



# New Mexico

**NEW MEXICO HAS GENERALLY DONE** a very good job of managing its long-term pension obligations. Its public employee pension, which is 92% funded, started to show an upturn in 2006 (similar to many state plans that use a four-year smoothing period to calculate the actuarial value of assets and therefore no longer reflect poor investment returns earlier in the decade). However, the aggregate figures for the state's pension system don't reflect that increase because of the larger education fund, which was only about 70% funded at the end of 2005, the most recent state information available. On the non-pensions side, New Mexico's actuaries have calculated the liability for retiree health care and other benefits at \$5 billion. New Mexico may be in better shape than many states on this issue because its state retiree health care authority board maintains a fund equal to seven to nine years of premium payments. This money is not in an irrevocable trust, however—so based on standards set by the Governmental Accounting Standards Board, it may not be considered when calculating the state's unfunded liability for non-pension benefits.

## PENSIONS

TOTAL BILL COMING DUE: **\$22.5 billion**<sup>1</sup>

FUNDS SET ASIDE: **\$18.5 billion**

PORTION UNFUNDED: **\$4 million**

PERCENT FUNDED: **82 as of 2006**<sup>2</sup>

TEN YEAR FUNDING HIGH: **99% in 2001**

TEN YEAR FUNDING LOW: **82% in 2006**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** New Mexico assumes 8% interest on its investments, the same as the 50-state median. It uses a four-year smoothing period to calculate the value of assets for all of its pension plans, except for education, which uses a five-year smoothing period. Amortization periods conform to accounting standards.

<sup>1</sup> Pension funds include public, judicial and school employees, volunteer firefighters and magistrates.

<sup>2</sup> 50-state mean was 82%; financial reports provided data on the education pension system only through 2005.

## OTHER BENEFITS

TOTAL BILL COMING DUE: **\$5 billion**<sup>1</sup>

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$5 billion**<sup>2</sup>

PERCENT FUNDED: **0 as of 2006**


HOW IS THE STATE DOING IN MANAGING THIS BILL? 

<sup>1</sup> Pew was not able to obtain a breakout for state employees.

<sup>2</sup> 122% of covered payroll, compared to a national median of 135%; this does not take into account any funds set aside that are not in an irrevocable trust.

**REFORMS:** In 2006, the legislature voted to establish a State Investment and Retirement Systems Oversight Committee, an action vetoed by Governor Richardson. The year before, it set up a schedule for increased government and employee contributions to the New Mexico Educational Retirement Association. It also established a new benefit structure for judges and justices who join the system after July 1, 2005, somewhat increasing the age and service requirements for normal retirement. In 2007, a study group was formed to look at the financial health of the New Mexico Retiree Health Care Authority with a report expected this December.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



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