

A JOINT MEMORIAL

REQUESTING THE EDUCATIONAL RETIREMENT BOARD TO STUDY THE IMPLICATIONS OF CHANGING THE EDUCATIONAL RETIREMENT SYSTEM FROM A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN FOR NEW EDUCATION EMPLOYEES.

WHEREAS, New Mexico's current educational retirement system established by the Educational Retirement Act is a "defined benefit plan"; and

WHEREAS, in a defined benefit plan, a retired employee receives a fixed periodic amount of money based on employer and employee contributions to the plan, the employee's salary history and the employee's years of service, and the employer bears the investment risk of meeting the fixed retirement benefit; and

WHEREAS, the educational retirement system is experiencing solvency problems, including a funding ratio expressed as a percentage of actuarial value of assets to actuarial accrued liabilities of seventy-six percent, and an unfunded actuarial liability of two billion three hundred million dollars (\$2,300,000,000); and

WHEREAS, another plan for a retirement system is a "defined contribution plan", in which an employer guarantees to make a predetermined fixed contribution into an account established by the employer for the employee and into which an

employee may elect to defer some part of the employee's compensation, and in which plan the employee bears the investment risk of meeting the employee's retirement income goals; and

WHEREAS, the defined benefit plan and the defined contribution plan each have advantages and disadvantages for the employer and employee, and those advantages and disadvantages should be compared to determine if a defined contribution plan for new education employees would result in a more financially sound retirement system that provides the same or better retirement benefits as those now received by retired educational retirement system members;

NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO that the educational retirement board be requested to study the implications of moving to a defined contribution plan for new education employees and submit its findings to the legislative finance committee by September 30, 2005; and

BE IT FURTHER RESOLVED that copies of this memorial be transmitted to the educational retirement board and the legislative finance committee.