

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
LEGISLATIVE COMMITTEE MEETING

March 9, 2021

This meeting of the Public Employees Retirement Board Legislative Committee Meeting was held on the date cited above via Zoom tele/video conferencing. The meeting was called to order at 9:05 am by Chair Roberto Ramirez.

1. Roll Call

Roll call was undertaken by Trish Winter, Executive Assistant. Meeting attendance met quorum, with the following members present.

Committee Members Present

Roberto Ramirez, Chair
David Roybal, Vice Chair
Paula Fisher
Tim Eichenberg

Committee Members Excused

Maggie Toulouse Oliver

Other Board Members Present

Lawrence Davis
Loretta Naranjo Lopez
Steve Neel
Francis Page
Shirley Ragin
Diana Rosales Ortiz

Staff

Greg Trujillo, Acting Executive Director
Susan Pittard, General Counsel
Trish Winter, Executive Assistant
Anna Williams, CFO
Dominic Garcia, CIO
Geraldine Garduno, Assistant General Counsel
Kristin Varela, Deputy CIO
LeAnne Larranaga Ruffy, Co-Head of Equity
Angela Romero, Albuquerque Office Manager

Others

Tom Toth, Wilshire Consulting
Paul Cowie, Meketa
Charles Burciaga, Voya
Jonathon Craven Cavanaugh Macdonald Consulting
Charlie Marquez, Broad Spectrum Consulting

2. Approval of Agenda

A motion to approve the agenda was made by Mr. Roybal and seconded by Ms. Fisher. The motion to approve the agenda passed by unanimous roll call vote as follows:

Roberto Ramirez	Yes
David Roybal	Yes
Paula Fisher	Yes
Tim Eichenberg	Yes

3. Approval of Consent Agenda

Ms. Winter advised the Chair that the Approval of the Consent Agenda was to be removed as there were no items on the Consent Agenda for this meeting.

4. Unfinished Business

A. PERA related Legislation for Board Action

a. SB 90 Certain Overtime Pay as Salary in PERA

Mr. Trujillo, Acting Executive Director, advised those present that joining the presentation for this were Jonathon Craven, from Cavanaugh Macdonald Consulting, and Charlie Marquez, contract lobbyist.

Ms. Naranjo Lopez advised the Chair and Committee members that she would be putting questions to the actuary and staff present after listening to the presentation.

Mr. Trujillo noted the Board had previously voted to endorse SB 90 Certain Overtime Pay For Public Safety Members legislation with the caveat that a \$30 million appropriation was included. He advised that the previous week, Senate Finance had passed the Bill, with the substitution and replacement of the appropriation with a 1.5% increase in the employee portion of the contribution. Mr. Trujillo advised he had sent the Board a memo notifying of this substitution, and this memo, along with further information had been included in the meeting packet. He said the day before the current meeting he had responded to questions from Treasurer Eichenberg and also supplied an amortization schedule. Mr. Trujillo advised the increase would essentially offset the \$30 million appropriation. In opening for questions, Mr. Trujillo confirmed that Mr. Jonathon Craven was also available to take questions.

Ms. Naranjo Lopez said she would be asking two questions to the actuary, and two questions to staff. Her first question for the actuary was whether SB 90 would now change the legal obligation to close the funding gap of \$6 billion within the next 24 years. Her second question to the actuary, regarding the legislative 2021 session, was to request that the Board be emailed copies of reports on Bills previously sent to staff. Namely, HB 65, HB 162, HB 277 (on designating another beneficiary), SB 90, SB 194, SB 315, and SB 403. Ms. Naranjo Lopez's first question for staff was which staff are actually working on legislation. Her second question to staff was where does the lobbyist fit in.

Responding to Ms. Naranjo Lopez's first question, Mr. Craven confirmed that the cost or the increase in the unfunded liability will be paid off in about 24 years and that the amortization was calculated to pay it off in that amount of time. He advised the 1.5% of pay is expected to eliminate the increase over that period. Regarding Ms. Naranjo Lopez's second question on the other pieces of legislation, Mr. Craven responded that he didn't have an answer as they respond to whatever they are requested to price, and do not keep track of all legislation issues.

Mr. Trujillo confirmed that that anything with an actuarial impact is sent to Cavanaugh Macdonald to review. He advised that with HB 162, HB 277, SB 194, there was no cost from an actuarial standpoint, therefore they were not sent to the actuaries. He confirmed with bills that do have an actuarial impact, the numbers have been reported to the Board. He noted an exception of SB 403, which has not been sent to the actuaries as, at this point, they have not been provided data to send.

Ms. Naranjo Lopez also asked whether the valuation is relative to inflation. Mr. Craven responded there is an inflation assumption of 2.5% built into all of their actuarial valuations and numbers.

Responding to Ms. Naranjo Lopez's questions to staff, Mr. Trujillo advised that due to being short-staffed at present, the primary contacts and people working on legislation were mostly himself, and Ms. Susan Pittard, General Counsel. Mr. Trujillo confirmed that Charlie Marquez, lobbyist, was also on the line.

Chair Ramirez asked whether the Bill assumes a 3% raise or increase or raise in pay for a fireman for the next 25 years. Mr. Trujillo responded that it is a 1.5% increase in contributions. Mr. Craven confirmed the payroll is expected to grow at 3% per year, and so that 1.5% would also grow at 3%. Chair Ramirez said he thought numbers might be a little low because he was aware that under Mayor Berry, the City of Albuquerque firefighters did not receive raises for around seven years. He said that he thought the assumptions may be a little high.

Ms. Fisher asked whether with the contributions of the fire fund at 1.5%, calculated at around \$2.1 million annually, there would be a gap to be filled, and if so, how it would be filled. She asked whether, in the actuary's report, it had been checked to see if any gap would be filled by active state employees. She said every time there is a money problem, historically, current active state employees are the ones who have had to catch everything up. She asked if it would be better to have them at least at 80% funded, as they are already a low fund, before any other increases for them at this point.

Responding to Ms. Fisher, Mr. Craven commented that it is always good to be better funded, but that as the increase in the payroll pays for this benefit it should not have any impact on the funded status. He said it does have a little immediate impact because of the way the cost method shifts across. Mr. Craven said he understood the point Ms. Fisher was making, but that employees are paying for this, not the state or the local employers.

Mr. Trujillo pointed out that SB 72 last year also called for a 2% increase, starting from next year, on the employee/employer contribution from municipalities. He said this 1.5% is on top of the increases already agreed to, so at the end of the six-year period of SB 72 the total contribution increase into municipal fire should be 5.5%.

Speaking to the actuary, Ms. Naranjo Lopez asked whether members are paying for firefighters as long as their fund is underfunded. Mr. Craven confirmed they are, and that the 1.5% increase in payroll will pay for the increased benefits that will be granted under this bill. He said as it has no net impact on the funding, it's as if it didn't happen at all without the 1.5% increase.

Ms. Fisher asked the actuary if what he was saying that the way the bill was designed, it would pay now and in the future? Mr. Craven confirmed.

Ms. Fisher then asked if the City of Albuquerque has to pay 75% of firefighter pension, how would they get around that, and would it mean that the City would have to pay more? Mr. Trujillo responded that the way the legislation is written is the employer has to opt in to pick up an additional amount over the 1.5% increase. He said this means that once the legislation is affected, then the 1.5% is all on the employee. He said if negotiations between the employee and the employer come out that the employer is willing to pick up an additional amount of that increase, that is between the two of

them and has nothing to do with how PERA accounts for it. He said that PERA will still account for it as a portion of the employee contribution. Referring to Mr. Trujillo's response, Chair Ramirez said that that collective bargaining will be what is really going to determine that, which PERA will not have a say in, but will get paid from that.

Ms. Fisher said what also concerns her is, as Ms. Naranjo Lopez said, that this is all politically driven because of some of the people involved. She also said she does not think that in 16 years or so there would be enough funds accrued to pay for the \$30 million-plus as estimated in the unfunded liability. She said that is a long time to be increasing benefits when the contributions are already needed to be made as is just to bring the fund up. She said she thought that bringing up the fund should have been considered first, and then asking for something like Senate Bill 90, that the way it is being done is backward. She commented that if Board continues to support things like this, they will have others coming forward as well and that PERA currently has a huge unfunded liability, which they just seem to keep approving and adding to. She said that the legislature seems to have no regard for PERA's unfunded liability. She said it just seems to be whoever's carrying the bill, or who it's for is the end result. She said that it is unfair to all PERA members and that it is unfair when in a few years the legislature is going to start having state employees fill the hole in the monies on this particular bill.

Ms. Naranjo Lopez questioned whether, at the next Legislative Committee meeting, the Committee could start looking at legislation that requires bills to come before the Board. She commented that it is reviewed by the actuary beforehand and spoke of a decision made the previous night and already approved, without Board consideration. She said the statute says that PERA Board has to review it. She expressed concern that if they didn't require this legislation to be reviewed by the Board, that this would continue, and that, as mentioned by Ms. Fisher, the unfunded liability would continue to increase. Chair Ramirez responded that, unfortunately, that was not the way the process works. He said that although he wished they did, the legislature does not have to come to the Board to pass bills.

Chair Ramirez then spoke of Senate Bill 430, a dummy bill dropped the previous night by Stuart Ingle, as a mirror for 162 to reorganize the Board. He said he didn't know if the Board were aware of SB 430, but that its progress would need to be monitored. Ms. Fisher said she had it. Chair Ramirez asked Mr. Trujillo to keep monitor the bill's progress and noted that it is currently with Health and Public Affairs on the Senate side. Mr. Trujillo confirmed he would monitor the bill, reminded the Chair that Mr. Marquez was on the line, and asked Mr. Marquez to monitor the bill also.

Ms. Fisher asked Mr. Marquez if he was working diligently alongside Mr. Trujillo to ensure that he was getting ahead of the bills and ensuring he was following them. She asked him if he was aware of this bill. Mr. Marquez confirmed that he worked very closely with Mr. Trujillo and that they communicate and coordinate on an almost daily basis. He said he primarily works behind the scenes, with Mr. Trujillo being the person who speaks in committee. He confirmed they try to get ahead of the bills because that is the opportunity they have to lobby each of the members before the bill hits the committee.

Ms. Fisher thanked Mr. Marquez and said she thought if the SB 430 bill does get approved, Board members who ask questions on behalf of PERA membership will cease because appointees the board would be doing the bidding of those who appoint them. She said she thought they would have no regard for PERA for membership, let alone the fund, and for that reason, the bill could not pass. Mr. Marquez said he understood.

Mr. Davis also noted the item was slated for action, as stated by Mr. Page. He asked what the process would be if the Legislative Committee voted on the item today, and if it was the will of the Board. He said he aligned with Ms. Naranjo Lopez, and that if an action was voted on today, as they were running short on time in the meeting session, he wondered whether would it be representative to the legislatures that is PERA's formal position on the amendment to the bill.

Ms. Pittard advised the Committee that they would probably receive a request for an updated FIR on senate finance substitute, so they would submit that.

A motion to support the Senate Finance Committee's substitute for SB90 as discussed was made by Mr. Roybal, with a comment that he knew their hands were a little bit tired here and 'it is what it is' as the bill is passed around and was seconded by Mr. Ramirez. During the roll call vote, Ms. Fisher confirmed with Chair Ramirez the vote was to support the increase of the 1.5%. The motion to support SB 90 was passed by unanimous roll call vote as follows:

Roberto Ramirez	Yes
David Roybal	Yes
Paula Fisher	Yes
Tim Eichenberg	Yes

B. Legislative Update

Mr. Trujillo briefed the Committee on Senate Bill 315, relating to Public Safety Officer Retirement. He reminded the Committee there were approximately 100 members with the state police who are reported under the state general plan. He said that SB 315 would move these members into the state police plan. He said the original legislation had called for a \$5 million appropriation, which the Board supported. He said the last Senate committee hearing, which he believed was two days ago, stripped the appropriation out of the bill and replaced it with the amount in House Bill 2 of approximately \$2.4 million, which would essentially halve the appropriation to fund this. Mr. Trujillo said believes there is some negotiation before House Bill 2 becomes finalized. He said they will continue to work to try and get that appropriation reinstated, but that as it stands today, it is only funded at about the halfway point.

Regarding House Bill 277, Mr. Trujillo advised the Committee this has passed the House, and he believed it was unanimous. He said it was awaiting to be scheduled in the Senate and was not aware of the committees at this point.

Regarding Senate Bill 403, which talks about putting emergency dispatchers in the police plan, Mr. Trujillo advised this has not received a hearing. He said he was doubtful that it would, but they would keep monitoring that.

Regarding Senate Bill 403, Ms. Fisher reminded Mr. Trujillo that the Board had previously opposed this bill concerning dispatchers based on not needing any more unfunded liability. Mr. Trujillo responded he was noting that it has yet to be scheduled, and it is doubtful that it will be. Ms. Fisher thanked Mr. Trujillo and said she was looking forward to seeing them handling the bills.

Regarding Senate Bill 315, Ms. Naranjo Lopez asked whether the plan for this is already over 100% funded. Mr. Trujillo confirmed that to be correct.

Regarding Senate Bill 403, Ms. Rosales Ortiz said she agreed with Ms. Fisher's previous comments on dispatchers. She said they are law enforcement, and that they collaborate with law enforcement but don't put their lives on the line like law enforcement. She said she thought they should be careful about that bill.

Regarding Senate Bill 430, Mr. Ramirez said he wanted to make a motion to oppose this dummy bill dropped by Stuart Ingle. Ms. Pittard advised the Chair and Committee that as this was not listed for action, formal action could not be taken. She advised that it was appropriate for the Chair and the Vice-Chair of the Legislative Committee to give staff direction which reflects the Board's position on HB 162. Mr. Ramirez said they would continue appraising that as well as it was the same bill.

Ms. Naranjo Lopez suggested that an item on SB 430 be placed as an action item on the Board meeting agenda if time allowed within legislature processes. Mr. Ramirez responded that he didn't think the timeline would work for the next Board meeting. Mr. Trujillo confirmed that the legislative session was scheduled to end at noon on March 20, 2021, and the next Board meeting was not until March 25, 2021

Mr. Page said his direction as the Chair would be to oppose the Bill. Chair Ramirez responded that he seconded that, and they would work with PERA staff letting legislators know.

Ms. Fisher suggested the Legislative Committee schedule another meeting with an action item to make a motion on Senate Bill 430. Mr. Trujillo said he believed with the resolution that was passed in January 2021, it was pretty clear that Chair Page and Chair Ramirez had the authority to oppose the bill on the Board's behalf, and that he wasn't sure if another meeting was needed to communicate that. He said he thought the staff heard the wishes of the Board.

Regarding the number of legislative bills, Ms. Naranjo Lopez asked Mr. Trujillo whether this was a high number for PERA this year. She said it seemed like it was a high number, but she didn't know. Mr. Trujillo responded that he wouldn't say the number was high or out of the ordinary, especially for a 60-day session. He said that it was not a lot of big-ticket items, which is was a good thing. He said they were relatively minor bills, so they didn't have the controversy that previous legislation has had.

As Chair Ramirez had lost connection to the meeting, Vice-Chair Roybal asked if there was any further discussion.

5. Adjournment

Having completed the agenda, Vice-Chair Roybal declared this meeting adjourned at 09:49 am.

Approved by:

Roberto Ramirez, Chair
PERA Legislative Committee

ATTEST:


Greg Trujillo, Acting Executive Director