

ERB Update



NEW MEXICO
EDUCATIONAL
RETIREMENT
BOARD

Winter of 2007 Newsletter
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ERB Fund in Nation's Top Quartile



Three out of five domestic equity managers out-performed their benchmarks



The Educational Retirement Fund (ERF) returned 17.7 percent for the rolling 12-month period ending Oct. 31, 2006, outpacing its policy benchmark of 16.7 percent by 103 basis points. Much of the annual performance can be attributed to domestic equity managers where three of the five out-performed their benchmarks.

This return would place the ERB fund in the top quartile of all public funds in the country. It also far surpasses our actuarial requirement of 8 percent.

Additionally, the internally-managed S&P 500 index fund returned 16.3 percent for the rolling 12-month period - meeting its policy target. Domestic equity represents approximately 47 percent of the overall portfolio.

For the trailing three years, the fund earned 13 percent, surpassing its customized benchmark of 12.8 percent and handily surpassing the actuarial requirement of 8 percent.

For five years, the fund earned 9 percent, slightly under performing its benchmark of 9.3 percent, but surpassing the actuarial requirement of 8 percent.

Executive Director Evalynne Hunemuller Retires

Evalynne Hunemuller, Ed.D., retired from her post as executive director of the ERB effective Jan. 1, 2007.

Hunemuller headed a management team that oversaw the ERB's \$8.8 billion investment portfolio for its 61,135 public education employees, and 28,050 retirees. In the latest quarterly data, the ERB's pension plan is one of the country's highest-ranking public pension plans in the country in terms of returns on investment. *contd.. page 5*



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"Retirement is the perfect time for reflection.

And when I reflect, I realize how foolish many of my emotional states have been.

I'm more aware and more in control now

than in those earlier times when I thought I knew everything."

Retiree, aged 70

It's a Wonderful Life

At 79, former Ruidoso science teacher is a respected legislator with cattle and a handful of grandchildren to watch growing up



“Dub Williams could step right out of a Norman Rockwell painting,” says a colleague of his in the New Mexico Legislature. “I don’t think anyone would disagree with that.”

With his rosy cheeks, warm smile and genteel manners, he is, after 12 years as a legislator, a well-liked and respected figure in the Legislature. “He’s made such a contribution to education over the years,” says another colleague,

“that he’s respected on both sides of the aisle for his work.”

Education has always been part of Dub’s life, and he says he’s enjoyed every minute of his 29 years as an 8th grade science teacher in Ruidoso’s middle school. “I would go back if I had the energy to,” he says. In a sense, education has been part of his marriage too, with wife Kathryn a former home economics teacher for 32 years at Ruidoso High.

Now, at 79, his plate is just as full as representative of District 56 that covers parts of Otero and Lincoln counties. He says the hot issue there these days is eminent domain as population

growth vies with the rights of private landowners, ranchers and others, for land.

But education issues are top of his list now

as they have always been.

His legislative accomplishments are many, but he’s perhaps most proud of his involvement in helping get teachers better salaries through a three-tier salary scale, and improving and expanding distance learning to the state’s rural areas.

And if that weren’t enough, he actively supports basic adult education and won the Avon Wilson award for his efforts.

His secret to a happy retirement? “Well, I’ve got 100-head of cattle that keep me busy, five grandchildren to watch growing up and be involved with. And there’s my wife’s great cooking,” he confides.

“I would go back if I had the energy to”

The memories of those days are still vivid. A favorite one involves the time he and his students set off a rocket on a vacant lot one day and were congratulating themselves on a successful launch when they turned around to see their fuse had set the prairie grass on fire. Well, the cops came and there was some explaining to do, but as former students of his, the officers were inclined to accept his explanation for the fire. They went home scot-free and happy.

Another memory dear to him is an academic banquet he initiated at his school to honor high-achieving students. He felt athletes shouldn’t be the only ones getting formal recognition for doing well. He still emcees the academic banquet every year.

Transitions

Thanks & Good Bye

Our warm thanks to Douglas Minge Brown, New Mexico state treasurer and ERB board member, for his counsel and service during the last year. Following the November 2006 election, James B. Lewis has been elected incoming state treasurer. Welcome, James.

ERB Retirements:

ERB bids farewell to three retirement counselors who are retiring: Alice Vargas, 21 years; Louisa Padilla, 16 years; Harold Sexton, 16 years. Thank you, and the best of luck in your new endeavors.

Annual statements & 1099-Rs Going Out

For active members: 2006 annual statements are scheduled to be delivered to employers sometime in February.

For retirees: 1099-R’s will be mailed on Jan. 31. If not received by Feb. 15, call ERB for a replacement at 888-1560.

What Makes Retirees Happy?

Researchers find: Retirement gets more enjoyable as you get older

Two Boston College researchers, Keith A. Bender and Natalia A. Jivan of the Center for Retirement Research, asked the question, “What Makes Retirees Happy?” In an issue brief, they reviewed the responses to a 2000 health and retirement study and came up with some interesting results. Three key factors in the happiness of retirees emerged.

The first factor in the happiness of retirees is age. As retirees age they tend to rate themselves as happier. Retirees over the age of 62 were significantly happier than those under age 62. This finding is in line



with the typical measures of happiness indicating that younger and older people are happier than people in mid-life. So the positive message here is that it may take a while to “settle in” to retirement and that it does get better over time.

Economic variables affect retirement happiness too. Retirees with a defined benefit retirement plan, like we have with the New Mexico Education Retirement Board, are happier than those without such a benefit. It makes sense that economic security supports happiness. It seems that having enough money is positive, but that having an excess of money does not make retirees more happy. Retirees who also had money they had saved themselves from a defined contribution plan, such as a 403(b) or 457 plan, in addition to the defined benefit were even more comfortable and happier. If you would like to be happier when you retire, you should contact your employer about pre-tax saving for your retirement.

The final factor that affects retirement happiness and well-being is whether the retiree had choice in the decision to retire. Retirees who planned and chose how to retire were more likely to rate their happiness and well-being in the highest categories. Forced unemployment is usually a stressor even if one can retire. Layoffs and poor health were the typical reasons for unplanned retirement.

Other factors that influence retiree

happiness and sense of well being were marriage, having health insurance and overall health. Married individuals reported that they were happier in retirement than single retirees. Having health insurance in addition to Medicare was also a positive factor in happiness, with those not having access to health benefits being much less happy. And, not surprisingly, those in poor health reported much lower levels of well-being.

Economic security and health affect retirees' sense of well-being greatly

What can we learn from this research? In order to be happier in retirement, stick with your job and retire with NMERB’s defined benefit retirement plan. Save money each payday so you will also have your own money saved for retirement wants and needs. Make plans for your retirement so that you do not get caught in avoidable causes of retirement. Be thankful that you can opt to have health insurance benefits as part of your educational retirement.

Look for more information about what can help make you happy in retirement in future newsletters.

Direct Deposit for All Pension Checks Required as of Jan 1 2007

To ensure the safe and timely receipt of retiree checks, ERB will implement a new direct deposit policy for all ERB members. This policy, effective Jan. 1, 2007, requires that all pension checks be distributed through direct deposit to members’ bank or savings and loan accounts.

The policy intends to eliminate

misdirected pension checks or other mishaps. Members may be aware that the U.S. Postal Service inadvertently printed incorrect bar codes on some pension check envelopes in June of 2006, resulting in delayed deliveries to 300 anxious retirees. ERB determined that direct deposit of retiree pension checks is the best way to protect against similar delays, mail theft, or the need to go to a bank to deposit the check.

Letters were mailed in late July to inform retirees who receive mailed pension checks of the new direct deposit policy.

Direct deposit dates for 2007

Direct deposit dates are always the last working day of the month. For 2007: Jan. 31, Feb. 28, March 30, April 30, May 31, June 29, July 31, Aug. 31, Sept. 28, Oct. 31, Nov. 30 and Dec. 31.

Life Changes May Impact Pension Benefit

If you've experienced a life change such as marriage, divorce, or the death of a beneficiary such as a spouse or parent, ERB needs to know. The death of a *beneficiary for example, may impact the level of pension benefit received. A divorce or marriage may result in the need to change the named beneficiary. In order to make sure your wishes are followed, ERB needs information about these changes.



Here are the life changes ERA needs to know and why:

- If you are retired and your beneficiary dies, your pension income could be affected. For example, you chose the B or C option and your beneficiary dies. Your benefit would increase to the Normal amount. We can't increase the benefit if we don't know about the death.
- If you move, send us a written request to change your address so we can send your newsletter and other correspondence.
- If you change employers let us know so we can send your annual statement to the new employer. Otherwise, we send it to your employer as of June 30.
- If you change beneficiaries, e.g. your beneficiary dies, you get divorced, married, or you just want to change beneficiaries, call us and we will send you a new beneficiary form. Without this information ERA must follow your last written wishes. For example, you may have chosen your parent as

your beneficiary and that parent dies. If you also died and hadn't chosen a new beneficiary, ERA would have to follow the state laws concerning beneficiaries.

*What is a beneficiary? Before you retire you choose a beneficiary who would receive your contributions to your retirement if you were to die before you retired. At retirement you choose how you would like to receive your benefits. You must choose a beneficiary and we will follow your choice upon your death.



www.nmerb.org: New ERB Web Site is Launched

Visit the newly-redesigned ERB web site at www.nmerb.org, featuring quick access to information and member services. Check your projected pension payments, the dates of direct deposits for the coming year, or register for ERB seminars with just one click.

Clearly-structured navigation; a speedy new site search function; and a handy font enlargement tool for easier reading are a few of our web site improvements.

Updates on fund asset distribution and fund targets are all now just a click away. Looking for a specific answer to

a question? Check out the new quick link tabs with drop-down menus that link to all the topics covered in the ERB Handbook. A new Resources/Tools section features the ERB Benefits Calculator, a Social Security Calculator, downloadable forms, and useful web sites. The Retiree's Corner offers readers book reviews and lifestyle features.

Don't forget to sign up for the new ERB e-zine, an online publication, featuring news you can use.



Q & A: What about buying time?

Q: *I am getting close to retirement and would like to buy some time so I can retire sooner. How do I do this?*

A: When an ERB employee is working more than .25 of Full Time Equivalent (FTE) they earn time toward retirement. Other than working for an ERB employer there are two other options for buying time. Those options include buying active military service or buying allowed service in educational institutions not covered by ERB.

Military service (active military service) must be purchased within the first three years of employment and the cost is 10.5% of the average earnings while an ERB employee. If a member goes on active duty while an employee and then returns, that time in the active military is counted as earned time with NMERB without contributions from either the member or employer.

Allowed service is time worked in licensed K-college institutions in other states, licensed private school service in New Mexico, BIA school service in New Mexico, or Dept. of Defense schools.

Allowed service can be purchased by an active employee at any time and the cost is an actuarial

figure. Practically speaking, actuarial means that the purchase price of the allowed time will benefit about half the people who purchase the time - those who benefit live beyond the normal expected life span of age 78. This actuarial cost means that the purchase price is fair to both members who earn their time and those who buy the allowed time. The purchase of allowed time can be very expensive.

One important point about allowed time is that it does not help a member to retire sooner under the Rule of 75. Only earned time is counted with age to equal the number 75. The allowed time does provide for a larger benefit once the Rule of 75 has been satisfied.

Under the 25 and out provision if the allowed time plus earned time equals 25 then the allowed time does allow a member to retire sooner.

A third option is available to those members who terminated their employment and refunded their NMERB retirement contributions. The cost to purchase those refunded contributions, and the time that they represent, is the original refund amount plus 8 percent interest compounded quarterly over the years since the withdrawal. Once purchased, the time is again earned time and can help a member to qualify to retire.



Hunemuller continued from page 1

Following her retirement announcement in December, the ERB Board of Trustees issued a resolution commending her for, "excellent service to the retirement community and the state of New Mexico."

ERB Board Vice Chairperson Mary Lou Cameron said that, "Evalynne took over leadership as executive director and has led us through a period of challenges. She has given us a new direction as far as communicating with legislators, constituents and other interested parties. She has helped

establish sound funding practices and investor confidence in the future of the Educational Retirement Board."

Veronica Garcia, New Mexico secretary of education and ERB board member, responded that, "Dr. Hunemuller will be missed and she should be commended for her leadership and stewardship on behalf of New Mexico's educational retirees."

Hunemuller is credited, among other accomplishments, with helping maintain the soundness of the Educational

Retirement Board pension fund by seeking the support of the Legislature and the governor to ensure necessary appropriations for the fund's long term stability. She fostered the increase in the outreach program, bringing retirement information to members throughout the state. In addition, she initiated IRIS, a new computerized information system, that will provide members with easy access to retirement information.

Her future plans are to, "simply enjoy myself. I'm looking forward to so many things."

Vacant
Executive Director

Jeff Riggs
Deputy Director

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Retirement Seminars for 2007

ERB presents two seminars that help guide members to informed choices concerning their educational retirement options.

Retirement 201 - Getting Your Ducks in a Row	Retirement 101 - Introduction to Educational Retirement
Saturday seminars, 8:30 a.m.-12:30 p.m.	Weeknight seminars, 4:30 p.m.- 7 p.m.
<i>Financial and Estate Planning, Aging Well, ERB Benefits, Retiree Health Care Benefits, and Social Security</i>	<i>Same coverage of ERB benefits and NM Retiree Health Care as the longer version.</i>

Albuquerque Area	March 7 - 101	April 14 - 201			
	Albuquerque	Rio Rancho			
Northeast NM	Feb. 21 - 101	March 1 - 101			
	Raton	Tucumcari			
Northwest NM	Feb. 3- 201	Feb. 22 - 101	March 10- 201	March 14 - 101	March 17- 201
	Farmington	Taos	Gallup	Grants	Los Alamos
Southeast NM	Jan. 18 - 101	Jan. 20- 201	March 3- 201	April 19 - 101	April 21- 201
	Hobbs	Carlsbad	Clovis	Portales	Roswell
Southwest NM	April 26 - 101	April 28- 201			
	Deming	Las Cruces			

To register, visit the ERB web site (www.nmerb.org/seminars.php) and fill out the registration form to get information on the location. We'll notify you of any seminar schedule changes.



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