

New Mexico Educational Retirement Board Basics and Update

Investments and Pensions Oversight Committee
Representative Tomás Salazar, Chair
George Muñoz, Vice-Chair
June 7, 2018

Jan Goodwin, Executive Director
Bob Jacksha, CIO
Mary Lou Cameron, Board Chair
H. Russell Goff, Board Vice-Chair



Mission

- Providing secure retirement benefits for New Mexico's educational employees- past, present and future

Vision

- To be an effective and trusted manager of New Mexico's Educational retirement system

Values

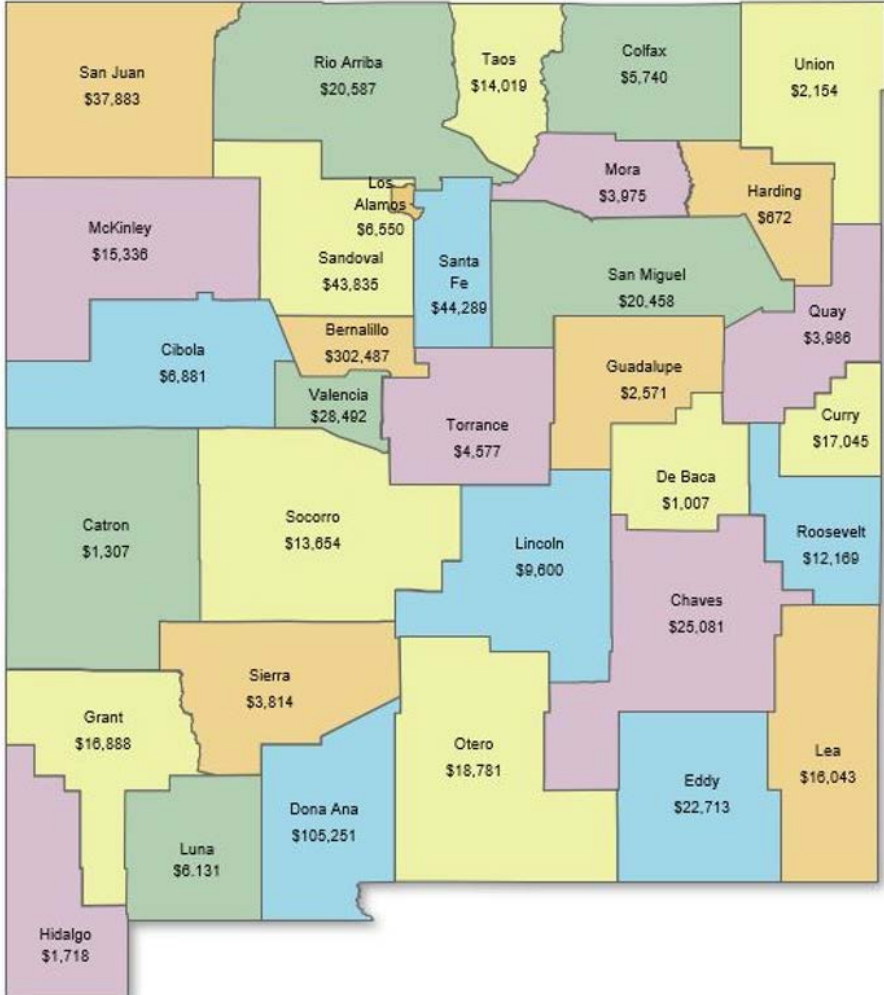
- Innovation, Integrity, Quality, Respect, Service, Stewardship and Transparency

Active and retired employees of New Mexico's:

- Public schools
- Institutions of higher learning
- Certain employees of state agencies who work in educational programs

Fiscal Year 2017 Retiree Benefits by County

(Amounts in thousands)



The Direct Impact of NMERB's Pension Benefits
Ripples through New Mexico's Economy

New Mexico Benefit Payments	\$ 835,712,501
Outside New Mexico	183,617,995
Total Gross Benefit Payments	<u>\$ 1,019,330,496</u>



ERB Highlights as of June 30, 2017

Active ERB Members	59,495
Retirees and Beneficiaries	47,340
Retiree Payroll	\$1,019,330,496
Member Contributions	\$295,982,532
Employer Contributions	\$395,843,795
Member Contribution Refunds	\$33,344,692
Active Member Payroll	\$2,591,195,672
Participating Employers	218
ERB Net Assets	\$12.5 billion
Average Benefit	\$22,284
Average Age at Retirement	61.8

NMERB Cybersecurity Bill

– SB 244, Senator Joseph Candelaria

Sustainability tour

Member survey

Board working to improve sustainability

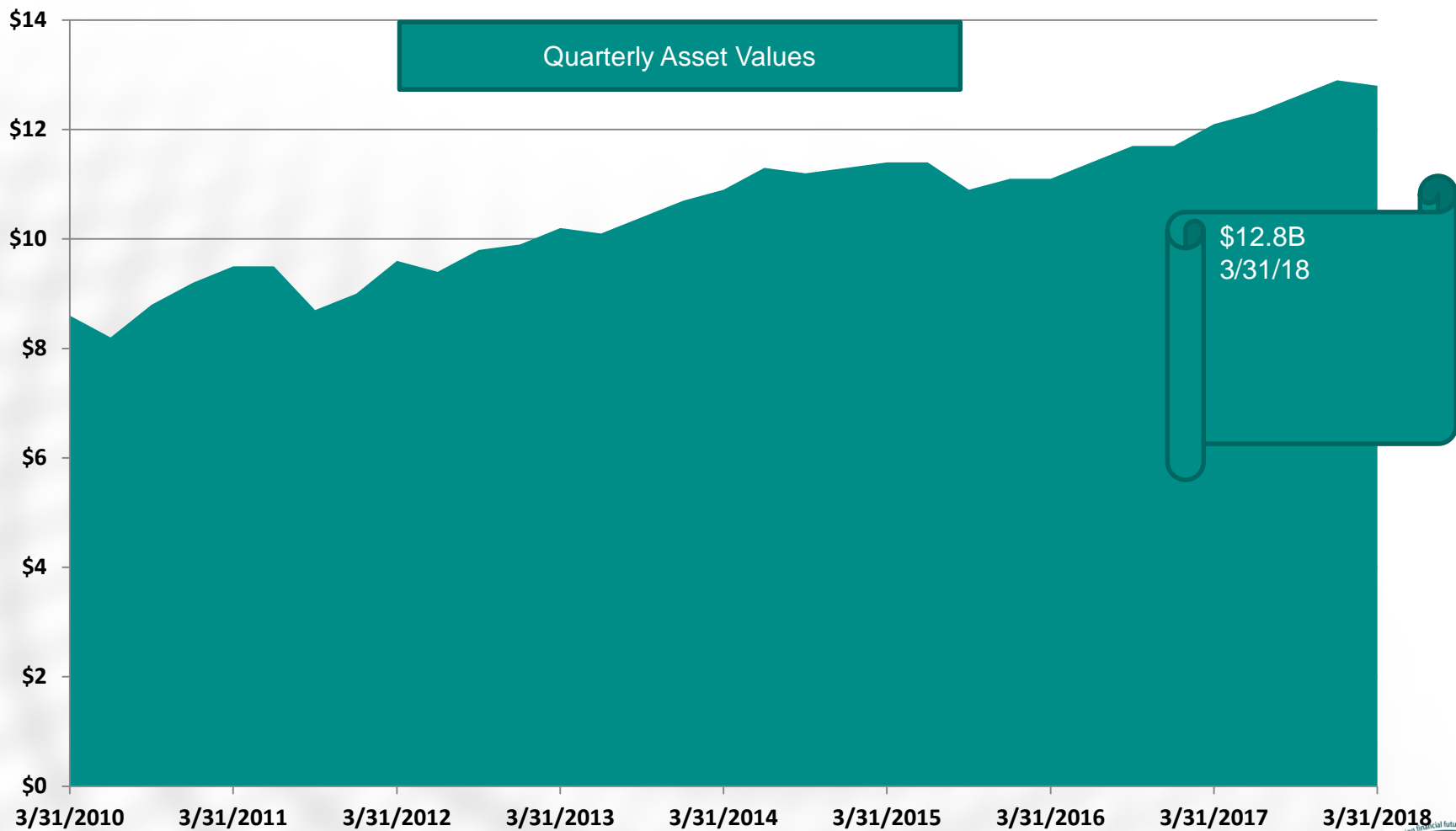
- Special Board meeting April 8
- Met with key legislators May 24

Special Board meeting June 21

Stakeholder meeting July 9

Develop legislative proposal for IPOC review
and introduction in 2019 legislative session

March 31, 2018 Assets – Growth Continues



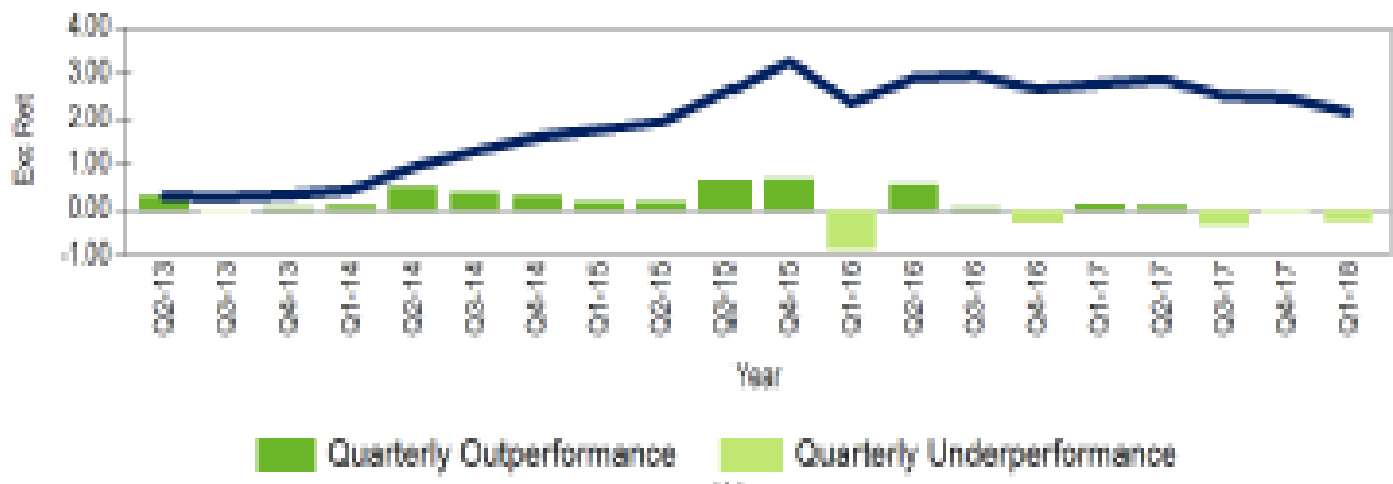
March 31, 2018 Investment Returns

<u>Returns*</u>	<u>FYTD</u>	<u>1 Years</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>30 Years</u>
Portfolio	6.7%	9.7%	7.2%	7.8%	6.5%	8.9%
Policy Index	7.5%	10.4%	7.0%	7.3%	5.8%	7.8%
Value Add	(0.8%)	(0.7%)	0.2%	0.5%	0.7%	1.1%
Universe Ranking	75	73	24	36	25	11

*All returns in this presentation are net of external manager fees.

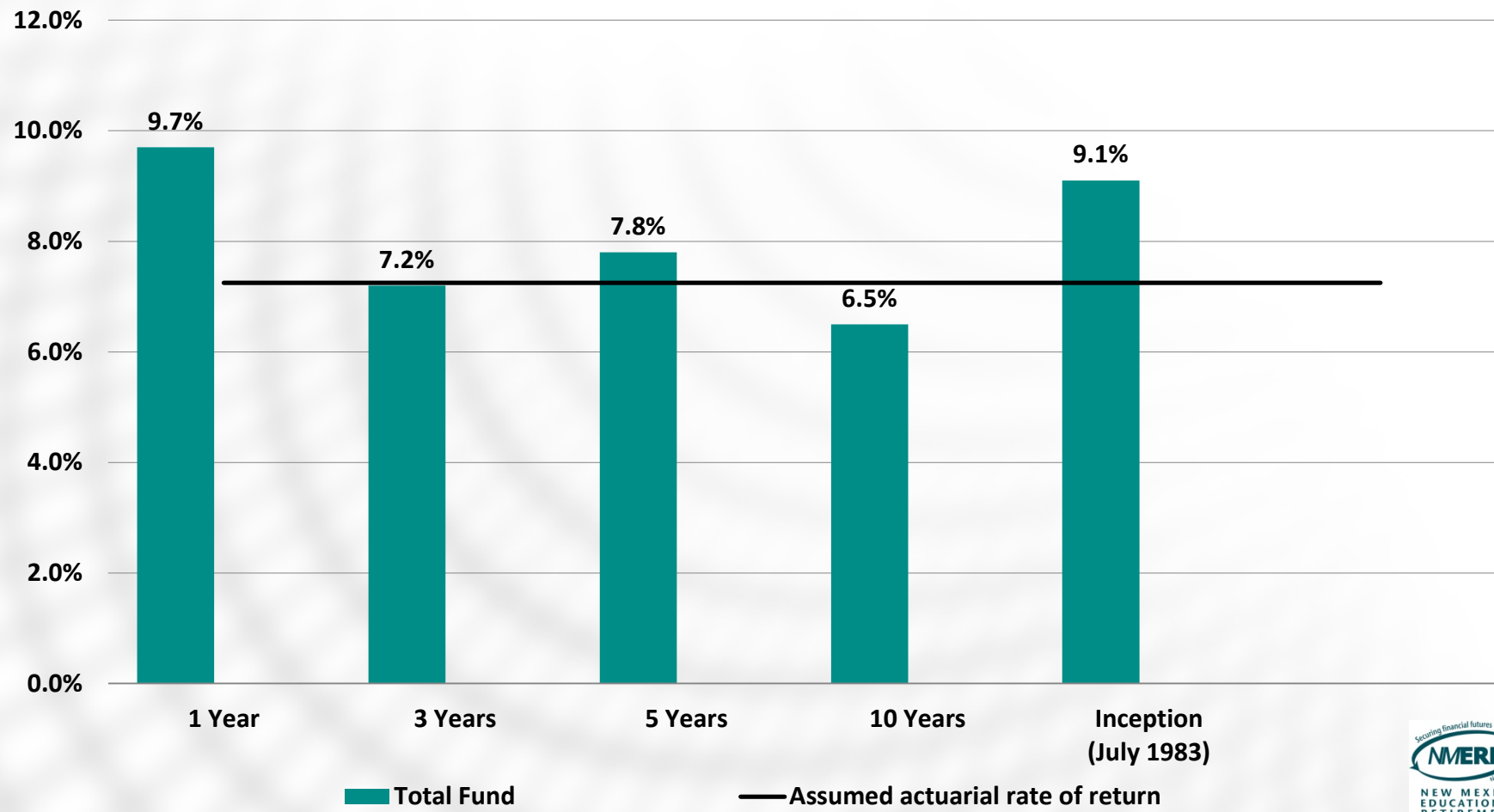
Cumulative Value Added vs. Index

Quarterly and Cumulative Excess Performance



Return vs. 7.25% Target

NMERB Annualized Returns
As of March 31, 2018
Net of Fees



April 30, 2018 Investment Returns

<u>Returns</u>	<u>April</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>Since Inception</u> July 1983
Portfolio	0.7%	7.5%	9.1%	7.0%	7.6%	6.3%	9.1%
Policy Index	0.2%	7.8%	9.7%	6.7%	7.1%	5.4%	N/A
Value Add	0.5%	(0.3%)	(0.6%)	0.3%	0.5%	0.9%	N/A

April 30, 2018 Asset Value: \$12.9 Billion

ERB Retirement Eligibility: Tier Structure

Tier 1: ERB Membership Prior to July 1, 2010

- * “25 and Out” – Earned service credits + allowed service credits = 25 or more years. There is no minimum age required.
- * “Rule of 75” – Your age + earned service credits = 75 or more. Under the Rule of 75, allowed service credits are used to calculate retirement benefit but do not count toward eligibility. There are permanent and significant reductions if you are under age 60, and even more if you are under age 55.
- “65 and 5” – If you are at least 65 years old and have at least five years of earned service credit, you are eligible for retirement.

Tier 2: ERB Membership Beginning on or after July 1, 2010, but prior to July 1, 2013

- * “30 and Out” – Earned service credits + allowed service credits = 30 or more years. There is no minimum age required.
- * “Rule of 80” – Your age + earned service credits = 80 or more. As with the Rule of 75, allowed service credits are used to calculate retirement benefit but do not count toward eligibility. There are permanent and significant reductions if you are under age 65, and even more if you are under age 60.
- * “67 and 5” – If you are at least 67 years old and have at least five years of earned service credit, you are eligible for retirement.

Tier 3: ERB Membership Beginning on or after July 1, 2013

- * Same retirement eligibilities as immediately above. If member receives pension benefit before age 55 with 30 and Out retirement eligibility, benefit will be actuarially reduced.
- * Cost of Living Adjustment (COLA) begins at age 67 or on July 1 of the year following member’s effective retirement date, whichever is later.



ERB Benefit Structure

- * Final average salary (FAS) x service credit x .0235 = annual benefit
- * Cost Of Living Adjustment (COLA) available on July 1 of the year in which you reach age 65 or on July 1 of the year following member's effective retirement date, whichever is later for Tier 1 and Tier 2 members. For Tier 3 members, COLA begins at age 67 or on July 1 of the year following member's effective retirement date, whichever is later. The amount depends on the annual change in the Consumer Price Index (CPI). The average COLA over time has been 2%. COLA was reduced as part of the 2013 sustainability bill until ERB is 100% funded.
- * Five year vesting period
 - No minimum retirement age (with exception of reductions in Rule of 75 and Rule of 80)

Examples of retirement percentage rates:

25 years x .0235 = 58.75% 30 years x .0235 = 70.5% 35 years x .0235 = 82.25%

History of Retirement Benefits

YEAR	RETIREMENT ELIGIBILITY	MULTIPLIER	COLA	Life expectancy* at age 65	
				Males	Females
1962	30 years of service with actuarial reduction if younger than age 60	1.5% first \$4,000 of Final Average Salary (FAS) and 1% thereafter	Ad Hoc	13.2	17.4
	Age 60 with 15 years of service				
1965	30 years of service with actuarial reduction if younger than age 60	SAME	Ad Hoc	13.2	17.4
	Age 60 with 15 years' service				
	Age 65 with 10 years of service				
1971	35 years of service	1.50%	Ad Hoc	13.8	18.6
	30 years of service with actuarial reduction if younger than age 60				
	Age 60 with 15 years of service				
1974	Age 65 with 5 years of service	1.5% for years before July 1, 1957 2% for years after July 1, 1957	Ad Hoc	13.8	18.6
	35 years of service				
	Rule of 75 with reduction if younger than age 60				
1979	SAME	SAME	Based on change in CPI, capped at 2%. Can decrease - but not below original retirement benefit. Begins after 4 years of retirement.	13.8	18.6
1981	30 years of service	SAME	SAME	14.6	19.1
	Rule of 75 with reduction if younger than age 60				
	Age 65 with 5 years of service				
1984	25 years of service	SAME	Based on change in CPI, capped at 4%. On average, 2%. Begins the later of age 65 or one year following retirement.	14.6	19.1
	Rule of 75 with reduction if younger than age 60				
	Age 65 with 5 years of service				

*From 1960 through 1999, the stated life expectancies are based on the life expectancies of Social Security at the time (<https://www.ssa.gov/history/lifeexpect.html>). Beginning in 2000, life expectancies are based on the actuarial valuation assumption for NMERB.



History of Retirement Benefits (con't)

YEAR	RETIREMENT ELIGIBILITY	MULTIPLIER	COLA	Life expectancy* at age 65	
				Males	Females
1987	SAME	2.15%	SAME	14.6	19.1
1991	SAME	2.35%	SAME	15.3	19.6
2010	SAME	SAME	Elimination of negative COLA	19.6	22.4
2010	Hired prior to 7/1/2010: SAME Hired after 7/1/2010: 30 years of service Rule of 80 with reduction if younger than 65 Age 67 with 5 years of service	SAME	SAME	19.6	22.4
2013	Hired after 7/1/2013: Actuarially reduced benefit if member retires with 30 years of service and is younger than age 55	SAME	Hired after 7/1/2013: COLA begins at later of age 67 or one year following retirement <u>Until ERB is > 90% funded:</u> Retirees with benefits at or below the median AND with 25 or more years' service have a 10% COLA reduction from statutory COLA formula. All other retirees have a 20% COLA reduction. <u>ERB Funding >90% <100%</u> Retirees with benefits at or below the median AND with 25 or more years' service have a 5% COLA reduction from statutory COLA formula. All other retirees have a 10% COLA reduction. <u>ERB Funding=100%</u> <u>COLA reductions cease.</u>	20.2	23.1

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ERB Schedule of Contribution Rates

Fiscal Year	Wage category	Date Range	Member Rate	Employer Rate	Total	% of Total Contribution Employee Pays
58-59		7/1/1957 -6/30/1959	3.00%	4.00%	7.00%	42.86%
60-74		7/1/1959 -6/30/1974	4.00%	6.50%	10.50%	38.10%
75-79		7/1/1974 -6/30/1979	5.50%	6.50%	12.00%	45.83%
80-81		7/1/1979 -6/30/1981	6.50%	6.50%	13.00%	50.00%
82-84		7/1/1981 -6/30/1984	6.80%	6.80%	13.60%	50.00%
85-93		7/1/1984 -6/30/1993	7.60%	7.60%	15.20%	50.00%
94-2005		7/1/1993 -6/30/2005	7.60%	8.65%	16.25%	46.77%
2006		7/1/2005 -6/30/2006	7.675%	9.40%	17.075%	44.95%
2007		7/1/2006 -6/30/2007	7.75%	10.15%	17.90%	43.30%
2008		7/1/2007 -6/30/2008	7.825%	10.90%	18.725%	41.79%
2009		7/1/2008 -6/30/2009	7.90%	11.65%	19.55%	40.41%
2010 & 2011	\$20k or less	7/1/2009 -6/30/2011	7.90%	12.40%	20.30%	38.92%
2010 & 2011	Over \$20K	7/1/2009 -6/30/2011	9.40%	10.90%	20.30%	46.31%
2012	\$20k or less	7/1/2011 - 6/30/2012	7.90%	12.40%	20.30%	38.92%
2012	Over \$20K	7/1/2011 - 6/30/2012	11.15%	9.15%	20.30%	54.93%
2013	\$20k or less	7/1/2012 - 6/30/2013	7.90%	12.40%	20.30%	38.92%
2013	Over \$20K	7/1/2012 - 6/30/2013	9.40%	10.90%	20.30%	46.31%
2014	\$20k or less	7/1/2013 - 6/30/2014	7.90%	13.15%	21.05%	37.53%
2014	Over \$20K	7/1/2013 - 6/30/2014	7.90%	13.90%	21.80%	36.24%
2015	\$20k or less	7/1/2014 - future	7.90%	13.90%	21.80%	36.24%
2015	Over \$20K	7/1/2014 - future	10.70%	13.90%	24.60%	43.50%

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