



SB 27 - Summary of PERA Pension Plan Changes

**Public Employees
Retirement Association
of New Mexico**

Effective July 1, 2013, this legislation establishes two tiers of benefits under each PERA coverage plan.

TIER 1

Individuals who are retired members or members (i.e. currently employed, contributing employees of an affiliated public employer or individuals who have been, but are not currently, employed by an affiliated public employer who have not retired and who have not received a refund of member contributions) on June 30, 2013 are in Tier 1.

State and Municipal General Members hired between July 1, 2010 and June 30, 2013 are grandfathered into Tier 1 coverage plans.

TIER 2

Individuals who are not retired members or members on June 30, 2013 (i.e. were first hired by a PERA employer on or after July 1, 2013) are in Tier 2.

CHANGES FOR TIER 1 MEMBERS

Pension Maximum

- Increased to 90% of final average salary for all plans.

Blended Pension

- Establishes blended pensions for service credit earned after July 1, 2013. A blended pension benefit is calculated using the service credit the member has earned under each coverage plan with different pension factors.

Cost-of-Living Adjustment (COLA)

- Eligible retired members will receive a 2% COLA.
- A member's retirement date is always the first day of the month following the member's termination date. For example, a member whose last day of employment is August 31, 2013 would be a September 1, 2013 retiree.
- The graduated COLA eligibility period is:
 - ✓ Retirement dates through June 1, 2014: no change to current 2 full-calendar years after retirement to receive a COLA;
 - ✓ Retirement dates of July 1, 2014 through June 1, 2015: 3 full-calendar year eligibility period to receive a COLA;
 - ✓ Retirement dates of July 1, 2015 through June 1, 2016: 4 full-calendar year eligibility period to receive a COLA; and
 - ✓ Retirement dates on or after July 1, 2016: 7 full-calendar year eligibility period to receive a COLA.

- No change in 1-year COLA eligibility for disability retirees or retirees age 65 or older.

Employee Contribution Rate

- Increases the statutory employee contribution rate by 1.5% for employees who earn more than \$20,000 in annual salary.
- For state members, this will be put in place by removing the sunset of the remaining 1.5% 2009 contribution shift.

CHANGES FOR TIER 2 MEMBERS

Pension Benefits

General Members (Non-Public Safety Employees)

- 0.5% reduction in the Annual Pension Factor
- 5-year Final Average Salary calculation
- Retirement eligibility: Rule of 85 or age 65 with 8 years of service
- 8-year vesting period
- 90% pension maximum
- 2% COLA
- 7 full-calendar year eligibility period to receive a COLA

Public Safety Plan Members (State Police Officers, Adult Correctional Officers, Peace Officers, Juvenile Correctional Officers, Municipal Police, Fire, Detention Officers)

- 0.5% reduction in the Annual Pension Factor, except for Peace Officers
- 5-year Final Average Salary calculation
- No enhanced service credit for State Police Officers, Adult Correctional Officers and Municipal Detention Officers
- Retirement eligibility: 25 years of service credit/any age or age 60 with 6 years of service
- 6-year vesting period
- 90% pension maximum
- 2% COLA
- 7 full-calendar year eligibility period to receive a COLA

Blended pension is calculated using the service credit the member has earned under each coverage plan with different pension factors.

Employee Contribution Rate (Same as Tier 1)

- Increases the statutory employee contribution rate by 1.5 % for employees who earn more than \$20,000 in annual salary.
- For state members, this will be put in place by removing the sunset of the remaining 1.5% 2009 contribution shift.

RETIREES

Cost-of-Living Adjustment (COLA)

Reduces the COLA from 3% to 2% except for:

- 2.5% COLA for members retired with 25 or more years of PERA service credit (not including reciprocity) and whose annual pensions are \$20,000 or less.
- 2.5% COLA for disability retired members whose annual pensions are \$20,000 or less.

RE-EMPLOYED RETIREES

Effective July 1, 2013, the COLA will be suspended for re-employed PERA retirees who were grandfathered in and are receiving both a pension and a salary from a PERA-covered employer. A re-employed retiree's COLA will be reinstated once they terminate their present PERA employment.

To Continue Receiving a COLA:

- A re-employed retiree must terminate employment on or before June 30, 2013.
- Employer must submit an *Employer's Certification of Termination for a Re-Employed PERA Retiree* form to PERA as proof that the re-employed retiree has terminated employment.
- COLAs will be paid in July 2013 if an *Employer's Certification of Termination for a Re-Employed PERA Retiree* form is received by PERA on or before Monday, June 3, 2013.
- PERA will reinstate COLA eligibility and issue back pay for any missed COLA payments for termination notices received on or after Tuesday, June 4, 2013.

PERA Retirees Re-Employed by Employers Covered by the Educational Retirement Board

SB 27 also affects PERA retirees who are employed by an ERB-covered employer.

- All PERA retirees who are currently working for an ERB-covered employer will continue to receive COLAs.
- In addition, all PERA retirees who go to work for an ERB-covered employer on or before June 30, 2013 will also continue to receive COLAs.
- The COLA for PERA retirees who are re-employed by an ERB-covered employer **on or after July 1, 2013** will be suspended beginning with the 2014 COLA, which is awarded in July 2014.

Exclusions:

The COLA-suspension provisions do not apply to retirees excluded by law from PERA's return-to-work provisions, including retirees who are:

- Employed by the legislature for legislative session work;
- Employed temporarily as a precinct board member for a municipal election or an election covered by the Election Code; or
- Elected to serve a term as an elected official and who have timely filed a membership exclusion form.

COLAs will be paid automatically to these retirees.

EMPLOYERS

- Increases the statutory employer contribution rate 0.4% beginning in FY15.
- Optional municipal employer "pickup" of future employee contribution increases.