



STATE OF NEW MEXICO

Educational Retirement Board

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July 19, 2011

Mr. Kent Walz, Editor in Chief
Albuquerque Journal
7777 Jefferson Street, N.E.
Albuquerque, NM 87109

Dear Mr. Walz,

As the chairperson of the Educational Retirement Board (ERB), I agree with many of the points that you raised in the *Albuquerque Journal* editorial dated July 10, 2011. Your conclusion notes the importance of being "realistic", a belief held by ERB members and Board for a very long time.

ERB members are realistic and know that if they want a secure retirement they must pay a significant portion of its cost. As a result, they pay a much higher proportion of the total cost than most employees in other states. Going all the way back to 1957, the origin of ERB, the smallest amount members paid to their pensions was 38% of the total contribution expense. For many of those years, the ERB members paid 50% of the total pension contributions. Beginning July 1, ERB members began paying 54.9% of the contributions for their pensions.

The Board is also realistic about pension benefits. In 2009, ERB worked with Representative John Heaton on the passage and enactment of HB 573 which increased retirement eligibility requirements for new employees hired after June 30, 2010. Although ERB does not have a minimum retirement age for the 50% of members who retire under the 25-year service requirement, there is a significant reduction in benefits for the other 50% of members who retire each year under the Rule of 75 and are younger than 60.

The Board is responsible for setting investment return assumptions. Last year when the Board worked on improving solvency, it used 7.75% for its return assumption. Although at the time ERB's 20-year and 25-year investment returns were 8.4% and 9.0%, respectively, the Board wanted to use a realistic long-term earnings assumption. In October 2010, the ERB revised its investment allocation as part of its effort to enable the pension fund to better weather financial downturns and to provide more consistent, less volatile returns. This April, in consultation with its investment consultant and actuary, the ERB lowered the long-term investment return assumption to 7.75%.

The Board was realistic again last year when asked by legislators and other key leaders to make proposals to improve the long-term solvency of the retirement fund. After receiving input from ERB members, a proposal was introduced to increase members' contributions over a five-year period. Proposed legislation would also have the state's contribution increase over a five-year period to reach the level that had been agreed to by the legislature and the Governor in 2005.

The ERB looks forward to working with its members, the legislature and Governor Susana Martinez to ensure that our state's educators and educational employees have a financially secure retirement. In the long run, this is in the best interest of all New Mexicans.

Sincerely,

A handwritten signature in black ink that reads "Mary Lou Cameron". The signature is written in a cursive, flowing style.

Mary Lou Cameron
Chairman, ERB Board of Trustees