

ERB 2013 Legislative Recommendation Talking Points

ERB's proposal:

All current and future ERB members' contribution rate will rise to 10.7%

New members will have a minimum retirement age of 55 and will be eligible for a Cost of Living Adjustment at age 67

- ERB has 60 cents on hand to pay every \$1 of benefits that its members have earned.
 - It's crucial that the Educational Retirement Board and the legislature take steps to improve ERB's sustainability now.
 - The longer the legislature waits to address ERB's sustainability, the more drastic the changes will need to be.
 - The need to improve ERB's sustainability is primarily a result of long-term underfunding, further compounded by financial market downturns.

- This proposal does not call for higher employer contribution than what was agreed to in 2005.
 - All current and future ERB members will pay a higher rate of contributions- 10.7%
 - If the ERB only changed the benefits for new members, it would take much longer to improve ERB's sustainability.

- There is no one easy answer to the problem.
 - The changes that the ERB board is proposing for new members- a minimum retirement age of 55, and an additional two-year delay in the Cost of Living Adjustment- are incremental changes that must also be included to reach the funding goals.
 - These changes, if implemented, will increase ERB's funding to 95% within 30 years
 - Other states have implemented more severe changes.
 - For example, New Jersey's retirees have lost their COLA entirely until their fund has a funding ratio of 80%, most likely many years in the future.
 - Retirees in Colorado and Minnesota have seen their COLA reduced, and these reductions have withstood court challenges.
 - Even with these changes, the retirement benefits that are earned by NM educators will continue to be competitive regionally and nationally.

- Drastic changes are not required to ensure long-term solvency
 - The COLA does not have to be eliminated
 - Retirees' benefits do not have to be slashed
 - Neither current nor future members' benefits have to be drastically reduced

- These changes are consistent with ERB's Framework on Sustainability.
 - Shared responsibility
 - Intergenerational equity
 - Long-term sustainability
 - Preservation of defined benefit plan for all members
 - Maintain similar benefits over time