

# NMERB CONNECTION

Summer 2018

## Dear NMERB members:

On behalf of NMERB's Executive Director, Jan Goodwin, and the NMERB staff, thank you to everyone who attended the Sustainability Listening Tour and who took the time to take our survey. You provided valuable input as we work toward improving the sustainability of your Defined Benefit Fund.

This has been a long journey, from the inaugural meeting in the Sustainability tour last fall, to collecting responses, and presenting the findings to the board in April. We set out with two goals, both centered on listening to our members: To gauge members' reaction to improving NMERB's sustainability and to learn what changes to the plan our members would be willing to support to improve its sustainability.

**Currently the fund is 62.9 percent funded. We can continue to pay benefits to our retirees and beneficiaries now and into the foreseeable future. Still, NMERB has an unfunded liability. This means NMERB will not be 100 percent funded for approximately 60 years. Here at NMERB, we would like to reach 100 percent funding within a much shorter timeframe. Changes are necessary to achieve that goal.**

To gather information from our members regarding possible changes to the plan, NMERB emailed a link to the survey to more than 50,000 members. We also had a link available on our website from March 9-April 13. We received more than 3,500 responses from active, inactive, and retired members, as well as the general public. Those who responded made the results even more robust with more than 500 additional comments and suggestions.



**Changes our members are willing to support include: incremental changes to the employer contribution, changes to the Return to Work Program, and a tiered multiplier.**

- 1,725 active members and 465 retired members support increasing the employer contribution by 3 percent, phased-in 1 percent per year for 3 years. This will add \$26 million in year 1, \$52 million in year 2, and \$78million in year 3.
- 1,478 active members and 485 retired members support instituting a benefit multiplier for new hires on a tiered structured based on length of service to achieve a 2.35 percent for a 30-year work history.
- 1,508 active members and 389 retirees believe all NMERB retirees returning to work for NMERB employers during retirement should first lay out six months, and they and their employers will pay contributions on income. There would be no cap on earnings and the Return to Work Exception would be eliminated.
- Overwhelmingly, 2,053 active members and 654 retirees support the change to require that PERA (Public Employees Retirement Employees) retirees pay in contributions, if working for an NMERB employer.

**All information regarding the tour, including press release, a video, and the presentation made at the tour stops are available on the NMERB website at [www.nmerb.org](http://www.nmerb.org). A link to the survey results is also on the homepage of our website. We found that 148 participants of the survey attended the Sustainability Listening Tour.**

Change is difficult, but we believe making the necessary changes now will ensure the continued longevity of the fund. This supports our mission: "Providing secure retirement benefits for New Mexico's educational employees—past, present, and future." It's our responsibility to ensure the safekeeping of the fund for all NMERB members and beneficiaries.

**NMERB's Board of Trustees and staff members will continue to research and work toward the best way forward for the fund to serve our members, past, present, and future. Again, thank you for your time, your thoughtful responses and for your service to New Mexico's students.**

## In This Issue

**NMERB welcomes new paralegal**

**Prepare for the worst so your family doesn't have to**

**Update your beneficiary**

**Millennials and retirement: already falling short**



## It's never too late to take charge of your retirement plans



NMERB's newest team member, Theresa Vargas, hit an important milestone in March—she's served the state of New Mexico for 17 years.

She joined the New Mexico Educational Retirement Board (NMERB) as a paralegal/legal assistant and brings with her more than 15 years of paralegal assistant experience.

"She's a great asset to the NMERB team," said Roderick Ventura, NMERB's General Counsel. "We're pleased to have her on board."

Theresa is no stranger to pensions, having served the state of New Mexico at several state agencies including 12 years with the Public Employees Retirement Association (PERA). In addition, she worked for the Taxation and Revenue Department and Office of the State Engineer.

She's also the proud mother of three: Anna, Victoria, and Feliciano, who proudly serves our country as a U.S. Army infantryman stationed at Fort Bliss in Texas.

**When asked about how it feels to be working towards retirement, Theresa looked up and smiled: "It feels pretty good."**

Theresa believes everyone should think about their retirement. Although she admits she's only gotten serious about her own retirement recently, she knows there is a benefit to early planning. As she gets closer, she's putting more into her Deferred Compensation account through PERA's Smart Save plan. The Smart Save Deferred Compensation plan is a tax deferred pre-tax retirement plan. She'll use that as a supplement to income from her Defined Benefit plan. Theresa is thinking and planning ahead.

**"It's never too late to be proactive about your retirement" Theresa said. "Learn about your retirement and freshen up each year because laws and rules change."**

Theresa has no doubts about what she wants to achieve in retirement. She wants to travel to Paris and learn to play golf. Even if others might find watching golf on television rather boring, Theresa gets a big kick out of it.

"I used to play put-put, but I really enjoy watching golf," she said. "I really want to learn."

Theresa applies her laser like focus not only to her job, but to planning her retirement activities. She shared this advice:

**"Even if you think you know everything about retirement, keep your information current," she said. "If you have any questions about NMERB, please call or email a representative today."**

## NMERB retirees and beneficiaries

Another tax season has come and gone, but it's not too late to make changes for the 2018 tax year. NMERB mailed out 1099-Rs on January 30 for 2017. The new federal tax bill was signed into law on December 22, 2017. The changes were effective as of January 2018. Some members may have further questions.

**Question: How will the tax law affect me?**

**Answer:** NMERB members may see a change in their federal income tax withholding amount. For some, the withholding change may be significant. Any federal withholding changes on your NMERB benefit are in accordance with the 2018 federal withholding tables published by the Internal Revenue Service (IRS). Everyone's tax situation is different. It's very important to understand that your NMERB monthly withholding amount relates only to your gross benefit amount from NMERB. The amount you owe in taxes will be based on your total income, so if you have additional income the taxes withheld from your NMERB benefit payment may not be sufficient to cover the amount owed.

**Question: How much should I withhold?**

**Answer:** NMERB cannot provide tax advice. If you have questions, please consult an accountant or tax preparer. If you'd like to increase or change your withholding amount, visit [www.nmerb.org/DownloadForms](http://www.nmerb.org/DownloadForms), fill out the **State and Federal Tax Deduction Form** and submit that form to our payroll department.

**Question: Where can I go to review my withholding amount?**

**Answer:** Retirees may review their deductions online using the NMERB portal. Register or login today at [www.nmerb.org](http://www.nmerb.org).

For more information, email: [ERB-MemberHelp@state.nm.us](mailto:ERB-MemberHelp@state.nm.us).

## Prepare for the worst so your family doesn't have to

(Original article by Chana Schoenberger, Wall Street Journal, March 5, 2018)

No one wants to plan for their death. However, a little preparation on your part will save your family unnecessary pain when you die. Preparing for this unpleasant reality is the topic of the *Wall Street Journal* article, “Be prepared for the unthinkable, no one expects to die young—but you can disaster proof your affairs” by Chana Schoenberger. Consider incorporating this checklist into your estate planning.

### □ Beneficiaries

What will happen to your benefit when you die? You may not be aware, but a vested member who is not retired may pass his or her benefit to a human being of choice. Choosing your beneficiary is an important part of your Defined Benefit plan. At the New Mexico Educational Retirement Board (NMERB), we encourage you to keep your records current. For active and inactive members, if you've experienced a life-altering event such as marriage, divorce, or the death of your beneficiary, fill out a **Beneficiary Form**. Retirees should contact NMERB directly.

Updating your beneficiary information is just as important as choosing one. When you began employment, you may not have been married or divorced. You may have listed your sister as your beneficiary. In the event of your death, even if you're currently married, your benefit would not automatically go to your spouse—it will legally go to the beneficiary on file. This could be devastating for your family. We encourage you to submit an updated **Beneficiary Form** that is accurate and reflects your wishes. You may download NMERB's Beneficiary Form by visiting [http://www.nmerb.org/Downloadable\\_Forms.html](http://www.nmerb.org/Downloadable_Forms.html).



### □ Insurance

NMERB doesn't administer health or life insurance. However, it's one of our most frequently asked questions for retirement planning. According to Schoenberger, “It's best if you can buy guaranteed renewable term insurance when you're still insurable and have no underwriting risks...” If you have questions regarding retiree health and/or life insurance, contact the New Mexico Retiree Health Care Authority (RHCA). Visit: [www.nmrhca.org](http://www.nmrhca.org).

### □ Documents

Save your loved ones the hassle of trying to find documents while grieving. Consider printing out copies of your information and storing them in a secure file cabinet or with your attorney. Educate your beneficiaries about their options. Having copies of your NMERB Benefit, Will, Power of Attorney, and other documents on hand will help your family during a difficult time. It's also important to educate your beneficiary on your end of life decisions including your NMERB pension. To review your information on file, register or login into your personalized **NMERB Member Self-Service login**. Visit: [www.nmerb.org](http://www.nmerb.org).

These are just some of the ways that you can protect yourself and your family during a vulnerable experience. Schoenberger also suggests creating a **Will**, assigning someone **Power of Attorney and Proxy**, and choosing a **Guardian** for any young children in the event that you and your partner pass away at the same time. Take the time to address this serious topic, so that your family doesn't have to. If you have any questions regarding your NMERB benefit, please email [ERB-MemberHelp@state.nm.us](mailto:ERB-MemberHelp@state.nm.us).

## Important information for all NMERB members:

**Retirees:** Notify NMERB immediately if your beneficiary dies. This may result in a change to your monthly benefit. For inquiries on who you selected or to change you beneficiary, please send an email to [ERB-MemberHelp@state.nm.us](mailto:ERB-MemberHelp@state.nm.us).

**Option A** benefits end upon the retiree's death; however, the balance of your remaining contributions (if any) will be refunded to your designated beneficiary.

**Active and Inactive members:** It is important to keep your beneficiary information correct and updated. In order to make any change of this type, please see the **Beneficiary Form**.

If you'd like to know whether you have a beneficiary on file or to change or update your beneficiary information email [ERB-MemberHelp@state.nm.us](mailto:ERB-MemberHelp@state.nm.us) or visit: [www.nmerb.org](http://www.nmerb.org). Click the blue tab: **Download Forms**. Then download and fill out a **Beneficiary Form**. This form does require a notary's signature in two places. Our professional Member Services staff will happily assist you by notarizing your form, at one of our two locations, in Santa Fe or Albuquerque.



## Board of Trustees

**Mary Lou Cameron**  
Chairperson,  
NEA Representative

**H. Russell Goff**  
Vice Chairperson  
NMAER Representative

**Larry Magid**  
Board Secretary  
Governor Appointee

**David Craig**  
PED Secretary Designate

**Dr. Donald Duszynski**  
AAUP Representative

**Tim Eichenberg**  
NM State Treasurer  
Ex Officio Member

**Christopher Ruzkowski**  
PED Secretary  
Ex Officio Member

## NMERB Staff

**Jan Goodwin**  
Executive Director

**Rick Scroggins**  
Deputy Director

**Bob Jacksha**  
Chief Investment Officer

**Roderick Ventura**  
General Counsel

**Lawrence Esquibel**  
Chief Information Officer

**Monica Lujan**  
Member Services Director

**Norma Henderson**  
Chief Financial Officer

## Millennials and retirement: already falling short

By Jennifer Brown

**A new report finds a deeply troubling retirement outlook for the Millennial generation. Most Millennials have nothing saved for retirement, and those who are saving aren't saving nearly enough.**

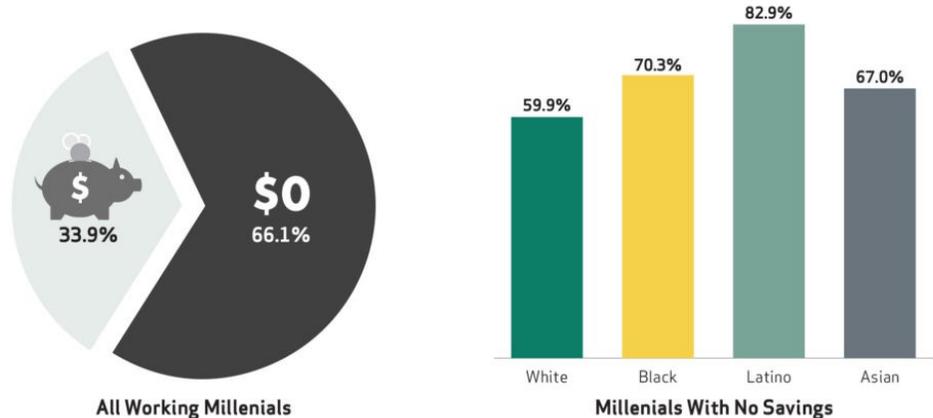
The report indicates that many factors are contributing to this generation's retirement savings challenges—from depressed wages to the lack of eligibility to participate in employer retirement plans.

**More specifically, the analysis finds that 66 percent of working Millennials have nothing saved for retirement, and the situation is far worse for working Millennial Latinos. Some 83 percent of Latinos in this generation have nothing saved for retirement.**

These findings are contained in new research for the National Institute on Retirement Security (NIRS).

Visit: [www.nirsonline.org](http://www.nirsonline.org).

Figure 16: **Two-Thirds of Working Millennials Have Nothing (\$0) Saved for Retirement**



Source: Author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.

**NMERB does not administer health or life insurance. If you have questions regarding your health or life insurance benefits, please contact New Mexico Retiree Health Care Authority 1(800) 233-2576 or visit: [www.nmrhca.org](http://www.nmrhca.org).**

