

ERB Update



**NEW MEXICO
EDUCATIONAL
RETIREMENT
BOARD**

Fall of 2006 Newsletter
Volume 9, Issue 3

Fund Returns Up 12% for 2006 Fiscal Year

Strongest returns came from international equities, where ERB investments enjoyed a 29% plus gain

The ERB Fund experienced another year of solid investment returns, with the Fund up approximately 12% for the current fiscal year, despite some volatility during May and June. The strongest returns came once again from international equities, where ERB investments enjoyed a 29% plus gain from last fiscal year.

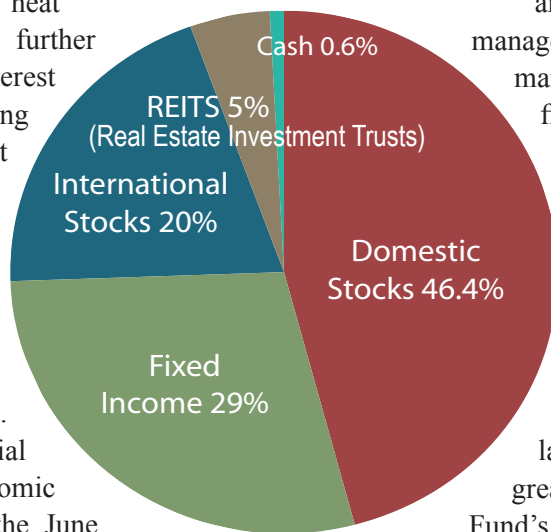
Wall Street jitters in May and June this year were caused by various concerns about the economy. The nation's strong economic growth during the quarter ending March 2006 fueled speculation that inflation might heat up, resulting in further Federal Reserve interest rate hikes. A long stretch of interest rate increases in the preceding 18 months took a toll on the housing market, and record high oil prices made consumers nervous. However, initial estimates of economic growth (GDP) for the June quarter indicate that the country's economic growth rate had slowed to 2.5%,

less than half the 5.6% rate for the March quarter. This moderation in growth isn't necessarily bad as it allows the Federal Reserve to halt further interest hikes. This would be favorable for all markets, but particularly for bonds and real estate.

In March 2006, ERB changed how some

"ERB's investment statutes were changed last July to allow greater flexibility in the Fund's asset allocation"

ERB ASSET ALLOCATION



of its investments are positioned and managed. Rose Struck, manager of ERB's internal fixed income portfolio retired, and the fixed income assets under her management have been moved to external managers.

"ERB's investment statutes were changed last July to allow greater flexibility in the Fund's asset allocation,"

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**What leads to
a long and happy
life?**



**Research suggests,
a sense of humor,
stable relationships
and adequate exercise
are key to longevity.**



New this month: ERB will feature an article on an ERB retiree in every issue.

Adventure is Her Game

Barbara Bonahoom's strong sense of purpose and generous spirit keep her closely connected to her community after retirement.

Barbara Bonahoom's awards and plaques are proof of her dynamic teaching skills, but it's her plucky spirit and high energy that people know best.

Bonahoom's remarkable achievements as a physical education and business teacher won her accolades – 'Outstanding Young Woman' and 'New Mexico Woman in History' – and other tributes during her career. But it's the way her students feel about her that matters more.

The story and the spirit behind her awards inevitably involve kids and her passion for doing good. Her peak teaching experience took place circa 1965 in Raton

where she taught for most of her career. She was teaching a 9th grade business class then. She says,

"I used to get these wild ideas while I slept. I wanted my students to think of something that would improve the lives of people living in Raton."

"I used to get these wild ideas while I slept. I wanted my students to think of something that would improve the lives of people living in Raton."

Her rousing dreams would eventually lead to local fame and a trip to Washington with seven of her students that included a surprise Rose Garden ceremony and recognition by the

Secretary of Education. Her students had responded to her dream quest with an idea to create a watershed lake near Raton that could be used for boating, swimming and other recreation, and they needed the help of others to make it happen.

It wasn't easy getting to Washington to present their ideas to the Secretary of Agriculture, forestry and

water officials to discuss potential funding. First, her students had to compete against other proposals at the state level to win the support of the New Mexico Soil Conservation agency (they did), and then the state Legislature. Then they had to raise money so Bonahoom could take all seven students with her for meetings with officials. "We came home with

a fancy plaque," she reports, and a tremendous sense of accomplishment.

After the high of the trip, the students made another presentation to the city of Raton which issued a resolution in favor of creating the recreational watershed. After that, she says, "The whole idea was put in a drawer somewhere and that was it. But the students really came forward and learned from it, and they still talk about it now."

Today, Bonahoom is active with the New Mexico Association of Educational Retirees. She also pours her compassion and energy into the Raton Humane Society rescuing homeless dogs, cats, and other critters who have lost their way. "We built an animal shelter in 1979 that successfully places animals as far away as California, Oregon and Ohio through our PetFinder program," Bonahoom says. "We find good homes for a lot of animals," she says happily.



Animals have always been an important part of Barbara Bonahoom's life. She's currently president of the Raton Humane Society which she helped found in 1979.

Boost Retirement Benefits With Withdrawn Service Purchase

≡≡≡ The sooner you purchase the withdrawn time, the less interest you pay ≡≡≡

Many ERB members chose to cash-in their retirement contributions when they terminated their employment. In doing so, service credit represented by their contributions was also removed.

For example, the withdrawal of \$2,000 18 years ago would cost approximately \$8,000 to purchase today. At 8% interest, the cost to buy back the service doubles every nine years.

While sometimes expensive, in most instances this purchase is a good financial move for the member.



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Members may buy back that service credit, retire earlier and earn a larger pension through

Withdrawn Service purchase. The cost to buy back the service includes the original withdrawal of contributions and interest, plus interest at 8% compounded annually over the years since the withdrawal.

If you have withdrawn service and are considering buying the time back, it's wise to begin the process well before your anticipated retirement. The sooner you purchase the withdrawn time, the

less interest you pay, and you can be confident that you are prepared for your retirement date. Contact your nearest ERB office for more information.



**Coming Soon -
Faster Online
Member Access
to ERB Retirement
Benefits**

ERB's new online computer system – the Integrated Retirement Information System known as IRIS – will soon offer members faster online access to their accounts to see when they can retire, to view their contributions, and access information about other important member services. Phase III should be implemented sometime this fall.

Launched in March this year, IRIS combined member information from several sources into one, creating a centralized information system that, once complete, will expand member access and provide other helpful services in a user-friendly format.

Stay tuned for more IRIS news in the next newsletter.

www.era.state.nm.us

Direct Deposit for All Pension Checks Required by Jan. 1



To ensure the safe and timely receipt of retiree checks, ERB will implement a new direct deposit policy for all ERB members. This policy, effective Jan. 1, 2007, requires that all pension checks be distributed through direct deposit to members' bank or savings and loan accounts.

The policy intends to eliminate misdirected pension checks or other mishaps. Members may be aware that the U.S. Postal Service inadvertently printed incorrect bar codes on some pension check envelopes, resulting in delayed deliveries to 300 anxious retirees. ERB determined that

direct deposit of retiree pension checks is the best way to protect against similar delays, mail theft, or the need to go to a bank to deposit the check.

Letters were mailed in late July to inform retirees who receive mailed pension checks of the new direct deposit policy.

Budget Surplus Fuels Petition Drive for Increased Education Spending

A Back-to-School petition drive launched by a coalition of major education organizations, New Mexico Education Partners, asks state legislators and Gov. Bill Richardson, to support legislation which would generate an additional \$300 million for education from the state's projected budget surplus.

New Mexico's higher-than-projected increase in General Fund revenue for 2007 provides the perfect opportunity

to improve public schools says Eduardo Holguin, president of NEA New Mexico. Directing 50 cents of every new General Fund dollar to schools would provide approximately \$300 million more to help recruit and retain the best teachers by moving New Mexico's educators into the top half of national salary rankings.

More information can be obtained at: www.qualityednow.org/NMEdPartners

Additional funding would help lower class sizes, modernize classrooms and assist in replacing outdated books and technology.

New Mexico Education Partners is a coalition of the Albuquerque Teachers Federation, the National Education Association-New Mexico, the New Mexico Coalition of School Administrators, the New Mexico PTA and the New Mexico School Boards Association.

The Boomers are Coming, the Boomers are Coming



The first of the 71 million strong Baby Boomer generation turned 60 on January 1, 2006. This generation is taking ERB to record numbers of retirees.

Between August 1, 2005 and July 1, 2006 1,924 members retired. In fiscal year 2005 1,721 retired

and in 2004 1,512 retired. In just the last three years retirements are up 14% and 12% each year over previous years. Almost 1 in 5 educators are qualified to retire. As more educators choose that option there will be a noticeable impact on the staffing of schools and universities in New Mexico.

Q & A: Coming Back to Work as an Independent Contractor

If an ERB retiree would like to work for an ERB employer there are three options: 1) work .25 FTE or earn less than \$15,000 in a fiscal year, 2) Return to Work after a one year layout (and applying for and receiving permission from ERB to do so), or 3) work as an Independent Contractor. This article will cover some of the issues concerning work as an Independent Contractor.

I have friends that returned as Independent Contractors after they retired. Can I do the same thing?

A person can be a contractor for a different job or with a different employer as long as the IRS rules pertaining to Independent Contractor are followed. The IRS does not allow employees to return to the same job they held as an employee and then work as a contractor. ERB rules apply to all employees. Independent contractors, as defined by the IRS, cannot participate in the ERB retirement plan since they are not employees. Independent contractors are typically hired on a short term basis, and are not provided an office or tools to do a task, have flexible work times, and offer the same services to other employers. If you have reporting times and are given specific directions about how to perform



your job, you are more likely an employee rather than an independent contractor. Visit the IRS web site (www.irs.gov) to get information about rules concerning independent contractors.

One of the IRS rules concerning independent contractors specifically does not allow an employee to retire and then return as an Independent Contractor to the same or essentially same job and the same employer from which they retired.

If you work as an Independent Contractor for an ERB-covered employer in New Mexico you will not qualify for the Return to Work program until you have terminated the Independent Contractor relationship and have not performed any work for an ERB employer for a full year. Working at a school while an employee or subcontractor for another company which contracts with ERB employers will not count as the one year layout for the Return to Work program.

If you are a retiree and plan to work for an ERB employer as a contractor send a letter explaining your plan to ERB's attorney, Robert Shulman, at our Santa Fe office. Include a completed *Employee vs. Independent Contractor (IC) Determination* form (available on our website: www.era.state.nm.us/ERB_Members/EmployeevsICForm.pdf)

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reports Evalynne Hunemuller, ERB Executive Director. "The resulting new investment plan adopted by the Board in January targets a 15% allocation to hedge funds, private equity and real estate. These 'alternative' assets will result in a better diversified portfolio with a less aggressive exposure to the publicly-traded stock market."

(A hedge fund is a lightly-regulated private investment fund sometimes characterized by innovative strategies, e.g. other than investing long only in bonds, equities or money markets).

**"Why do our bodies wear out? Why can't we just go on and on and on, accumulating a potentially infinite number of Frequent Flyer mileage points? These are the kinds of questions that philosophers have been asking ever since they realized that being a philosopher did not involve any heavy lifting."
- Dave Barry**

The Columbia World of Quotations. Copyright © 1996 Columbia University Press 'Dave Barry Turns 40,' Crown (1990)

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Retirement Seminars for 2006-2007

ERB presents two seminars that help guide members to informed choices concerning their educational retirement options. Retirement 101 – Your Educational Retirement Benefits covers your retirement benefits and helps you to make wise decisions considering those benefits.

Retirement 201 - Getting Your Ducks in a Row	Retirement 101 - 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>ERB Benefits and an abbreviated version of the NM Retiree Health Care Benefit seminar.</i>

Albuquerque	Sept. 23	Oct. 11	Jan. 6	March 7	April 14	
Northeast NM	Nov. 15	Nov. 16	Feb. 7	March 1		
	Las Vegas	Santa Rosa	Raton	Tucumcari		
Northwest NM	Nov. 8	Feb. 3	Feb. 8	March 10	March 21	
	Santa Fe	Farmington	Taos	Gallup	Grants	
Southeast NM	Nov. 2	Jan. 18	Jan. 20	March 3	April 19	April 21
	Artesia	Hobbs	Carlsbad	Clovis	Portales	Roswell
Southwest NM	Sept. 27	Sept. 28	Sept. 30	Nov. 4	April 26	April 28
	Socorro	Silver City	Las Cruces	Alamogordo	Deming	Las Cruces

To register, visit the ERB web site (www.era.state.nm.us) and send us an e-mail with the seminar you wish to attend. We'll respond with a confirmation, times and location. We'll notify you of any seminar schedule changes.



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