

**NEW MEXICO EDUCATIONAL RETIREMENT BOARD AND
NEW MEXICO PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
DEFINED BENEFIT COMPARISON**

February 2017

<p>ERB (INFORMATION IS FOR AN EMPLOYEE IN TIER 1, HIRED BEFORE JULY 1, 2010)</p> <p>TIER 2 – EMPLOYEE HIRED ON OR AFTER JULY 1, 2010 AND BEFORE JULY 1, 2013 TIER 3 – EMPLOYEE HIRED ON OR AFTER JULY 1, 2013</p>	<p>PERA (INFORMATION IS FOR AN EMPLOYEE in STATE PLAN 3 - STATE GENERAL MEMBER COVERAGE in TIER 1. EMPLOYEE HIRED OR RETIRED BEFORE JUNE 30, 2013)</p> <p>TIER 2 – EMPLOYEE HIRED ON OR AFTER JULY 1, 2013</p>
<p>ESTABLISHED 1945 Legislative Session</p>	<p>ESTABLISHED 1947 Legislative Session</p>
<p>MEMBERSHIP ELIGIBILITY</p> <p>ERB membership is a mandatory condition of employment, excluding the following:</p> <ul style="list-style-type: none"> • Short-term substitute teachers • Students (including graduate assistants, teaching fellows, and student workers) • Employees who work 0.25 FTE or less • Independent contractors • Some faculty and professional employees of New Mexico public universities and community colleges have the option of participating in the Alternative Retirement Plan (ARP), a defined contribution plan. They can opt to participate in either ERB’s Defined Benefit Plan or ARP during the first 90 days of employment if they are in an eligible position. 	<p>MEMBERSHIP ELIGIBILITY</p> <p>PERA membership is a mandatory condition of employment, excluding the following:</p> <ul style="list-style-type: none"> • Seasonal and temporary employees • Student employees • Part-time employees -(working less than 20 hrs. in a 40 hr. week or less than 40 hrs. in an 80 hr. pay period) Elected officials who are not PERA retirees may file an employee exclusion • Elected officials who are not PERA retirees may file an employee exclusion • Certain public employees in private retirement plans • New Mexico Aging and Long-term Service Trainees • ERB retired members

<p>MEMBERS (June 30, 2016) 60,057 - Active Members 44,228 - Inactive Members 45,797 - Retired Members 218 - Participating Employers</p>	<p>MEMBERS (June 30, 2016) 48,693 – Active Members 15,075 – Inactive Members 37,206 – Retired Members 177 – Participating Employers</p>
<p>CONTRIBUTIONS (Annual salary greater than \$20,000)</p> <p>Example: Employee monthly salary = \$3,500 10.70% Employee = \$374.50 13.90% Employer = \$486.50</p> <p>2010/2011 Employee 9.40% Employer 10.90% 2011/2012 Employee 11.15% Employer 9.15% 2012/2013 Employee 9.40% Employer 10.90% 2013/2014 Employee 10.10% Employer 13.15% 2015/2017 Employee 10.70% Employer 13.90%</p>	<p>CONTRIBUTIONS (Annual salary greater than \$20,000)</p> <p>Example: Employee monthly salary = \$3,500 8.92% Employee = \$312.20 16.99% Employer = \$594.65</p> <p>Note: (PERA has 31 retirement plans with employee contributions ranging from 4.78% to 16.65% and employer contributions ranging from 7.4% to 26.12%. Plan 3 – State General Member Coverage in Tier I is used for this analysis.)</p>
<p>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</p> <p>Note: There are now Tiers 2 and 3 with different retirement qualifications.</p>	<p>RETIREMENT QUALIFICATIONS 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.</p>
<p>PENSION FACTOR 2.35%</p>	<p>PENSION FACTOR 3%</p>
<p>DEFINED BENEFIT PLAN CALCULATION Final Average Salary of 5 highest consecutive years of service x years of service x .0235</p> <p>Example: Average monthly salary of \$3,500: 25 years of service credit x .0235 = (58.75% of final average salary = \$3,500) = \$2,056.25 (monthly benefit)</p> <p>Note: No maximum benefit. 79.9% benefit is reached after 34 years of service</p>	<p>DEFINED BENEFIT PLAN CALCULATION Final Average Salary of 3 highest consecutive years of service x years of service x .03</p> <p>Example: Average monthly salary of \$3,500: 25 years of service credit x 3% = (75% of final average salary = \$3,500) = \$2,625 (monthly benefit)</p> <p>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.</p>
<p>AVERAGE ANNUAL ERB RETIREMENT PENSION In 2016 - \$21,972</p>	<p>AVERAGE ANNUAL PERA RETIREMENT PENSION In 2016 - \$28,812</p>

<p>ERB (INFORMATION IS FOR EMPLOYEES IN TIER 1 HIRED BEFORE JULY 1, 2010)</p> <p>ERB FINAL SAMPLE RETIREMENT (The scenario applies to a Tier 1 retiree who retired at 50 with 25 years of service, June 30, 2001.)</p> <p>Example: Final Average Salary - \$42k, \$44k, \$46K, \$48k, & \$50k. High 5-year average = \$46,000</p> <p>Example: ERB Retirement Benefit: \$46,000 x 25 years of service x .0235 = \$27,025</p>	<p>PERA (Information is for Employees in STATE PLAN 3 - STATE GENERAL MEMBER COVERAGE and TIER 1, EMPLOYEES HIRED OR RETIRED BEFORE JUNE 30, 2013)</p> <p>PERA FINAL SAMPLE RETIREMENT (The scenario applies to a Tier 1 retiree who retired at 50 with 25 years of service, June 30, 2001.)</p> <p>Example: Final Average Salary - \$42k, \$44k, \$46K, \$48k, & \$50k. High 3-year average = \$48,000</p> <p>Example: PERA Retirement Benefit: \$48,000 x 25 years of service x .03 = \$36,000</p>
<p>COST OF LIVING ADJUSTMENT (COLA) (Before July 2013 the amount was 2% - COLA is based on CPI-)</p> <p>The amounts below are based on long-term expectations for the average COLAs until the reduction goes away.</p> <p>CPI of 3% over a 10 – 30-year span: 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. 1.6% - for all other eligible retirees. 2.0% - for eligible disability retirees. Note: 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.</p> <p>COLA begins at the later of July 1 of the year following retirement or age 65.</p> <p>Note: For an employee hired on or before July 1, 2013 the new age is 67.</p>	<p>COST OF LIVING ADJUSTMENT (COLA) (Before July 2013 the amount was 3% - COLA is determined by the Legislature)</p> <p>2.5% annual compounding COLA for those with a \$20,000 pension or less. 2.0% annual compounding COLA for all other eligible retirees. 2.5% annual compounding COLA for those with a disability with a \$20,000 pension or less. Note: Before it was 3 percent. 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.</p> <p>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. 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.</p>

<p>The ERB COLA COMPOUND EFFECT of \$27,025 (The scenario applies to a Tier 1 retiree who retired at 50 with 25 years of service, June 30, 2001.)</p> <p>COLA began at age 65, fifteen years later. By age 65, the ERB benefit will still be - <u>\$27,025.</u></p> <p>At 83, using the average, projected ERB COLA factor 1.6%, the 18-year compounding effect is - <u>\$35,963.</u></p> <p>At 94, what would the benefit be in 30 years at 1.6% COLA with 30 years of a compounding effect? <u>\$42,824.</u></p> <p>At 94, what would the benefit be in 30 years at the original pre-July 1, 2013, 2% COLA with 30 years of a compounding effect? <u>\$47,992.</u></p>	<p>The PERA COLA COMPOUND Effect of \$36,000 (The scenario applies to a Tier 1 retiree who retired at 50 with 25 years of service, June 30, 2001.)</p> <p>COLA began at 53, the third year after retirement at 3%. After July 1, 2013, age 62, the COLA decreased to 2%. At 65, the COLA had a 12-year compounding effect - <u>\$51,342.</u></p> <p>At 83, what would the benefit be in another 18 years at 2% for a total of 30 years of compounding effect? <u>\$73,329.</u></p> <p>At 94, what would the benefit be in another 11 years at 2% for a total of 41 years of a compounding effect? <u>\$91,176.</u></p>
<p>DISABILITY RETIREMENT</p> <ul style="list-style-type: none"> Members who have accumulated ten or more years of earned service credit may apply for a disability retirement. 	<p>DISABILITY RETIREMENT</p> <ul style="list-style-type: none"> Members are eligible to apply for Duty Disability from the first day of employment Members are eligible for Non-Duty Disability after being vested with 5 years of service credit
<p>WITHDRAWN SERVICE CREDIT</p> <p>Upon termination of employment a member may withdraw their contribution plus interest, (the interest is determined annually by the ERB). The cost to purchase the service is calculated with interest from the date of withdrawal to date of purchase.</p>	<p>FORFEITED SERVICE CREDIT</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 amount withdrawn plus interest for the date the contributions were withdrawn to the date of purchase.</p> <p>Interest rates: Forfeited service prior to 12/31/83 – 5.25 percent.</p>

	<p>Forfeited service from 1/1/84 to 12/31/01 – 10 percent.</p> <p>Forfeited service from 1/1/02 to present – 8 percent.</p>
<p>ALLOWED SERVICE CREDIT</p> <p>Members may purchase up to five years of service credit if you have served in the U.S. military, the Commissioned Corps of the Public Health Service, or worked for any of the following institutions:</p> <ul style="list-style-type: none"> • Public school or higher learning institution anywhere in the US • U.S. Military dependents’ school • federal educational program in New Mexico • accredited private school or higher learning institution in New Mexico <p>The cost to purchase allowed service credit is based on an actuarial cost that reflects your length of service and current earnings.</p>	<p>AIR TIME</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” or allowed time service credit.</p> <p>The employee pays full actuarial value. Example: A 50-year-old with 20 years of earned service making \$40,000 would pay an estimated \$18,220 for 1 year of air time.</p>
<p>MILITARY SERVICE CREDIT</p> <p>Members must be vested with 5 years of earned service credit to be eligible to purchase up to 5 years of active military service. The cost to the member is the combined employee and employer contributions at the current contribution rates.</p>	<p>MILITARY SERVICE CREDIT</p> <p>Members must be vested with 5 years of earned service credit to be eligible to purchase up to 5 years of non-intervening military service credit. The employee pays employee and employer contribution rate (25.91% for State General Plan 3).</p>
<p>MISCELLANEOUS SERVICE CREDIT</p> <p>ERB does not allow the purchase of service credit other than allowed service time or military service.</p>	<p>MISCELLANEOUS SERVICE CREDIT</p> <p>PERA allows the following types of service credit to be purchased</p> <p>Civilian Prisoner of War; Cooperative Work Study Programs; Certain prior employment by a Utility Company, Library, Museum, Transit Company or by a Non-profit Organization; New PERA-Affiliated Public Employer (Prior Service); and Employment with the Federal Government.</p>
<p>RETURN TO WORK RETIREE (RTW) (Effective as of July 1, 2011)</p> <p>12-month layout period prior to applying for the RTW part-time or full-time program. Retirees must not work, contract, or volunteer in a typically paid position for an ERB employer in that time</p>	<p>RETURN TO WORK RETIREE (RTWR) (Restrictions as of July 1, 2013)</p> <p>Retirees Hired on or Before June 30, 2010 Retirees who were re-employed before July 1, 2010 were grandfathered in under the laws in place when they were re-employed. Re-employed</p>

<p>The RTW retiree shall make non-refundable employee pre-tax contributions to the NMERB fund and will not earn additional service credit. The employer will continue to make employer contributions as specified by state statute. RTW retirees are reported on the employer's monthly report to the NMERB.</p> <p>Members who retired before 1-1-01 may return without a layout. However, members who retired before 1-1-01 but suspended their pension must layout for 90 days.</p> <p>RTW Exception: Retirees may earn the greater of \$15,000 or .25 of full time equivalent with an ERB employer and maintain their pension. Neither the retiree nor the employer pay contributions. However, this will not count towards your 12-month layout period.</p> <p>No layout period is required to work as an independent contractor; however, working under this rule will not count as your 12-month layout period.</p> <p>RTW participants and all retirees have the option of suspending retirement and earning additional service credit.</p> <p>The RTW program sunsets January 1, 2022.</p>	<p>retirees will continue to receive both a pension and a salary. These reemployed retirees will be grandfathered in if they continue working for the employer who hired them without a break in service.</p> <p>Effective July 1, 2010, re-employed retirees make employee contributions. The PERA affiliated employer makes the required employer contribution. Employee and employer contributions made during re-employment are nonrefundable and stay in the PERA Fund.</p> <p>Retirees hired on or after July 1, 2010, (effective July 1, 2010), the pension of a retiree who returns to work for a PERA affiliate is suspended. If a retiree has completed a 12-month break in service from his or her retirement date, neither the re-employed retiree nor the employer makes PERA contributions and the re-employed retiree does not accrue service credit.</p>
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Sources:

The document was originally compiled by the American Federation of Teachers, December 21, 2006.

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The UNM Retiree Association, Legislative Committee updated the document February 2017