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2013 Legislative Update

On March 29, Governor Susana Martinez signed Senate Bill 115 into law. SB 115, as twice amended, takes a balanced approach to long-term sustainability: changes for current retirees, changes for current members, and new retirement benefit eligibility requirements for new members. These changes will become effective July 1, 2013 and are projected to have ERB 100.7% funded by 2043.

The bill, as amended:

For current and future members:

Raises contribution rate for all employees with salary of \$20,000 and above:

- FY 2014 Contribution Rate is 10.1%
- FY 2015 Contribution Rate is 10.7%
- Employees with annual salary below \$20,000 stay at 7.9%

The employer contribution rate will be 13.15% for all members

For new employees:

- "Soft" Minimum Retirement Age of 55: those who retire younger than age 55 with 30 years of service credit will have a reduction in benefit to the actuarial equivalent as if the member had retired at age 55.
- COLA begins at age 67

For all retirees:

Immediately reduces the COLA for all retirees until the plan is 100% funded.

The COLA reduction is based on the median retirement benefit (\$18,000) of all retirees excluding disability retirements. The retirees with benefits at or below the median *and* with 25 or more years' service will have a 10% COLA reduction. Their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction. Their average COLA will be 1.6%.

These reductions will stay in place until ERB is 90% funded. Once there, the COLA reductions will decrease. The retirees with benefits at or below the median *and* with 25 or more years' service will have a 5% COLA reduction. Their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction. Their average COLA will be 1.8%.

Once ERB is 100% funded, the COLA reductions will cease and the average COLA for all ERB retirees will be 2%.

This bill is consistent with ERB's funding policy to ensure ERB's long-term sustainability.

Feature Story: ERB Board Members



The management of the ERB is vested in a board of seven members. The Board stands in a fiduciary relationship to the members covered under the Educational Retirement Act. Administrative management of the fund is vested in a Director who is appointed by the Board of Trustees.

Mary Lou Cameron serves as the current ERB Chairperson. She has represented the NEA on the ERB Board since 1999 as Secretary and Vice Chairperson. Cameron is the current Associate Superintendent of Support Services and Community Resources for Deming Public Schools, where she has worked for over 35 years. She is also a current member of the Committee on Resolutions for the National Council of Teacher Retirement. She received her Bachelor of Education from North Texas State University and her Master of Administration from Western New Mexico University.

Cameron served as the President of the NEA of NM for 5 years. She represented NM as director on the board of the NEA, member of the NEA-AFT Committee on Unity, and trustee on the NEA Members Insurance Trust Fund. She was also a member of the NM State Personnel Board for seven years, serving as Chair and Vice Chair during her tenure. In addition, she served on the NM Educational Standards Commission as a member and chair, the NM Superintendents Blue Ribbon Committee on Education, NM Legislative Education Initiative and Accountability Task Force, and the NM State Department of Education's Charter School Task Force.

Locally, Cameron is a member of the Deming Rotary Club, Luna County Silver Spikes, Deming Economic Development Board, and is active in the First United Methodist Church. She and her husband owned and operated Deming Cycle Center for 20 years.

For information on ERB Board meetings, visit the "Board and Management" link at www.nmerb.org.

Pre-Retirement Beneficiary Designations

It's not something that anyone ever thinks about until something tragic happens—what happens to my ERB contributions if I should pass away unexpectedly? Your "contribution" is the amount that is deducted from your paycheck each pay period. These contributions earn interest during the time they are on deposit at ERB. In the event of a death, there are different options that are available depending on the member's ERB status—active, inactive or retired.

For active or inactive members:

When you began your career at an ERB employer, you may have completed a Form 42 Beneficiary Designation which your employer sends to ERB. ERB stores electronic copies of this form in the member's records.

If the member is **not yet vested** (member does not have five years of earned service credit), then whoever is named on the Form 42 will receive a one time lump sum payment of the member's total contributions plus the interest earned.

If the member **is vested** (member has five years or more of earned service credit) but not yet eligible to retire, then whoever is named on the Form 42 will have two options:

1. Beneficiary can choose to receive a one-time lump sum payment of the member's total contributions plus the interest the member has earned on contributions;

2. Beneficiary can defer the benefit until the member would have been eligible to retire and then begin to receive the monthly, lifetime survivor's benefit.

If you don't remember who you currently have listed as your beneficiary, you may verify that information by contacting ERB as listed below. If you need to update your beneficiary, you'll need to complete a new Form 42 Beneficiary Designation, which can be downloaded from www.nmerb.org at "download forms" link. Please note that if there are multiple beneficiaries listed, then ERB will only divide the total amount of member contributions evenly among those listed on the form and there is no option of a lifetime survivor's benefit.

For more information on beneficiary options or to verify your beneficiary, you may call 1-866-691-2345 or email ERB-memberhelp@state.nm.us.

Simple Steps To ERB Retirement

ERB Members should submit their retirement application within 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.

Now is the time for
July 1 retirees
to submit their retirement
applications to ERB.

Retirement applications
can be printed from the
"Download Forms" link at
www.nmerb.org.

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 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 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.

ERB Receives Investment Award

Money Management Intelligence

Incorporating Money Management Letter

Mid-Sized Fund of the Year

The \$9.9 billion New Mexico Educational Retirement Board was an early mover on opportunistic and distressed credit in 2012 and was rewarded with double-digit returns. Our opportunistic credit investments returned 18.8% in 2012, pushing the fund's total returns to 13.6%, compared to 13% for the median fund with more than \$1 billion in assets under management in the Independent Consultant Cooperative universe.

New Mexico ERB has a long-term allocation target of 20% for opportunistic credit—a more typical allocation would be 5-10%—and 5% target for core fixed income. “We think it is a good place to be, and so far it has been,” said Bob Jacksha, NMERB Chief Investment Officer. “We have had equity-like returns with less volatility.” Core fixed income returned 6.7%.

ERB Investment Performance

can be found at

www.nmerb.org.

Click on

Investment Information

from the side links

of the ERB website.



*NEPC's Allan Martin (left) presents
New Mexico Educational Retirement Board's
Bob Jacksha with the
Mid-Sized Plan of the Year Award.*

The fund made more than \$265 million in real assets commitments in 2012. “Most thoughtful professionals would agree that inflation is at a low ebb and has to go up,” said Allan Martin, a partner at NEPC and the fund's consultant. “Rising interest rates, if dramatic, will hurt financial assets. Most large public funds are considering real asset strategies; some are going slower. ERB said, “If we wait until we see inflation, some of these assets will be gone.’ ”