

AARP IN THE STATES



OVERVIEW: Public Employee Retirement Association of New Mexico

The **Public Employee Retirement Association of New Mexico (PERA)** provides a defined benefit (DB) fund for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 40,550 retired public employees helps support:



\$2.8 billion

in economic output in New Mexico.



18,236 jobs

paying \$776.1 million in wages supported by retirees' spending from public pensions in New Mexico.



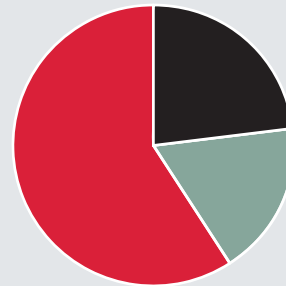
\$513.8 million

in federal, state, and local tax revenues based on spending of pension benefits in New Mexico.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New PERA employees contribute 7.42-8.92% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 23.20% of the cost of pension benefits in New Mexico.

59.0%
Investment
Earnings



23.2%
Employer
Contributions

17.9%
Employee
Contributions

Key facts about the plan and its benefits:



48,060

Total active members of Public Employee Retirement Association of New Mexico.



50% to 75%

After a 30-year career, a pension benefit from PERA will replace 50% to 75% of an employees' pre-retirement income.



\$2,486

Average pension benefit paid to retired PERA members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by New Mexico taxpayers (employers) in these plans supported **\$4.82** in total economic activity in the state.



\$1.00



\$4.82

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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PRIMER: Public Employee Retirement Association of New Mexico

The Public Employee Retirement Association of New Mexico (PERA) provides benefits to qualified state, municipal, and county employees, including police, firefighters, and volunteer firefighters.

The PERA Pension Works for New Mexico Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



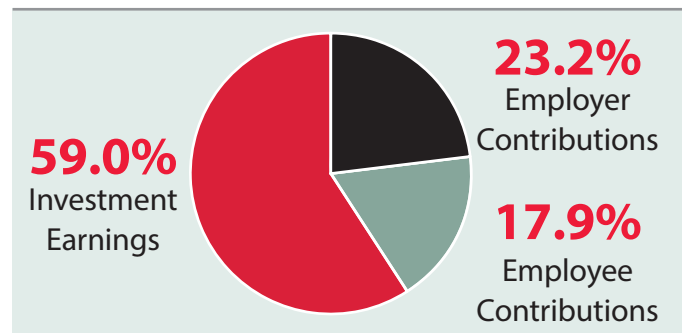
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New PERA employees contribute 7.42-8.92% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 23.20% of the cost of benefits in New Mexico.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

PERA Key Facts



PERA serves 48,060 active employees and 40,550 retired members and survivor beneficiaries.



New employees contribute 7.42-8.92% of pay to PERA.



Employers contribute 7.65-17.74% to the fund.



The average monthly retirement benefit for members is \$2,486.



After a 30-year career, a pension benefit from PERA will replace 50% to 75% of an employee's final average salary.

Historical PERA Funding Experience

New Mexico established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, PERA had \$15.50 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

New Mexico Paid 100% of Weighted Average Percent of ADC from FY2001-FY2019 for PERA



New Mexico Made Plan Changes to PERA in Recent Years

Following the global stock market crash in 2008-2009, New Mexico policymakers proactively made changes to PERA to ensure long-term sustainability. These included:

- Changes approved in February 2020 included increasing employer and employee contributions, while also making adjustments to how those contribution increases are determined.
- Changes to COLAs were made.
- The vesting period for Tier 2 participants was reduced from 8 years to 5 years.

The Economic Impact of New Mexico Pensions:



\$2.8 billion

in economic output generated by retirees' spending from public pensions in New Mexico.



18,236 jobs

paying \$776.1 million in wages supported by retirees spending from public pensions in New Mexico.



\$513.8 million

in federal, state, and local tax revenues generated by retiree benefits and spending in New Mexico.

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OVERVIEW: New Mexico Educational Retirement Board

The **New Mexico Educational Retirement Board (NMERB)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 50,197 retired public employees helps support:



\$2.8 billion

in economic output in New Mexico.



18,236 jobs

paying \$776.1 million in wages supported by retirees' spending from public pensions in New Mexico.



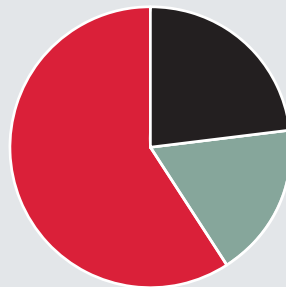
\$513.8 million

in federal, state, and local tax revenues based on spending of public pension benefits in New Mexico.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New NMERB employees contribute 7.9% or 10.7% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 23.20% of the cost of pension benefits in New Mexico.

59.0%
Investment
Earnings



23.2%
Employer
Contributions

17.9%
Employee
Contributions

Key facts about the plan and its benefits:



60,197

Total active members of New Mexico Educational Retirement Board.



70.5%

After a 30-year career, a pension benefit from NMERB will replace 70.5% of an employee's pre-retirement income.



\$1,863

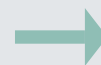
Average pension benefit paid to retired NMERB members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by New Mexico taxpayers (employers) in these plans supported **\$4.82** in total economic activity in the state.



\$1.00



\$4.82

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PRIMER: New Mexico Educational Retirement Board

The New Mexico Educational Retirement Board (NMERB) provides benefits to qualified educational employees.

The NMERB Pension Works for New Mexico Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



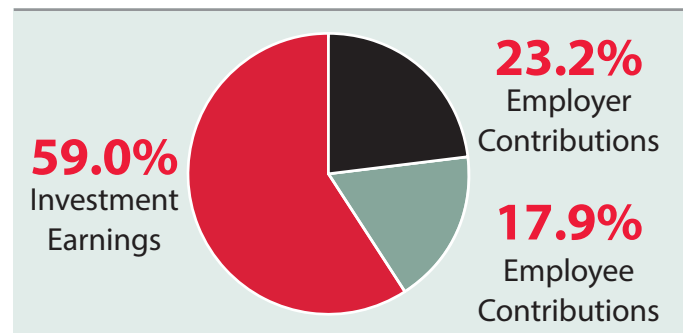
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New NMERB employees contribute 7.9% or 10.7% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 23.20% of the cost of benefits in New Mexico.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

NMERB Key Facts



NMERB serves 60,197 active employees and 50,197 retired members and survivor beneficiaries.



New employees contribute 7.9% or 10.7% to NMERB.



Employers contribute 14.15% to the fund for employees.



The average monthly retirement benefit for members is \$1,863.



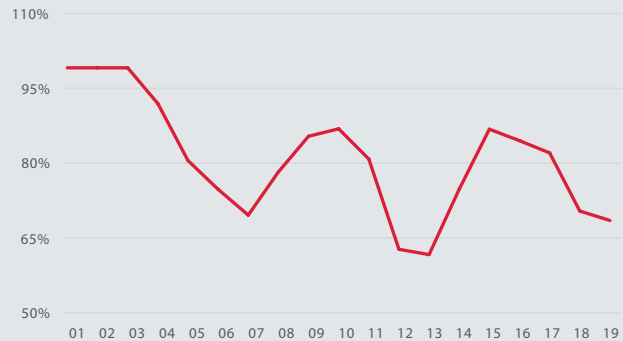
After a 30-year career, a pension benefit from NMERB will replace 70.5% of final average salary.

Historical NMERB Funding Experience

New Mexico established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, NMERB had \$13.38 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

New Mexico Paid 81.67% of Weighted Average Percent of ADC from FY2001-FY2019 for NMERB



New Mexico Made Plan Changes to NMERB in Recent Years

Following the global stock market crash in 2008-2009, New Mexico policymakers proactively made changes to NMERB to ensure long-term sustainability. These included:

- Changes approved in April 2019 included raising the annual salary threshold used for determining employee contribution rates; switching to a graded multiplier based on years of service; adjusting the determination of the five year period for final average salary; and Increasing the minimum age a member may retire with 30 years of service with an unreduced benefit.

The Economic Impact of New Mexico Pensions:



\$2.8 billion

in economic output generated by retirees' spending from public pensions in New Mexico.



18,236 jobs

paying \$776.1 million in wages supported by retirees' spending from public pensions in New Mexico.



\$513.8 million

in federal, state, and local tax revenues based on spending of pension benefits in New Mexico.

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Pensions Help Deliver Quality Education in New Mexico

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.

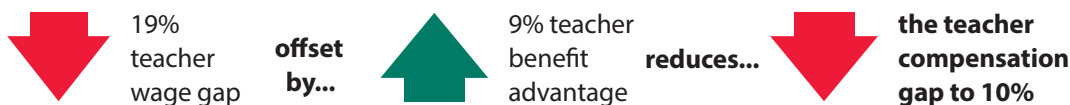
Because pensions help attract and retain workers, New Mexico can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting New Mexico, as enrollment in traditional teacher preparation programs has *declined by 87%* between 2009-2010 and 2017-2018.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 19 percent pay gap relative to comparable private sector workers in 2019. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 10 percent. In New Mexico, teachers experience a 29.5% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



83 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



74 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.⁴

10.7%



Percentage of New Mexico teachers who leave education.

318



The number of New Mexico teachers retained each year due to the DB pension.

\$1.7M to \$3.7M



Savings created by the DB system through reduced teacher turnover costs in school districts across New Mexico.

NMERB Key Facts



NMERB serves 60,197 active employees and 50,197 retired members and survivor beneficiaries.



New employees contribute 7.9% or 10.7% to the fund.



Employers contribute 14.15% to the fund.



The average monthly retirement benefit for members is \$1,863.



NMERB has \$13.3 billion in assets and \$7.9 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of New Mexico Pensions

\$2.8 billion



in economic output generated by retirees' spending from public pensions in New Mexico.

18,236 jobs



paying \$776.1 million in wages supported by retirees' spending from public pensions in New Mexico.

\$513.8 million



in federal, state, and local tax revenues based on spending of pension benefits in New Mexico.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2020. "Teacher pay penalty dips but persists in 2019." Washington, DC. Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2019. "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis." Washington, DC. NIRS.

⁴ Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement." Washington, DC. NIRS.

⁵ All data, unless otherwise noted, as of fiscal year ended 2019.

⁶ Boivie, I. 2021. "Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.