

PERA 2017 Board

OFFICERS

RETIREE MEMBER

Mr. Dan Mayfield, Chair
(505) 259-0528

COUNTY MEMBER

Mr. James Maxon, Vice Chair
Sandoval County
(505) 867-0245

EX-OFFICIO MEMBERS

Ms. Maggie Toulouse Oliver
Secretary of State
(505) 827-3600

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

STATE MEMBERS

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

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

Ms. Cathy Townes
Ofc. of Superintendent of Insurance
(505) 263-5933

Ms. Claudia Armijo
Regulation & Licensing Dept.
(505) 476-4663

MUNICIPAL MEMBERS

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

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

Mr. John Melia
City of Albuquerque
(505)-363-5326

RETIREE MEMBER

Ms. Loretta Naranjo Lopez
(505) 270-7716

EXECUTIVE DIRECTOR

Mr. Wayne Propst
(505) 476-9301

Letter from the Board Chair

Dear PERA Members,

On behalf of the PERA Board, I am pleased to have this opportunity to update you on a number of developments at PERA.

First, I am humbled to have been re-elected to the PERA Board and elected to serve as Board Chair for 2017. I want to extend the Board's sincere congratulations to James Maxon who was elected Vice Chair. James joined the Board in 2016 and serves as the Fire Chief for Sandoval County. In addition to PERA Board Chair and Vice Chair, the Board congratulates John Melia who was selected as Chair of our Investment Committee, Jackie Kohlasch who is the Chair of our Audit and Budget Committee, Cathy Townes the Chair of our Legislative Committee, James Maxon who also serves as the Chair of our Rules Committee, John Reynolds who is the Chair of our SmartSave Deferred Compensation Committee and Claudia Armijo who Chairs our Disability Review Committee. All PERA Board Members work hard to protect our retirement plan and we appreciate these Board Members' willingness to serve in a leadership capacity.

In addition to welcoming these Board Members to leadership positions at PERA, I also want to congratulate and welcome three Board Members who began new terms on the Board in January. Patty French began her third term as a PERA Board Member representing Municipal Employees. Patty previously served four years as PERA Board Chair and also served as Vice Chair of the Board. Claudia Armijo has joined the Board representing State Employees and is Acting General Counsel for the Regulation and Licensing Department. And, finally, the Honorable Maggie Toulouse Oliver, New Mexico Secretary of State, joined the Board in January as an Ex Officio Member. We are very happy to have Secretary Toulouse Oliver, Claudia and Patty on the Board and look forward to working with them throughout the upcoming year.

The Board and staff at PERA are staying busy. For fiscal year 2016 PERA received an unqualified audit from our external audit firm for the second year in a row. That hadn't happened prior to fiscal year 2015 and we are all proud of staff in the Financial Division for their hard work on our annual audit. PERA also recently began a multi stage process to improve our data quality and upgrade our pension benefit system known as RIO. These projects are expected to wrap up in the summer of 2018. Both the Board and administration are in the process of strategic planning processes that will help set the direction and priorities for PERA for the next three to five years. As part of the administrative strategic planning process we expect to conduct a member survey to see how we are doing in serving you and also to get feedback from you on how we can do better. Look for more information on that survey later this year.

The recently concluded Legislative Session was relatively quiet for PERA although we were able to get a couple of pieces of legislation passed that will improve our SmartSave 457b Deferred Compensation Plan and our process for reciprocity retirees significantly. I want to thank Cathy Townes, our Legislative Committee Chair, PERA

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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.

staff and, the sponsors of our two bills, Senator James White, Representative Bobby Gonzales and Representative Tomás Salazar for their hard work during the session. We also thank the Legislature and the Governor for their support.

As of the publication of this newsletter, the PERA Fund stood at approximately \$14.7 billion. Our fiscal year 16 actuarial valuations showed the largest PERA Plan at 75.3% funded. In 2016, the Board made the decision to reduce our long term investment earnings assumption from 7.75% to 7.25% for the next 10 years. The Board believes the new investment assumption more accurately reflects market expectation for the near term and, in conjunction with a new strategic asset allocation adopted by the Board in 2016, takes a level of risk out of the portfolio that is both prudent and realistic. Of course, reducing the investment assumption also impacts our funded ratio and our FY16 actuarial valuations projected that the largest PERA Plan would only grow from 75.3% to 76.8% by 2043. While long term projections only tell part of the story, the Board knows that we need to remain vigilant to ensure that we stay on a path to long term solvency.

Board Members are here as your representatives and we welcome your attendance at our meetings, as well as feedback on how we are doing.

Sincerely,



Dan Mayfield
Chair

UPDATING YOUR BENEFICIARY INFORMATION

Most people don't stop to consider who they name as a beneficiary until they start the retirement process. But a beneficiary designation is important long before retirement. Member contributions are your money and will be paid to someone in the event of your death, either as a monthly pension benefit or as a refund. It is important you make sure PERA knows who that recipient should be. All members should complete a beneficiary

Designation Form when they are first hired and make appropriate changes throughout their career.

For those members not yet retired, keeping your beneficiary up to date will help make sure the people you love are taken care of. If you have any questions about how a death affects your benefit please call PERA for more information.

2017 ANNUAL ELECTIONS

It's time for the 2017 annual elections for members of the PERA Board. A Municipal and State position are up for election this year. These positions will serve a four-year term to begin January 1, 2018. Candidates for these positions must be vested members employed by an applicable PERA-related (Municipality or State) entity.

5/9/2017	8/2017	9/15/2017	9/28/2017
Board Certifies Election Nominating Petition Results	Ballots mailed out to all State and Municipal members	Ballots must be received at post office before 12:00pm	2017 Annual Meeting, Election Results Certified

For the 2017 elections, PERA has contracted with Automated Election Services (AES) in Rio Rancho, NM to handle the election process. AES is a premier provider of election services at the state, municipal and board levels. Contracting with AES will professionalize the Board election process by making the counting of ballots more efficient and making it easier to get replacement ballots to our members. The ballots will look a little different than in previous years, however we'll make sure they clearly indicate they are for the PERA Board election. Ballots will be due back at the Post Office by noon on September 15, 2017. Look for more information on the new ballots, when they will be mailed and the Candidates for the PERA Board in a newsletter that will be sent in early July.

PERA SmartSave Plan to Adjust Administrative Fee Structure

The PERA Smart Save Committee, a committee of the PERA Board, is always looking for ways to provide PERA members with a high quality, affordable, supplemental retirement option through our Smart Save Deferred Compensation Plan.

The Smart Save Committee's most recent initiative is to establish a more equitable distribution of annual administrative fees for the benefit of the Plan and its participants. In January 2017, the PERA Smart Save Committee and Board adopted a new annual administrative hybrid fee of \$30 per participant plus 0.135% of the participant's assets, with a cap of \$104. This new hybrid fee replaces the \$52 flat fee per participant, lowering the administrative fee for 75% of the Plan's participants.

Smart Save Plan demographics and statistics are reviewed on a quarterly basis. Plan reports indicate that the average participant balance is \$25,000. However in late 2016, PERA conducted a more detailed administrative fee analysis and discovered that the median account balance was only \$6,000 among the Plan's approximately 20,000 participants. PERA looked further into industry data as well as 457b plan competitors in New Mexico and recognized an opportunity for improvement on the makeup of the Plan's annual administrative fee.

PERA worked closely with the Plan's administrator and tested six different fee scenarios that proved to be more equitable across the Plan, while still fulfilling contract requirements between PERA and the administrator – the fee scenario described above best meet the goals and objectives of the Plan.

The new hybrid fee structure now allows PERA Smart Save to become comparable to its competitors for those with low balances while still remaining less expensive for those with higher balances.

PERA Smart Save			
Fee Examples		\$30 flat + 0.135% of Account Balance	
Account Balance	\$5,000	Admin Fee	\$36.75/year
Account Balance	\$25,000	Admin Fee	\$63.75/year
Account Balance	\$100,000	Admin Fee	\$104.00/year

The new fee structure is scheduled to become effective July 1, 2017. PERA Smart Save Plan participants can see their new fee on their third quarter participant statements, which become available in late October. For more information, email PERA-smartsave@state.nm.us or call 1-866-827-6639.

CAUGHT YOU AT YOUR BEST

PERA is here to serve our members with the highest quality of customer service and we know the only way we can do that is through our employees. Last year PERA implemented the "Caught You at Your Best!!!" award. On a monthly basis the previous winner of the Award selects a fellow co-worker that has gone above and beyond for the benefit of our membership. The most recent recipient was Dawn Prada who works in our Administrative Services Division. In recognizing Dawn it was said that "she just absolutely shines!" "Dawn is without fail highly competent, professional, and hard-working." "She does everything asked of her with such a cheerful, can-do attitude – our entire agency is a better place for having her here." "Dawn, thank you for everything you do to help keep the wheels turning and brightening everyone's day!" "You are a great colleague and an absolute credit to PERA!!!"

PERA certainly agrees and we're fortunate to have a great staff to serve our membership. Please join us in congratulating Dawn.



Reciprocity Retirees to Receive Separate Pension Payments



Reciprocity retirees who retire on or after July 1, 2017 will receive a separate pension payment from each state retirement system. A reciprocity retiree is one who retires with combined PERA

and ERB service credit.

House Bill 34 passed during the 2017 Legislative Session amended the PERA Reciprocity Act for members who retire on or after July 1, 2017. Each state system from which a member earned eligible reciprocal service credit will now pay the amount of the pension attributable to service credit accrued under that state system directly to the retiree. This means that reciprocity retirees will receive two direct deposits, one from PERA and one from ERB, on the last business day of the month.

The implementation of separate pension payments will improve customer service for reciprocity retirees: retirement estimates will be more timely as each system uses its own technology to calculate their respective pension payment; errors are likely to decrease for each system when generating the IRS Form 1099 for retirees;

and retirees can now call the respective retirement system for questions about their pension.

There are no changes to the Reciprocity Act as it relates to combining service credit to reach retirement eligibility. Since pension reform, both PERA and ERB now have multiple tiers of eligibility and different COLA eligibility requirements. As these generations of employees are becoming eligible to retire, it is becoming more difficult to produce a combined pension payment. With this change, PERA will pay the retiree what they earned under the PERA system and ERB will do the same.

There will be no changes for those reciprocity retirees who retired prior to July 1, 2017 – they will continue to receive one pension payment. To make the transition as simple as possible, new retirees will still have only one retirement pension application to complete, which will be available from both PERA and ERB.

As PERA and ERB prepare for this change, members can visit www.nmpera.org or email PERA-Memberservices@state.nm.us for more information.

NM PERA pays \$1.08 Billion in Retirement Benefits in 2016

In 2016, NM PERA paid \$1.08 billion in retirement benefits to approximately 38,000 people in all 33 counties across New Mexico, providing retirement security to former state, municipal and county workers, firefighters, law enforcement, and judicial employees.

The \$1.08 billion figure represents an average monthly pension benefit of \$2,078 per month to 38,000 retirees or their beneficiaries, 96% of whom live in New Mexico, greatly contributing to the state's economy. Of this \$1.08 billion in net benefits paid to retirees, PERA received \$600 million in contributions from current PERA affiliated employees and employers. Current employees contribute an average of 10%* of their paychecks to the fund, which is many times higher than the national retirement savings rate. According to the National Institute on Retirement Security, two-thirds of working households age 55-64 with at least one earner have retirement savings less than one times their annual income, which is far below what they will need to maintain their standard of living in retirement.

However, contributions from both employees and employers represent only about 56% of the benefits paid in any given year. Investment earnings from the approximately \$14.7 billion fund make up the rest. Over time, the fund needs to earn about 7.25% annually to remain on solid footing. In 2016 the fund earned 7.26%. Over the last three years, the fund earned 3.95%, and over the last 5 and 10 years the fund earned 8.26% and 3.97% respectively.

Importantly, the PERA Board, executive leadership, and investment staff continually assess how to best position the fund for continued success and longevity. In 2016, the PERA Board approved a new strategic asset allocation, decreasing risk exposure to equities, and increasing protection against inflation and ultra-low interest rates. Implementation of the new asset allocation is 80% completed.

**Actual Contribution rates vary by employer*