



MEMORANDUM

TO: UNM Community
FROM: The Division of Human Resources
DATE: **Monday, April 1, 2013**
SUBJECT: Senate Bill 115 Signed by Governor Martinez

Governor Martinez signed Senate Bill 115 on Friday, March 29, 2013. The bill is a sweeping reform measure designed to improve the solvency outlook of the state's educational retirement plan, taking a balanced approach to long-term sustainability. The changes should result in 100.7% funding in 2043. Educational Retirement Board (ERB) Stakeholders, who had been meeting with the ERB since last summer to draft a solvency proposal, supported the bill provisions. Changes will be effective July 1, 2013. Key provisions in the bill signed by the Governor include:

- Minimum retirement age of 55 for new hires.
 - If a member is eligible for retirement but is younger than age 55, the member can retire, but their benefit is actuarially reduced, since they are retiring before the minimum retirement age (similar to reduced Social Security benefits when a person draws Social Security prior to the minimum benefit age).
- Increase in Employee contributions:
 - The 1.5% swap will continue to go toward ERB solvency, which will keep employee contributions at 9.4% through the remainder of FY2013.
 - In FY2014, employee contributions will increase from 9.4% to 10.1%
 - In FY2015, employee contributions will increase from 10.1% to 10.7%
 - For a member whose annual salary is \$20,000 or less, the member contribution rate will be 7.9%, which is the current contribution rate.
 - Contribution increases apply to participants in the Alternative Retirement Plan (ARP) defined contribution plan, as well as participants in the ERB defined benefit plan.
 - In accordance with IRS 401(a)17, at the point in any given year when an employee's compensation reaches the IRS defined limit, which is \$255,000 in 2013, no additional contributions will be taken.
- Cost of Living Adjustment (COLA) for new hires at age 67, rather than the current age of 65.
- Reduction in the COLA for all retirees until the fund is 100% funded.
- The COLA reduction is based on the median retirement annuity of \$18,000 for all retirees, excluding disability retirement benefits.
 - Retirees at or below the median and with 25 or more years of service will have a 10% COLA reduction. Their average COLA will be 1.8%.
 - All other retirees will have a 20% COLA reduction. Their average COLA will be 1.6%.
 - These reductions will remain in place until the ERB fund is 90% funded. At that point, COLA reductions decrease.
 - When the fund is 90% funded, retirees at or below the median and with 25 or more years of service will have a 5% COLA reduction. Their average COLA will be 1.9%.
 - All other retirees will have a 10% reduction. Their average COLA will be 1.8%.
- When the Fund is 100% funded, the COLA reductions will cease and the average COLA will be 2%, the same as the current COLA.

If you have questions regarding Senate Bill 115, please contact The Division of Human Resources at 505.277.MyHR(6947).