



**PERA**

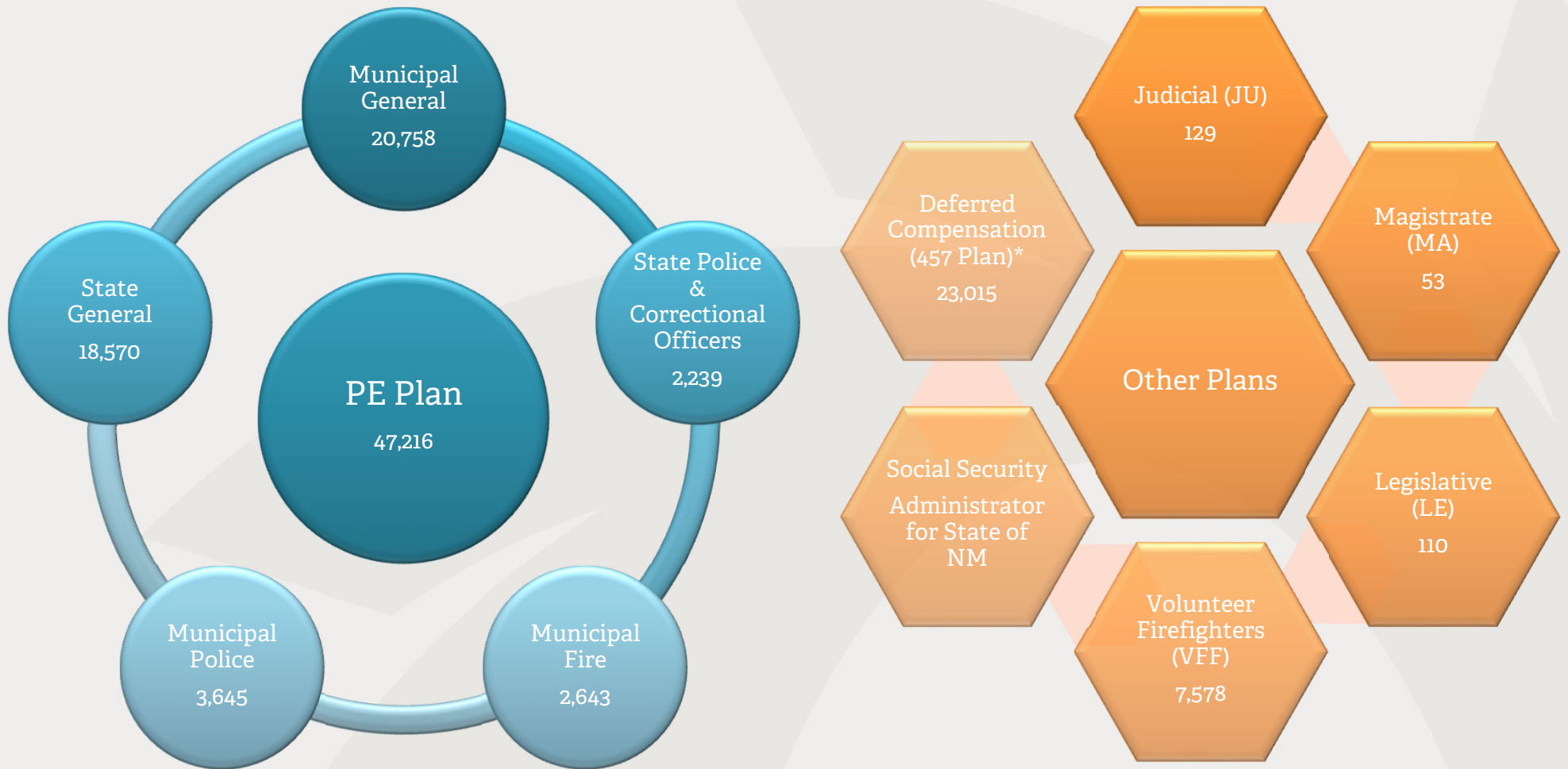
## Investments and Pensions Oversight Committee

*Senator Roberto “Bobby” J. Gonzales, Chair  
Representative Patricia Roybal Caballero, Vice Chair*

*July 1, 2024*

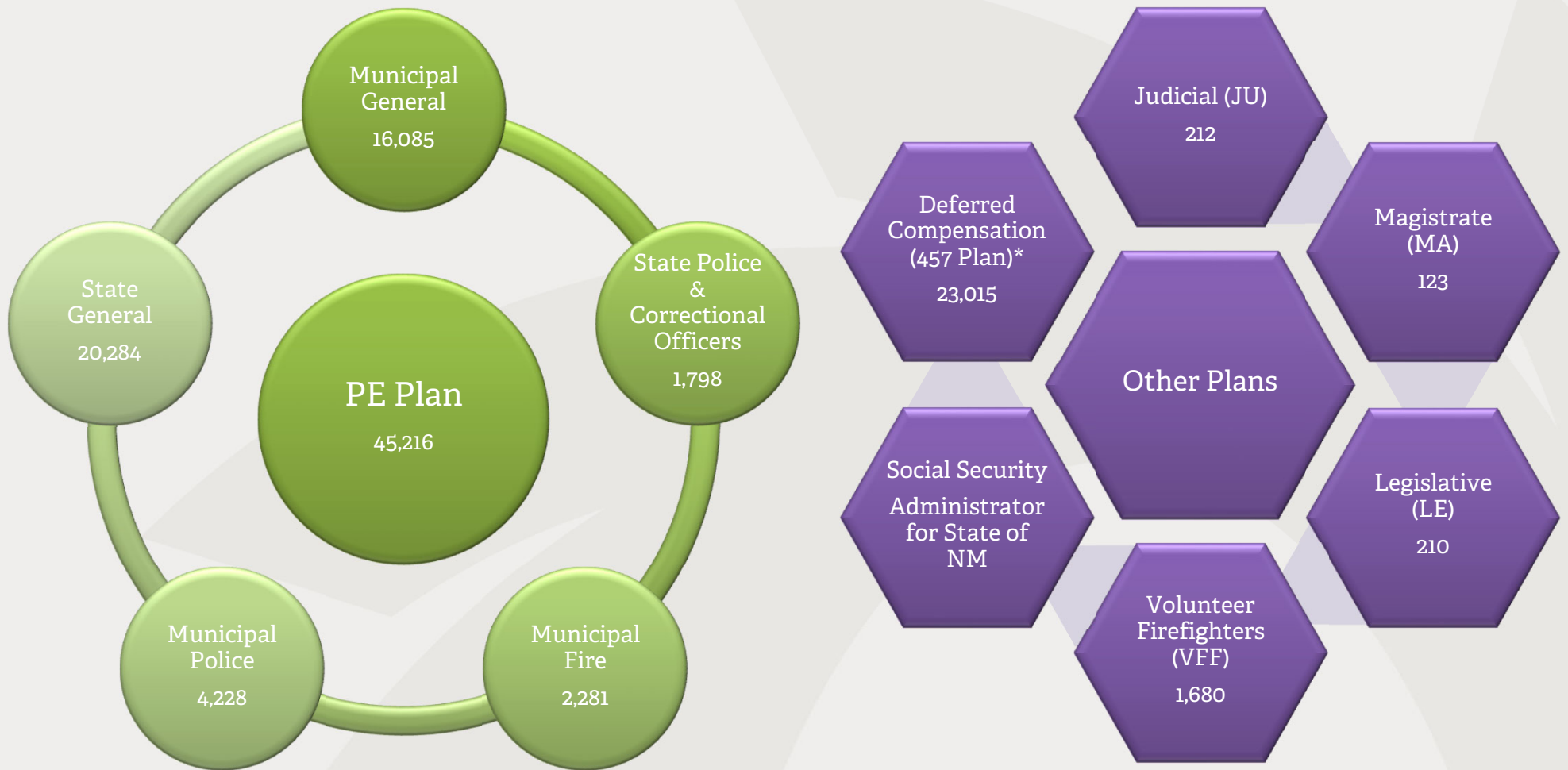
*Paula Fisher, Board Chair  
Greg Trujillo, Executive Director  
Michael Shackelford, Chief Investment Officer*

# PERA – Active Membership



Membership as of 6/30/2023

# PERA – Retired Membership



# Fiscal Year 2023 In Review



Total Fund Value  
**\$16.7 Billion**



Rate of Return (net of fees)  
**4.23%**



Active Members  
**47,855**



Participating Employers  
**335**



Retirees and Benefit Recipients  
**45,216**



Retirement Benefits Paid  
**\$1.42 Billion**



Funded Ratio  
**67.70%**



Amortization Period  
**53 Years**

# Update on SB72

Effective 7/1/2020

## Retired Members:

- Non-compounding, additional 13<sup>th</sup> check in lieu of Cost Of Living Adjustment for three consecutive fiscal years (FY21, 22 and 23), funded by a \$55 million appropriation.
- Reduced the COLA eligibility period from 7 to 2 full calendar years before eligibility.
- Effective July 1, 2023, provides for a profit-share compounding COLA calculation tied to both investment performance and the funded ratio of the PERA Fund for all current and future retirees, with a .5% floor and 3% maximum until 100% funded.
- Protects most vulnerable pension recipients, including disability retirees and retirees with 25 years of service and annual pension benefit of \$25,000 or less, who will continue to receive a flat 2.5% COLA.
- Increased the COLA to 2.5% for pension recipients age 75 years on or before June 30, 2020.

## Active Members:

- State Employees: FY2021 – FY2024 - increases employee and employer contribution rates .5% over 4 years (2% employee/2% employer), excludes State Police & Adult Correctional Officer Plan and employees earning less than \$25,000.
- Municipal and County Employees: FY2023 – FY2026 – increases employee and employer contribution rates .5% over 4 years (2% employee/2% employer), excludes employees earning less than \$25,000.
  - ✓ Includes triggers to reduce contribution rates depending on the ratio of each coverage plan.
- Reduced vesting for Tier 2 members to 5 years for general members (from 8) and public safety members (from 6).

Funded Ratio as of 6/30/2023

67.7%

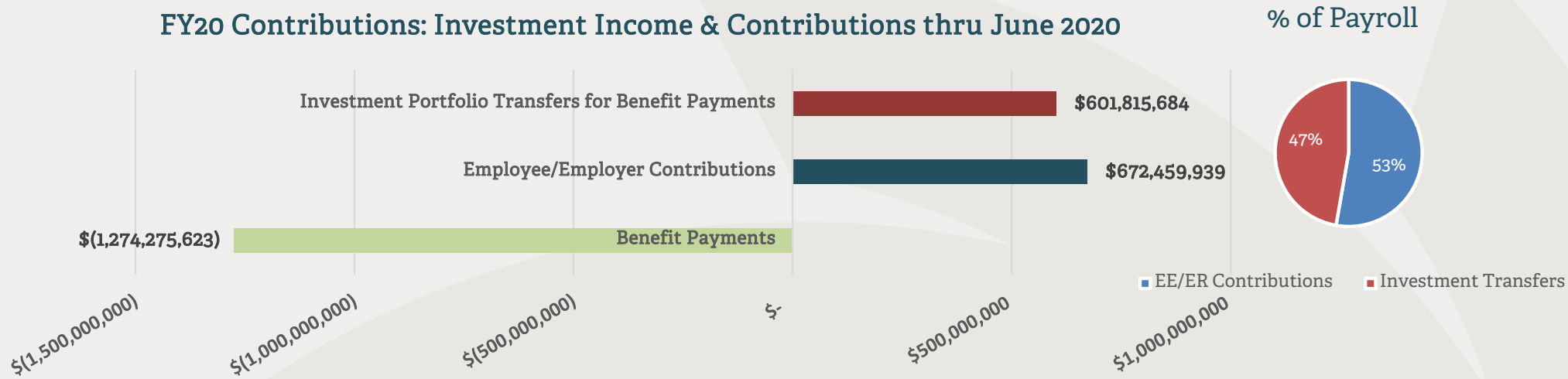
Funding Period

53 years

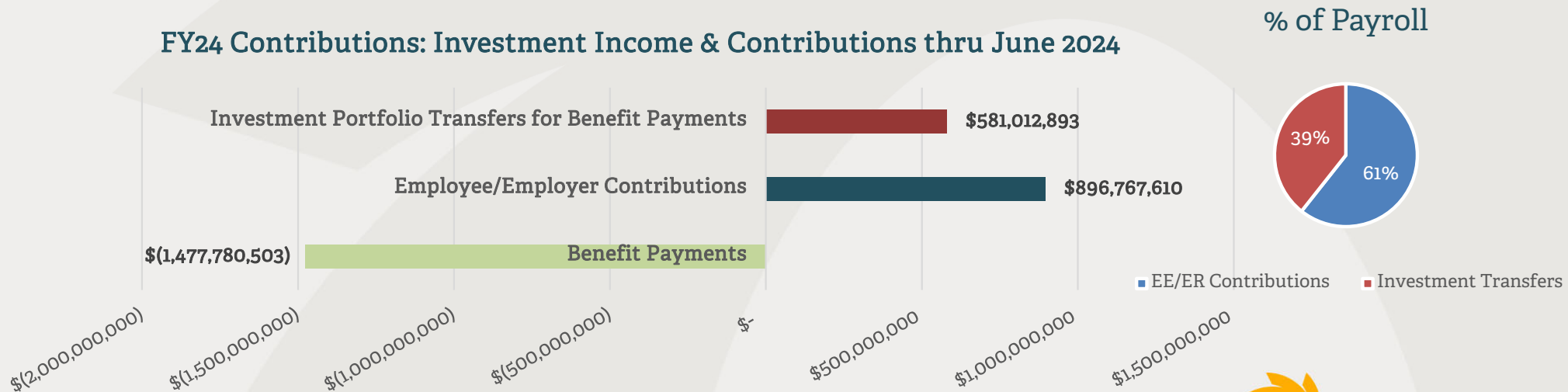
# Benefit Payments

- The main driver of SB72 was the Investment Trust fund was subsidizing payroll at a rate that was unsustainable for the long term.

FY20 Contributions: Investment Income & Contributions thru June 2020



FY24 Contributions: Investment Income & Contributions thru June 2024



FY24 numbers are estimated

# 2024 Experience Study

*Compare actual experience to current actuarial assumptions and recommend changes to assumptions if necessary to better align with future expectations. Completed every 3 – 5 years.*

## **Economic Assumption Recommendations:**

- Price Inflation: No recommended changes
- Investment Return: No recommended changes
- Future COLAs: current assumption 1.60% annually, recommended assumption 1.25% for next 15 years, 1.60% for next 15 years and 2.00% thereafter
- Payroll Growth: No change to the current 3% payroll growth assumption

## **Demographic Assumption Recommendations:**

- Mortality: recommended updating to newly released mortality tables called Pub-2010, using data specific to the public sector
  - Average income in the State of New Mexico is roughly 12% lower than the national average (source Bureau of Labor Statistics)
  - Life expectancy in New Mexico is lagging the rest of the country (source: CDC).
- Termination/Retirement/Disability rates: recommended changes to better reflect actual experience

# Fiscal Impact of New Assumptions

	2023 Valuation	Proposed Assumptions
Unfunded Liability	\$8.1 billion	\$8.4 billion
Funded Ratio	67.7%	67.1%
Member Contribution*	13.54%	13.54%
Employer Contribution*	16.66%	16.66%
Amortization Period**	53 Years	73 years
Actuarially Determined Contribution (25 Year)	36.27%	37.37%
Shortfall	6.07%	7.17%

- Proposed assumptions increase unfunded liability by \$300 million and increase required contributions by 1.1% of pay
- This is mainly attributed to higher expected life expectancies, offset by lower expected COLAs in the short term

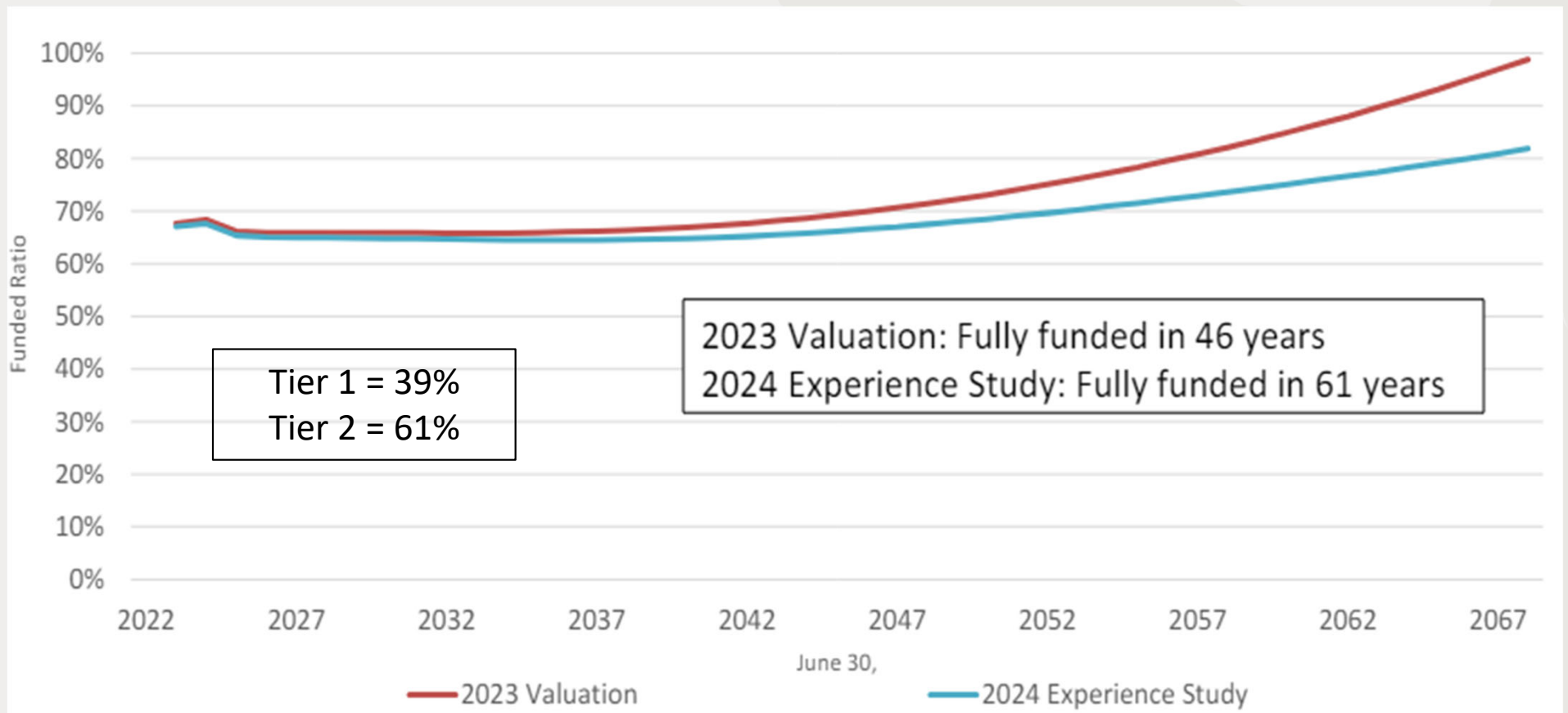
\* Contributions scheduled to increase to 14.09% and 17.20% for employers by FY2026

\*\*Amortization period incorporates scheduled contribution rate increases. Does not incorporate increasing membership in Tier 2.



# Fiscal Impact of New Assumptions

- As the number of Tier 2 members grows, PERA amortization period should improve over time
- Proposed assumptions increase ultimate funding period by about 15 years, assuming no change in future contributions



# PERA Fund Performance – FYTD 2024

- PERA’s market value increased by \$743m fiscal year to date 2024 to a balance of \$17.4b
- PERA paid out \$1.17b in total member benefits for FYTD 2024, investment activities funded \$430m (39%) of member benefit payments
- PERA continues to outperform its Policy benchmark in the medium and long-term
- Despite significant market volatility, long-term results continue to track PERA’s assumed rate of return (7.25%)
- PERA outperforms peers on a risk adjusted basis with Sharpe Ratios in the upper third of public pension peers >\$1b for the medium and long-term

As of 03/31/2024	FYTD 2024	3 Years	5 Years	7 Years	10 Years	20 Years	30 Years	ITD (1985)
PERA Total Fund Returns*	7.11%	5.43%	6.68%	6.64%	6.06%	6.08%	7.74%	8.59%
Policy Benchmark*	10.06%	3.80%	5.74%	5.82%	5.73%	6.12%	7.36%	8.41%
Value Add	-2.95%	1.63%	0.94%	0.82%	0.33%	-0.04%	0.38%	0.18%

NOTE: performance is based on annualized, net of fee, lagged private market results.

# PERA's Strategic Asset Allocation(SAA)

Recommended Asset Class Nomenclature	New SAA		2024 Expected Return
	Former Policy as of SAA Policy	4/1/24	
<b>Global Equity</b>	<b>38</b>	<b>46</b>	
Global Public Stock	16	27	6.9
Global Low Volatility Equity	5		6.4
Private Equity	17	19	8.0
<b>Core Fixed Income</b>	<b>17</b>	<b>13</b>	
Core Fixed Income	17	13	4.9
<b>Credit</b>	<b>19</b>	<b>17</b>	
Liquid Credit	4	8	6.6
Illiquid Credit	8	9	9.2
Alternative Liquid Credit	7		6.6
<b>Absolute Return</b>	<b>8</b>	<b>6</b>	
Risk Balance	8		7.3
Hedge Funds		6	6.8
<b>Real Assets</b>	<b>18</b>	<b>18</b>	
Illiquid Real Estate	7	7	6.7
Liquid Real Assets	3		6.6
Illiquid Real Assets	8	11	8.4
<b>Expected return</b>	<b>7.50</b>	<b>7.66</b>	
Expected standard deviation (i.e., volatility)	11.4	12.7	
Risk-adjusted return ratio (i.e., Sharpe Ratio or return per unit of risk taken)	0.30	0.28	
<b>Tier 4 Illiquidity exposure</b>	<b>40</b>	<b>46</b>	

We selected alternative SAA policies that:

- (1) Eliminated single strategy asset classes
- (2) Strived for higher growth at similar risk or Sharpe Ratio
- (3) Shifted exposure from public to private markets
- (4) More aligned with peer asset class structures

The PERA Board approved the recommended SAA in December 2023.

There was an increase in illiquid asset exposure and a simplification in asset class structure.

# Legislation and COLA Update

## Legislation:

- HB236 sponsored by Representative Gail Chasey allows for retired members to return to work while receiving their pension in a limited capacity
- SB128 sponsored by Senator Michael Padilla created the State Public Safety Plan and created a definition for a State Fire Member
- SB165 sponsored by Senator Roberto “Bobby” J. Gonzales modified the retirement calculation in the Legislative Retirement Plan

## Cost of Living Adjustment:

- A compounding COLA of 0.5% will be issued in July. 2.5% compounding COLA will be provided to a smaller group of retirees.
- Majority of retirees received a 2% non-compounding check payment in 2020, 2021 and 2022. A 0.5% compounding COLA was issued in 2023.
- HB172 sponsored by Representative Joseph Sanchez in the 2024 Session and HB210 sponsored by Representative Patty Lundstrom in the 2023 advocated for additional 13<sup>th</sup> check payments for retirees. PERA intends to continue working with IPOC and the Legislature to provide additional relief to retirees.

# Active Member Statistics

	PERA	Judicial	Magistrate	Legislative	VFF
Number	47,855	129	53	110	7,578
Average Salary	\$58,589	\$163,488	\$116,303	\$0.00	\$0.00
Average Age	43.3	54.9	50.8	58.9	42.8
Average Service	8.8	8.1	5.1	7.4	3.7

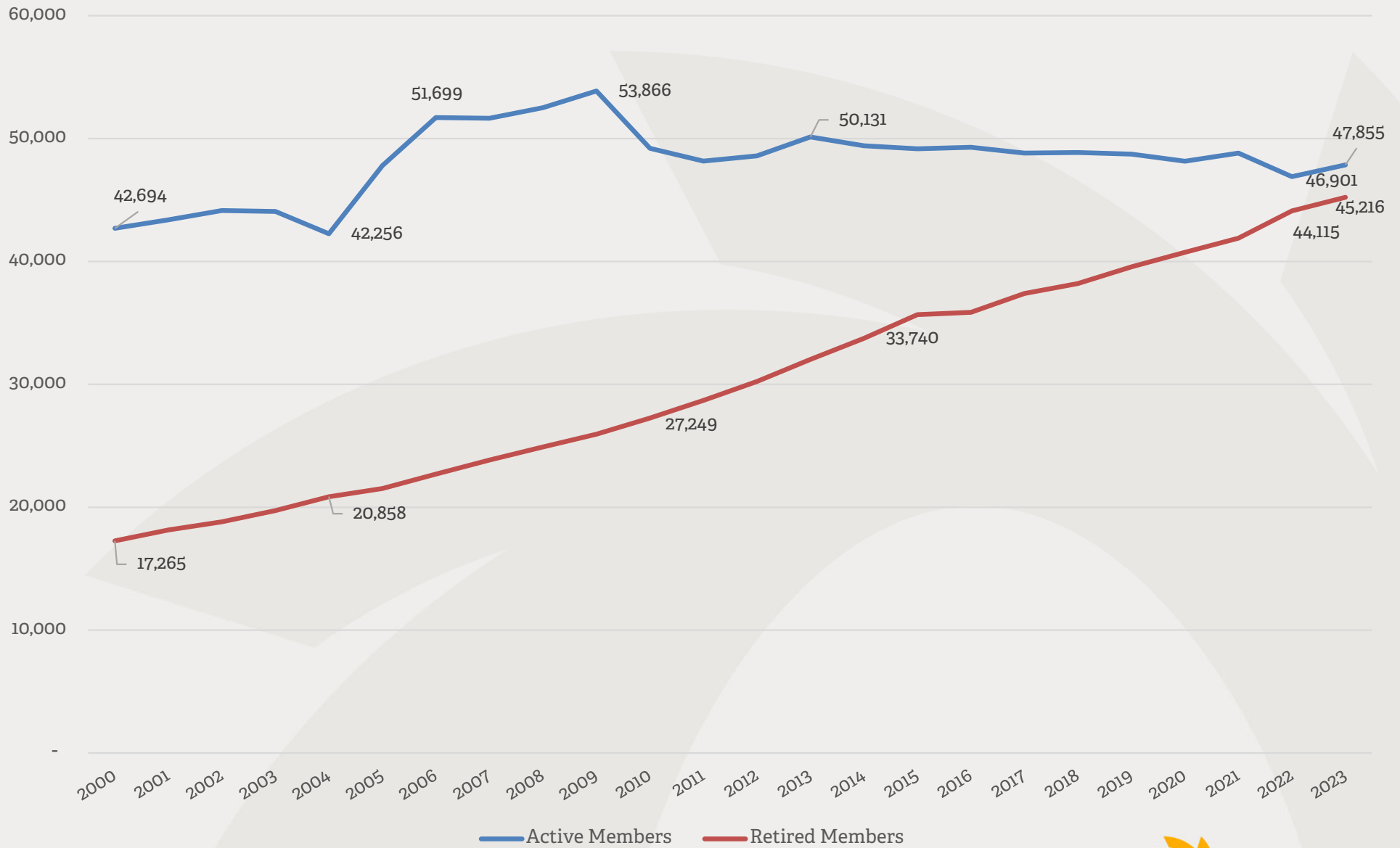
Tier 1 Members (prior to 6/30/13)	43%
Tier 2 Members (7/1/13 & after)	57%

# Retired Member Statistics

PERA Service Retirees		Age at Retirement	2022 – 2023 Retirees
Number	37,878	36,442	1,730
Average Age	69.1	56.54	59.79
Average Benefit	\$33,154	\$33,936	\$34,536
Judicial Service Retirees		Age at Retirement	2022 – 2023 Retirees
Number	161	149	9
Average Age	73.0	62.94	66.19
Average Benefit	\$68,345	\$71,796	\$64,248
Magistrate Service Retirees		Age at Retirement	2022 – 2023 Retirees
Number	94	90	14
Average Age	71.6	60.95	62.44
Average Benefit	\$49,608	\$42,924	\$50,904
VFF Service Retirees		Age at Retirement	2022 – 2023 Retirees
Number	1,515	1,515	50
Average Age	71.1	61.50	62.79
Average Benefit	\$1,817	\$1,812	\$1,680
Legislative Service Retirees		Age at Retirement	2022 – 2023 Retirees
Number	166	162	13
Average Age	74.9	63.58	60.83
Average Benefit	\$11,743	\$11,916	\$14,760

Membership as of 6/30/2023

# Active Members vs: Retired Members



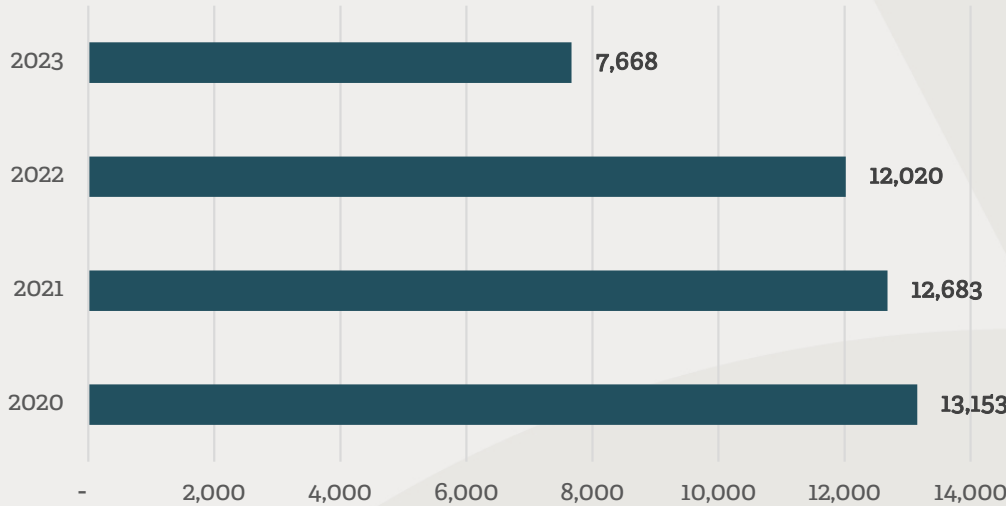
Data as of 6/30/2023

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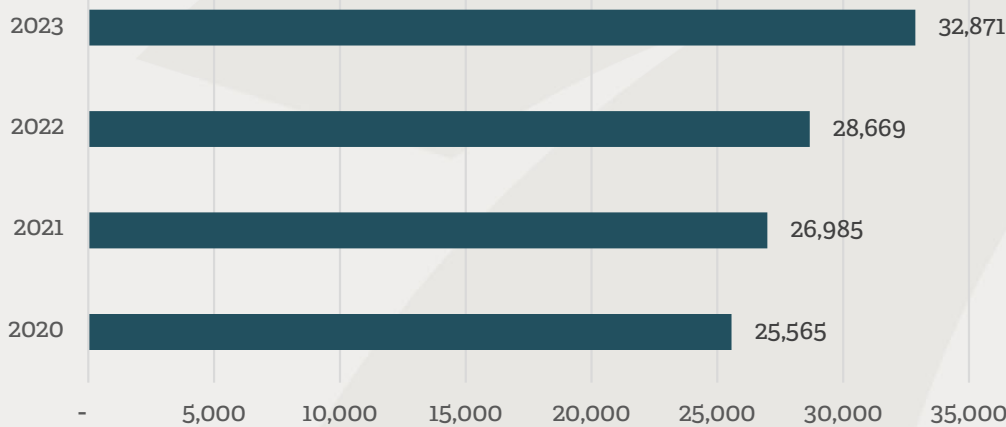


# SB72 – COLA, 13<sup>th</sup> Check, Contribution Increases

## 2.50% Cost of Living Adjustment



## Cost of Living Adjustment/13th Check



## Contribution Increases (State General)

Year	Increase %	Total Increased Contributions (Combined)
FY2021	0.50%	\$ 10,846,176.11
FY2022	1.00%	\$ 21,591,456.78
FY2023	1.50%	\$ 36,312,731.55
<b>Total</b>		<b>\$68,750,364.44</b>

## Contribution Increases (Municipal General, Police, Fire)

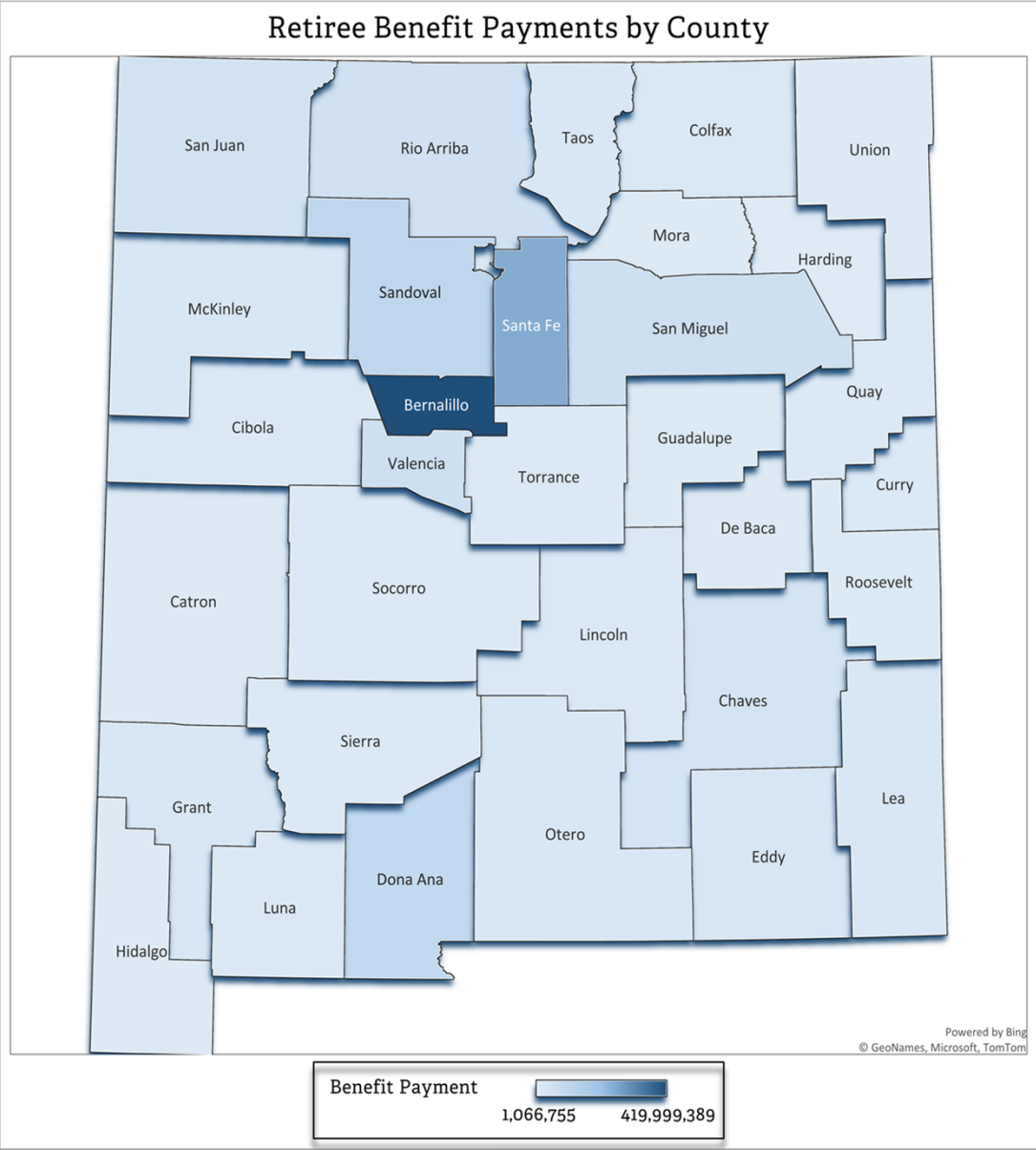
Year	Increase %	Total Increased Contributions (Combined)
FY2023	0.50%	\$ 17,640,967.50
<b>Total</b>		<b>\$ 17,640,967.50</b>
<b>Total Recurring Contributions in Year 3 of SB72</b>		<b>\$ 86,391,331.94</b>

40,539 Retirees received a COLA in 2023, approximately 90% of Retirees.



# PERA's Economic Force in New Mexico

NM PERA provides financial stability for thousands of New Mexico retirees and their communities. In FY23, PERA paid \$1.42 billion in pension benefits 91% went to retirees living in New Mexico.



New Mexico	Benefit Payment
Bernalillo	419,999,389
Santa Fe	250,628,832
Sandoval	103,877,609
Dona Ana	89,902,643
Valencia	58,148,561
San Miguel	57,127,817
Rio Arriba	48,377,923
San Juan	42,452,158
Chaves	33,719,573
Eddy	22,118,446
Taos	19,726,613
Otero	18,618,834
Grant	18,359,006
Mckinley	17,928,821
Lea	17,758,671
Colfax	15,826,030
Cibola	13,109,386
Luna	12,151,283
Lincoln	11,951,903
Curry	10,802,024
Socorro	9,744,616
Sierra	9,457,160
Torrance	9,297,660
Quay	7,636,320
Los Alamos	5,883,630
Mora	5,815,506
Roosevelt	5,507,797
Guadalupe	4,746,647
Union	2,803,176
Hidalgo	2,361,929
Catron	2,071,146
De Baca	1,716,340
Harding	1,066,755
<b>TOTAL NM Benefits</b>	<b>1,350,694,204</b>

