1	SENATE JOINT MEMORIAL 17
2	47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005
3	INTRODUCED BY
4	Ben D. Altamirano
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8	FOR THE LEGISLATIVE FINANCE COMMITTEE
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10	A JOINT MEMORIAL
11	REQUESTING THE EDUCATIONAL RETIREMENT BOARD TO STUDY THE
12	IMPLICATIONS OF CHANGING THE EDUCATIONAL RETIREMENT SYSTEM FROM
13	A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN FOR NEW
14	EDUCATION EMPLOYEES.
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16	WHEREAS, New Mexico's current educational retirement
17	system established by the Educational Retirement Act is a
18	"defined benefit plan"; and
19	WHEREAS, in a defined benefit plan, a retired employee
20	receives a fixed periodic amount of money based on employer and
21	employee contributions to the plan, the employee's salary
22	history and the employee's years of service, and the employer
23	bears the investment risk of meeting the fixed retirement
24	benefit; and
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WHEREAS, the educational retirement system is experiencing solvency problems, including a funding ratio expressed as a percentage of actuarial value of assets to actuarial accrued liabilities of seventy-six percent, and an unfunded actuarial liability of two billion three hundred million dollars (\$2,300,000,000); and

WHEREAS, another plan for a retirement system is a "defined contribution plan", in which an employer guarantees to make a predetermined fixed contribution into an account established by the employer for the employee and into which an employee may elect to defer some part of the employee's compensation, and in which plan the employee bears the investment risk of meeting the employee's retirement income goals; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO that the educational retirement board be requested to study the implications of moving to a defined . 154069.1

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	1	contribution plan for new education employees and submit its
	2	findings to the legislative finance committee by September 30,
	3	2005; and
	4	BE IT FURTHER RESOLVED that copies of this memorial be
	5	transmitted to the educational retirement board and the
	6	legislative finance committee.
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<u>underscored material = new</u>