

RPENM NEWS

Retired Public Employees of New Mexico

Summer 2007

PRESIDENTS MESSAGE

I hope you are all enjoying the summer this year. As you'll read elsewhere in this newsletter, after 45 years, RPENM finally has a permanent office in Albuquerque located at 7109 Prospect Place, NE. As Executive Director Ann Crandall is still our only paid staff member, office hours will be two days per week and by appointment effective later this summer. In the future, we hope to grow enough to have someone in the office full time.

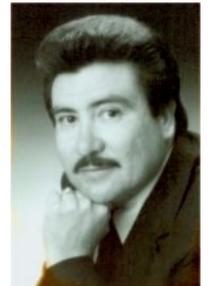
The main purpose of this organization is to monitor and protect your health insurance and retirement benefits. The PERA fund remains strong and sound with assets exceeding \$12 billion! Unfortunately, the state of the Retiree Health Care trust fund is not as secure as it should be. However, RHCA representative Doug Crandall and all of the RHCA Board members are working on solutions that will insure that plan will be solvent for many more years.

I would like to thank the RPENM Board of Directors for having the confidence in me to elect me to another term as your President. We have made great progress in the past few years, and I am appreciative and humbled by the opportunity to continue to work on behalf of all of New Mexico's PERA retirees. As President of this organization, I encourage you to

become involved in RPENM by volunteering for a committee, or attending our annual meetings. Bring a friend, and enjoy meeting retirees throughout the state!

Finally, I would like to thank you, the membership, for your continued support of RPENM. We have been around now for 45 years and an organization does not last that long unless it is supported by its membership! Remember, this is your organization and we are here on your behalf. If you have any questions or concerns regarding RPENM, PERA or RHCA, do not hesitate to contact me personally or any board member. We are here for you and we want to hear from you!

I hope to see some of you at our fall meeting in Elephant Butte, and enjoy the rest of your summer! ■



Richard Baca
President

RPENM Fall Board Meeting - Elephant Butte, New Mexico

Mark your Calendars NOW!

The 2007 RPENM Fall Board Meeting will be held at the Elephant Butte Inn, 401 HWY 195, Elephant Butte, New Mexico, on Wednesday October 10th and Thursday October 11th. A small reception will be held



at the hotel on Wednesday, October 10th in the evening at 5:30 PM. – RPENM members and guests are welcome to attend!

The RPENM board meeting will convene at 8:30 AM on Thursday, October 11th. All RPENM members and guests are invited!

Hotel Room reservations will be provided at a discounted rate of \$84.27 per queen room, which includes a free breakfast. Reservations must be made by Monday, September 3, 2007, to guarantee your \$84.27 room rate. Please call the Elephant Butte Inn at 1-505-744-5431 and identify yourself as an RPENM member if you wish to reserve a room. Cancellations must have a 72-hour notice. ■

2007 LEGISLATIVE UPDATE



The 2007 Legislative Session had mixed results for all PERA and RHCA retirees. One major bill that was passed into law, **HB 728**, sponsored by Representative Luciano “Lucky” Varela, increased state funding for the Retiree Health Care Authority. This bill increased the current annual amount provided from the NM Department of Taxation and Revenue of \$9.3M by \$3M per year for three years; providing a total increase to the fund by 12% annually. These yearly increases are paid for by taxes that all retirees pay on their state pensions. However, due to the recently discovered multi billion dollar unfunded future liability for RHCA, HB728 also authorized a task force to study the long term solvency of the NM Retiree Health Care Authority program. This task force, comprised of representatives from the State Legislative Finance Committee, NM Retiree Health Care Authority, Legislative Council Service, and the Governor’s Office will conduct an audit of the current and future financial status of RHCA as well as submit recommendations to improve the program’s solvency. This audit report has a deadline of December 15, 2007. The audit findings may have recommendations for major changes in ways to increase state revenue, address employee/employer contributions and retiree health care premiums as well as identifying additional revenue sources for RHCA. RPENM will keep you posted on the outcome of this audit and their recommendations.

Additional important bills affecting PERA members are:

HB 1086 – Irrevocable Trust for Retiree Health Care Authority. This would have placed the Retiree Health Care Authority in an irrevocable trust to protect our fund to be used only for retiree health care costs and not diverted elsewhere. **Did not pass.**

HB 304 – Raise COLA to 4% for PERA Retirees. **Did not pass** as funding for the cost of living increase was not included in the bill. An actuarial study was also needed to determine long term cost to the PERA fund. Bill was **NOT** supported by PERA.

HB 223 – Restrictions to Contributions for PERA Board Elections to \$6,000 Maximum. **Did not pass.**

HB 313 – Restricted Return to Work Opportunities for Retirees. Municipalities would have had to pass a resolution that a retiree fulfilled a “critical need” to return to work. State employees could not retire and return to work for a PERA affiliate while recovering both a pension and a salary. **Passed House and Senate; Pocket Vetoed by Governor Richardson.**

SB 720 and HB 1222 – Health Security Act – Plan proposed a single payer universal health care program to insure all citizens in our state with mandatory participation. **Did not pass.**

Special thanks to Oscar Jordan, our RPENM volunteer lobbyist, for his hard work and dedication at the state legislature. Oscar kept us informed of all legislative activities, and spoke in behalf of RPENM at the legislature on a daily basis. Thank you for your hard work and dedication, Oscar! (Note: If you are interested in working with us as a volunteer lobbyist at the state legislature, please contact RPENM President Richard Baca – we need your help!) ■

Rep. Luciano “Lucky” Varela Named Honorary Member

The RPENM Board of Directors has named Luciano “Lucky” Varela as an Honorary Member of RPENM. Lucky, a champion for all retirees, has worked tirelessly at the state legislature to see that our benefits are well protected and well funded. Representative Varela introduced legislation that will provide an additional \$3M per year in funding for the Retiree Health Care Authority. Thank you, Representative Varela, for your continued hard work and support for all PERA retirees and all New Mexicans! ■



Representative
Luciano ‘Lucky’ Varela

RETIREE HEALTH CARE UPDATE

The NM Retiree Health Care Authority Board continues to seek solutions to the under funding crisis affecting the long-term solvency of the program. The RHCA solvency, as outlined in earlier newsletters, has been reduced to 7 years instead of the 25 years as was formerly calculated. The difference is largely due to incorrect assumptions by previous actuaries regarding the number of PERA and ERA (Educational retirees) who would eventually be covered by the RHCA health plan.

New federal rules have also been promulgated requiring all retiree health plans to identify not only current solvency, but future payment obligations as well. According to this rule, GASB 43, RHCA's unfunded future liability is over four billion dollars, which obviously has a great effect on the future of the program.

This is a nationwide problem and not by any means unique to the NM Retiree Health Care Authority. As an example, General Motors Corporation has an unfunded liability for their retiree health care that exceeds the net worth of the entire company!

Though the RHCA is not alone is having a significant unfunded liability, hard choices will still have to be made, and it may be inevitable that program participants will be faced with upcoming increases in premiums and co-payments for certain benefits. In addition, contributions from current employees and their employers will be reviewed with an eye towards increasing those contributions. The Board also hired an investment consultant to review the asset allocation of the RHCA funds in order to provide better overall returns without adding any unnecessary risk.

Another option that was explored was the possibility of moving from a self insured to a fully insured plan for Medicare eligible retirees. Although this is still a possibility, early indications are that this would not save money either for the Authority, or for the membership. One option that will likely be adopted is to move to a self funded plan for the prescription drug

plan. The plan would still be administered by a third party (currently Express Scripts), but would save RHCA approximately \$1.7 million annually.

Final decisions regarding plan changes, fee increases and other options will be made at the annual RHCA meeting to be held in Taos in August. The current strategy of the board is to hold back any additional withdrawals from the trust fund. The board is working hard to ensure that any long term funding issues will be phased in over several years' time so as not to cause undue immediate burden on current members. The RHCA board of directors is working hard in addressing the current issues at hand. We are facing a health care crisis across the country, and many changes in our health care system are going to have to be addressed.

As chairperson of the RHCA investment committee, I am very committed to working with the RHCA board of directors in improving the long term investment strategy for RHCA. This committee meets on a monthly basis; please contact me for information if you are interested in attending a meeting.

As your RHCA representative, I encourage you to attend RHCA board meetings and switch enrollment programs when they are in your local area. RHCA board members have requested that regular board meetings be moved to various locations across the state so RHCA members will be able to attend. RHCA Newsletters will be sent on a bi-monthly basis with information on upcoming meetings; be sure to get involved so you may be informed of new developments. I also encourage you to contact me personally at annoc511@aol.com or at the RPENM office at 505-280-8459 if you have questions regarding Retiree Health Care. ■



Doug Crandall
RHCA & RPENM
Board Member

RPENM MEMBERSHIP PINS



Membership pins are now available to all RPENM members! For the first time ever, the board of directors authorized the design and purchase of membership pins for RPENM. This pin is well designed, with the RPENM Logo and colors that reflect our state. All new members will receive a pin. If you would like a pin sent to you, please notify Executive Director Ann Crandall and she will mail you one to you ASAP! ■

RPENM MEMBERSHIP

Due to the hard work and efforts of our RPENM board of directors and membership, RPENM continues to add new members to our roles. Although we have approximately 3,000 statewide members, we must continue to strive to increase in number, as our strength is in our membership! With approximately 20,000 PERA retirees in the State of New Mexico, we have lots of work to do. What can you do to help? Sign up a PERA friend, or bring a potential member to an RPENM meeting! To be eligible as a member of RPENM you must be an active PERA employee, (you do not have to be a retiree) a PERA retiree, or PERA beneficiary. If you wish recruiting information, please contact Executive Director Ann Crandall at 505-280-8459. Sign up as an auto-deduction member now, and receive a year's free membership until July 2008!

These are important times for all retirees, and we are the agency that will work to protect our PERA and RHCA retiree Health Care Benefits. Don't wait until a crisis happens to become a part of RPENM – recruit for us now!

Some of our recent new members are:

Roman Escalante, Las Cruces; Lou Hoffman, Albuquerque; WillAnne Ricer, Carlsbad; Dennis Sullivan, Monticello; David Thomas, Carrizozo; Jack Bayse, Albuquerque; Virginia Arteche, Deming; Winifred A. Dresp, Las Cruces; John Gregory, Albuquerque; Efren Campolla, Las Cruces; Carolyn Reese, Carlsbad; Mildred Giles, Farmington; Lawrence Saavedra, Highlands Park, Colorado; Tami Garcia, Albuquerque; Joyce Harkwell, Albuquerque; Eugene Sanderlin, Deming; Keith Norman, Albuquerque; Wanda Taylor, TorC; Priscilla Gutierrez, Las Cruces; Susan Page, Albuquerque; Jose Salaz, Albuquerque; Clark Collins, Texico; Melisendro L. Archuleta, El Rito; Frances Cruz, Gallup; Nancy Besinger, Roswell; Mamie Caldwell, Deming; Victor Montoya, Santa Fe; Libby Flores, Roswell; Tony T. Clark, Hatch; John Lucero, Albuquerque; Carlos Cordova, Raton; Keva Kayhurst, TorC; and Minnie Ross, Albuquerque. ■

Re-Employed PERA Retirees – Contributions



PERA has notified all PERA agencies that as of January 1, 2007, PERA affiliates who re-employ PERA retirees are responsible for paying the full cost of hiring retirees. The employer must pay both the employee and employer contribution amounts on salaries earned by the re-employed retiree. This includes retirees who were employed prior to January 1, 2007, and are already on the payroll. Prior to January 1, 2007, a re-employed retiree was responsible for paying employee contributions after earning \$25,000 in a calendar year. This provision no longer applies. (PERA, May 10, 2007)

Reminder To All Chapter Chairs and Members

Join RPENM!

As has been noted in prior memorandums and newsletters, it is now required that all chapter members also belong to RPENM at the state level. If you are a member of a chapter, but have not joined RPENM as a state member, please contact your chapter chair or Executive Director Ann Crandall (280-8459) for a membership form.

Our \$24 per year dues is a bargain considering that we are protecting your PERA retirement and health care! If you join RPENM as an auto-deduction member now, you will receive a year's free membership – annual dues will not be deducted from your July pension benefit until 2008. Remember, our strength is in our membership- Join up Now!

NEW BOARD SWORN IN & OFFICERS ELECTED AT ANNUAL MEETING

Richard Baca was re-elected as RPENM President at the 45th annual RPENM meeting in Albuquerque on May 10th and 11th, 2007. Sherry Kearns (Carlsbad) was re-elected as 1st Vice President, and Carlos Telles (La Mesa) was elected 2nd Vice President. Secretary LaRue Goodheart (Rio Rancho) and Treasurer Isabel Clendenin (Albuquerque) were also re-elected to their positions.

Other board members are Wesley Brown (Raton) Eley Bourguet (Deming), Josephine Raczkowski (Rio Rancho), Charles Miller (Raton), Gloria Stone

(Albuquerque), Paul Torres (Hillsboro), and Diana Best (Raton). Loretta Naranjo-Lopez, PERA board member, is continuing in her role as ex-officio board member of RPENM. Doug Crandall will remain as a board member and representative on the Retiree Health Care Board of Directors.

The new board of directors is a very strong group of committed individuals, and you may expect some positive changes for RPENM in the upcoming year!



RPENM Board Members



Richard Baca
President



Sherry Kearns
1st Vice President



Carlos Telles
2nd Vice President



LaRue Goodheart
Secretary



Isabel Clendenin
Treasurer



Wesley Brown



Eley Bourguet



Josephine
Raczkowski



Charles Miller



Gloria Stone



Paul Torres



Diana Best



Loretta
Naranjo-Lopez



Doug Crandall

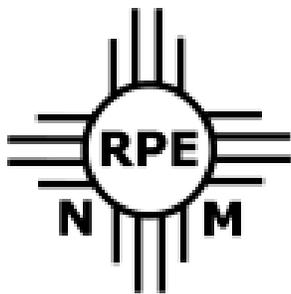
(Board biographies available at our website. Go to the **Our People** menu option)

2007 ANNUAL MEMBERSHIP MEETING

Hilton Garden Inn, Albuquerque, NM

From long time members to those attending for the first time, the comments were almost universally positive regarding the RPENM annual meeting in Albuquerque on May 10th and 11th, 2007. Approximately 75 RPENM members and guests attended the meeting. An evening reception with food and drink was provided at the hotel for those that attended. State-wide PERA members were well represented at the meeting, with members and guests from Las Cruces, Raton, TorC, Hillsboro, Carlsbad, Santa Fe, Farmington, and Rio Rancho in attendance. Special thanks to LaRue Goodheart for organizing volunteers from Chapter 21 (Rio Rancho) to assist in signing in members and guests that attended the meeting.

Past President and long time board member Eley Bourguet from Deming was awarded a plaque for his outstanding service and dedication to RPENM and all



retirees of New Mexico. Eley and Marlene Bourguet, long time supporters of RPENM, hosted the **best ever annual meeting** in Deming in May of 2005!

The highlight of the 2007 Annual Membership meeting was a "Benefits Forum Panel" discussion on May 10th that proved to be very informative to all PERA retirees and beneficiaries. Those on the panel included Terry Slattery, Executive Director of PERA, Marie Thames, Executive Director of the NM Retiree Health Care Authority, Martha Cushing, an AARP Volunteer discussing Social Security, and Vern Curtis, UBS Consulting Firm. The hour long discussion was an overview of the current status of PERA and RHCA, including information from Vern Curtis regarding the investment strategy for Retiree Health Care. Martha Cushing also passed along important (and humorous) information regarding social security. Most helpful was the question and answer segment of the program, where all in attendance were allowed to ask important questions relating to their retirement and health care benefits. RPENM hopes to continue having this type of informative meeting for its members in the future.

Members and guests also enjoyed a cash drawing for door prizes at the meeting. \$300 was won by Sherry Kearns, \$200 by John Lucero, and \$100 by Mary Torres! Don Peterson and Joe E. Chavez, both from Albuquerque, won an expense paid trip to next year's annual meeting in Raton. ■

PERA FUND REACHES \$13.1 BILLION

PERA Fund Reaches \$13.1 Billion!

PERA Executive Director Terry Slattery gave an update of the status of our retirement fund at the 2007 RPENM Annual Board Meeting. He stated that as of April 30, 2007, the market value of the PERA investment portfolio was \$13.1 Billion. This is an increase of \$1.8 Billion since June 30, 2006. He also stated that based on the latest quarterly report received from PERA's investment consultant, as of December 31, 2006, PERA's annualized returns have significantly exceeded the assumed rate of return of 8%. For calendar year 2006, PERA earned a 1-year return of 14.96%; the 3-year period return was 11.67%; the 5 year period return was 9.83%, and the 10-year period return was 10.19%.

Many thanks to Director Terry Slattery and the staff at PERA, Bob Gish, PERA Chief Investment Officer, PERA board members, and all those who have worked so hard over many years to give us one of the best and most financially sound retirement plans in the country! ■



Public Employees
Retirement Association
of New Mexico

CALIFORNIA PUBLIC EMPLOYEES RETIREMENT UNDER ATTACK

“The Only Way to Trim Long-Term Pension Costs is by Reducing Pension Benefits”

*Marcia Fritz, VP for the Foundation for Fiscal Responsibility

California retirement workers are currently clashing with groups that wish to trim their public pension funds. Governor Arnold Schwarzenegger established a 12-member “Public Employee Post Employment Benefits Commission” to identify how much California will owe in promised pension and health care benefits – and to identify ways to cut plans and benefits to pay for what is not already funded. In 2005, Governor Schwarzenegger attempted to eliminate the traditional defined benefit plan (monthly checks with a set amount) for California retirees and replace it with a 401-K plan (non guaranteed amount; workers are required to invest their own retirement funds) but was strongly opposed. Schwarzenegger dropped his proposal before it was placed on the ballot. However, a new ballot initiative proposed by former Southern California Assemblyman Keith Richman would require all new public employees, with the exception of safety employees like police or firefighters, work until age 65 or 67 before they receive full pensions and health care and also place a cap their pension amounts. If this ballot initiative receives enough signatures, it could be on the ballot next year for a statewide vote. (San

Francisco Chronicle, July 13, 2007)

This initiative further establishes the fact that public pension funds all over the country are facing stiff opposition to continue with “defined benefit” plans for public employees. Attempts to switch to a “defined contribution” plan, which is most offered by the private sector – has several very clear drawbacks for public retirees. (1) Monthly pensions are not a guaranteed amount (2) Monthly pension amount is determined by the whim of the stock market and; (3) Many retirees are not familiar enough with the process of investing stocks to make their own prudent investments in the system.

How can we protect our PERA defined benefit plan? Monitor your state legislative agenda each year, and notify your representatives if any legislation affecting PERA or Retiree Health Care in a negative way is forthcoming. The movement to privatize pensions threatens the middle-class life style of most PERA employees, or those who have worked many years in the public sector and deserve a decent retirement. Fortunately, we have RPENM in New Mexico to constantly monitor and lobby against any legislation that may threaten the status of our PERA pension and Retiree Health Care. ■

RPENM HAS AN OFFICE!

Our new RPENM office located at 7109 Prospect Place, NE, in Albuquerque, is working out very well for the benefit of our organization. With a donated computer system and printer, we are now in business! We have had several important meetings in the conference room available to us, as well as private meetings with our members. Most of all, we are now an organization with a professional address! Later this summer the

RPENM office be staffed to assist you on Tuesday and Thursday’s from 10:00 AM to 2:00 PM – or meetings by appointment. Office hours and our new phone line number will be forthcoming. One positive factor is the location of our office, which is near the PERA satellite office at Louisiana and Prospect Place NE. If you wish a tour of the RPENM office, or wish to set up an appointment, please contact Executive Director Ann Crandall at 505-280-8459. ■

Chapter 8 Annual Picnic

Santa Fe Chapter 8 held their annual summer picnic at Oscar and Virginia Jordan’s home on July 10. More than 35 members and guests attended the shindig, enjoying burgers and soft drinks in their beautiful back yard. Among those members in attendance were State Representative Lucky Varela and former State Senator and PERA Board member Fabian Chavez. Incidentally, Fabian, who is a long time

RPENM member, was recently ranked by a well respected political blog as the fourth most powerful New Mexico politician since World War II. Between Oscar, Lucky and Fabian, RPENM should be well represented during the next legislative session!

Thanks, as always to Oscar (and, of course his beautiful bride Virginia) for another great picnic! ■

