

**MINUTES OF THE NEW MEXICO  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
RULES & ADMINISTRATION COMMITTEE MEETING**

**August 9, 2016**

This meeting of the Public Employees Retirement Board Rules & Administration Committee was called to order by Committee Chair Paula Fisher at approximately 9:00 a.m. on the above-cited date in the PERA Building, Senator Fabian Chavez, Jr. Board Room, 33 Plaza La Prensa, Santa Fe, New Mexico.

Roll was called by Executive Director Wayne Propst and a quorum was established as follows:

**Members Present:**

Paula Fisher, Chair  
Dan Esquibel, Vice Chair  
Patricia French  
Jackie Kohlasch  
John Melia  
Cathy Townes

**Member(s) Excused:**

None

**Other Member(s) Present:**

James Maxon  
Loretta Naranjo Lopez  
John Reynolds  
Dan Mayfield

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff-General Counsel  
Jon Grabel, Chief Investment Officer  
Greg Trujillo, Deputy Director/Chief Information Officer  
Karen Risku, Deputy General Counsel  
David Dana, Assistant General Counsel  
Reneda Peery-Galon, ASAD Director  
Jude Perez, Deputy CIO  
Greg Portillos, Chief Information Officer  
Natalie Cordova, Chief Financial Officer  
Karyn Lujan, Deferred Compensation Plan Manager

LeAnne Larrañaga-Ruffy, Director of Equity  
Kristin Varela, Portfolio Manager  
Emily Lopez, Financial Specialist  
Christine Ortega, Portfolio Manager  
Mark Montoya, Investments Division  
Lalleh Dayeny, Investments Division

**Others Present:**

Paul Lium, Nationwide  
Mark Tyndall, Executive Director, RHCA

**2. APPROVAL OF AGENDA**

Ms. French moved to approve the agenda as presented. Ms. Townes seconded and the motion passed by [6-0] voice vote.

**3. APPROVAL OF CONSENT AGENDA**

Ms. French moved to approve the consent agenda. Mr. Esquibel seconded and the motion passed by [6-0] voice vote.

**4. CURRENT BUSINESS**

**A. Report on Retiree Health Care Authority Solvency Outlook and 2017 Benefit Changes**

Mr. Propst said the RHCA Board held its annual meeting where a number of changes were made to the benefits. He introduced Mark Tyndall, the executive director of RHCA, to explain the changes and speak about the fund's long-term solvency.

Mr. Tyndall said the RHCA was created by state statute in 1990 and began paying benefits for 18,000 retirees in 1991 – retirees who made no contributions to the plan. The benefit was designed as a pay as you go entity. He identified the agencies that RHCA provides benefits to, noting that over 10 percent of the adult population of the state is either covered by the RHCA now or will be covered in the future. RHCA has 25 FTEs and an annual budget of over \$3 million that is paid out in benefits.

He discussed the trust fund balance, its growth and projected solvency. The fund is measured as is PERA's fund by expected benefits for the retirees under the plan and vested active employees making contributions into the plan. At the last GASB valuation the funded liability was reduced by \$700 million and is \$3.4 billion. The fund is 10 percent funded. He discussed the GASB requirements and noted that changes in GASB reporting will likely result in increases to liability calculations. The fact RHCA has a trust fund and a statutorily guaranteed source of income puts RHCA ahead of the average public entity with regard to liabilities.

Mr. Tyndall reviewed the pre-Medicare plans provided to the employees which

include a Premier+ and a Premier. The Premier+ plan is being discontinued because RHCA can no longer offer benefits with no cost sharing. Members who reside in New Mexico will not have to absorb a premium increase if they so choose; proposed plan design changes mitigate out-of-pocket expenses and value based plan design elements have been expanded. He discussed the value of the plan noting these are very good PPO plans and provide a very good value for those wishing to retire before the age of 65. He noted the premium associated with the RHCA benefit is not linked to an individual's income.

The Authority has gone before the legislature for the past four years asking for a higher level of contributions to support the level of benefits and has been unsuccessful. The benefit level must be commensurate with the level of revenue received. The largest single participating plan is the Medicare supplement which will be increased from \$178 to \$188. Prescription drug costs are driving the increase. Along with changes to the Medicare supplement plan the self-insured plan will eliminate coverage for drugs available OTC, eliminate the multiple dependent subsidy, and implement and enforce an open enrollment period.

Ms. French said the complaint she hears regarding the changes is that the burden is on the young. Those over 65 are not taking on additional burdens which especially targets fire and police because they retire earlier.

Mr. Tyndall said 35 percent of RHCA are pre-Medicare and account for well over 60 percent of the fund cost. The RHCA Board decided in its five-year strategic plan that the majority of the changes were going to be directed at people who chose to retire before the age of 65. He noted there were 11 individuals over age 100 on the plan. A lot of the decisions made over the years that make it easier for an individual to retire earlier were not good for RHCA. He said Ms. French's statement was a fair assessment and was done so out of commission not omission.

Ms. Naranjo Lopez requested that Mr. Tyndall attend an Informed Retiree meeting to explain the health care system provided to retirees. He said it was important the membership understand why the decisions are being made and how it helps the fund. He welcomed any support to work with the legislative members. It has been tough with the State of New Mexico's budget.

Mr. Tyndall pointed out that current employees pay 1 percent of their salary and the State pays 2 percent to RHCA. He discussed the value based purchasing initiatives to improve the value of the way providers are reimbursed.

The only item that remains to be accomplished in the five-year strategic plan adopted by the RHCA Board in 2012 is increasing employee/employer contribution levels. The average salaried state employee over the course of 25 years will have total contributions to the RHCA \$36,000. Retiring at 58 and staying on the plan until 83, RHCA will have provided subsidies in excess of \$66,000 which is not sustainable. The trust fund balance is projected to be positive through 2036 but revenues will continue to

support 80 percent of the provided benefits.

Mr. Reynolds noted that the average retirement age of 58 challenges the PERA fund as well as RHCA. Mr. Tyndall said the retirement age is trending up.

Mr. Tyndall thanked PERA for their generosity in sharing space in this building.

## **B. Overview of PERA Benefits and SB 27 Benefit Changes**

Greg Trujillo, Deputy Director, provided an overview of contribution rates by plans under the different tiers and salaries both above and below an annual salary of \$20,000. The highest percentage of pension factor in Tier II is 3 percent in Public Safety. A change for Tier I members at 26 years and 8 months would tap out at 80 percent at final average salary that increased to 90 percent. In most cases, if an individual works 30 years they will receive 90 percent of their final average salary.

Tier I eligibility requires a balance with PERA as of 6/30/2013. Tier II eligibility is 7/1/2013 or later. Tier I employees vest at five years, Tier II is six years for public safety and eight years for general members. He discussed how final salary is determined under the two tiers, the COLA and eligibility to retirement. Overtime and one-time bonuses are ineligible for pension purposes.

Ms. Naranjo Lopez pointed out that for those earning less than \$20,000 in retirement the COLA is 2.5 percent. Mr. Trujillo confirmed that and added those on disability retirement also receive 2.5 percent. Additionally, the COLAs for the Judicial and Magistrate plans have been suspended until their solvency rates rise.

SB 27 also introduced the Rule of 85 to Tier II; age plus at least 8 years of service must equal 85 for retirement eligibility. Blended pension provisions established blended pensions for service credit earned after 7/1/2014. A blended pension is calculated using the service credit the member has earned under each coverage plan with different pension factors. Using a graph, Mr. Trujillo reviewed by plan the number of those retiring since 2012.

The Board recognized Mr. Trujillo as a tremendous asset to the agency.

## **C. Report on Data Cleansing and RIO Upgrade Project**

Mr. Trujillo reminded the committee of a 2015 analysis of whether RIO could support PERA's long-term needs. The analysis concluded that there were many issues centered around the data. PERA has secured a \$4.2 million special appropriation for the strategic enhancement project for the RIO pension application. Last month he and Chief Information Officer Portillos presented additional information to the government and were able to obtain funds to start the project in September. An RFP was issued for

data cleansing and governing services and three bids were received. The next phase will be enhancements to RIO through HP, the maintenance vendor. The start date is March 2017.

The entire project is anticipated to take 18 to 21 months and staff will keep the Board updated on the project.

Ms. French asked whether staff had a level of confidence in keeping the RIO system. Mr. Trujillo said based on the analysis and the implementation of the strategic enhancement project staff anticipated an additional 10 years of service from RIO.

The data cleansing contract will be \$800,000 and will be handled in a programmatic manner identifying discrepancies. Recognizing that data cleansing occurred in the past, Mr. Trujillo said the governance portion of the project will address that issue.

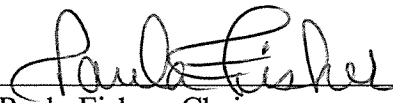
**5. OTHER BUSINESS**

None was offered.

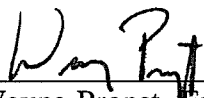
**6. ADJOURNMENT**

Having completed the agenda and with no further business, Ms. Kohlasch moved to adjourn and Ms. French seconded. The motion passed and this meeting adjourned at approximately 10:35 a.m.

Approved by:

  
Paula Fisher, Chair  
Rules & Administration Committee

ATTEST:

  
Wayne Propst, Executive Director