



# State of New Mexico

Michelle Lujan Grisham  
*Governor*

## **EXECUTIVE ORDER 2019-005**

### **CREATING A PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO SOLVENCY TASK FORCE AND DIRECTING THAT TASK FORCE TO PROVIDE CERTAIN RECOMMENDATIONS**

WHEREAS, since 1947 the Public Employees Retirement Association of New Mexico (“PERA”) has provided a defined retirement benefit to hundreds of thousands of New Mexico public employees and their families.

WHEREAS, PERA is a significant contributor to the State of New Mexico’s economy and has paid \$1.2 billion in benefits in 2018 to more than 40,000 current retirees, with over 90% of that amount remaining in communities across New Mexico.

WHEREAS, due to benefit enhancements made in the late 1990s that were not properly funded and the Great Recession in 2007, PERA, like virtually all public pension plans in America, experienced declines in its Trust Fund balance that necessitated the passage of pension reform by the New Mexico Legislature in 2013 (“the 2013 reforms”).

WHEREAS, the 2013 reforms improved the fiscal condition of the PERA Fund by requiring shared sacrifice among all PERA membership groups, including active employees and retirees.

WHEREAS, the 2013 reforms also required that the state, municipalities, counties and other political subdivisions increase their contributions to PERA.

WHEREAS, the PERA Board of Trustees has taken prudent actions since 2013, such as lowering the long-term investment assumption used to value PERA’s liabilities, and the Executive,

the Legislature, and PERA now have a more realistic outlook for the long-term health of the PERA fund.

WHEREAS, factors outside the control of the PERA Board of Trustees and other stakeholders, including continued investment market volatility, have resulted in increases to PERA's liabilities, which now stand at over \$6 billion, and a stagnated long-term funding outlook that falls short of the goals of the 2013 reforms.

WHEREAS, the liabilities associated with New Mexico's pension plans have resulted in a negative, adverse impact to local governments and the State, including impacts on bond ratings.

WHEREAS, a future downturn in the national and global economy or markets could jeopardize PERA's ability to meet its current and future obligations to its approximately 90,000 members and could further negatively impact the state's credit rating and economy.

WHEREAS, reasonable and measured changes to contributions and benefits today will prevent the need for more drastic changes in the future.

WHEREAS, the defined benefit offered by PERA to current and future retirees is among the most generous provided by any state and any additional reforms should preserve the status of New Mexico's defined benefit retirement system as among the best in the nation.

WHEREAS, it is imperative that all member groups, participating entities, and the public have a say in the future of PERA so that the challenges facing the PERA system are collaboratively addressed by all affected parties.

THEREFORE, for the reasons discussed above, I, Michelle Lujan Grisham, Governor of the State of New Mexico, by virtue of the authority vested in me by the Constitution and the laws of the State of New Mexico, do hereby ORDER and DIRECT:

1. A PERA Solvency Task Force is created and it shall consist of the following nineteen members:

- Executive Advisor to the Governor for Labor Management Affairs;
- Executive Director of the Public Employee Retirement Association of New Mexico;
- Chair of the Public Employee Retirement Association of New Mexico
- Chief Investment Officer of the Public Employee Retirement Association of New Mexico
- Chair of the Investments & Pensions Oversight Committee;
- Vice Chair of the Investments & Pensions Oversight Committee;
- A Member of the New Mexico State Senate appointed by the Senate Minority Leader;
- A Member of the New Mexico House of Representatives appointed by the House Minority Leader;
- President of the Retired Public Employees of New Mexico;
- President of the Albuquerque Fire Department Retirees' Association;
- Executive Director of the American Federation of State County & Municipal Employees;
- District Representative of the Communication Workers of America;
- State President of the Fraternal Order of Police;
- State Delegate of the National Association of Police Organizations;
- President of the New Mexico State Police Association;
- Chair of the New Mexico Sheriffs' Association;
- President of the New Mexico Professional Fire Fighters Association;

- Executive Director of New Mexico Counties; and
- Executive Director of the New Mexico Municipal League.

2. The Executive Advisor to the Governor for Labor Management Affairs shall serve as the Chair of the PERA Solvency Task Force.

3. Members of the PERA Solvency Task Force may delegate their authority to an alternate of their choice on a limited basis and upon approval of the Chair.

4. No later than August 30, 2019, the PERA Solvency Task Force shall prepare and present to the Office of the Governor a set of recommendations to preserve the defined benefit system offered by PERA, to be presented during the 2020 Legislative Session.

5. The recommendations provided by the PERA Solvency Task Force must meet the following requirements:

a. They must result in an actuarially certified projection that, as of July 1, 2019, the Unfunded Actuarial Accrued Liability of the PERA Public Employees Plan will be amortized with no longer than a twenty-five-year period using an assumed investment rate of 7.25%.

b. They must include recommended employer and employee contribution levels and benefit modifications that are actuarially sound, preserve the defined-benefit retirement offered by PERA, and ensure intergenerational equity for current and future PERA retirees and other members.

c. They must consider the funded levels of the Divisions within the PERA Public Employees Plan.

6. The PERA Solvency Task Force may also consider and make recommendations on the governance structure of PERA, including but not limited to, the composition of the PERA Board of Trustees and other recommendations related the administration of PERA.

ATTEST:

*Maggie Toulouse Oliver*

MAGGIE TOULOUSE OLIVER  
SECRETARY OF STATE



DONE AT THE EXECUTIVE OFFICE  
THIS 18TH DAY OF FEBRUARY, 2019

WITNESS MY HAND AND THE GREAT  
SEAL OF THE STATE OF NEW MEXICO

*Michelle Lujan Grisham*

MICHELLE LUJAN GRISHAM  
GOVERNOR