

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
LEGISLATIVE COMMITTEE MEETING

September 13, 2016

This meeting of the Public Employees Retirement Board Legislative Committee was called to order by Chair Cathy Townes at approximately 9:55 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:

Cathy Townes, Chair
James Maxon, Vice Chair
Dan Esquibel [10:05 arrival]
Paula Fisher
Loretta Naranjo Lopez

Member(s) Excused:

None

Other Member(s) Present:

Dan Mayfield
John Melia
Patty French
John Reynolds
Jackie Kohlasch

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff-General Counsel
Greg Trujillo, Deputy Director
Karen Risku, Deputy General Counsel
Dana David, Assistant General Counsel
Trish Winter, Executive Assistant
Renada Peery-Galon, ASD Director
Jude Perez, Deputy CIO
Karyn Lujan, Deferred Compensation Plan Manager
LeAnne Larrañaga-Ruffy, Director of Equity
Natalie Cordova, Chief Financial Officer
Kristin Varela, Portfolio Manager

Emily Lopez, Financial Specialist
Christine Ortega, Portfolio Manager
Lalleh Dayeny, Investments Division

2. APPROVAL OF AGENDA

Ms. Fisher moved approval. Her motion was seconded by Mr. Maxon and passed by unanimous [4-0] voice vote. [Mr. Esquibel was not present for this action and arrived shortly thereafter.]

3. CURRENT BUSINESS

A. Proposed Legislation for 2017

1. Reciprocity Legislation

Mr. Propst noted at this point these legislative issues are being presented for information and may be brought back for the Committee's endorsement. There may be additional items that will be presented.

Greg Trujillo, Deputy Director, said PERA has reciprocity with ERB – meaning one could work for ERB and then transfer to PERA and combine service and be eligible to retire. If one were to retire from PERA with ERB credit, ERB reimburses PERA for the ERB portion. The current arrangement has not worked well for either agency. The proposed bill would have ERB paying its portion and PERA its portion. Both agencies would issue a 1099 for their portion. The COLAs are particularly difficult in the reciprocity system.

Mr. Trujillo said passage of this bill will be beneficial to PERA and ERB and ERB is in support. At this point a legislator has not been identified to sponsor the bill; however, one with reciprocity would be an ideal choice.

Mr. Propst noted that the bill passed the House unanimously in 2007 and passed two Senate committees but appears to have run out of time to go before the full Senate. He was confident it would go through, especially with Mr. Trujillo tracking the bill and ERB's support. Mr. Trujillo said the bill has no fiscal impact to the state.

2. SmartSave Electronic Enrollment Legislation

Karyn Lujan, Deferred Compensation Plan Manager, said the SmartSave plan is governed by the Deferred Compensation Act and that Act requires "written" consent. The proposed legislation would be replaced with a form acceptable to the PERA Board. This will provide for electronic enrollment and electronic contribution changes. Nationwide will need to adjust their system for New Mexico; however, they service different plan sponsors throughout the country and use electronic transactions.

Ms. Lujan said staff would be meeting with DFA to ensure smooth enrollment

and changes within the State system.

Mr. Melia suggested this change may provide an additional education opportunity for the SmartSave participants. Ms. Lujan agreed adding it would also require employer education.

Ms. Lujan said the proposed legislation is on the BoardEffect Portal.

Chief Counselor Pittard said the proposed legislation would modify the statutory requirement that enrollment is completed by a written record.

Chair Townes requested staff develop a timeline on this project.

5. OTHER BUSINESS

Chair Townes noted that included in the packet was a draft bill forwarded by Treasurer Eichenberg having to do public audits and he has requested the Committee review the bill and perhaps support it.

Ms. French said the bill would require the three state funds – PERA, ERB and SIC – to report in the same manner.

Mr. Propst said on a cursory review he saw no problem in providing the information to the state auditor; most, if not all, of the information is already compiled by the agency.

Mr. Propst said the upcoming session will be focused on the State's deficit. Mr. Esquibel asked whether the state would look to PERA to ease that deficit. Mr. Propst said it was possible. PERA has a surplus status within the Legislative and the Volunteer Firefighter funds and the State Police and the Adult Correctional are also in that status. He said he would not be surprised if the legislature amended the amount of funding PERA receives through the Oil & Gas tax suspense fund to fund the benefits PERA provides to members of the Legislative plan. In FY15, PERA received \$1.6 million more than required to pay the benefits for existing members in that plan.

Mr. Propst said in the last valuation for the Legislative plan the unfunded actuarial accrued liability did show a positive number which is trust fund money. The distribution can be changed but once the money is in the trust fund it becomes part of the trust assets and cannot be used for any other purpose. He understood the state may perceive the legislative fund differently and want to use any excess to help the State through its budget crunch.

Ms. Kohlasch recalled that in the past the legislature contemplated merging ERB, PERA and SIC. Mr. Propst said he has not heard anything about consolidation but PERA will be monitoring proposed legislation.

Mr. Propst mentioned that in 2007/2008 the legislature implemented a “pension

swap” for state employees whereby the employee contributed an additional 1.5 percent and the employer 1.5 percent less, thus reducing contributions by state agencies by \$40 million to \$50 million. In that situation if the employee decides to refund, PERA ends up paying more which had a fiscal impact on PERA and ERB.

Mr. Propst recommended that the Legislative Committee meet monthly to stay apprised of session agenda items.

Ms. Naranjo Lopez said it was unfortunate the legislature did not call a special session in June to begin to address the budgetary issues. She understood there was mention of lay-offs and asked that staff determine how the reduction in the workforce would impact the pension plan.

Mr. Propst said PERA is fortunate that they are funded through the pension rather than the state general fund. State agencies under control of the Governor have been required to reduce their budget by 5 percent and there are discussions regarding furloughs. He understood that DFA wants to spread the budgetary reduction beyond general fund agencies.

Mr. Propst said he has been involved in New Mexico government for 13 years and this is the worst structural deficit he has seen. He understood the deficit for the fiscal year that just concluded was between \$200 million and \$250 million.

Ms. French mentioned a return to work bill that Mr. Propst proposed which she supported and suggested discussing it with the Chair and Vice Chair of this committee.

Ms. French said the City of Albuquerque and many agencies use temporary employees. She advocated auditing those temp services to demonstrate to the legislature that these should be full-time employees paying into the pension plan. She asked staff to consider moving forward with this idea.

Mr. Propst advised the Committee that PERA’s budget hearing for FY18 is scheduled for Thursday, October 28th at 1:30. The updated FY 16 actuarial valuations will be presented to the LFC Friday, October 29th in the morning and to IPOC on Monday, October 31st.

6. ADJOURNMENT

Chair Townes declared the meeting adjourned at approximately 10:45 a.m.

Approved by:



Cathy Townes, Chair

James Maxon Vice Chair

Legislative Committee

ATTEST:



Wayne Propst, Executive Director