

# Legislative Committee Actions and Reports

## 2013

The ERB Stakeholder Solvency Proposal was submitted in both the House and the Senate:

- **HB 64 submitted by Rep. Mimi Stewart**
- **SB 115 submitted by Sen. Stuart Ingle**

It is scheduled to be heard in a Joint Session on Wednesday, Jan. 23 follow by hearings in the House Labor and Human Resources Committee on Thursday, Jan. 24, the Senate Finance Committee on Monday, Jan. 28. The UNM Retiree Association Board has voted to support this bill as the best shot in amending the present ERB pension rules and avoiding earlier proposals to decrease or even eliminate our present modest COLA (cost of living allowance).

The UNMRA Legislative Committee will be there.

**And we need your help.** *It is critical that legislators and the governor hear from you now, when the bills have been first submitted. If we can get the bill through the legislature early, its chance of being vetoed is decreased. You have the most influence.*

Please take 5 minutes to call your legislators to tell them you support these bills, **HB 64** and **SB 115**. (UNMRA Talking Points are below if you wish to use them.) Call legislators at home if you don't have another phone number for them. (Offices/phone numbers in Santa Fe are just being assigned.)

Find your legislator at

<http://www.nmlegis.gov/lcs/legislatorsearch.aspx>

Let Gov. Martinez know how you feel:

[http://www.governor.state.nm.us/contact\\_the\\_governor.aspx](http://www.governor.state.nm.us/contact_the_governor.aspx)

You can find copies HB 64 and SB 115 at

<http://www.nmlegis.gov/lcs/BillFinder.aspx>

**Our pension could change dramatically if we cannot convince our legislators to uphold the contract we were hired under and support these bills.**

Approved by Educational Retirement Board on September 19, 2012, now HB 64 and SB 115:

- Employee contribution rates will increase to 10.7%, phased in by FY2015.
  - Employer contribution to be fully funded at 13.9% as enacted in 2007.
  - Minimum age to receive benefits for new hires – 55.
  - Cost of Living Adjustment (COLA) for new hires to begin at age 67.
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## Report: January 15, 2013

On Tuesday, January 15, 2013, the legislative session will begin. The Legislative Finance Committee will present the 2013 NM State Budget on Thursday, January 17, 2013. You can see the budget on their website <http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx>. Go to page 70 for their recommendations on Pensions. Chairman John Arthur Smith submits his idea from last year, to cut the COLA to 1.5%. UNMRA opposes this change because of the hardship it would cause to retirees.

Members of the UNMRA Legislative Committee will be attending committee meetings addressing the solvency issue and will report back. Look on this webpage for the latest developments or contact us to visit Santa Fe.

In this report, you will find:

- How to contact your representatives and governor.
- Talking Points to assist in speaking with your representatives.
- Summary Statement highlighting the ERB Solvency Proposal for legislators.
- UNMRA Candidate Survey Results

## You Can Influence Legislation

Legislators respond to their constituents because they want to get re-elected. Many legislators don't know much about the ERB and our pension, though many have heard it needs fixing. Reducing the COLA sounds easy and understandable. It's our job to let them know that we would like to see the ERB Solvency Proposal which does not reduce the COLA, put into law. It's safe to assume there will be many challenges to that proposal so prepare to contact your representatives and the Governor.

You can contact your representatives in 3 ways, listed below in descending order of impact:

- Mail: There will always be some one to open mail and read it.
- Phone: There will always be some one to answer the phone, or take the messages off voicemail.
- Email: During the very busy legislative session, with hundreds of emails, they are not always read.

Take a few minutes to get the contact information for your representatives at <http://www.nmlegis.gov/lcs/> Go to "Members" on the upper left and select "Find your representative".

The Governor has indicated she would like across the board cuts in pensions. She will influence the final bill and will have final veto power so it's important that she knows what you, her constituent, wants her to do. To contact the Governor:

- Mail: Constituent Services, Office of Governor Susana Martinez, 490 Old Santa Fe Trail, Rm. 400,

Santa Fe, NM 87501

- Phone: (505) 476-2200
- Email: Gov. Martinez has a contact page. If you send an email to your representative, you will need to copy it before emailing, then go to the following website and paste into her format. Her webpage is [http://www.governor.state.nm.us/Contact\\_the\\_Governor.aspx](http://www.governor.state.nm.us/Contact_the_Governor.aspx)

One note about email: If possible, please use an other-than-unm.edu email.

Dr. Beulah Woodfin, who recently left the Board of the ERB, created the following page of highlights to use when speaking with your representatives.

## Potential Changes to the NM Educational Retirement Program

The Educational Retirement Fund administered by the Educational Retirement Board (ERB) has a long-term solvency problem. There is not enough money in the fund to pay all of the benefits that have been earned. Because of two down-market periods in a 10-year period, the fund can not earn its way out of the deficit.

**STAKEHOLDERS** – representatives of some 17 groups including the teachers unions, school boards, superintendents, retirees, etc – have agreed on a proposal that will assure solvency over a 30-year period. Representatives of current employees have agreed to an increase in employee contributions. This proposal will go to the Legislature in the 2013 session.

In recent legislative sessions, solvency proposals have not survived. If nothing is done in the 2013 session, the situation will only get worse.

### **WHY SHOULD YOU BE CONCERNED –**

According to the New Mexico Constitution, your retirement benefits are designated as a property right –BUT ---

There is a provision that the Legislature is not prohibited from making changes to protect the solvency of the Fund. Other interests are pushing changes that would reduce the Cost of Living Adjustment (COLA) until major improvements in funding are achieved.

The COLA is very important to retirees. The average annual retiree pension is \$20,818. The ERB COLA is tied to the consumer price index but only partially adjusts for the loss of purchasing power due to inflation. At historical rates of inflation and COLA adjustments, for example, in twenty-five years the purchasing power of the average \$20,818 pension would be equivalent to only \$16,338 today.

### **STAKEHOLDERS PROPOSAL –**

Brief Summary of Proposed Changes to Plan

Approved by Educational Retirement Board on September 19, 2012

- Employee contribution rates will increase to 10.7%, phased in by FY2015.
- Employer contribution to be fully funded at 13.9% as enacted in 2007.

- Minimum age to receive benefits for new hires – 55.
- Cost of Living Adjustment (COLA) for new hires to begin at age 67.

**PLEASE CONTACT YOUR LEGISLATORS** asking for support of the Stakeholders Proposal, which has the support of the ERB Board. Emphasize that current employees have shown the willingness to increase their contributions.

Find your senator and representative at this link: <http://www.nmlegis.gov/lcs/legislatorsearch.aspx>

## COMPARISON OF ERB AND PERA:

	Employer ERB/Employee ERB		Employer PERA/Employee PERA	
Current statute without swaps	13.9	7.9	16.59	7.42
Solvency Proposals	13.9	10.7	18.09	8.92
<b>Percent of total paid by employer: current</b>	<b>63.7 %</b>		<b>69.1%</b>	

Dr, Lee Brown, Economics, wrote the following which has been sent to legislative committees and handed out at the Roundhouse. Item 3 is especially interesting in view of LFC Chairman Smith’s proposal.

## THE EDUCATIONAL RETIREMENT BOARD SOLVENCY PROPOSAL

University of New Mexico Retiree Association

1. The University of New Mexico Retiree Association (UNMRA) represents and promotes the interests and welfare of 4,000 retired faculty and staff of the University of New Mexico.
2. UNMRA supports the pension solvency proposal approved by the Educational Retirement Board (ERB) on September 19, 2012 (see below for proposed changes).
  - a. The proposal was developed through a consensus process involving fifteen groups of stakeholders including active teachers, faculty, administrators, staff and retirees.
  - b. The proposal achieves actuarial solvency without additional taxpayer dollars beyond those already committed by previous legislatures.
  - c. The proposal preserves retirement benefits for 61,673 active members and 35,457 retirees/beneficiaries.<sup>1</sup>
  - d. The proposal protects pension property rights as required by the New Mexico Constitution.<sup>2</sup>
3. Importance of the Cost of Living Adjustment (COLA) benefit.
  - a. The average annual ERB retiree pension in 2011 was \$20,818.
  - b. The ERB COLA is tied to the consumer price index but only partially adjusts for the loss of purchasing power due to inflation.

c. If inflation runs at 3% annually, for example, in twenty-five years the average ERB pension would be equivalent to only \$16,312 in 2011 dollars.

d. If the COLA were eliminated altogether, the same example would result in only \$9,943 in 2011 dollars.

4. Rate of Return on Investments

a. Concern has been expressed that the ERB is too optimistic in its assumed rate of return on investments.

b. However, the New Mexico Constitution grants the ERB “sole and exclusive power and authority to adopt actuarial assumptions for its system”.

c. The ERB will review its future rate of return assumption in the spring once 2012 experience is available.

5. Bottom Line: The ERB proposal is a reasonable path to solvency compared to the present plan.

\_\_\_\_Footnotes

1 2011 Annual Report, p.40. <http://www.nmerb.org/pdfs/nmerb2011cafr.pdf>

<http://www.nmerb.org/pdfs/nmerb2011cafr.pdf>

2 Article 20, Section 22.

3 2011 Actuarial Report, p.19. <http://www.nmerb.org/pdfs/2011actuarial.pdf>

## **SUPPORT THE EDUCATION RETIREMENT BOARD SOLVENCY PROPOSAL**

### **Brief Summary of Proposed Changes to Plan**

- Approved by Educational Retirement Board on September 19, 2012
- Employee contribution rates will increase to 10.7%, phased in by FY2015.
- Minimum retirement age for new hires at 55.
- Cost of Living Adjustment begins at 67, instead of 65, for new hires.

Dr. Jane Hood, Sociology, with years of professional experience creating and analyzing surveys, used her skills with the UNMRA Candidate Survey revealing that legislators don't really understand the solvency issue and how best to address those issues.

## **Amended Results of UNMRA Mailed Survey to Candidates for State Legislature**

### **I. Background**

**The Senate Race:** Of the 42 New Mexico State Senate seats (28 Democrat and 14 Republican), only ten were contested. We sent questionnaires to 42 incumbents as well as to the 10 opposing candidates. Nine of the 52 surveys sent to Senate candidates were returned from seven Democrats

and two Republicans. Of these respondents, five Democrats and one of the Republicans lost their elections.

**The House Race:** Of the 70 house seats (36 Democrat and 33 Republican), only 23 were contested, and one of these races involved three opposing candidates. Fifteen of the 94 surveys sent to house candidates were returned. Of these, 11 came from Democrats, one from an Independent, and three from Republicans. Of these, seven of the 12 Democrats (plus Ind) and all three Republicans were elected

#### *Distribution of Responses*

	Dem/Ind	Repub
Incumbent	5	3
Challenger	18	2
	23	5
		28

## **II. Data Analysis**

Given the extremely low response rate (28/146=19%), and the response bias favoring both Democrats and challengers, a quantitative summary of our results would be misleading. However, a thematic qualitative analysis illustrating the range of response types may be useful.

Of the 28 respondents, 15 were elected/re-elected to the 51st state legislature.

I have divided these 15 responses into two categories: 1) Supportive of all four UNMRA solvency provisions\* and 2) Opposed for a variety of reasons.

1. Supporters: The 13 supporters included two of the four Republicans and all but one of the 11 Democrats.

"I support changes for new hires and those in the system for less than 10 years."

"Maintain promise to current employees."

"I will consider all other options to assure that we create a plan for ERB that is solvent for the long term." (This response from the Republican) leaves open changes to any and all of the four UNMRA provisions as deemed necessary to assure solvency.

"In order increase the fund's solvency while protecting employees, a compromise must be reached. That can only be reached if all options are on the table."

"I will work to make sure that the ERB is funded to help all of those who are counting on solvency."

2. Opposers: Only two elected/re-elected legislators were opposed: one Republican and one Democrat

One of these was in favor only of fully funding the employer contribution. The other thought that the COLA should mirror the CPI. He also thought that employer and employee contribution rates should be equal. He wanted to end what he called the "Queen for a day" practice that games the system to be convinced that the compromise makes the plan solvent.

### **III. Summary**

- One Democrat representing the NMSU district is reluctant to support any plan requiring employees or retirees to make sacrifices, especially if these employees are getting no wage increases.
- The overwhelming majority of elected legislators support the stakeholder proposal, even though many also say that everything should be on the table.
- There is general agreement that any changes made should affect only new or future hires, although one respondent would include people hired as long as ten years ago.

### **IV. Action Implications**

We need to make sure that decreasing the COLA is not one of the compromises that legislators find acceptable and that all legislators understand the different histories of ERB vs. PERA.

\*1. Fully fund the employer contribution of 13.9%, 2. Raise the minimum retirement age to 55 for new hires, 3. Increase the employee contribution to 10.7%, 4. Increase the start of COLA to age 67.