

# Comparison of New Mexico Educational Retirement Board and New Mexico Public Employees Retirement Association Benefits

December 21, 2006

<b>ERB</b>	<b>PERA – State Plan 3</b>																											
<p><b>Pension Factor</b></p> <p>2.35%</p>	<p><b>Pension Factor</b></p> <p>3.0%</p>																											
<p><b>Contributions</b></p> <p>Employee and employer contributions increasing 2 and 5 more years</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Employee</th> <th style="text-align: center;">Employer</th> </tr> </thead> <tbody> <tr> <td>FY 2005</td> <td style="text-align: center;">7.6%</td> <td style="text-align: center;">8.65%</td> </tr> <tr> <td>FY 2006</td> <td style="text-align: center;">7.675%</td> <td style="text-align: center;">9.4%</td> </tr> <tr> <td>FY 2007</td> <td style="text-align: center;">7.75%</td> <td style="text-align: center;">10.15%</td> </tr> <tr> <td>FY 2008</td> <td style="text-align: center;">7.825%</td> <td style="text-align: center;">10.9%</td> </tr> <tr> <td>FY 2009</td> <td style="text-align: center;">7.9%</td> <td style="text-align: center;">11.65%</td> </tr> <tr> <td>FY 2010</td> <td style="text-align: center;">7.9%</td> <td style="text-align: center;">12.4%</td> </tr> <tr> <td>FY 2011</td> <td style="text-align: center;">7.9%</td> <td style="text-align: center;">13.15%</td> </tr> <tr> <td>FY 2012</td> <td style="text-align: center;">7.9%</td> <td style="text-align: center;">13.9%</td> </tr> </tbody> </table>		Employee	Employer	FY 2005	7.6%	8.65%	FY 2006	7.675%	9.4%	FY 2007	7.75%	10.15%	FY 2008	7.825%	10.9%	FY 2009	7.9%	11.65%	FY 2010	7.9%	12.4%	FY 2011	7.9%	13.15%	FY 2012	7.9%	13.9%	<p><b>Contributions</b></p> <p>7.42% Employee 16.59% Employer</p> <p>Note: PERA has 29 other plans with employee contributions ranging from 7% to 16.65% and employer contributions ranging from 7% to 25.72%.</p>
	Employee	Employer																										
FY 2005	7.6%	8.65%																										
FY 2006	7.675%	9.4%																										
FY 2007	7.75%	10.15%																										
FY 2008	7.825%	10.9%																										
FY 2009	7.9%	11.65%																										
FY 2010	7.9%	12.4%																										
FY 2011	7.9%	13.15%																										
FY 2012	7.9%	13.9%																										
<p><b>Membership Eligibility</b></p> <p>All public school and university employees working more than .25 of Full Time Equivalent are eligible for membership in ERB. Certain 2 and 4 year community college and university employees may choose, within the first 90 days of employment, a defined contribution option. Educationally certified employees in certain state agencies with an educational component may choose only the ERB plan. Retirees from PERA may not participate in the ERB retirement plan.</p>	<p><b>Membership Eligibility</b></p> <p>All State employees must be members of PERA <u>excluding</u> the following:</p> <ul style="list-style-type: none"> <li>• Seasonal and temporary employees</li> <li>• Part-time employees who work less than 20 hours in a 40-hour pay period</li> <li>• Student employees</li> <li>• Retired members from ERB, the Judicial Retirement System or the Magistrate Retirement System</li> <li>• Retired legislative workers</li> </ul>																											

<b>ERB</b>	<b>PERA –State Plan 3</b>
<p><b>Retirement Qualifications</b></p> <p>25 years of service Age + service = 75</p> <p>Age 65 + 5 years of service</p>	<p><b>Retirement Qualifications</b></p> <p>25 years of service at any age, or Age 60 + 20 or more years of service Age 61 + 17 or more years of service Age 62 + 14 or more years of service Age 63 + 11 or more years of service Age 64 + 8 or more years of service Age 65 + 5 years of service</p>
<p><b>Benefit Calculation</b></p> <p>Final Average Salary of highest 5 consecutive years of service X Years of service X .0235</p> <p>No maximum benefit. 80% benefit is reached after 34 years of service.</p>	<p><b>Benefit Calculation</b></p> <p>Final Average Salary of highest 3 consecutive years of service X Years of service X .03</p> <p>Benefit maximizes at 80% with 26 yrs. and 8 months of service.</p>
<p><b>Disability Retirement</b></p> <p>Members with at least 10 years of earned service may apply for a disability retirement. The retirement is approximately 33% of the final average salary and a COLA (see below) begins in the third year of disability retirement.</p>	<p><b>Disability Retirement</b></p> <ul style="list-style-type: none"> <li>• Duty disability – members are eligible for duty disability from the first day of employment.</li> <li>• Non-duty disability – members are eligible for non-duty disability after being vested with 5 years of service credit.</li> <li>•</li> </ul>
<p><b>Cost-of- Living Adjustment (COLA)</b></p> <p>Annual, starting at age 65 ½ of CPI with minimum of 2% (but 100% of CPI if lower than 2%), maximum of 4% Average COLA increases over the last 20 years have been 2%. There have been 3 Ad Hoc COLA’s in the last 20 years.</p>	<p><b>Cost-of-Living Adjustment (COLA)</b></p> <p>3% each year after members have been retired 2 full calendar years (January 1 through December 31) effective July 1 of the following year. Disability retirees and retirees who are at least age 65 prior to their first COLA eligibility date have a reduced waiting period of 1 full calendar year.</p>

<b>ERB</b>	<b>PERA –State Plan 3</b>
<p><b>Withdrawn Service Credit</b></p> <p>Upon termination of employment a member may withdraw their contribution plus interest (the interest is determined annually by the Board). The cost to purchase the withdrawn service is 8% from date of withdrawal to date of purchase.</p>	<p><b>Forfeited Service Credit</b></p> <p>Service credit for which a member withdrew - or forfeited - employee contributions plus interest when working for a PERA affiliate in the past can be purchased by paying the total of the amount withdrawn plus interest from the date the contributions were withdrawn to the date of purchase.</p> <p>Interest rates:</p> <p>5.25% Forfeited service prior to 12/31/83  10% Forfeited service from 1/1/84-12/31/01  8% Forfeited service from 1/1/02 to present</p>

<p><b>Allowed Time</b></p> <p>Can buy up to 5 years of service from private educational service or public educational service in another state.</p> <p>Cost is actuarial. For example, a 50 year old with 20 years of earned service making \$40,000 would pay \$26,459 for one year of allowed service.</p>	<p><b>Air Time</b></p> <p>Members must be vested with 5 years of earned service credit to be eligible to purchase up to 12 months of “air time” permissive service credit.</p> <p>The employee pays full actuarial value. For example, a 50 year old with 20 years of earned service making \$40,000 would pay an estimated \$18,220 for one year of air time.</p>
<p><b>Military Service Credit</b></p> <p>Must be purchased within the first 3 years of employment. Cost is 10.5% of average ERB salary for each year of active military service up to 5 years.</p>	<p><b>Military Service Credit</b></p> <p>Members can purchase up to 5 years of non-intervening military service credit at any time after vesting. Cost is a total of the employee and employer contribution rate (24.01% for State General Plan 3) multiplied by the average of the highest 36 consecutive months of reported salary to purchase each month of military service credit.</p>

<b>ERB</b>	<b>PERA – State Plan 3</b>
<p data-bbox="186 302 586 331"><b>Miscellaneous Service Credit</b></p> <p data-bbox="186 373 748 478">ERB does not allow the purchase of service credit other than allowed time or military service.</p>	<p data-bbox="824 302 1222 331"><b>Miscellaneous Service Credit</b></p> <p data-bbox="824 373 1325 443">PERA also provides for purchasing the following service credit:</p> <ul data-bbox="873 449 1425 743" style="list-style-type: none"> <li>• Service with a new affiliated employer</li> <li>• Employment with a utility company, library, museum, transit company or by a nonprofit organization later taken over by an affiliated public employer</li> <li>• Civilian prisoner of war</li> <li>• Cooperative work study (with certain entities)</li> </ul>

<p data-bbox="186 886 573 915"><b>Retirees Returning to Work</b></p> <ul data-bbox="240 961 797 1850" style="list-style-type: none"> <li>• 12 months layout period prior to applying for the Return to Work program. Retirees must not work, contract, or volunteer in a typically paid position for an ERB employer in that time.</li> <li>• Employers make employer contributions.</li> <li>• Employees do not make ERB contributions.</li> <li>• Members who retired before 1-1-01 may return without a layout.</li> <li>• Members who retired before 1-1-01 but suspended their pension must layout for 90 days.</li> <li>• Retirees may earn the greater of \$15,000 or .25 of full time equivalent with an ERB employer and maintain their pension.</li> <li>• Retiree’s may work as independent contractors but must follow IRS rules.</li> <li>• ERB’s actuaries determined that the Return to Work program has no effect on the solvency of the fund.</li> </ul>	<p data-bbox="824 886 1208 915"><b>Retirees Returning to Work</b></p> <ul data-bbox="873 961 1430 1625" style="list-style-type: none"> <li>• 90-day waiting period before retirees can return to work for a PERA affiliate</li> <li>• Employers make employer contributions on behalf of the retiree from the first day of employment</li> <li>• Reemployed retirees pay non-refundable employee contributions once earnings exceed \$25,000 in a calendar year.</li> <li>• Reemployed retiree contributions end on Dec. 31, 2006.</li> <li>• As of Jan. 1, 2007, the employer will pay the full actuarial value of reemploying retirees.</li> <li>• PERA’s actuary is in the process of determining if there is a cost to the fund and if, or what, an employer will have to pay in contributions to hire retirees.</li> </ul> <p data-bbox="824 1671 1422 1843">Note: there is no 90-day waiting period provision or salary limit for retirees returning to work as independent contractors. PERA makes a determination whether or not a retiree is an independent contractor.</p>
---	--

## ERB and PERA Sample Retirement:

Final Average Salary	\$42,000	High 3 year average (PERA) = \$48,000
	\$44,000	
	\$46,000	High 5 year average (ERB) = \$46,000
	\$48,000	
	\$50,000	

ERB Retirement Benefit:  $\$46,000 \times 25 \text{ years of service} \times .0235 = \$27,025$

PERA Retirement Benefit:  $\$48,000 \times 25 \text{ years of service} \times .03 = \$36,000$

Effect of COLA's on benefit: Assume retiree is 50 years of age.

COLA's begin at age 65. By age 65 ERB benefit will still be \$27,025.

COLA's begin the third year into retirement By age 65 PERA benefit will have increased 3% per year for 12 years to \$51,327.