



**Public Employees
Retirement Association
of New Mexico**

la VOZ

*Special
Legislative
Edition
May 2013*

Retiree Edition

The Voice of the Public Employees Retirement Association of New Mexico

PERA 2013 Board

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Letter from the Board Chair

Dear PERA Members:

“Why does PERA have a \$6.2 billion unfunded liability when the stock market is at an all time high?”

PERA Board members and staff are often asked this question in conversations about the pension reform recently passed in SB 27. While it seems logical that the deficit would be reduced when the stock market is rising, there are other factors to consider.

First, no single-year, realistic investment returns can make up for the magnitude of losses PERA sustained in the 2008-09 market recession. At that time, PERA lost almost half of its total fund value. These losses created an unfunded liability that PERA cannot invest itself out of. PERA’s funding projection shows that even if PERA makes its assumed 7.75% return on investments over the next 30 years, the plan will only be funded at 31.2% in 2042 if none of the benefit changes passed in SB 27 were made.

Pension payments and contributions also must be consid-

ered when looking at the fund’s deficit.

PERA is a mature fund with more payments going out of the fund to pay retiree pensions than employee and employer contributions coming into the



fund. On average PERA transfers \$35 million out of the fund monthly to cover contribution shortfalls.

Finally, plan enhancements were passed by the Legislature during times when the fund was recording double digit returns. These benefit enhancements were made without funding to pay for them.

PERA is a long-term invest

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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.

Letter From Board Chair *(continued from page 1)*

tor with a diversified portfolio aimed at weathering the ups and downs of investments. We are encouraged by recent stock market gains but know that markets will fluctuate.

That is why the pension reform changes just passed in SB 27 are so important to PERA's pension solvency and reducing the \$6.2 billion shortfall. By combining cost-saving pension reforms with stock market returns, PERA has a better chance of attaining its 100% solvency goal.

Sincerely,



Patricia (Patty) French
Board Chair

Governor Martinez Signs PERA Pension Reform

On April 5, 2013 Governor Susana Martinez signed SB 27, which was sponsored by Senator George K. Munoz and Representative Luciano "Lucky" Varela, and endorsed significant pension reform changes for PERA retirees, active members and future retirees.

"We are gratified that Governor Martinez recognized the urgency of pension reform," said PERA Board Chair Patricia (Patty) French. "I applaud her willingness to help ensure that public employees and retirees have a secure retirement future."

Board Chair French noted that SB 27 was not a perfect bill but that it sets PERA on a path to long-term solvency and does so fairly and responsibly.

SB 27 was the result of a legislative mandate that the solution to PERA's unfunded liability be one of shared sacrifice from all membership groups including retirees, current active members and future members.

SB 27 had the unprecedented support of the Public Employees Retirement Association Board of

Trustees, the New Mexico Association of Counties, the New Mexico Municipal League, the Retired Public Employees of New Mexico (RPENM) and

“We are gratified that Governor Martinez recognized the urgency of pension reform...”

the American Federation of State, County and Municipal Employees (AFSCME).

A summary of the pension reform changes is outlined in the SB 27 - Summary of Pension Plan Changes article on pages 3 and 4.

VOLUNTEER FIREFIGHTER RETIREMENT BENEFITS SIGNED BY GOVERNOR

Governor Martinez also signed HB 275, which increases monthly volunteer firefighter pension

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Attention Return-to-Work Retirees

PERA will be mailing a letter directly to you describing the changes and outlining your options regarding your present employment. We expect the letters to be mailed in May 2013.

Governor Martinez Signs Pension Reform *(continued from page 2)*

benefits as follows: Retirees age 55 or older with 25 or more years of service credit will receive a \$250 monthly pension, increased from \$200. Retirees age 55 with 10 or more years of service credit will receive a \$125 monthly pension, increased from \$100. These increases will be applied July 1, 2013



to volunteer firefighters already receiving pensions and to all volunteer firefighters retiring after that date.

JUDICIAL RETIREMENT ACT CHANGES VETOED

Pension reform for two of PERA's most underfunded retirement plans did not receive the support of Governor Martinez, who vetoed SB 25, which would have significantly amended the Judicial

Retirement Act and the Magistrate Retirement Act to change retirement benefits for both current and future judges, magistrates and retirees.

"The judicial and magistrate retirement plans are important to PERA," said Board Chair French. "The Board commends the work done on the bill by Administrative Office of the Courts staff and for the concessions the members of these two plans were willing to make to move toward solvency."

The most significant concession made in SB 25 was suspending the Cost-of-Living Adjustment (COLA) for all current Judicial and Magistrate plan retirees for two years (2013 and 2014) and subsequent years based on a solvency threshold. Employee contributions were increased by 3% and a new, more reduced benefit structure was introduced as well.

The plans were also restructured to move from contributions partially being based on docket fees to contributions based on employer contributions as a statutory percentage of salary.

The PERA Board is committed to working on changes to ensure the long-term solvency of these two plans during the 2014 legislative session.

LEGISLATIVE RETIREMENT OPEN ENROLLMENT VETOED

SB 114 would have allowed legislative members who missed the prior deadline to enhance benefits to pay any additional contributions per year of service credit, with interest, before January 1, 2014 and receive an enhanced benefit. The bill would also have raised the annual legislator contribution from \$600 per year to \$700.

SB 27 - Summary of PERA Pension Plan Changes

Effective July 1, 2013, SB 27 affects the Cost-of-Living Adjustment for retirees and re-employed retirees in the following manner:

RETIREES

Cost-of-Living Adjustment (COLA)

- Reduces the COLA from 3% to 2% except for:
- 2.5% COLA for members retired with 25 or more years of PERA service credit (not including reciprocity) and whose annual pensions are \$20,000 or less.

- Disability retired members whose annual pensions are \$20,000 or less.

RE-EMPLOYED RETIREES

Effective July 1, 2013, the COLA will be suspended for re-employed PERA retirees who were grandfathered in and are receiving both a pension and a salary from a PERA-covered employer. A re-employed retiree's COLA will be reinstated once they terminate their present PERA employment.

(continued on page 4)

Changing Your Tax Withholdings

Now that the tax season is over, maybe you discovered you need to change your tax withholdings. The *PERA Tax Deduction Form* is available online at pera.state.nm.us/forms. Complete a new *PERA Tax Deduction Form* and submit the form to PERA for processing. If PERA receives the form by the 15th of the month the changes will go into effect that month. If PERA receives the form after the 15th of the month, the changes will go into effect the following month.

If you need tax advice, please contact a tax professional.

SB 27 - Summary of PERA Pension Plan Changes *(continued from page 3)*

To Continue Receiving a COLA:

- A re-employed retiree must terminate employment on or before June 30, 2013.
- Employer must submit an *Employer's Certification of Termination for a Re-Employed PERA Retiree* form to PERA as proof that the re-employed retiree has terminated employment.
- COLAs will be paid in July 2013 if an *Employer's Certification of Termination for a Re-Employed PERA Retiree* form is received by PERA on or before Monday, June 3, 2013.
- PERA will reinstate COLA eligibility and issue back pay for any missed COLA payments for termination notices received on or after Tuesday, June 4, 2013.

PERA Retirees Re-Employed by Employers Covered by the Educational Retirement Board

- SB 27 also affects PERA retirees who are employed by an ERB-covered employer.
- All PERA retirees who are currently working for an ERB-covered employer will continue to receive COLAs.
- In addition, all PERA retirees who go to work for an ERB-covered employer on or before June 30, 2013 will also continue to receive COLAs.
- The COLA for PERA retirees who are re-employed by an ERB-covered employer on or after July 1, 2013 will be suspended beginning with the 2014 COLA, which is awarded in July 2014.

EXCLUSIONS

- The COLA-suspension provisions do not apply to retirees excluded by law from PERA's return-to-work provisions, including retirees who are:

- Employed by the legislature for legislative session work;
- Employed temporarily as a precinct board member for a municipal election or an election covered by the Election Code; or
- Elected to serve a term as an elected official and who have timely filed a membership exclusion form.
- COLAs will be paid automatically to these retirees.

SB 27 also affects current members, new hires and employers:

CURRENT ACTIVE MEMBERS

Current active members will see an employee contribution increase of 1.5%, an increased pension maximum of 90% and a graduated seven full-calendar year eligibility period to receive a COLA in most cases.

NEW GENERAL MEMBERS

New general members first hired on or after July 1, 2013 will have to work longer to be eligible for a pension and will have a lower pension factor, a 5-year final average salary calculation, an 8-year vesting period and a 7-year COLA-eligibility period.

NEW PUBLIC SAFETY MEMBERS

New public safety members first hired on or after July 1, 2013 will have to work longer to be eligible for a pension and will have a lower pension factor, a 5-year final average salary calculation, a 6-year vesting period and a 7-year COLA-eligibility period.

EMPLOYERS

Increases the statutory employer contribution rate 0.4% beginning in FY15.

PERA Fund Status

By Joelle Mevi, Chief Investment Officer

The PERA Fund ended March with a market value of \$13 billion. So far this fiscal year (July – June), the Fund has had a 13.5% return. The U.S. stock market has been strong, seeing gains to the S&P 500 of 16.90% from July through March and 10.61% for the calendar year through March 31. While international stock markets have recorded impressive 20% gains through March 31, the recent months have seen lackluster investment returns due to financial issues in the Eurozone and slowing economies in China and Brazil.

The recent bank failure in Cyprus (a Eurozone country) spooked the stock markets during March and investors retreated from stocks and instead chose to invest in safer assets, such as bonds. The PERA Fund is diversified across multiple asset classes, such as stocks and bonds, and was able to achieve a positive 1.77% investment return for the month of March. Although the stock markets may remain shaky in the near term, our expectation is for the Fund to continue to trend upward - primarily due to positive U.S. stock market performance - through the remainder of 2013.



Things You Can Do Online...

- Print out the last three years of your Cost-of-Living Adjustment (COLA) letters
- Print income verification letters
- Change your address, email address and telephone number
- Print 1099R forms

Things You Cannot Do Online...

- Change your beneficiary
- Change your address

For questions concerning this RIO Self Service website, including your User ID and password (please include your full name as well as the last four digits of your SSN and your birth date):

Inside of New Mexico: 1-866-845-9029 (Toll Free)

Outside New Mexico: 1-505-476-9318

Via email: PERA-RIOhelpdesk@state.nm.us

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Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or a 10% tax penalty if withdrawn before age 59½.

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