

01-22-13

Tuesday, January 22, 2013

Retirement Solvency

Another issue that needs to be resolved during this sixty-day legislative session is approval of the unanimous Education Retirement Plan agreed upon by all public employee stakeholder groups (NEA, AFSCME, AFT, CWA, retiree groups, colleges, universities, administrators, and school boards were represented), passed by the Educational Retirement Board (ERB), and unanimously approved by the interim legislative group, the Investment and Pension Oversight Committee (IPOC).

Legislators urged all of us to sit down together and present them with a plan all of us could agree to support and that is where we are now. Not only did IPOC give its unanimous approval to turn this proposal into legislation, they took it one step further— something that we highly support- they added keeping those public school employees making \$20,000 or less at a 7.9% employee contribution. The stakeholder plan follows the input that NEA-NM members gave: NO change to benefits for current retirees; it does NOT change benefits or requirements for current employees; it does raise the employee contribution to 10.7% for current and future employees (NOT the 11.3% proposed to the Legislature last year and another good reason for a salary increase); it also commits the legislature to living up the promises it made 5 years ago to increase its contribution rate by an additional .75% per year for three more years! It also creates a minimum retirement age of 55 and COLA eligibility at 67 for NEW employees hired after 6/30/12. There are some who are throwing red herrings out to make it sound as if this benefit is being “given” to you. We stand firmly that our retirement is salary we have already earned, which by mutual agreement, has been deferred to create a retirement account.

A joint session of the full House and Senate will be held on Wednesday beginning at 10:00 AM. While the session is intended to hear about pension changes in general, it will be an opportunity to talk about the stakeholder/ERB proposal. Each public employee union has been asked to give a five minute presentation on their views. It will be our opportunity to promote the solvency solution before the first committee hearing the next day.

Legislation that embodies these recommendations has been introduced and will be heard for the first time in the House Labor Committee next week. Representative Mimi Stewart is carrying the House version, House Bill 64, Educational Retirement Changes, will be heard in the House Labor Committee on Thursday at 1:30 p.m. in Room 305 of the Capitol. Let Committee Members know that we support this important legislation to keep our retirement system solvent.

Legislative Training

NEA-New Mexico's annual legislative training session will be tomorrow January 23:

- Legislative Conference & Reception: January 23, 2013, Santa Fe

Education Committees Come to Life

Both the House and Senate Education Committees are scheduled to meet on Wednesday and Friday mornings at 8:00 in joint session. On Wednesday, the committees will begin hearing on the public school budget, House Bill 3. Comparisons of the recommendations of the Legislative Finance Committee and the Governor are described below.

On Friday the committees will hear the proposals of the Education Partners.

Funding Recommendations:

The Legislative Finance Committee recommends \$32 million for a 1 percent increase for all public employees. Public employee salaries have not been increased across the board since FY09. The committee recommends \$38.4 million to reverse the 1.5 percent retirement swap (decrease in employer contributions to Public Employees Retirement Association and Educational Retirement Board, increase in employee contributions) adopted as a solvency measure in 2011. Finally the LFC recommends \$16 million for public schools and higher education to fund a scheduled 0.75 percent employer contribution increase that had been postponed during the solvency era. The ERB employer increase is contingent on enactment of 2013 legislation to further restore ERB solvency.

For public schools, the LFC is focused on the need to improve early learning proficiency and to close the achievement gap. The committee recommends \$2.5 billion in overall education funding, an increase of almost \$91 million, or 3.7 percent, over FY13 appropriations (not counting \$18 million for a recommended 1 percent compensation increase). Many states have added weights for at-risk students as high as 50 percent, but the New Mexico at-risk weight is only 8 percent. The LFC recommends \$23 million as a companion to legislation to increase the weight for at-risk students and to begin aligning the training and experience index with the three-tiered licensure system. Further, the LFC addresses the significant problem of early literacy with increased funding for Kindergarten-Three-Plus and prekindergarten of \$5.5 million each. These programs target at-risk students and demonstrate a high return on investment.

The Governor's budget for public schools does not recommend an across the board salary increase, but rather targets \$11 million

for a merit pay increase for some teachers and nothing for any other employees. The public education department requests \$2.5 billion in funding, which represents an increase of \$99.3 million, or 4.1 percent, increase over the FY 13 appropriation. The request contains:

- approximately \$2.34 billion to the State Equalization Guarantee, an increase of \$67.7 million, or 3.0 percent including: over \$21.0 million for the Educational Retirement Board (ERB) Employer/Employee swap; and over \$11.5 million for an increase in the Employer's ERB contribution (0.75 percent)
 - approximately \$132.5 million in categorical public school support, an increase of \$3.2 million, or about 2.5 percent.
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