



# The ERB Connection



Spring 2015

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**Mary Lou Cameron**  
Chairperson  
*NEA Representative*

**H. Russell Goff**  
Vice Chairperson  
*NMAER Representative*

**Beulah Woodfin**  
*AAUP Representative*

**Bradley Day, CLU, ChFC**  
*Governor Appointee*

**Larry Magid**  
*Governor Appointee*

**Hanna Skandera**  
PED Secretary  
*Ex Officio*

**Paul Aguilar**  
ERB Board Secretary  
*PED Ex Officio Designate*

**Tim Eichenberg**  
NM State Treasurer  
*Ex Officio*

**Jan Goodwin**  
*Executive Director*

**Rick Scroggins**  
*Deputy Director*

## Electronic Member Annual Statements

In August 2014, ERB updated its system used to process retirements. With this conversion came a new web member self-service system for active and inactive ERB members. Active and inactive members are members who have retirement contributions on account with ERB but are not yet retired. (This service is not for retirees.)

This new member self-service system offers a new function called *Work History*. The Work History function will allow the active and inactive member to print an ERB Wage and Contribution History Report.

In lieu of distributing the paper member annual statements by mail, ERB encourages members to log into their member self-service accounts to view/print their ERB history. This is one of the first steps ERB is making in efforts to offer ERB members more electronic services. To access your account:

1. Go to: [www.nmerb.org](http://www.nmerb.org), click on My NMERB Account.



2. Click *Member Login*.

**Member Login**

3. Enter your username and password. If you're a first time user, click *Register* and follow the prompts to create an account.

4. Once in your account, click on Work History and scroll down. The report will load on the bottom of the screen.

### Menu

- Home
- Profile
- Address
- Work History**
- Benefit Estimator
- Service Credit Purchase Estimator
- Retirement/Refund Application
- Statement of Account
- Help

### New Mexico Educational Retirement Board Member Contribution History / Active

Name :		SSN :		Maiden Name :		
Birth Date :		Age :		Gender : Male		
Available Alwd. Crdt : 5.00		Total Alwd. Crdt Purchased : 0.00		Option :		
Earned Dt	School Name / Purchase Type	Salary	Contribution	Cred Emg	Cred Alwd	FYTD Salary
09/30/1999	ALBUQUERQUE PUBLIC SCHOOLS	4,110.07	312.75	0.25		4,110.07
12/31/1999	ALBUQUERQUE PUBLIC SCHOOLS	10,214.93	783.95	0.25		14,430.00
03/31/2000	ALBUQUERQUE PUBLIC SCHOOLS	8,658.00	658.00	0.25		23,988.00
03/31/2000	UNIVERSITY OF NEW MEXICO	1,000.00	76.00			24,088.00
06/30/2000	ALBUQUERQUE PUBLIC SCHOOLS	14,430.00	1,096.70	0.25		38,518.00
06/30/2000	UNIVERSITY OF NEW MEXICO	1,000.00	76.00			39,518.00
YTD		39,518.00	3,093.42	1.00	0.00	

If you're having problems with your member account, please send an email inquiry to [ERB-memberhelp@state.nm.us](mailto:ERB-memberhelp@state.nm.us). If you would like your annual statement to be mailed to you, please call ERB at 1-866-691-2345 or send an email request to [statements@nmerb.org](mailto:statements@nmerb.org).

# Feature Story: ERB Board Members



Hanna Skandera

The oversight of the ERB is vested in a board of seven trustees. The ERB Board is composed of two ex-officio members, the Secretary of Public Education and the State Treasurer, as well as one representative from the New Mexico Association of Educational Retirees, one from the National Education Association of New Mexico, and one from the New Mexico members of the American Association of University Professors. The remaining two members are appointed by the governor.

Hanna Skandera is an Ex-Officio ERB Board Trustee as the Secretary for the NM Public Education Department. Ms. Skandera believes that this is an important time to make efforts to dramatically improve public education in New Mexico. As the Secretary of Education, she contributes to the decision making process for New Mexico's educators and their pension benefits.

## ERB February Board Meeting

ERB Board meetings take place every other month. The next Board meeting is scheduled for February 27, 2015 at 10 am. Although Board meetings usually take place at ERB's Albuquerque office, this February Board meeting will take place at Mabry Hall in the Jerry Apodaca Education Building, located at 300 Don Gaspar in Santa Fe.

## IRS Form 1099R For Retirees

ERB distributed the IRS Form 1099R to over 30,000 retirees on January 29, 2015. Each year, about 1,000 envelopes containing these tax forms are returned by the post office.

If you are a retiree who hasn't yet received an IRS Form 1099R, you may have changed your address and didn't notify ERB. Please always send ERB written notification each time you change your address. You can print a Change of Address Form from [www.nmerb.org](http://www.nmerb.org) under the "download forms" link or simply write a note that includes your name, the date, your new address, the last four digits of your social security number and your signature. You may fax the notice to (505) 827-1855 or mail it to PO Box 26129, Santa Fe, NM 87502. If you need a duplicate IRS Form 1099R, please contact ERB at 1-866-691-2345 or [ERB-memberhelp@state.nm.us](mailto:ERB-memberhelp@state.nm.us).

Remembering to notify ERB of your address changes will help us communicate pertinent information about your retirement benefits on a timely basis.

**NEW MEXICO  
EDUCATIONAL  
RETIREMENT  
BOARD**

701 Camino de los Marquez Santa Fe, NM 87505 (505) 827-8030 (505) 827-1855 fax (505) 989-1338 payroll fax  
8201 Uptown Blvd. NE Ste. 204 Albuquerque, NM 87110 (505) 888-1500 (505) 830-2676 fax

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**Change of Address Form**

Please check one:

<input type="checkbox"/> Active employee	<input type="checkbox"/> Retired Member
<input type="checkbox"/> Inactive employee	<input type="checkbox"/> Beneficiary

Social Security Number: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip code: \_\_\_\_\_

Phone number(s): \_\_\_\_\_

I hereby authorize the NMERB to change my address as indicated above.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

NMERB Use Only:

Effective Date: \_\_\_\_\_

Entered By: \_\_\_\_\_

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Mail the completed form to the mailing address below:

<small>New Mexico Educational Retirement Board PO Box 26129 Santa Fe, NM 87502-0129</small>	<small>Toll free number: 1-866-691-2345 website: <a href="http://www.nmerb.org">www.nmerb.org</a></small>
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# If you plan to retire in July 2015...

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ERB Members should submit their retirement application 60 to 90 days prior to their effective date of retirement.

Effective dates of retirement are the first day of the month following the last day of employment or when NMERB is in receipt of your application, whichever is later. Employees on a 9 or 10 month contract who terminate employment in May have a July 1 retirement date.

The following step by step instructions are provided to help the member's retirement process run as smoothly as possible to ensure an initial benefit payment without any lapse in income.

## Step 1:

Member completes the *NMERB Application for Retirement* then gives the form and an NMERB acceptable proof of age document to the member's employer. Applications are at [www.nmerb.org](http://www.nmerb.org) or your employer's HR or Benefits Office.

## Step 2:

Employer completes the *Employer Certification* then mails both forms, along with proof of age, to the ERB.

## Step 3:

NMERB staff audits the member's account and then mails the member a retirement packet which includes:

- Post-Retirement Information and Instruction Sheet
- Final Selection of Benefit Form
- Estimate of Retirement Benefit
- Authorization Agreement for Direct Deposit Services
- State and Federal Tax Deduction Form
- Post-Retirement Employment Notice

## \*Step 4:

Member completes the following forms and returns them to the NMERB Office:

- Final Selection of Benefit Form, **notarized**
- Authorization for Direct Deposit Services
- State and Federal Tax Deduction Form
- Post-Retirement Employment Notice

## Step 5:

NMERB places the member on payroll; benefit payment dates are on the last business day of the month. The first benefit payment is mailed to the member's address while a pre-note validation goes to the member's bank. Upon bank validation, the benefit is directly deposited into the member's bank account on the following month and thereafter.

*\*Step 4 documents must be completed and processed before the member's effective date of retirement. If they are not, the member will receive two benefit payments the following month.*

### ***Need a retirement estimate?***

*For an instant estimate, you can log into your ERB account at [www.nmerb.org](http://www.nmerb.org) and use the Benefit Estimator.*

*You may also request an audited estimate by contacting ERB at*

*1-866-691-2345 or*

*ERB-memberhelp@state.nm.us.*

*These audited estimates take*

*4-6 weeks and will arrive*

*by US mail.*

# Still a Better Bang for the Buck

National Institute on Retirement Security, [www.nirsonline.org](http://www.nirsonline.org)

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Over the past three decades, private employers have shifted away from defined benefit (DB) pensions that provide employees with steady retirement income stream, towards defined contribution (DC) retirement accounts—such as 401(k) plans—in which individual workers manage their own investments. Since the 2008 financial crisis, public employers have faced pressures to make a similar change. However, DB plans are inherently more cost-efficient than DC plans. A seminal NIRS study released in 2008, entitled “A Better Bang for the Buck,” found that a typical large DB pension plan provides a given level of retirement benefit at about half the cost of a DC plan. In this **updated** comparison of DB and DC plan costs, we take into account key developments in the retirement benefits landscape with regard to fees, investment strategies, and annuities, while building an “apples to apples” comparison through a uniform set of demographic and economic assumptions.

Highlights include the following:

**1. A typical DB plan provides equivalent retirement benefits at about half the cost of a DC plan, and 29 percent lower cost than an “ideal” DC plan modeled with generous assumptions.**

- A DB plan, modeled with the typical fees and asset allocation of a large public plan, has a 48 percent cost advantage compared to a typical individually directed DC plan.
- The DB pension costs 29 percent less than an “ideal” DC plan that features the same low fees and no individual investor deficiencies.
- Annuitizing DC account balances does not erase the DB pension cost advantage. Annuities offered by private insurance companies would only modestly decrease DC funding requirements at historical average interest rates, and would increase costs at 2014 interest rates.

**2. DB plans have three structural cost advantages compared to DC plans: longevity risk pooling, the ability to maintain a well-diversified portfolio over a long investment horizon, and low fees and professional management.**

- **Longevity risk pooling.** In order to provide lifelong income to each and every retiree. DB plans only have to fund benefits to last to average life expectancy. In a DC plan, an individual must accumulate extra funds in order to self-insure against the possibility of living longer than average. They can also buy a life annuity from an insurance company, but this comes at a cost.
- **Asset allocation.** DB pensions are able to maintain portfolio diversification—specifically, stay invested in equities—over time, while DC participants must shift to lower-risk, lower-return investments as they age. Thus over a lifetime, DB pensions earn higher gross investment returns than do DC accounts.
- **Low fees and professional management.** Due to economies of scale, DB plans feature low investment and administrative expenses as well as management of investments by professionals. An “ideal” DC plan can theoretically achieve the same fees and investment returns, for a given asset allocation, by removing individual choice. When we use more realistic assumptions—industry average fees and a modest “behavioral drag” on investment returns resulting from well-documented tendencies in individual investor behavior— we find that the DB plan has a large advantage in net investment returns.

**3. Given the cost efficiencies inherent to DB plans, employers and policymakers should continue to carefully evaluate claims that “DC plans will save money.”**

- For a given level of retirement income, a typical individually directed DC plan costs 91 percent more—almost twice as much—as a typical DB plan.
- Consequently, shifting from a DB plan to a DC plan and maintaining the same contribution rate will generate significant cuts in retirement income. The consequences could be dramatic for employees, employers, and taxpayers.