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.
  o It’s crucial that the Educational Retirement Board and the legislature take steps to improve ERB’s sustainability now.
  o The longer the legislature waits to address ERB’s sustainability, the more drastic the changes will need to be.
  o 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.
  o All current and future ERB members will pay a higher rate of contributions- 10.7%
  o 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.
  o 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.
  o These changes, if implemented, will increase ERB’s funding to 95% within 30 years
  o 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.
  o 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
  o The COLA does not have to be eliminated
  o Retirees’ benefits do not have to be slashed
  o Neither current nor future members’ benefits have to be drastically reduced

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