

NMERB Connection

Understanding your NMERB Defined Benefit

New Mexico Educational Retirement Board

Planning for your lifetime

Your service to New Mexico’s public educational institutions secures retirement income for life.

As a member of the New Mexico Educational Retirement Board (NMERB), you participate in a Defined Benefit (DB) plan. You are eligible for membership by working more than .25 FTE (a full time equivalent) and membership is a condition for employment.

NMERB puts your contributions and those of your co-workers to work while taking on the investment risks and managing the diversified portfolio.

NMERB is the fiduciary of the DB plan. Our highly trained staff invests your contributions and that of your employer into a diversified portfolio. NMERB’s fund stands strong at \$11.685 billion as of December 31, 2016. Information about NMERB’s investments and their performance can be found on our website.

With our DB plan, your retirement benefit is calculated using the following formula: Final Average Salary (FAS, your high 20 consecutive quarters) years of service times the 2.35 percent pension factor. This is your gross benefit before deductions for taxes and health insurance (if elected). To guarantee you have computed this correctly, go online to the benefit calculator or contact one of our member service specialists. This will be reduced if you choose to provide for a beneficiary after your death. But, this guarantees a lifetime benefit for you and your designated beneficiary (if chosen) when you pass.

The DB plan differs from a Defined Contribution (DC) plan or 401 (k). In a DC plan, the employee takes on all of the investment risks and challenges. A DC plan doesn’t guarantee income for life and you could outlive your retirement assets.

When you’re ready for retirement, NMERB will be here for you. Our investment portfolio is working hard for your lifetime and beyond.



To learn more about your retirement benefit visit the NMERB website and register your online Member Self Service (MSS) login: www.nmerb.org.

Points of interest:

Spotlight on NMERB Investments

We want to hear from you!

Send us your suggestions for articles that you’d like to see in NMERB Connection:

MemberServices@state.nm.us.

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In the news

Santa Fe New Mexican:

With all the bad news about public pension funds, the New Mexico Educational Retirement Board fund is reporting an 8.5 percent return for the 2016 calendar year.

The fund reached assets of \$11.7 billion and grew by \$939.8 million over the year after fees. Net returns have been 8.5 percent over the last five years after fees and 9 percent since 1983.

“The most important point is that our 8.5 percent return for the year exceeded our actuarial target of 7.75 percent,” said Bob Jacksha, chief investment officer.

Excerpt from “Business Matters,” column by Bruce Krasnow, Feb. 13, 2017

Rio Rancho Observer

... The most recent valuation conducted by the board actuaries, Gabriel, Roder, Smith & Co., reported that the New Mexico Educational Retirement Board is on track to reach its goal of fully funding its pension by 2062 ... A mature, defined benefit pension fund, it has 1.3 active members for every retiree. Benefits are generated by employee and employer contributions and investment returns.

To that end, the board will continue to share the findings of actuarial valuation reports, actuarial studies and investment data in line with its transparency policy.

“My view” in Opinions by Mary Lou Cameron, chair of the Board, December 25, 2016

Our bills in the Legislature

NMERB has two bills in the current session of the New Mexico Legislature, and the Public Education Retirement Association has one, which will affect NMERB retirees who have both NMERB and PERA service. You can go to nmlegis.gov to track these bills, and a report on the outcome will be in the next newsletter.

Technical and Clarifying Changes to Educational Retirement Act SB 28 Sponsored by Sen. Gay K. Kernan (Chavez, Eddy, Lea counties)

This essentially “cleans up” outdated elements of the existing Educational Retirement Act and ensures the statute conforms to current practices. It would delete most references to “provisional members.” A statutory change in 1971 made the term “provisional member” meaningless for most employees.

The proposed legislation also changes the Act to conform to the current NMERB practice on applications for disability benefits. Instead of requiring disability benefit applicants to see a doctor hired by NMERB, a disability applicant would see their own medical provider and then provide applicable medical records to NMERB, which will make a decision of disability based on the records.

SB28 removes a provision that allows NMERB to accept payment for allowed service credit in installments.

Payment of State Retirement Benefits HB 34 sponsored by Rep. Roberto “Bobby” Gonzales (Taos) and Sen. James P. White (Bernalillo, Sandoval, Santa Fe and Torrance counties).

This affects NMERB members who have worked for both NMERB and Public Employee Retirement Association of New Mexico employers and is sponsored by PERA. It amends the Public Employees Retirement Reciprocity Act to require that public employees who have earned retirement benefits from more than one pension system be paid by each pension system separately, rather than requiring one pension system to make payments to the retiree and then receive reimbursement from another pension system. Currently, retirees with service credit in both systems receive their monthly check from the system from which they retired. If the bill is passed, retirees will receive two monthly checks- one from each retirement system.

Allowed service credit may be purchased by an NMERB member who has vested in the system and has certain kinds of previous employment, for example military service or work at a public school in another state. Members who are eligible to purchase service credit may effectively pay in installments by purchasing a small amount of service credit on several occasions, rather than making one larger purchase.

To track this in the Legislature and see the proposed Legislation, please follow link to review the bill on the NM Legislature website.

<https://www.nmlegis.gov/>

There are currently 1,662 PERA retirees with service credit from NMERB and 1,290 NMERB retirees with service credit from PERA, and the two agencies’ accounting systems are incompatible, according to the report by the Legislative Finance Committee. The goal of the bill is to ensure that retirees with service credit from multiple systems are paid the correct amount and to reduce staff time.

To track this in the Legislature and see the proposed legislation, please follow the link to review the bill on the NM Legislature website.

Original bill: <https://www.nmlegis.gov/>

Amendment: <https://www.nmlegis.gov/>

Employment and Salaries of NMERB Investment Staff SB 29 sponsored by Sen. Stuart Ingle (Chaves, Curry, De Baca, Lea and Roosevelt counties).

This legislation would give the Executive Director of NMERB authority to appoint and determine the salaries of various positions in NMERB’s Investment Division.

The positions affected are the Chief Investment Officer, portfolio managers, investment analysts, and investment division supervisors. If enacted, this bill would allow the Executive Director, in consultation with the NMERB board, to set salaries for these positions within budget allowances and appropriation limits. Currently NMERB must follow the state’s classified salary scale under the State Personnel Act or the Governor’s exempt salaries plan for these positions.

The proposed legislation introduces language in the Educational Retirement Act at Section 22-11-7 to grant the Executive Director this authority. It also amends the State Personnel Act to exclude these NMERB positions from the classified service and the governor exempt salaries plan.

The Board finds it is difficult to recruit and retain investment staff and that salaries paid by NMERB are not competitive with those offered by other public pension funds. NMERB reported to the Legislative Finance Committee that three recent applicants for vacant positions declined job offers due at least in part to the salary NMERB is able to offer. A 2015 survey from McLagan, a national consulting firm, found the average median salary for public pension fund investment and management personnel to be significantly more than what NMERB can pay under the State Personnel Office guidelines.

To track this in the Legislature and see the proposed legislation, please follow the link to review the bill on the NM Legislature website.

<https://www.nmlegis.gov/>

You asked ...

How do I update my new name with NMERB?

Answer: You may send NMERB written notification of your name change. Please include your previous name, your birth date and the last four digits of your social security number. You must sign and date the letter. Mail the letter and a copy of your current driver’s license or Social Security card with your new name to NMERB’s Santa Fe office: P.O. Box 26129, Santa Fe, NM 87502-0129.

Inside NMERB: Kay Chippeaux helping to manage your fund

Kay Chippeaux is passionate about education and began her career thinking she wanted to become a teacher. Now she manages \$7.6 billion of the educational employees' retirement portfolio. That is just part of the \$11.6 billion the defined pension plan that the New Mexico Educational Retirement Board holds for state educators and educational employees in the plan.

In fact, as Deputy Chief Investment Officer - Public Securities & Credit, she not only manages managers, but she is also responsible for the \$3 billion of internally managed assets, and NMERB relies on the positive return on investments that she and the investment team have been returning.

"I admire teachers," Chippeaux said. "I really wanted to be a teacher, but after I took my first class in education I realized it just wasn't my calling." Seven members of her family are in education and two proudly serve the Las Cruces community: one retired as a teacher at Las Cruces Public Schools and another is a professor in the Department of Engineering Technology & Surveying Engineering at New Mexico State University.

Her commitment to service drives her enthusiasm for her job. Though she could likely earn more in the private sector, she derives joy and job satisfaction from working at NMERB. It is a place where she sees every job as important, every position "mission critical."

A true team player, she cites her colleagues at NMERB for service from the benefits specialists who advise members to the IT team that keeps the computer systems running. "All of us are necessary for the organization and this is important for the best possible service to members," she said.

The advantage of working in the public sector, she said, is providing services to others. Chippeaux feels strongly about education and that it is critical to our state's future. Her position provides great job satisfaction, "especially when I'm doing a good job and my portfolio performs well," Chippeaux said.

Service is a keystone for Chippeaux. Outside of her regular portfolio management duties she volunteers with the Hondo Fire Department. She helps the all-volunteer group with donation acknowledgement and donation drives.



The University of Wyoming graduate first earned her degree in accounting and then moved into investing. She is a Certified Public Accountant, which is attained by passing a stringent set of tests. Chippeaux said earning her Chartered Financial Analyst certification was even harder. Candidates study investment management, investment accounting, security selections, derivatives education, and ethics. They must pass all three levels that have increasing degrees of difficulty.

"I always list the CFA designation before the CPA because it was tough, and I worked so hard to get it."

Chippeaux honors the responsibility she has to ensure the fund remains healthy with positive returns. Managing such a large portfolio can be stressful.

But what keeps Chippeaux working for school employees and retirees is knowing that her life and work has purpose. Every decision Chippeaux makes will affect members' ability to live a comfortable retirement.

She sees every day as important and every decision as one that matters. "We work in service to our beneficiaries (members)," Chippeaux said.

The educational retirement pension plan covers close to 60,000 active members currently paying into the system and 46,000 retirees, ranging from public school teachers, administrators and staff to college faculty and staff. Chippeaux recognizes the responsibility.

The trick to having fun at work and life is to take pride in service and small triumphs in Chippeaux's view.

Like members of the NMERB plan, Chippeaux also has an active life outside of work. This winter you can find her snowshoeing and cross country skiing in her off time. Having recently embarked on weightlifting, the petite Chippeaux proudly reveals her new muscles. "I just lifted 135 pounds," Chippeaux said. "A personal best."

Chippeaux is an NMERB employee who has found a way to turn her financial expertise into strong returns for the pension plan -- and keep a healthy work-life balance. Her advice: "One should totally have fun."

Her brother and sister-in-law in Las Cruces call her from time to time to ask how the pension fund is performing. It's doing just fine with Chippeaux and her investment team watching over the public markets and opportunistic credit section of the asset portfolio.

Your story: Pension helps Benavidez give

Being retired and having a defined pension plan helps Birdie Benavidez, in her words, "give a plus to the world." She celebrated her first year of retirement from MacArthur Elementary School in Las Cruces in January and is already tutoring elementary school children at home. She is excited about staying in touch with her former students and recently attended a "Reveal" party for one of her former fifth graders. That is an event to celebrate the announcement of the gender of an expected child.

She stays on the go visiting her daughter in Albuquerque, her parents in Belen and traveling. Now she has time to exercise daily, thanks to Silver Sneakers, which

through the New Mexico Retiree Health Care Authority's plan provides a free gym membership.

"I researched supplement health coverage for six months and found that's the way to go," she said.

After a 17-year career in banking, she decided in her 40s to go to New Mexico State University and get a degree and teaching certification for K-8. "If I had thought about the freedom a defined [benefit] pension plans offers, I would have started teaching in my 20s," she said.

Benavidez taught third, fourth and



Birdie Benavidez

"If I had thought about the freedom a defined [benefit] pension plans offers, I would have started teaching in my 20s."

fifth grades for 20 years at MacArthur and taught two years past her eligibility for retirement. "It's a calling to work with children. Now that I am retired, I have a notebook open with a blank page, and I can write anything I want."

Let us share your story. To be included in Retiree Profile, please contact :

member.services@state.nm.us

Winners and losers in Social Security



Big winners contribute less, come out ahead in Social Security

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Since January 1 of this year when the Social Security Administration changed rules for high wage earners, Laura Saunders, a columnist in the *Wall Street Journal*, explained that low earners are the big winners in Social Security. They will take out far more than they put in – in some cases twice as much.

The Social Security Administration as of January 1 increased the wage base to \$127,200, meaning that is the maximum amount subject to Social Security tax. Anything over that amount is not taxed by Social Security. For people earning less than this amount, all wages are subject to the tax.

Saunders asked: What will you receive in Social Security benefits compared with the taxes you pay? The answer: Low earners often get more than they put in, while high earners get less.

The more generous benefit for lower-wage earners has been part of the design of the Social Security system. Eugene Stuerle, a former official in the U.S. Department of the Treasury and now with Tax Policy Center in Washington, said the founders of the system intended to replace a higher percentage of lower-earners' wages.

For example, a one-earner couple retiring in 2020 with low wages of \$20,500 in 2015 dollars will be paid out more than twice what they paid in. But a couple where both spouses earn the same pay and always at the \$118,500 cap, on average, will be paid out only 75 percent of what they paid in.

To get an idea of how you fare, look at these numbers from the Wall Street Journal's Staggered Payout chart, all based on these assumptions: that you retire in 2020, that there is a 2 percent rate of return on savings after inflation and that the numbers are in 2015 dollar values:

- A one-earner couple whose income equals \$22,500 will pay \$129,000 in taxes during their lifetime and receive \$309,000 in Social Security benefits.
- A two-earner couple whose income is \$22,500 (for each) will pay \$258,000 in taxes during their lifetimes and will receive \$385,000 in Social Security Benefits.
- A one-earner couple whose income is \$47,800 will pay \$287,000 in taxes and receive \$511,000 in benefits.
- A two-earner couple each earning \$47,500 will pay in \$574,000 and receive \$839,000.
- A one-earner couple earning \$76,500 will pay in \$459,000 and receive \$674,000.
- A two-earner couple, each earning \$76,500 will pay in \$919,000 and receive \$839,000.
- A one-earner couple whose income is \$118,500 and will pay \$679,000 in taxes and will receive \$819,000.

Among the winners:

- Low wage earners. Saunders suggests that one-earner couples whose incomes have a high disparity "come out ahead." But, single parents often miss out due to the loss in spouse benefits they, in effect, pay.
- One-earner couples and couples who earn substantially different amounts.
- Retirees with much younger spouses.
- Those collecting benefits who have minor children.
- Treasury officials caution that the declining number of participants in the Social Security system will, over time, lead to changes in the way Social Security operates.

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