

MINUTES
of the
THIRD MEETING
of the
INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

July 30, 2024
Casa Rondeña Winery
733 Chavez Road
Los Ranchos de Albuquerque

The third meeting of the Investments and Pensions Oversight Committee for the 2024 interim was called to order by Representative Patricia Roybal Caballero, vice chair, on Tuesday, July 30, 2024, at 10:12 a.m. at Casa Rondeña Winery in Los Ranchos de Albuquerque.

Present

Rep. Patricia Roybal Caballero, Vice Chair
Rep. Cynthia Borrego
Rep. Ambrose Castellano
Rep. Natalie Figueroa
Rep. Alan T. Martinez
Sen. Greg Nibert (via Zoom)
Rep. William "Bill" R. Rehm
Rep. Linda Serrato
Sen. Elizabeth "Liz" Stefanics

Absent

Sen. Roberto "Bobby" J. Gonzales, Chair
Sen. Daniel A. Ivey-Soto
Sen. Joshua A. Sanchez
Sen. Antoinette Sedillo Lopez

Advisory Members

Rep. Eliseo Lee Alcon
Sen. Michael Padilla
Sen. Shannon D. Pinto

Sen. William F. Burt
Rep. Debra M. Sariñana

Guest Legislator

Rep. Patricia A. Lundstrom

Staff

Cristina Vasquez, Staff Attorney, Legislative Council Service (LCS)
Rebecca Griego, Records Officer, LCS
Carrie McGovern, Publication and Editing Coordinator, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Tuesday, July 30

History and Overview of Cost-of-Living Adjustments (COLAs) at the Educational Retirement Board (ERB) (10:15 a.m.)

David Archuleta, executive director, ERB, provided a summary of the COLA at the ERB. He noted that the ERB's COLA is based on the change in the consumer price index (CPI) and cannot be more than 4% or less than 2%, unless the CPI is less than 2%. In addition, there are three types of COLAs: one for disability retirees; one for retirees with 25 or more years of service credit and whose monthly benefit is less than or equal to the median annuity; and one for all other eligible retirees. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=IPOC&Date=7/30/2024&ItemNumber=1>.

History and Overview of COLAs at the Public Employees Retirement Association (PERA) (10:53 a.m.)

Greg Trujillo, executive director, PERA, presented an overview and history of COLAs at the PERA, noting that recent changes to the COLA occurred in 2020 and 2023 as a result of a PERA pension reform bill, Senate Bill 72, enacted in 2020. In fiscal years 2021, 2022 and 2023, PERA retirees received a 2% non-compounding "13th check", and on and after July 1, 2023, retirees receive a profit-share compounding COLA that can range from .5% to 3% depending on investment performance and the PERA's funded ratio. However, disability retirees and retirees with 25 years of service and an annual pension benefit of \$25,000 or less receive a flat 2.5% COLA. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=IPOC&Date=7/30/2024&ItemNumber=2>.

Public Comment (12:11 p.m.)

A list of individuals making public comment is available in the meeting file.

Approval of Minutes (1:21 p.m.)

On a motion made and seconded, and with no objection, the minutes of the July 1, 2024 meeting were approved as submitted.

Judicial Retirement (1:22 p.m.)

The Honorable C. Shannon Bacon, justice, New Mexico Supreme Court, and Arthur W. Pepin, director, Administrative Office of the Courts, reviewed proposed changes to the Judicial

Retirement Act and the Magistrate Retirement Act to improve solvency for both judicial pension plans. The presenters noted that these changes are also important for recruiting and retaining judges. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=IPOC&Date=7/30/2024&ItemNumber=3>.

State Investment Council (SIC): Global Economic Overview (1:51 p.m.)

Robert "Vince" Smith, chief investment officer, SIC, summarized current global economic conditions, noting that over the last 18 months, a predicted recession has never materialized despite high short-term interest rates and persistent inflation. According to Mr. Smith, the United States stock market has continued to perform well, and the United States is in a better position demographically than most other developed countries. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=IPOC&Date=7/30/2024&ItemNumber=4>.

Motion to Draft Letter (2:28 p.m.)

On a motion made and seconded, and with no objection, the committee voted to draft a letter to the Legislative Finance Committee (LFC), requesting it to consider infusing \$700 million or more into the PERA and ERB funds, with the amount divided proportionally to each membership group, and to explore allocating excess revenue to these funds in future years. The committee will review the letter at its August 29, 2024 meeting.

LFC: General Fund Reserves Overview (2:56 p.m.)

Ismael Torres, chief economist, LFC, provided an overview of General Fund reserves, which include the General Fund Operating Reserve, the Appropriation Contingency Fund, the State-Support Reserve Fund and the Tax Stabilization Reserve. Mr. Torres stated that the primary purpose of the reserves is to backfill General Fund revenues during temporary downturns, but they also act as an overflow for nonrecurring revenues and catch surpluses. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=IPOC&Date=7/30/2024&ItemNumber=5>.

Public Comment (3:33 p.m.)

A list of individuals making public comment is available in the meeting file.

Adjournment

There being no further business before the committee, the meeting adjourned at 3:49 p.m.