Do you know there are two defined pension benefit plans covering New Mexico state workers?

The Educational Retirement Board (ERB) represents pre-K-12, charter schools, and higher education employees. The Public Employee Retirement Association (PERA) represents 31 retirement plans for state, municipal and county employees, including police, firefighters, judges, magistrates, legislators and volunteer firefighters. Retirement plans for other political subdivisions, such as special districts and housing authorities are also managed by PERA. Source: http://www.nmerb.org & http://www.nmpera.org

Do you know both ERB and PERA are proposing benefit plan changes?

ERB proposed changes - tiered pension multiplier; minimum retirement age provisions; contributions for PERA retirees to ERB; anti-spiking provision; return to work exceptions; increased employer contributions and Cost of Living Adjustment (COLA) pause. Source: ERB Stakeholders Meeting, August 13, 2018

Do you know how ERB and PERA defined benefit plans differ?

Both pensions calculate retirement benefit by the following:
Final Average Salary X YEARS OF SERVICE X Pension Multiplier.

Although the pension benefit formula is the same for both plans, there are important differences in PERA benefits, contributions and COLA compared to ERB. For example, COLAs are paid in accordance to state statute. COLAs for ERB retirees begin either at ages 65 or 67 depending on your hiring date. The state law for ERB retirees allows the compounding COLA to be adjusted based on inflation. For PERA retirees, depending on
retirement date, the COLA is 3 years, 4 years or 7 years after retirement began. The state law for PERA retirees provides a compounding, annual 2 percent COLA. Below is a comparison chart of ERB and PERA benefits.  

<table>
<thead>
<tr>
<th>ERB</th>
<th>PERA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TIER 1</strong> - HIRED BEFORE JULY 1, 2010</td>
<td><strong>TIER 1</strong> - EMPLOYEE HIRED OR RETIRED BEFORE JUNE 30, 2013 – vested after 5 years of service</td>
</tr>
<tr>
<td><strong>TIER 2</strong> – EMPLOYEE HIRED ON OR AFTER JULY 1, 2010 AND BEFORE JULY 1, 2013</td>
<td><strong>TIER 2</strong> – EMPLOYEE HIRED ON OR AFTER JULY 1, 2013 - vested after 8 years of service</td>
</tr>
<tr>
<td><strong>TIER 3</strong> – EMPLOYEE HIRED ON OR AFTER JULY 1, 2013</td>
<td>Note: PERA manages 31 retirement plans.</td>
</tr>
<tr>
<td>Tiers 1, 2 and 3 vested after 5 years of service</td>
<td>INFORMATION FOR AN EMPLOYEE IN Tier I STATE GENERAL MEMBER COVERAGE PLAN 3 IS USED FOR THIS ANALYSIS.</td>
</tr>
</tbody>
</table>

**CONTRIBUTIONS**
(Annual salary greater than $20,000)

*Example:* Employee monthly salary = $3,500
- 10.70% Employee = $374.50
- 13.90% Employer = $486.50

**CONTRIBUTIONS**
(Annual salary greater than $20,000)

*Example:* Employee monthly salary = $3,500
- 8.92% Employee = $312.20
- 16.99% Employer = $594.65

**RETIREMENT QUALIFICATIONS**
**Tier I**
- 25 years of service; or
- Age + service = 75, reduction if younger than age 60 at time of retirement; or
- Age 65 + 5 years of service

*Note:* Tiers 2 and 3 have different retirement qualifications.
- Tier 2 – Rule of 75
- Tier 3 – Rule of 80

**Tier I**
- 25 years of service credit at any age; or
- Age 60 +20 or more years of service; or
- Age 61 + 17 or more years of service; or
- Age 62 + 14 or more years of service; or
- Age 63 + 11 or more years of service credit; or
- Age 64 + 8 or more years of service; or
- Age 65 + 5 years of service credit.

**Tier II** – Rule of 85

**PENSION FACTOR**
2.35% - Tiers 1, 2, or 3

**PENSION FACTOR**
3.0% - Tier 1
- 2.5% – Tier 2

**DEFINED BENEFIT PLAN CALCULATION**
Final Average Salary of 5 highest consecutive years of service x years of service x .0235

*Example:* Tier I Final Average Salary - $42,000
- 25 years of service credit x .0235 = $24,675 yearly benefit
- $2,056.25 monthly benefit – 59% of original salary

**DEFINED BENEFIT PLAN CALCULATION**
Tier 1 - Final Average Salary of 3 highest consecutive years of service x years of service x .03
Tier 2 – Final Average Salary of 5 highest years x .025

*Example:* Tier I Final Average Salary – 42,000
- 25 years of service credit x.03% = $31,500 yearly benefit
- $2,625 monthly benefit – 75% of original salary
<table>
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<tr>
<th>Note: No maximum benefit. 79.9% benefit is reached after 34 years of service</th>
<th>Note: Benefit maximizes at 90% with 26 years and 8 months of service. Prior to 2013 legislation, maximum benefit was 80% with 26 years and 8 months of service.</th>
</tr>
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<tr>
<td><strong>AVERAGE RETIREMENT BENEFIT</strong></td>
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<td>$22,284</td>
<td>$28,642</td>
</tr>
<tr>
<td><strong>COST OF LIVING ADJUSTMENT (COLA)</strong></td>
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<td><em>(Before July 2013 the amount was 2% - COLA is based on CPI and determined by the Legislature)</em></td>
<td><em>(Before July 2013 the amount was 3% - COLA is determined by the Legislature)</em></td>
</tr>
<tr>
<td>The amounts below are based on long-term expectations for the average COLAs until the reduction goes away.</td>
<td>2.5% annual compounding COLA for those with a $20,000 pension or less.</td>
</tr>
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<td><strong>CPI of 3% over a 10 – 30-year span:</strong></td>
<td>2.0% annual compounding COLA for all other eligible retirees.</td>
</tr>
<tr>
<td>1.8% - retirees with 25 or more years of service credit and whose monthly benefit is less than or equal to the median retirement benefit.</td>
<td>2.5% annual compounding COLA for those with a disability with a $20,000 pension or less.</td>
</tr>
<tr>
<td>1.6% - for all other eligible retirees.</td>
<td><strong>Note: COLA begins 3 years after retirement for those who retired before June 30, 2015. There is now a graduated COLA eligibility period for members who retire under normal retirement: Retirement dates of July 1, 2015 through June 1, 2016: four full-calendar year eligibility period to receive a COLA; and Retirement dates on or after July 1, 2016: seven full-calendar year eligibility period to receive a COLA.</strong></td>
</tr>
<tr>
<td>2.0% - for eligible disability retirees.</td>
<td>A full-calendar year is January 1 through December 31. Eligible COLA recipients receive a notification letter in July each year advising them of the increase in their pension payments.</td>
</tr>
<tr>
<td><strong>Note:</strong> The 1.6% reflects the expected average, not the actual yearly COLA amount you will receive. In the past, retirees have received yearly COLAs of .08%, 1.28%, etc.</td>
<td>If you retire due to a disability or if you are at least age 65 prior to your first COLA eligibility date, the COLA eligibility period is reduced to one full-calendar year. The COLA will be paid the following July.</td>
</tr>
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<td>COLA begins at the later of July 1 of the year following retirement or age 65.</td>
<td><strong>Note:</strong> COLA begins 3 years after retirement for those who retired before June 30, 2015. There is now a graduated COLA eligibility period for members who retire under normal retirement: Retirement dates of July 1, 2015 through June 1, 2016: four full-calendar year eligibility period to receive a COLA; and Retirement dates on or after July 1, 2016: seven full-calendar year eligibility period to receive a COLA.</td>
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<td><strong>Note:</strong> For an employee hired on or after July 1, 2013 the new age is 67.</td>
<td></td>
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</table>

**WHAT CAN YOU DO?**

**ATTEND THE NEW MEXICO LEGISLATIVE INVESTMENT PENSION OVERSIGHT COMMITTEE MEETINGS, OCTOBER 16, NOVEMBER 26 AND NOVEMBER 27!!** [https://nmlegis.gov](https://nmlegis.gov)

**THIS IS AN ELECTION YEAR—GET INVOLVED—ASK EVERY CANDIDATE FOR OFFICE AND LEGISLATOR WHERE THEY STAND ON THE ERB AND PROTECTING YOUR COLA? VOTE!**

**JOIN THE UNM RETIREE ASSOCIATION AND HELP PROTECT YOUR BENEFITS!!** [www.retiree@unm.edu](http://www.retiree@unm.edu)