

3-13-2012

## Staff Council Compensation Committee Meeting, 3/13/2012

UNM Staff Council

Follow this and additional works at: [https://digitalrepository.unm.edu/staff\\_council](https://digitalrepository.unm.edu/staff_council)

---

### Recommended Citation

UNM Staff Council. "Staff Council Compensation Committee Meeting, 3/13/2012." (2012). [https://digitalrepository.unm.edu/staff\\_council/73](https://digitalrepository.unm.edu/staff_council/73)

This Minutes is brought to you for free and open access by the Archives & University Administrative Records at UNM Digital Repository. It has been accepted for inclusion in UNM Staff Council by an authorized administrator of UNM Digital Repository. For more information, please contact [disc@unm.edu](mailto:disc@unm.edu).

## Staff Council Standing Committee Minutes



**Committee Name:** Compensation Committee

**Regular Meeting time:** 1<sup>st</sup> Thursday of each month, noon to 1:00 p.m.

**Meeting Date and Place:** Tuesday, March 13, 2012; Faculty Staff Club Meeting Room

**Members Present:** Danelle Callan, Fred Rose, Steffany Sandoval, Suzanne McConaghy, Tom Rolland, Amie Ortiz

**Members Excused:**

**Members Absent:** Carol Bernhard, Theresa Everling, Ann Rickard

**Guests Present:**

**Minutes submitted by:** Suzanne McConaghy

	Subject	Notes	Follow-Up
1	<b>Meeting called: 1:00</b>	Interim meeting called after FSBC meeting	FSBC wants feedback about where to "give" wrt ERB.
2	<b>ERB/PERA discussions</b>	Tom's original research condensed by Suz	Danelle will further refine and send around for editing.
3	<b>Town Hall?</b>		hold
4	<b>Final outcome-we do not want to "give" any more.</b>	Plant the seed by passing out the ERB/PERA comparison @ SC meeting during Compensation Committee report.	Allow to incubate; follow up next month. See Final Document p.2
6	<b>Next Meeting</b>	April 5 <sup>th</sup>	Meeting Adjourned at 1:05 p.m.

### Compensation Committee Roster, 2012

Name	Rep	Department	Phone	email
Carol Bernhard*	P	Inst. Research	7-5115	<a href="mailto:caroljb@unm.edu">caroljb@unm.edu</a>
Danelle Callan	no	Fam + Comm. Med	2-3448	<a href="mailto:dcallan@salud.unm.edu">dcallan@salud.unm.edu</a>
Theresa Everling	P	Ob/Gyn	2-4155	<a href="mailto:teverling@salud.unm.edu">teverling@salud.unm.edu</a>
Suzanne McConaghy*	P	Peds Lab	2-4988	<a href="mailto:smcconaghy@salud.unm.edu">smcconaghy@salud.unm.edu</a>
Amie Ortiz		Purchasing	7-5225	<a href="mailto:aortiz@unm.edu">aortiz@unm.edu</a>
Ann Rickard	G	PATS	7-0850	<a href="mailto:arickard@unm.edu">arickard@unm.edu</a>
Tom Rolland	P	Safety & Risk	269-7342	<a href="mailto:trolland@unm.edu">trolland@unm.edu</a>
Fred K. Rose	G	UNM Bookstore	7-7470	<a href="mailto:frose@unm.edu">frose@unm.edu</a>
Steffany Sandoval	no		7-0969	<a href="mailto:steffany@unm.edu">steffany@unm.edu</a>
*also on FSBenefitsC				

**Comparison of ERB and PERA (Educational Retirement System and Public Employee Retirement System)**

The following information is based on information taken from the 2007 House Memorial 92 study:

	ERB Retirement (Educational Emp.)	PERA (Other State Employees)
Employee Contribution	11.5% of salary	10.67% of salary
Employer Contribution	10.9% of salary	15.09% of salary
Multiplier	2.35%	3%
Final Salary; both @ 43,444	Highest Consecutive <b>5 Years</b>	Highest Consecutive <b>3 Years</b>
COLA (Cost of Living Adjustments)	At <b>age 65</b> , ½ of CPI (bet. 0-4%)	<b>3% after 2 yrs</b> of retirement ( <i>any age</i> )

**How Average Salary + multiplier + COLAs affect benefits: Both employees retire after 25 years, same final salary:**

Example: Both employees have a final salary of \$43,444, with 3% per year raises for 5 years. The ERB 5 year average is \$41,000, the PERA 3 year average is \$42,180, so PERA has a higher salary base used with the higher multiplier to calculate the pension.

	ERB Retirement @ age 58	PERA Retirement @ age 58
Final Average Salary:	\$41,000 (5 year average)	\$42,180 (3 year average)
Multiplier:	.0235	.03
Years of Service:	25	25
Benefits paid per year:	\$24,088 a year in retirement @ age 59	\$31,634 a year in retirement @ age 59
	\$24,088 @ 65 COLA begins for ERB!	\$36,672 @ age 65
(In yellow, ERB COLA @ 1.5%)	\$25,950 @ age 70 3% = \$27,925	\$42,513 @ age 70
(In grey, ERB COLA @ 3%)	\$27,955 @ age 75 3% = \$32,373	\$49,285 @ age 75
	\$30,115 @ age 80 3% = \$37,529	\$57,135 @ age 80

**Employee/Employer Contributions**

- These two retirement systems were about equal in funding and membership until 14 years ago when the state legislature doubled the employer contribution for PERA employees, from 8% to 16.59% of employees' salaries.
- In 2005, the state legislature was to increase the ERB employer contribution to approach this 16%. The ERB employer contributions were scheduled to rise gradually from 2006 to 2012, to a final employer share of 13.9% in FY 2012.
- Due to the downturn in financial markets, the ERB employer contributions were actually diminished in FY 2010 to 10.9% and the ERB employees paid an extra 1.5% of their salaries to make up the difference.

	ERB Contributions		PERA Contributions	
	Employee	Employer	Employee	Employer
FY 2006	7.675%	9.4%	7.42%	16.59%
FY 2007	7.75%	10.15%	7.42%	16.59%
FY 2008	7.825%	10.9%	7.42%	16.59%
FY 2009	7.9%	11.65%	7.42%	16.59%
FY 2010	9.4%	10.9%	8.95%	15.09%

**Under the present circumstances:**

- ERB employees pay more towards a retirement that is worth significantly less in benefits payout than a comparable PERA employee
- ERB employees pay a higher percent of their salaries towards their pensions than do PERA employees.
- The compounding effect of the average salary, multiplier and COLAs result in a huge difference in payout as the years go by.

**Possible Solutions???...Combine the 2 retirement systems as suggested by House Memorial 92 in 2007, or:**

1. Lower the PERA multiplier from 0.030 to the 0.0235 multiplier that is used for ERB members.
2. Lower the PERA COLA to match ERB rates, and
3. Change the PERA COLA to start at age 65, the same as the ERB system.
4. Lower the 16.09% PERA employer contribution to 13.9%.

The savings in PERA benefits to the state could be used to raise ERB employer contribution closer to the 13.9% to which the state committed in 2005.

**These solutions could be revenue neutral for the State of New Mexico and both pension funds could be both solvent in the future and equitable in their benefits for state employees.**