

FY2022 Budget Request Presentation to LFC

Chair
Vice-Chair

Senator John Arthur Smith
Representative Patricia A. Lundstrom

Jan Goodwin, NMERB Executive Director

November 16, 2020



Steven Gluckstern– Board Chair
H. Russell Goff – Board Vice Chair

NMERB Highlights as of June 30, 2020

| | |
|-----------------------------|-----------------|
| Active Members | 61,091 |
| Retirees and Beneficiaries | 51,397 |
| Retiree Payroll | \$1,122,274,311 |
| Member Contributions | \$328,080,239 |
| Employer Contributions | \$451,556,144 |
| Member Contribution Refunds | \$50,956,206 |
| Active Member Payroll | \$3.0 billion |
| Participating Employers | 215 |
| Net Assets | \$13.0 billion |
| Average Benefit | \$24,072 |
| Average Age at Retirement | 62.1 |
| Net Investment Return | -0.97% |

NMERB Budget Comparison for FY20 – FY22

| | | FY2020 Actuals | FY2021 | | | FY2022 Request |
|-------------|---------------------------------------|--------------------|--------------------|-------------|--------------------|--------------------|
| | | | OpBud | BAR #1 | Revised OpBud | |
| Uses | | | | | | |
| 200 | Personal Services & Employee Benefits | \$ 6,784.1 | \$ 7,566.1 | \$ 128.0 | \$ 7,694.1 | \$ 7,933.1 |
| 300 | Contractual Services | \$ 12,871.4 | \$ 22,582.0 | \$ (128.0) | \$ 22,454.0 | \$ 18,437.2 |
| 400 | Other Costs | \$ 1,608.4 | \$ 1,656.7 | \$ - | \$ 1,656.7 | \$ 1,819.1 |
| | Total | \$ 21,263.9 | \$ 31,804.8 | \$ - | \$ 31,804.8 | \$ 28,189.4 |
| FTE | | | | | | |
| | Permanent | 76 | 76 | 0 | 76 | 76 |
| | Term | 0 | 0 | 0 | 0 | 0 |
| | Temporary | 2 | 0 | 0 | 0 | 0 |
| | Total | 78 | 76 | 0 | 76 | 76 |

NMERB FY2021 Request Analysis

| | | FY2021 | | | FY2022 | % Change |
|-------------|---------------------------------------|--------------------|-------------|--------------------|--------------------|-------------------|
| | | OpBud | BAR #1 | Revised OpBud | Request | over FY21 Revised |
| Uses | | | | | | |
| 200 | Personal Services & Employee Benefits | \$ 7,566.1 | \$ 128.0 | \$ 7,694.1 | \$ 7,933.1 | 3% |
| 300 | Contractual Services | \$ 22,582.0 | \$ (128.0) | \$ 22,454.0 | \$ 18,437.2 | -18% |
| 400 | Other Costs | \$ 1,656.7 | \$ - | \$ 1,656.7 | \$ 1,819.1 | 10% |
| | Total | \$ 31,804.8 | \$ - | \$ 31,804.8 | \$ 28,189.4 | -11% |

Overall, FY22 request is less than the FY21 Operating Budget.

To control expenditures, NMERB is focused on reducing expenses where practical and identifying asset portfolios for internal management.

The New Mexico Educational Retirement Board is not funded by the State General Fund, and no funds revert to the State General Fund at year-end. We are funded by the monies we manage.



Membership, Retirees and Staffing Growth – Past 17 Years

| Category | FY2003 | FY2020 | Difference | Percent Change |
|----------|--------|--------|------------|----------------|
| Retirees | 24,085 | 51,397 | 27,312 | 133% |
| Staff | 48 | 78 | 30 | 63% |

FY2022 ICIP Request Consists of the Following:

Location: City of Santa Fe

Project: Administration Building Replacement

Amount: \$5,000,000 for construction of new facility

(Total project--\$8,600,000 from FY 20-FY22 for acquisition of land, construction, equipping and furnishing facility)

Source: NMERB funds

In FY2020, NMERB received a special appropriation in the amount of \$1,545,900 to implement and conduct a data cleanse project. Renewal for this funding has been requested for FY2022.

The project consists of 3 staff members (1 permanent and 2 term) who are identifying, locating and reaching out to our inactive membership to obtain updated member information.

The project began in January 2019 with 64,421 inactive members. As of October 2020, approximately 22,163 letters have been mailed out informing these inactive members of their contributions and benefit eligibility status.

With a 30% response rate, this has resulted in over 6,000 refund/rollover applications being processed.

How ERB Board Has Been Proactive about Sustainability

- Prior legislation- 2005, 2009, 2013 and 2019
- Actions by ERB
 - Met with members across state to discuss status and need for change – *Fall of 2017*
 - Conducted survey on preferred items to include in proposed legislation – *Spring of 2018*
 - Soliciting input from stakeholders to develop legislative package – *Summer of 2018 to present*
 - Board retreat on Improving Sustainability – *July 2018*
 - Submit legislative package for 2021 session

Proposal based on Senator Stewart bill:

Year 1: Increase employer contribution 1% to 15.15%

Year 2: Increase employer contribution 1% to 16.15%

Year 3: Increase employer contribution 1% to 17.15%

Year 4: Increase employer contribution 1% to 18.15%

All increases in employer contributions for ARP participants go to the ERB fund and not to the ARP participant.

Investment Returns

| <u>Ending Date</u> | <u>1 Year</u> | <u>3 Years</u> | <u>5 Years</u> | <u>10 Years</u> | <u>30 Years</u> |
|--------------------|---------------|----------------|----------------|-----------------|-----------------|
| June 30, 2020 | -1.0% | 4.7% | 5.7% | 7.8% | 8.2% |
| Sept. 30, 2020 | 2.4% | 5.3% | 7.4% | 7.4% | 8.3% |

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

Santa Fe Main Office

701 Camino de Los Marquez
PO Box 26129
Santa Fe, New Mexico 87502
Phone: (505) 827-8030
Fax: (505) 827-1855

Santa Fe Investment Office

1596 Pacheco Street, Suite 107
Santa Fe, NM 87505
Phone: (505) 984-5055
Fax: (505) 982-4493

Albuquerque Office

8500 Menaul Blvd NE, Suite B-450
Albuquerque, NM 87112
Phone: (505) 888-1560
Fax: (505) 830-2976

Toll Free: 1-866-691-2345

Member Help Email: ERB-MemberHelp@state.nm.us

Website: www.nmerb.org