

# NMERB CONNECTION

## NMERB sustainability tour and survey

From late October to early December, 2017, Executive Director Jan Goodwin and Deputy Director Rick Scroggins visited locations spread across the state to present information on the sustainability of the NMERB fund and considerations for future action to further protect the fund.

**Beginning in Farmington and culminating in Las Vegas, the pair shared details about NMERB, its impact on the New Mexico economy, pension and benefit structure, reasons that the NMERB plan is not 100 percent funded, steps that have been taken to improve the funding of the plan, and what could be considered to improve its funding status.**

These sessions were attended by active, retired and inactive members, as well as other interested parties such as family, press, school administrators and a member of the legislature. Many of the attendees had questions and thoughtful comments that they shared with Jan and Rick.

**As promised in the presentation, now is the time for a formal collection of member input on what preferred changes to the current plan should be made and any other comments you wish to share.**

The NMERB Board of Trustees will take the results gathered from the survey and consider it when drafting their proposed legislation to be presented in the 2019 legislative session. The Board is also holding a special board meeting on April 9, 2018 to focus specifically on the sustainability of the fund.

The survey is accessed via a link shown on the home page of our website, located at [www.nmerb.org](http://www.nmerb.org). Various topics are presented in the survey, with brief explanations of what the current status is and then choices for potential alterations. **The survey will be open from March 9 through April 13, 2018.**

**We encourage members to voice their preferences for potential changes to plan design and to share additional thoughts by participating in this survey.**



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## Santa Fe family serves New Mexico school

Danielle Aagaard is the Vice Principal at Piñon Elementary. For the last six years, she has focused on the needs of the entire school over one classroom. She is dedicated to her school and appreciates the benefits of a Defined Benefit plan, as provided by the New Mexico Educational Retirement Board (NMERB).



Though Danielle is nowhere near retirement, she is a second generation Santa Fe public school teacher. Her mother, Susan Aagaard, and father, Steven Aagaard, both taught at Piñon Elementary. Susan spent 38 years in the classroom teaching first graders while Steven spent 36 years teaching fourth graders.

**Danielle and her parents are among NMERB's 150,000 educational members whose retirement is ensured by NMERB. Like her colleagues and parents, she'll enjoy a steady source of income in retirement.**

"It (the NMERB plan) gives you financial stability," Danielle said. "That stability allows you to have more choices in your retirement years." She began teaching third grade at Piñon Elementary, one year before her parents' retirement.

Now Steven and Susan help Danielle by watching over her two young daughters, Maddie, three years old, and Ryan, 16 months old. Susan enjoys volunteering at the school and helping the students, while Steven is committed to retirement and helping out with the grandkids.

Danielle was content with the classroom, but one day her principal, Janis Devoti, said she'd make a good principal and that pushed her to look into school administration. Now she spends her days ensuring that Piñon Elementary remains a top-performing school.

**"When you work with people you like, you stay," Danielle said. "I never saw myself doing anything else."**

This is great news for Piñon Elementary and for Danielle. The benefits of the NMERB retirement system are magnified by staying in longer. Danielle's years of service to New Mexico will profit her in retirement, and Danielle will have peace of mind that her retirement income is secure.

*It (the NMERB plan) gives you financial stability. That stability allows you to have more choices in your retirement years."*

**Danielle Aagaard**

*Let us share your story. To be included in Retiree Profile, please contact [Member.Services@state.nm.us](mailto:Member.Services@state.nm.us)*

## Do you know about the benefits and rewards of The Education Plan - New Mexico's 529 College Savings Plan?

- The Education Plan (TEP) is a proven tool for saving for college – with the added bonus of providing significant tax benefits for New Mexico residents.
- New Mexico residents can deduct everything they save each year on their NM state returns.
- Everything that you gain is tax free on both your NM state and federal returns.
- You can open an account for anyone - children, grandchildren or even yourself - at any age with as little as \$25.
- Friends and family members can also contribute.
- TEP monies can be used at schools nationwide.
- In addition to tuition, TEP monies can be spent on fees, room and board, books, computers, internet connections, etc.
- Studies show that with just \$500 saved, students are four times more likely to go college.

*For more information, visit: [www.theeducationplan.org](http://www.theeducationplan.org)*



## Five retirement expenses most people underestimate

By Maurie Backman, TMFBookNerd

When we think about retirement, many of us are wired to assume that our costs will naturally drop as a result of no longer working. But we may be overestimating the extent to which that might happen. While it's true that some expenses, like commuting, go down in retirement, others are, in fact, likely to climb. Here are five in particular that tend to catch retirees off guard.



### 1. Healthcare

Healthcare is probably the one expense with a higher tendency to go up rather than down in retirement. That's partly because Medicare has its limitations, and countless seniors are forced to pay for a wide range of services that may have been covered during their working years. According to recent projections, the average healthy 65-year-old couple today will spend a whopping \$400,000 or more on medical costs in retirement. Reading between the lines, if you're not particularly healthy, you can, and should, expect to see that number climb even higher.

### 2. Housing

Though housing doesn't always go up for retirees, it can be a pricier prospect than anticipated. Even if you're among the 70 percent of seniors who manage to pay off their mortgages in time for retirement, you can't forget about the peripheral costs of homeownership, such as property taxes and maintenance. In fact, property taxes actually have a tendency to rise over time, even during periods where the housing market itself underperforms. Furthermore, it costs the average homeowner 1 percent to 4 percent of his or her home's value to keep up with maintenance each year. Since retirees tend to own older properties, you may inevitably wind up hitting the highest end of that range, which could throw your budget off track.

### 3. Entertainment

When you're not spending 40 hours or more at the office each week, it stands to reason that you'll need to get creative and find ways to fill that newfound free time. And while you don't necessarily have to spend a bundle on travel and leisure, you should by no means count on your entertainment costs going down once you stop working. In fact, you'd be surprised at how a few discounted museum entries and movie tickets a week can really add up over the course of a given year. It's estimated that 58 percent of workers fail to account for leisure spending in retirement, so rather than discount the amount you'll spend, factor it into your budget.

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## Calculate Social Security benefits

How are Social Security retirement benefits calculated in 2018? That's the question asked and answered by Matthew Frankel in a blog post of the same title (see link below). It's also an important question for anyone nearing retirement.

Together, Social Security and your New Mexico Educational Retirement Board (NMERB) benefit will make a powerful impact toward your overall retirement income. It's important to understand the costs of taking Social Security early and the benefits of waiting for full retirement age. Full retirement age depends on the year you were born and occurs when you reach a specific age between 66 to 67 years old.

For example, those born in 1956 become eligible for full Social Security benefits at the age of 66 years and four months. Your actual benefit amount is based on your 35 highest earning years and the age at which you decide to start collecting.

By delaying Social Security benefits until age 70, your benefit will be higher. You may start receiving your benefit any time between the ages of 62 and 70. However, if you take your Social Security benefits early (age 62 to full retirement age) there is a percentage-based reduction that is permanent.

Taking Social Security benefits is a big decision, and you should consider your personal financial situation when making that choice. It is recommended you sit down with a Social Security representative or visit the website: [www.ssa.gov](http://www.ssa.gov).

The full blog post gives real-life examples: <https://www.fool.com/retirement/2017/11/26/how-social-security-retirement-benefits-are-calcul.aspx>.



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## 4. Taxes

Contrary to what many retirees are led to believe, taxes can constitute a significant financial burden during retirement. Not only will you pay taxes on withdrawals from a traditional 401(k) or IRA – withdrawals that you're actually required to start taking upon reaching age 70 1/2 - but you'll also pay taxes on traditional investment income, interest on money in the bank, and, in some cases, a large chunk of your Social Security benefits. Now the good news is that you do have some options for lowering your taxes down the line, whether it's moving your savings from a traditional retirement plan to a Roth account, or shifting some investments into municipal bonds, which always offer federal tax-exempt interest payments. But if you don't adopt some sort of tax-saving strategy, you may come to find that you're losing a huge portion of your retirement income to taxes alone.

## 5. Long-Term Care

While you may not necessarily picture yourself living out your senior years in a nursing home or specialized facility, a staggering 70 percent of seniors wind up needing some type of long-term care. And if you don't save enough to cover those costs, or get yourself a comprehensive insurance plan, you may be in for a shock during retirement. According to recent projections, it costs over \$82,000 a year to reside in a nursing home, and that's for a shared room – a private one will set you back upward of \$90,000 annually. Furthermore, the average assisted living facility charges more than \$43,000 per year. If you don't read up on these costs and come up with a game plan for covering them should they arise, you may be in for a world of financial shock. Underestimating your senior living costs could be one of the greatest retirement mistakes you'll ever make. Rather than take your chances, read up on how seniors today are spending their money, and see how well your savings are likely to stack up. You may need to adjust your current retirement plan to ensure that you don't run short on money later in life.

## Important information for all NMERB members:

**Retirees:** Notify NMERB immediately if your beneficiary dies. This may result in a change to your monthly benefit. For inquiries on who you selected or to change your beneficiary, please send an email to [ERB-MemberHelp@state.nm.us](mailto:ERB-MemberHelp@state.nm.us). Option A benefits end upon the retiree's death; however, the balance of your remaining contributions (if any) will be refunded to your designated beneficiary.

**Active and Inactive members:** It is important to keep your beneficiary information correct.

