



RPENM News

Summer 2016

Board of Directors

Officers

Daniel J. Mayfield - Albuquerque
President

Joel Pafford - Ratón
1st Vice-President

Charles Miller - Ratón
2nd Vice-President

Stephanie Goodrich - Albuquerque
Secretary

Susan Biernacki - Albuquerque
Treasurer

Board Members

Ann Crandall - Scottsdale, AZ

Doug Crandall - Scottsdale, AZ

Charles (Tony) Sayre - Deming

Wesley Brown - Ratón

James 'Jim' Robles - Las Cruces

Oliver Tapia - Albuquerque

Carl Baldwin - Santa Fé

Executive Director

Gerald L. Chávez - Mountainair

RPENM

Albuquerque Office

10501 Montgomery NE, Ste 320

(505) 280-8459

PO Box 20607

Albuquerque, NM 87154

rpenm@rpenm.org

President's Message

By Dan Mayfield, RPENM President

Dear RPENM members;

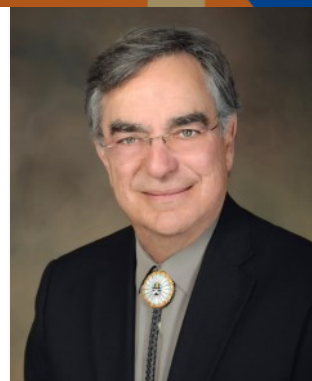
Since 2013 I have been honored to serve as your Retiree Representative on the PERA Board representing more than 35,000 retirees receiving an annual payroll of more than \$1 billion.

In the spring of 2013 SB27 – “Pension Reform” was passed by the Legislature and signed by the Governor. Under this bill all PERA members sacrificed in order to bring PERA to full funding. PERA’s current funding level has reached 74% and under current actuarial assumptions will be fully funded by 2041.

I have served as Vice-Chair of the PERA Board for 2-years. I have also been Chair of the Investment Committee, Disability Committee and the Audit & Budget Committee. During my time as Investment Committee Chair, the PERA Fund reached a record high, the investment allocation was changed to minimize volatility and risk to the Fund, and a sub-committee was established to study investment fees. The work of the fee sub-committee resulted in a \$15 million reduction in fees paid to investment managers by PERA.

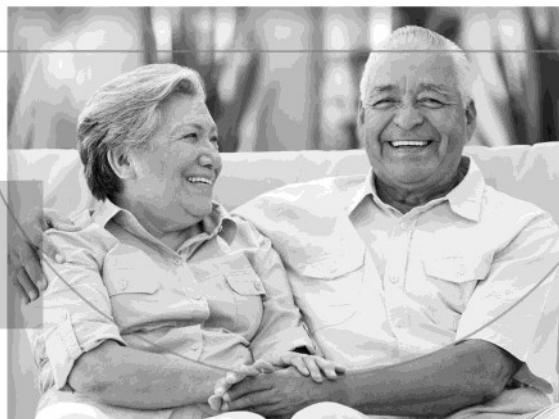
Other accomplishments of PERA during the last few years include:

- Full implementation of SB27.
- A \$50 million settlement of claims against Wells Fargo
- Pension reform of the Judicial and Magistrate retirement programs
- Go to the PERA Building in order to have a “one-stop shop” for retirees
- Expansion of the Albuquerque PERA office
- Reorganizing PERA’s Internal Audit function
- An unqualified audit for FY’15



Continued on page 2

Proud to serve
New Mexico's
active and retired
public employees
since 2000.



CONNECT WITH US:
UnitedConcordia.com



ADV-0059-0215

Continued from page 1

- Maintaining PERA's 2015 funded ratio at 74.3% with an expected funded ratio of 100% by 2041
- Launching a new PERA web site and improvements to PERA's customer service operations

I look forward to continuing working for all PERA retirees and to protect the benefit that you worked hard to earn. My current PERA term ends this year and as a candidate for re-election I would appreciate your support in this summer's election. It has been a pleasure serving you as both President of RPENM and as your PERA representative.

Daniel J. "Dan" Mayfield
President, RPENM

PERA Article

Submitted by Dan Mayfield

RPENM - President

The Public Employees Retirement Association of New Mexico (PERA), is a \$14 billion pension fund that is currently responsible for paying out over \$1.1 billion in retirement benefits to 38-thousand retired members each year. PERA currently receives approximately \$600 million in employee and employer contributions. This amount represents a \$600 million shortfall that must be covered by investment returns to prevent the fund from decreasing in value. So how does PERA accomplish this task with protecting the fund to meet PERA's mission of, providing a stable lifetime benefit to current and future members? First, PERA starts with its mission and balances its assets among risk-seeking and risk-reducing strategies. This process typically results in a broadly diversified asset allocation among liquid and illiquid securities including equities, bonds, real estate and real assets.

PERA believes its mission is accomplished through the fund's strategic asset allocation. It is this reason that PERA spends a great deal of time thinking portfolio construction and developing an asset allocation that delivers the best possible risk adjusted returns while protecting against down markets and preserving enough liquidity to meet retiree payroll.

Strategic Asset Allocation, or the apportionment between assets, is the biggest determinant of a portfolio's return. In an effort to best position PERA for meeting its current and future benefit payments, the Board recently changed the strategic asset allocation of the Fund. The changes incorporated simplifying the portfolio from eight asset categories to four asset categories. The key to structuring the new asset allocation was to identify asset category groupings based on the role each asset plays in a broader portfolio. This allows for true diversification. True diversification is achieved when combining asset categories that respond differently to various economic environments. This type of structure avoids constructing a portfolio that is "diversified in name only" or positioned for only one type of economic cycle.

Asset category targets and investing to reach these targets are not the end of PERA's investing exercise. Investments and markets continuously move in different directions at various speeds. When this happens, assets need to be rebalanced back to their strategic asset allocation targets in order to maintain the intended risk and reward profile of the portfolio. Disciplined rebalancing provides a long-term mitigant against various market cycles and capital market risks. This is due to the fact that rebalancing forces the practice of "selling high, buying low." Human emotions make it difficult to remain steadfast to the long view given the uncertain financial markets. However, PERA takes a multi-generational view for asset management, which is methodical and unemotional. Over the long term, PERA believes that the new strategic asset allocation will help efforts to deliver the investment returns needed to keep the Fund "healthy" and achieve PERA's mission.

Below is PERA's new Strategic Asset Allocation listing the appropriate rebalancing ranges:

ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective April 28, 2016

| Asset Class | Lower Limit | Strategic Asset Allocation Target | Upper Limit |
|------------------------------|-------------|-----------------------------------|-------------|
| Global Equity | 38.5% | 43.5% | 48.5% |
| Risk Reduction & Mitigation | 18.5% | 21.5% | 24.5% |
| Credit Oriented Fixed Income | 11.0% | 15.0% | 19.0% |
| Real Assets | 16.0% | 20.0% | 24.0% |

Of equal importance, the underlying return, correlation and risk assumptions need to be constantly challenged and periodically updated, including portfolio simulations and constant modeling. This rigorous exercise differs from the emotional desire to make rash changes to the portfolio based on current market conditions. Be it motivated by fear or greed, drastic tactical shifts in asset allocation to either risk-seeking (i.e. equities) or riskless (i.e. cash) categories without the high level rigor described above is called "market timing," which is a flawed investment strategy. It is impossible to predict the future and although an investor may be lucky once, guessing right may lead to false confidence. False confidence, in turn, is likely to lead to future losses. Market timing also diminishes the benefits of a broadly diversified portfolio. Specifically, a tactical portfolio overweighs certain investments and, thereby, concentrates its risks.

At PERA, we recognize that markets go through cycles. The last two years have proven to be difficult and PERA has suffered losses in one of those. PERA manages investments solely in the context of our mission to our members. As such, PERA is focusing on the long view. All investment assumptions are constantly revisited in a thoughtful and rigorous manner. This includes challenging underlying asset category return expectations and modeling various scenarios. It would not be prudent for PERA to assume it has some unique market knowledge and

Continued on page 4

Continued from page 3

subject PERA's investments and members to impulses. PERA will get through this market correction and subsequent ones. Over the long term, PERA believes that its new strategic asset allocation, rigorous process and portfolio monitoring will deliver the investment returns needed to keep the fund *healthy* and paying out benefits to our members today and into the future.

FALL Board of Directors Meeting

When: The Board meeting will be conducted on Saturday morning, beginning at 9:00 am Nov. 12, 2016.

Where: The 2nd floor of the AAA building at 10501 Montgomery Blvd. NE, Albuquerque, NM, 87154.

Purpose: The Board meets twice a year to conduct business. This year, the Fall Board meeting's main focus is:

- Adopt the budget for the upcoming year
- Evaluate and appoint/or reappoint the RPENM member that will sit within the Board of Directors for the Retiree Health Care Association
- Lobbyists yearly contract evaluation
- Confirm the plans and timelines for the 2017 RPENM Board of Directors elections. Elections will be held for 6 upcoming Board seats, for a four year term; 2017-2021. These Board positions are currently held by:
 - ◇ Susan Biernacki
 - ◇ Wesley Brown
 - ◇ Ann Crandall
 - ◇ James Robles
 - ◇ Charles A, (Tony) Sayre
 - ◇ vacant
- Other pertinent RPENM business

New Mexico Retiree Health Care Report

Doug Crandall, RHCA Representative

Changes Ahead for NM Retiree Health Care Recipients

Several changes were approved by the NM Retiree Health Care Board during the 2016 annual meeting held in Cloudcroft on July 14 & 15. A brief summary of those changes follows.

- Two new vendors have been added to the health plan providers. Humana, one of the largest health care providers in the country will begin offering a Medicare Advantage Plan and New Mexico Health Connections which will offer a new value plan for pre-Medicare members.
- Effective in 2017, any new Medicare eligible retiree who does not select a plan will automatically be defaulted into a Medicare Advantage Plan. No one currently enrolled in a Medicare supplement plan will be required to change plans, and anyone automatically enrolled in a Medicare Advantage Plan will have a reasonable time to opt out. This new policy only affects members who turn 65 and do specifically choose a new Medicare plan.
- Over the counter medication will no longer be covered by Express Scripts. Drugs such as Nexium, Clarinex or Nasonal will have to be purchased directly through a retail establishment.
- Open enrollment restrictions will be added for those retirees who chose not to enroll through RHCA upon retirement, or after a qualifying event (e.g., loss of coverage from another plan or other similar situations that were not voluntary). This will deter those RHCA eligible members who declined coverage until they had a major health problem and then opted into the plan. It will not affect anyone who had coverage outside of RHCA and lost that coverage involuntarily, regardless of any health issues.
- The pre-Medicare Premier Plus plan will be eliminated entirely and all Premier Plus members will be migrated automatically into the Premier

Plan. The Premier Plan benefits will remain the same, but the the monthly cost will rise by approximately \$50 a month for a retiree and \$69 a month for a non-retiree spouse. Both the Premier Plus plan and the the Premier Plan are considered Gold plans in terms of benefits offered.

- A new, Silver level plan will be offered. The cost of the Silver plan will be the same as the current Premier Plan, though with a higher out of pocket maximum cost and increased deductibles. The Silver plan will also be an HMO plan with a narrower network of providers. Blue Cross Blue Shield and Presbyterian will continue to offer the Silver plan, as will New Mexico Health Connections.
- All plans will now include deductibles and co-pays in calculating maximum out of pocket costs. Current plans do not count either in determining out of pocket maximums, so this change will offer a considerable savings to some members.
- These changes only affect pre-Medicare retirees.

Though I voted in favor of the changes because there was no real alternative supported by the RHCA Board, and because as a fiduciary, it is my duty to assure fund solvency, I strongly stated my opposition to the idea that consistently raising rates and eliminating or reducing benefits as the only option available to the board.

Another option is to 'float' the expectation of a 20-year solvency to a lesser period of time until another necessary change to the plan can be accomplished. That change is to slightly increase the employee and employer contributions.

Unfortunately, given the current fiscal health of state and local governments, it is highly unlikely to expect any increase in employee or employer contributions any time in the near future. Further, as current employees have seen little or no increases (and even some decreases) in salaries over the past several years, there is little support among employee groups to further erode take home pay.

As the RPENM representative to the RHCA Board, I
Continued on page 6



**Today,
tomorrow,
and through
the years...**

**BCBSNM is here and committed to
New Mexico's active and retired employees.**



**BlueCross BlueShield
of New Mexico**

A Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association.

bcbsnm.com

stand by my decision regarding the changes made. I have made it clear, however, that the board's next step should be to review the solvency policy before making any future decisions regarding plan changes and rate increases. There will still be plan changes in the future and health insurance rates are not going down any time soon. Nonetheless, I believe that the board has to consider all available options and that a reasonable reduction in the solvency period will not endanger to strength of the fund, but will provide a temporary path that avoids placing all the burden of solvency on current retirees.

On a final note, even with the rate increases, RHCA pre-Medicare plans offer better coverage, more choice and substantially lower costs than anything available in the private marketplace.

Other News & Notes

The RHCA trust fund now stands at over \$450 million and, based upon the decisions made in Cloudcroft, the fund is solvent through 2036.

All members are encouraged to participate in the Wellness program reward offered by the Retiree Health Care Authority. The program offers a \$50 gift

card to those retirees who enroll and complete at least two wellness programs, including smoking cessation, weight loss and successful management of any chronic disease. Please contact the RHCA office for further information.

For those of you living in the Santa Fe area, Presbyterian has broken ground on a new medical facility. It is expected to be fully operational sometime next year.

In addition to the new vendors mentioned earlier in this report, all current vendors, including dental, vision and pharmacy, had their contracts renewed. Switch enrollment meetings will begin this fall and the new plans, as well as all of the plan changes will be explained to those in attendance.

Finally, board elections were held at the annual meeting and the Executive Committee was re-elected by acclamation: Tom Sullivan, President; Joe Montano, Vice President; and myself as Secretary.

Please feel free to e-mail me at dougcinaz@gmail.com, or call me directly at 480-636-8063. Enjoy the rest of this hot summer!



**Investing in a healthy
New Mexico for
more than 100 years.**

As long as there have been New Mexicans, Presbyterian has been caring for them. We've been a part of New Mexico longer than New Mexico has been a state. Over that time, healthcare has changed in ways no one could have imagined. What hasn't changed is our dedication. **Your story is our story.**

Necrology

The following Retired Public Employees of New Mexico were reported to us as deceased since our last Newsletter.

Their commitment to protecting New Mexico's public employees, retirees and PERA itself, was demonstrated by their continued support of RPENM. **We offer our sincerest condolences to their families, and we honor them for their public service to the citizens of New Mexico.**

Thank you for your dedication to protecting New Mexico's Retirees!



Alamogordo

Zane Bourboun

Albuquerque

Margaret Nonemake

Jerry Gurule

Nancy Wozniak

Tom Baca

Imogene Lindsay

Robert Santiago

Edward Baca

Ortencia Casaus

Les Russell

Ruben Moya

Belen

Lloyd Miles

Edgewood

Michael Holguin

Flora Vista

Kenneth Patterson

Hurley

Charla Holland

Jal

Erma Meza

Laguna

Fred Scott

Las Cruces

Joan Hillman

Ratón

Janice Elam

Robert Wills

John Garcia

Rio Rancho

Leo Pollak

Santa Fe

Pauline Anaya

Norma McCallan

Mary Maloy

Juanita Rael

Socorro

Mary Aguilar

T or C

Daniel Hernandez

Mesa, Arizona

Rosemary Duffield

Emilio Gardella

Cortez, Colorado

Donald Villers

Port Charlotte, Florida

Edward Medrano

Lansing, Michigan

Charles Candelaria

Wentzville, Missouri

Dexter Lewis

Wewoka, Oklahoma

Loren Moats

Lubbock, Texas

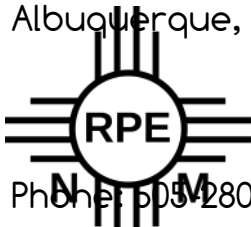
Ray Goff



Retired Public Employees of New Mexico

PO Box 20607

Albuquerque, NM 87154-0607



Phone: 505-280-8459

E-mail: rpenm@rpenm.org

www: www.rpenm.org

Non-Profit
Organization
US Postage Paid
Albuquerque, NM
Permit 798

Have You Scheduled Your Benefits Checkup Yet?

Many members are glad they've taken the opportunity to meet with their local benefits representative to learn about their endorsed member benefits. The Retired Public Employees of New Mexico (RPENM) has partnered with Association Member Benefits Advisors (AMBA) to make benefits available to members. Benefit representatives are available as a courtesy to answer all of your questions.



Your Member Benefits Include:

- > Dental & Vision Coverage
- > Medicare Supplement Plans
- > Life Insurance
- > Rental Car Discounts
- > Travel Discounts
- > Cancer Insurance
- > Long-Term Care
- > Emergency Transportation Plan
- > Computer Discounts
- > Restaurant Discounts

This is one checkup you don't have to worry about.
Call today to see what you might be missing out on!

1-800-258-7041

www.myAMBAbenefits.info/rpenm

Benefits Made Available through



RPENM Members **WANTED!**

Due to the overwhelming requests for information about benefit programs, Association Member Benefits Advisors (AMBA) is seeking RPENM members to work as benefit representatives. Benefit representatives conduct seminars on long term care and hold informational meetings with other members in their area. If you have an interest in this position, please call Jeanie Coffey, National Director of Association Relations, at: **1-800-258-7041, ext. 332**

