



RPENM News

Winter 2016

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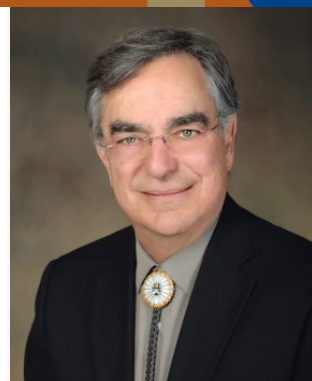
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President's Message

By Dan Mayfield, RPENM President

Dear RPENM Members

The year 2016 was a busy one for us at PERA. On a personal note, I want to thank all of you who voted for me during the PERA Board election this year. I am excited about serving you on the Board for another four year term. I'm also excited to congratulate two new members on the Board. Our new Secretary of State, Maggie Toulouse Oliver will be sworn in soon to the Board and Ms. Claudia Armijo, who won a seat on the Board to represent State employees, will be sworn in at a Special Board meeting on January 10, 2017. I've known Secretary Toulouse Oliver for a number of years and recently met Ms. Armijo. Both will do an excellent job representing PERA's 90,000 members. Just a few highlights from the past year, the PERA Fund as of mid-December stood at \$14.4 billion. In July, the PERA Board took the prudent step of lowering our long term investment rate of return assumption to 7.25% for the next 10 years. While this will have a short term impact on our funded ratios, it more accurately reflects what we think is a realistically achievable return, particularly in a low interest rate environment. PERA received an unqualified opinion for its FY'16 audit. This is the second year in a row that PERA has achieved this and great credit goes to the staff at PERA who work daily to ensure that our Fund is safe and properly managed. Finally, FY'16 marked a milestone for PERA in that it was the first year that we paid out more than \$1 billion in benefits to our retirees. That is a significant event not just for our retirees but also for the State of New Mexico as that money filters back into the economy and helps all of our communities. Looking forward to 2017, PERA hopes to conduct a member services satisfaction survey in the spring. I hope that if you are contacted for the survey you will take time to give your honest feedback. Of course, it's always good to receive positive feedback but it's just as important that we hear from you on how we can do better. The Legislature will be meeting for a 60



day session starting on January 24. With the State continuing to face significant budget challenges we on the PERA Board will be vigilant and consistent in our message that the PERA Fund should be used to pay the retirement benefit that our members have earned and not for other purposes. As always, we on the PERA Board welcome your feedback, opinions and thoughts. Best wishes for a great 2017.

Sincerely,

Dan Mayfield, Vice Chair, PERA Board

1.2 Trillion Economic Impact, 7.1 Million Jobs from Pension Spending

Copied from the Homepage of the National Institute on Retirement Security- www.nirsonline.org

A new report finds that economic gains attributable to defined benefit (DB) pensions in the U.S. are substantial.

Pension Spending Supports 7.1 Million Jobs, \$1.2 Trillion in Economic Output Across the US.

Food Services, Healthcare, Real Estate and Retail Industries See Biggest Employment Impacts

WASHINGTON, D.C., September 14, 2016 – A new report finds that economic gains attributable to defined benefit (DB) pensions in the U.S. are substantial. Retiree spending of pension benefits in 2014 generated \$1.2 trillion in total economic output, supporting some 7.1 million jobs across the U.S. Pension spending also filled government coffers with retirees paying a total of \$190 billion in federal, state and local taxes on their pension benefits and spending 2014.

Pensionomics 2016: Measuring the Economic Impact of Defined Benefit Pension Expenditures released today by the National Institute on Retirement Security includes the story of Linda, a newly-retired, single woman with pension income living in California. Linda spends nearly all of her \$3,300 monthly pension income on housing costs – including her mortgage payment, interest, home maintenance, taxes, insurance and utilities. Her pension spending creates a direct and positive economic benefit on the California economy. The aggregate economic impact



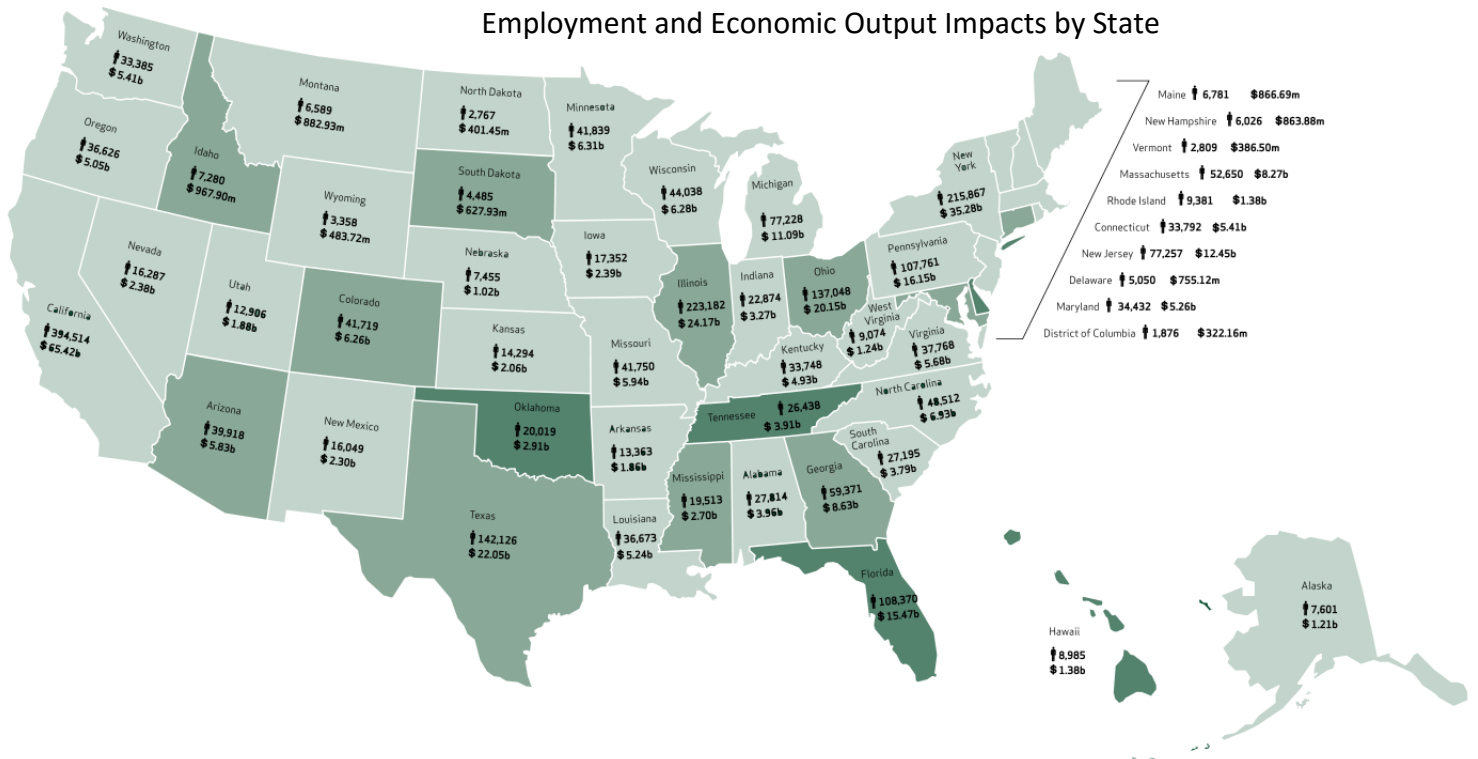
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Employment and Economic Output Impacts by State



of housing spending by 24 million retired Americans with pensions plays an important role in the real estate sector. In 2014, pension expenditures supported nearly 383,000 real estate industry jobs nationwide.

“Household spending drives the U.S. economy, accounting for more than two-thirds of U.S. economic output. In fact, American retirees’ pension spending supported one-tenth of such economic output nationwide,” said Diane Oakley, NIRS executive director. “So it’s clear that the growing number of retired Americans must have adequate income for consumer spending that continues to drive our economy.”

Pensionomics 2016 comes at a time when economists are predicting dramatic drops in economic growth in the coming decades. A recent McKinsey Global Institute study indicates that factors including an aging workforce and declines in population growth could reduce economic growth by one-third in the U.S. and 40 percent globally.

“A stable and secure pension benefit that won’t run out enables retirees to pay for their basic needs like housing, food, medicine and clothing. It’s good for the economy when retirees are self-sufficient and regularly spend their pension income. Retirees with

inadequate 401(k) savings and fearful of running out of savings tend to hold back on spending. This reduced spending stunts economic growth, which already is predicted to drop by one-third as the U.S. population ages,” Oakley explained.

Pensionomics 2016 reports the national economic impacts of public and private pension plans, as well as the impact of state and local plans on a state-by-state basis.

The study finds that in 2014:

Nearly \$519.7 billion in pension benefits were paid to 24.3 million retired Americans including:

\$253 billion paid to some 9.6 million retired employees of state and local governments and their beneficiaries (typically surviving spouses);

\$78.8 billion paid to some 2.6 million federal government retirees and beneficiaries; and

\$187.9 billion paid to some 12.1 million private sector retirees and beneficiaries.

Expenditures from these payments collectively supported:

7.1 million American jobs that paid \$354.8 billion in labor income;

\$1.2 trillion in total economic output nationwide;
\$627.4 billion in value added (GDP); and
\$189.7 billion in federal, state, and local tax revenue.

Pension expenditures have large multiplier effects:

Each dollar paid out in pension benefits supported \$2.21 in total economic output nationally.

Each taxpayer dollar contributed to state and local pensions supported \$9.19 in total output nationally. This represents the financial value of long-term investment returns and the shared funding responsibility by employers and employees.

The study is authored by Jennifer Brown, NIRS manager of research. It was conducted using the most current data available from the U.S. Census Bureau and IMPLAN, an input-output modeling software widely used by industry and governments analysts.

The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. Located in Washington, D.C., NIRS' diverse membership includes financial services firms, employee benefit plans, trade associations, and other retirement service providers.

New Mexico Retiree Health Care Authority Report

Doug Crandall, RHCA Representative

New Mexico's Economy & Retiree Health Care

The New Mexico Retiree Health Care Authority was not left unscathed as a result of the budget problems affecting the State of New Mexico.

Currently the Authority receives money from two separate tax suspense funds. One fund provides RHCA with an annual \$3 million transfer and the other fund varies, but last fiscal year the transfer was approximately \$14 million. Based upon SB7 and a similar bill in the House, the \$3 million will be eliminated entirely. The \$14 million, indexed at a

12% growth rate each year, will be temporarily put on hold until FY 2020.

Although the Authority was spared from permanently losing both of the funds, the total revenue reduction, including loss of interest income, will be around \$250 million in the long run. This will likely translate into a loss of up to five years of solvency, which currently stands at 20 years.

RHCA's Future

This loss in solvency does not mean that the Authority is in any immediate danger of being able to provide affordable benefits to its members. In fact, the most recent GASB valuation (this is a report on the fiscal status of retiree health care plans) shows the NMRCAs in the top 17% of all public

retiree health care plans.

Another positive is the RHCA trust fund balance, which now approaches \$490 million. This is an increase of more than \$320 million since the fund's recent low point in 2009. At that point, the entire plan was expected to become insolvent by 2014!

Based upon our asset allocation strategy, the plan is well positioned to achieve a return of 7-7.25% over the next ten to twenty years. Although this return is still slightly below the actuarially expected return of 7.75%, both the future of health care costs and investment returns can be extremely uncertain and volatile and the RHCA is well positioned to both capture any gains and mitigate extreme losses in investments.

Containing Health Care Costs

Investment returns are important, but containing health care costs remain the biggest issue facing RHCA and all health insurers. Two issues are the principle drivers in cost increases: member wellness and pharmaceutical drugs. The Authority is addressing each one proactively.

In 2016, for the first time, members were offered a wellness incentive. This incentive gives members a cash card for completion of at least two of the programs (e.g., stop smoking, lose weight, disease management). Approximately 300 members have taken advantage of the program. These incentives will remain in effect in 2017 and it is the hope of the

Authority that many more members will get involved. The most efficient solution to controlling costs is in achieving better health and the more members who participate in improving their own health, the better the [fiscal] health of the New Mexico Retiree Health Care Authority.

The largest driver of cost, however, is prescription drugs. Many of our members are taking ten or more prescription medications. Often, those medications can counteract each other and not provide the expected benefits. Another problem is that some members are not taking drugs that they need, which causes more expensive health problems in the long term.

RHCA cannot control the cost of pharmaceutical drugs directly, but it can help in producing better outcomes. Beginning next year, a partnership of Presbyterian doctors will partner with RHCA to track and coordinate drug prescriptions with positive outcomes. The RHCA database (of all members, not just those on a Presbyterian plan) will be used to assure that prescribed drugs are providing the

outcome that is being targeted. The data will also be used identify those members who are either not using drugs they should be, or using the drugs improperly. The goal is to lower prescription expenses which are now the main driver in health care costs.

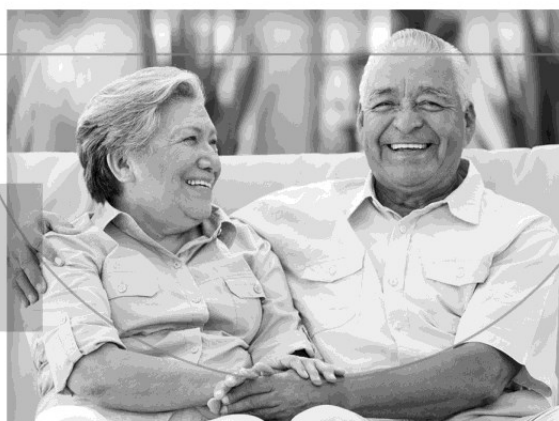
Other News and Notes

Switch enrollment has ended and the biggest change is in the number of Medicare eligible members that have been moved from a Medicare supplement plan to Medicare Advantage. Over 30% of all Medicare recipients are now enrolled in a Medicare Advantage plan. In addition, approximately 13% of pre-Medicare members have moved from the Premier Plan to the Value option.

Because of New Mexico's serious budgetary issues which must be addressed in the next legislative session, the NM Retiree Health Care will not be asking for an increase in the employee and employer contributions as has been requested in the last few sessions. Instead, the Authority will offer a

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Joint Memorial which will identify the importance of RHCA to not just its members, but to the economy and well being of the entire state. The intent of the memorial is to achieve an understanding among legislators that RHCA will do its part in dealing with the current budget shortfall, but that it is important the financing and funding of the plan be reestablished as the economy improves. The Board and Staff are working together to achieve bipartisan sponsorship for the memorial.

Many challenges face the RHCA health care in general. Fortunately, the organization has an excellent staff and committed board to watch over and deal with these challenges as they arrive.

I would like to also thank all RPENM members for allowing me to serve as your representative on the New Mexico Retiree Health Care Authority Board. Your continued support of RPENM is important in assuring the long term success of your health plan.

I hope you all had a great holiday season and wish you all the best for 2017!

RPENM Needs you as a Board Member!

Have you thought of serving on the RPENM board?

Election Forms are available on the website:

<http://www.rpenm.org>

SAVE THE DATE: RPENM Annual Membership Meeting in Santa Fe, NM

Friday, May 5th: reception location to be announced

Saturday, May 6th: Board Meeting at the PERA Conference Room

Join other retirees to hear legislative updates, presentations from partners such as: Association Members Benefits Advisors, Presbyterian, Blue Cross Blue Shield & United Concordia.

Network with other members of RPENM!



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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!



Albuquerque

Arsenio Brito
Cleo Werner
Cora Griggs
Elmer Lucero
Eugene Gomez
George Montoya
James Casias
Jesus Sosa
Larry Chavez
Mary Vigil
Rita Maldonado
Verna Prehn

Aztec

Kelly Maestas

Bloomfield

William Goff

Capitan

David Brooks

Carrizozo

Lucilla Osorio

Clayton

Joe Padilla

Clovis

Hector Carrasco

Colorado Springs, CO

Jeanne Eggenhofer

Corrales

Nick Bachis

Deming

Fred Rossiter

Espanola

Horace Montoya

Tony Sanchez

Las Vegas

Dolores Martinez

Joe Atencio

Los Lunas

Dolores Tafoya

Lovington

Bobby Rolls

Moriarty

Deborah Chambers

Ernest Wickham

Newton, KS

Jane Woodward

Peralta

Gloria Torrez

Portales

Evelyn Wright

Roswell

Kay Rogers

Santa Fe

Eleanor Roybal

Gene Powers

Jose Morfin

Juan Gurule

Manuel Romero

Pita Archuleta

Tony Armijo

William Shrecengost

Seal Beach, CA

Alice Binkert

Socorro, NM

Bennie Barreras

Teton, ID

Karl Ljunggren

Amarilla, NM

Max Salazar Tierra

Weslaco, TX

Arthur Rich

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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:

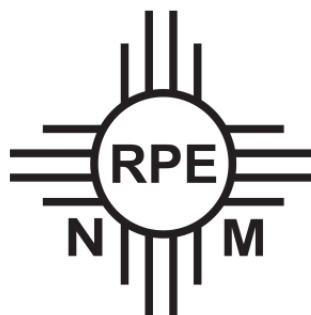
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| > Medicare Supplement Plans | > Long-Term Care |
| > Life Insurance | > Emergency Transportation Plan |
| > Rental Car Discounts | > Computer Discounts |
| > Travel Discounts | > Restaurant Discounts |

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**

