

Investments and Pensions Oversight Committee

Tuesday, October 23, 2012

ERB Legislative Recommendation

Jan Goodwin

NMERB Executive Director

Mary Lou Cameron- Chairman

H. Russell Goff- Vice Chairman



Actuarial Status Actuarial Value of Assets (AVA) vs. Unfunded Actuarial Accrued Liability (UAAL)

	06/30/2011 Funding	06/30/2012 Estimated Funding
Number of Participants		
Active	61,673	60,855
Retirees and Beneficiaries	35,457	37,337
Inactive	33,011	34,033
Total	130,141	132,225
1. Total Payroll (in \$ millions)	\$2,524	\$2,618
2. Actuarial Accrued Liability	\$15,293	\$15,593
3. Actuarial Value of Assets (in \$ millions)	\$9,642	\$9,544
Funded Status (3 divided by 2)	63.0%	59.8%
4. Market Value/Fair Value of Assets (in \$millions)	\$9,589	\$9,613
Funded Status (4 divided by 2)	62.7%	60.3%

Sources: 6/30/2011 values from 6/30/2011 Actuarial Report from GRS

6/30/2012 estimated funding results calculated by NEPC

Assumptions: 6/30/2012 assets and liabilities based on actual asset returns through 2/29/12 and NEPC 2012

Capital Market Assumptions, and an assumed discount rate of 7.75%

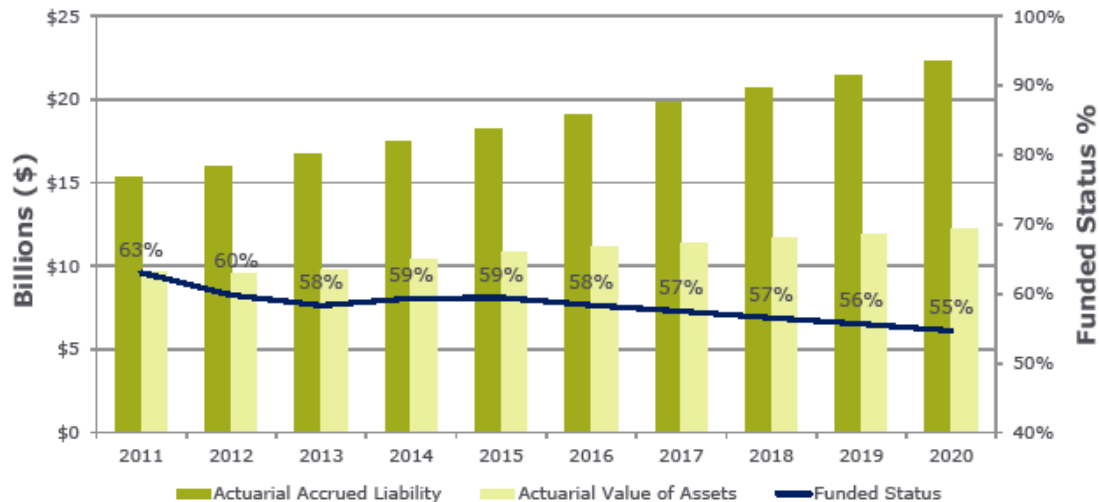


Projected Fund Status

Deterministic Projections – Funded Status

- **Funded status declines slowly over the next ten years under this Base Case scenario**
 - Discount rate remaining level at 7.75% and assets returning as assumed (approximately 6.6%)
 - Contributions are assumed to be made as projected on the following page
- **Actuarial Accrued Liability is forecast to increase at an average annual rate of 4.2%**
- **Actuarial Value of Assets is forecast to grow at an average annual rate of 3.0%, and therefore cannot keep pace with growing liabilities**
- **Funded status under various scenarios are reviewed in the next section**

Projection of Funded Status under Current Asset Allocation and Base Case Assumptions



Note: Liability and Asset values after 2011 were estimated by NEPC



19

From NEPC, Asset - Liability Study May 2012

- Meetings of stakeholders have occurred since March 2012

<i>AAUP</i>	<i>NEA-NM</i>	<i>NMSBA</i>
<i>AFSCME</i>	<i>NMAER</i>	<i>NMSU</i>
<i>AFT</i>	<i>NMASBO</i>	<i>SFCC</i>
<i>AFT Retirees</i>	<i>NMCSA</i>	<i>UNM</i>
<i>CWA-NM</i>	<i>NMICC</i>	<i>UNM Retirees</i>

- Unanimous consent on proposal reached on July 17, 2012
- ERB endorsed proposal on September 19, 2012

Proposal summary:

Increase contribution rate for all current and future employees to 10.7% in FY 15. FY 14 contribution rate will be 10.1%

Benefit changes for new members:

Minimum retirement age 55

COLA begins at age 67

ERB Member Stakeholder Advisory Group Proposal

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Study 104 - Minimum Retirement Age (MRA) of 55 & 2% Cost of Living Adjustment (COLA) at age 67 for new hires only; Employee contribution rate of 10.7% effective FY2015

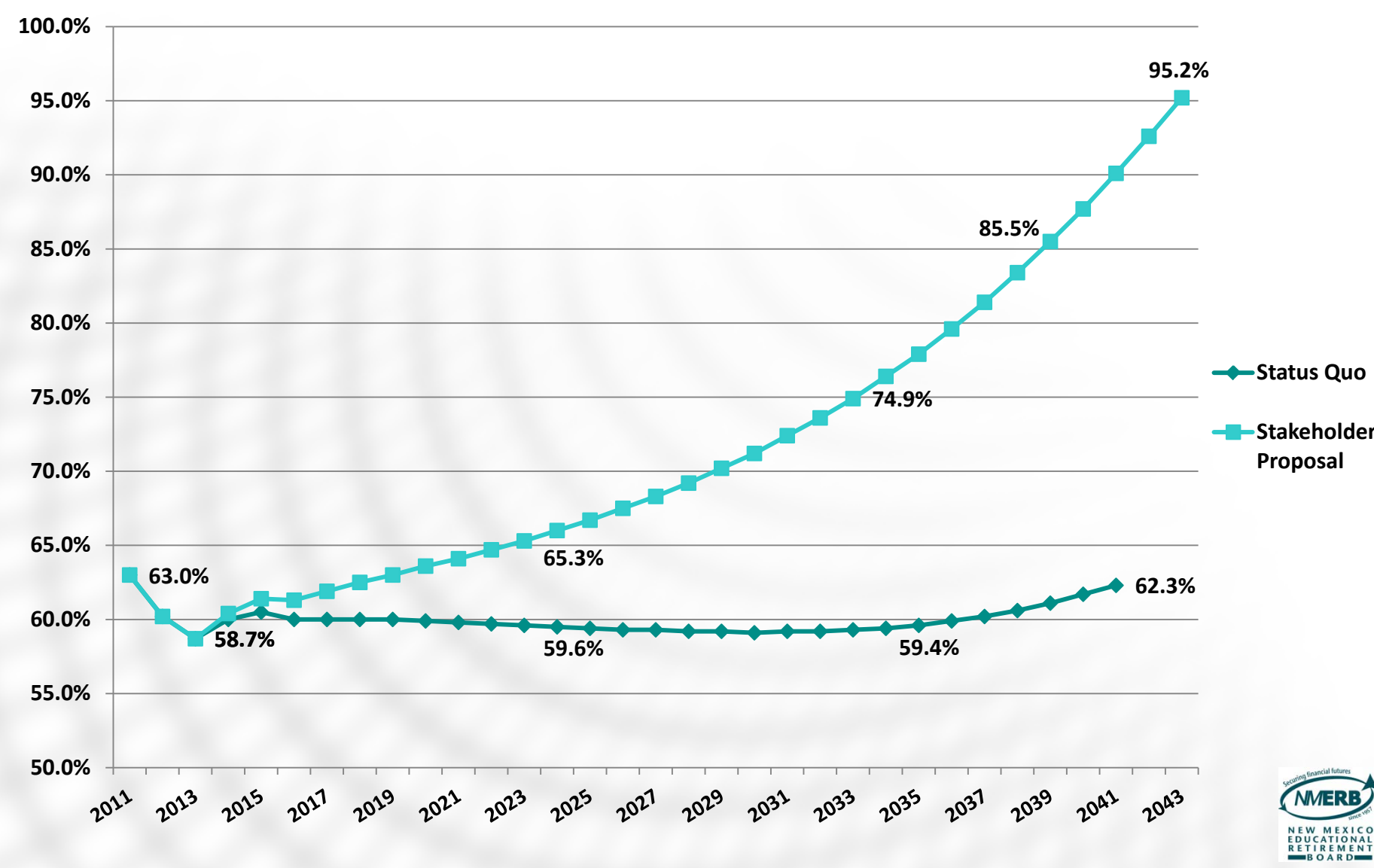
Fiscal Year Ending June 30	UAAL (in millions)	Funded Ratio	Total ARC (Employer and Member)	Funding Period (Years)
2010	\$ 5,432	63.5%	25.10%	infinite
2020	\$ 7,864	63.6%	24.99%	31.9
2030	\$ 8,397	71.2%	20.98%	17.1
2043	\$ 2,113	95.2%	13.45%	1.8

Projections Based on June 30, 2011 Actuarial Valuation

Projections based on 7.75% Discount Rate and New Actuarial Assumptions

The current plan provisions assume a member contribution rate of 7.9% in FY2012 and later. The employer contribution rate is equal to the statutory rate.

Funded Ratio – Status quo vs. Proposal



Fall 2012:

- ERB will present legislative proposal to IPOC and other legislative committees, as requested
- ERB will develop additional stakeholder support through a series of presentations across the state

History of ERB Retirement Benefits

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YEAR	RETIREMENT ELIGIBILITY	MULTIPLIER	COLA
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 COLA
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 COLA
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 COLA
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 COLA
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.
1981	30 years of service Rule of 75 with reduction if younger than age 60 Age 65 with 5 years of service	SAME	SAME
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.
1987	SAME	2.15%	SAME
1991	SAME	2.35%	SAME
1999	SAME	SAME	Ad Hoc COLA \$2 for each year retired, \$1 for each year of service
2010	SAME	SAME	Elimination of negative COLA
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



Schedule of Contributions Rates

Fiscal Year	Wage Category	Date Range	Member Rate	Employer Rate	Total	% Employee Pays
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	all	7/1/2013 - 6/30/2014	7.90%	13.15%	21.05%	37.53%
PROPOSED	ALL	PROPOSED	10.70%	13.90%	24.60%	43.5%