

# Legislative Finance Committee

George K. Munoz, Chair  
Nathan P. Small, Vice Chair

FY25 Appropriation Request  
October 25, 2023



ERB

ERB

# Introduction

## **Educational Retirement Act – Section 22-11-1**

- Enacted in 1957
- Serves employees of the K-12 public schools, colleges, universities and select state agencies
- 9 Member Board of Trustees
  - Defined Benefit Plan
  - Alternative Retirement Plan
- Board Composition
  - H. Russell Goff, Chair – New Mexico Association of Educational Retirees (NMAER)
  - Mary Lou Cameron, Vice Chair – National Education Association (NEA)
  - Larry Magid, Secretary – Governor Appointee
  - The Honorable Laura Montoya, State Treasurer, Ex-Officio
  - Mario Suazo, Higher Education Department Secretary Designee, Ex-Officio
  - Antonio Ortiz, Public Education Department Secretary Designee, Ex-Officio
  - Dr. Matias Fontenla, American Federation of Teacher New Mexico (AFTNM)
  - Dr. Don Duszynski, American Association of University Professors (AAUP)
  - Max Baca, Governor Appointee

# Agency Highlights

	June 30, 2023	June 30, 2022	Difference
Active Members	61,503	59,887	1,616
Retirees & Beneficiaries	54,774	53,972	802
Retiree Payroll	\$ 1,317,587,614	\$ 1,270,821,870	46,765,744
Average Annual Benefit	\$ 25,595	\$ 24,859	\$ 736
Member Contributions	\$ 394,165,107	\$ 344,499,120	\$ 49,665,987
Employer Contributions	\$ 646,939,117	\$ 501,926,683	\$ 145,012,434
Member Contribution Refunds	\$ 54,086,836	\$ 50,692,632	\$ 3,394,204
Active Member Payroll	\$ 3,550,591,908	\$ 3,124,810,720	\$ 425,781,188
Participating Employers	220	220	-
Actuarial Value of Assets	\$ 16,207,390,685	\$ 15,358,353,947	\$ 849,036,738
Funding Period	26 years	29 years	3 years
Funded Ratio	62.9%	63.5%	-0.6%

# Agency Updates

## New Office Headquarters

- Contractor: Enterprise Builders Corporation
- Appropriations: \$1,309,000 (2020) | \$5,000,000 (2021) | \$5,000,000 (2022) | \$4,500,000 (2023) | \$15,809,000 – Total
- Land: \$1 million | Building: \$12.4 million | Design/Project Management/Inspections: \$700K | FFE: \$800K
- Start: January 2024 | Estimated Completion: April 2025
- 5211 Las Soleras Drive | 19,443 GSF

## Pension Administration System Modernization Project

- Telus Health (PAS) | Segal (Project Management) | MBS (Data Cleanse) | NTT (IV&V)
- Appropriation: \$30.5 million (2023)
- Start: July 2023 | Targeted Completion: June 2027

## Return-to-Work

- 1-year Layout | No Earnings Limit | Non-refundable Contributions | **Sunsets January 1, 2024**
  - Members currently approved to participate will be grandfathered in the program
  - No new participants after December 31, 2023
  - Available options after December 31, 2023
    - No layout / .25 FTE
    - 90-day layout / less than \$15K
    - 90-day layout / 36 consecutive/non-consecutive month limit

# Agency Updates Cont.

## Cost of Living Adjustment – July 1, 2023

- 71 percent of all participants received a COLA / 15,755 participants ineligible to receive a COLA
  - 3.60% for retirees with 25 or more years of service credit and whose monthly benefit is less than or equal to the median benefit of \$1,720.56 as of June 30, 2022 (1,116 members)
  - 3.20% for all other eligible retirees (37,192 members)
  - 4.0% for all disability retirees who have been retired for at least 3 years (711 members)
- Tier 1 and Tier 2 – members who joined ERB prior to July 1, 2013, may begin receiving a COLA on July 1 of the year in which they turn 65 or July 1 of the year following their effective retirement date, whichever date is later
- Tier 3 and Tier 4 - members who joined ERB on or after July 1, 2013, may begin receiving a COLA on July 1 of the year in which they turn 67 or July 1 of the year following their effective retirement date, whichever date is later

# Investment Performance

June 30, 2023

<u>Returns*</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years**</u>	<u>30 Years</u>
Portfolio	5.62%	11.14%	7.84%	7.98%	7.93%
Policy Index	6.51%	9.05%	7.26%	7.46%	7.17%
Annual Value added	-0.89%	1.09%	0.58%	0.52%**	0.76%
Universe Ranking	91	6	7	12	31

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

\*\*The 10-year value added represents a cumulative amount of \$1.2 billion in additional earnings.

# FY25 Appropriation Request

(dollars in thousands)					
Uses	FY23 Actuals	FY24 Operating	FY25 Request	\$ Change	% Change
200 - Personal Services / Employee Benefits	\$ 8,780.4	\$ 10,302.4	\$ 10,302.4	\$ -	0.0%
300 - Contractual Services	\$ 13,236.9	\$ 20,000.0	\$ 20,000.0	\$ -	0.0%
400 - Other Costs	\$ 1,696.8	\$ 1,927.7	\$ 2,197.2	\$ 269.5	14.0%
<b>Total</b>	<b>\$ 23,714.1</b>	<b>\$ 32,230.1</b>	<b>\$ 32,499.6</b>	<b>\$ 269.5</b>	<b>0.8%</b>
FTE	91	91	91	0	0

## Highlights:

- Personal Services & Employee Benefits – 3.2 percent vacancy rate applied / \$60K Workers’ Comp Increase
- Contractual Services – Flat w/FY24 approved operating levels
- Other Costs – Increases related to travel (due diligence), subscription for transparency and data analytics software, moving costs and services provided by the Department of Information Technology and General Services Department

# Contact Information

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