



# ERB Plan Design Change Proposal for 2012 NM Legislative Session

#	COLA	FAS	Vesting	Minimum Retirement		Multiplier	Contribution Rate		Grandfather Period	Funded Ratio		Comments
				Age			Employer*	Employee*		2030	2040	
Baseline	2%	5	5	none		2.35%	13.9%**	9.9%**	n/a	65.1%	71.2%	COLA starts at age 65.
Proposal	1.75%	5	5	55		2.35%	13.9%	9.9%	10 years	78%	96.3%	

*\*\* Beginning FY 15, contribution rates adjust: Employer Rate = 13.9% and Employee Rate = 7.9%. Current rates with 3.25% swap are 9.15% for Employer and 11.15% for Employee.*

*\*Rate shown assumes no change in legislation.*

*Changes to current benefit or benefit calculation are shown in red. See reverse for explanations.*

## **Explanations**

**Grandfather Period:** All members who meet any of the retirement eligibility requirements either before or during the grandfather period would not be subject to the changes in retirement benefit calculation or minimum retirement age when they retire. However, the changes, if any, to the COLA will apply. Members who met one of the retirement eligibility requirements during the grandfather period do not have to retire during the grandfather period to be exempt from the changes. Those members would be able to retire at any time and have their retirement benefit calculated under current provisions, without being subject to the new minimum retirement age.

**COLA:** ERB retirees are generally eligible for a Cost of Living Adjustment (COLA) at age 65. The COLA is determined by the annual change in the Consumer Price Index (CPI). Currently, the COLA is calculated as follows: If the CPI change is less than 2%, the COLA is equal to the change in CPI. If the CPI change is greater than 2%, the COLA is one-half that amount with a minimum of 2% and a maximum of 4%.

**FAS:** Retirement benefits are based on three components- Final Average Salary (FAS), the member's years of service credit and the 2.35% multiplier. The FAS is the member's highest average annual earnings for any 20 consecutive quarters (5 years). In general, the longer the FAS period, the lower the retirement benefit.

**Minimum Retirement Age:** This would be the youngest age at which a member could receive retirement benefits. Although members would be able to stop working at an ERB employer once they satisfy one of the retirement eligibility requirements, they would have to wait until the minimum retirement age to receive a retirement benefit. Currently, ERB members do not have to reach a minimum retirement age to receive retirement benefits.