The UNM Retiree Association represents the welfare of all retired UNM employees and serves in an advisory role to the UNM Board of Regents and the UNM Administration. UNM has approximately 4,000 retirees.

**ISSUE:** No Further Reduction or Pause to the ERB COLA.

**STATEMENT:** In 2013, the Legislature reduced the ERB COLA, and these reductions will remain in place until sustainability is achieved. Due to the 2013 COLA changes, ERB retirees lost $8.6M over the last 5 years and there will be a total loss of $143.7M over 30 years. Since these reductions are significant and ongoing, there should be no further reduction or pause to the ERB COLA.

**FACTS:** The ERB COLA is significantly less than the PERA COLA. In 2013, the PERA COLA % was reduced, but remained much higher than the ERB COLA %. If ERB retirees had received the same COLA percentage as PERA since 2013 (last 5 years), ERB retirees would have received $32.35M more in COLA.

**RECOMMENDED ACTION:** Take no action on ERB COLA—Support SB14. This bill, sponsored by Senator Ingles, was extensively vetted by stakeholders throughout the state, ERB management, the ERB Board of Trustees and the Investment Pension Oversight Committee. SB14 takes in account previous reductions in the ERB COLA which continue until sustainability is achieved. Extensive analysis, communication and feedback were considered in drafting SB14 to design a multifaceted solution to improving ERB solvency.

*spreadsheet providing calculations is available upon request.*
The UNM Retiree Association represents the welfare of all retired UNM employees and serves in an advisory role to the UNM Board of Regents and the UNM Administration.

**ISSUE:** DO NOT PASS SB157 “Sick Leave for Educational Retirement Credit”

**STATEMENT:** SB157 incurs a cost to the fund and the enhanced benefits do not apply equitably to all employees due to differences in sick leave policies for the various educational employers. Enhancing benefits when the Educational Retirement fund has a 63.5% funded ratio is not logical. This benefit enhancement would be a drag on the fund and defeat the purpose of decreasing the years needed to reach fund sustainability.

**FACTS:** The HB85 Fiscal Impact Report, 1-24-18, and Legislative Education Study Committee Bill Analysis, 1-25-18, contradict the necessity for this bill. According to the bill analysis, this bill would, “increase the risk to the fund if actual experience falls short of expectations. Such risks are inherent to defined benefit pension plans, where member and employer contributions pre-fund a guaranteed retirement benefit and the fund is subject to the risk of insufficient investment returns or changes in life expectancy.”

**RECOMMENDED ACTION:** Take no action on SB157. Instead, support SB14, ERB Retirement Changes, which is to be introduced and go to committees soon. The purpose of this bill is to reach 100% sustainability in thirty years and take us off the list of underfunded pension funds in the country. SB14 sponsored by Senator Ingles, was extensively vetted by stakeholders throughout the state, ERB management, the ERB Board of Trustees, and the Investment Pension Oversight Committee. Extensive analysis, communication, and feedback were considered in drafting SB14 to design a multifaceted solution to achieving 100% sustainability.
WHAT CAN HAPPEN IF PENSION SUSTAINABILITY IS NOT ADDRESSED

If no fix is applied to either pension plan, the ERB pension plan hovers at about 63% funded ratio through 2045 and PERA General Plan 3 diminishes from 66% 2017 funded ratio to about 42% over the same period.
Source: Legislative Finance Committee, December 2018

Both New Mexico pension plans rely on revenue sources from employer contributions (ERB 13.9% and PERA 16.99%); employee contributions (ERB 10.7% and PERA 8.92%) and investment returns net fees.