

Investments & Pensions Oversight Committee

Representative Cynthia Borrego, Chair
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Information & Updates

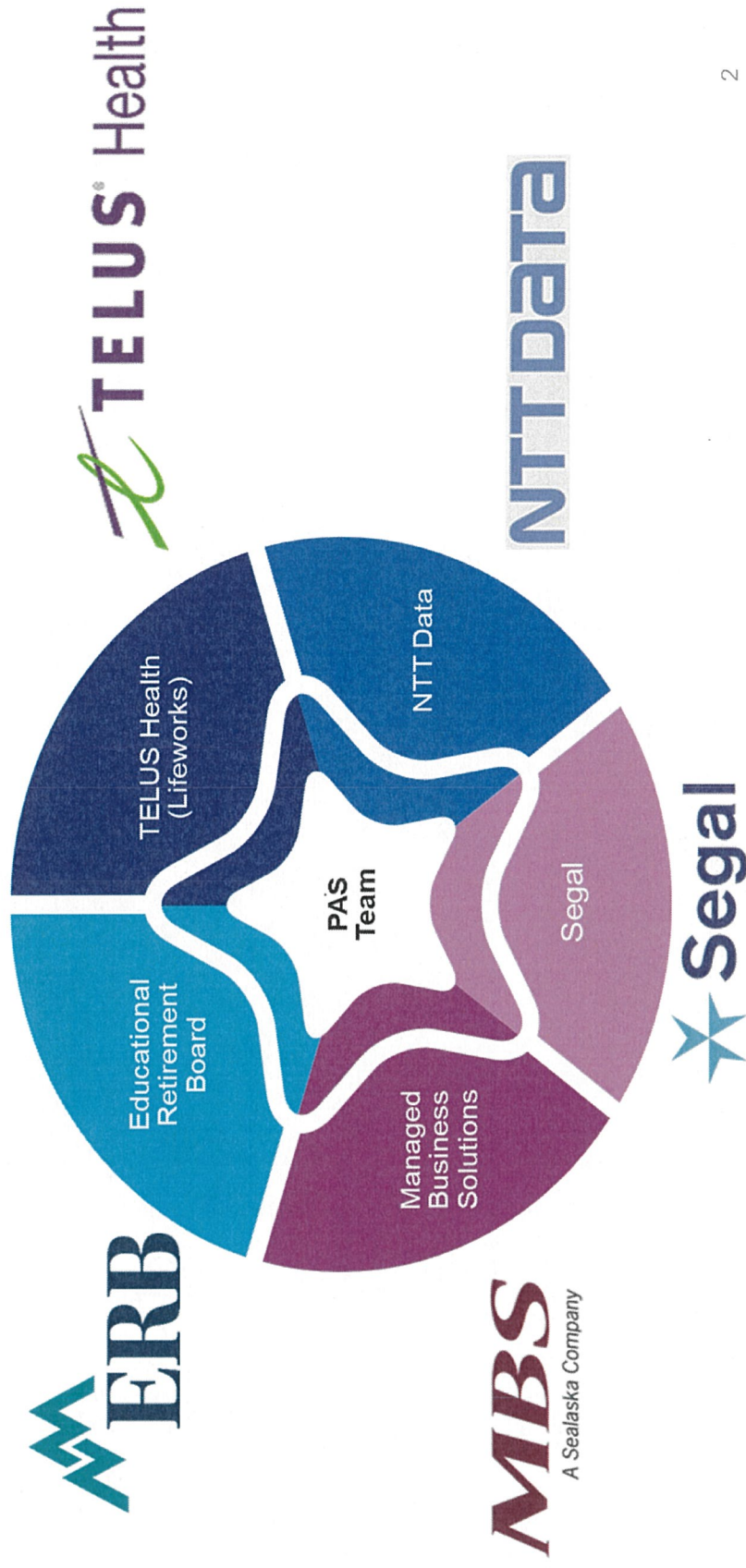
September 25, 2026

David Archuleta, Executive Director



ERB Updates – New Pension Administration System

- New Pension Administration System – September 2027 (11 months)



TOTAL FUND PERFORMANCE DETAIL

	Allocation		Performance (%)								
	% of Portfolio	Market Value (\$)	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception Date	
Total Fund	100.0	20,606,747,982	0.2	5.9	6.3	13.3	10.6	7.6	9.1	9.0	Jul-83
Policy Index			0.2	5.3	5.7	12.2	10.3	7.0	8.8	-	
Over/Under			0.0	0.6	0.6	1.1	0.2	0.6	0.3	-	
60% MSCI ACWI (Net) / 40% FTSE WGBI			-0.8	9.1	6.6	13.7	12.6	5.5	7.5	-	Jul-83
60% S&P 500 Index/40% FTSE U.S. Broad Investment-Grade Bond			-0.5	9.3	6.5	14.8	13.9	8.1	10.0	9.8	Jul-83
S&P 500 Index			-1.0	15.2	10.2	22.3	20.6	13.4	15.5	11.8	Jul-83
FTSE U.S. Broad Investment-Grade Bond			0.2	0.7	0.7	3.9	4.2	0.0	1.6	6.6	Jan-80
Total Fund Ex Parametric Overlay	99.5	20,508,619,473	0.2	5.7	6.2	13.0	10.4	7.6	9.1	9.0	Jul-83
Policy Index			0.2	5.3	5.7	12.2	10.3	7.0	8.8	-	
Over/Under			0.0	0.5	0.5	0.8	0.1	0.6	0.3	-	
60% MSCI ACWI (Net) / 40% FTSE WGBI			-0.8	9.1	6.6	13.7	12.6	5.5	7.5	-	Jul-83
60% S&P 500 Index/40% FTSE U.S. Broad Investment-Grade Bond			-0.5	9.3	6.5	14.8	13.9	8.1	10.0	9.8	Jul-83
S&P 500 Index			-1.0	15.2	10.2	22.3	20.6	13.4	15.5	11.8	Jul-83
FTSE U.S. Broad Investment-Grade Bond			0.2	0.7	0.7	3.9	4.2	0.0	1.6	6.6	Jan-80
U.S. Equity Composite	19.3	3,984,170,847	-0.1	15.0	11.6	23.0	19.6	12.5	14.9	11.9	Jan-85
Russell 3000 Index			-0.3	15.4	10.9	22.8	20.4	12.3	15.1	11.9	
Over/Under			0.2	-0.4	0.7	0.2	-0.8	0.2	-0.2	0.1	
U.S. Large Cap Equity Composite	15.6	3,224,063,434	-1.0	15.1	10.1	22.2	20.6	13.4	15.6	9.1	Aug-99
S&P 500 Index			-1.0	15.2	10.2	22.3	20.6	13.4	15.5	8.6	
Over/Under			0.0	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.5	
S&P 500 Index Fund			-1.0	15.1	10.1	22.2	20.6	13.4	15.6	8.3	Jan-00
S&P 500 Index			-1.0	15.2	10.2	22.3	20.6	13.4	15.5	8.3	
Over/Under			0.0	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.0	
U.S. Small/Mid Cap Equity Composite	3.7	760,107,413	3.6	15.1	17.9	26.7	15.6	9.0	11.8	8.5	Aug-99
NMERB Small/Mid Cap Equity Blended Index			3.7	20.3	22.7	36.7	18.4	8.3	12.2	9.2	
Over/Under			0.0	-5.2	-4.8	-10.0	-2.8	0.7	-0.4	-0.8	
S&P 400 Mid-Cap			3.6	15.1	17.9	26.7	15.6	9.0	-	10.4	Nov-17
Russell 2500 Index	3.7	760,107,413	3.7	20.3	22.7	36.7	18.4	8.3	-	11.1	
Over/Under			0.0	-5.2	-4.8	-10.0	-2.8	0.7	-	-0.7	

1 - Total Fund market value includes \$252,229.52 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:
$$\text{FAS (average of highest consecutive 60 months gross salary)} \times \text{Years of Service} \times 2.35\% = \text{Gross Annual Benefit} / 12 = \text{Gross Monthly Benefit}$$

$$\text{Example: } \$65,000 \times 30 \text{ years} \times 2.35\% = \$45,825 \text{ annually} / 12 = \$3,818.75 \text{ per month}$$
- 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%

Cost-of-Living Adjustments (COLA)

- 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 = $\frac{1}{2}$ 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
$\geq 100\%$	100%	100%
$>90\%$ and $<100\%$	95%	90%
$\leq 90\%$	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

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%

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		COLA for all remaining members eligible for adjustment	Monthly median adjusted annuity
		retirement and receiving less than median adjusted annuity	retirement and receiving less than 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



Funding Projections & Retirements

- Current Trajectory – Actuarial Value of Assets Returns 7% per year
- 80% funded in 2034 | 90% funded in 2039 | 100% funded in 2044
- Eliminate correlation between funding status and COLA @ 80% - \$195 million
- Eliminate correlation between funding status and COLA in 2027 - \$435 million

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Supplemental COLA Proposals | Non-Compounding

- Supplemental one-time payments payable in July for each of the next 5 years
- Payment would not require eligibility for COLA under the plan
- All annuitants (including surviving beneficiaries) v. only annuitants retired from active membership

2% Payment				
	All Annuitants	Cumulative Cost if Pay:	Retirees Only	Cumulative Cost if Pay:
July 1, 2027	\$33.54	One year: \$33.54	\$31.78	One year: \$31.78
July 1, 2028	\$35.03	Two years: \$68.56	\$33.19	Two years: \$64.96
July 1, 2029	\$36.53	Three years: \$105.09	\$34.61	Three years: \$99.58
July 1, 2030	\$37.99	Four years: \$143.09	\$36.00	Four years: \$135.58
July 1, 2031	\$39.42	Five Years: \$182.51	\$37.35	Five Years: \$172.93

3% Payment				
	All Annuitants	Cumulative Cost if Pay:	Retirees Only	Cumulative Cost if Pay:
July 1, 2027	\$50.31	One year: \$50.31	\$47.67	One year: \$47.67
July 1, 2028	\$52.54	Two years: \$102.85	\$49.78	Two years: \$97.45
July 1, 2029	\$54.80	Three years: \$157.64	\$51.92	Three years: \$149.37
July 1, 2030	\$56.99	Four years: \$214.63	\$54.00	Four years: \$203.36
July 1, 2031	\$59.13	Five Years: \$273.76	\$56.03	Five Years: \$259.39

The costs shown are at payment time. \$ in millions

Supplemental COLA Proposals | Compounding

- Two additional permanent COLAs would be payable July 1, 2027 and July 1, 2028
- Payments equal to 2% of the annuitant's annual benefit
- Payment would not require eligibility for a COLA under the plan
- All annuitant's (including those receiving survivor benefits) would receive the supplemental payments v. only annuitants retired from active membership would receive the supplemental COLA

Supplemental COLA Cost \$ in millions	2% For All Annuitants	2% for Retirees Only
July 1, 2027	\$375.6	\$360.1
July 1, 2028	\$391.0	\$374.9
Total	\$766.6	\$735.0

\$ in millions

Supplemental COLA Proposals | Reserve

- Establish a reserve fund for purposes of paying one-time supplemental payments for current retirees – earning 7% annually

Year	2% Supplemental	Reserve at Beginning of Year Before Payment	Reserve at Beginning of Year Before Payment	2% Supplemental	Year	Reserve at Beginning of Year Before Payment	Reserve at Beginning of Year Before Payment
2027	\$33.54	\$250.00	\$500.00			\$500.00	\$500.00
2028	\$35.03	\$231.61	\$499.11	\$45.72	2036	\$423.77	\$423.77
2029	\$36.53	\$210.35	\$496.57	\$46.70	2037	\$404.51	\$404.51
2030	\$37.99	\$185.99	\$492.25	\$47.59	2038	\$382.85	\$382.85
2031	\$39.42	\$158.35	\$486.05	\$48.41	2039	\$358.73	\$358.73
2032	\$40.81	\$127.26	\$477.89	\$49.32	2040	\$332.04	\$332.04
2033	\$42.15	\$92.50	\$467.68	\$50.38	2041	\$302.51	\$302.51
2034	\$43.46	\$53.87	\$455.32	\$51.52	2042	\$269.78	\$269.78
2035	\$44.65	\$11.14	\$440.69	\$52.61	2043	\$233.54	\$233.54
				\$53.67	2044	\$193.50	\$193.50
				\$54.80	2045	\$149.71	\$149.71
				\$55.96	2046	\$101.56	\$101.56
				\$57.12	2047	\$48.79	\$48.79
				NA	2048	\$0.00	\$0.00

Supplemental COLA Proposals | Summary

- Scenarios presented assume all our actuarial assumptions meet expectations
- To the extent that economic or demographic experience do not meet expectations, the plan will remain underfunded for longer and unable to support a full COLA for longer
- Plan/benefits enhancements without sufficient funding places additional risk on ERB and upward pressure on investment returns
- In all outcomes, incorporating benefit provision changes without commensurate funding will adversely affect the funding trajectory of the plan and increase risk to benefit security
- ERB staff will be presenting a summary of these proposals for consideration and endorsement by the Board of Trustees at its regularly scheduled meeting on October 30