

Investments & Pensions Oversight Committee

Representative Cynthia Borrego, Chair
Senator Roberto “Bobby” J. Gonzales, Vice Chair

Educational Retirement Board Updates

July 1, 2026

David Archuleta, Executive Director



Discussion Items

- Educational Retirement Act
- New Mexico Administrative Code
- Board of Trustees
- Board Meetings
- Organizational Structure
- Agency Leadership
- Agency Updates
- Investment Performance
- Benefits
- Agency Highlights
- GASB 67/68
- Alternative Retirement Plan

Educational Retirement Act

Chapter 22, Article 11 – Educational Retirement Act

22-11-1 thru 22-11-55

22-11-6 Board; powers; duties.

- Properly and uniformly enforce the Educational Retirement Act (ERA)
 - 2.82.1 NMAC – 2.82.12 NMAC
- Hire employees and delegate administrative authority to these employees
 - 2.82.1.11 – Function of the Board
 - 2.82.1.13 – Employment of Staff
 - Employment of a director
 - Approval of organizational chart
- Make an actuarial report on the financial operation of the ERA to the legislature at each regular session every odd-numbered year
- Accept donations, gifts or bequests to the fund; and
- Adopt regulations pursuant to the Educational Retirement Act

New Mexico Administrative Code

Title 2, Chapter 82 – Educational Retirement

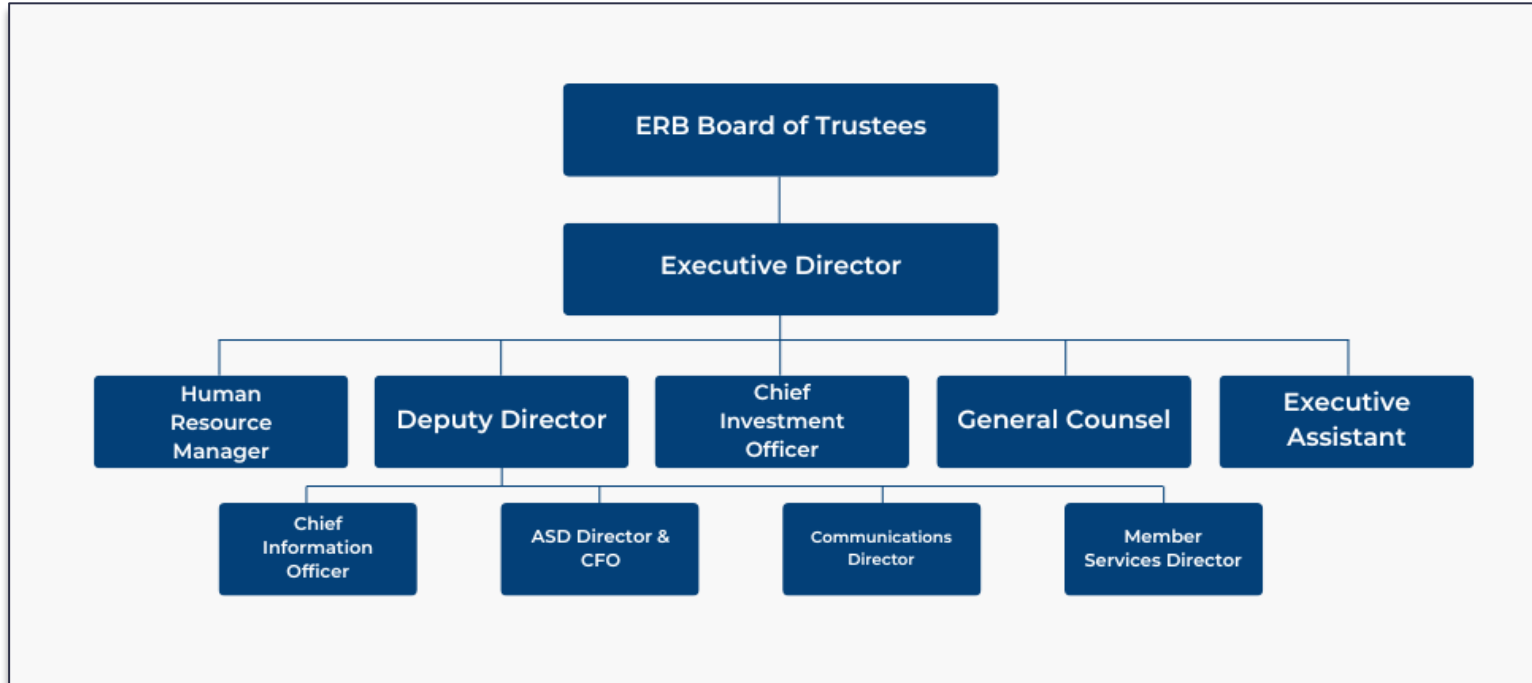
- 2.82.1 - General Provisions
- 2.82.2 – Membership
- 2.82.3 – Member and Administrative Unit Contributions
- 2.82.4 – Service Credits
- 2.82.5 – Retirement Benefits
- 2.82.6 – Disability Benefits
- 2.82.7 – Annuitants and Disability Recipients
- 2.82.8 – Investment Policies and Practices
- 2.82.9 – Administrative Unit Reports and Remittances
- 2.82.10 – Retirement Reciprocity
- 2.82.11 – Administrative Appeals
- 2.82.12 – Qualified Excess Benefit Arrangement

Board of Trustees

Members

- Russell Goff, Chair, New Mexico Association of Educational Retirees
- Max Baca, Vice Chair, Governor Appointee
- Matias Fontenla, Secretary, American Federation of Teachers New Mexico
- Betty Patterson, NEA – New Mexico
- Renee Ward, Governor Appointee
- Laura M. Montoya, State Treasurer, Ex-Officio
- Stephanie Rodriguez, Secretary, Higher Education Department, Ex-Officio
- Mariana Padilla, Designee, Public Education Department, Ex-Officio
- Dr. Reilly White, American Association of University Professors

Organizational Structure

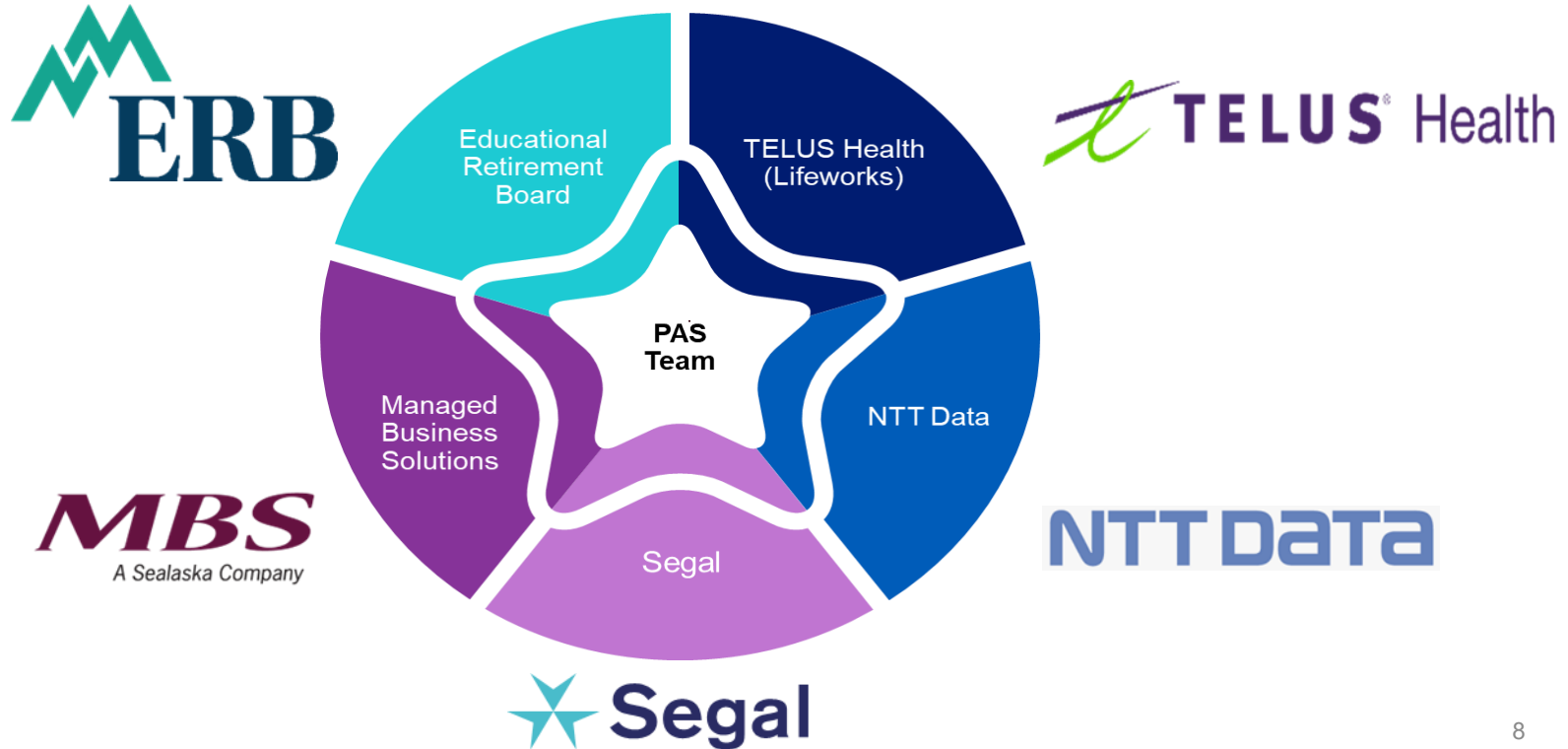


Agency Updates – *New Office Building*



Agency Updates – *New Pension Administration System*

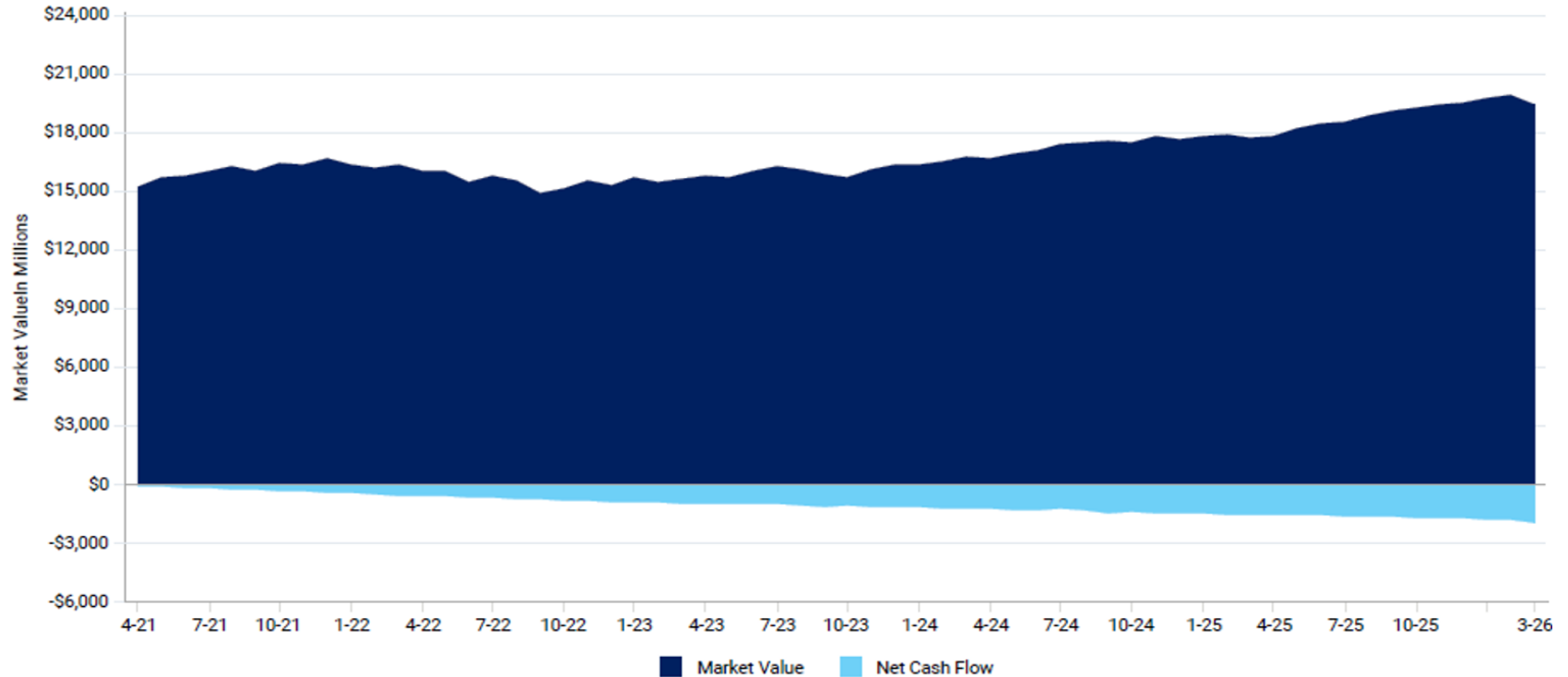
New Pension Administration System – September 2027 (15 months)



Agency Highlights – *Key Valuation Results*

	June 30, 2025	June 30, 2024	Difference
Active Members	64,274	62,970	1,304
Retirees & Beneficiaries	56,764	55,706	1,058
Retiree Payroll	\$ 1,437,061,890	\$ 1,380,637,422	\$ 56,424,468
Average Annual Benefit	\$ 26,722	\$ 26,171	\$ 551
Member Contributions	\$ 453,872,084	\$ 435,808,030	\$ 18,064,054
Employer Contributions	\$ 802,437,237	\$ 770,384,190	\$ 32,053,047
Member Contribution Refunds	\$ 78,247,786	\$ 67,049,122	\$ 11,198,664
Active Member Payroll	\$ 4,045,292,965	\$ 3,866,489,836	\$ 178,803,129
Participating Employers	220	220	-
Actuarial Value of Assets	\$ 18,638,431,074	\$ 17,232,005,190	\$ 1,406,425,884
Funding Period	19 years	22 years	3 years
Funded Ratio	67.8%	64.8%	3.0%

Historical Asset Growth



Investment Returns – March 31, 2026

Returns*	1 Year	3 Years	5 Years	10 Years	30 Years
Portfolio	11.57%	9.42%	8.07%	8.74%	7.93%
Policy Index	11.21%	9.41%	6.90%	8.43%	7.17%
Annual Value added	0.36%	0.01%	1.17%	0.31%	0.76%
Universe Ranking**	69	61	8	16	27

* All returns in the presentation are annualized and net of external manager fees.

** Universe ranking is a comparison to other public pension funds on a percentile basis, 1 (best) – 100 (worst).

TOTAL FUND PERFORMANCE DETAIL

	Allocation		Performance (%)									
	% of Portfolio	Market Value (\$)	1 Mo (%)	YTD (%)	FYTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date	
Total Fund	100.0	20,081,557,036	3.0	3.3	10.1	14.0	10.1	7.9	8.9	9.0	Jul-83	
Policy Index			<u>3.3</u>	<u>3.7</u>	<u>10.1</u>	<u>14.6</u>	<u>10.4</u>	<u>7.2</u>	<u>8.7</u>	-		
Over/Under			-0.3	-0.3	0.0	-0.6	-0.3	0.7	0.3	-		
60% MSCI ACWI (Net) / 40% FTSE WGBI			6.6	4.1	11.1	18.5	12.5	5.3	7.3	-	Jul-83	
60% S&P 500 Index/40% FTSE U.S. Broad Investment-Grade Bond			6.4	3.6	11.7	19.8	14.2	8.0	9.9	9.7	Jul-83	
S&P 500 Index			10.5	5.7	17.3	31.1	21.7	13.1	15.3	11.7	Jul-83	
FTSE U.S. Broad Investment-Grade Bond			0.2	0.1	3.3	4.1	3.5	0.1	1.7	6.6	Jan-80	
Total Fund Ex Parametric Overlay	99.5	19,991,141,038	2.9	3.3	9.9	13.7	10.0	7.9	8.9	9.0	Jul-83	
Policy Index			<u>3.3</u>	<u>3.7</u>	<u>10.1</u>	<u>14.6</u>	<u>10.4</u>	<u>7.2</u>	<u>8.7</u>	-		
Over/Under			-0.4	-0.4	-0.2	-0.9	-0.4	0.7	0.3	-		
60% MSCI ACWI (Net) / 40% FTSE WGBI			6.6	4.1	11.1	18.5	12.5	5.3	7.3	-	Jul-83	
60% S&P 500 Index/40% FTSE U.S. Broad Investment-Grade Bond			6.4	3.6	11.7	19.8	14.2	8.0	9.9	9.7	Jul-83	
S&P 500 Index			10.5	5.7	17.3	31.1	21.7	13.1	15.3	11.7	Jul-83	
FTSE U.S. Broad Investment-Grade Bond			0.2	0.1	3.3	4.1	3.5	0.1	1.7	6.6	Jan-80	
U.S. Equity Composite	18.2	3,659,663,125	10.0	6.8	17.7	30.9	20.4	12.0	14.6	11.9	Jan-85	
Russell 3000 Index			<u>10.2</u>	<u>5.8</u>	<u>17.2</u>	<u>31.0</u>	<u>21.3</u>	<u>11.9</u>	<u>14.8</u>	<u>11.8</u>		
Over/Under			-0.2	0.9	0.5	-0.2	-0.9	0.1	-0.2	0.1		
U.S. Large Cap Equity Composite	14.7	2,948,566,221	10.4	5.7	17.3	31.0	21.7	13.1	15.4	9.0	Aug-99	
S&P 500 Index			<u>10.5</u>	<u>5.7</u>	<u>17.3</u>	<u>31.1</u>	<u>21.7</u>	<u>13.1</u>	<u>15.3</u>	<u>8.5</u>		
Over/Under			-0.1	0.0	-0.1	-0.1	0.0	0.0	0.1	0.5		
S&P 500 Index Fund	14.7	2,948,566,221	10.4	5.7	17.3	31.0	21.7	13.1	15.4	8.2	Jan-00	
S&P 500 Index			<u>10.5</u>	<u>5.7</u>	<u>17.3</u>	<u>31.1</u>	<u>21.7</u>	<u>13.1</u>	<u>15.3</u>	<u>8.2</u>		
Over/Under			-0.1	0.0	-0.1	-0.1	0.0	0.0	0.1	0.0		
U.S. Small/Mid Cap Equity Composite	3.5	711,096,904	8.4	11.1	19.4	30.3	15.5	7.5	11.2	8.3	Aug-99	
NMERB Small/Mid Cap Equity Blended Index			<u>11.2</u>	<u>13.4</u>	<u>26.4</u>	<u>40.1</u>	<u>17.8</u>	<u>6.9</u>	<u>11.6</u>	<u>9.0</u>		
Over/Under			-2.7	-2.3	-7.0	-9.8	-2.4	0.6	-0.4	-0.7		
S&P 400 Mid-Cap	3.5	711,096,904	8.4	11.1	19.4	30.3	15.5	7.5	-	9.8	Nov-17	
Russell 2500 Index			<u>11.2</u>	<u>13.4</u>	<u>26.4</u>	<u>40.1</u>	<u>17.8</u>	<u>6.9</u>	-	<u>10.3</u>		
Over/Under			-2.7	-2.3	-7.0	-9.8	-2.4	0.6	-	-0.5		

1 - Total Fund market value includes \$258,621.16 from Legacy Assets.

2 - U.S. Small/Mid Cap Equity Composite includes the performance history of the U.S. Small Cap Equity Composite through November 2011.

3 - NMERB Small/Mid Cap Equity Blended Benchmark is the Russell 2000 Index through November 2011 and the Russell 2500 Index from December 2011 - forward.

Note: Performance shown is net of fees.



Benefits - *Service Credit Accruals*

- Currently, members hired before July 1, 2019, (Tiers 1, 2, & 3) earn 2.35% of their Final Average Salary (FAS) per year of service:

FAS (average of highest consecutive 60 months gross salary) x Years of Service x 2.35% = Gross Annual Benefit / 12 = Gross Monthly Benefit

Example: \$65,000 x 30 years x 2.35% = \$45,825 annually / 12 = \$3,818.75 per month

- Members hired on or after July 1, 2019, earn accruals based on the following schedule:

For Service In:	Years	Benefit Percentage
The first 10 years of service	1 - 10	1.35%
The next 10 years of service	11 - 20	2.35%
The next 10 years of service	21 - 30	3.35%
Service after 30 years	30+	2.40%

Benefits - Cost-of-Living Adjustments (COLA)

- Shares the burden of cost savings across generations and does not further increase the disparity in the value of the employer paid value of member benefits
- Current COLA policy CPI-related – limits range of possible outcomes and adjusts the amount granted downward in periods when the plan is less than 100% funded
 - Adjustment factor = ½ of the increase in the CPI
 - Cannot exceed 4% / be less than 2% - unless CPI is less than 2 percent, then adjustment factor equals CPI
 - Annuitants receive between 80 and 100% of the adjustment factor based on various parameters

Plan Funded Ratio	Retirees w/25 years of service and less than median annuity	All other annuitants eligible for an increase
>=100%	100%	100%
>90% and <100%	95%	90%
<=90%	90%	80%

- Cost-of-Living Adjustment (July 1, 2026)
 - 1.80% for retirees with 25 or more years of service credit and whose monthly benefit is less than or equal to the median benefit of \$1,834.85 as of June 30, 2025
 - 1.60% for all other eligible retirees
 - 2.0% for all disability retirees who have been retired for at least 3 years

COLA History

New Mexico Educational Retirement Board COLA History Since 1990

COLA Effective July 1,	COLA for disability retirements eligible for adjustment	COLA for members with 25 years of service at retirement and receiving less than median adjusted annuity	COLA for all remaining members eligible for adjustment	Monthly median adjusted annuity
2026	2.0%	1.80%	1.60%	\$ 1,834.85
2025	2.0%	1.80%	1.60%	1,798.02
2024	2.1%	1.89%	1.68%	1,746.63
2023	4.0%	3.60%	3.20%	1,720.56
2022	2.3%	2.07%	1.84%	1,703.84
2021	1.2%	1.08%	0.96%	1,677.19
2020	1.8%	1.62%	1.44%	1,653.20
2019	2.0%	1.80%	1.60%	1,627.76
2018	2.0%	1.80%	1.60%	1,611.45
2017	1.3%	1.17%	1.04%	1,605.46
2016	0.1%	0.09%	0.08%	1,586.22
2015	1.6%	1.44%	1.28%	1,566.22
2014	1.5%	1.35%	1.20%	1,543.06
2013	2.0%	1.80%	1.60%	1,504.20
2012	2.0%	same	same	N/A

Independent Contractors - *Background*

- ERB's primary responsibility is to safeguard the long-term financial security of the retirement fund.
- Recent updates to the independent contractor review process were implemented to strengthen compliance with state and federal regulations and to provide clearer guidance on independent contractor arraignments.
- These updates are essential to preserving the fund's integrity and stability for current and future retirees.
- Under state law and ERB's administrative code, a retired member may return to service with a Local Administrative Unit (LAU) in one of two ways:
 - Through a return-to-work program under 22-11-25.1 NMSA 1978, or
 - As an approved independent contractor under 2.82.2 and 2.82.5 NMAC

Independent Contractors – *ERB Responsibility*

- As fiduciaries of a qualified retirement plan under section 401(a) of the IRS code, ERB must ensure compliance with laws that grant important tax exemptions and protections.
- This obligation extends to any retired ERB member providing services to an LAU, regardless of the mechanism used to provide those services.
- The following factors shall be considered in determining whether an individual qualifies as an independent contractor:
 1. Registration with the New Mexico department of taxation and revenue to pay gross receipts tax;
 2. The existence of a written contract with the local administrative unit setting forth the services to be provided and the compensation to be paid;
 3. Whether the person receives benefits such as paid annual or sick leave, health insurance and other benefits that the local administrative unit provides its regular employees or is paid as an employee by the local administrative unit;
 4. Whether the person satisfies internal revenue service guidelines for determining that an individual is an independent contractor rather than an employee;

Independent Contractors – ERB Responsibility Cont.

- If a retiree receives benefits outside of an approved program or without meeting independent contractor standards, ERB would not be meeting its fiduciary obligations to all members.
- RTW programs allow retirees to provide any type of service to an LAU within program limits.
- Independent contractor arrangements require closer review – a genuine independent contractor is typically in business for themselves and provide services not ordinarily performed by employees.
- If ERB determines a contract does not meet this standard, the work may still proceed – but only as employment, either by an active member or through an approved return-to-work program.
- These safeguards may create challenges for retirees and administrators, but they are critical to protecting the retirement fund.
- ERB's mission remains to ensure a secure retirement for all members, and every decision we make is guided by that responsibility.

Return to Work Programs

Question	RTW .25 FTE or less	RTW less than \$25,000	RTW 60 Months
Must retirement benefit be suspended to participate?	No	No	No
Application required prior to beginning employment?	✓	✓	✓
Employee Contribution Required	No	No	✓
Employer Contribution Required	No	No	✓
Are contributions made during time working in RTW program refundable?	N/A	N/A	No
Layout Period Required?	No	90 days from Retirement Date	90 days from Retirement Date
Can I purchase service credit while working under a RTW provision or for time worked in the RTW program?	No	No	No
Must employer and employee make contributions to RHCA while working under a RTW provision?	✓	✓	✓
Do RTW provisions apply to retirees who participated in the Alternative Retirement Plan (ARP)?	✓	✓	✓

Alternative Retirement Plan (ARP)

- Eligibility applies to new faculty and certain professional employees of New Mexico public universities and community colleges
- Each participant has an individual account with an ARP service provider i.e., TIAA or Fidelity
- Benefits based solely on contributions made to the participants account, investment income, expenses, gains and losses in the account
- ARP participants direct their own investments from a menu of investment choices pre-selected by ERB
- Benefit options are as follows:
 - A monthly annuity based on the retiree's estimated life span
 - Payments received over a fixed term of years, or
 - A lump-sum payout
- Participants may switch ARP service provider once per plan year
- One time option to move to defined benefit plan after 7 years

Legislation

2025

- Educational Retirement Changes - \$60 million General Fund Appropriation

2026

- HB40 – Temporary ERB Member Payment - \$65.5 million General Fund Appropriation

2027

- 13th check to provide temporary inflation relief (2 years)
- Create a trust fund to pay COLAs
- Elimination of New Mexico Income Tax on pensions
- Create safety nets for members receiving pensions under a certain amount



Thank you!

