

# New Mexico Educational Retirement Board Update 2019

## **Legislative Education Study Committee**

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October 24, 2019

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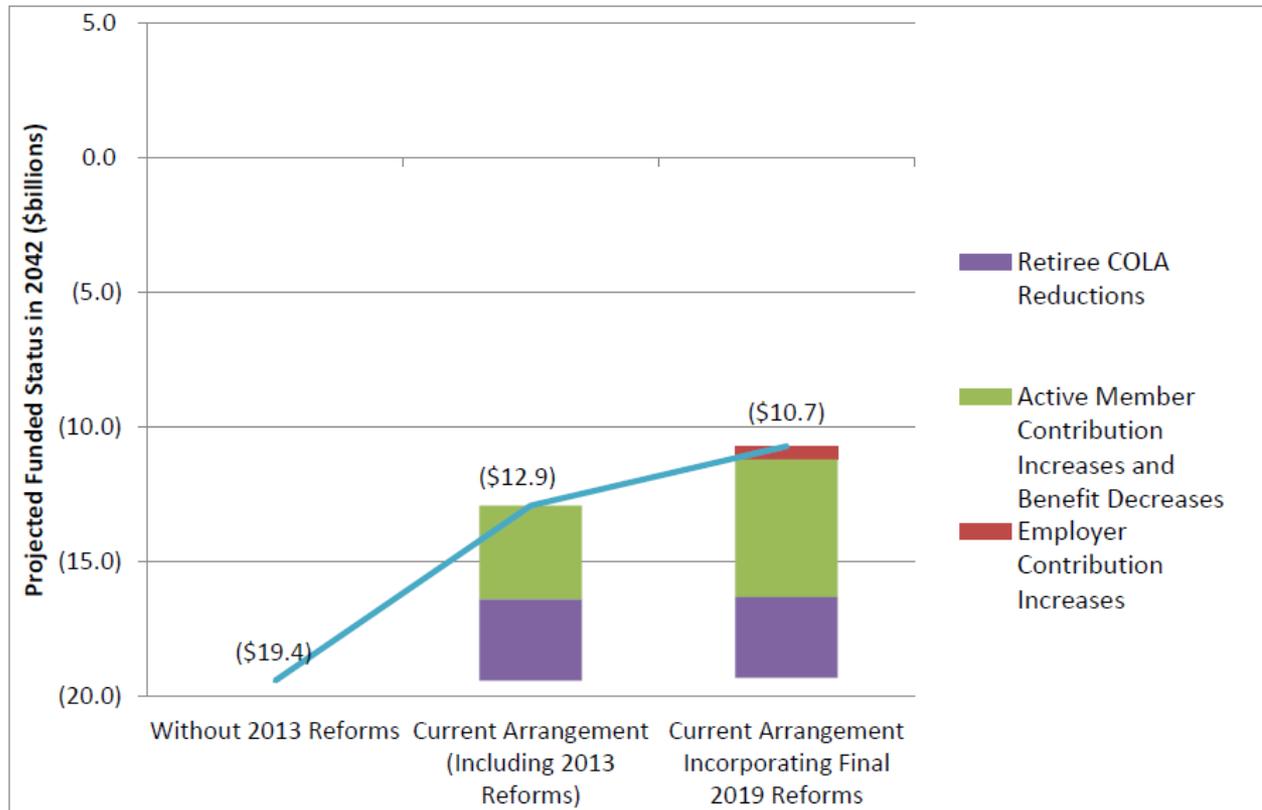
<b>Prior to 2013</b>	<b>PERA State General Plans</b>	<b>ERB</b>
Multiplier	3.0%	2.35%
COLA	3% 2 calendar years after retirement	On average 2% at age 65

<b>2013 Changes</b>	<b>PERA State General Plan</b>	<b>ERB</b>
Multiplier	2.5% for new hires	2.35%
COLA	2% 7 Calendar years after retirement	On average 1.6% at age 65

<b>2019 Changes</b>	<b>PERA State General Plan</b>	<b>ERB</b>
Multiplier	No Change	1.35% for .25 - 10 years 2.35% for 10.25 - 20 years 3.35% for 20.25 - 30 years 2.4% for years in excess of 30
COLA	No Change	On average 1.5% at age 65 – due to new actuarial assumptions



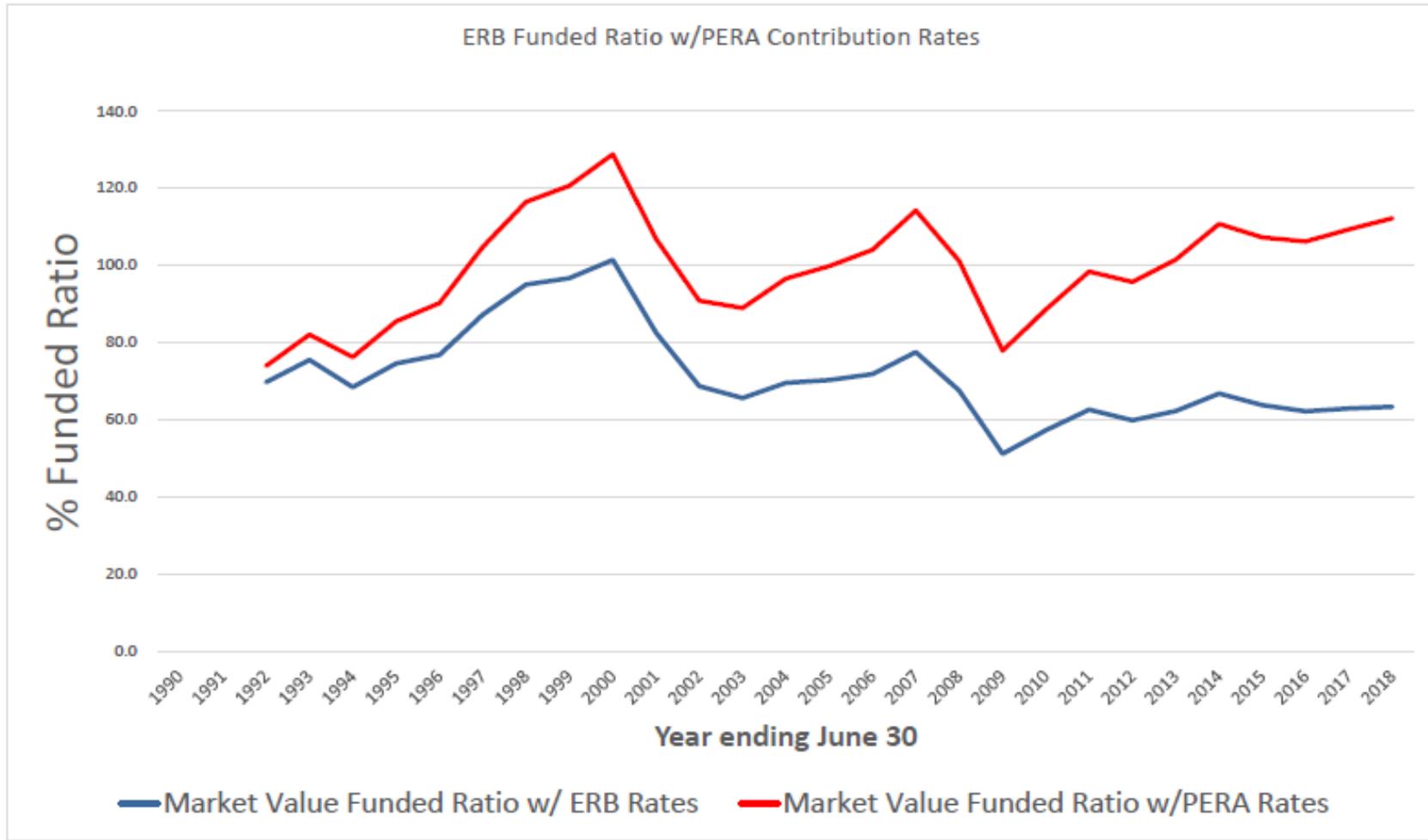
## New Mexico ERB Stakeholders Impacted by 2013 Reforms and Final 2019 Reforms



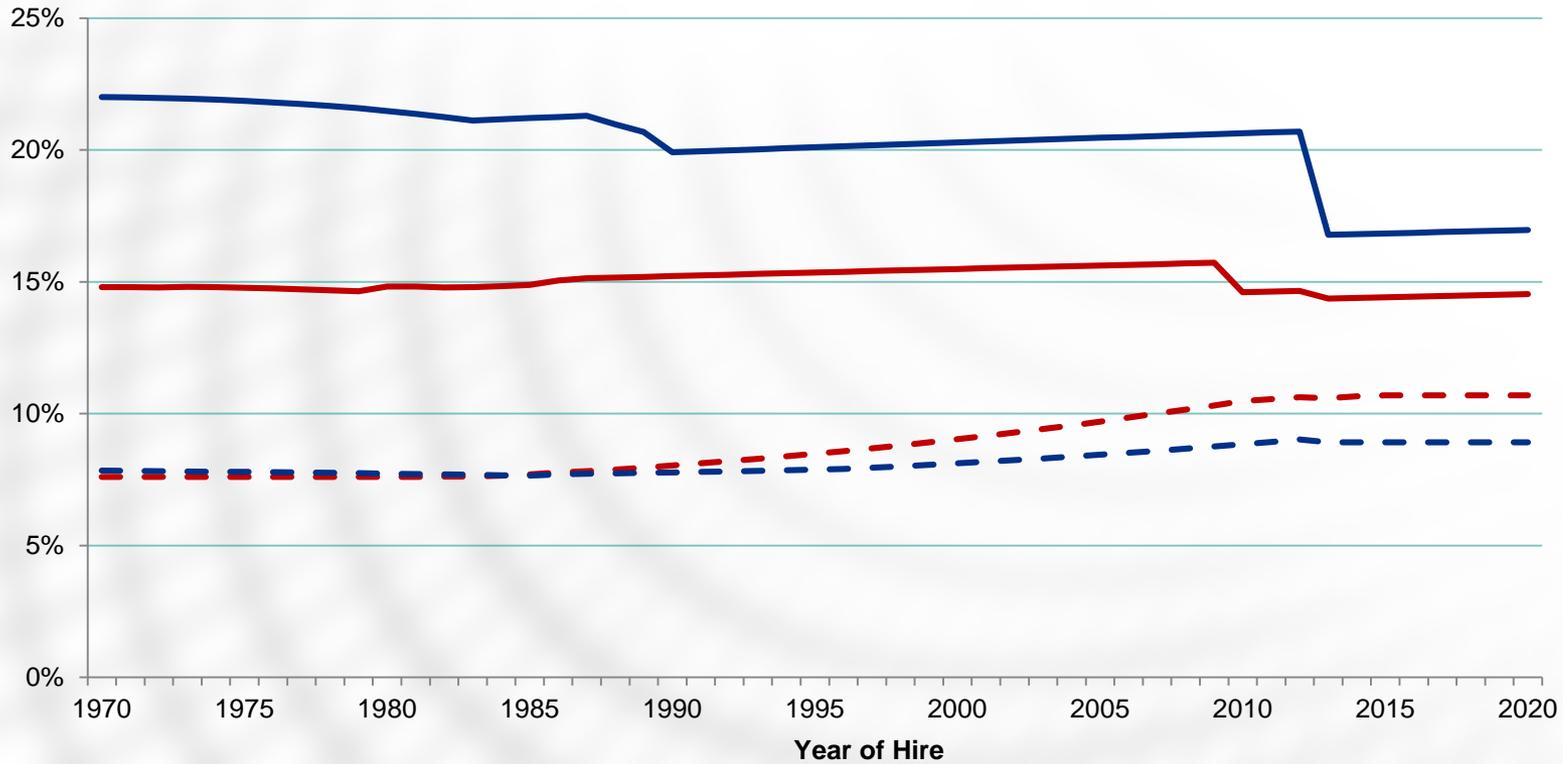
# Contribution Rate History

ERB and PERA Contribution Rate History									
(PERA = non public safety state employees)									
Fiscal Year	Wage Category	Employee Rate		Schools/ Colleges	State Agencies	TOTAL		% of Total Contribution Employee Pays	
		NMERB	PERA	NMERB	PERA	NMERB	PERA	NMERB	PERA
1953			5.00%		5.00%		10.00%		50.00%
1958		3.00%	5.00%	4.00%	5.00%	7.00%	10.00%	42.86%	50.00%
1973		4.00%	5.00%	6.50%	6.00%	10.50%	11.00%	38.10%	45.45%
1982		6.80%	7.85%	6.80%	7.85%	13.60%	15.70%	50.00%	50.00%
1986		7.60%	3.83%	7.60%	11.84%	15.20%	15.67%	50.00%	24.44%
1987		7.60%	6.18%	7.60%	13.83%	15.20%	20.01%	50.00%	30.88%
1995		7.60%	7.42%	8.65%	16.59%	16.25%	24.01%	46.77%	30.90%
2006		7.675%	7.42%	9.40%	16.59%	17.08%	24.01%	44.95%	30.90%
2007		7.75%	7.42%	10.15%	16.59%	17.90%	24.01%	43.30%	30.90%
2008		7.825%	7.42%	10.90%	16.59%	18.73%	24.01%	41.79%	30.90%
2009		7.90%	7.42%	11.65%	16.59%	19.55%	24.01%	40.41%	30.90%
2010 - 2011	\$20K or less	7.90%	7.42%	12.40%	16.59%	20.30%	24.01%	38.92%	30.90%
	Over \$20K	9.40%	8.92%	10.90%	15.09%	20.30%	24.01%	46.31%	37.15%
2012	\$20K or less	7.90%	7.42%	12.40%	16.09%	20.30%	23.51%	38.92%	31.56%
	Over \$20K	11.15%	10.67%	9.15%	13.34%	20.30%	24.01%	54.93%	44.44%
2013	\$20K or less	7.90%	7.42%	12.40%	16.59%	20.30%	24.01%	38.92%	30.90%
	Over \$20K	9.40%	8.92%	10.90%	15.09%	20.30%	24.01%	46.31%	37.15%
2014	\$20K or less	7.90%	7.42%	13.15%	16.59%	21.05%	24.01%	37.53%	30.90%
	Over \$20K	10.10%	8.92%	13.15%	16.59%	23.25%	25.51%	43.44%	34.97%
2015 to present	\$20K or less	7.90%	8.92%	13.90%	16.99%	21.80%	25.91%	36.24%	34.43%
	Over \$20K	10.70%	8.92%	13.90%	16.99%	24.60%	25.91%	43.50%	34.43%
2020 to present	\$20K or less	7.90%	8.92%	14.15%	17.24%	22.05%	26.16%	35.83%	34.10%
	Over \$20K	10.70%	8.92%	14.15%	17.24%	24.85%	26.16%	43.06%	34.10%

# Impact of Employer Contributions



## Present Value of Benefits and Contributions (% of Lifetime Pay)



--- ERB Contributions    — ERB Benefits    - - PERA Contributions    — PERA Benefits

# Total Lifetime Compensation is \$630,000 to \$930,000 Lower for NMERB Members

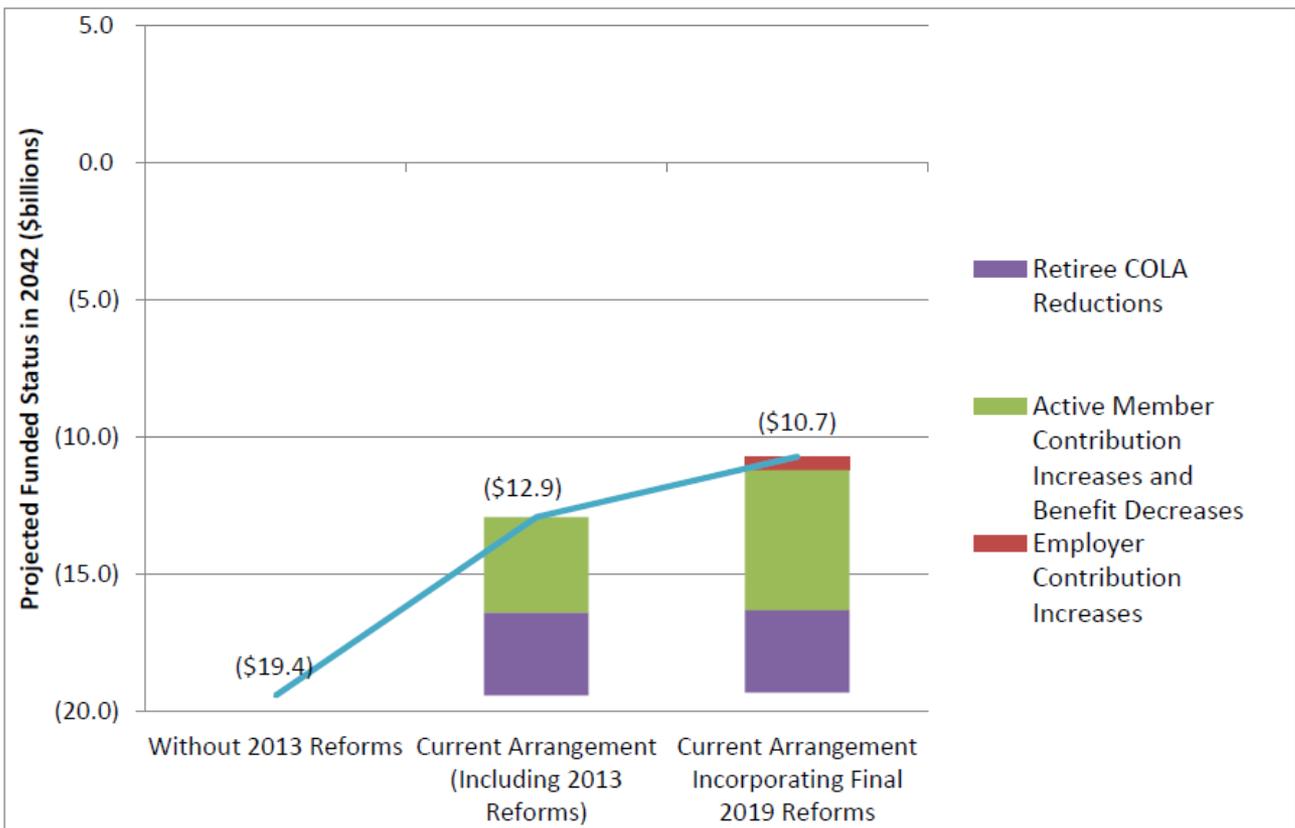
## Sample Employees Who Start at Age 25, Work 25 Years, and Have a 30 Year Retirement

Employee Started in:	Difference in Total Take-Home Pay	Difference in Total Pension Benefit	Total Difference After a Lifetime of Work
1980	\$6,469	\$924,022	\$930,491
1985	\$9,204	\$647,004	\$656,208
1990	\$7,531	\$623,109	\$630,640

- ❖ **PERA state members receive a more generous pension than NMERB members.**
  - Higher pension multiplier and earlier cost-of-living adjustments
- ❖ **Yet, PERA state members pay LESS toward their pensions than NMERB members.**
- ❖ **As a result, after a lifetime of work, NMERB members who begin work at the same age and same salary receive far less net compensation than their PERA state employee counterparts.**
  - Both in terms of take home pay and total pension benefits.
- ❖ **NMERB employers have paid less toward the pension than the state has paid for PERA state employees:**
  - As a percentage of employee pay AND
  - As a percentage of total pension contributions.
- ❖ **If NMERB employers paid more toward the pension, the overall pension system in New Mexico would be more equitable between NMERB and PERA state employees.**

# Impact of Final 2019 Reforms

**New Mexico ERB Stakeholders Impacted by 2013 Reforms and Final 2019 Reforms**



## Proposal based on NMERB Board Action on October 18, 2019:

**Year 1:** Lump sum of 50 million plus the equivalent of 1% increase in employer contributions, but paid directly by the State to the ERB fund.

**Year 2:** Equivalent of 2% increase in employer contributions, but paid directly by the State to the ERB fund.

**Year 3:** Lump sum of 50 million plus the equivalent of 3% increase in employer contributions, but paid directly by the State to the ERB fund

**Year 4:** 3% increase in employer contributions (they actually pay it themselves now), but contingent on changes being made in legislation in regards to higher education funding so they are fully funded by the State to pay for this 3% increase.

Also, any increases in employer contributions for ARP participants goes to the fund and not to the ARP participant.

## Retirees had two options:

- ❖ Return to Work (RTW) Statute- 12 consecutive month layout, work as much as want, pay non-refundable contributions
- ❖ RTW Exception Board rule- no layout, earn no more than the greater of 0.25 FTE or \$15,000, no contributions

## Retirees have two options:

- ❖ Return to Work (RTW) Statute- 12 consecutive month layout, work as much as want, pay non-refundable contributions, or
- ❖ Can work 0.25 FTE, without layout, contributions beginning July 1, 2020
- ❖ Why NMERB eliminated the \$15,000 option?
  - ❖ To conform with IRS guidelines for bona fide termination

- ❖ The use of a third party by a school district has no impact on how much an NMERB retiree can work- the statutory limits continue to apply
- ❖ The use of a third party by a school district has no impact on contributions- the statutory limits continue to apply and the contributions, if any, must be remitted to NMERB by the employer

## Two types of substitutes:

- ❖ Long-term, work more than on a “day-to-day” or ad-hoc basis including those “engaged to fill a vacant position”, contributions required
- ❖ Short-term, work day-to-day, no contributions
  - ❖ Many short term substitutes worked more than 0.25 FTE, NMERB’s threshold for membership

All substitutes (and their employers) who work more than 0.25 FTE will pay contributions beginning July 1, 2020