

1 A JOINT MEMORIAL

2 REQUESTING THE EDUCATIONAL RETIREMENT BOARD TO STUDY THE
3 IMPLICATIONS OF CHANGING THE EDUCATIONAL RETIREMENT SYSTEM
4 FROM A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN
5 FOR NEW EDUCATION EMPLOYEES.

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7 WHEREAS, New Mexico's current educational retirement
8 system established by the Educational Retirement Act is a
9 "defined benefit plan"; and

10 WHEREAS, in a defined benefit plan, a retired employee
11 receives a fixed periodic amount of money based on employer
12 and employee contributions to the plan, the employee's salary
13 history and the employee's years of service, and the employer
14 bears the investment risk of meeting the fixed retirement
15 benefit; and

16 WHEREAS, the educational retirement system is
17 experiencing solvency problems, including a funding ratio
18 expressed as a percentage of actuarial value of assets to
19 actuarial accrued liabilities of seventy-six percent, and an
20 unfunded actuarial liability of two billion three hundred
21 million dollars (\$2,300,000,000); and

22 WHEREAS, another plan for a retirement system is a
23 "defined contribution plan", in which an employer guarantees
24 to make a predetermined fixed contribution into an account
25 established by the employer for the employee and into which

1 an employee may elect to defer some part of the employee's
2 compensation, and in which plan the employee bears the
3 investment risk of meeting the employee's retirement income
4 goals; and

5 WHEREAS, the defined benefit plan and the defined
6 contribution plan each have advantages and disadvantages for
7 the employer and employee, and those advantages and
8 disadvantages should be compared to determine if a defined
9 contribution plan for new education employees would result in
10 a more financially sound retirement system that provides the
11 same or better retirement benefits as those now received by
12 retired educational retirement system members;

13 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
14 STATE OF NEW MEXICO that the educational retirement board be
15 requested to study the implications of moving to a defined
16 contribution plan for new education employees and submit its
17 findings to the legislative finance committee by September
18 30, 2005; and

19 BE IT FURTHER RESOLVED that copies of this memorial be
20 transmitted to the educational retirement board and the
21 legislative finance committee. _____

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