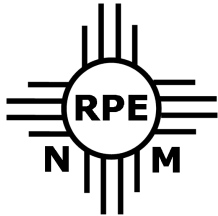


RPENM News



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RPENM Office

505-280-8459

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LETTER FROM YOUR PRESIDENT

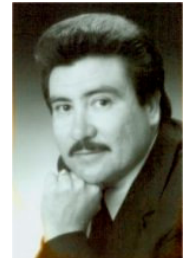
I hope you all had a wonderful holiday season and that you and your family are well as we enter 2007! As you will see in this newsletter, there is no end to the challenges we, as public sector retirees, will be facing in the coming year. The good news is that the PERA fund remains strong and sound. Unfortunately, things are not going as well at the NM Retiree Health Care Authority. Medical costs keep rising and neither premiums, nor contributions, are keeping up. Fortunately, we have a hard working and qualified RHCA Board that has recognized the problems and is working to solve them.

This is an election year for six RPENM Board members. If you are willing to devote the time, I would urge you to run for one of the vacant positions. It is a challenging job but a necessary one and quite rewarding. RPENM is the only

organization in New Mexico devoted entirely to watching and protecting your retirement paycheck and your health care plan as a PERA retiree.

It is important to note that RPENM needs new membership to grow and prosper. We now have 3,000 members, but need more! You can help by signing up a friend that is eligible to be a member of our organization!

Our annual meeting this year will be held in Albuquerque in late April or early May. I urge members from around the state to attend this meeting – hope to see you there!



Richard Baca
President

THE VALUE OF A DEFINED BENEFIT PLAN

As noted in the summer 2006 RPENM Newsletter, lawmakers in the state of Alaska voted to eliminate their public employees' "defined benefit" plan for upcoming retirees by changing to a "defined contribution" plan, which mirrors the private sector plan of a 401K. Several states (California, Colorado, Michigan, and Nebraska) have recently attempted to change public sector "defined benefit plans" to "defined contribution" plans for a number of reasons, most notably cost savings to the agency.

We are very fortunate that New Mexico PERA has a "defined benefit" (DB) plan for all retirees, which provides a guaranteed monthly pension amount, which we must strongly protect! Just what are the differences for retirees in a "Defined Benefit" (DB) plan vs. a "Defined Contribution" (DC) plan – and what would be the ramifications to our

PERA retirees if such a change occurred?

According to the American Academy of Actuaries (Issue Brief, July, 2006) the following definitions of a Defined Benefit Plan (DB) versus a Defined Contribution Plan (DC) are:

Defined Benefit Plans (DB) specify the benefit the employees will receive when they retire from employment. DB benefits can be of any amount, calculated according to a formula and defined in a legal document. Therefore, an example of an individual who worked for 30 years of employment upon retirement would get 30% of his or her average compensation when he or she retires (on top of Social Security.) Because the benefit is defined, an employee will know what benefit payout to expect when they retiree, thus enabling them to plan ahead.

Continued on Page 2

THE VALUE OF A DEFINED BENEFIT PLAN (CONTINUED)

Defined Contribution Plans (DC) specify the contribution the employer pays into the plan each year for the employee. The amount that employees receive at retirement depends on **investment choices and market trends**. In 1978, Congress enacted section 401(k) of the International Revenue Code (IRC) to allow employees to make pre-tax employee contributions to certain DC plans and allow employers to match them. In a typical private-sector 401(k) plan, an employee might contribute 6 percent of wages (pre-tax) and the employer might match it 50 cents on the dollar, for a total employer contribution of 3 percent of the employee's wages. **Thus, private sector employees very often contribute more than their employer.**

Why does RPENM support a **defined benefit** (DB) plan for PERA retirees?

- Retirees receive a guaranteed annuity amount per month, plus cost of living increases, if applicable, providing a stable, predictable benefit for life.
- The employer or agency assumes the investment risk, so employees will not suffer if they retire in a "down" stock market. Under a "defined contribution" (DC) plan, older employees may have to delay retirement if they made bad choices in stocks or the stock market is in a slump.
- Most (DC) plans do not pay pensions upon disablement or disability benefits, while a "defined benefit" (DB) plan does.
- (DB) plans pay survivor pensions to beneficiaries upon the death of an employee or retiree. In the 401(k) (DC) plan, most retirees often spend their money too quickly so that there is no money left for the survivor.
- (DB) plans have been more efficient and successful at investing one large pool of funds, which means that they can fund larger benefits with the same contribution, or the same benefit with a smaller contribution. According to the Department of Labor, there is a much higher risk of employees in their own 401(k) arrangements, many which are not familiar enough with the process of investing stocks to make prudent investments.
- (DB) plans are a great recruiting tool for the private sector agencies. Excellent, guaranteed retirement benefits are desirable to capable employees entering the work force and the retention of employees once they are hired.
- (DB) takes care of older employees and retirees with dignity. Many older employees need a monthly "guaranteed" amount to live on. With a (DC) plan, individuals are subject to the whims of the stock market for their monthly check, and may not have adequate pension amounts.

Help us support our PERA **Defined Benefit Plan** by carefully monitoring our benefits and becoming active in RPENM! ■

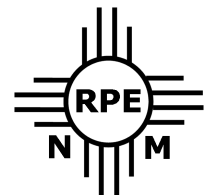
RPENM MEMBERSHIP

Our membership is remaining steady at approximately 3,000 members. Recent new members include Eddie Coriz, Gallup; Lucy Perales, Albuquerque; Minnie Ross, Albuquerque; Jo Dwyer, San Miguel; Loren J. Hines, Albuquerque; Ford M. Easterling, Williamsburg; Dolores Arviso, Gallup; Keva L. Hayhurst, T or C; and John Messier, Albuquerque.

Our membership is our most important asset! You may be a PERA retiree, PERA beneficiary, or actively employed PERA member to be eligible for membership. We have many new retirees that

should become members, and young, energetic retirees will be a great asset to our organization. Please do your part today and sign up a new member!

Please contact Executive Director Ann Crandall if you need membership forms or assistance. Every member counts! ■



RETIREE HEALTH CARE AUTHORITY (RHCA) NEWS

The makeup of the RHCA Board has changed with the new year. LeRoy Garcia, Board Chair, left the board when his Las Vegas County Commission term expired on December 31. He has been replaced by Dan Mayfield who is the Chief Financial Officer of Bernalillo County. Also, Danielle Wilson has moved from Vice Chair to Board Chair and Justin Najaka has moved up to Vice Chair from Secretary. Alfredo Santistevan, who represents the NM Municipal League, was elected as Secretary. Elections for officers will be held at the annual meeting this summer.

The RHCA actuary, Segal and Company, had their representative, Gary Petersen, present its report at the January 2007 meeting regarding the funding status of the RHCA plan. This report was prepared because of a new requirement by the Federal Government Accounting Standards Board, Rule #43. The news from the actuary at this time is not encouraging. It was reported that RHCA has a deficit of more than \$3 billion and possibly as much as \$4.5 billion. This means that our current income is inadequate to pay for benefits to our membership. The RHCA Board will be holding their monthly meetings around the state throughout 2007 to discuss the funding issue with retirees and current employees. It is clear that there will be painful choices to fix the problem, including the possibility of rate increases and reduced benefits. It was reported that this health care crisis is not unique to the

NMRHCA, but is happening all across the country. RPENM will be working diligently with RHCA to solve these funding problems to assure the long term success of our health care program.

On a more positive note, the RHCA Board approved the investment advice contract with Prime Consulting Group and sent the contract to the State's Department of Finance for their concurrence. Hiring an investment consultant is an important first step to increase our investment returns and grow our fund to help pay down our deficit.

RHCA is taking the lead to see that legislation that will place our fund in an ***Irrevocable Trust*** is passed in the current 2007 legislative session. We will keep you updated on the status of this bill. Be sure to notify your elected representatives that you need their support to get this enacted into law!

Watch this newsletter for RHCA updates throughout the year. ■



Doug Crandall
RHCA & RPENM
Board Member

LEGISLATIVE ACTIVITIES

The 2007 legislative session will be for sixty days. At this point, RPENM has no knowledge of legislation that will negatively affect our PERA benefits. The one important bill that will affect our Retiree Health Care is the introduction of a bill to place RHCA in an ***Irrevocable Trust***, which RPENM strongly supports.

Our legislative authority, Oscar Jordan, will keep an eye on those bills that are introduced. Our entire membership needs to be involved in any legislative action that will impact our retiree or health care benefits. ■

AUDIT COMPLETED ON RPENM FINANCES

The CPA firm of Schlenker, Cantwel and Hrcncir, P.A., recently completed the audit of RPENM's financial position and procedures for the year ending December 31, 2005. The report states that the RPENM financial position and procedures conforms to generally accepted accounting principles, and overall, was a very positive report. A word of thanks

to Isabel Clendenin, our very capable Treasurer, for working closely with the auditors during this process. If any member wishes to review the RPENM financial statements or the audit results, please contact Executive Director Ann Crandall or any RPENM board member for assistance. ■

MESSAGE FROM THE EXECUTIVE DIRECTOR

The 2006 Fall Board Meeting was held at the Hawthorn Suites in Ruidoso on November 2nd. Our meeting was a great success and included the appointment of three new board members. Those appointed by the board of directors are Carlos Tellez, (Las Cruces), Gloria Stone (Albuquerque), and Diana Best, (Raton.) Our request for new volunteers to become involved in the RPENM board of directors was answered by these members, and we thank them for their important contribution to all PERA retirees!

Our new by-laws that were adopted at the spring 2006 Annual Meeting in Las Cruces are the guidelines for RPENM that will ensure we have a professional, progressive organization. The new bylaws state that in order to be a member in good standing of RPENM, one must sign up to RPENM and pay an annual dues membership fee of \$24 in July of each year. Do you know anyone that is a member of a chapter, but is not a member of RPENM? Please contact me and I will be happy to send them a membership form!

RPENM has important issues facing us in the coming year. We need to recruit retirees who are not members of our organization: both those who have never joined, as well as those who once joined but have allowed their membership to lapse. We also need to recruit currently working PERA members. We are planning to send a major recruiting mail out this year, but we also need your help in signing up your PERA contacts! Please call me and I will mail membership forms and recruiting information to you. Also, if you wish

to have me address a group of potential members, let me know. Don't wait until we have a retirement benefit crisis to sign up new members!

One very important piece of legislation in the 2007 upcoming session will protect and strengthen our Retiree Health Care Authority Fund. This legislation will place RHCA in an **Irrevocable Trust**, guaranteeing that our multi-million dollar fund can be administered for health-care related issues only. This legislation is very similar to Constitutional Amendment 4 that protects our PERA retirement, which was strongly supported by RPENM. Please be prepared to notify your legislators and the governor's office to SUPPORT this bill once it is on the table!

I am very optimistic about the new direction RPENM is taking as a progressive leader in supporting our PERA retiree and health care benefits. I personally thank you, as a member, for your support of RPENM. And – are you aware that you may also sign up your spouse or beneficiary as a member? Please contact me if you are interested in helping us with recruiting! ■



Ann Crandall
Executive Director

2007 RPENM BOARD OF DIRECTORS ELECTIONS

It is not too early to consider running for the RPENM Board of Directors! Elections will be held for six positions in March, 2007. Elected terms end for the following: Wesley Brown, Board Member (Raton); Sherry Kearns, 1st Vice President, (Carlsbad), and Josephine Raczkowski, 2nd Vice President, (Westside-Rio Rancho). Members appointed in Ruidoso will be on the ballot also. If we wish for our organization to continue to grow and prosper, it is important that our membership is willing to serve on our board of directors. Information regarding the election will be sent to all board members and

chapters early in 2007. Our RPENM bylaws allow for a total up to 16 board members: 12 elected board members, two ex-officio (2) PERA board members, one (1) RHCA appointed board member, and one (1) immediate past president. To become a board member, a candidate must be an RPENM member in good standing for a minimum of one year. If you wish to serve as a board member and provide a voice in the future of RPENM, please consider running for a position on our board of directors! ■

IN MEMORIAN

Two very important and valued members of RPENM recently passed away.

Kathryn K. (Kay) Dieruf passed away New Year's Eve in Albuquerque. Kay was a devoted and hard working member of RPENM, and was very active in Chapter 5 in Albuquerque as Membership Chair.

Vernon Jordan, past president of RPENM Chapter

21, passed away in November. Mr. Jordan was a wonderful and dedicated RPENM member, attending every meeting and offering his assistance in supporting our organization.

RPENM sends condolences to both Kay and Vernon's families. Both will be greatly missed by their RPENM friends. ■

SPRING ANNUAL MEMBERSHIP MEETING - IN ALBUQUERQUE

The 2007 Spring Annual Membership meeting will be held in Albuquerque. A committee of volunteers is currently in the process of planning the meeting and proposed agenda. Chapter 21 (Westside-Rio Rancho) has volunteered to take

the lead in assisting with our meeting. If you wish to participate in this process, please notify Executive Director Ann Crandall. ■

ADVERTISING IN THE RPENM NEWSLETTER

Our RPENM Newsletter reaches 3,000 PERA retirees on a regular basis. This is a great way to advertise at a very limited cost to a vendor, and also assists RPENM in revenue enhancement. We offer several options for your advertisement: half page ads to Business Card ads. If you wish

to advertise in our newsletter, please contact Executive Director Ann Crandall for pricing in our publication. Or, if you know anyone that may be interested in advertising in our newsletter, please pass the word! ■

PERA NEWS

PERA board member elections were recently held. State Board Member Danny Sandoval was re-elected, as was Cynthia Borrego as municipal member. Lou Hoffman, who recently left the City of Albuquerque on early retirement, will remain on the PERA board until his official retirement date is in effect. Mary Herrera, newly elected Secretary of State, will replace Rebecca Vigil-Giron on the board. State Treasurer James B. Lewis is now on the PERA board and will replace outgoing acting

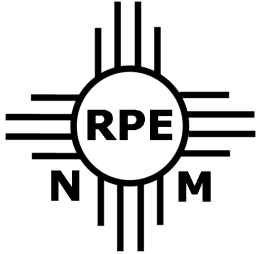
State Treasurer Doug Brown. The fund remains strong at approximately 12.5 billion dollars as of the writing of this newsletter. Bob Gish, the Chief Investment Officer had considered retirement at the end of 2006, but he has decided to continue in his position for at least another year. Bob has played a key role in maintaining and expanding PERA's assets and we are very fortunate to keep him as the Chief Investment Officer. ■

RETIRED PUBLIC EMPLOYEES OF NEW MEXICO

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Public Employees Since 1963*

NOTE →

YOUR MEMBERSHIP IS PAID!

←NOTE

(Please pass this membership form on to friends or family who might want to join.)



First: Please fill out the Member Information box below.
Second: Select your payment option below and follow the instructions for that option.

MEMBER INFORMATION PLEASE PRINT

Name*: _____

Address*: _____

City*: _____ State*: _____ Zip*: _____

Telephone #: _____

* = Required Information

Payment Option #1: Enclose a check or money order for \$24, payable to RPENM to cover your first years dues. Return this form with your payment to the address below. You will be billed once a year thereafter.

-- OR --

Payment Option #2: Please deduct my \$24 dues payment from my July retirement distribution unless and until I notify PERA in writing to cancel this deduction.

Members Signature*

Date *

_____|_____|_____|---|_____|_____|---|_____|_____|_____|
Full SSN Required By PERA For Automatic Deduction *

Mail this completed form to the address at left.

*** Signature and SSN required for this option.**

Mail to: RPENM
PO Box 20607
Albuquerque NM 87154-0607