

NMERB CONNECTION

NMERBs 60th Anniversary

A word from Executive Director, Jan Goodwin



This column appeared in major newspapers throughout the state.

Both of my parents are retired educators, so my family understands the importance of secure retirement benefits for educational employees. The New Mexico Educational Retirement Board (NMERB) plays an important role in the lives of our 46,000 retirees and 60,000 active members. They and the Legislature have entrusted NMERB with providing secure retirement benefits to all of New Mexico's public educational employees and their beneficiaries.

I consider this a sacred trust. The NMERB Board of Trustees and I have consistently taken a proactive position to ensure that future retirees have the benefits they deserve, have earned and substantially contributed toward. Earlier assumptions for the plan never anticipated the increasing life spans of our retirees nor the stagnating number of educational employees to pay into the plan (the number of employees paying was virtually the same in mid-2000 and mid-2016).

That is why in 2015 we began using "generational mortality," which recognizes all future expected increases in the lifespan of our members immediately. And that's why in April the board voted to decrease our long-term earnings assumption from 7.75 percent to 7.25 percent. While those watching the stock market have seen significant increases in returns in recent years, financial experts and our own advisors tell us we cannot expect that trend to continue.

We are pleased with the earnings of 11.8 percent on investments, net of fees, for the 12 months ended March 31, but as fiduciaries to our members, we must take a strictly realistic view of future performance.

Also, contributions in the NMERB plan, like that of most public pension plans, have been too low to sustain the fund. Most of our members pay 10.7 percent of their compensation toward their retirement benefit -- one of the highest employee contribution rates in the country. This is higher than educational employees in neighboring Colorado and Texas where educational employees pay 8.2 percent and 7.7 percent, respectively.

The median employer contribution rate was 14.8 percent as reported in a recent national study, compared to New Mexico's employer contribution of 13.9 percent.

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“A well-educated citizenry is one of the requisites for sustainable economic growth.”

-Jan Goodwin

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The board and I believe our duty as trustees is to use the most realistic and conservative assumptions. Because of these changes, it will take about 84 years for the NMERB retirement plan to be fully funded. The plan is currently 61.5 percent funded -- below the median funding level of 73.7 percent for public pension plans as of June 30, 2015. Keep in mind that we have sufficient assets to pay benefits for many years to come so there is no cause for alarm.

Recently we met with a group of educational employees, employers and retirees to explain why NMERB’s assumptions have changed. We will conduct town hall meetings this fall across the state to discuss these changes with members and seek ideas on possible solutions.

We will focus on ways to get to full funding. These will include hard but honest discussions of whether contributions should increase from the state or employees and measure future retirees’ goals for what income replacement level they expect in retirement and cost-of-living increases.

NMERB plans to analyze these recommendations, along with financial reform models in other states and actuarial data, and present a recommendation to the 2019 Legislative session.

It is time for New Mexicans to have an honest discussion on our priorities. We are beginning this discussion with NMERB members, though a final decision will rest in the hands of the New Mexico State Legislature and the Governor at that time.

How important are our children and the people who teach them? A well-educated citizenry is one of the requisites for sustainable economic growth. Now is the time to determine our reach toward a commitment to our children and the people who teach them.

NMERB State Tour

Join the discussion

NMERB Executive Director Jan Goodwin and Deputy Director Rick Scroggins will conduct a series of town hall meetings over two months beginning in October to hear from members on ideas for sustainability of the defined benefit pension plan. Schedules will be announced at employee sites and on the NMERB website. The results of these findings will be reported on the website and in a subsequent newsletter.



Former teacher helps teachers

You might not think about the role the financial services department has in your retirement, but accurate reporting is key. The New Mexico Educational Retirement Board (NMERB) relies on employers to provide the most up-to-date information about members -- on time -- each month.



The employees who process payroll at NMERB’s 218 Local Administrative Units (LAUs) are the unsung heroes in the retirement process. They report each quarter of a member’s service from the first day to the last. Some schools report up to 16,000 lines of information, and this requires a keen eye for detail.

Compliance Auditor Mary Jane Hogin, and the entire NMERB accounting team are the employers’ first point of contact for information and assistance.

Hogin visits with schools in-person to discuss any concerns they have about the school reporting process. Hogin’s approach includes praising the schools’ efforts and highlighting areas for improvement.

Hogin was a teacher in the inner city of Los Angeles for two years. She also worked on the Navajo Nation in Arizona as a substitute. She went back to school to earn her accounting degree, and she’s happy to serve New Mexico teachers in this capacity.

Hogin has made it her personal mission to visit every administrative unit in New Mexico and provide information to all four corners of the state.

“I can’t wait to head to Animas (a five-and-a-half-hour drive from Santa Fe).” Hogin said. “Because by then I’ll have hit every section of the state.”

The accounting group doesn’t interact directly with most of NMERB’s members. But, that doesn’t take away from their dedication to teachers and educational employees.

Hogin’s work provides satisfaction, especially when she knows that members may rest easy knowing their benefit payment is correct (because their information is up-to-date). Any auditor’s goal is to ensure accuracy. “But, I’m a different auditor,” Hogin added. “I’ve actually worked in the schools, so I care about them that much more.”

“What I do supports local administrative units and insures that retiring educational employees will have the right amount in their retirement benefits check at the end of their careers.”

NMERB pension fund investments return 12 percent for the fiscal year

The New Mexico Educational Retirement Board fund, which provides defined pension benefits to the state’s public educational employees, posted an investment return of 12.0 percent, net of investment management fees, for the fiscal year ended June 30, 2017. This exceeded the annual actuarial target of 7.25 percent.

The fund also reached a new high in assets at \$12.3 billion, an increase of nearly \$1 billion for the fiscal year. In addition, the fund distributed benefits of more than \$1 billion to retired New Mexico educational employees. As for longer term results, net of investment management fees, the fund investments returned 8.75 percent per annum over the last five years and 9.1 percent per annum since July 1983.

“The Board is delighted to announce the results of the fiscal year. It was a very good year for the investment portfolio. The Board and staff will continue to take a long term view in our efforts to ensure secure retirement benefits for our members. On a risk adjusted basis, the fund consistently ranks as one of the best performing funds in the country,” stated Educational Retirement Board Chair Mary Lou Cameron. She also noted, “This is the result of the Board’s strategic decision to diversify the portfolio to reduce volatility of the fund’s return over time.”

The educational retirement pension plan covers close to 60,000 active members currently paying into the system and 46,000 retirees, ranging from public school teachers, administrators and staff to college faculty and staff.

Members can find a dashboard and detailed investment results on the NMERB’s website: <http://www.nmerb.org/Investments.html>.

Retirement brings peace of mind to Salazar family



Four years after leaving her position as a professor of bilingual education at New Mexico Highlands University, Dr. Loretta Salazar is an active retiree. She participates in five local community groups that support stronger communities, including the New Mexico Association for Bilingual Education, First Born of Northern New Mexico, and the Las Vegas Area Association of Educational Retirees.

But she thinks she retired too early, even after 28 years in the Albuquerque Public Schools, at the University of New Mexico, and finally, Highlands. “I could be earning more in retirement.” That is because although salaries plateau members still earn service credits with the defined benefit plan.

She said she was tired and thought it was time to rest and spend time with her four grandkids, help them with homework, and bond with the younger ones.

Luckily for Salazar, early in her career Phillip Gonzales, whose name NMERB’s building bears, gave excellent advice. “He told me not to cash in my contributions, and I didn’t,” she said.

She believes new teachers are happy “just to have a contract” and do not consider the benefits of the defined pension plan.

“Teaching is a calling and we learn so much along the way,” Salazar said. “But we don’t think about our own future enough.”

Salazar taught bilingual education in the classroom throughout the state of New Mexico. This not only taught her time management—it contributed to her retirement income.

“I was working towards my retirement my entire career and didn’t even realize it,” she said. “I didn’t know that by moving from APS to UNM and Highlands that I was in the same system.”

Salazar’s husband, Dr. Tomas Salazar, retired from Highlands as Professor and Dean of Arts & Sciences. He taught throughout New Mexico from UNM to Cuba Public Schools. He now serves as a State Representative for House District 70.

“I have peace of mind knowing that my husband and I have income for life,” she said. “We both chose one of the beneficiary options too, so if anything happens to me or him, we’ll be okay.”

Let us share your story. To be included in Retiree Profile, please contact Member.Services@state.nm.us

“Teachers don’t think about their own future enough.”

-Dr. Loretta Salazar

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