THE PEW CENTER ON THE STATES

The Trillion Dollar Gap

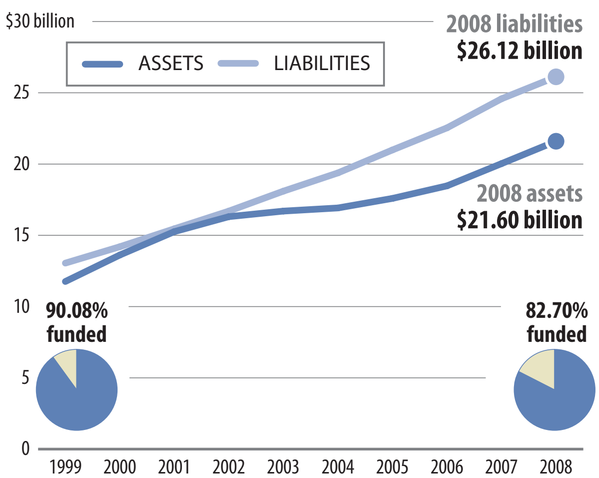
Underfunded State Retirement Systems and the Roads to Reform

New Mexico

NEW MEXICO needs to improve how it manages its long-term liabilities for both pensions and retiree health care and other benefits. New Mexico has set aside 83 percent of the assets needed to pay for its total pension bill—above the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. But the state has failed to pay at least 90 percent of the actuarially required contribution in recent years. The Land of Enchantment's unfunded pension liability in 2008—$4.5 billion—was greater than the state's annual payroll. The state legislature enacted policy reforms in 2009 by temporarily increasing employee contributions and decreasing employer contributions for some members. The state projects this will save $42 million in fiscal year 2010. Meanwhile, New Mexico ranks eighth in the country in terms of the percentage of funding for its long-term bill for retiree health care and other benefits, with $170 million in assets set aside to pay for the $3.1 billion liability.

PENSIONS, 1999 – 2008

New Mexico's pension liabilities grew 100 percent between 1999 and 2008, outpacing assets, which grew 84 percent in that period.



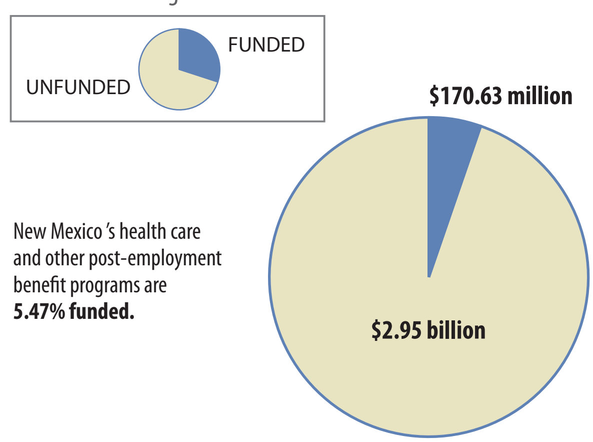
Total Bill Coming Due:	$26,122,238
Portion Unfunded:	$4,519,887
Annual Required Contribution (ARC):	$667,691
Percentage ARC Funded:	88.56%

Note: In thousands

PENSIONS: NEEDS IMPROVEMENT

HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefits are 11 percent of New Mexico's total retirement bill but are 39 percent of the state's retirement funding shortfall.



Total Bill Coming Due:	$3,116,916
Portion Unfunded:	$2,946,290
Annual Required Contribution (ARC):	$286,538
Percentage ARC Funded:	32.15%

Note: In thousands

HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT

Solid performer
Needs improvement
Serious concerns

Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent of the ARC during the past five years. Solid Performer = 4 points. Needs Improvement = 2–3 points. Serious Concerns = 0–1 points. Grading for health care and other benefits is simpler because most states have only recently begun to fund and collect data on these liabilities. States are solid performers if they have set aside assets equal to at least 7.1 percent of their liabilities (the 50-state average), or they need improvement if they have contributed less.
For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.

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901 E Street NW | 10th Floor | Washington, DC 20004 | www.pewcenteronthestates.org