permit No. 1350



Don't Retire your Deferred Compensation Account

Whether you are nearing or in retirement, you do not have to move your New Mexico 457 Deferred Compensation Plan assets — continue to give it a chance to grow with us!

The New Mexico 457 Deferred Compensation Plan has been there to help you save for your future. Let us help you use your account as an integral part of your retirement income plan.



Your Nationwide Retirement reps are here to help:

Clayton Puckett (Central NM)
505-362-8814

Jocelyn Hodes (Northern NM)
505-321-2239

Linda Miller (Southern NM)
575-520-2660

Nationwide representatives are Registered Representatives of Nationwide Investment Services Corporation, member FINRA. Nationwide Retirement Specialists cannot offer investment, tax or legal advice.

Nationwide and the Nationwide N and Eagle are service marks of Nationwide Mutual Insurance Company. © 2014 Nationwide

NRV-0461NM-NM (12/14)



PERA Santa Fe: PO Box 2123 | 33 Plaza La Prensa (87507) | Santa Fe, NM 87504-2123 | 505-476-9300 Voice | 505-476-9401 Fax
PERA Albuquerque: 2500 Louisiana Blvd. NE, Suite 420 | Albuquerque, NM 87110 | 505-883-4503 Voice | 505-883-4573 Fax
Toll Free 1-800-342-3422 | www.pera.state.nm.us | pera-memberservices@state.nm.us