



Bill Will Repair PERA Pension For Public Workers and Taxpayers

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When Think New Mexico recently studied ways to enhance retirement security in our state, one important reform we recommended was to shore up our state's public pensions.

The public pensions overseen by the Public Employees Retirement Association (PERA) total \$18 billion, and they are a lifeline for 100,000 public workers and retirees. These pensions inject \$1.3 billion a year into the state's economy, supporting jobs and families in communities across New Mexico.

Unfortunately, these pensions have struggled with solvency, with the overall funded ratio of PERA falling from 106 percent funded in 2000 to 71.4 percent funded today. Over the past decade, PERA's performance has ranked in the bottom quartile of all public funds, according to a performance analysis by the Legislative Finance Committee.

PERA's track record of poor performance threatens not just the financial security of public workers and retirees, but also the state taxpayers who will be on the hook to make up any shortfall if the pensions are unable to meet their obligations.

Public pension solvency requires two things: adequate funding and good governance. House Bill 110, developed by Think New Mexico and sponsored by Representative Phelps Anderson, ad-

dresses both of these issues by making a one-time cash infusion into the least-funded pensions overseen by PERA and improving the structure of PERA's oversight board.

Pension governance matters. Research presented to the legislature's interim Investments & Pensions Oversight Committee found that poor governance can cost pensions 1 percent annually, which means the dysfunction on the PERA board could cost the fund \$180 million dollars annually.

When the legislature and governor created the PERA board in 1947, they did not require any member of the board to have any experience or expertise in financial or investment management. Seventy-five years later, that structure is no longer serving the best interests of PERA members and New Mexico taxpayers.

Unfortunately, the PERA board has proven to be deeply dysfunctional. The Legislative Finance Committee summed it up in this way: "Over the past several years, multiple PERA board members have been censured for conduct, and board members have referred matters to the Attorney General and State Auditor for investigation. Additionally, few members have strong understanding of either investments or state finances."

State Auditor Brian Colon adds, "The Board's failure to uphold its fiduciary responsibilities puts our retirees and future generations of retirees at risk."

House Bill 110 would require that a majority of PERA board members have relevant qualifications in finance or investment. This would align the PERA board more closely with New Mexico's Educational Retirement Authority Board, which was restructured several years ago to require qualifications for four of its eight members.

In addition, instead of having most board members elected by PERA membership, House Bill 110 would have most members appointed to the board by groups that represent stakeholders including cities, counties, labor unions, legislative leadership, and the governor.

Current elections for board members average just 9% turnout among active PERA members. These elections are won almost exclusively by members from Albuquerque and Santa Fe, where it is easier to campaign among high concentrations of public workers. House Bill 110 would make it possible to improve representation on the board from rural New Mexico, along with ensuring that the board is qualified to fulfill its essential fiduciary duty to all New Mexicans.

If you agree that we need to improve the governance and long-term solvency of the PERA pensions, please visit the Action Center on Think New Mexico's website at www.thinknewmexico.org and ask your legislators and the governor to support House Bill 110.