

# Frequently Asked Questions

**Q1:** Can I withdraw money out of my retirement fund while I'm still working?

ERB does not allow members to make withdrawals from retirement accounts while still employed with the New Mexico educational system. To qualify for a total refund, an employee must terminate his or her employment.

**Q2:** What are the tax consequences when withdrawing my retirement fund?

When you withdraw your retirement fund, it is treated as income, is taxable upon receipt and would be reported to the IRS on a 1099-R Form. The IRS requires that ERB withhold 20% of any taxable amount you withdraw unless you instruct ERB to directly roll over the amount into an IRA or Section 401 Plan. An additional IRS-imposed 10% tax would apply unless the withdrawal is made: a) in conjunction with your separation from service in or after the year in which you reach age 59 1/2 ; b) after you reach age 59 1/2; c) to pay federally deductible medical expenses; or d) in conjunction with your disability retirement.

**Q3:** May I rollover my withdrawal to another fund?

Yes. You may transfer the taxable portion of your withdrawal to another eligible Section 401 Plan or an IRA account. To do so, you must file a request for a rollover in conjunction with your withdrawal application. Any amount that is distributed through a direct rollover is not taxable until it is received as income, therefore you would not be subject to the 20% withholding tax that applies to direct withdrawals. In addition, you would not have to pay the additional 10% tax that applies to direct withdrawals.

**Q5:** If I withdraw my retirement funds after resignation or termination, what are the implications for my ERB membership?

Once you withdraw your funds from ERB, your current membership will cease. If, at a later date, you are rehired to an ERB-eligible position, you would be treated as a new member.



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*Dr. Evalynne Hunemuller*

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# UPDATE

VOLUME 8, ISSUE 1 • WINTER 2005

## 2005 Legislation Seeks to Secure Future of ERB Fund

The 2005 New Mexico legislative session that began on January 18th is one of the most important in ERB's history. Although the fund's \$7.3 billion is sufficient to make expected benefit payments for decades, the ERB is facing an unfunded liability of \$2.4 billion which will affect the fund's long-term security.

As we go to press with this newsletter, the Governor has appointed an 18-member special Task Force to look at the issues facing the Education Retirement Board. He has requested that the group report its recommendations during this legislative session. We will have those recommendations published on our website when they become available.

How did we get here? The short answer is that our liabilities have increased over the last several years with no concurrent increases in employer or employee contributions. There are a number of reasons that this has occurred. Retirees are living longer which means that we must pay benefits for a longer period of time. Because of increases in teacher salaries, our members are retiring with a higher retirement benefit than what they have made contributions for over the years. Baby boomers are impacting retirement systems nationwide and we now have more retirees than ever before. Finally, the market downturn that has contributed to losses among pension funds nationwide has also had an effect on ERB.

Our goal is to find a solution this year and we need your help to do it. We are encouraging members to get involved by calling or writing their legislators regarding the issues facing NMERB. Legislators want to hear from you. They must know how important educational retirement is to our educators.

*Dr. Evalynne Hunemuller*

Acting Director

## ERB Legislative Positions for 2005

This update on legislative positions is being written as we go to press in early February. To track what is happening to these bills, please visit our ERB website at [era.state.nm.us](http://era.state.nm.us). We encourage members to contact their legislators in support of ERB legislation. Often, just one phone call or letter can make a difference.

**Capitol Switchboard: 986-4300**

ERB's highest priority this year is to support legislation that will help our fund get back on a firm financial footing. The Board has voted to support **House Bill 270** (Rep. Heaton, D. - Carlsbad), and **Senate Bill 181** (Sen. Smith, D. - Deming). Both bills increase the employer contribution to the ERA fund by .75 percent. **House Bill 270** would continue to increase funding for ten years and would have our fund back on track and in compliance with General Accounting Standards Board (GASB) recommendations. (GASB recommends that all public pension funds be able to amortize their obligations to beneficiaries within a 30-year time period.)

**Senate Bill 181** provides for four years of increases and will begin the process of moving the fund into compliance. **Senate Bill 181** also adds a Rule of 80 (Age + Years of Service = 80). This retirement eligibility requirement is for those beginning employment after July 1, 2005. This change would eliminate the current 25-year retirement eligibility plan and the Age + Years of Service = 75 eligibility.

Our second priority this session is to give our investment professionals more leeway to use their expertise in investing. Current statutes allow state investing agencies to invest in a limited, prescribed list of investments. We support **House Bill 55** (Rep. Heaton, D. - Carlsbad); **House Bill 389** (Rep. Varela, D. - Santa Fe); and **Senate Bill 392** (Carraro, R. - Albuquerque). These bills give ERB the responsibility to make good decisions and the authority to invest prudently in new investment vehicles such as real estate and private equity.

Two bills seek to increase the size of our governing board and increase the number of Board members with financial backgrounds. We support **House Bill 330** (Rep. Saavedra, - D. Albuquerque) and **Senate Bill 194** (Sen. Smith, - D. Deming), which increase the number of ERB board members. Proposed changes in the bill are to add two members with 10 years expertise in finance. One of these members is to be chosen by the Governor and one by the University President's Council. Other Board increases under consideration are one member from the American Federation of Teachers, and one member from the NM Coalition of School Administrators.

If **Senate Bill 216** (Sen. Smith, D. - Deming) is passed, the Return to Work option will require retirees to make a 7.6 percent non-refundable salary contribution to ERB.

**House Bill 274** (Rep. Moore, D. - Clayton) will fund an independent actuarial analysis of all PERA and ERB funds commissioned by the Legislative Finance Committee. Actuarial analyses are already done annually by both funds.

The Board supports **House Joint Memorial 5** (Rep. Varela, - D. Santa Fe) and **Senate Joint Memorial 18** (Sen. Beffort, - R. Albuquerque), which place a moratorium on any legislation increasing retirement benefits for the next two years. We need to make sure pensions are secure before we consider improving benefits. The Board also supports **House Joint Memorial 20** (Rep. Varela, D. - Santa Fe) to continue the work of the State Permanent Fund Task Force.

**House Joint Memorial 9** (Rep. Wallace, R. - Los Alamos) and **Senate Joint Memorial 17** (Altamirano, D. - Silver City), ask the ERB to do a study changing our current Defined Benefits (401-a) plan to a Defined Contribution Plan (401-k) for new members. ERB will study implementing the change for new members if this memorial passes.

ERB supports **House Joint Memorial 15** (Rep. Williams, D. - Albuquerque) requiring that ERB report yearly to LESC.

**Senate Bill 28** (Sen. Campos, D. - Las Vegas), would allow a return to work with no layoff for certain ERB members from research universities who fund their positions with grant money. It has been the Board's position that benefits should apply equally to all members.

**House Bill 287** and **House Bill 288** (Rep. Stewart, D. - Albuquerque) will improve ERB benefits over the next several years to the level of PERA benefits. The cost to improve these benefits would be approximately \$171.2 million in additional funds each year for several years. The ERB Board supports these bills, but recognizes the cost may be prohibitive this year.

## 2005 Retirement Seminars

Planning for a financially secure retirement is an important task - and one that doesn't end with the receipt of that first pension benefit. As a service to our members, ERB offers several group educational opportunities designed to help members and retirees learn more about their benefits and better prepare for a financially secure retirement.

### Getting Your Ducks in a Row

This four-hour program covers financial planning for retirement, estate planning, aging well, ERB guidelines, return to work program, and an overview of social security and Medicare programs.

### Schedule:

March 6th	Farmington	8:30 a.m. - 12:30 p.m.
April 2nd	Taos	8:30 a.m. - 12:30 p.m.
April 9th	Santa Fe	8:30 a.m. - 12:30 p.m.
Late April	Rio Rancho	8:30 a.m. - 12:30 p.m.

*(call the ERB office for seminar date)*

### Retirement 101

This three-hour program reviews all of the essential steps of retiring, including defining important dates, ERB retirement benefits, New Mexico Retiree Healthcare Authority benefit overview and much more. Even if you are not planning to retire in the next year or two, you will still find this seminar informative.

### Schedule:

March 9th	Albuquerque	1:00 p.m. - 4:00 p.m.
March 15th	Deming	1:00 p.m. - 4:00 p.m.
March 16th	Las Cruces	1:00 p.m. - 4:00 p.m.
March 17th	Silver City	1:00 p.m. - 4:00 p.m.

### Registration:

If you plan to attend an ERB Seminar workshop, advanced registration is required. For more information, to register, or to host a retirement seminar in your school district, please contact Anna at 505-888-1560 ext. 200.