

The vital role of NM Educational Retirement Board

Written by By Jan Goodwin Executive Director of NM Educational Board
Friday, 07 July 2017 10:27

Both of my parents are retired educators, so my family understands firsthand the importance of secure retirement benefits for educational employees. The New Mexico Educational Retirement Board (NMERB) plays an important role in the lives of our 46,000 retirees and 60,000 active members. They and the Legislature have entrusted NMERB with providing secure retirement benefits to all of New Mexico's public educational employees and their beneficiaries.

I consider this a sacred trust. Personally, I never want to diminish benefits for our retirees, nor do I like adjusting the plan.

The NMERB Board of Trustees and I have consistently taken a proactive position to ensure that future retirees have the benefits they deserve, have earned and substantially contributed toward in the fairest and most realistic way possible.

Earlier assumptions for the plan never anticipated the increasing life spans of our retirees, the stagnating number of educational employees to pay into the plan (the number of New Mexico educational employees paying into the plan was virtually the same on June 30, 2000 and June 30, 2016), nor the two downturns in the financial markets that took place so close to each other in the early years of the 2000s.

That is why in 2015 we began using "generational mortality," which recognizes all the future expected increases in the lifespan of our members immediately. And that's why in April the board voted to decrease our long-term earnings assumption from 7.75 percent to 7.25 percent. While those watching the stock market have seen significant increases in returns in recent years, financial experts and our own advisors tell us we cannot expect that trend to continue.

We are pleased with the earnings of 11.8 percent on investments, net of fees, for the 12 months ended March 31, but as fiduciaries to our member beneficiaries, we must take a strictly realistic view of future performance.

Also, contributions in the NMERB plan, like that of most public pension plans, have been too low to sustain the fund. Most of our members pay 10.7 percent of their compensation toward their retirement benefit -- one of the highest employee contribution rates in the country. This is

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higher than educational employees in neighboring Colorado and Texas where educational employees pay 8.2 percent and 7.7 percent, respectively.

The median employer contribution rate was 14.8 percent as reported in a recent national study, compared to New Mexico's employer contribution of 13.9 percent. Many other states, including Georgia, Louisiana, Maine, Nevada and North Carolina have made a commitment to pay the actuarially required contribution rate to ensure that their retirement plans will be 100 percent funded within 30 years or less.

The board and I strongly believe that part of our duty as trustees is to use the most realistic and conservative assumptions in valuing our liabilities. Because of these changes, it will now take about 84 years for the NMERB retirement pool to be fully funded. The plan is currently 61.5 percent funded, making it below the median funding level of 73.7 percent for public pension plans as of June 30, 2015. Keep in mind that we have sufficient assets to pay benefits for many years to come so there is no cause for alarm.

Last week we met with a group of educational employees, employers and retirees to explain why NMERB's assumptions have changed. We will conduct a series of town hall meetings this fall across the state to discuss these changes with our members and seek ideas on possible long and short-term solutions.

We will focus on ways to get to full funding. These will include hard but honest discussions of whether contributions should increase from the state or employees and measure future retirees' goals for what income replacement level they expect in retirement and cost-of-living increases. We anticipate there may be some creative ideas for ways to further secure the future for teachers and all educational employees.

NMERB plans to analyze these recommendations, along with financial reform models in other states and actuarial data, and bring forward a recommendation to the 2019 Legislative session.

It is time for New Mexicans to have an honest discussion on what our priorities are. We are beginning this discussion with NMERB members, though we know a final decision will rest in the hands of the New Mexico State Legislature and the Governor at that time.

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How important are our children and the people who teach them? A well-educated citizenry is one of the requisites for sustainable economic growth. Now is the time to determine our reach toward making a commitment to our children and the people who teach them.

Jan Goodwin is Executive Director of the New Mexico Educational Retirement Board.

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