



The ERB Connection

New Mexico Educational Retirement Board

June - July 2012

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Eligible ERB Retirees To Receive COLA

The NM Educational Retirement Board recently announced that the Cost of Living Adjustment (COLA) is 2.0% for the 2013 Fiscal Year. Those ERB retirees who are eligible for the COLA will see the increase in their July 31 benefit.

ERB's COLA is based on the change in the Consumer Price Index (CPI). If the CPI change is less than 2%, the COLA is equal to the CPI change. If the CPI change is greater than 2%, the COLA is one-half that amount with a maximum of 4% and a minimum of 2%. If the CPI decreases, the retirement benefit will remain the same.

ERB members who retire before age 65 are eligible to receive the COLA during the year they turn 65. Members who retire after age 65 will receive the COLA in July of the year following their effective date of retirement.

July 2012 ERB Retirements

New Mexico Educational Retirement Board processed 1,217 retirement applications for the month of July 2012.

"I'm pleased that the ERB staff was able to process this large number of retirement applications under deadline pressure." ERB Board Chair Mary Lou Cameron said. "Quality customer service and close attention to detail provides our members with a positive retirement experience."

The number of July retirements has remained somewhat consistent for the last three years with 1,235 in 2011 and 1,143 in 2010. July 2011 holds the record for the highest number of retirees since the ERB was established in 1957. The previous record highs were from 2007 with almost 900 retirees and in 2009 with about 1000.

Benefits analysts, payroll staff and other member services personnel worked diligently between the months of April and July to process retirement applications to ensure ERB members received their first benefit payment on time.

NMERB Plan Design Change

The NMERB Board and Staff continues to make efforts towards plan solvency with a goal of 90% to 100% funded by year 2040.

The ERB Staff has been meeting with various stakeholder groups to solicit input for ERB's plan design. These stakeholder groups have included ERB employers, representatives from all the unions that represent ERB members, as well as ERB retirees.

Future public meetings for ERB's plan design change will be posted at www.nmerb.org as they are scheduled.

Member Contribution Rate Change

Effective July 1, 2012, the 1.75% retirement contribution rate shift has gone back to the employer from the member; this is in accordance to HB 628 from the 2011 NM Legislative Session. Contribution rates for FY 13 are as follows:

- Employees with full time equivalent annual wages over \$20,000:
Employer rate is 10.90% of reportable compensation
Employee rate is 9.40% of reportable compensation
- Employees with full time equivalent annual wages \$20,000 or less:
Employer rate is 12.40% of reportable compensation
Employee rate is 7.90% of reportable compensation

This information, along with other LAU guidance, can be found on the ERB website at www.nmerb.org. Click the “Download Forms” link and scroll to “Forms for Employers.” For more information contact ERB at 866-691-2345 or visit the ERB website.



Changes to ERB Rule 3

Effective July 1, 2012, the NMERB amended Rule 2.82.3.8 NMAC (Member and Administrative Unit Contributions) (“Rule 3”) and replaced it with a new Rule 3. The amended Rule 3 will not appear on the New Mexico Records and Archives website until August 2012.

Among the areas addressed in the amended Rule 3 are definitions for: salary subject to contributions, refund rate, and interest. (Previously, no terms were defined in Rule 3.)

Salary Covered or Excluded: This section is substantially revised and reorganized, with separate sections addressing salary that is covered for contribution purposes and salary that is excluded from contributions (sometimes referred to as “not covered for contribution purposes”).

Refunds: Refunds are now addressed in two sections, one for refunds in the event of termination of employment and the other in the event of death. The effect on a Tier 1 member of taking a refund is also set forth. A Tier 1 member who takes a refund terminates Tier 1 status; if that member repurchases service credit after July 1, 2010, the member becomes a Tier 2 member. (The elements of Tier 1 and Tier 2 membership are summarized on the ERB website.) The process for closing out the balance of member contributions in a refunded account also has been revised. The processes for closing or collecting excess refunds also are rewritten; however, they are substantially the same as the current process.

Interest: These provisions have been rewritten to reflect current statute.

Please visit www.nmerb.org and click the Educational Retirement Act (located at the top of the page) to view Rule 3 in its entirety.



Member Contribution Refund Interest Rate Change

Effective July 1, 2012, the new interest rate for member contribution refunds is 1.04%. The interest rate is based on the five-year US Treasury Note as of March 31 of each year.

ERB members who terminate employment with an ERB-covered entity prior to retirement are entitled to request a withdrawal of member contributions, plus compounded interest earned to the date of refund, from their ERB account. Those who opt to withdraw member contributions must withdraw the entire amount. ERB automatically withholds 20% of the total amount and sends it directly to the IRS.

Withdrawn ERB member contributions may also be directly rolled over into a qualified retirement plan, such as an IRA or 401(k), without being subject to IRS withholdings.

For more information on ERB member refunds or rollovers, visit www.nmerb.org. Information on the US Treasury Note rates can be found at www.federalreserve.gov/releases/h15/data.htm using the nominal 5-year business day tab.



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