

# **Investments and Pensions Oversight Committee**

Thursday, July 7, 2016

## **ERB Update**

Jan Goodwin, Executive Director

Bob Jacksha, Chief Investment Officer

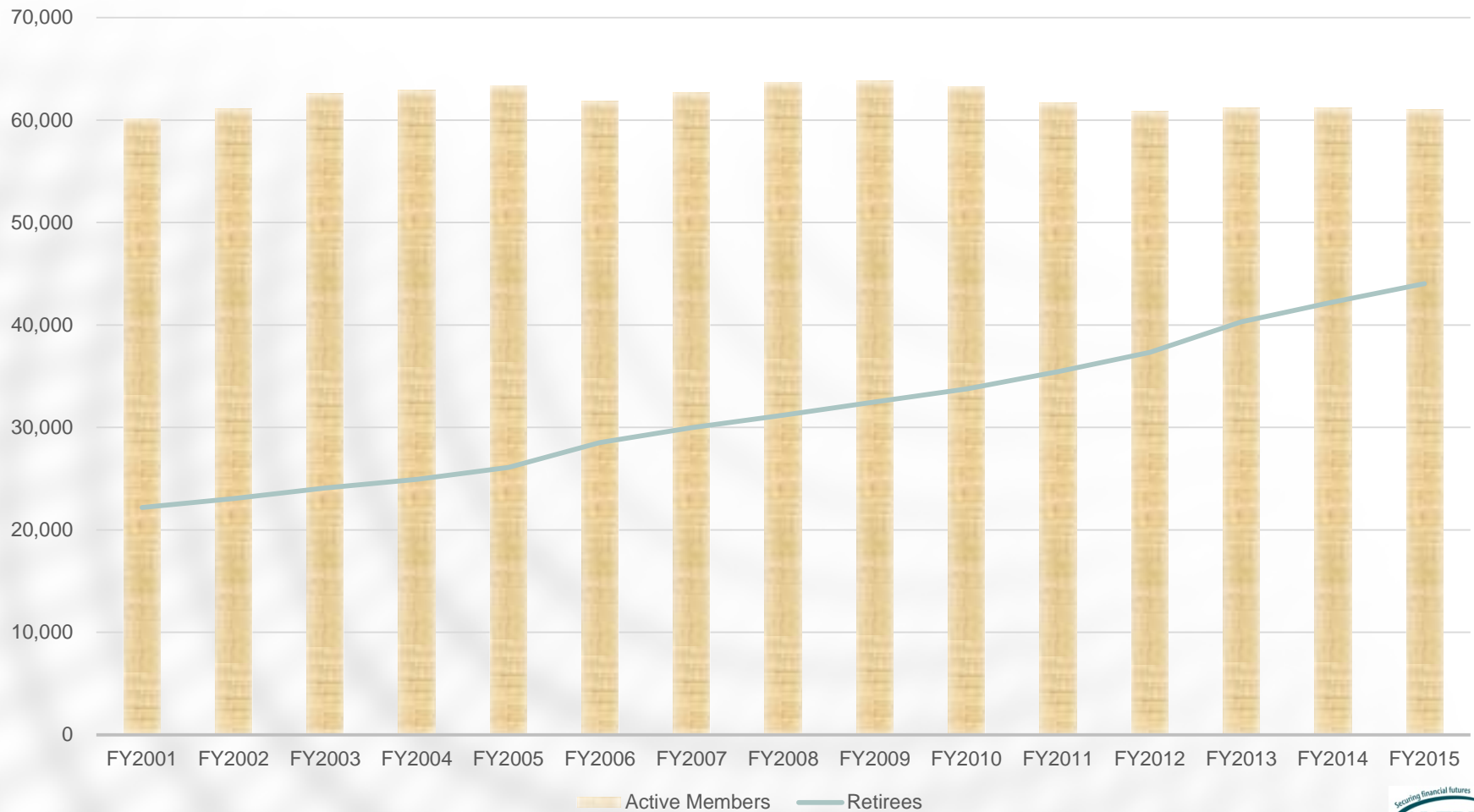
Mary Lou Cameron, Board Chair

H. Russell Goff, Board Vice Chair

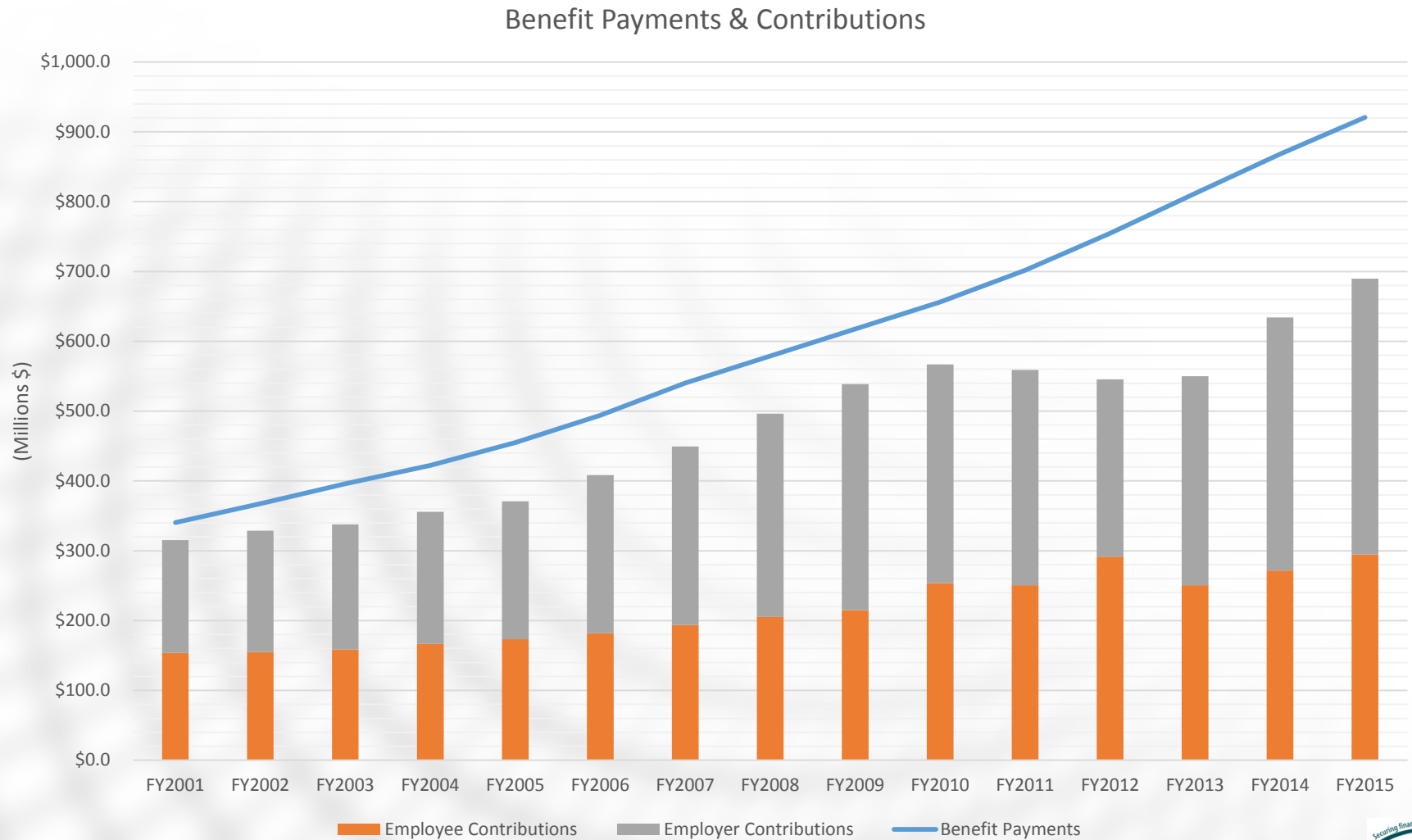
# Scope of Today's Presentation

- Update on NMERB and our membership
- Investment performance through March 31<sup>st</sup>, with a brief update through May 31<sup>st</sup>.

## ERB ACTIVE AND RETIREES FY01-FY15

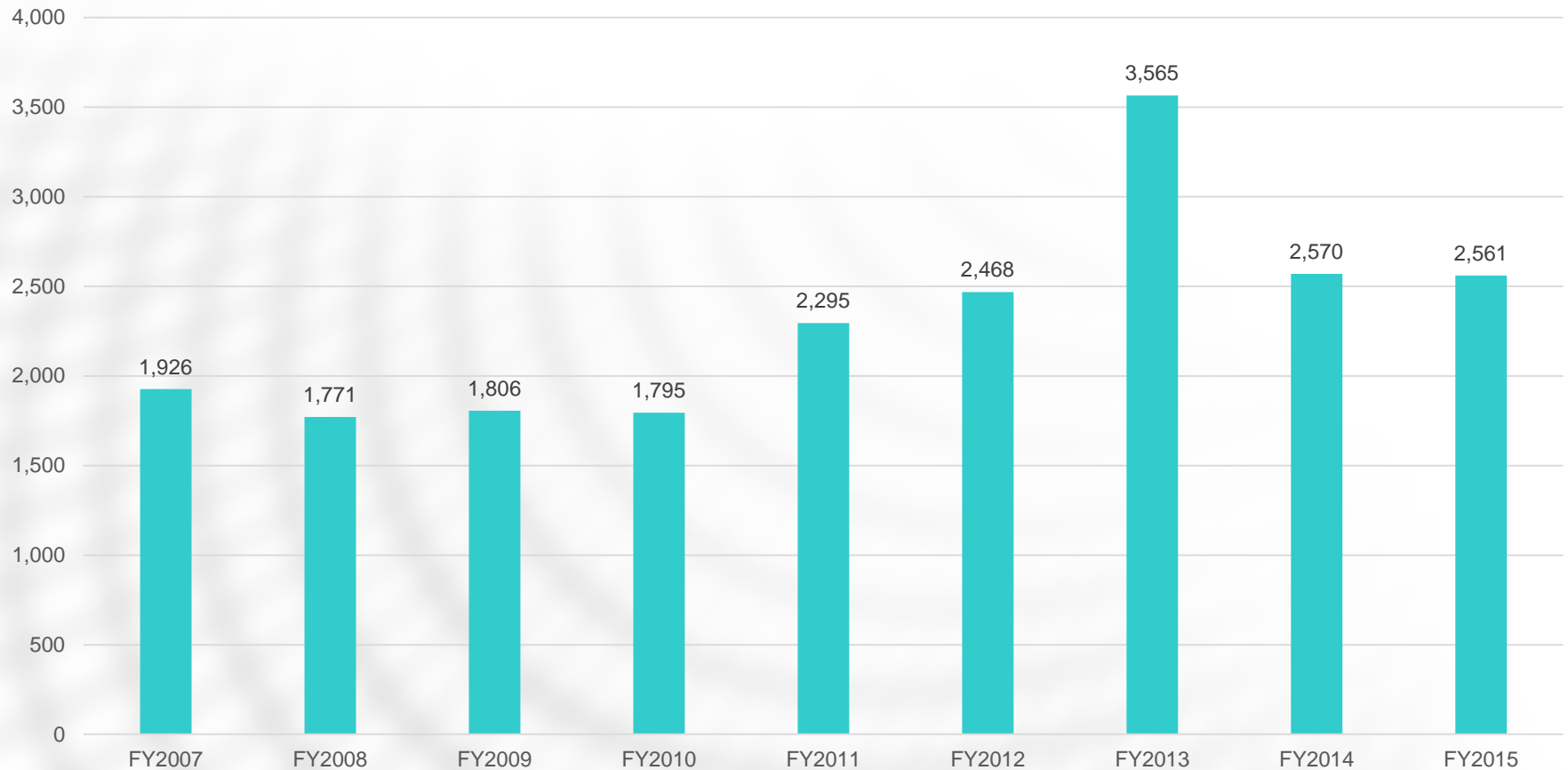


# Benefit Payments & Contributions –FY01 to FY15



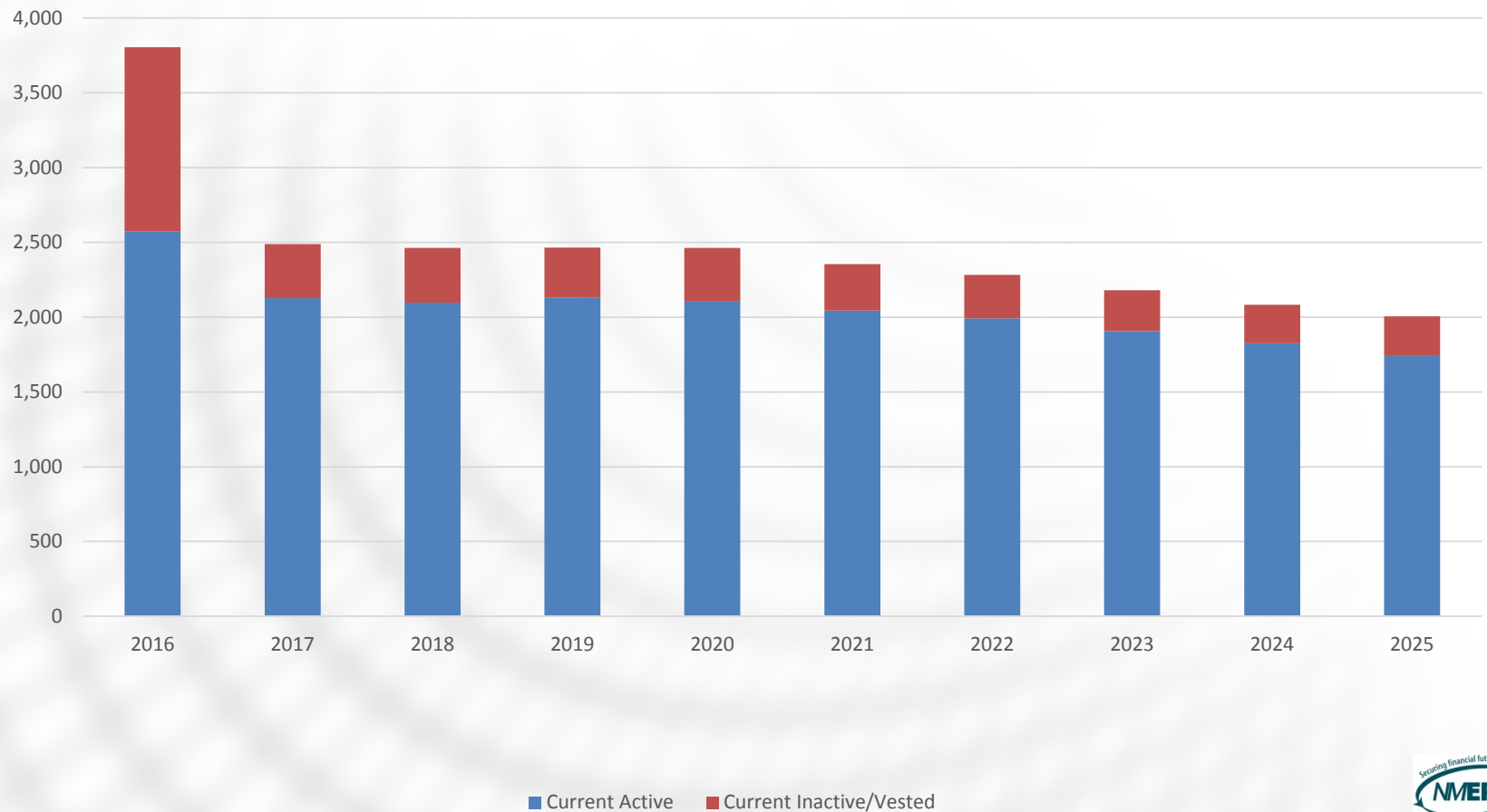
# NMERB Retirements

Retirements by Fiscal Year



# Forecast of Future Retirements

Actuarial Projection of Future Retirements



# Possible Retirement Eligibility

## ERB - Projected Active Members Qualifying for Retirement Benefits

| Base 06/30/2015 | TIER 1        |          |            |        | Total Qualified to Retire-Tier 1 | TIER 2 & 3    |          |            |        | Total Qualified to Retire-Tier 2 & 3 | Total Qualified to Retire - All Tiers | Total - All Active |
|-----------------|---------------|----------|------------|--------|----------------------------------|---------------|----------|------------|--------|--------------------------------------|---------------------------------------|--------------------|
|                 | NOT QUALIFIED | 25 & Out | Rule of 75 | 65 + 5 |                                  | NOT QUALIFIED | 30 & Out | Rule of 80 | 67 + 5 |                                      |                                       |                    |
| Base            | As of 6/30/15 | 30,865   | 2,951      | 5,522  | 197                              | 8,670         | 21,728   | 20         | 16     | 36                                   | 8,706                                 | 61,299             |
|                 | K-12          | 22,794   | 1,948      | 3,738  | 117                              | 5,803         | 14,411   | 10         | 9      | 19                                   | 5,822                                 |                    |
|                 | University    | 7,659    | 956        | 1,676  | 76                               | 2,708         | 7,032    | 8          | 7      | 15                                   | 2,723                                 |                    |
|                 | Other         | 412      | 47         | 108    | 4                                | 159           | 285      | 2          | 0      | 2                                    | 161                                   |                    |
|                 |               |          |            |        |                                  |               |          |            |        |                                      |                                       |                    |
| 1 year out      | As of 6/30/16 | 28,800   | 3,738      | 6,791  | 206                              | 10,735        | 21,660   | 35         | 69     | 104                                  | 10,839                                | 61,299             |
|                 | K-12          | 21,304   | 2,539      | 4,644  | 110                              | 7,293         | 14,373   | 18         | 39     | 57                                   | 7,350                                 |                    |
|                 | University    | 7,113    | 1,137      | 2,024  | 93                               | 3,254         | 7,004    | 15         | 28     | 43                                   | 3,297                                 |                    |
|                 | Other         | 383      | 62         | 123    | 3                                | 188           | 283      | 2          | 2      | 4                                    | 192                                   |                    |
|                 |               |          |            |        |                                  |               |          |            |        |                                      |                                       |                    |
| 3 years out     | As of 6/30/18 | 24,641   | 5,542      | 9,252  | 100                              | 14,894        | 21,297   | 109        | 358    | 467                                  | 15,361                                | 61,299             |
|                 | K-12          | 18,240   | 3,913      | 6,394  | 50                               | 10,357        | 14,151   | 57         | 222    | 279                                  | 10,636                                |                    |
|                 | University    | 6,075    | 1,540      | 2,704  | 48                               | 4,292         | 6,869    | 48         | 130    | 178                                  | 4,470                                 |                    |
|                 | Other         | 326      | 89         | 154    | 2                                | 245           | 277      | 4          | 6      | 10                                   | 255                                   |                    |
|                 |               |          |            |        |                                  |               |          |            |        |                                      |                                       |                    |
| 5 years out     | As of 6/30/20 | 20,462   | 7,773      | 11,253 | 47                               | 19,073        | 20,652   | 314        | 798    | 1,112                                | 20,185                                | 61,299             |
|                 | K-12          | 15,217   | 5,610      | 7,747  | 23                               | 13,380        | 13,747   | 182        | 501    | 683                                  | 14,063                                |                    |
|                 | University    | 4,993    | 2,034      | 3,316  | 24                               | 5,374         | 6,641    | 125        | 281    | 406                                  | 5,780                                 |                    |
|                 | Other         | 252      | 129        | 190    | 0                                | 319           | 264      | 7          | 16     | 23                                   | 342                                   |                    |
|                 |               |          |            |        |                                  |               |          |            |        |                                      |                                       |                    |
| 10 years out    | As of 6/30/25 | 10,910   | 15,488     | 13,137 | 0                                | 28,625        | 19,118   | 2,350      | 296    | 2,646                                | 31,271                                | 61,299             |
|                 | K-12          | 8,031    | 11,511     | 9,055  |                                  | 20,566        | 12,760   | 1,486      | 184    | 1,670                                | 22,236                                |                    |
|                 | University    | 2,761    | 3,714      | 3,892  |                                  | 7,606         | 6,118    | 821        | 107    | 928                                  | 8,534                                 |                    |
|                 | Other         | 118      | 263        | 190    |                                  | 453           | 240      | 43         | 5      | 48                                   | 501                                   |                    |
|                 |               |          |            |        |                                  |               |          |            |        |                                      |                                       |                    |
|                 |               | 115,678  | 35,492     | 45,955 | 550                              |               | 104,455  | 0          | 2,828  | 1,537                                |                                       |                    |

|                                    | #     | % of Active | Tier 1 Total % |
|------------------------------------|-------|-------------|----------------|
| Can retire now-end of FY15         | 8,670 | 14.14%      | 14.14%         |
| K-12                               | 5,803 | 9.47%       | 9.47%          |
| University                         | 2,708 | 4.42%       | 4.42%          |
| Other                              | 159   | 0.26%       | 0.26%          |
| Meet qualification by end of FY16  | 2,065 | 3.37%       | 17.51%         |
| K-12                               | 1,490 | 2.43%       | 11.90%         |
| University                         | 546   | 0.89%       | 5.31%          |
| Other                              | 29    | 0.05%       | 0.31%          |
| Meet qualification by end of FY18  | 4,159 | 6.78%       | 24.30%         |
| K-12                               | 3,064 | 5.00%       | 16.90%         |
| University                         | 1,038 | 1.69%       | 7.00%          |
| Other                              | 57    | 0.09%       | 0.40%          |
| Meet qualification by end of FY120 | 4,179 | 6.82%       | 31.11%         |
| K-12                               | 3,023 | 4.93%       | 21.83%         |
| University                         | 1,082 | 1.77%       | 8.77%          |
| Other                              | 74    | 0.12%       | 0.52%          |
| Meet qualification by end of FY25  | 9,552 | 15.58%      | 46.70%         |
| K-12                               | 7,186 | 11.72%      | 33.55%         |
| University                         | 2,232 | 3.64%       | 12.41%         |
| Other                              | 134   | 0.22%       | 0.74%          |

28,625

|       | #     | % of Active | Tier 2 & 3 Total % | TOTAL% |
|-------|-------|-------------|--------------------|--------|
|       | 36    | 0.06%       | 0.06%              | 14.20% |
| 19    | 19    | 0.03%       | 0.03%              | 9.50%  |
| 15    | 15    | 0.02%       | 0.02%              | 4.44%  |
| 2     | 2     | 0.00%       | 0.00%              | 0.26%  |
| 68    | 68    | 0.11%       | 0.17%              | 17.68% |
| 38    | 38    | 0.06%       | 0.06%              | 11.99% |
| 28    | 28    | 0.05%       | 0.07%              | 5.38%  |
| 2     | 2     | 0.00%       | 0.01%              | 0.31%  |
| 363   | 363   | 0.59%       | 0.76%              | 25.06% |
| 222   | 222   | 0.36%       | 0.46%              | 17.35% |
| 135   | 135   | 0.22%       | 0.29%              | 7.29%  |
| 6     | 6     | 0.01%       | 0.02%              | 0.42%  |
| 645   | 645   | 1.05%       | 1.81%              | 32.93% |
| 404   | 404   | 0.66%       | 1.11%              | 22.94% |
| 228   | 228   | 0.37%       | 0.66%              | 9.43%  |
| 13    | 13    | 0.02%       | 0.04%              | 0.56%  |
| 1,534 | 1,534 | 2.50%       | 4.32%              | 51.01% |
| 987   | 987   | 1.61%       | 2.72%              | 36.27% |
| 522   | 522   | 0.85%       | 1.51%              | 13.92% |
| 25    | 25    | 0.04%       | 0.08%              | 0.82%  |

2,646

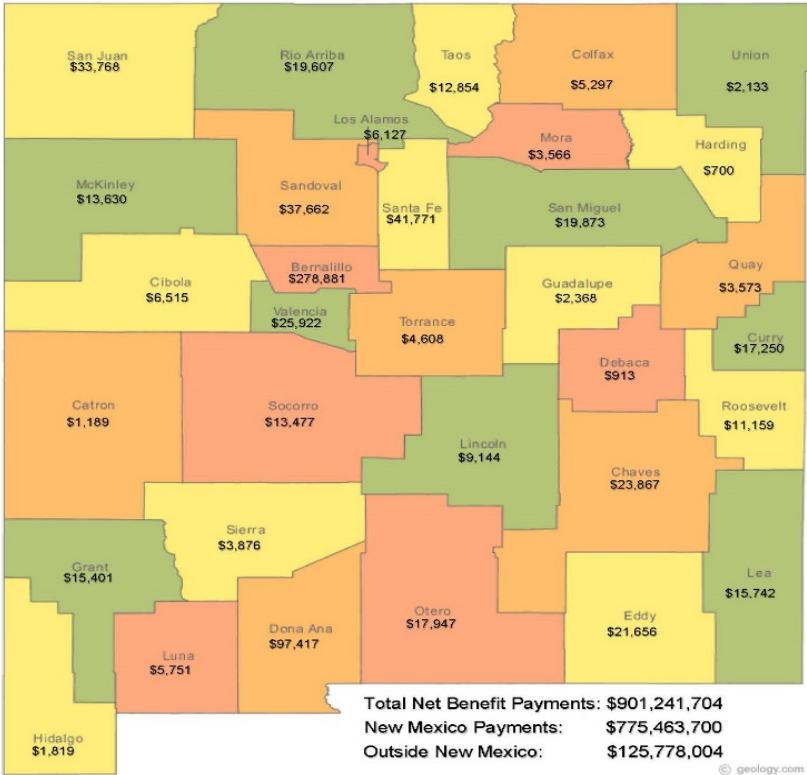
# NMERB Retiree Benefits by County

New Mexico Educational Retirement Board

STATISTICS SECTION

Financial Trends - Continued

**2015 Retiree Net Benefits by County in New Mexico (\$000s)**



The direct impact of the Educational Retirement Board's pension benefits ripples through New Mexico's economy.



# Key Consultants and Service Providers

|                         |   |
|-------------------------|---|
| Actuary                 | Gabriel Roeder Smith & Company<br>5605 N. MacArthur Blvd., Suite 870<br>Irving, TX 75038-2631   |
| Auditor                 | CliftonLarsonAllen<br>500 Marquette NW, Suite 800<br>Albuquerque, NM 87102  |
| Internal Audit Services | REDW, LLC<br>7425 Jefferson St NE<br>Albuquerque, NM 87109  |
| Investment Consultants  | NEPC, LLC<br>255 State Street<br>Boston, MA 02109<br><br>Real Asset Portfolio Management<br>15350 SW Sequoia Pkwy, Suite 105<br>Portland, OR 97224<br><br>Top Tier Capital Partners, LLC<br>600 Montgomery Street, Suite 480<br>San Francisco, CA 94111 |

# Key Consultants and Service Providers (continued)

|                                    |   |
|------------------------------------|---|
| Investment Consultants (continued) | Caledon Capital Management, Inc.<br>141 Adelaide Street, Suite 1500<br>Toronto, Ontario M5H 3L5 |
| Custody Bank                       | State Street Bank & Trust Company<br>1776 Heritage Drive<br>North Quincy, MA 02171              |
| Legal Services                     | Foster Pepper, PLLC<br>1111 Third Ave<br>Seattle, WA 98101                                      |
|                                    | Freedman Boyd Holander Goldberg Urias Ward<br>200 3rd St NW, Suite 700<br>Albuquerque, NM 87102 |
|                                    | Groom Law Group, Chartered<br>1701 Pennsylvania Avenue, NW<br>Washington, DC 20006              |
|                                    | K & L Gates, LLP<br>925 4th Ave Suite 290<br>Seattle, WA 98104                                  |
| Software Maintenance               | ViTech Systems Group, LLC<br>401 Park Ave South<br>New York, NY 10016                           |

# Investment Highlights as of March 31st

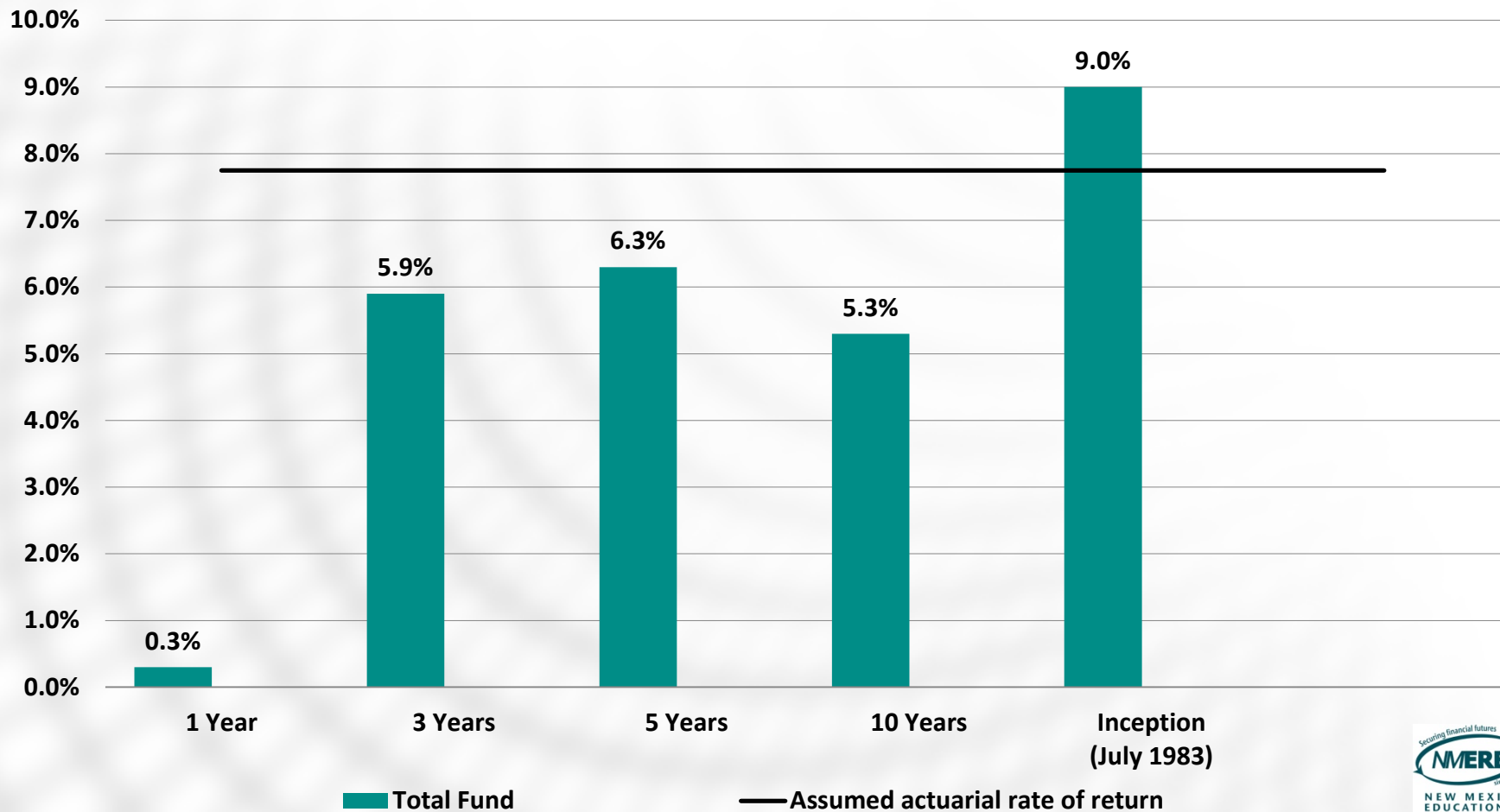
- Investment earnings for the twelve months ended March 31<sup>st</sup> were approximately \$44.8 million, a return of 0.4%, net of investment management fees.
- Portfolio returns fell short of the actuarial target in most periods measured, with the exception of 30 years or longer.
- Actual returns exceeded the policy index in all periods measured.
- Our 30 year return of 9.2% (gross of fees) ranked #1 in the relevant InvestorForce public pension peer group.
- Assets equaled \$11.1 billion on March 31<sup>st</sup>.

# March 31, 2016 Investment Returns

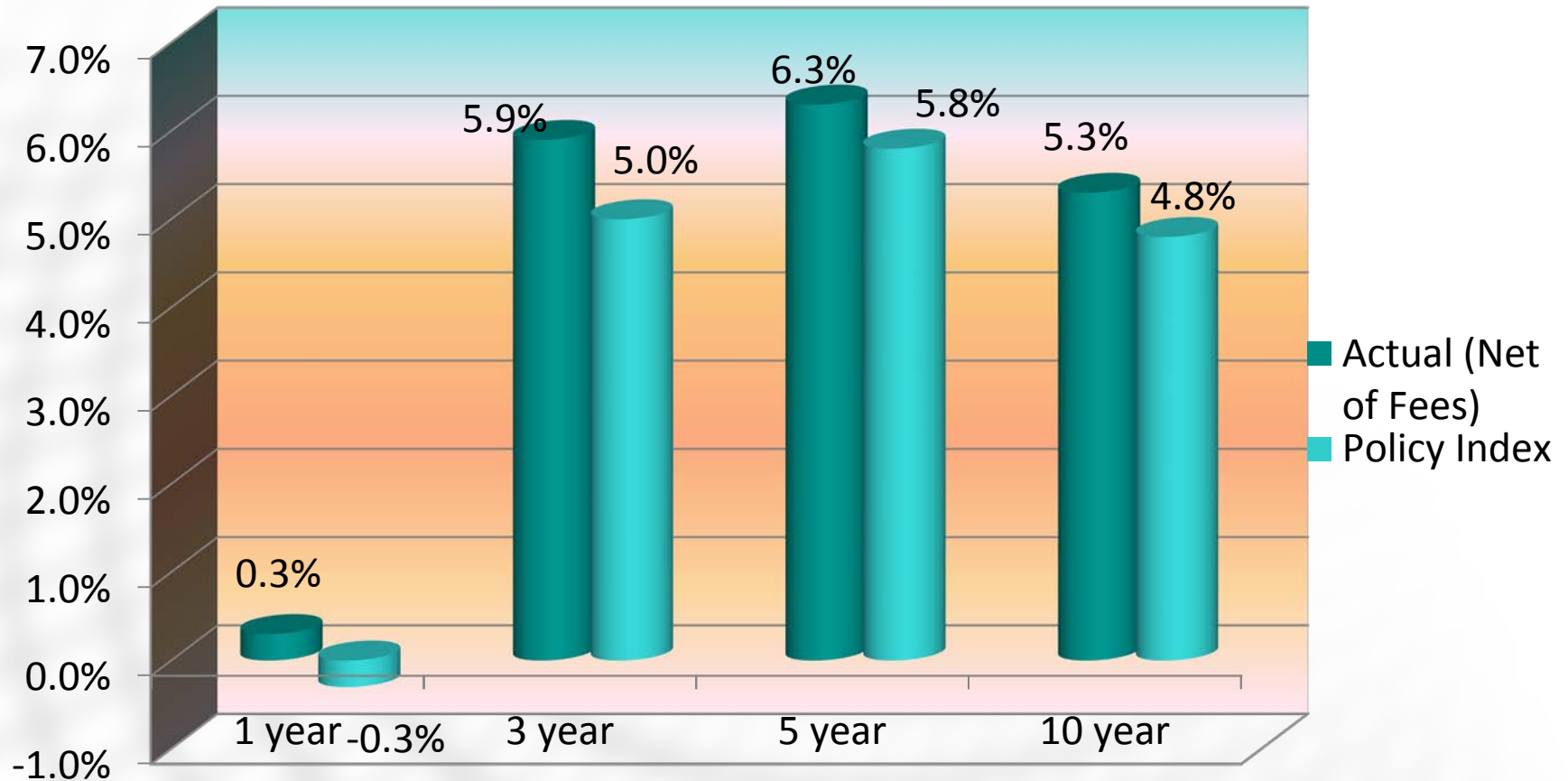
| <u>Returns</u> | <u>FYTD</u> | <u>1 Years</u> | <u>3 Years</u> | <u>5 Years</u> | <u>10<br/>Years</u> | <u>Since<br/>Inception</u><br>July 1983 |
|----------------|-------------|----------------|----------------|----------------|---------------------|---|
| Gross of Fees  | 0.1%        | 0.4%           | 6.0%           | 6.4%           | 5.6%                | 9.1%                                    |
| Net of Fees    | 0.0%        | 0.3%           | 5.9%           | 6.3%           | 5.3%                | 9.0%                                    |

# Return vs. 7.75% Target

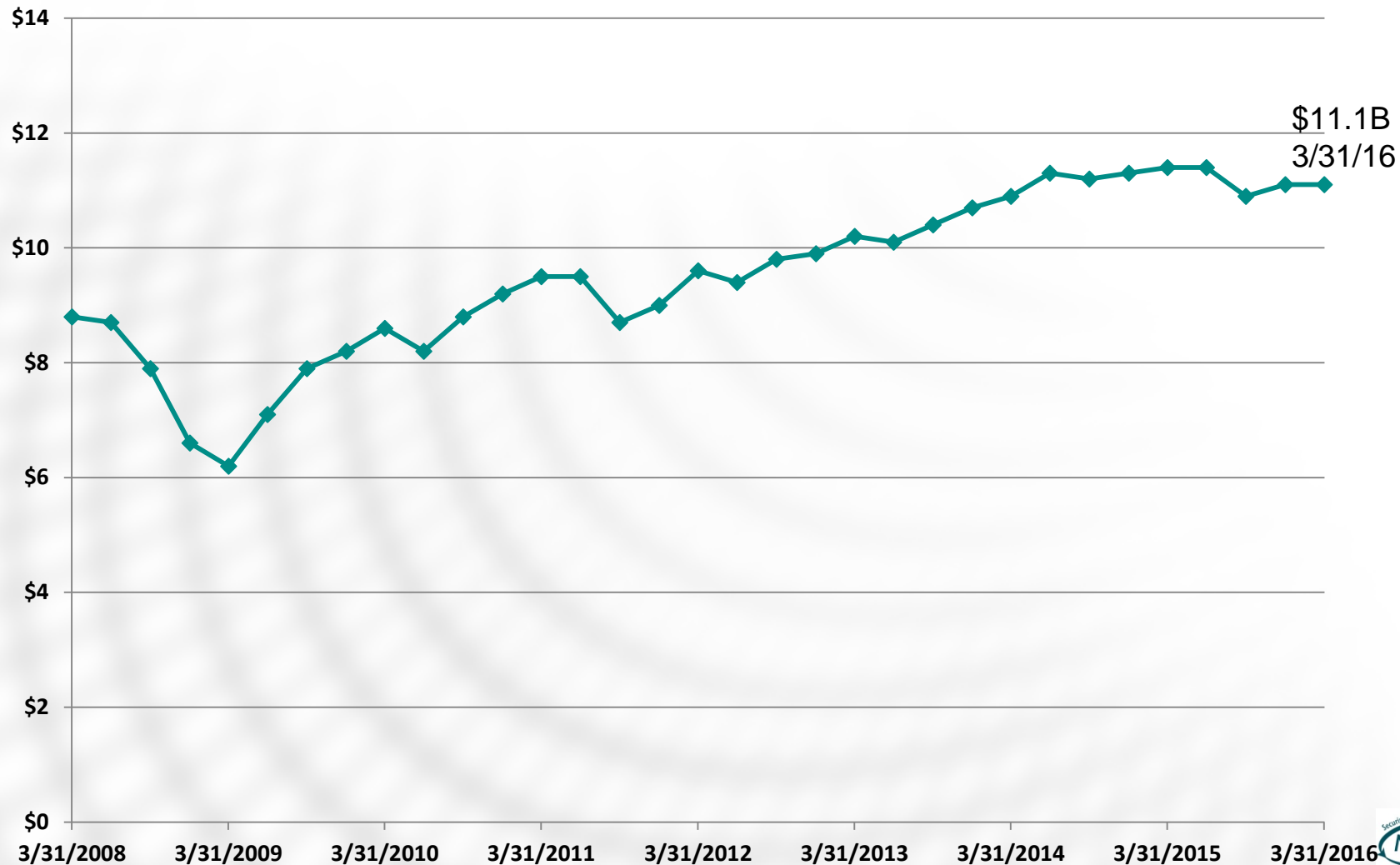
**NMERB Annualized Returns  
As of March 31, 2016  
Net of Fees**



# Actual vs. Policy – Periods Ending March 31st

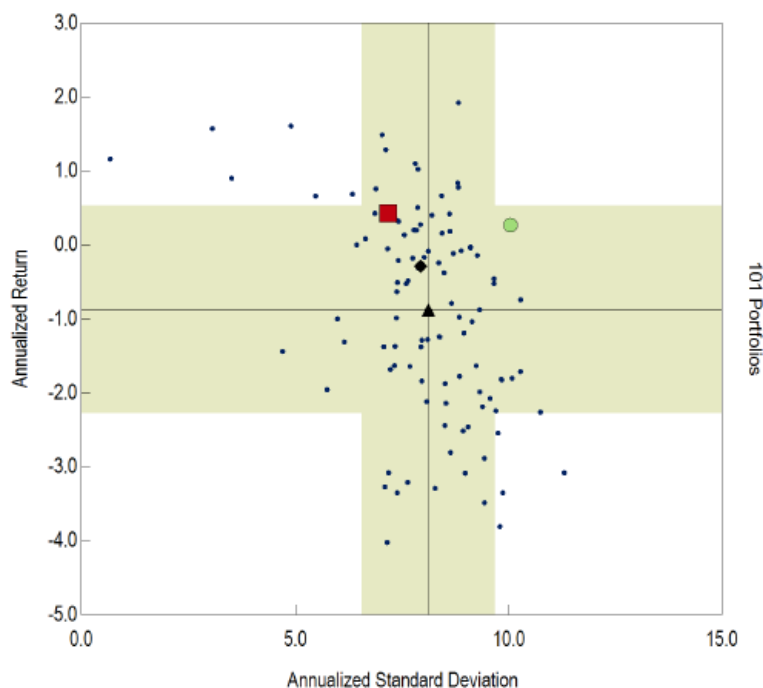


# Quarterly ERB Assets: March 2008-March 2016



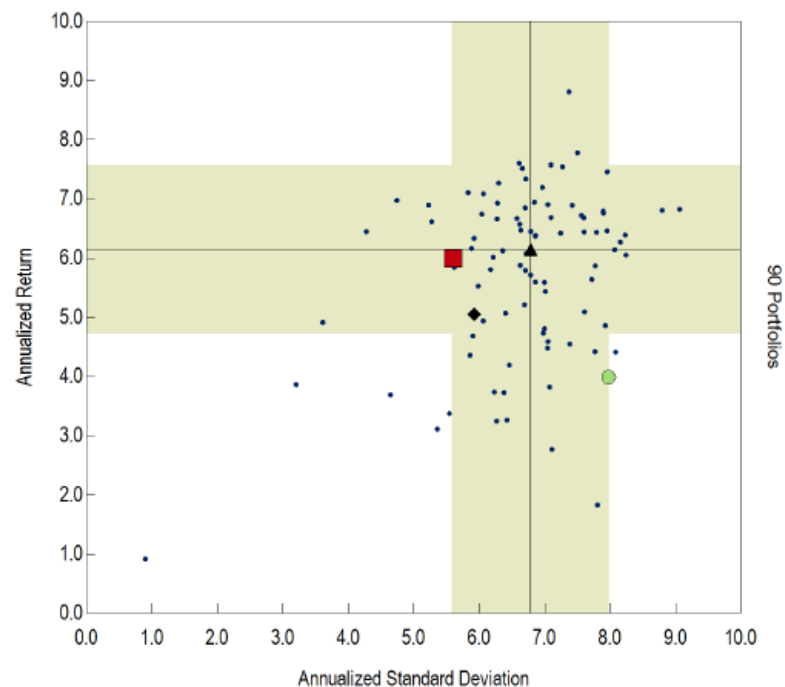
# Risk and Return Comparisons

1 Year Ending March 31, 2016



- Total Fund
- ◆ Policy Index
- 60% MSCI ACWI (Gross)/40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

3 Years Ending March 31, 2016



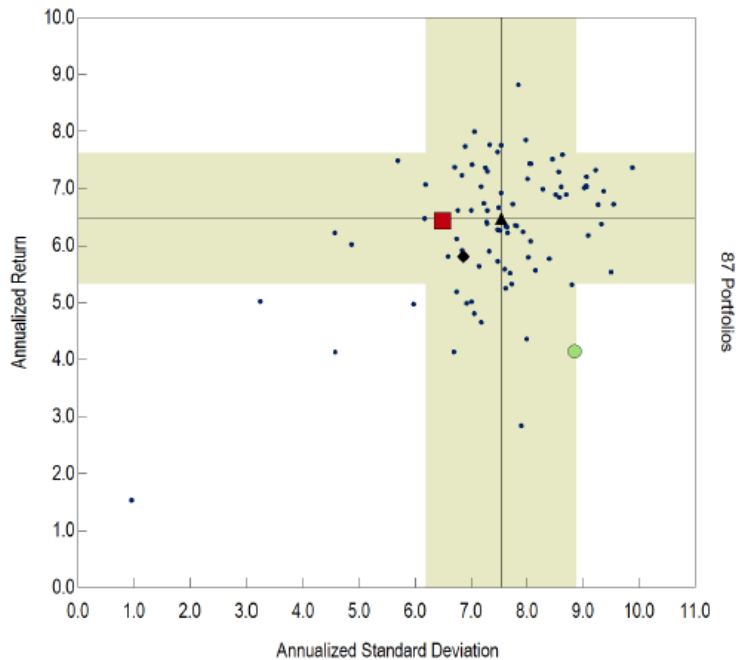
- Total Fund
- ◆ Policy Index
- 60% MSCI ACWI (Gross)/40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

Note: Ranks are based on gross returns.



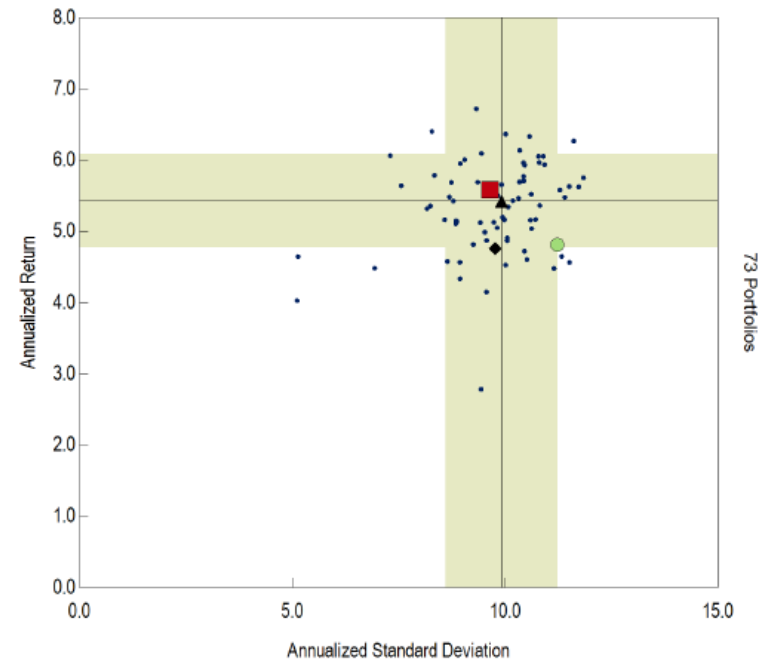
# Risk and Return Continued

5 Years Ending March 31, 2016



- Total Fund
- ◆ Policy Index
- 60% MSCI ACWI (Gross)/40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

10 Years Ending March 31, 2016



- Total Fund
- ◆ Policy Index
- 60% MSCI ACWI (Gross)/40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

Note: Ranks are based on gross returns.



- In April, the investment portfolio returned 1.2%.
- The return for May was 0.3%, bringing the fiscal year to date return to 1.5%
- Assets equaled \$11.3B as of May 31<sup>st</sup>.
- In April, ERB was the recipient of the 2016 Investor Intelligence Network award for Portfolio Construction.

# Questions?

Website - <http://nmerb.org>

Email: [ERB-MemberHelp@state.nm.us](mailto:ERB-MemberHelp@state.nm.us)

Santa Fe office: 701 Camino De Los Marquez  
Santa Fe, NM 87505

Mailing address: PO Box 26129  
Santa Fe, NM 87502

Toll free: 1 (866) 691-2345

Phone: (505) 827-8030

Fax: (505) 827-1855

Albuquerque office: 6201 Uptown Blvd., NE Suite 204  
Albuquerque, NM 87110

Phone: (505) 888-1560

Fax: (505) 830-2976

