



The ERB Connection

The New Mexico Education Retirement Board

Fourth Calendar Quarter 2011

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Plan Design Change Update

During the months of October and November 2011, members of ERB's Board, the ERB Director and Deputy Director conducted a Listening Tour throughout the state to present information on the ERB Plan Design Change proposal. The Listening Tour made stops in: Clovis, Las Cruces, Silver City, Albuquerque, Deming, Roswell, Belen, Santa Fe, Gallup, Farmington, and Raton.

"It was important to reach out to our members about this possible change in the retirement plan design," ERB Director Jan Goodwin said, "It was also informative to meet and talk with members about details of the potential design change."

During the Listening Tour, members had the opportunity to provide their input on the various design scenarios. Over 1,300 members attended the sessions. The Board and staff reviewed 3,482 responses on the preference forms and all of the comments sent by stakeholders. It was clear that there was no scenario that had strong support. The New Mexico Association of Educational Retirees (NMAER) suggested the proposal that the Board ultimately recommended.

- Minimum retirement age of 55 with a 10-year grandfather period
- 1.75% average Cost of Living Adjustment (COLA) for all eligible ERB retirees
For example, if the average ERB pension is approximately \$20,000 and the change in CPI is 2%, the COLA would be \$400. With the proposed change, the COLA would be \$350.

On December 2, the New Mexico Legislature's Investments & Pensions Oversight Committee (IPOC) endorsed the recommendation. The ERB recommendation will be considered by the New Mexico Legislature during its next regular session beginning January 17, 2012.

"I appreciate all of the input we received from our stakeholders during the Listening Tour," ERB Board Chairman Mary Lou Cameron said, "It was very helpful in arriving at the final proposed design changes."

All plan design change proposal information, including the survey results, can be found at www.nmerb.org. Updates on the proposal during the 2012 Legislative Session will also be posted on the ERB website as they become available.

Current ERB Retirement Demographics

- 61,673 Active Members as of June 30, 2011
- 33,176 will be age 55 or over at their first eligible retirement date
- 21,000 anticipated retirements within the next decade
- 10,000 will benefit from the proposed 10-year grandfather period





Myths vs. Facts on the Design Change Proposal

Myth: *ERB lost too much money in pay-to-play and other bad investments, and now members are being asked to bail out the fund.*

Fact: There have been many stories in the media about alleged pay-to-play investments that have cost ERB millions of dollars. The two investments most often associated with these charges are Vanderbilt, which had a \$40 million loss, and Austin Capital, which had a \$10 million loss. Together, they total \$50 million, which is a large sum. However, when put in the context of either ERB's total investment portfolio, \$9.5 billion as of June 30, 2011 or ERB's unfunded actuarial accrued liability, \$5.7 billion as of June 30, 2011, it's a relatively small proportion, much less than 1%. The unfunded liability increased during the past decade because of a number of factors. These include two severe financial market declines, the dot.com bubble of 2001 and the catastrophic global financial meltdown of 2008. Additionally, there are other contributing factors to the growth in the unfunded liability that include contributions being less than the Annual Required Contributions (ARC) as determined by our actuaries, earlier retirement than expected and longer life expectancy than projected.

Myth: *Overpayment of "retirees" last year is why members are being required to give up part of their benefits to prop up the plan.*

Fact: Much has been made in the press, both on television and in the newspapers, of the error made by ERB in the overpayment of interest on refunds of contributions. Unfortunately, these reports in the press have misstated a number of relevant facts, including who was actually paid and the impact of the overpayment amount to the fund. No retirees were overpaid; those who were over paid were employees who terminated employment and refunded their ERB contributions or beneficiaries of deceased members or retirees. The amount of overpayment, \$1.7 million, represents approximately .0178% of the total fund at June 30, 2011. The recipients have repaid almost one-third of the overpaid amounts. The ERB Board and staff continue to work to recover the remaining amounts.

Myth: *ERB is running out of money and won't be able to pay my pension.*

Fact: ERB's investment portfolio totaled \$9.5 billion on June 30, 2011 and will be able to pay retiree pension for many decades to come.

Myth: *The ERB is trying to eliminate the COLA for retirees.*

Fact: Although many states' retirement plans are eliminating or drastically reducing their COLA for retirees, the ERB Board is committed to providing a COLA for its retirees.

Myth: *Few members will benefit from the 10-year grandfather period.*

Fact: Our actuaries estimate that 10,000 members will benefit from the 10-year grandfather period. Of the 21,000 anticipated retirements in the next decade, approximately 2,500 (of those 10,000 members benefiting from the 10-year grandfather period) will be younger than age 55 at retirement.

Myth: *We can wait several years to address ERB's funding issues.*

Fact: The longer we wait to address ERB's actuarial situation, the more difficult the changes will need to be.

For more Myths vs. Facts and information on the plan design change proposal, visit www.nmerb.org.



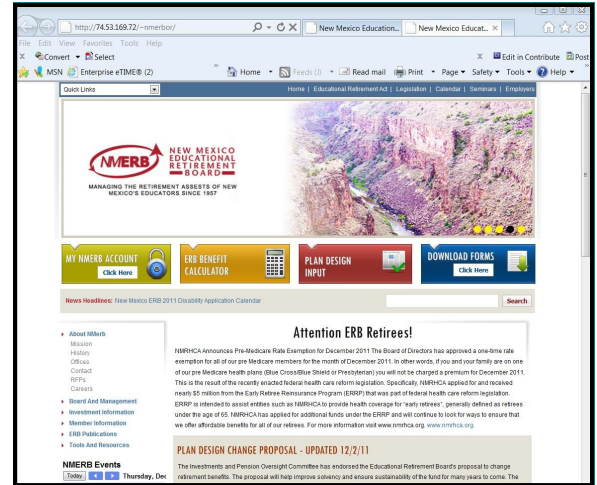
ERB Website To Get A New Look



The ERB website will soon have a new, modern look. Along with being more aesthetically appealing, the new website will be more user friendly. It will be easier to navigate through the web pages to find exactly what you're looking for. Only minor formatting and looks will change; all content will remain exactly the same.

Some enhancements will include links to: myNMERB Account, downloadable forms, and the benefit estimator right on the home page.

As always, if there are any problems with using the ERB website, please feel free to contact us through the website, www.nmerb.org.



Change in Interest Rate on ERB Service Purchases

During a June 10, 2011 Board meeting, the Board passed a resolution that ties the interest rate on the purchase of withdrawn service credit to the *valuation* rate.



assumed rate, and the *projected return on investment rate*. This new interest rate will change to 7.75% (from 8%) effective January 1, 2012.

Withdrawn service credit is credit that corresponds with re-funded member contributions. If a

member has ever refunded his ERB contributions, he can purchase that withdrawn amount and restore the service credit.

For service purchase calculations, log into your ERB account at www.nmerb.org/mynmerbaccount. (Use the calculator for *withdrawn* service credit.)

This rate is also sometimes called the *discount rate*, *actuarial*

Tax Form 1099-R for Retirees

With each new year also comes the necessity to ready ourselves for tax season!

The ERB is currently preparing to mail Form 1099-R to retirees. If your mailing address has changed

the last year and you have not notified the ERB, please visit our website and click on the "download forms" link, click the "Change Of Address" link, complete and return the form back to the address on the form. If

Change of address forms can be accessed at: www.nmerb.org. Click on "download forms."

you don't have access to the internet, you may also call the ERB at 1-866-691-2345 and request a Change of Address form to be sent to you.

By keeping your mailing address current, you can alleviate a lot of stress during the upcoming tax season.

*Wishing you a
Happy & Healthy New Year.*

~ from the ~

*New Mexico ERB
Board of Trustees & Staff*

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