

FY19 Budget Request Presentation to LFC

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Vice-Chair

Representative Patricia A. Lundstrom
Senator John Arthur Smith

Jan Goodwin, NMERB Executive Director

Rick Scroggins, NMERB Deputy Director

Norma Henderson, NMERB Chief Financial Officer

October 27, 2017



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

ERB Highlights as of June 30, 2017

Active ERB Members	59,593
Retirees and Beneficiaries	46,253
Retiree Payroll	\$1,019,330,496
Member Contributions	\$292,809,008
Employer Contributions	\$395,843,795
Member Contribution Refunds	\$33,344,692
Active Member Payroll	\$2.6 billion
Participating Employers	216
ERB Net Assets	\$12.5 billion
Average Benefit	\$22,284
Average Age at Retirement	62.1

Budget Comparison for FY 17 – FY 19

Presented in 000's

Fiscal Year	2017		2018	2019		
Budget Category	OPBUD	Actual	OPBUD	Base Request	Expansion Request	Total
PS&EB	\$ 5,757.9	\$ 5,172.8	\$ 5,575.5	\$ 5,994.8	\$ 629.5	\$ 6,624.3
Contractual Services	\$ 26,625.0	\$ 23,149.9	\$ 22,413.1	\$ 24,643.5	0.0	\$ 24,643.5
Other	\$ 1,169.0	\$ 1,059.5	\$ 1,163.8	\$ 1,164.1	0.0	\$ 1,164.1
Total	\$ 30,551.9	\$ 29,382.2	\$ 29,152.4	\$ 31,802.4	\$ 629.5	\$ 32,431.9
FTE						
Permanent	68	68	68	68	3	71
Term					7	7
Temporary					2	2

FY19 Base Budget - Current Challenges

ERB FY19 Base Budget Request Highlights:

Personal Services and Employee Benefits (Category 200):

- ERB's budget assumes all positions are filled, with minimal turnover and vacancies.
- We continue to face staffing resource constraints as our business needs grow.
- Three vacancies as of 10/27/17 – 2 active recruitment, 1 being reclassified

Contractual Services (Category 300):

- FY19 investment fees are projected to increase with our growing asset portfolio. Professional services such as attorney, and IT maintenance fees are projected to be slightly higher.
- Actuarial and accounting fees increased in recent years due to GASB financial reporting requirements and will likely remain at that level in FY19.
- We experienced significant costs associated with software changes necessitated to our BROWSER system by the Cash Remediation II project and HB34 Public Employees Reciprocity Act. We expect continued increased costs associated with required changes and system improvements in this area.

Other Costs (Category 400):

- Other IT costs categories (equipment and licensing) are expected to increase somewhat for FY19 due to continued efforts to improve security and data storage efficiency.
- We have included some increases in leasing costs for our office in Albuquerque.

FY19 Base Budget – Expansion Request

ERB FY19 Expansion Needs:

Personal Services and Employee Benefits (Category 200):

- 3 Permanent FTEs
 - 1 – Investments – Securities, Commodities & Fin Svcs-O
 - 1 – Accounting - Accountant & Auditor-O
 - 1 – Member Services - Retirement Specialist, Supervisor [IT Capital Project-Data Cleanse](#)
- 7 Terms
 - 7 – Member Services - Retirement Specialist, Level 1 [IT Capital Project-Data Cleanse](#)
- 2 Temporary
 - 2 – Investments or Member Service - State Government Intern

The IT Capital Project request is to cleanse and update inactive member life status and contact information to better enable NMERB to comply with IRS regulations regarding initiating withdrawal of funds by age 70 ½ and to contact inactive members regarding possible retirement eligibility or other options relating to their membership in NMERB.

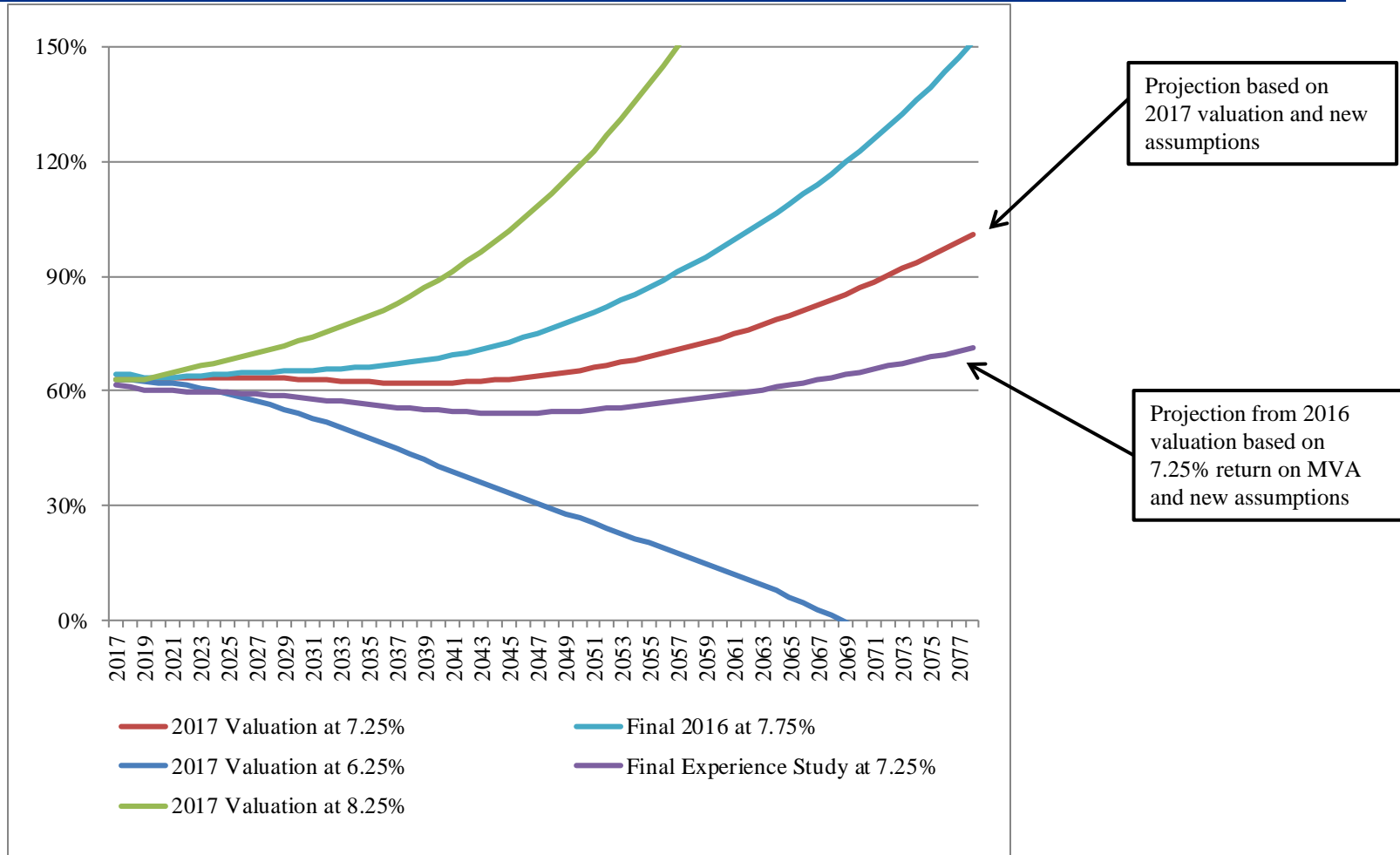
FY19 Request Analysis

	FY18 Opbud	FY19 Base	FY19 Expansion	FY19 Total	FY19 Expansion over FY18	TOTAL % FY19 over FY18
Personal Services and Employee Benefits	5,575.5	5,994.8	629.5	6,624.3	11.29%	18.81%
Contractual Services	22,413.1	24,643.5	0.0	24,643.5		9.95%
Other	1,163.8	1,164.1	0.0	1,164.1		0.03%
	<u>29,152.4</u>	<u>31,802.4</u>	<u>629.5</u>	<u>32,431.9</u>		<u>11.25%</u>

ERB Actuarials at a Glance

Fiscal Year	6/30/14 Valuation	6/30/14 Experience Study	6/30/15 Valuation	6/30/16 Valuation	6/30/16 Experience Study	6/30/17 Valuation
UAAL	\$6.3B	\$6.6B	\$6.5B	\$6.6B	\$7.4B	\$7.4B
Funded Ratio	63.1%	62.0%	63.7%	64.2%	61.5%	62.9%
Funding Period	26 years	32 years	37 years	46 years	84 years	61 years

Projection – Funded Ratios



- Contribution rates
- Retirement eligibility
- Vesting period
- Retirement benefit:
 - Final average salary
 - Multiplier
- Cost of living adjustment

How Do We Get to 100% Funding?

Contributions + Investment income = Benefits

We can make changes to:

Contributions-

Employer

Employee

Benefits-

Current members/retirees- can only change COLA

Future members- can change all aspects of plan design:

retirement eligibility, multiplier, COLA, minimum retirement age, FAS and vesting


- Collect contributions on Return to Work Exception
- Collect contributions on PERA retirees
- Anti-spiking
- Establish a better match for the cost of benefit
- Dedicate a revenue source to provide additional funds

Statewide tour- October and November 2017

Stakeholder group- Spring and summer 2018

ERB Board Approval- Fall 2018

Legislation- 2019 session




NMERB Improving Sustainability State Tour

MEETINGS BEGIN @ 6pm unless otherwise noted

Tour dates	Locations
10/30 Farmington	San Juan College (Henderson Fine Arts Performance Hall)
11/1 Taos	UNM-Klauer Campus (Padre Martinez Success Center)
11/2 Raton	Raton High School Library
11/6 Santa Fe	Santa Fe Community College (Jemez Room)
11/8 Albuquerque	CNM Main Campus (Smith Brasher Hall)
11/14 Silver City	Silver High School Theater
11/15 Las Cruces	Las Cruces Public Adm. Bldg. (Board Room)
11/16 Belen	Belen Public Schools (Teachers Resource Center)
11/20 Gallup	Gallup-McKinley County Schools (4:30 pm) (Main Office)
11/28 Roswell	NMMI Campus (Pearson Auditorium)
11/29 Clovis	Clovis High School (Lecture Hall)
11/30 Carlsbad	Carlsbad High School (Little Theater)

www.nmerb.org | liz.lorang@state.nm.us



History of ERB Retirement Benefits

YEAR	RETIREMENT ELIGIBILITY	MULTIPLIER	COLA	Life expectancy* at age 65	
				Males	Females
1962	30 years of service with actuarial reduction if younger than age 60 Age 60 with 15 years of service	1.5% first \$4,000 of Final Average Salary (FAS) and 1% thereafter	Ad Hoc	13.2	17.4
1965	30 years of service with actuarial reduction if younger than age 60 Age 60 with 15 years' service Age 65 with 10 years of service	SAME	Ad Hoc	13.2	17.4
1971	35 years of service 30 years of service with actuarial reduction if younger than age 60 Age 60 with 15 years of service Age 65 with 5 years of service	1.50%	Ad Hoc	13.8	18.6
1974	35 years of service Rule of 75 with reduction if younger than age 60 Age 65 with 5 years of service	1.5% for years before July 1, 1957 2% for years after July 1, 1957	Ad Hoc	13.8	18.6
1979	SAME	SAME	Based on change in CPI, capped at 2%. Can decrease - but not below original retirement benefit. Begins after 4 years of retirement.	13.8	18.6
1981	30 years of service Rule of 75 with reduction if younger than age 60 Age 65 with 5 years of service	SAME	SAME	14.6	19.1
1984	25 years of service Rule of 75 with reduction if younger than age 60 Age 65 with 5 years of service	SAME	Based on change in CPI, capped at 4%. On average, 2%. Begins the later of age 65 or one year following retirement.	14.6	19.1
1987	SAME	2.15%	SAME	14.6	19.1
1991	SAME	2.35%	SAME	15.3	19.6
2010	SAME	SAME	Elimination of negative COLA	19.6	22.4
2010	Hired prior to 7/1/2010: SAME Hired after 7/1/2010: 30 years of service Rule of 80 with reduction if younger than 65 Age 67 with 5 years of service	SAME	SAME	19.6	22.4
2013	Hired after 7/1/2013: Actuarially reduced benefit if member retires with 30 years of service and is younger than age 55	SAME	Hired after 7/1/2013: COLA begins at later of age 67 or one year following retirement Until ERB is > 90% funded: Retirees with benefits at or below the median AND with 25 or more years' service have a 10% COLA reduction from statutory COLA formula. All other retirees have a 20% COLA reduction. ERB Funding >90% <100% Retirees with benefits at or below the median AND with 25 or more years' service have a 5% COLA reduction from statutory COLA formula. All other retirees have a 10% COLA reduction. ERB Funding=100% COLA reductions cease.	20.2	23.1

*From 1960 through 1999, the stated life expectancies are based on the life expectancies of Social Security at the time (<https://www.ssa.gov/history/lifeexpect.html>). Beginning in 2000, life expectancies are based on the actuarial valuation assumption for NMERB.



Contribution Rate History

SCHEDULE OF CONTRIBUTION RATES						
Fiscal Year	wage category	Date Range	Member Rate	Employer Rate	Total	% Employee Pays of Total Contribution
58-59		7/1/1957 -6/30/1959	3.00%	4.00%	7.00%	42.86%
60-74		7/1/1959 -6/30/1974	4.00%	6.50%	10.50%	38.10%
75-79		7/1/1974 -6/30/1979	5.50%	6.50%	12.00%	45.83%
80-81		7/1/1979 -6/30/1981	6.50%	6.50%	13.00%	50.00%
82-84		7/1/1981 -6/30/1984	6.80%	6.80%	13.60%	50.00%
85-93		7/1/1984 -6/30/1993	7.60%	7.60%	15.20%	50.00%
94-2005		7/1/1993 -6/30/2005	7.60%	8.65%	16.25%	46.77%
2006		7/1/2005 -6/30/2006	7.675%	9.40%	17.075%	44.95%
2007		7/1/2006 -6/30/2007	7.75%	10.15%	17.90%	43.30%
2008		7/1/2007 -6/30/2008	7.825%	10.90%	18.725%	41.79%
2009		7/1/2008 -6/30/2009	7.90%	11.65%	19.55%	40.41%
2010 & 2011	\$20k or less	7/1/2009 -6/30/2011	7.90%	12.40%	20.30%	38.92%
2010 & 2011	Over \$20K	7/1/2009 -6/30/2011	9.40%	10.90%	20.30%	46.31%
2012	\$20k or less	7/1/2011 - 6/30/2012	7.90%	12.40%	20.30%	38.92%
2012	Over \$20K	7/1/2011 - 6/30/2012	11.15%	9.15%	20.30%	54.93%
2013	\$20k or less	7/1/2012 - 6/30/2013	7.90%	12.40%	20.30%	38.92%
2013	Over \$20K	7/1/2012 - 6/30/2013	9.40%	10.90%	20.30%	46.31%
2014	\$20k or less	7/1/2013 - 6/30/2014	7.90%	13.15%	21.05%	37.53%
2014	Over \$20K	7/1/2013 - 6/30/2014	10.10%	13.15%	23.25%	43.44%
2015	\$20k or less	7/1/2014 - future	7.90%	13.90%	21.80%	36.24%
2015	Over \$20K	7/1/2014 - future	10.70%	13.90%	24.60%	43.50%



ERB Contact Information:

Santa Fe

701 Camino de Los Marquez
PO Box 26129
Santa Fe, New Mexico 87502
Phone: (505) 827-8030
Fax: (505) 827-1855

Albuquerque

6201 Uptown Blvd. NE, Suite 204
Albuquerque, NM 87110
Phone: (505) 888-1560
Fax: (505) 830-2976

Toll Free: 1-866-691-2345

Member Help Email: ERB-MemberHelp@state.nm.us

Website: www.nmerb.org

