

ERB Update



NEW MEXICO
EDUCATIONAL
RETIREMENT
BOARD

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All-Time High: ERB Fund Surpasses the \$9 Billion Mark

Three out of five domestic equity managers out-performed their benchmarks

A robust U.S. economy coupled with strong international equities has produced a record-breaking high of \$9 billion-plus for ERB Fund portfolio investments.

The fourth-quarter Gross Domestic Product (GDP) report, along with encouraging economic data on jobs and inflation provided positive catalysts to the domestic equity markets. The U.S. economic growth accelerated to an annualized 3.5 percent in the fourth quarter, up from the third quarter's 2.0 percent rate, according to the GDP report released in January.

For the year, the Fund returned 16.1 percent, beating its policy benchmark by 0.2 percent and ranking in the 6th percentile of U.S. public pension funds. "It's been a Goldilocks

economy," reports ERB Chief Investment Officer Bob Jacksha. "Not too hot, not too cold, and not a lot of inflation or unemployment. Corporate profits have been rising without inflation. Interest rates have continued low and that also contributed to corporate performance."



Bob Jacksha
New ERB Chief
Investment Officer

In January this year, Bob Jacksha became ERB's new chief investment officer, heading the Fund's in-house investment team. His 25 years of investment expertise includes nine years at the New Mexico State Investment Council where he served as deputy chief investment officer.

"Currently, our allocation is on the aggressive side. We have more than 70 percent in equities including real estate investment trusts. We will move more into pure real estate to diversify and give us a more moderate asset allocation. We're re-balancing and reducing our risk as we speak; the aggressive asset allocation has helped our performance and that's one reason why we saw the results we did last year."

ERB Fund managers are looking at a number of alternative strategies,

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"Character cannot be developed in ease and quiet. Only through experience of trial and suffering can the soul be strengthened, ambition inspired, and success achieved."

Helen Keller (1880-1968)

Educator Returns from Iraq War

34-year-old father of two considers himself lucky to back with his family

Life has changed for Joseph Garcia since he returned from active duty in Iraq to Bernal, a tiny community of 80 souls in northern New Mexico. For 18 months, the 34-year-old married father

“ I didn’t think when I signed up nine years ago I would see active duty. ”

of two spent harrowing days driving ammo-laden trucks the length of Iraq into Kuwait, dodging rocket-propelled grenades, small arms fire and roadside bombs. He is lucky, he says, to have survived without injuries, to return to his family and his ranch. These days, he, “just hopes to have another day. I’m thankful for each day.”

As part of a supplies convoy in Iraq, Garcia and his National Guard 720th transport unit traveled dangerous territories in stifling heat 12 hours a day. “I didn’t think when I signed up nine years ago I would see active duty,” he says. “I was kind of surprised.” After 9/11, his National Guard unit was given a heads-up that changes were coming. In February 2003, his unit was sent to El Paso for training and he learned how to drive and repair enormous semi tractor trailers that would be used to haul military supplies. Then in April that year, his unit flew to Kuwait to begin active duty. It was an alien world.

Despite the dangerous, difficult conditions and lack of creature comforts, there were a few welcome reminders

of home – Gatorade and crackers at fuel stops along their convoy route, and even Subways and pizza once they made it to their camp in Kuwait. He could call home there, just once every two weeks to his wife, Evelyn, and his kids.

A two-hour wait was common, but then he could talk as long as he wanted. His kids knew but still had to ask, “When are you coming home, Dad?” It was a very challenging time and difficult to live with daily uncertainty.

Today, every day is a good day for him. He likes working in education, and will finish his bachelor’s degree soon and then try for a job as computer tech for the school district.

“ When a teacher has a positive attitude toward a student, that helps that student have high hopes for him- or herself. ”

He used to build roofs for a log cabin building company where he enjoyed feeling fit from the hard physical work, and loved the simple beauty of the angles and the wood. In his present job as educational assistant in the computer lab at Tony Serna Elementary in West Las Vegas, he does his best to lift the spirits of the students he works with. Some of his students come from hard



Joseph Garcia’s recent military service in Iraq will count as earned time for the 18 months spent there on active duty. He works now as an educational assistant in Las Vegas, NM.

families, hard lives, and he works to give them hope and encouragement so they can see a good future for themselves. “When a teacher has a positive attitude toward a student, that helps that student have high hopes for him- or herself.

You try to give them positive feelings about themselves,” he says.

His experience in Iraq still brings him a clearer sense of his life - his love for his family, his ranch and 20-head of cattle, his acres of alfalfa fields. He’ll be free to leave

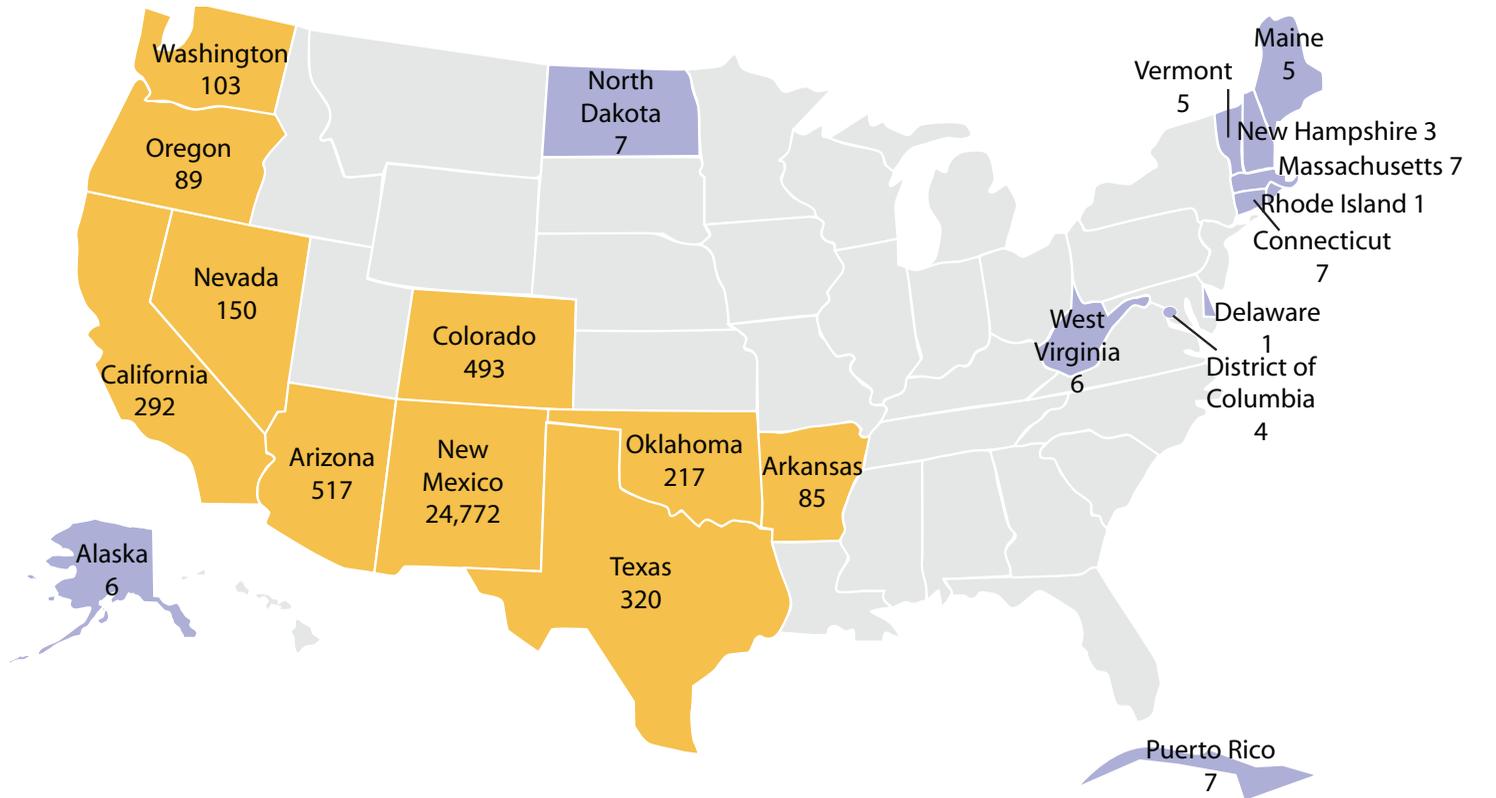
the National Guard in April this year, but hasn’t entirely decided whether to renew or not. “I don’t know – our unit is a tight unit so if you go ahead and get out and they go overseas, you feel you let your unit down. But I’m about 90-percent sure I won’t go back. It’s time to do the civilian life, support my family and tend my ranch. I am doing what I like.”

Educational Retirees: Where Do They Go?

≡ Most of them stay in New Mexico and neighboring states ≡

 10 most popular states to retire for ERB members

10 least popular states to retire for ERB members 



We often hear about retirees moving to Florida or Arizona. Where do New Mexico retirees move after their service in New Mexico? The average ERB retiree worked for 24 years in New Mexico and it must seem like home. Those who work in New Mexico, stay in New Mexico.

Of the 29,125 ERB retirees receiving the last edition of the newsletter, 24,772 had it delivered to their New Mexico address. That is 85% of all retirees. The map above shows the 10 most and least popular states.

Besides remaining in New Mexico, ERB retirees choose neighboring states of Arizona, Colorado, Texas, and Oklahoma. Utah

2007 Legislature

The 2007 legislative session saw little change for the Educational Retirement Board. Three bills sought changes in the Return to Work program. All bills related to both the ERB and PERA Return to Work programs. Only one bill made it through both houses and any reference to ERB was removed from the bill. A bill to increase benefits for new ERB retirees died in committee.

Only one bill directly affecting ERB, House Memorial 92, passed. It was sponsored by Mimi Stewart (D) of Albuquerque. It requires that the Legislative Education Study Committee investigate the legal, practical and monetary consequences of combining ERB and the Public Employees Retirement Association. The report is due to the Legislature and Governor by December 1, 2007. For

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almost cracked the top 10 with 73 retirees. Of course the highly populated state of California is in the mix. Somewhat surprising are the relatively large numbers of retirees in Washington and Oregon. The three states on the West Coast draw 466 New Mexico retirees.

New Mexico's educational retirees do not show a love for cold temperatures. The northern and eastern states consistently have very small numbers of retirees.

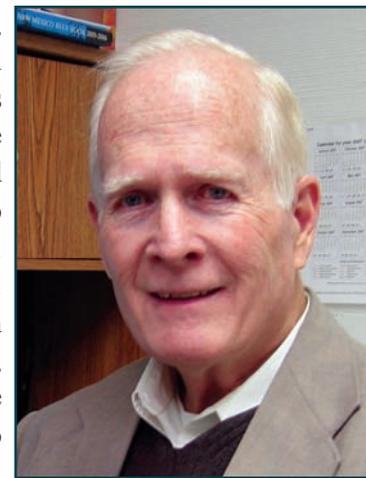
In future newsletters we will look at just where in New Mexico retirees live, and talk to some of our retirees who have chosen to live in foreign countries.

ERB Board Bids Farewell to Delman Shirley, Welcomes Russell Goff



Delman Shirley

ERB Board member Delman Shirley, who represented the New Mexico Association of Educational Retirees, is retiring from the ERB board after serving 22 years. Shirley also represented the National Education Association of New Mexico for 4 terms. He chaired the board from 1993-2004.



Russell Goff

New board member, H. Russell Goff, will complete Delman Shirley's term; approximately one year. 'Russ' has devoted his extensive career to education in New Mexico. "It's the kids," he says. "I loved working with students and the staff, trying to help them move forward, and for staff to excel at their jobs."

"I've had the privilege of being involved in every major benefit improvement made to the Educational Retirement Act in the past 30 years," said Shirley. "I've seen the Fund grow from a few hundred million dollars to nearly \$9 billion. I've seen the eligibility requirement for retirement without penalty moved from 35 years to 30 years, and later to 25 years."

Other highlights during his tenure include improved cost-of-living adjustments; the passage of the Return to Work act and increases in the benefit formula from 1.5% to 2.35% for all service. He served 18 years on the ERB Investment Committee, helping move the Fund into the equity market, a move that places ERB among the top-performing public pension programs for educators in the U.S.

Shirley worked as an educator for 35 years in New Mexico, the last 25 in Clovis as a teacher and principal. He holds a bachelor's of science degree in mathematics, a master's degree in school administration and an educational specialist degree in school administration, all from Eastern New Mexico University in Portales. He is looking forward to travelling with his wife in the days ahead.

Presently the executive director of the New Mexico Association of Educational Retirees, Goff began his career as an elementary school teacher in 1964. His 37-year career spans 27 years as a middle school and high school principal, most recently at Eldorado High School in Albuquerque, which he headed for 12 years, concluding with his retirement from Albuquerque Public Schools in 2001.

They were rewarding yet challenging years. Life as a high school principal means, "16-hour days, six days a week. You can't be a principal without a lot of hours and be part of the school's activities. So many hats to wear every day. Trying to improve academic achievement, reduce dropouts and increase graduation rates; those were critical issues," Goff states.

Through his father, who was the first chairman of the ERB, Goff has had an inside view of ERB – from the family dining table - of ERB Board strategies and activities. That family history and his consistent attendance at ERB board meetings for the past four years will help ensure a smooth transition to the ERB Board.



Legislature 2007

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more information on the bill visit the NM State Legislative website by going through the ERB website; www.nmerb.org.

On March 15 Governor Richardson signed into law a 5%

average pay increase for educators. He vetoed an extra .75% increase in employer contribution (an estimated \$20.5 million) that would have helped to improve ERB's financial standing. The .75% increase in employer contributions required by 2005's SB 181 remained in the bill.

Q & A: How Do I Retire?

Q: *After a long and wonderful career in education I have decided to retire. How do I do this?*

A: Congratulations on your career! You are now embarking on a whole new adventure. The process starts with your employer. You will let your Human Resources (or Payroll or superintendent in a smaller district) know, in writing that you plan to retire. Include your retirement date in the letter. Your retirement date is always the first day of a month that follows the last month that you worked or were paid to work, including annual leave or sick leave. If you are a school based employee on a 9 or 10 month contract and you finish the school year you will retire effective July 1.



Your employer will provide you with an ERB Application to Retire which you will complete and return to your employer. They will complete the bottom of the application and send it to the ERB Santa Fe office. Be sure to include a copy of your birth certificate and that of your beneficiary if you want information about the B or C option.

ERB will send your Final Selection of Benefit forms near your effective retirement date. You must sign and have the form notarized as well as inform us what taxes you would like to have taken from your benefit and in what bank or savings and loan you would like to have your benefit deposited. Now you are ready for the great age of retirement.

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including implementing a private equity program that began last year and continues. “We’re looking for alternatives to stocks and bonds,” Jacksha said. “We already have nearly 5 percent invested in hedge fund absolute return strategies that provide more moderate, stable returns.”

Private equity investments aren’t tied to the Standard & Poor’s 500 index so if the market dips, ERB private equity investments will move differently than the stock market.

“In modern portfolio theory, diversification requires that a fund allocate among a variety of asset classes that respond differently to

various economic factors. It provides an extra increment of stability,” Jacksha said.

Fund goals are to keep assets intact and grow them over time while meeting, if not surpassing, the required actuarial return of 8 percent. The ERB investment strategy can be summarized as ‘more diversification; lower risk.’

“Our long term strategy is to outperform the required 8 percent return, moderate the risk and work out some of the large fluctuations we have seen in the past decade. That’s the plan we will put into effect for the remainder of this year,” Jacksha said.

Reminder



**For retirees who are 65 or over
in 2007 you can expect your 2%
Cost of Living Allowance (COLA)
in your July pension deposit.**

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Jeff Riggs
Deputy Director

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Russell Goff
NMAER

Dr. Pauline H. Turner
AAUP

Retirement Seminars for 2007

In the past school year over 1500 members have attended our 17 seminars on retirement. ERB presents two seminars that help guide members to informed choices concerning their educational retirement options.

Retirement Intensive - Getting Your Ducks in a Row	Retirement Fast Track - Introduction to Educational Retirement
Saturday seminars, 8:30 a.m.-12:30 p.m.	Weeknight seminars, 4:30 p.m.- 7 p.m.
<i>Financial and Estate Planning, Aging Well, ERB Benefits, Retiree Health Care Benefits, and Social Security</i>	<i>Same coverage of ERB benefits and NM Retiree Health Care as the longer version.</i>

A new series will start in the fall, watch for dates in your area on our web site (www.nmerb.org) or in the next newsletter. Register early!

Seminars already scheduled for the fall

Los Alamos - September 29

To register, visit the ERB web site (www.nmerb.org/seminars.php) and fill out the registration form to get information on the location. We'll notify you of any seminar schedule changes.



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