



FAQs for Plan Design Change Proposal for 2012 Legislature

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Q. I see that the proposal that the Board is recommending is different from the 6 scenarios originally posted on the website. Why?

A. The Board has stressed, throughout this process, that its proposal to the legislature may be different than the 6 original proposals. The Board conducted over a dozen listening tour sessions all across the state so that the Board and staff could hear what is most important to ERB's members. The following comments were heard consistently: a Final Average Salary (FAS) period of 5 (current law) was much more popular than a 7-year FAS, with a lower benefit; it is vital to have a Cost of Living Adjustment (COLA), even if it's lower than the current COLA; a minimum retirement age is acceptable; and the longer the grandfather period, the better.

Q. If these changes are enacted with an effective date of July 1, 2012, how will I be affected if I am 66, received the 1.6% Cost of Living Adjustment (COLA) this July, and now my retirement benefit is \$20,000? If the change in the Consumer Price (CPI) is the same 1.6% next year, what will my COLA be?

A. Your COLA will be 1.4% or 87.5% of the change in CPI. Another way of looking at it is, your COLA will be 12.5% less than it would have been (1.6% - 0.2%) or 1.4%.

The dollar amount of your COLA is \$280, so your total retirement benefit will be \$20,280.

If the law does not change, your next COLA would be \$320, so your total retirement benefit would be \$20,320. (assuming the same change in CPI)

Q. How will I be affected if:

- *I have 22 years of service credit with ERB and I am 43.*

A. Because you will be eligible for retirement during the 10-year grandfather, the 55 year minimum retirement age will not affect you. And you don't have to retire during the 10-year grandfather period to not be subject to the 55 year minimum retirement age.

- *I have 10 years of service credit with ERB and I am 33.*

A. In fifteen years, you will be 48 years old and you will have 25 years of ERB service credit, providing you continue your employment with an ERB employer. Because you will be eligible for retirement after the end of the grandfather period, you will have to wait until you are 55 to receive your ERB retirement benefit. You may continue to work for your ERB employer and earn additional service credit, which will result in a higher percent of your Final Average Salary (FAS) when you retire. For each additional year that you work, you will receive an additional 2.35% of your FAS. Alternatively, you may leave your contributions on deposit with ERB and start to receive your pension when you turn 55. This is called a deferred retirement.

- *I have 26 years of service credit and I am 46.*

A. Because you are already eligible to retire, you will not be affected by the minimum retirement age of 55. You may retire at any time that you want.

- *I am 60 and retired. How long will I have to wait until I get a COLA?*

A. You will receive your COLA in the year you turn 65. The Board's proposal does not change eligibility for the COLA.

Q. *When will the ten-year grandfather period start?*

A. It will start on the effective date of the change. The legislature determines the beginning date for the change. Usually, the legislature has new laws begin on July 1. However, it will be up to the legislature to set the year in which the change will become effective. The ERB Board has recommended that the changes will be effective July 1, 2012.

Q. *If I don't meet the grandfather period and I work 5 more years to reach age 55, will my benefit be calculated based on 25 years of service or 30 years of service? If it's 30, how does paying benefits based on 30 years help the ERB Fund? Wouldn't it be paying out more rather than saving?*

A. The benefit will be based on the amount of service that the member has when they either attain the age of 55 and/or choose to retire. This benefits the fund because we receive the employee and the employer contribution for an additional 5 plus years and it reduces our obligation that same number of years. Also, a later start date for payment of retirement benefits allows the plan more time to earn investment income on the contributions.

Q. *Will I receive a 1.75% COLA every year? How does it work?*

A. A 1.75% COLA means that on average, over time the COLA will be 1.75%. The COLA is determined by the change in the Consumer Price Index (CPI). If the change in CPI is less than 2%, the COLA will be 87.5% of the change in CPI. If the change in CPI is greater than 2%, the COLA will be 87.5% of one-half the change in CPI, but not less than 1.75% and not more than 3.5%. The COLA will never be less than 0.

<u>Change in CPI</u>	<u>Current COLA</u>	<u>Proposed COLA</u>
-1%	0%	0%
0%	0%	0%
1%	1%	0.875%
2%	2%	1.75%
3%	2%	1.75%
4%	1.75%	1.75%
5%	2.5%	2.19%
6%	3%	2.63%
7%	3.5%	3.06%
8%	4%	3.5%
10%	4%	3.5%

Q. How many ERB's members be affected by the ten-year grandfather period?

A. We estimate that 10,000 current members will benefit from the ten-year grandfather period. And it's important to note that not all of them will retire during the grandfather period.

Q. How many people do you expect to retire in the next decade?

Of the 21,000 anticipated retirements in the next decade, approximately 2,500 members (of the 10,000 members mentioned in the question above) will be younger than 55 at retirement. The other 7,500 members who will benefit from the grandfather period are expected to retire after the end of the grandfather period.

Q: I am thinking about purchasing back some withdrawn service for which I received a refund on several years ago. How does this work with the 10-year grandfather period and retirement eligibility?

A. You can purchase back withdrawn service whenever it's most convenient for you. Whether that is now, at any time during the grandfather period, or after it, is up to you. If the purchased service is necessary for you to completely qualify for retirement, then the purchase would have to be completed prior to the expiration of the grandfather period for you to avoid the effect of the 55 year minimum retirement age requirement.

Q. I am thinking about purchasing some military or allowed service. How will the grandfather period affect this?

A. The grandfather period will not affect your ability to purchase military or allowed service. Please remember that the purchase of military or allowed service only counts toward eligibility for 25 and out (or 30 and out for those first employed on or after July 1, 2010). If you intend to purchase military or allowed service to qualify for 25 and out eligibility, then you must complete the purchase prior to the expiration of the grandfather period.

Q. When do I have to be eligible to retire to take advantage of the grandfather period?

A. You can take advantage of the grandfather period if you are eligible to retire now or if you become eligible to retire at any time during the next ten years. If you choose to retire during or after the grandfather period, you will not be subject to the minimum retirement age of 55.

Members who terminate their employment always have a right to withdraw their accumulated member contributions with interest. However, members who terminate do not have a right to withdraw the employer contributions that were made during their employment. Members who withdraw their member contributions will not receive any pension benefits. If you have a question that you don't see here, please send it to ERB-MemberHelp@state.nm.us