New Mexico Educational Retirement Board | Fall 2016
NMERB Serving more than 100,000 Active, Inactive, and Retiree Members, since 1925

NMERB Connection

Quarterly Newsletter for active, inactive, and retired NMERB Members | Retirement 101

NMERB MISSION. Providing secure retirement benefits for New Mexico's educational employees—past, present, and future.
NMERB VALUES. Innovation, Integrity, Respect, Service, Quality, and Stewardship
NMERB VISION. To be an effective and trusted manager of New Mexico's retirement system.

"Ask yourself regularly: How will I use these glorious days left to me for the best purpose?"
Howard Stevenson, Professor emeritus, Harvard Business School

NMERB's Retirement Fund Stands Strong

Markets go up and they go down; however, this year NMERB produced positive investment returns in an otherwise disappointing market.

Here at the New Mexico Educational Retirement Board (NMERB) we've prepared for the markets turbulence by adopting an asset allocation that reduces risk. We've achieved positive investment returns from our preliminary investment results for the year ending June 30, 2016.

According to NMERB's Board Chairperson Mary Lou Cameron, NMERB has done well in a volatile market and we're pleased with the result. "Our return exceeds most industry peer returns and we accomplished it while taking less risk," said Cameron. "The results reflect our long term plan of diversifying our investments and reducing the risk of large losses."

As of June 30, the fund assets totaled $11.4 billion. The investment portfolio returned 2.6 percent (net of external investment manager fees) falling short of the target return rate 7.75 percent.

While we fell short of our goal for the year, one must keep the results in perspective. These are challenging economic times. The median net return for US Pension funds with more than $1 billion in assets for the fiscal year was actually negative at -0.5%. We saw the price of oil and gas drop down and that's hard for the entire state of New Mexico. But, NMERB is prepared. Our investment managers understand the markets and have continued to implement a diversified portfolio.

We prepare for your future by planning for the future. We don't overreact when the market fluctuates. It's our job to plan ahead 10, 20, 30, even 80 years ahead. NMERB is a long term investor and we structure our portfolio so it can withstand volatile markets.

If you have questions regarding NMERB's Investment Performance please visit our website: www.nmerb.org and click the Investments tab.

Notice of Rule Change:

Albuquerque, NM— The Educational Retirement Board (NMERB) adopted the following change to the New Mexico Administrative Code. Changes went into effect upon publication in the New Mexico Register on July 29, 2016.

The rule (2.82.9.8) is titled Employer Reports**.** Based on the change. Local Administrative Units (LAU), also known as employers, will provide NMERB with their entire payroll report. Those employees who are excludable from membership, such as students, will be reported using a different code.

Beginning in July everyone who works for a NMERB employer will be reported for full disclosure purposes.

⇒ Retirement 101: Are you ready?

Be Aware of these 12 Retirement Risks By Kate Stalter, Better Money Decisions *(Continued from Second Quarter edition… to view the previous six retirement risks please visit: www.nmerb.org)*

7. Sequence-of-returns risk: The risk of getting low or even negative returns in the early years of retirement. This can have long-term devastating effects. The good news is: sequence-of-returns risk can be mitigated by separating portfolio assets into "buckets". For example, money you need in the next few years can be invested in a more conservative way than money that will cover your expenses a decade from now.

8. Inflation risk: The risk that rising costs will undermine your portfolio's purchasing power. Here's where we see this most often: People park vast amounts of money in cash, believing it's "safe." By doing that, however, people actually lose money, because cash does not keep up with inflation. Inflation risk is often a silent retirement killer, since the downside of cash doesn't make the news. Cash masquerades as a safe, prudent choice, but it's often a big mistake.

9. Medical expense risk: The risk of paying for the growing costs of health-care services in retirement. This risk is amplified by ever-lengthening life expectancies in the U.S.

10. Tax risk: This is another retirement expense that often goes unrecognized. In fact, for many years, it was assumed that Americans' tax burden automatically declined in retirement. However, required minimum distributions from individual retirement accounts, along with Social Security income, often results in a higher-than-expected tax bill. In addition, retirees no longer have deductions for dependents, and often have no mortgage deduction. In other words, your post-retirement taxes may be higher than you expect!

11. Personal or event risk: These are the risks unique to your situation. For example, at our firm, we often meet people whose spouses have generous pensions. Those are great for sustaining the couple's lifestyle. However, if the pension goes away upon the death of the account owner, the surviving spouse may struggle to make ends meet. That's just one example. In other cases, the need to support an adult child may arise, throwing a wrench into retirement plans. Fortunately, these situations can often be mitigated with advance planning that anticipates various scenarios.

12. Incapacity risk: The risk that deteriorating health will result in the inability to make sound judgements about one's financial affairs. Sadly, we are meeting with a growing number of Baby Boomers whose elderly parents are no longer able to make good financial decisions, and it's often problematic. Again, advance planning can address some of these issues, but often, that process involves some difficult family conversations.

While it's easier and more fun to imagine sitting in those beach chairs, remember: It will be easier to enjoy those relaxing moments if you first shore up your financial situation. Not every risk will disappear, but it helps to plan ahead, and mitigate the ones you can.

A version of this article originally appeared in the Santa Fe New Mexican on May 3, 2016.

Kate Stalter is founder of Better Money Decisions, an independent, New-Mexico based firm that helps people enjoy the retirement they have earned. Learn more at: www.bettermoneydecisions.com. Reach Kate at: kate@bettermoneydecisions.com or (844) 507-0961.

⇒ Social Security: Know your benefits and risk!

Retirees: COLA Update

Retirees are looking at a minimal COLA in July 2016 for NMERB and in 2017 for Social Security.

According to the article, "No bump likely in Social Security checks next year," by Darla Mercado: "The Board of Trustees of the Social Security Trust Fund estimates that the [2017] COLA will be 'small to flat: from 0.7 percent down to zero' ." To read the full article visit: CNBC.com.

Social Security and New Mexico Educational (NMERB) retirees, who are eligible, may receive a Cost Of Living Adjustment (COLA). In NMERB's system, COLA eligibility is based on your age and Tier. For retirees in Tier I and II, you receive a COLA beginning July 1 of the year after you reach age of 65 or July 1 of the year following your effective retirement date, whichever date is later. Tier I members began their NMERB employment before July 1, 2010 and Tier II members began their NMERB employment after June 30, 2010. The NMERB COLA that went into effect with the July checks was 0.09 percent for eligible retirees with 25 or more years of service credit whose monthly benefit is less than or equal to $1,586.22 as of June 30, 2015 or 0.08 for all other eligible retirees and 0.1 percent for eligible disability benefit recipients.

Many retirees have come to rely on the COLA without realizing that although they're entitled to it, it's not a guaranteed increase. The reason for this is that the NMERB COLA is not a fixed increase, but instead is based on the change in the Consumer Price Index for all Urban consumers (CPI-U) from one year to the next. The change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) determines the COLA for Social Security.

What this means for you?

Many retirees live on a fixed income and this presents a challenging situation when faced with cost increases in necessary items or services such as medical services or insurance. In order to plan ahead for a low COLA, you might consider reviewing both your expenses and assets to determine if items can be reduced or removed to assist in increasing your income.

Information on the NMERB COLA beginning on July 1, 2016 and COLAs for other years can be found at http://nmerb.org/cola.html. If you have questions or concerns about your COLA, please email ERBMemberHelp@state.nm.us or visit www.nmerb.org.

What's the Rush? More Information Equals Better Decisions on When to Collect Social Security By Pamela Miller (affiliation: Columbia Business School)

Americans who collect Social Security benefits too early may be losing money, and putting their standard of living at risk, according to new research from Columbia Business School.

The research, "Time to Retire: Why Americans Claim Benefits Early and How to Encourage Delay," analyzes the decision-making process of people claiming retirement benefits, and provides guidance for organizations about how to encourage people to delay taking Social Security. Delaying will often increase the size of the monthly benefit received.

"This decision on when to claim benefits is important because Social Security retirement benefits are the primary source of income for more than 50% of the older population," says Eric Johnson, co-author of the research and the Norman Eig Professor of Business at Columbia Business School.

Professor Johnson presented the findings in this video: https://www.youtube.com/watch?v=XNeTlxRkYdo&feature=youtu.be

The research debunks the theory that the decision to claim Social Security is driven solely by economic factors, instead demonstrating that the decision is influenced by the way the benefits information is presented, and by the decision-making process people adopt when making a choice.

Throughout five studies, the authors surveyed adults 45 to 70 years old from a variety of socio-economic backgrounds. The research revealed that people who were presented with preference checklists regarding their ideal claiming age tended to demonstrate an inclination for later claiming. By using this method, researchers observed that when given all of the information, most Americans would delay their claiming age by an average of 7.6 months.

"Consumers find the reduced benefits that they can collect at 62 more tempting as they approach early retirement age. This results in them claiming early, which for many is a mistake," said Johnson. "But if they knew why they should wait, then they could see that their monthly benefits would increase by delaying their claim."

Johnson conducted the research along with co-authors Kirstin Appelt and Jonathan Westfall, both with the Center for Decision Sciences at Columbia Business School, in collaboration with Melissa A.Z. Knoll, a research analyst with the Office of Retirement Policy, Social Security Administration.

Financial support for the research was provided by a grant from the Social Security Administration as a supplement to National Institute on Aging grant 3R01AG02793404S1, and by a grant from the Russell Sage/Alfred P. Sloan Foundation Working Group on Consumer Finance. The views expressed in the research do not represent the views of the Social Security Administration. The research findings explain why consumers should delay Social Security benefits; however, individual factors such as health and life expectancy were not a part of the study.

"We determined there is a real need for customized assistance to be provided to anyone ready to claim Social Security benefits so they can be properly guided through the decision-making process. It's critical for them to understand any financial drawbacks to claiming early," said Johnson.

To learn more about the cutting-edge research being conducted at Columbia Business School, please visit www.gsb.columbia.edu.

Your retirement eligibility is based on your TIER?

What's in a TIER? Your NMERB TIER determines your retirement eligibility. Your NMERB TIER is determined by your start date:

TIER I members began service before July 1, 2010.
TIER II members began service on or after July 1, 2010, but prior to July 1, 2013.
TIER III members began service on or after July 1, 2013.

Updated Refunding and Rollover Rule

The New Mexico Educational Retirement Board (NMERB) amended NMERB Rule 2.82.3.9 at the April 22, 2016 board meeting. This affects the refund and rollover process for terminated members withdrawing their contributions from the fund.

Your options when leaving NMERB employment. You may leave your retirement contributions with NMERB even if you've terminated employment with an NMERB employer. This may provide you with time to research your options or speak with your new employer. If vested, you may retire under NMERB when you meet one of the retirement eligibilities. Consider your options carefully and do what's in your best financial interest- both short-term and long-term. If you terminate employment, you're entitled to rollover or refund your contributions plus interest. Contributions must be on deposit for one year before they are eligible to earn interest.

The interest rate paid on your contributions at the time of refund or rollover is based on the 5-year US Treasury note for each period your member contributions are with the fund. The interest rate in effect for July 1, 2016 through June 30, 2017 is 1.21 percent.

Consequences of refunds and rollovers. You'll lose your service credits when you rollover or refund your member contributions. If you rollover your retirement contribution portion into a qualified plan, such as an IRA, you won't pay federal withholding taxes or penalties. Contact your new employer or financial institution about rolling over your retirement contributions.

Your refund will be reduced by 20 percent for federal withholding taxes and you will have to pay a 10 percent penalty federal tax at the end of the year for refunding your retirement contributions early. You will likely have state income tax consequences as well. Speak with your tax preparer or financial advisor to determine whether a rollover or refund best fits your situation and to plan on how much you'll need to set aside at the end of the year for taxes.

How to refund or rollover member contributions. To initiate either a refund or rollover you must complete the following steps:

- You must terminate employment with all NMERB employers.
- Download the Rollover and Refunding form from the NMERB website: www.nmerb.org.
- Submit the form to your employer for their signature and return the original document to NMERB.

Once your employer has submitted all payroll documents to NMERB's accounting team and the information is verified, we'll process your rollover or refund request.

In order to minimize sending a second refund or rollover check, NMERB will now wait for the member's employer to certify that the employer has paid all of that member's contributions and that the member is no longer employed by the employer if the member is applying for a refund or rollover less than 90 days after termination. The twenty-day requirement to pay refunds or rollovers will no longer be in effect. If you have any questions email us at ERB-MemberHelp@state.nm.us or visit www.nmerb.org.

8 Ways You Can Survive—And Thrive In—Midlife

by Barbara Bradley Hagerty is the author of Life Reimagined

1. Aim for long-term meaning rather than short-term happiness, and you will likely find both. Aristotle suggested as much when he talked about eudaemonia, or the good life: striving with a purpose — raising terrific children, training for marathon — rather than setting your sights on immediate pleasures, such as enjoying a good meal or a day at the beach. It's also the best thing you can do for your mind and your health.

2. Choose what matters most. Clayton Christensen at Harvard Business School describes the eroding effect of short-term decisions — specifically, doing the activity that brings you immediate gratification (such as work) and putting off harder but ultimately more fulfilling activities (such as investing in your marriage and children). I talked with many people who privileged work over family because work brought immediate rewards. These people closed the sale, they shipped the product, they pulled an all-nighter to get the story on the radio, they were promoted and praised for a job well done. "And as a consequence," Christensen says, "people like you and me who plan to have a happy life — because our families truly are the deepest source of happiness — find that although that's what we want, the way we invest our time and energy and talents causes us to implement a strategy that we wouldn't at all plan to pursue."

3. Lean into fear, not boredom. Most of us become competent at our work by our 40s, and then we have a choice: Play it safe or take a risk. Howard Stevenson, also a professor (emeritus) at Harvard Business School, believes the greatest source of unhappiness in work is risk aversion — which leads to stagnation and resentment. "There's a difference between 20 years of experience, and one year of experience 20 times," he says. Stevenson and the other career experts I interviewed do not recommend chucking it all to blindly follow a fantasy. Rather, be intentional as you try to shape your work to reflect your skills, personality and talents. But we have only one spin at the wheel, so make it count. A great line from Stevenson: "Ask yourself regularly: How will I use these glorious days left to me for the best purpose?"

4. "At every stage of life, you should be a rookie at something." This insight comes from Chris Dionigi, a Ph.D. in "weed science" and the deputy director of the National Invasive Species Council (*that* kind of weed). He believes trying new things and failing keeps you robust. He took comedy improv classes and now spends many nights and weekends riding his bicycle as an auxiliary police officer for Arlington County, Va. Always have something new and challenging in your life, he says, "and if that something is of service to people and things you care about, you can lead an extraordinary life."

5. Add punctuation to your life. Young adulthood offers plenty of milestones: graduating from college, starting a career, getting married, having your first child. But Catharine Utzschneider, a professor at the Boston College Sports Leadership Center who trains elite middle-aged athletes, says midlife is like "a book without any structure, without sentences, periods, commas, paragraphs, chapters, with no punctuation. Goals force us to think deliberately." She was so right, as I found when Mike Adsit, a four-time cancer survivor and competitive cyclist, challenged me to compete in the Senior Games (for people 50 and older) in 2015. Suddenly I had little goals every day — a faster training session, or a 50-mile ride — and the prospect of these little victories launched me out of bed each morning. Even if you don't win — I came in seventh in the race — you win.

6. A few setbacks are just what the doctor ordered. Bad events seem to cluster in midlife — losing a spouse, a marriage, a parent, your job, your perfect health. But people with charmed lives — zero traumas — were unhappier and more easily distressed than people who had suffered a few negative events in their lifetime. According to resilience research, some setbacks give you perspective and help you bounce back. And here's what I learned from Karen Reivich at the University of Pennsylvania, who trains Army personnel about resilience. After I fell off my bike and broke my collarbone — threatening my book deadline — I called her up. She gave me two tricks: First, "OPM": Other people matter. People who let other people help them tend to recover better than those who are fiercely independent. Second, rely on your top character strengths to get you through. (You can take the character strengths test as well as other questionnaires on the University of Pennsylvania's website.) As embarrassing as my strengths are — industry and gratitude — they helped me cope until I could drive, type, dry my hair or unscrew the mayo jar.

7. Pay attention: Two of the biggest threats to a seasoned marriage are boredom and mutual neglect. The brain loves novelty, and love researchers say a sure way to revive a marriage on autopilot, at least temporarily, is to mix things up a bit. Go hiking, take a trip to an undiscovered land — or drive an RV down the Blue Ridge Parkway, which my husband and I did in June 2013. Honestly, I thought nothing could be more pointless or boring, but based on the novelty research, we piled in with our dog, Sandra Day, and two friends. Something went wrong almost every day — we got caught in a flood, the brakes nearly went out, we could not figure out how to dump the blackwater (don't ask) for some time. We had the time of our lives. It took us out of our comfort zone, it gave us a grand adventure; it was, in short, The Best Vacation Ever.

8. Happiness is love. Full stop. This observed wisdom comes from George Vaillant, a psychiatrist and researcher who directed Harvard's Study of Adult Development for several decades. The study — still ongoing — followed men from the Harvard classes of 1939-44 to see what makes people flourish over a lifetime. Vaillant found that the secret to a successful and happy life is not biology. It is not genes. It is not social privilege or education. It is not IQ or even family upbringing. The secret to thriving is warm relationships. Oh, then there's this happy coda: Second chances present themselves all the time, if you'll only keep your eyes open.

Barbara Bradley Hagerty is the author of Life Reimagined, and a former NPR reporter.

NMERB Welcomes New Board Member—Dr. Donald Duszynzki

On June 24, 2016, Dr. Donald Duszynski was sworn in as a new board member for the New Mexico Educational Retirement Board (NMERB) Board of Trustees during the Board's June meeting.

Donald Duszynski is the representative on the board for the American Association of University Professors and currently holds the position of Emeritus Professor of Biology at the University of New Mexico (UNM). He has been the recipient of more than 30 state, federal and private agency grants totaling more than $8 million. Dr. Duszynski has authored over 180 publications, including three book chapters and four books.

NMERB Honored at Los Angeles Conference

Los Angeles, CA: The New Mexico Educational Retirement Board (NMERB) was honored on April 29, 2016 by the Institutional Investor-Investor Intelligence Network. Chief Investment Officer Bob Jacksha accepted the Portfolio Construction Award, on behalf of NMERB.

The Investor Intelligence Network was launched by Institutional Investor as an online community. The Investor Intelligence Awards were created in order to recognize the most outstanding and innovative Corporate and Public Plan Sponsors, Endowments, and Foundations in North America. Since its inception in 2011, the Investor Intelligence Network's membership has grown globally from 75 to 2,400 investors.

The Portfolio Construction Award recognized NMERB's streamlined governance structure, which has allowed the investment team to operate more efficiently and to take advantage of fleeting market conditions. According to the Investor Intelligence Network, Jacksha finds and trains energized staff members. Jacksha has been NMERB's Chief Investment Officer since 2007 and has driven the portfolio's increased diversification: **"I'm proud of our team," Jacksha said. "They've all developed into very good investors."**

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Upcoming Newsletter: Plan Your Retirement

NMERB Legal Team Welcomes New General and Deputy Counsel

General Counsel, Roderick Ventura
Roderick Ventura is the General Counsel for the New Mexico Educational Retirement Board (NMERB). He joined NMERB in 2015, as the Deputy General Counsel. He has nine years of experience with the state of New Mexico including: three years with the Public Employees Retirement Association and five years with the Public Education Department. Mr. Ventura's 22 years of practicing law has included work with environmental and Native American nonprofits**.** He graduated from Cornell University with a B.S. and earned his law degree (J.D.) from the University of Colorado.

Deputy General Counsel, Susanne Roubidoux
Susanne Roubidoux has been an attorney since 1990 and she has experience in general corporate, tax and administrative law. Prior to joining NMERB on June 28, 2016, she worked at the Attorney General's (AG) Office in the Open Government Division serving as legal counsel to several boards and commissions. In addition, she worked at the Department of Finance and Administration and the Taxation and Revenue Department. She has worked in private law firms in Boston and Denver and as in-house counsel at Santa Fe Natural Tobacco Company and a startup biotechnology company. Susanne graduated from law school in 1990 with a J.D. degree from the University of California at Berkeley, Boalt Hall School of Law.

Plan ahead for your NMERB retirement! You've made your contributions, worked for many years and now your ready for retirement! But wait! You don't know what you should do next. If this is you, review the following steps:

- ☐ Register your **MYNMERB** member self-service (MSS) login at www.nmerb.org.

PRO-TIP: **Use the Benefits Calculator in your MSS login, during your planning**

- ☐ Update your beneficiary information.
- ☐ If you're within one calendar year of retirement: request a Benefit Estimate ERB-MemberHelp@state.nm.us.
- ☐ Contact your Social Security Office visit: www.ssa.gov or call: 1(866) 571-8130.
- ☐ Contact NM Retiree Health Care Authority visit: www.nmrhca.state.nm.us or call 1(800) 233-2576.

NMERB Retirement Tip: Educate yourself on your retirement benefit and plan ahead. Register for your online NMERB Member Self-Service Login by clicking the **MyNMERB** button and register.

Quick tip: If you experience any issues logging in: delete your browser history and then use Google Chrome or FireFox. Google has instructions on how to delete your browser history or download a new browser.

NMERB Retirement Planning TIP: When you receive your retirement packet, look out for the Direct Deposit Form. This is a VERY important form. Check with your Financial Institution and determine that you've accurately filled out your Savings or Checking account and routing numbers correctly. **Pro tip:** Provide a copy of a voided check or your Financial Institution's Direct Deposit Form along with your retirement packet. This will ensure that you receive your monthly benefit on time.