Thinking on retirement issues

By Tom McDonald
Gazette Media Services

SANTA ROSA, N.M. — If you’re on the mailing list, you got that old familiar yellow manila folder in the mail last week, from Think New Mexico. I’ve lost track of how many of these reports I’ve received over the years, nor can I remember ever having felt it was a waste of time or resources for our state of New Mexico.

This latest mail out relates to a big issue for a lot of people — in fact, it may have the most far-reaching impact since this nonpartisan, results-oriented think tank got the sales tax off food.

Think New Mexico’s latest crusade is Social Security and retirement pensions, or as its latest report is titled, “Solving the hidden crisis” of inadequate retirement funds for the state’s senior citizens.

First, it calls for the state to quit taxing Social Security benefits. New Mexico is one of only 13 states that do so, even though we also have the third highest poverty rate in the nation among people ages 65 and older. According to the U.S. Census, 12.2% of New Mexico’s seniors are living in poverty, often times living on nothing more than their Social Security check — at an average annual payout of $13,900 — while the state’s annual tax on that check is $700 a year.

We have a lot of seniors living in poverty, with Social Security as their only source of income. The Center of Budget and Policy Priorities, another nonpartisan think tank (this one based in Washington D.C), has observed that 22.1 million Americans have been lifted above the poverty line thanks to Social Security; from Santa Fe, Think New Mexico has broken that number down to 111,000 New Mexicans lifted out of poverty by their Social Security checks.

If the state completely repeals its tax on Social Security, the loss to state coffers has been estimated at $73 million a year, which is why Think New Mexico is recommending the repeal now, while the state budget is flush with a surplus thanks to the oil and gas boom going on in the Permian Basin.

Of course, not all who collect Social Security benefits are at or near the poverty line — payouts also go to wealthier seniors who have a good nest egg built up, so if you feel THEIR benefits should be taxed, Think New Mexico has an alternative proposal: Follow the lead of other states that exempt low- and middle-income residents only. That cuts the loss to state revenues to $21-$29 million, Think New Mexico estimates — “one third of one percent of New Mexico’s $7 billion state government budget.”

Other recommendations in Think New Mexico’s report would also be of great consequence if acted upon. They’re also pushing for the state to encourage private-sector retirement savings by requiring that employees offer a “default option” in which new employees, unless opting out, would automatically be enrolled in an “Auto-IRA” with payroll deductions that would go into a retirement account. It’s a way to offset the fact that two of three workers in our state don’t have a private retirement savings of any sort, and it wouldn’t cost employers a dime.

Plus, Think New Mexico wants the state to address problems within its public pensions (the Public Employees Retirement Association, or PERA, and the Educational Retirement Board, or ERB). Currently the ERB is only 63.5% funded and PERA is 71.6% funded, so unless more funds start coming in, insolvency could be on the horizon.

Earlier this year, Gov. Michelle Lujan Grisham created a task force to look at the state’s public pension programs and recommend ways to reform them. Think New Mexico sees this as a step in the right direction and incorporated some of the task force’s proposals into three main recommendations: Funnel a one-time allocation of $700 million into PERA; consolidate the management of both the PERA and ERB funds into one administrative operation; and take some of the politics out of their management by increasing the qualifications of those who run the pension.

If you think, as Think New Mexico does, that these reforms are needed — as a matter of fairness as well as solvency — it would be best to contact your state lawmaker on or before the upcoming session. That’s when the governor’s solvency task force will report its findings and recommendations, and where Think New Mexico will be hard at work.

That’s the great thing about Think New Mexico: they don’t just think though such issues, they push for actual, quantifiable reforms. We need more nonpartisan problem solvers like ‘em.

Tom McDonald is founder of the New Mexico Community News Exchange, which distributes this column statewide. He owns and operates The Communicator in Santa Rosa. He can be reached at tmcdonald.srnm@gmail.com.