



New Mexico Educational Retirement Board

Return to Work

Investments and Pensions Oversight Committee

Senator George K. Muñoz, Chair

Representative Patricia Roybal Caballero, Vice Chair

November 6, 2019

Jan Goodwin, Executive Director

Mary Lou Cameron, Board Chair

H. Russell Goff, Board Vice Chair



History of Return to Work at NMERB

RTW Statute enacted in 2001:

- Originally enacted to help rural schools fill hard to hire positions- math, science, English as a Second Language and Special Ed
- Sunsets December 31, 2021

RTW Exception Rule- ERB Board

- Began practice in 1994, Board rule adopted 1998

Return to Work- Pre 2019 Legislative Session

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

RTW *after* 2019 Legislative Session

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 did NMERB eliminate the \$15,000 option?
 - To conform with IRS guidelines for bona fide termination prior to paying retirement benefits

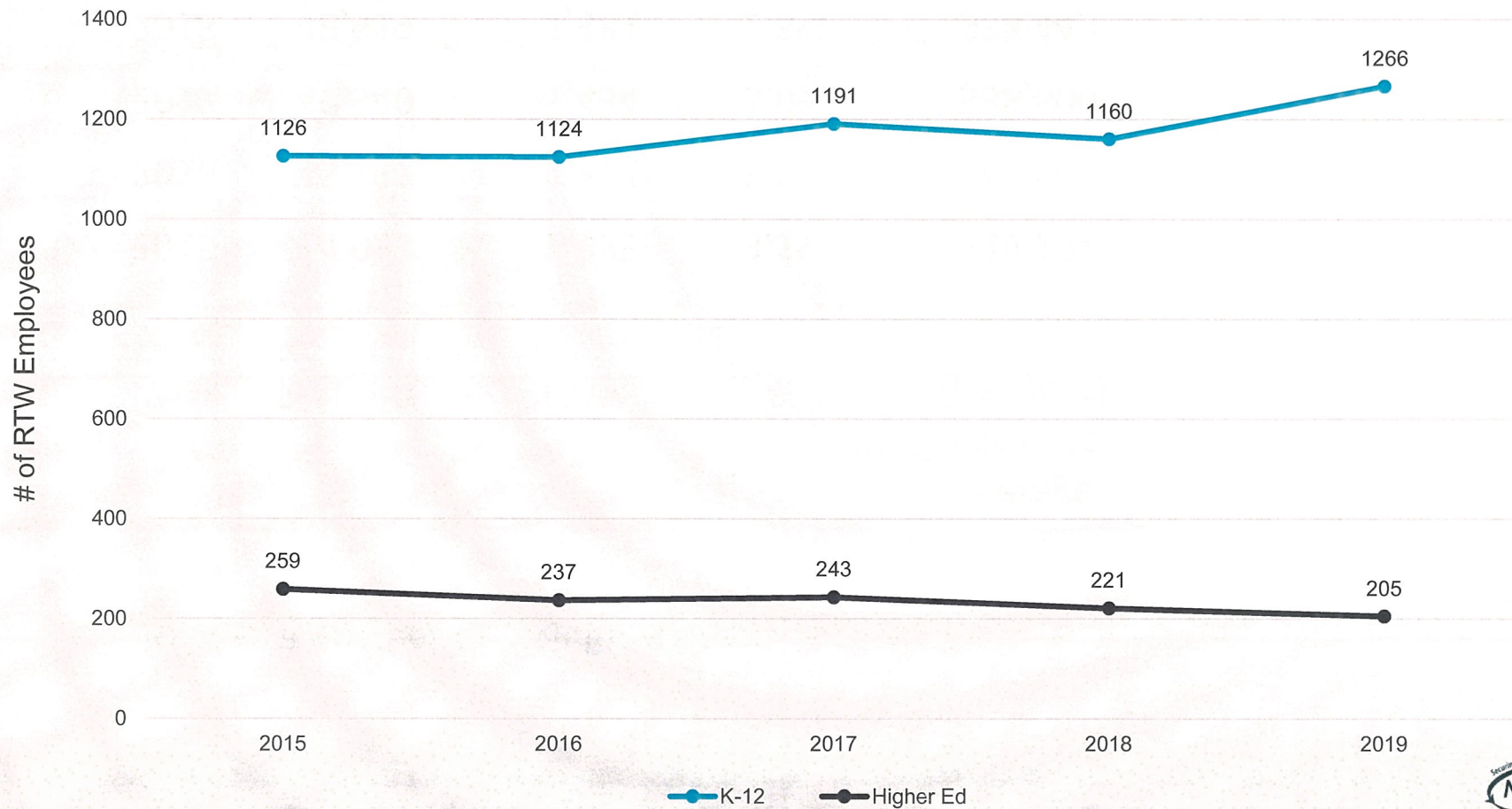
NMERB RTW Demographics

RTW as a percent of NMERB retirees

Year	Retirees	RTW	%	Average earnings (per year)
2015	44,043	1,385	3.1%	\$39,197
2016	45,797	1,361	3.0%	\$40,144
2017	47,340	1,434	3.0%	\$38,600
2018	48,919	1,381	2.8%	\$38,443
2019	50,197	1,471	2.9%	\$39,753

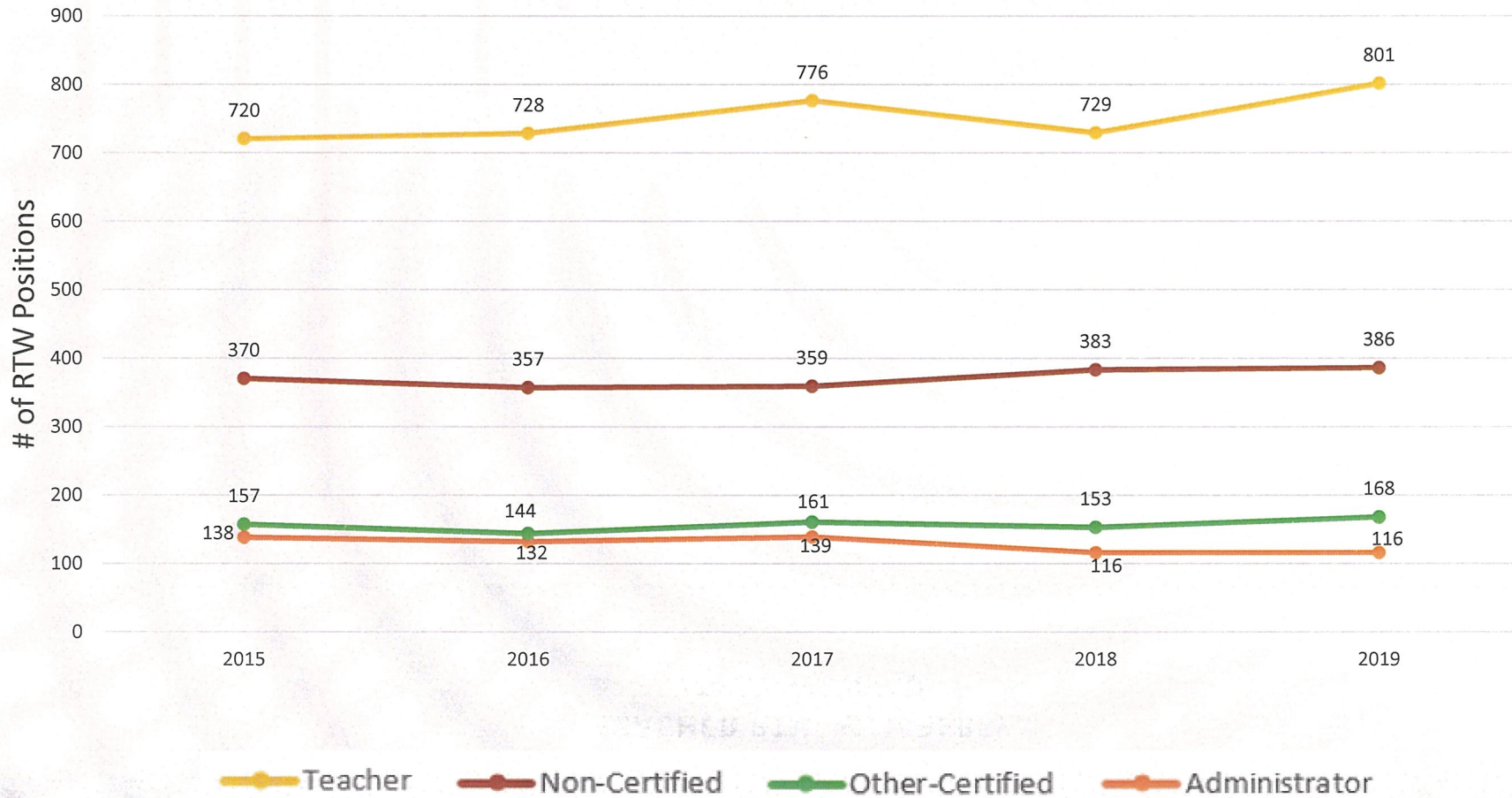
NMERB RTW Demographics, Continued

Return to Work over Time by School Type: 2015- 2019



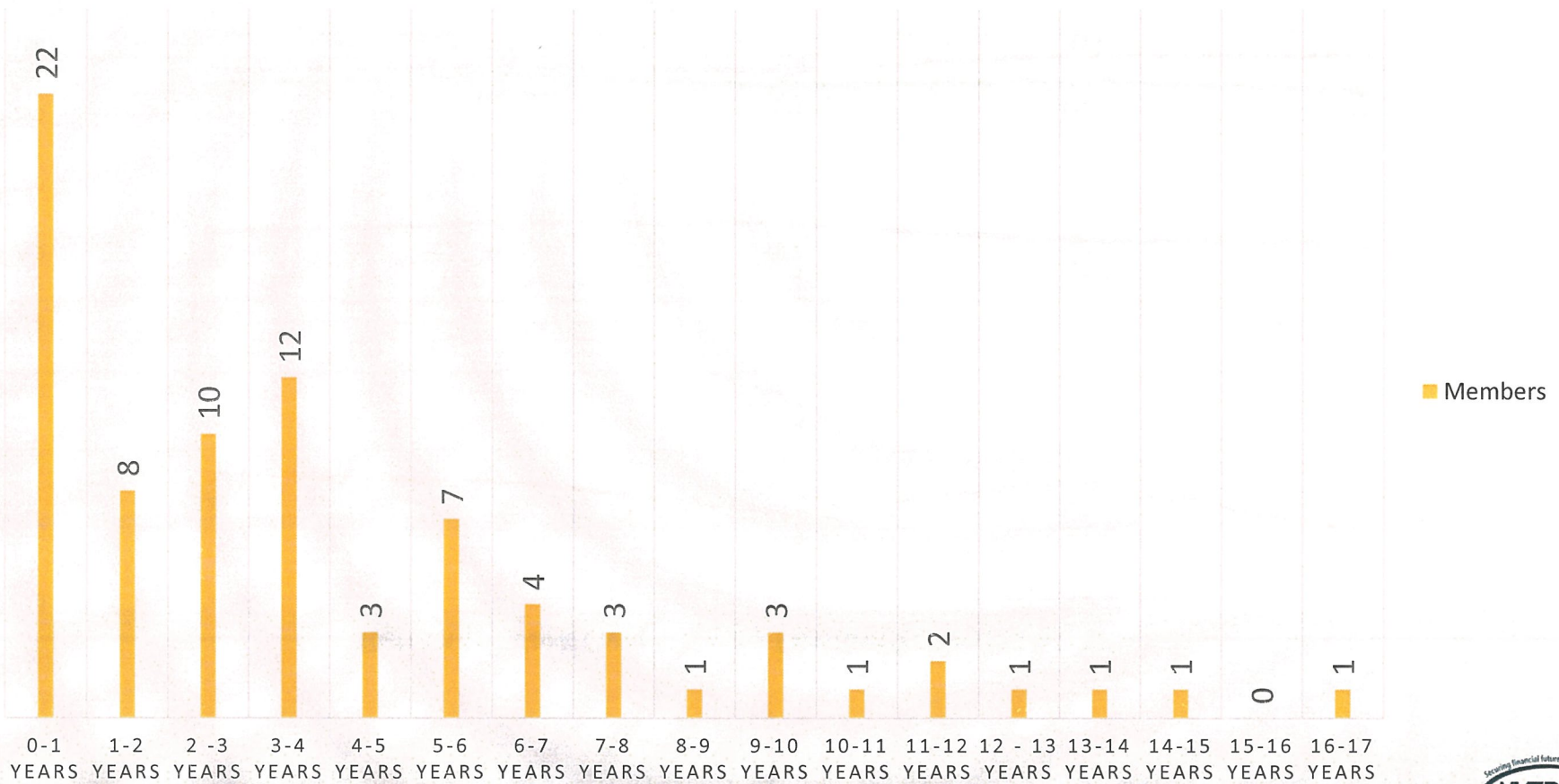
NMERB RTW Demographics, Continued

Return to Work Over Time by Position Type: 2015-2019



NMERB RTW Demographics, Continued

TEACHER RTW MEMBERS: YEARS WORKED



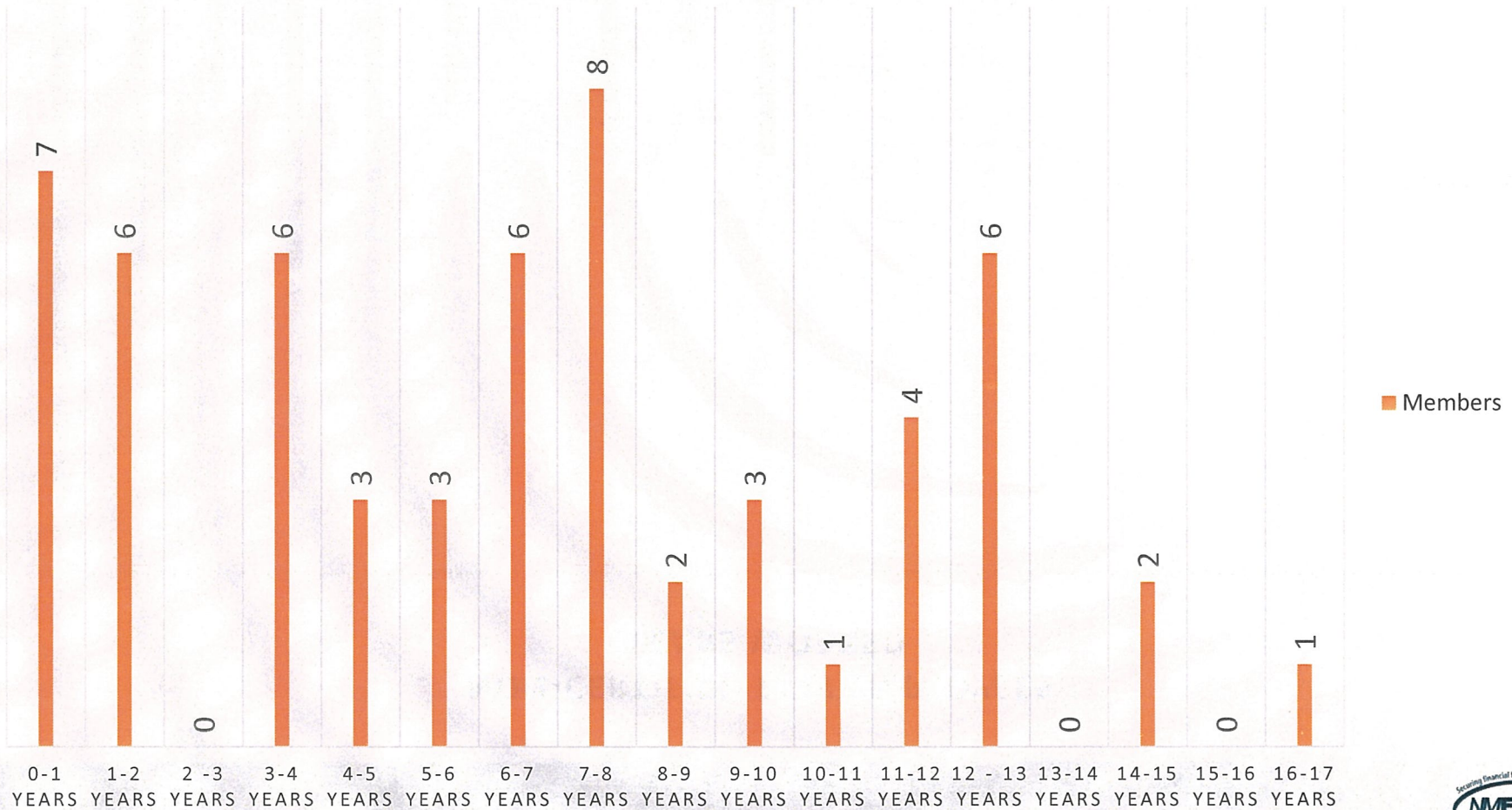
Average: 4.2 years

Median: 2.9 years



NMERB RTW Demographics, Continued

RTW ADMINISTRATIVE EMPLOYEES:
YEARS WORKED



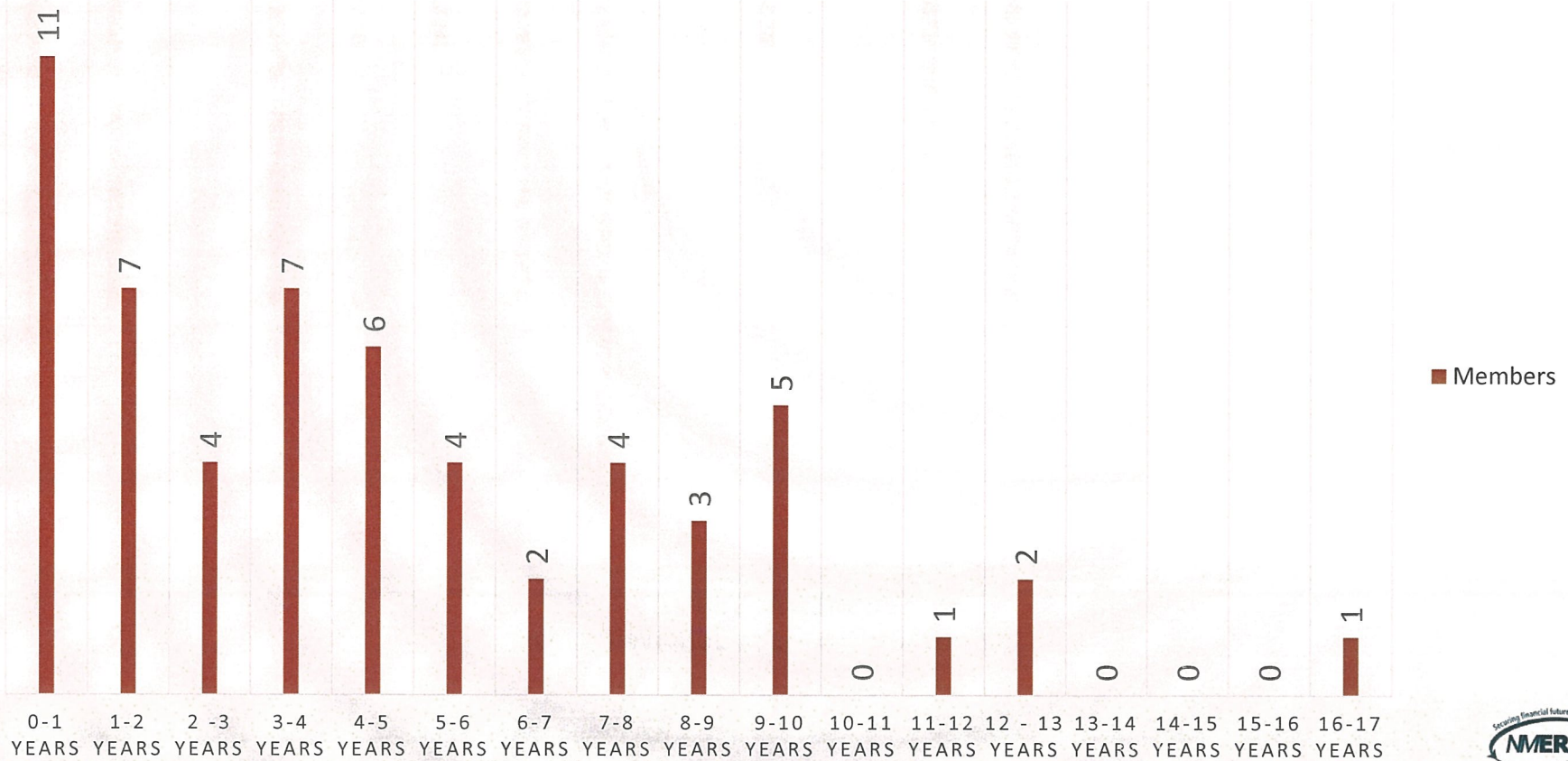
Average: 6.1 years

Median: 5.5 years



NMERB RTW Demographics, Continued

NON-CERTIFIED RTW EMPLOYEES: YEARS WORKED



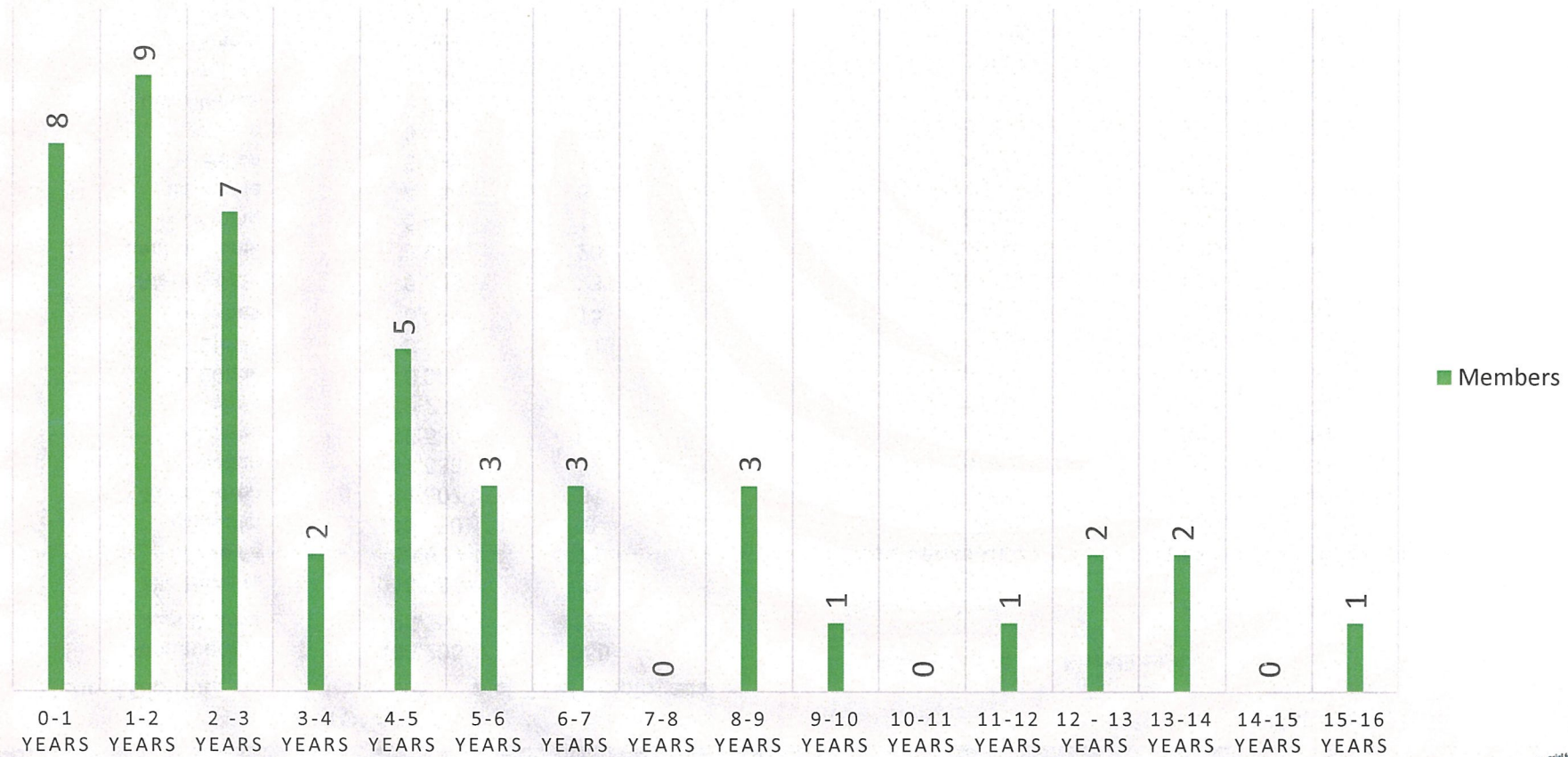
Average: 4.4 years

Median: 3.8 years



NMERB RTW Demographics, Continued

OTHER - CERTIFIED RTW MEMBERS: YEARS WORKED



Average: 4.4 years

Median: 2.8 years



NMERB RTW Demographics, Continued

School District,,	TOTAL Enrollment	# of RTW Employees
Albuquerque	100,205	355
Las Cruces	25,358	136
Rio Rancho	18,084	41
Santa Fe	15,619	71
Gadsden	13,620	0
Farmington	11,807	31
Gallup	11,580	35
Roswell	10,534	118
Hobbs	10,299	19
Los Lunas	8,982	23
Clovis	8,211	21
Carlsbad	8,041	15
Alamagordo	6,398	23
Central Cons.	5,901	20
Deming	5,434	10
Espanola	4,164	34
Belen	3,916	14
Artesia	3,887	14
Los Alamos	3,754	5
Lovington	3,749	22
Grants	3,592	18
Aztec	3,006	13
Bernalillo	2,988	21
Bloomfield	2,763	10
Portales	2,752	17
Silver City	2,486	0
Moriarty-Edgewood	2,421	10
Ruidoso	2,066	0
Pojoaque	1,967	9
Socorro	1,662	9

School District	TOTAL Enrollment	# of RTW Employees
West Las Vegas	1,549	23
Las Vegas City	1,513	11
Zuni	1,345	4
T or C	1,311	42
Hatch	1,291	7
Cobre Cons.	1,255	15
Estancia	1,144	4
Tucumcari	962	3
Raton	934	4
Dexter	930	16
Eunice	901	3
Tularosa	839	6
Dulce	690	5
Santa Rosa	655	5
Pecos	612	5
Loving	607	25
Texico	572	8
Cuba	548	8
Jal	540	2
Lordsburg	514	118
Capitan	504	13
Clayton	477	3
Hagerman	458	1
Questa	432	2
Cimarron	429	0
Mora	407	5
Chama	404	1
Cloudcroft	387	1

Figures reflect FY19 data



NMERB RTW Demographics, Continued

School District	Total Enrollment	# of RTW Employees
Lo Promesa	378	0
Jemez Valley	369	2
Penasco	368	2
Logan	363	2
Magdalena	350	0
Tatum	342	1
Ft Sumner	320	4
Tierra Adentro	283	2
Dora	258	4
Taos	517	1
Coral Comm.	251	2
Melrose	249	5
Mesa Vista	244	2
Floyd	233	2
Mountainair	221	2
Jemez Mountain	197	3
Aldo	177	47
Animas	177	48
Grady	165	0
Quemado	159	6
Reserve	147	1
San Jon	145	78

School District	Total Enrollment	# of RTW Employees
Carrizozo	144	2
Hondo	142	0
Maxwell	130	5
Springer	128	3
Lake Arthur	93	0
Des Moines	90	0
Elida	75	3
Vaughn	73	1
Wagon Mound	69	4
Corona	63	0
House	63	2
Roy	47	0
Deap	40	0
Mosquero	36	0
Sequoyah	25	0
Dream Dine	18	1

Figures reflect FY19 data



Does RTW Pay for ERB Retirees?

We worked with our actuaries to see if RTW paid off in the long-term for our retirees:

Retirees have to do RTW for more than 10 years, otherwise it's more beneficial to suspend retirement and earn additional service credit and have a higher pension

Assumptions:

Initial salary	\$50,000
Wage inflation	2%
Pension COLA	1.5%
Discount rate	3.00%
Beginning age	50



Does RTW Pay for ERB Retirees? Continued

Scenario 1: **Is someone better off working 35 years and retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 10 years?**

Present value of working 35 years and retiring	\$1,106,522	
Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 10 years		\$1,097,409
Age that working longer before retiring pays off	83	

Scenario 2: **Is someone better off working 30 years and retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 5 years?**

Present value of working 30 years and retiring	\$894,870	
Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 5 years		\$ 893,931
Age that working longer before retiring pays off	84	

Scenario 3: **Is someone better off working 35 years and retiring or working 30 years, retiring, taking a layout year, then participating in RTW for 5 years?**

Present value of working 35 years and retiring	\$1,106,522	
Present value of working 30 years and retiring, taking a layout year, then participating in RTW for 5 years		\$1,098,348
Age that working longer before retiring pays off	83	

Scenario 4: **Is someone better off working 28 years and retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 3 years?**

Present value of working 28 years and retiring	\$922,891	
Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 3 years		\$904,959
Age that working longer before retiring pays off	78	



Does RTW Pay for ERB Retirees? Continued

Scenario 5:	Is someone better off working 25 years, taking a layout year, suspending retirement, working for 3 years before completely retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 3 years?	
	Present value of working 25 years, taking layout year, suspending pension and working 3 years	\$926,188
	Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 3 years	\$904,959
	Age that working longer before retiring pays off	78
Scenario 6:	Is someone better off working 25 years, taking a layout year, suspending retirement, working for 5 years before completely retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 5 years?	
	Present value of working 25 years, taking layout year, suspending pension and working 5 years	\$1,014,068
	Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 5 years	\$985,161
	Age that working longer before retiring pays off	79
Scenario 7:	Is someone better off working 25 years, taking a layout year, suspending retirement, working for 10 years before completely retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 10 years?	
	Present value of working 25 years, taking layout year, suspending pension and working 10 years	\$1,184,856
	Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 103 years	\$1,178,951
	Age that working longer before retiring pays off	84
Scenario 8:	Is someone better off working 25 years, taking a layout year, suspending retirement, working for 15 years before completely retiring or working 25 years, retiring, taking a layout year, then participating in RTW for 15 years?	
	Present value of working 25 years, taking layout year, suspending pension and working 15 years	\$1,277,030
	Present value of working 25 years and retiring, taking a layout year, then participating in RTW for 15 years	\$1,363,515
	Age that working longer before retiring pays off	#N/A

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	1.5% first \$4,000 of Final Average Salary (FAS) and 1% thereafter	Ad Hoc	13.2	17.4
	Age 60 with 15 years of service				
1965	30 years of service with actuarial reduction if younger than age 60	SAME	Ad Hoc	13.2	17.4
	Age 60 with 15 years' service				
	Age 65 with 10 years of service				
1971	35 years of service	1.50%	Ad Hoc	13.8	18.6
	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				
1974	35 years of service	1.5% for years before July 1, 1957 2% for years after July 1, 1957	Ad Hoc	13.8	18.6
	Rule of 75 with reduction if younger than age 60				
	Age 65 with 5 years of service				
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	SAME	SAME	14.6	19.1
	Rule of 75 with reduction if younger than age 60				
	Age 65 with 5 years of service				
1984	25 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
	Rule of 75 with reduction if younger than age 60				
	Age 65 with 5 years of service				

*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.



History of ERB Retirement Benefits

YEAR	RETIREMENT ELIGIBILITY	MULTIPLIER	COLA	Life expectancy* at age 65	
				Males	Females
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 6/30/2013: 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 <u>Until ERB is > 90% funded:</u> 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. <u>ERB Funding >90% <100%</u> 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. <u>ERB Funding=100%</u> 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.



History of Retirement Benefits

YEAR	RETIREMENT ELIGIBILITY	MULTIPLIER	COLA	Life expectancy* at age 65	
				Males	Females
2019	Hired after 6/30/2019: Actuarially reduced benefit if member retires with 30 years of service and is younger than age 58	<p>1.35% for .25 - 10 years</p> <p>2.35% for 10.25 - 20 years</p> <p>3.35% for 20.25 - 30 years</p> <p>2.4% for years in excess of 30</p>	<p>Hired after 7/1/2013: COLA begins at later of age 67 or one year following retirement</p> <p>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.</p> <p>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.</p> <p>ERB Funding=100% COLA reductions cease.</p>	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.



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