

ERB CONNECTION

NMERB Mission

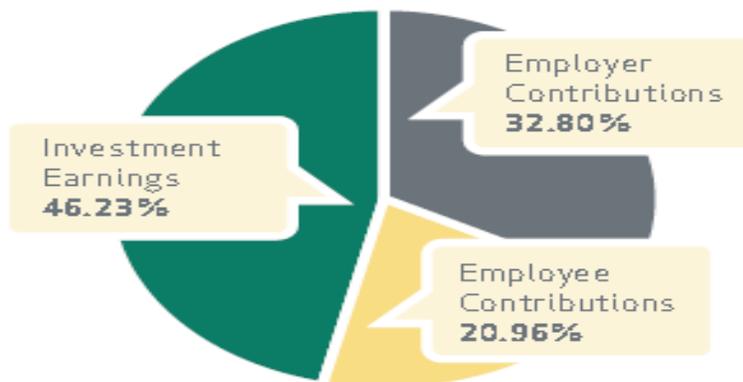
The New Mexico Educational Retirement Board is a state agency that provides secure retirement for our active and retired members from school districts, higher education and educational agencies. We strive to make our members' retirement experience optimal by: prudently managing the financial assets for the fund; providing prompt, courteous and accurate responses to retirement issues; educating members about both the financial and personal aspects of retirement; and soliciting member input for improving services.

NMERB provides secure pension benefits for life

New Mexico Educational Retirement Board (NMERB) provides one of the most secure retirement plans available: a defined benefit plan (DB). This plan covers you, as a retiree, throughout your lifetime. It also offers you the option to provide lifetime benefits to a surviving beneficiary upon your death, if selected.

Both NMERB members and their employers make contributions to NMERB based on your salary. Your employer contributes a larger portion. The contribution rates are set by state statute, based on your salary level. The money is then invested by NMERB on behalf of all the members.

NMERB Chief Investment Officer Bob Jacksha describes the investment portfolio, as diverse. It ranges from stocks and bonds to alternative assets such as real estate and private equity. This diversification helps keep the NMERB fund healthy. NMERB, like many public pension funds, is not yet fully funded, but it's standing strong, at 63.7 percent and rising.



This graph shows where the money for Defined Benefit Pensions comes from and is based on national averages.

Source: *National Institute On Retirement Security*: www.nirsonline.org

“Sixty-seven percent of Americans indicate they would be willing to take less in pay increases in exchange for guaranteed income in retirement.”

National Institute on Retirement Security

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NMERB provides secure pension benefits for life (continued...)

For members the beauty of a defined benefit plan is that the investment risk falls on us, NMERB. Our members' benefits don't drop when there's a dip or downturn in the market. When our members retire, they know exactly what their monthly pension benefit will be for life. And that benefit will increase when the retiree becomes eligible for NMERB's Cost of Living Adjustment (COLA). This is determined annually based on a statutory formula, which takes into account the change in the Consumer Price Index. For most NMERB members, the COLA begins at age 65.

We handle the day-to-day management and assessment of risk, while providing your monthly pension benefit regardless of actual investment earnings.

Your NMERB defined benefit plan is a financially secure LIFETIME benefit.

According to the Lion of the Blogosphere, an online blog, this is an important consideration:

because educators' longevity is third only to those in the clergy and accountants.

In other words, if you work for an NMERB employer for 25-30 years and retire, at 59 and live to 105—you'll continue to receive your pension for the rest of your long life.

According to an article by the National Institute on Retirement Security, "67 percent of Americans indicate they would be willing to take less in pay increases in exchange for guaranteed income in retirement."

Your employer's contribution rate is higher than your employee contribution rate. But, you won't see this money until retirement.

Robert Shulman, NMERB's Assistant General Counsel said that it's estimated most retirees receive back their NMERB contribution within three to five years of retirement. After that time, your benefits are paid by your employer's contributions and investment earnings.

"We take on the risk and responsibility," Shulman said. "This really is a great plan for our members."

We're planning for the future. We've done our research and checked our numbers—we're committed to the health of our fund, for your secure retirement.

Your defined benefit pension is only one part of a three-legged stool for retirement financial security: personal savings, Social Security, and your DB pension.

Direct deposit, safer than checks

Direct deposit is safer and easier than a check. Your monthly pension benefit payment is posted directly to your account, at the earliest available date. There's no desperate running to the bank to cash your check, and it doesn't get lost in the mail. It's hassle free for you.

According to eHow, checks are susceptible to fraud. They could be misplaced, delayed, or even lost in the mail—they call it "snail mail" for a reason.

If you currently receive a paper check, the New Mexico Educational Retirement Board's payroll department suggests using direct deposit. It's safer than a check and posts directly to your account, said Shanda Valerio Payroll Auditor.

If you already receive direct deposit, CONGRATULATIONS! You're ahead of the game and making everything easier on yourself.

Checks feel great in your hand, but money in your account is even better. Get your money ASAP. Make the switch to direct deposit today.

Visit: www.nmerb.org to download a [Direct Deposit](#) form.



Photo: Shanda Valerio, Melissa McFall, and Rosa Weese—Payroll Team (Nov. 16, 2015).

Retirement 101—Tips

Retirement is a process. Here are a few tips to help, with your upcoming retirement:

- Create a Member account at www.nmerb.org.
- Find your TIER and determine your retirement eligibility date.
- Purchase any withdrawn, military, or allowed service credits before retirement.
- Ensure your beneficiaries are up to date. If incorrect, fill out Form 42.
- Form 42 requires a notary and an addendum, for more than one beneficiary.
- Request a formal benefit estimate from NMERB, if you're within one year of retirement.
- Download a retirement application.
- Fill out and submit your application, at least 60 to 90 days prior to your expected retirement date.
- Please read the documents carefully and when appropriate sign in the presence of a notary.
- Update your address, if applicable.

Helpful Retirement Application Hints:

- **Acceptable forms of ID for retirement application:** passports, NM voter ID cards, a baptismal, and birth certificates.
- **Unacceptable forms of ID for retirement application:** NM driver's licenses and Social Security cards.

VISIT: www.nmerb.org

Differences between NMERB's defined benefit plan and defined contribution plans

NMERB'S DEFINED BENEFIT PLAN

Defined benefit plan participants don't have individual investment accounts. All of NMERB's investments are managed by Bob Jacksha. Your employer contribution along with your contribution help pay for your retirement, but doesn't determine the amount of your retirement benefit. Under NMERB's defined benefit plan, your benefit is set by a formula and won't change. In this case, it doesn't matter how much you or your employer contribute. Your benefit is unaffected by downward turns in the market.

Your retirement benefit is calculated by a set formula. This is your consecutive "high-five" average annual salary times service credit times NMERB's 2.35 percent factor.

$$\text{Average annual salary} \times \text{service credit} \times 0.0235 = \text{annual benefit}$$

The defined benefit plan offered by NMERB is one of the last remaining DB retirement plans in the country. Although DB plans are still prevalent for public sector employees, many private companies have switched to defined contribution plans because they involve less risk for the employer. All of the risk falls firmly on the employees in defined contribution plans. In other words, a defined benefit plan may cost more upfront but it pays off long term.

DEFINED BENEFIT CONTRIBUTION PLANS

In a defined contribution plan, both employer and employee make contributions, but the investment risk remains with the employee. In addition, the employee is responsible for managing the investments in his or her investment account. If your investments suffers a large loss in the market—it's all on you. You won't know the benefit amount until retirement. At that time, the employee typically chooses between buying an annuity, which are often very expensive and have no Cost of Living Adjustment (COLA), and taking distributions of investment income and investments each year.

"In a defined contribution plan it's a gamble" Robert Shulman, NMERB's Assistant General Counsel said. "Whereas NMERB's defined benefit plan is a lifetime benefit."

This chart summarizes the differences between NMERB's Defined Benefit Plan and Defined Contribution Plans.

What's the difference?	NMERB's Defined Benefit Plan	Defined Contribution Plan
Who's responsible for investment decisions?	NMERB takes on the risk and responsibility.	The employee takes on the responsibility and risk.
Who takes on the investment risk?	NMERB takes on all of the risk and responsibility.	The employee takes on all of the risk and responsibility.
What is promised to the employee?	A pre-determined monthly lifetime benefit, with the potential for a COLA.	A potential annual employer contribution.
How are benefits determined?	A formula based on the member's salary and length of service.	An accumulated account balance, or pot.
What is the normal distribution from the plan?	A lifetime monthly benefit.	Lump sum
Could you outlive your retirement?	No, you're entitled to a monthly lifetime benefit.	Yes
Are there survivor benefits?	Yes, if you designate a beneficiary.	No
Who's responsible for administrative costs or fees for the plan?	Employer	Employee

RETURN TO WORK AND RETURN TO WORK RULE EXCEPTION

It's a truth universally acknowledged that many retirees plan on returning to work even before they retire. The reasons vary from financial need to a desire to maintain professional sharpness.

The New Mexico Educational Retirement Board (NMERB) encourages our members to pursue options that are in their best interest whether that means returning to work or not. However, there are restrictions if you plan to work for an NMERB employer after you retire. These rules are in place to protect the fund by limiting so called "double-dipping". This practice involves receiving benefits from the retirement fund in addition to receiving a paycheck and not contributing to the overall fund. The health of the retirement fund requires participation from everyone, employers, and active and retired members. For this reason, certain regulations are in place to ensure our retirement fund remains healthy, for ALL NMERB members past, present, and future.

Returning to work is a big step, and like retirement is a process. Know the facts, so that you can protect yourself from a potential suspension of your pension. After you retire, if you'd like to work consider these three questions:

- Do you plan on working for an NMERB employer?
- Do you plan on working full-time or part-time?
- When do you plan on working?

NMERB retirees have two options for working after retirement at NMERB employers: the Return To Work Program and the Return To Work Rule Exception.

THE RETURN TO WORK PROGRAM

The program allows our NMERB retirees the ability to return to work when they're retired and wish to work for an NMERB employer, without limitations on earnings or the amount of time worked. But they MUST apply through NMERB, be approved and complete a 12-month layoff before Returning to Work. Please be aware that some volunteer activities may affect your ability to Return to Work. The rule generally states that the volunteer can't do for FREE what would otherwise have been a paid position. After that 12-month layoff, you may return to work, but you'll pay nonrefundable contributions and will not earn service credit, because this promotes the health of the overall pension fund.

The ability to return to work is a privilege offered by NMERB, benefiting our members and our employers that often have hard to fill positions. Members also have the ability to suspend their retirement in order to earn more service credits and increase their retirement benefit.

THE RETURN TO WORK RULE EXCEPTION

Retirees may return to work immediately after retiring, so long as they work 0.25 full-time equivalent or less, or more commonly, if they make less than \$15,000 a year—these options are also known as the Return to Work Rule Exception. While NMERB retirees working under the Return to Work Rule Exception don't pay contributions, it's important that they monitor their wages and time worked to make certain they don't exceed the limits of the exception. Doing so may result in the suspension of their retirement benefit and the recoupment of some of the benefits.

For more information regarding the Return To Work Program and the Return to Work Rule Exception, please review the NMERB Handbook located on the NMERB website Handbook (pages 20-25): www.nmerb.org. You may also contact the NMERB offices in Santa Fe or Albuquerque, Monday – Friday; 8 am – 5 pm.

GASB 67 & 68*

Making sense of pension liabilities

The Government Accounting Standards Board, also known as GASB works to increase transparency and improve comparability among public entities.

NMERB was one of the first pension plans to adopt GASB 67. This created accounting disclosures for pension plans.

[GASB 68](#) implemented accounting disclosures for employers participating in pension plans.

Some concerns arise when members become aware of a pension liability. However, the gap is not new. It's simply easier for you to see the gap.

We're committed to your retirement future and becoming fully funded. NMERB is in this for the long-haul.

For More Information on GASB 67 & 68, please visit our website: www.nmerb.org.

*You may also view a video presentation about GASB 67 & 68, given by Jan Goodwin, Executive Director to NMERB employers on YouTube: [GASB 68 Presentation for employers 9/23/15](#).

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Photo: Monica Lujan—Member Services Director

Know your NMERB team, welcome Monica Lujan

Greetings all,

I wanted to take a moment and introduce myself. My name is Monica Lujan. My first day of employment at NMERB was Monday November 2. I’m honored to be a part of the team.

I began in State Government in 1999, as the New Mexico Public Employees Retirement Association (PERA) receptionist. As I answered phones and assisted with members, I learned how important retirement is to our members’ everyday life. I worked with every section within Member Services, from Customer Service to Payroll. For fourteen years, I had the privilege of Managing the Death and Disabilities Unit. This developed the foundation for my customer service approach to retirement. I also learned the importance of leadership. I understand how you depend on us not only to provide a paycheck, but also help you understand your benefits and navigate “the system.”

I’m excited to assist you on your path towards retirement, as your NMERB Member Services Director. I’m proud to say that I love serving our members. I find this service deeply rewarding.

Service is important to me and I answered the call to service several times in civil service and as a member of the US Navy Reserve. I served a one year tour in Afghanistan, from 2013-2014.

Last, but not least, I have to mention that I’m a mother of four. That’s not a typo 4 (!), sometimes crazy, but always beautiful children.

Warm regards,

Monica Lujan



Pathway to retirement

A word from: Executive Director Jan Goodwin

Dear NMERB Members:

This is a difficult time for many public pension funds. Fiscal year 2015 had lower than expected investment results and rarely a week goes by without a prominent newspaper article about insolvent public pension plans or public employees with rich, unsustainable retirement benefits.

Fortunately, the NMERB Board and members worked together with the legislature and governor in 2013 to ensure NMERB's long-term sustainability. It will be a long path, with an occasional bump in the road. That's to be expected of any journey, especially one as important as long-term sustainability.

Although NMERB's fiscal year 2015 investment return was less than our targeted amount, NMERB is on the right path. Our June 30, 2015 actuarial valuation report confirms this assessment: [Actuarial Report](#). It shows that our funded ratio is improving. Our actuaries regularly remind us that it's not your funded ratio at any point in time that's important, instead it's the trend that matters. And NMERB is projected to show continually improving funded ratios in the future on our path to 100% funding.

Jan

Photo: Jan Goodwin—Executive Director

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UPCOMING ISSUE:

Winter 2016—Planning for

Retirement