



The NMERB Connection

The New Mexico Educational Retirement Board

FOURTH QUARTER 2010

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Update on the Retirement Plan Design Changes

During the 2009 Legislature, the New Mexico Retirement System Solvency Task Force (RSSTF) was established as part of Representative John Heaton's House Bill 573. The RSSTF asked both the NMERB and PERA to provide it with recommendations on changes to current retirement plans to ensure sustainability of both retirement funds. NMERB began this process by contracting with a company called Research & Polling, Inc. to poll active members to see what options they thought would be most acceptable to enhance NMERB's fund solvency.

The results of the poll overwhelmingly suggested increased contributions while maintaining current benefits. The NMERB then took this information to its actuaries to do some number crunching in efforts to propose changes to the current plan to reach 80% funding within 30 years. Some of the actuaries' suggestions included increasing years of service for retirement, increasing employee contributions and a revised calculation of the Final Average Salary (FAS).

The first draft of the proposed changes included increasing years of service to each of the three eligibility rules that qualify members for retirement, changing the FAS calculation from the highest consecutive 5 years to the highest consecutive 7 years, and increasing contribution rates; these changes were going to affect many currently active members.

The NMERB then gave its members the opportunity to provide their input on the proposals. Written suggestions on how to achieve fund solvency were presented by Nov. 29; public comment periods were held in Albuquerque on Dec. 3, 10, 15 and 17. After the final public comment period, the NMERB Board voted unanimously to recommend retaining the current retirement eligibility requirements and to increase member contributions 0.5% for both currently active members and new hires. The increase in member contributions would be phased in over a four year period, resulting in an increase to members of 0.125% per year.

"This recommendation is a very positive outcome for all of New Mexico's educators," NMERB Board Chair Mary Lou Cameron said. "We believe this proposal will have the least impact on the maximum number of members while achieving the NMERB's goal of reaching 80% funding within 30 years and we look forward to working with the Legislature on this proposal." This final recommendation has been endorsed by the Investment Oversight Committee and will be introduced during the 2011 Legislative Session.

In order for the NMERB fund to remain solvent for decades to come, changes need to be made now. Over the next few years, an increasing proportion of NMERB's members will be eligible to retire. The fund has historically been underfunded; both member and employer contributions have been lower than required. Also, the financial markets took a big hit two times in the past decade. The NMERB plan currently has a funded ratio of 66% (the ratio of assets to liabilities). When a funded ratio declines, it is a clear indication that changes need to occur—either by increasing funds coming into the plan or decreasing the funds being paid out of the plan. However, current and future retirees can rest assured about their pensions—please see story on NMERB's recent investment performance on page 2.

Ultimately, the NMERB's Board wants to improve the long term sustainability of the fund and the Board's recommendation is the first step toward that direction. The NMERB wishes to thank its members, the NM Chapter of the National Education Association, the Albuquerque Teachers Federation, and the many academic departments that worked closely with the Board on refining the proposed recommendation. Any pertinent updates will be posted on the NMERB's website at www.nmerb.org.



NMERB Receives Financial Award

The New Mexico Educational Retirement Board (NMERB) recently received The Certificate of Achievement for Excellence Award for its Comprehensive Annual Financial Report (CAFR) for Fiscal Year ending 2009. This award, which is given by the Government Finance Officers Association of the United States and Canada (GFOA), is the highest form of recognition in governmental accounting and financial reporting.

The CAFR is judged by an impartial panel to meet the high standards of the program including demonstrating a

constructive *spirit of disclosure* to clearly communicate its financial story and motivate potential users and groups to read the CAFR. The NMERB's CAFR received all "proficient" remarks in all 16 categorical criteria ranging from physical format to content that includes various financial analyses and statements, pension related disclosures, and investment, actuarial and statistical sections.

"We are very proud of our agency for receiving such a distinguished award for the CAFR," said NMERB Execu-



tive Director Jan Goodwin. "Being recognized for this award reflects the hard work of our staff to effectively communicate the details of the ERB fund to the various groups that inquire about it."

The GFOA is a nonprofit professional association which serves approximately 17,500 government finance professionals with offices in Chicago and Washington, DC. For more information about award recipients and their submissions, visit www.gfoa.org.

To organize a charity drive with your organization, simply look up the various charities in the phonebook or internet.

You can also call your local church to inquire about needy families within your own church community.

Santa Fe Families Enjoy the Winter Holidays

The NMERB in November coordinated with Santa Fe's Esperanza Shelter by committing to provide a needy family with a complete Thanksgiving meal. Thanks to the large number of food donations and an overwhelming amount of donated money from staff, the NMERB was able to provide *four* needy families with complete Thanksgiving meals. The meals included a turkey, a bag of potatoes, vegetables, cranberry, rolls, pumpkin pie ingredients and pie crusts, whipped cream and other delicious items.

During Christmas, a clothing drive was held which focused on winter jackets and clothes for children. The NMERB staff collected a total of eight large bags and boxes full of winter attire for both adults and children.

The Esperanza Shelter was very appreciative of the donation that will be used to aide the many families that need the extra help during the holidays.



NMERB Summary of Investment Results



The NMERB Fund continues to perform well given the current economic and capital market conditions.

The NMERB Board and investment staff constantly monitor market and economic conditions as well as the performance of NMERB's investment portfolio with an eye toward maintaining a proper bal-

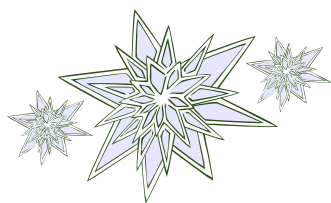
ance between controlling risks and producing returns.

Over the last 12 months (ended September 30) the NMERB Fund experienced a net investment gain of \$1.1 billion, which includes a net investment gain of \$688.6 million during the quarter. Total assets increased from \$7.9 billion 12 months ago to \$8.8 billion on September 30, 2010, with \$169.7 million in net dis-

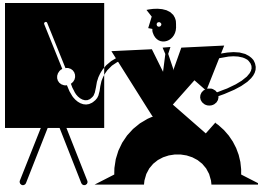
tributions during the investment period.

Over the past five years, the fund returned 4.7% per year, ranking in the top 14% of the Independent Consultant Cooperative's Public Funds > \$1 Billion Universe.

For information regarding NMERB investments visit www.nmerb.org.



NMERB Seminars Conducted Throughout NM



The New Mexico Educational Retirement Board, in early fall, began traveling the state to provide outreach to its members.

In September and October, the NMERB Benefits Outreach Coordinator conducted retirement seminars for the many school districts in southeastern and southwestern New Mexico. In November, retirement seminars were held in Los Alamos, Albuquerque, Farmington, Cuba, and Socorro. 2010 seminars ended with one last seminar in Rio Rancho. The spring seminars will take place on January 11 in Grants, January 12 in Gallup, January 13 in Taos, March 1 in Hobbs and March 31 in Ruidoso.

The NMERB seminars cover general information regarding retirement eligibility, beneficiary information, the retirement process and any questions members may have about their NMERB account or the plan. Seminar attendance has ranged from an audience of 30 in the rural areas to over 100 in the urban areas of the state.

For more information on the NMERB or to view the seminar schedule, visit www.nmerb.org.



NMERB Website Resources

The NMERB website currently offers a variety of convenient resources for its members. One can download forms and applications, utilize the retirement calculator, and access retirement statements of account.

In order to access your retirement account, you must first register yourself into the computer system. There are detailed instructions on how to get registered. If you have already registered and are

having trouble accessing your account, it is possible that the information on file with ERB may be outdated. It is very important to keep your personal information updated; the ERB needs to be notified in writing of a change of address. Change of address forms can be found on the website and can be faxed to 505-827-1855 or mailed back



to the ERB at PO Box 26129 Santa Fe, NM 87502.

Please note that members cannot view beneficiary information in their online account; beneficiary information is only kept in the member's file. It is also very important to keep your beneficiary information updated. To inquire about your beneficiary or to change your beneficiary, simply call the ERB office at 1-866-691-2345.

It is very important to keep beneficiary information updated as well as mailing addresses. These forms can be accessed at the NMERB website, www.nmerb.org.

The NMERB in November lost one of its office family members.

Jinny Doxey, out of the Albuquerque office, passed away from a sudden illness.

Jinny was not only a hard-working, productive employee, but also a friendly and sincere person. She will be greatly missed by her coworkers and the many members she graciously helped during her years as an NMERB employee.

We extend our deepest condolences to her family.

*Jinny Doxey
1948 – 2010*



Season's Greetings...

Wishing you a
Happy New Year!

— NMERB Board and Staff

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