

Comparison of ARP Defined Contribution Plan and ERB Pension

The State of New Mexico offers two types of retirement plans, the Alternative Retirement Plan (ARP) and the New Mexico Educational Retirement Act plan, commonly called “ERB”. By state statute, participation in one or the other plan is a condition of employment. Below is a summary of the major differences between the two plans:

	ARP	ERB
Type of Plan	ARP is a Defined Contribution plan, which means that benefits are based on the performance of the investments that you select from within the plan. The current ARP vendors are TIAA and Fidelity.	ERB is a Defined Benefit plan, commonly known as a pension plan. Benefits are based on a formula of average annual salary (also known as final average salary (FAS), service credit, and a 2.35% pension factor.
Eligibility	Only employees in specified ARP-eligible positions may participate by selecting ARP within the first 90 days of employment. If you elect ARP and later accept a non-ARP eligible position, you will no longer be able to participate in ARP.	You are automatically enrolled in ERB unless you are eligible and elect to participate in ARP within the first 90 days of employment.
One-Time ARP to ERB Election Window (“The 7-Year Window”)	<p>You have a 120-day opportunity window to switch from ARP to ERB after you have made contributions to ARP for seven years. Your eligibility begins on the first day of the month after the date on which you have made seven years of contributions to ARP.</p> <p>The seven-year window is the only opportunity you will have to change from participation in ARP to ERB. If you make the change, you CANNOT switch back to ARP.</p> <p>If you opt to move to ERB, the money in your ARP account will remain in ARP. You must contribute to ERB for five years to be vested and eligible for ERB retirement benefits.</p> <p>You cannot purchase service credit for the time in which you were enrolled in ARP; however, the seven years of participation in the ARP will count toward <i>eligibility requirements</i> to retire with ERB benefits.</p>	

	ARP	ERB
Portability of Benefits	<p>If you separate from employment with a New Mexico university or community college, you may roll over the balance of your ARP account contributions (adjusted for investment gains and losses) to another qualified retirement plan or you can withdraw the balance. If the distribution is not transferred directly from your ARP account into another qualified retirement plan, it may be subject to federal and state income tax and a 10% penalty for early withdrawal (see exceptions below). Contact your ARP representative with TIAA or Fidelity for more information on rollovers, distributions, and IRS regulations. ERB cannot provide individual advice on the tax consequences of distributions.</p>	<p>If you have 5 or more years of service, you will be vested in the ERB defined benefit plan (pension). For full retirement eligibility requirements, see www.nmerb.org.</p> <p>You cannot roll over other retirement plan benefits into ERB. The only exception is the State of New Mexico's Public Employees Retirement Act pension (PERA), which can be combined with ERB service.</p> <p>You can refund or rollover YOUR contributions plus a pre-determined amount of interest if you terminate employment with an ERB employer. You CANNOT withdraw or rollover the employer's contributions.</p>
Access to Investments	<p>New Mexico Educational Retirement Board (ERB) selects and monitors mutual fund and annuity investments offered in your ARP account. The investment offering is subject to change based on performance and other factors. You may choose to work with your account representative on campus to select from among the various investment options.</p>	<p>ERB invests contributions to provide benefits for all ERB members.</p>
Long-term Relative Benefits	<p>If you qualify to retire with ARP, your benefit will be your account balance, including employer and employee contributions, plus or minus the investment earnings or losses, based upon the performance of the investments in your ARP account.</p> <p>Please note: 3% of the employer's contribution is directed to ERB to support the unfunded liability of that plan and will not be included in your ARP account balance.</p> <p>Upon retirement, ARP participants have the option of electing a distribution and may determine options and the manner of payment from the list of those available from the vendor.</p>	<p>If you qualify to retire with ERB, your annual lifetime benefit will be:</p> <p><i>Average Annual Salary x service credit x .0235 = annual benefit</i></p> <p>Your average annual salary, also known as "final average salary (FAS)" is the <i>higher</i> of your</p> <ol style="list-style-type: none"> 1) average fiscal annual earnings for the last 20 calendar service quarters prior to retirement, or 2) highest average fiscal year earnings for <i>any 20 consecutive calendar quarters</i> <p>For more information, see:</p> <p>https://hr.unm.edu/retirement/erb-defined-benefit-plan, or http://nmerb.org/handbook.html</p>