

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

HOUSE JOINT MEMORIAL 09

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

Jeannette O. Wallace

FOR THE LEGISLATIVE FINANCE COMMITTEE

A JOINT MEMORIAL

REQUESTING THE EDUCATIONAL RETIREMENT BOARD TO STUDY THE
IMPLICATIONS OF CHANGING THE EDUCATIONAL RETIREMENT SYSTEM FROM
A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN FOR NEW
EDUCATION EMPLOYEES.

WHEREAS, New Mexico's current educational retirement
system established by the Educational Retirement Act is a
"defined benefit plan"; and

WHEREAS, in a defined benefit plan, a retired employee
receives a fixed periodic amount of money based on employer and
employee contributions to the plan, the employee's salary
history and the employee's years of service, and the employer
bears the investment risk of meeting the fixed retirement
benefit; and

underscored material = new
[bracketed material] = delete

1 WHEREAS, the educational retirement system is experiencing
2 solvency problems, including a funding ratio expressed as a
3 percentage of actuarial value of assets to actuarial accrued
4 liabilities of seventy-six percent, and an unfunded actuarial
5 liability of two billion three hundred million dollars
6 (\$2,300,000,000); and

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

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

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

.152805.1

underscored material = new
[~~bracketed material~~] = delete

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.

7 - 3 -