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Tuesday, January 24 2012

Call Senators About Retirement Legislation Today!

The Educational Retirement Board (ERB) developed funding goals of 80% by 2030 and 95% by 2040 for our educator retirement plan. NEA-New Mexico believes that these goals are unrealistic and require changes to school employee retirement plans that are too severe. NEA-New Mexico urged the board not to adopt these extreme funding goals. However, the only member of the Board to vote against the goals was Mary Lou Cameron, NEA-NM's member of the Board (and the only active public school employee on the ERB).

These funding goals forced the plan changes recommended by the ERB. Their proposals make changes to the retirement qualifications of vested members by creating a mandatory minimum retirement age of age 55 for all members not within 10 years of meeting a current retirement qualification. Further, the plan reduces all future COLAs by 12.5%, including those of current retirees.

We have made our views clear. No changes that reduce promised benefits for vested active members are acceptable. No changes that reduce the Cost of Living Adjustment or other benefits of current retirees are acceptable. No changes that adversely alter the retirement eligibility rules for currently vested active employees are acceptable.

The unrealistic funding goals were adopted at least partly because the Governmental Accounting Standards Board (GASB) has proposed new reporting and accounting standards for public pension plans. GASB is a non-governmental organization that sets accounting standards for state and local government entities, including cities, counties, school districts, and the trust funds that they establish. GASB does not have the legal authority to compel compliance, but the accounting profession and investors view the standards as part of the baseline for proper accounting. GASB’s statements become part of generally accepted accounting principles. Part of the rationale used by the ERB was that the new standards will affect the bond ratings of the state, school districts, or both. NEA has queried the bond and credit rating agencies on the validity of this argument and has found that there is no reason a pension plan has to make changes in anticipation of the new accounting standards’ treatment of unfunded liabilities. In essence, the ratings agencies are saying that it’s always been part of their job to look at and factor into their analyses pension plans’ unfunded liabilities. As a result, the future inclusion of unfunded liabilities on an employer’s balance sheet should not spur changes to pension plans in order to protect credit ratings.

We believe that our earned retirement benefits are a protected contract and a vested property right under the New Mexico Constitution. We firmly believe that Article 2, Section 19 and Article 20, Section 22 of the New Mexico Constitution make any diminution of benefits to currently vested members of ERA under current economic conditions unconstitutional.

Senate Bill 150, introduced by Senator Stuart Ingle, enacts the changes proposed by the ERB. Let Senators, especially members of the Senate Finance Committee that you oppose this approach. Use the message below:

1. If you are vested, you already earned your benefit under the conditions in existence when you vested.
2. No one contributed a gift on your behalf. You paid for your retirement plan as deferred compensation that already belongs to you.
3. The ERB’s funding goals are unrealistic and unnecessary, even in the face on new GASB rules
4. Changes to the benefits of currently vested or retired members are an impairment of constitutional contract and property rights.

If the facts don’t work with policy makers, try these three quotes that politicians should understand, especially in an election year:

1. A politician is known by the promises he keeps.
2. There is no greater fraud than a promise not kept. ~ Gaelic Proverb
3. Losers make promises they often break. Winners make commitments they always keep. ~Denis Waitley