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Dr. Hunemuller Named ERA Acting Director

Danny Joe Lyle, Director of the NM Educational Retirement Association (ERA), resigned July 12, 2004, to take a position as chief business officer for Bernalillo Public Schools.

Dr. Evalynne Hunemuller has been named by the Board as acting director for ERA. Dr. Hunemuller has worked closely with the Board of Directors for the past 7 years as the Deputy Director.

Dr. Hunemuller states that ERA's plans for the future will not be interrupted due to the recent changes in leadership. "The Board of Directors and staff are committed to the security of members' benefits," says Dr. Hunemuller. "Our staff is a truly dedicated group of people who have the best interests of our active and retired members at heart. Especially in times of fiscal uncertainty, members need to be able to have confidence that their pension plan is being administered with diligence and integrity – as the Educational Retirement fund most certainly is."

Malott Appointed Chairman of the Board

ERA Chairman of the Board Delman Shirley announced his resignation effective September 1, 2004. Mr. Shirley has served as an officer of the 110,000-member retirement fund since 1982. He will continue to serve as a member of the Board of Directors and as Secretary of the Executive Committee.

Replacing Mr. Shirley as Board Chairman will be Bruce Malott, who was appointed to the Board by Governor Richardson. Mr. Malott is a founder and managing principal of Meyners + Company, an Albuquerque CPA firm. He also serves as Chairman of the New Mexico Board of Accountancy. Mr. Malott is a member of the Board's Investment Committee and Audit Committee.

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Message from the Acting Director

Evalynne Hunemuller

Over the last ten months, there has been much discussion about the financial status of the ERA pension fund. I'm sure you have heard some of the stories. And, while it is true that we do have some important challenges ahead of us to ensure the long-term stability of the fund, let me assure you that your retirement benefits are secure and that our fund will continue to provide retirement benefits for all our members for many years to come. I am confident that by working with the Legislature and Governor, the Board and staff will take the necessary steps to ensure the financial strength of the fund our members have come to rely upon.



First, I am proud to report that the performance of our investments has consistently met our goals. Despite our own performance, however, the stock market downturn of the last few years coupled with higher teacher salaries, longer life expectancies of members, and an increase in retirements due to the baby boomer phenomenon are all putting a very real strain on the New Mexico Educators' pension plan. While educators' pensions are assured for the next 25 years, actuaries are predicting that the fund will not be able to maintain its long-term solvency without additional dollars being added to the fund.

There are several options to get the retirement fund back on track. Two of those would be to increase employee contributions or decrease employee benefits. The ERA Board does not consider either of those as desirable options. Another option would be to increase the employer contribution via an increase in funding by the Legislature; or the state might consider issuing pension obligation bonds to be paid off, with interest, by the taxpayers of New Mexico over the next 20 to 30 years. Of course, the Board will not be considering any benefit increases until this problem is resolved.

“A teacher retiring this year making \$46,000 could conceivably receive a total pension benefit of \$500,000 to \$600,000 over a 20-year retirement.”

For example, a new retiree will use up the current contributions made by himself/herself and his/her employer within the first four to five years of retirement. The investment of those contributions during a member's years of active employment are what allow an ERA member to enjoy a set monthly benefit for the rest of his/her life. (A teacher retiring this year making \$46,000 could conceivably receive a total pension benefit of \$500,000 to \$600,000 over a 20-year retirement.) A history of inadequate contribution levels and poor market returns during the market downturn of 2001-2002 has resulted in a potential inability to provide those benefits in the long-term.

The earnings of the fund in the late 1990's painted a bright future for ERA and its members. However, liabilities have continued to grow with no corresponding increase in contributions by either the employers or employees. For example, the New Mexico Public Employees Retirement Association (PERA) has an employer contribution of 16.59% of an employee's earnings, while the ERA employer contribution is only 8.65%. A long history of higher employer contributions to PERA has led to a better financial condition for that fund. By contrast, the ERA contribution rates by employers and members are no longer adequate to cover retiree benefits in the long run.

I personally want to assure you that we are committed to maintaining the highest standards of conduct and financial management, and we are always mindful of the trust that has been placed in us.

Interest Rates

Effective September 1, 2004

4.60%	Retiree Death Refund
3.79%	Active Member Death Refund
3.79%	Regular Refund Rate

Retiree COLA

Retiree COLA effective July 1, 2004 - 2%

When to Say When?



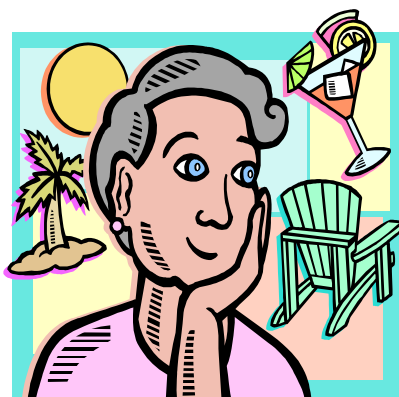
It is often a difficult decision to know when to retire. There are many factors in this important decision. The financial decision is the most obviously important with the question, “Can I live on this pension?” For many of us, the

decision to retire from education is followed immediately by the need to seek a new job and the decision of what that job may be. The final decision is perhaps the most vital, “What does retirement mean to me?” The emotional impact of the decision for many of us is the most essential consideration.

Many of us have heard from retirees that they are taking home more in retirement than they were while working. These retirees probably had at least 30 to 35 years of service and had many deductions such as tax sheltered annuities, union dues, loans, or perhaps a larger share of insurance. For retirees with less than 25 years of service, the net pension amount may be much less than their working income. If you are interested in your possible pension income, contact your closest ERA office and request an estimate of your possible retirement date and estimated benefit amount.

The average ERA retiree starts retirement at age 58. At 58 it is possible that you may not be ready to stop working altogether. Volunteer and part-time jobs may offer flexibility along with income. If you work for an ERA employer, check with ERA to understand if it will affect your pension. You may go back to school to learn a new skill or just for fun. It is a good idea to begin exploring job options well before you plan to retire. Be more inquisitive about jobs and activities before you retire. Asking questions of friends, relatives, and neighbors may help you to identify a possible job or even career after your retirement from education.

The emotional aspect of your decision to retire is important. Retirement has many meanings. It may be a time of freedom and excitement. It will definitely be a time of adjustment, some of which is difficult.



Retirement is a symbol of the ending of, for most of us, our major lifetime endeavor. Talking to family and friends before and after retirement about the emotional changes can help to make retirement a more positive and rewarding time in our lives.

To make your retirement more positive, be sure to do your homework. Know your probable benefit and plan financially for retirement. Start early thinking and talking about what you will do when you retire.

And, finally, be aware of the different emotional responses you will have as you prepare for and go through the process of retirement. It can be the best thing you’ve ever done.



Need Help From ERA?

In addition to our Santa Fe office, we have three branch offices to assist members:

Albuquerque

2500 Louisiana Blvd, Suite 101,
Bank of Albuquerque Bldg.
505-888-1560
(*NM Retiree Health Care Authority
representatives are also available in
this office.*)

Las Cruces

410 West Court,
Corner of Court & Armijo
505-647-3313

Farmington

San Juan College,
Room 1113, East Classroom Complex
505-599-9763



The Right Questions, Right Now



I read in the newspaper that ERA is going bankrupt. Is this true?

The headlines for newspaper articles are written to get attention and do not always accurately reflect the true situation. Our fund is in need of some financial assistance via increased contributions. The amount of money coming into the fund is less than is needed to provide pensions into the distant future. In order to assure that pensions will continue after 2030, an increase in the level of contributions is needed.

What is the problem?

The market downturn of 2000 to 2002 is the most obvious cause for the financial bind ERA and most other pension funds are in. Losing 20% of the value rather than growing by 24% puts ERA behind where we planned to be. ERA investments did average over 8% per year return on its investments over the past ten years, which is the amount our actuaries tell us we have to maintain to stay healthy. However, ERA's increase in obligations — known to pension funds as liabilities — has outstripped our earnings. ERA is obligated to pay an increasing number of retirees (the Baby Boomers), who will have a much higher pension due to above average pay increases over the last 6 years, and who will live much longer than past retirees. It is the combination of all three situations that will spell trouble for

the fund 25 years from now unless contribution levels are raised.

Who does the investing of ERA's money?

Frank Foy is ERA's Chief Investment Officer, and he has a staff of four other professionals whose business is overseeing the \$6.8 billion dollar fund. The investment team invests 50% of the fund in bonds and other conservative funds. Outside money managers manage the other 50% of the fund, which is invested in the stock market. The ERA Board chooses these managers after a competitive bidding process in which the most qualified firms are chosen for the specific style of investments needed to have a well-rounded investment portfolio.

What contributions need to be increased?

ERA is working with the Governor and the Legislature to figure this out. (Please see several possibilities outlined in the *Message from the Acting Director* article on page 2 of this newsletter.) Remember, your contributions cover only the first 2 or 3 years of your retirement benefits. Both the employer contribution for all employees and investment income are what make a lifetime benefit possible for retirees.

Successful Retirement: Getting Your Ducks in a Row Seminars
Saturdays
8:30 a.m. to 12:30 p.m.
Oct. 30 Albuquerque
Nov. 6 Socorro
Nov. 13 Clovis
Call (505) 888-1560,
ext. 200,
for information

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