

# New Mexico Educational Retirement Board Basics and Update

Investments and Pensions Oversight Committee

Senator George Muñoz, Chair

Representative Patricia Roybal Caballero, Vice-Chair

June 5, 2019

Jan Goodwin, Executive Director

Bob Jacksha, CIO

Mary Lou Cameron, Board Chair

H. Russell Goff, Board Vice-Chair



# NMERB Highlights as of June 30, 2018

<b>Active ERB Members</b>	<b>60,358</b>
Retirees and Beneficiaries	48,919
Retiree Payroll	\$1,069,597,322
Member Contributions	\$287,323,804
Employer Contributions	\$388,723,983
Active Member Payroll	\$2.7 billion
Participating Employers	215
ERB Net Assets	\$12.9 billion
Average Benefit	\$22,668
Average Age at Retirement	61.79
Net Investment Return	8.3%

1. Tiered Multipliers
2. Increase of Employer Contributions (.25% increase only)
3. Anti-spiking (Applies to annual salary after July 1, 2019)
4. Revise Return-to-Work provisions (contributions for those working less than .25 FTE applies after July 1, 2020)
5. Require PERA retirees who work for ERB employers to pay contributions (police officers currently working for LAUs are grandfathered in)
6. Reduce pension benefits for those who retire before age 58
7. Substitute teachers who work more than .25 FTE will pay contributions (not effective until July 1, 2020)
8. Threshold for higher employee contributions raised from \$20,000 to \$24,000.

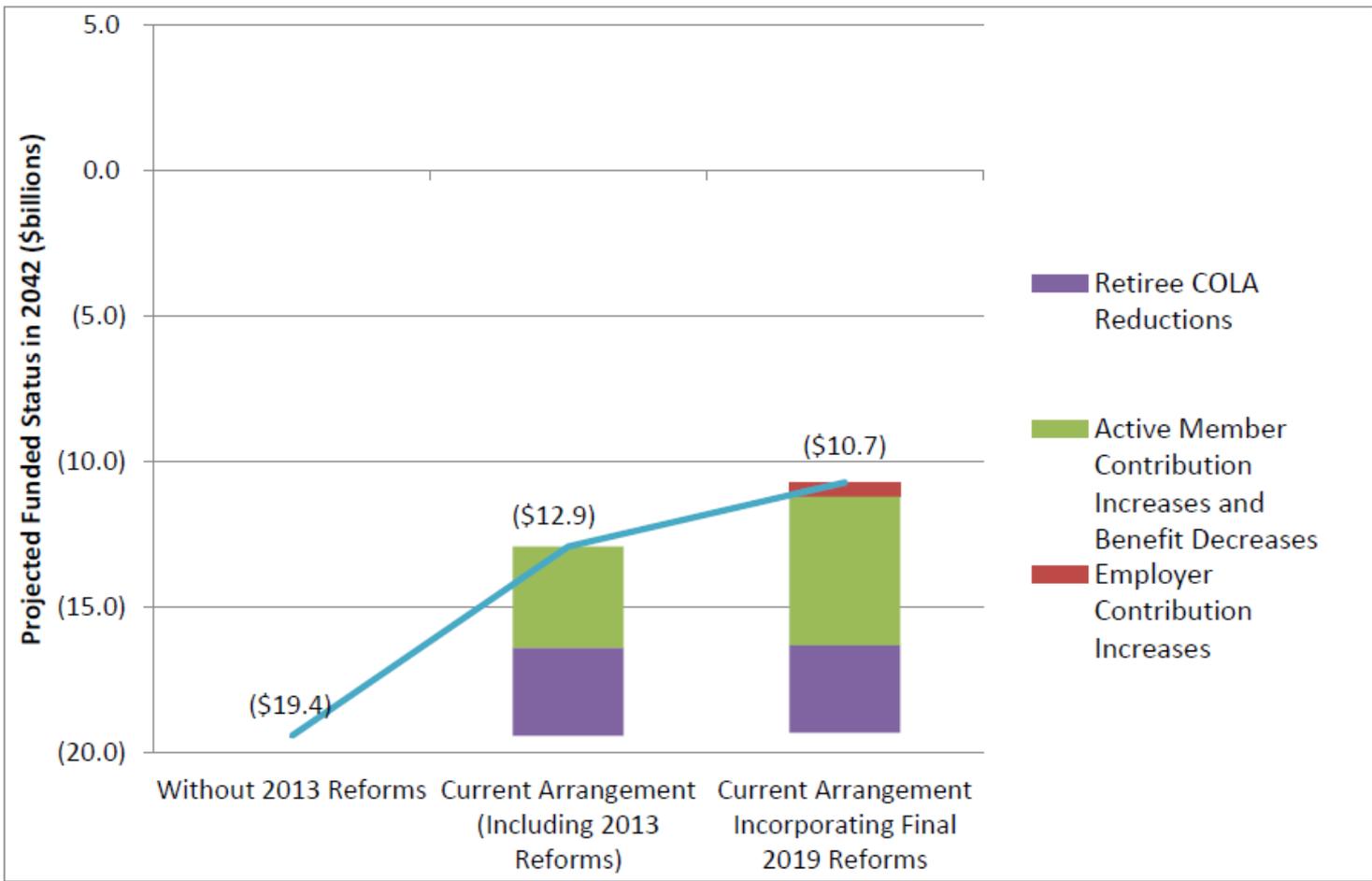
No immediate change to unfunded liability

Will cause UAAL to grow more slowly in the future

Funding period at 46 years, based on June 30, 2018 valuation

# Impact of Final 2013 and 2019 Changes

## New Mexico ERB Stakeholders Impacted by 2013 Reforms and Final 2019 Reforms



If no additional money is available for employer contributions-

What kind of changes need to be made?

Cuts for active and new members- reduce multiplier by 0.35% for all future work AND

COLA reduction- cap at 0.5%

Will be fully funded within 25 years

Pension Formula:

Contributions + Investment Income = Benefits + Expenses

## Working with our Stakeholder Group

Process incorporates Gabriel Roeder Smith's Top-Down Approach

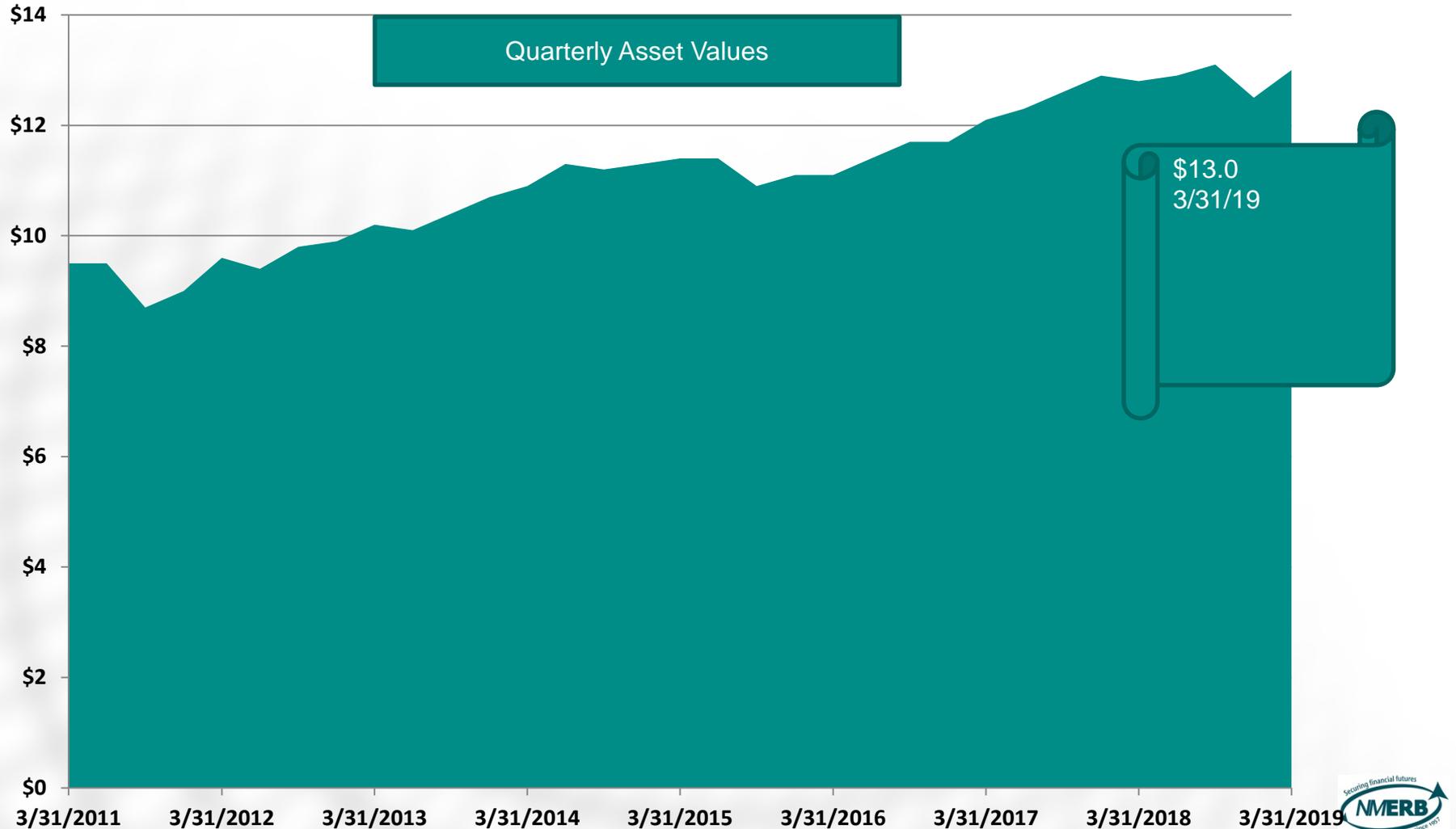
(October 16, 2018 IPOC presentation by Joseph Newton)

- Identify and acknowledge the problem
- Define the goal
- Brainstorm and test solutions
- Select the strategy
- Implement the strategy
- Monitor progress

Goals:

- Legislation for 2020
- Senator Padilla proposal from 2019 session

# March 31, 2019 – Healthy Asset Growth



# March 31, 2019 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	4.0%	5.4%	8.9%	6.9%	10.7%	8.8%
Policy Index	4.4%	5.3%	9.0%	6.5%	9.8%	7.8%
Value Add	(0.4%)	0.1	(0.1%)	0.4%	0.9%	1.0%
Universe Ranking**	6	6	23	9	17	9

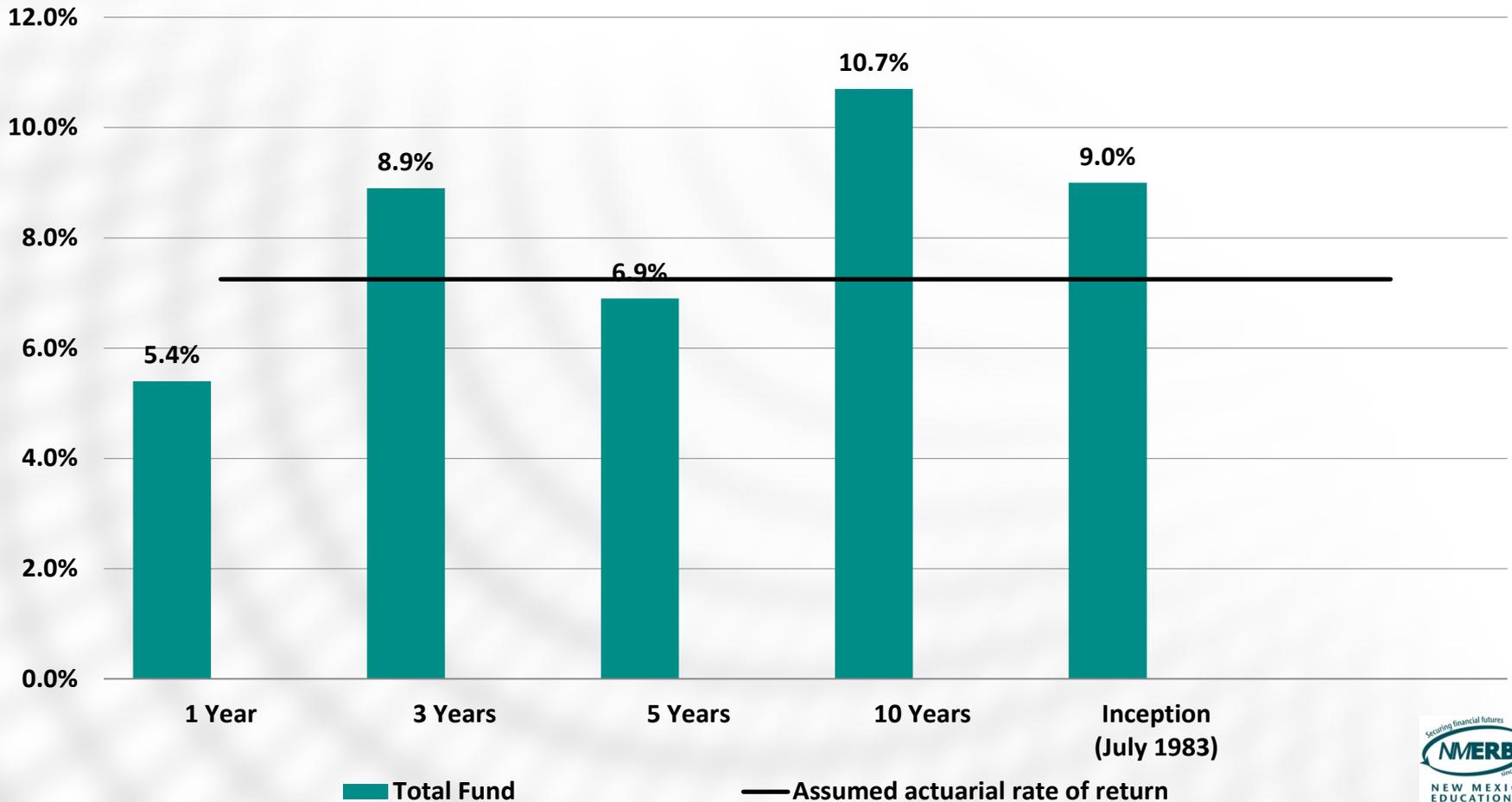
\*All returns in this presentation are net of external manager fees.

\*\*Expressed in percentiles; 1 is the best 100 the worst.



# Return vs. 7.25% Target

**NMERB Annualized Returns  
As of March 31, 2019  
Net of Fees**



# April 30, 2019 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	1.7%	5.8%	6.5%	9.1%	7.1%	10.2%	9.0%
Policy Index	1.4%	5.9%	6.5%	9.2%	6.7%	9.2%	N/A
Value Add	0.3%	(0.1%)	0.0%	(0.1)%	0.4%	1.0%	N/A

April 30, 2019 Asset Value: \$13.2 Billion

# Have We Added Value? YES!

We asked our outside consultant, NEPC to calculate the dollar value added by our actual investment portfolio results over the last ten years ( as of March 31, 2019) vs. two benchmarks: The median public pension fund with assets over \$1 billion and our policy index. Here are the results:

The portfolio added more than \$2.1 billion versus the median public plan and more than \$1.5 billion versus the policy index.