

Legislative Session Yields Changes

The 2009 legislative session was one of the most productive for educational retirement law changes in recent history. The legislation passed and signed into law by Governor Richardson will provide for better opportunities for members and have a positive actuarial impact on your pension fund. Many of the initiatives recommended by the Board were combined into one comprehensive pension bill, House Bill 573, sponsored by Rep. John Heaton of Carlsbad. The new statutes are discussed below.

>>> Thirty Year Retirement and Rule of 80

Future ERB members, who start work after July 1, 2010, will need to either work for 30 years; when their age plus experience equal 80; or at age 67 with 5 or more years of earned service in order to retire. These changes will help the long term financial soundness of the fund and at the same time better prepare the member for retirement. With 30 years of service vs. 25 years a typical retirement benefit will potentially grow by 20% or higher if an employee receives raises in the last 5 years. In addition, members who retired under the rule of 80 would see reductions if they were under age 65 at retirement.

>>> Return to Work

Also within HB 573, the Return to Work (RTW) program will continue through January 1, 2022. The new statute requires the employer to make both the employee and employer contributions to ERB. This new contribution requirement goes into effect on July 1, 2009 and includes all positions under RTW.

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"The secret of longevity is to keep breathing."

~Sophie Tucker

Legislative Changes *continued*

This statute continues the requirement that retired members must apply to ERB for permission to enter the RTW program. It also clarifies what services may and may not be performed for ERB local administrative units during the 12 month layout. Local administrative units are defined, in addition to ERB employers, as “any profit or non-profit entities incorporated, formed, or otherwise organized by, or subject to the control of a local administrative unit.”

>>> Military Service Purchase

Effective July 1, 2009, purchase of active military service will be allowed after five years of active service. The cost will be the employee plus employer contribution rate in effect the year in which the member purchases the service time multiplied by the 5 consecutive years average earnings in the years before the request to purchase service. If the member later refunds their service the employers part of the purchase will remain credited to the Educational Retirement fund.

When purchasing any service, Military or Allowed, the member must also make a contribution to the New Mexico Retiree Health Care Authority that is equal to the present value of benefits as determined by NMRHCA.

>>> Confidentiality

Senate Bill 490, sponsored by Sen. Stephen H. Fischman, outlines the confidentiality rules which ERB has been following. Our confidentiality practices are now a matter of law. ERB can disclose: employer(s) names, dates of employment, retirement and reported death, service credit, reported salary, and contributions. Any other disclosure is prohibited except to the member, spouse, or authorized representative.

>>> Audit Authority

Senate Bill 399, sponsored by Sen. Howie Morales, allows the ERB to audit the records of any local administrative unit to ensure compliance with the Educational Retirement Act.

>>> Alternative Retirement Plan

The Alternative Retirement Plan is a defined contribution plan option for certain higher educational institution professional employees. This option has been available since 1991. House Bill 525, sponsored by Rep. Gail Chasey, allows more flexibility in investment payout, the ability to switch to ERB’s defined benefit retirement plan after 7 years, and increases the number of plans up to five different plan sponsors. ERB will be working to implement this change as quickly as possible.

>>> New Mexico Retiree Health Care Authority Contributions

Many ERB members currently contribute .65% of earnings and their employers contribute 1.3% of payroll to NMRHCA to support the retiree health program for retirees. This contribution is required for all employers who participate in the NMRHCA program. Clovis Community College, NM Tech, NMSU, San Juan College, and UNM do not participate in NMRHCA. Based on HB 573 changes, beginning July 1, 2010, the contributions will increase over a 3 year period to 1% for employees and 2% for employers. This will help NMRHCA in improving its financial outlook.

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Member Outreach Expands

Individual meetings between members and ERB retirement specialists

This winter ERB piloted a new outreach program in which we go to employers throughout the state and meet with individual employees concerning their retirement plans. This spring ERB Member Service staff visited Roswell, Pojoaque, Espanola, Socorro, Deming, Alamogordo, Los Lunas, and Grants. The meetings have been very well received by both employees and employers.

With the new program ERB will send out two or three Member Service specialists who meet with individuals, review their benefits and discuss retirement plans. Each meeting usually lasts 20 to 30 minutes. The meetings usually take place in a central location like a school district main office. There may also be a retirement seminar the evening before or after the individual meetings.

Look for an expansion of this pilot project next year. ERB will develop a schedule late next summer and you will probably be notified that we will be in your town through your employer. Of course, any plans will also be available on our website, www.nmerb.org. If you have any ideas or questions about this



outreach program please call us at 1 (866) 691-2345.

Another new program is our brown bag lunch presentations. While all active and retired members are encouraged to attend, it is particularly worthwhile for members in their 20's, 30's and 40's. We have partnered with the NM Project for Financial Literacy. Reviewing the basics of investing for life, credit, and how important it is in these challenging economic times is the theme.

Legislative Changes *continued*

>>> Retirement Systems Solvency Task Force

House Bill 573 establishes a 25 member task force to study the actuarial soundness and solvency of PERA, ERB, and NMRHCA and present solvency plans and recommendations to the Investment and Pensions Oversight Committee, the Legislative Finance Committee, and Governor no later than October 1, 2010. ERB's Board Chairman, Bruce Malott, and Executive Director Jan Goodwin will serve on the task force.

>>> Retirement Contribution Shift

House Bill 854, sponsored by Rep. Henry "Kiki" Saavedra, enacts a two-year shift in retirement contributions. From July 1, 2009 to June 30, 2011, many ERB and PERA employees will contribute an additional 1.5% of earnings to ERB and employers will contribute 1.5% less to ERB. The change in contributions applies to any ERB or PERA employee earning \$20,000 or more per year. The Educational Retirement Board did not initiate this legislation and ERB will not receive any additional contributions based on this legislation.

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Changes to Income Tax Withholding

New IRS tax tables have been published to reflect the Making Work Pay tax credit and other changes resulting from the American Recovery and Reinvestment Act of 2009. This tax credit is based on “earned income”. The IRS definition of “earned income” includes wages and earnings from self employment. The IRS definition of “earned income” specifically excludes pension and annuity income. If the NMERB were to use the new withholding tax tables, our members could potentially have a large balance due when they file their federal taxes for 2009 and 2010, as they are not eligible for this tax credit on their NMERB pension.

If you would still like to adjust your withholding, please contact our payroll department at (505) 827-8030. Please be aware that any decreases in withholding could result in interest and penalties being owed on your federal taxes.

For our Retired Members: If you are 65 or older this year you can plan for your annual cost of living increase in July. The COLA this year will be 2%. You will see the increase in your July pension which you will receive on July 31. Retiree Health Care premiums will not increase until January 1, 2010. You will see that increase in your December pension payment since it pays for the January RHCA coverage. RHCA will be developing the new premium schedule this fall.

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