



NEW MEXICO
EDUCATIONAL
RETIREMENT
BOARD

Investments and Pensions Oversight Committee

June 6, 2013

SB 115 Implementation

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- SB 115, as introduced:
 - Increase contribution rate for all current and future employees whose annual salary is greater than \$20,000:
 - 10.1% in FY 14
 - 10.7% in FY 15
 - Benefit changes for new members:
 - Minimum age to receive full retirement benefits 55
 - COLA begins at age 67

Senate Finance

COLA reduction for all retirees until 100% funded

10% reduction if retiree's benefit is less than median (approximately \$18,000) **and** 25 or more years of service

20% reduction for all other retirees

House Appropriations and Finance

COLA reduction decreases once funding >90%

5% reduction if retiree's benefit is less than median (approximately \$18,000) **and** 25 or more years of service

10% reduction for all other retirees

SB115 Effect on Cost of Living Adjustment

FY14 Cost of Living Adjustment

- The statutory COLA factor for July 1, 2013 for retirees who turn 65 during this calendar year is **2.0%**, based on the change in CPI during 2012
- Disability benefit recipients who have been receiving disability benefits for at least three years will receive a COLA of 2.0%.
- Since the plan's funded ratio as of 06/30/2012 is less than 90%, all retirees with 25 or more years of service credit and whose monthly annuity is less than or equal to \$1,504.20 will receive an annual adjustment of 1.8%.
- All other retirees will receive an annual adjustment of 1.6%.

Disability (No reduction)	25 or more YOS < Median (10% reduction)	Remaining Retirements (20% reduction)
Benefit as of June 2013 = \$831.64	Benefit as of June 2013 = \$1,150.24	Benefit as of June 2013 = \$1,560.20
2.0% COLA Applied	2.0% COLA w/reduction = 1.80% COLA	2.0% COLA w/reduction = 1.60% COLA
Benefit as of July 2013 = \$848.27	Benefit as of July 2013 = \$1,170.94	Benefit as of July 2013 = \$1,585.16
# of Members = 965	# of Members = 1,980	# of Members = 24,445

	Monthly	Annual
FY14 COLA – No Reductions	\$ 898,492.08	\$ 10,781,904.90
FY14 COLA – With Reductions	\$ 726,207.64	\$ 8,714,491.68
Difference	\$ 172,284.44	\$ 2,067,413.22

* 27,390 members are eligible for a COLA in July 2013.

** 1,823 reciprocity members are eligible for COLA but excluded from calculations



March 31, 2013 Fund Performance

New Mexico Educational Retirement Board

Total Fund Performance Summary

	Market Value	3 Mo	Rank	Fiscal YTD	Rank	1Yr	Rank	3Yrs	Rank	5Yrs	Rank	10Yrs	Rank	15Yrs	Rank	20Yrs	Rank	25Yrs	Rank	Return	Since
Total Fund	\$10,212,011,352	3.9%	83	11.2%	82	10.2%	53	9.3%	63	5.6%	17	8.8%	20	5.5%	72	7.6%	80	9.2%	17	9.4%	Jul-83
Policy Index		3.5%	89	9.1%	99	7.5%	98	8.0%	95	4.0%	82	8.1%	57	5.2%	86	7.0%	90	7.8%	97	--	Jul-83
Allocation Index		3.9%	83	10.1%	98	9.1%	87	8.8%	81	5.8%	15	9.0%	14	--	--	--	--	--	--	--	Jul-83
60% MSCI World (Gross) / 40% CITI WGBI		3.5%	89	10.0%	98	7.3%	98	7.3%	98	3.3%	92	8.2%	57	5.2%	86	7.1%	89	--	--	--	Jul-83
IFx Public DB > \$1B Gross Median		4.9%		12.1%		10.2%		9.5%		4.7%		8.3%		5.8%		8.0%		8.6%		9.2%	Jul-83

*Fiscal year ends June 30.

Over the one-year period ending March 31, 2013, the Fund experienced a net investment gain of \$957.2 million, which includes a net investment gain of \$391.5 million during the first calendar quarter. Assets increased from \$9.6 billion twelve months ago to \$10.2 billion on March 31, 2013, with \$319.3 million in net distributions during the year.

Over the past five years, the Fund returned 5.6% per annum, outperforming the policy index by 1.6% and ranking in the 17th percentile of the InvestorForce Public Funds > \$1 Billion universe. The Fund's volatility was 12.3%, which ranks in the 52nd percentile of its peers over this period. The Fund's risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the 15th percentile of its peers. Therefore, the Fund has produced more return per unit of risk taken over this period than 85% of its peers.

Over the past three years, the Fund returned 9.3% per annum, outperforming the policy index by 1.3% and ranking in the 63rd percentile of its peer group. Over the past three years, the Fund has reduced its volatility on both an absolute and relative basis, resulting in a three-year Sharpe Ratio of 1.1, which ranks in the 18th percentile.

Over the past year, the Fund returned 10.2%, outperforming the policy index by 2.7% and ranking in the 53rd percentile of its peers. The Fund's volatility over the last year was 4.9%, ranking in the 7th percentile of its peer group, resulting in a Sharpe Ratio of 2.1, which ranks in the 2nd percentile.

All asset classes were within policy ranges as of March 31, 2013.

5 Years Ending March 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	5.6%	17	12.3%	52	0.4	15	0.5	27
Policy Index	4.0%	82	12.4%	54	0.3	82	0.4	86
60% MSCI World (Gross) / 40% CITI WGBI	3.3%	92	13.8%	85	0.2	97	0.3	90
IFx Public DB > \$1B Gross Median	4.7%	--	12.0%	--	0.4	--	0.5	--

3 Years Ending March 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	9.3%	63	8.1%	20	1.1	18	1.6	22
Policy Index	8.0%	95	8.4%	36	0.9	67	1.4	48
60% MSCI World (Gross) / 40% CITI WGBI	7.3%	98	10.9%	89	0.7	99	1.0	99
IFx Public DB > \$1B Gross Median	9.5%	--	9.1%	--	1.0	--	1.4	--

1 Year Ending March 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	10.2%	53	4.9%	7	2.1	2	1.4	18
Policy Index	7.5%	98	5.4%	14	1.4	96	0.9	97
60% MSCI World (Gross) / 40% CITI WGBI	7.3%	98	7.6%	93	0.9	99	0.8	99
IFx Public DB > \$1B Gross Median	10.2%	--	6.2%	--	1.6	--	1.2	--



Retirement Eligibility: Age & Benefits

ERB Membership Prior to July 1, 2010

- “25 and Out” – Earned service credits + allowed service credits = 25 or more years. There is no minimum age required.
- “Rule of 75” – Your age + earned service credits = 75 or more. Under the Rule of 75, allowed service credits are used to calculate retirement benefit but do not count toward eligibility. There are permanent and significant reductions if you are under age 60, and even more if you are under age 55.
- “65 and 5” – If you are at least 65 years old and have at least five years of earned service credit, you are eligible for retirement.

ERB Membership Beginning on or after July 1, 2010

- “30 and Out” – Earned service credits + allowed service credits = 30 or more years. There is no minimum age required for members who began ERB membership before July 1, 2013. Members who begin their ERB membership on or after July 1, 2013, will have actuarially-reduced retirement benefit if they begin receiving retirement benefit before age 55.
- “Rule of 80” – Your age + earned service credits = 80 or more. As with the Rule of 75, allowed service credits are used to calculate retirement benefit but do not count toward eligibility. There are permanent and significant benefit reductions if you are under age 65, and even more if you are under age 60.
- “67 and 5” – If you are at least 67 years old and have at least five years of earned service credit, you are eligible for retirement.

ERB Benefit Structure

- Final average salary (FAS) x service credit x .0235 = annual benefit
- Five year vesting period
- Cost of Living Adjustment (COLA) available on July 1 of the year in which you reach age 65 (age 67 for members hired on or after July 1, 2013) or on July 1 of the year following your effective retirement date, whichever is later. The amount depends on the annual change in the Consumer Price Index (CPI). The average COLA over time is projected to be 1.8% for retirees with benefit below median (approximately \$18,000) **and** 25 or more years of service. For all other retirees, the average COLA is projected to be 1.6%.

Examples of retirement percentage rates:

25 years x .0235 = 58.75%

30 years x .0235 = 70.5%

35 years x .0235 = 82.25%



History of ERB Retirement Benefits

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 on or 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
2013	Hired on or after 7/1/2013: 30 years of service – reduction in benefit if younger than age 55 Rule of 80 – reduction if younger that age 65 Age 67 with 5 years of service	SAME	COLA start date: If hired before 7/1/2013 – begins age 65 If hired on or after 7/1/2013 – begins age 67 Average COLA 1.8%: retirees with benefit below median (approximately \$18,000) and 25 or more years of service Average COLA 1.6%: all other retirees



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%
	Over \$20K		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%
	Over \$20K		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%
	Over \$20K		9.40%	10.90%	20.30%	46.31%
2014	\$20k or less	7/1/2013 - 6/30/2014	7.90%	13.15%	21.05%	37.53%
	Over \$20k		10.1%	13.15%	23.25%	43.44%
2015	\$20k or less	7/1/2014- future	7.90%	13.90%	21.80%	36.24%
	Over \$20k		10.70%	13.90%	24.60%	43.50%

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