

FY2020 Budget Request Presentation to LFC

Chair
Vice-Chair

Representative Patricia A. Lundstrom
Senator John Arthur Smith

Jan Goodwin, NMERB Executive Director

Norma Henderson, NMERB Chief Financial Officer

October 26, 2018



Mary Lou Cameron – Board Chair
H. Russell Goff – Board Vice Chair

NMERB Highlights as of June 30, 2018

Active ERB Members	60,358
Retirees and Beneficiaries	48,919
Retiree Payroll	\$1,069,597,322
Member Contributions	\$287,323,804
Employer Contributions	\$388,723,983
Member Contribution Refunds	\$37,844,105
Active Member Payroll	\$2.7 billion
Participating Employers	216
ERB Net Assets	\$12.9 billion
Average Benefit	\$22,668
Average Age at Retirement	59.4
Net Investment Return	8.3%

NMERB Budget Comparison for FY18 – FY20

		FY2018 Actuals	FY2019			FY2020		
			OpBud	BAR#1	Revised OpBud	Base	Expansion	Total
Uses								
200	Personal Services & Employee Benefits	\$ 5,705.5	\$ 5,966.9	\$ 710.0	\$ 6,676.9	\$ 6,565.7	\$ 527.0	\$ 7,092.7
300	Contractual Services	\$ 20,095.8	\$ 24,497.0		\$ 24,497.0	\$ 23,327.4	\$ -	\$ 23,327.4
400	Other Costs	\$ 1,042.6	\$ 1,105.4		\$ 1,105.4	\$ 1,270.9	\$ -	\$ 1,270.9
	Total	\$ 26,843.9	\$ 31,569.3	\$ 710.0	\$ 32,279.3	\$ 31,164.0	\$ 527.0	\$ 31,691.0
FTE								
	Permanent	68	70	-	70	70	6	76
	Term	0	2	-	2			0
	Temporary	0	2	-	2		2	2
	Total	68	74		74	70	8	78

NMERB FY2020 Request Analysis

	Uses	FY2019			FY2020			% Change over FY19 OpBud	% Change over FY19 Revised
		OpBud	BAR#1	Revised OpBud	Base	Expansion	Total		
200	Personal Services & Employee Benefits	\$ 5,966.9	\$ 710.0	\$ 6,676.9	\$ 6,565.7	\$ 527.0	\$ 7,092.7	19%	6%
300	Contractual Services	\$ 24,497.0		\$ 24,497.0	\$ 23,327.4	\$ -	\$ 23,327.4	-5%	-5%
400	Other Costs	\$ 1,105.4		\$ 1,105.4	\$ 1,270.9	\$ -	\$ 1,270.9	15%	15%
	Total	\$ 31,569.3	\$ 710.0	\$ 32,279.3	\$ 31,164.0	\$ 527.0	\$ 31,691.0	0%	-2%

FY20 Base request is \$405,300 **less** than the FY19 Operating Budget and \$1,115,300 **less** than the FY19 Revised Operating Budget.

Overall, FY20 request, including the expansion, is 2 percent less than the FY19 Revised Operating Budget.

NMERB FY2020 Expansion Analysis

	Uses	FY2019			FY2020			% Change over FY19 OpBud	% Change over FY19 Revised
		OpBud	BAR#1	Revised OpBud	Base	Expansion	Total		
200	Personal Services & Employee Benefits	\$ 5,966.9	\$ 710.0	\$ 6,676.9	\$ 6,565.7	\$ 527.0	\$ 7,092.7	19%	6%
300	Contractual Services	\$ 24,497.0		\$ 24,497.0	\$ 23,327.4	\$ -	\$ 23,327.4	-5%	-5%
400	Other Costs	\$ 1,105.4		\$ 1,105.4	\$ 1,270.9	\$ -	\$ 1,270.9	15%	15%
	Total	\$ 31,569.3	\$ 710.0	\$ 32,279.3	\$ 31,164.0	\$ 527.0	\$ 31,691.0	0%	-2%

FY20 Expansion Request is \$527,000 for 6 permanent and 2 temporary FTEs.

	Permanent	Temp
Investments	1	2
Member Services	3	
IT	1	
Accounting & Finance	1	
Total	6	2

NMERB FY2020 Budget Request Summary

Overall, the FY2020 appropriation budget request decreases the total budget by 2 percent below the FY2019 Revised Operating Budget. This reduction includes the requested expansion positions to assist with the growth in investment assets and annuitant payroll.

To control expenditures, ERB is focused on reducing expenses where practical and identifying asset portfolios for internal management.

The New Mexico Educational Retirement Board is not funded by the State General Fund, and no funds revert to the State General Fund at year end. We are funded by the monies we manage.

How ERB Board Has Been Proactive about Sustainability

- Prior legislation- 2005, 2009 and 2013
- Actions by ERB
 - Met with members across state to discuss status and need for change – *Fall of 2017*
 - Conducted survey on preferred items to include in proposed legislation – *Spring of 2018*
 - Soliciting input from stakeholders to develop legislative package – *Summer of 2018 to present*
 - Board retreat on Improving Sustainability
 - Submit legislative package for 2019 session

ERB Proposed Legislation

	<u>Element</u>	<u>Description</u>	<u>Details</u>	<u>Effective Date</u>
1	Tiered Multiplier	Institute benefit multiplier for new hires on a tiered structure based on length of service to result in a 2.35% for a 30-year work history.	Years of service: .25 to 10 = 1.35%; 10.25 to 20 = 2.35%; 20.25 to 30 = 3.35%; 30 + = 2.4%	July 1, 2019
2	Employer Contribution	Increase employer contribution by 1% per year for 3 years.	Make sure that the contribution increase is fully funded. The employer contribution increase attributable to ARP participants will remain in the DB plan. Employee contribution rates will remain unchanged.	July 1, 2019
3	Anti-spiking	Language similar to SB68 from 2013 session	Limit increased from 20 to 30%	July 1, 2019
4	Return to Work	All NMERB retirees wanting to return to work for NMERB employers during retirement must first lay out six months, and they and their employers will pay contributions on income. There is no cap on earnings.	The Board's Return to Work Exception will be eliminated. Layout under RTW Program reduced from 12 months to six months. Retirees who work 0.25 FTE or less will not be subject to the 6-month layout. Retirees may still suspend retirement benefit and work to earn more service credit.	July 1, 2019
5	PERA Retirees	All PERA retirees who work for a NMERB employer will pay contributions, as will their employers.	NMERB will support PERA legislation to accomplish the same thing with NMERB retirees that go to work for a PERA employer.	July 1, 2019
6	Minimum Retirement Age of 58	New employees hired on or after July 1, 2019 will have a minimum retirement age of 58.	This will be a "soft" minimum retirement age, meaning that their benefit will be actuarially reduced if they qualify and retire before they reach the age of 58.	July 1, 2019
7	COLA	Institute a 1% cap on the COLA until the plan is fully funded.	Current COLA reductions would remain in place, as would the protection of those retirees with 25 or more years of service whose benefit is below the median benefit.	July 1, 2019
8	Substitute Teachers	Substitute teachers treated as all other employees, and if working more than .25 FTE they would be members and pay contributions as would their employer.	Remove substitute teachers as excluded category under 2.82.2.11.C NMAC.	July 1, 2019
9	Restitution to Fund	Payment to NMERB of employer contributions and lost earnings.	Working with stakeholders to seek resolution of the negative impact of the contribution swaps and delays of employer contribution increases from 2009-2011 to the fund.	July 1, 2019



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