

Overview

The Public Employee Retirement Association of New Mexico (PERA) was established by the New Mexico Legislature in 1947. Today, over 330 state and local government agencies and 363 volunteer firefighter departments provide pension benefits to 53,819 active employees, and 31,108 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- General employees contribute 10.67% of salary to PERA.
- Employers contribute 13.34% to the fund for general employees.
- Each dollar invested by New Mexico taxpayers in PERA supported \$4.48 in total economic activity in the state.



▶ Key PERA Data¹

The chart below summarizes the key PERA data, as of June 30, 2012:

Total active employees	53,819
Total retired members and beneficiaries	31,108
Average annual retirement pension benefit	\$27,467
2012 employer contribution rate for general employees	13.34%
2012 general employee contribution rates	10.67%
Actuarial value of assets	\$11.6 billion
Funded ratio	65.3%
Unfunded actuarial accrued liability	\$6.2 billion

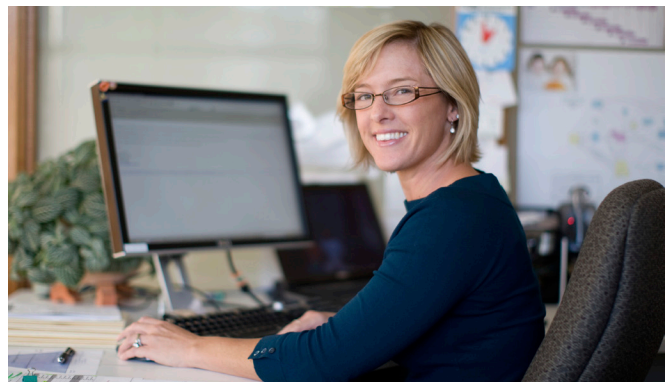
▶ The Economic Impact of New Mexico Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to New Mexico communities and the state economy. Within the state of New Mexico, 2012 expenditures stemming from state and local pensions supported:

- 19,215 jobs that paid \$762.5 million in wages and salaries
- \$2.6 billion in total economic output
- \$424.1 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.47 in total economic activity in New Mexico.

Each dollar “invested” by New Mexico taxpayers in these plans supported \$4.48 in total economic activity in the state.



¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Public Employee Retirement Association of New Mexico (PERA)**. PERA provides pension benefits to employees at over 330 state and local government agencies. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$4.48 The total economic activity generated in New Mexico created by each dollar invested by New Mexico taxpayers in PERA.

\$2.6 billion Total economic output in New Mexico created in 2012 by public sector retirees spending their pension income.

\$424.1 million Federal, state and local tax revenues generated by spending of New Mexico public pension income.

19,215 Jobs created from pension income spending by New Mexico state and local government retirees.

53,819 Total active members of the Public Employee Retirement Association of New Mexico.

\$27,467 Average annual pension benefit for a PERA retiree.

10.67% Percentage of salary that a PERA general employee contributes from every paycheck to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

50-75 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a PERA employee with 25 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

4.7 million Older households across the country avoiding "poor" or "near poor" classification due to their pension income

\$1.22 million Older households across the country avoiding mean-tested public assistance due to their pension income.

All data comes from either PERA or the National Institute on Retirement Security.

Overview

The Educational Retirement Board of New Mexico (ERB) provides retirement benefits for all teachers, nurses, and administrators employed by public schools in New Mexico, including public colleges and universities. The system provides defined benefit (DB) pension benefits for its 60,855 active public school employees and 37,336 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit(DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contributed 11.15% of salary to ERB in 2012.
- Employers contributed 9.15% of salary to the fund in 2012.
- Each dollar invested by New Mexico taxpayers in ERB supported \$4.48 in total economic activity in the state.



▶ Key ERB Data¹

The chart below summarizes the key ERB data, as of June 30, 2012:

Total active employees	60,855
Total retired members and beneficiaries	37,336
Average annual service retirement benefit	\$21,365
2012 employer contribution rate	9.15%
2012 employee contribution rate	11.15%
Total fund assets	\$9.6 billion
Funded ratio	60.7%
Unfunded actuarial accrued liability	\$6.2 billion

▶ The Economic Impact of New Mexico Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to New Mexico communities and the state economy. Within the state of New Mexico, 2012 expenditures stemming from state and local pensions supported:

- 19,214 jobs that paid \$762.5 million in wages and salaries
- \$2.6 billion in total economic output
- \$424.1 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.47 in total economic activity in New Mexico.

Each dollar “invested” by New Mexico taxpayers in these plans supported \$4.48 in total economic activity in the state.



¹ All data, unless otherwise noted, as of fiscal year ended December 31, 2011.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Educational Retirement Board of New Mexico (ERB)**. ERB provides retirement benefits for teachers, nurses, and administrators employed by New Mexico public schools, including public colleges and universities. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$4.48 The total economic activity in New Mexico for each dollar invested by New Mexico taxpayers in ERB.

\$2.6 billion Total economic output in New Mexico created in 2012 by public sector retirees spending their pension income.

\$424.1 million Federal, state and local tax revenue generated by spending of New Mexico public pension income.

19,215 Jobs created from pension income spending by New Mexico state and local government retirees.

60,855 Total active members of the Educational Retirement Board of New Mexico.

\$21,365 Average annual ERB service retirement benefit.

11.15% Percentage of salary that ERB employees currently contribute from every paycheck to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

70.5% Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

159 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$1.6 million Teacher turnover cost savings generated by the retention affect of the defined benefit (DB) pension.

All data comes from either ERB or the National Institute on Retirement Security.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 11.15% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$21,365 per year, or \$1,780 per month.
- ERB covers 60,855 active school employees and 37,336 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The ERB pension replaces 70.5% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

The Educational Retirement Board of New Mexico (ERB) provides retirement benefits for all teachers, nurses, and administrators employed by public schools in New Mexico, including public colleges and universities.

ERB covers 60,855 active employees of public educational institutions, and 37,336 retired school employees and beneficiaries. In 2012 employees contributed 11.15 out of each of their paycheck to the

pension fund. The average service retirement benefit is \$21,365 per year, or \$1,780 per month.

The ERB pension replaces 70.5% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 83% of Americans indicated that those with pensions are more likely to have a secure retirement, and 81% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in New Mexico⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In New Mexico:

- The cost of turnover in New Mexico is \$9,764 per teacher.
- 159 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$1.6 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1,2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Perlman, B., K. Kenneally, and I. Boivie. 2011. *Pensions and Retirement Security 2011: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.