

New Mexico Educational Retirement Board Strategic Goals; Staff and Salary Structure

Investments and Pensions Oversight Committee

Representative Tomás Salazar, Chair

George Muñoz, Vice-Chair

August 3, 2017

Jan Goodwin, Executive Director

Bob Jacksha, CIO

Mary Lou Cameron, Board Chair

H. Russell Goff, Board Vice-Chair



Mission

- Providing secure retirement benefits for New Mexico's educational employees- past, present and future

Vision

- To be an effective and trusted manager of New Mexico's Educational retirement system

Values

- Innovation, Integrity, Quality, Respect, Service, Stewardship and Transparency

Goal 1: Improve and maintain the financial condition of the fund:

- Continued increases in NMERB's funded ratio. The defined benefit plan is a secure element of NMERB members' retirement
- Asset allocation and performance are within established ranges
- The fund performs efficiently in relation to state, national, and international economic climates

Challenges to Goal 1:

- Staffing and salary structure that does not address our needs
- Lack of growth in the New Mexico economy
- Decline in number of active members

Goal 2: Continually improve the quality of member and employer service:

- Members and employers are highly satisfied with the administrative support provided to them
- Constituents are delighted with NMERB's communications
- Members and employers understand the value of NMERB benefits
- Members are equipped to make informed decisions about their retirement security

Challenges to Goal 2:

- Physical plant- NMERB is in an outdated building with safety challenges

Goal 3: Perform agency-wide risk identification and develop associated management efforts to control:

- Business process risk policy addresses risk management on agency-wide basis
- Agency-wide efforts to identify and mitigate risk
- Investment returns are less volatile
- Internal audits are performed in accordance with industry best practices
- Staff attrition rates decline, reducing loss of institutional knowledge

Challenges to Goal 3:

- Cybersecurity threats are increasingly pervasive and complex

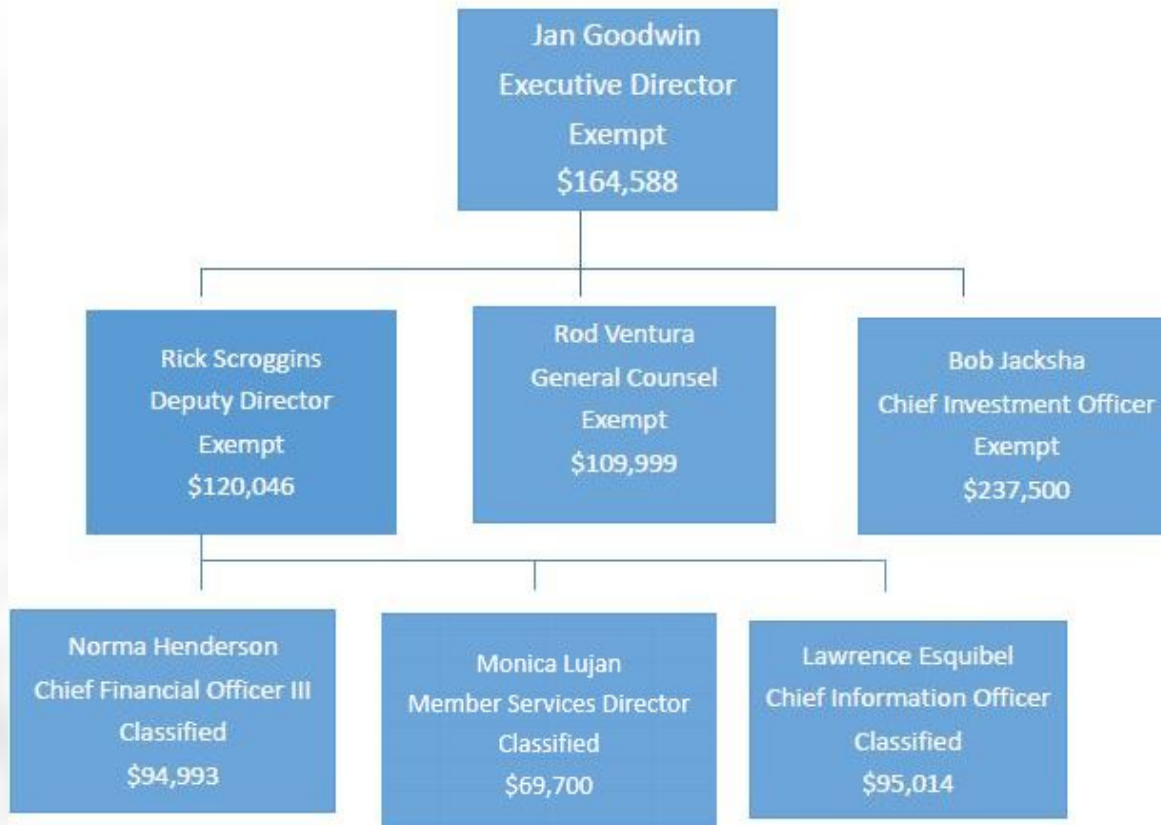
Goal 4: Build strong, effective relationships with all stakeholders to collaborate on necessary legislative or administrative improvement in plan structure:

- Establish continuing dialogue with various stakeholders to enhance communication and facilitate efforts on common goals through a variety of media
- Communicate with employers on changes within their systems that will impact member benefits within NMERB prior to any potential change

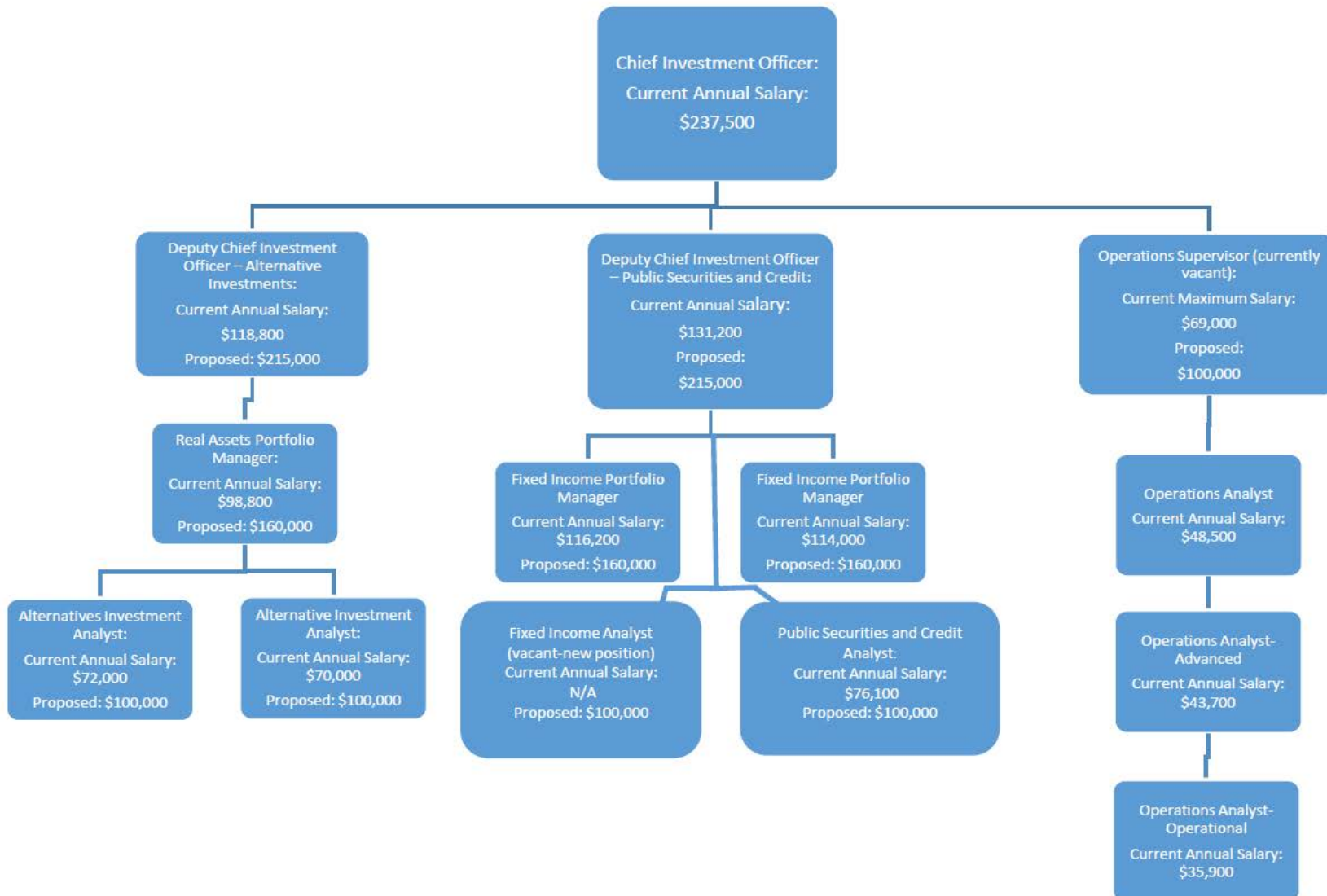
Challenges to Goal 4:

- Actuarial matters are highly complex and difficult to communicate

NMERB Senior Staff



NMERB Investment Division



- ERB manages a substantial amount of its \$12.3 billion in assets internally.
 - S&P 500 Index: \$2 billion
 - Core Bonds: \$985 million
 - REIT Index: \$100 million

These efforts result in substantial fee savings.

Co-Investment Accounts

- ERB has partnered with outside advisors to create co-investment accounts in Private Equity, Real Estate, Natural Resources and Infrastructure.
- Current market value of assets is nearly \$500 million.
- These accounts offer two advantages over conventional private asset contracts:
 - First, ERB has the right to veto any investment, giving us increased selectivity.
 - Second, fees are about half of conventional fee rates, resulting in substantial savings.

- Current annual internal management and co-investment savings:
\$24,500,000
- Annual cost of increased compensation:
\$425,000
- We are currently working on a project to bring more assets in-house. Anticipated annual savings:
\$1,500,000

Staffing Challenges

- Attracting and retaining qualified personnel is a significant challenge
- While finding qualified individuals is possible, hiring them at current salary ranges is challenging. In some cases, nearly impossible
- Two of our recently filled positions took over 18 months to fill and were turned down by multiple candidates due to low salary offered by ERB.
- With the size, complexity and amount of internal management we use for our portfolio, we can't afford to hire unqualified personnel.

ERB Schedule of Contribution Rates

| Fiscal Year | wage category | Date Range | Member Rate | Employer Rate | Total | % Employee Pays |
|-------------|---------------|----------------------|-------------|---------------|---------|-----------------|
| 58-59 | | 7/1/1957 - 6/30/1959 | 3.00% | 4.00% | 7.00% | 42.86% |
| 60-74 | | 7/1/1959 - 6/30/1974 | 4.00% | 6.50% | 10.50% | 38.10% |
| 75-79 | | 7/1/1974 - 6/30/1979 | 5.50% | 6.50% | 12.00% | 45.83% |
| 80-81 | | 7/1/1979 - 6/30/1981 | 6.50% | 6.50% | 13.00% | 50.00% |
| 82-84 | | 7/1/1981 - 6/30/1984 | 6.80% | 6.80% | 13.60% | 50.00% |
| 85-93 | | 7/1/1984 - 6/30/1993 | 7.60% | 7.60% | 15.20% | 50.00% |
| 94-2005 | | 7/1/1993 - 6/30/2005 | 7.60% | 8.65% | 16.25% | 46.77% |
| 2006 | | 7/1/2005 - 6/30/2006 | 7.675% | 9.40% | 17.075% | 44.95% |
| 2007 | | 7/1/2006 - 6/30/2007 | 7.75% | 10.15% | 17.90% | 43.30% |
| 2008 | | 7/1/2007 - 6/30/2008 | 7.825% | 10.90% | 18.725% | 41.79% |
| 2009 | | 7/1/2008 - 6/30/2009 | 7.90% | 11.65% | 19.55% | 40.41% |
| 2010 & 2011 | \$20k or less | 7/1/2009 - 6/30/2011 | 7.90% | 12.40% | 20.30% | 38.92% |
| 2010 & 2011 | Over \$20K | 7/1/2009 - 6/30/2011 | 9.40% | 10.90% | 20.30% | 46.31% |
| 2012 | \$20k or less | 7/1/2011 - 6/30/2012 | 7.90% | 12.40% | 20.30% | 38.92% |
| 2012 | Over \$20K | 7/1/2011 - 6/30/2012 | 11.15% | 9.15% | 20.30% | 54.93% |
| 2013 | \$20k or less | 7/1/2012 - 6/30/2013 | 7.90% | 12.40% | 20.30% | 38.92% |
| 2013 | Over \$20K | 7/1/2012 - 6/30/2013 | 9.40% | 10.90% | 20.30% | 46.31% |
| 2014 | \$20k or less | 7/1/2013 - 6/30/2014 | 7.90% | 13.15% | 21.05% | 37.53% |
| 2014 | Over \$20K | 7/1/2013 - 6/30/2014 | 10.10% | 13.15% | 23.25% | 43.44% |
| 2015 | \$20k or less | 7/1/2014 - future | 7.90% | 13.90% | 21.80% | 36.24% |
| 2015 | Over \$20K | 7/1/2014 - future | 10.70% | 13.90% | 24.60% | 43.50% |

ERB Contact Information:

Santa Fe

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

Albuquerque

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

Jan Goodwin

Jan.Goodwin@state.nm.us

(505) 476-6118

