

**NEW MEXICO
EDUCATIONAL
RETIREMENT BOARD**

IPOC

**Representative Roybal Caballero, Chair
Senator Gonzales, Vice Chair**

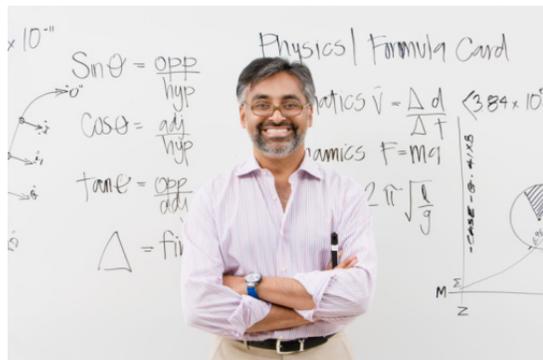
October 19, 2021

**Rick Scroggins, Interim Executive Director
Bob Jacksha, Chief Investment Officer**

**H. Russell Goff, Chair
Mary Lou Cameron, Vice Chair**



- Active and retired employees of New Mexico's
 - Public schools
 - Public institutions of higher learning
 - Certain employees of state agencies who work in educational programs



Board has nine members:

- 2 Governor appointees
- 3 Ex officio: Secretary of the Public Education Department
 - * Secretary of the Higher Education Department
- State Treasurer
- 1 National Education Association
- 1 New Mexico Association of Educational Retirees
- 1 American Association of University Professors
- 1 * American Federation of Teachers New Mexico

(* Identifies new board member position created by SB303 in 2021.)

H. Russell Goff, Chair – NMAER

Mary Lou Cameron, Vice Chair – NEA

Larry Magid, Secretary – Governor Appointee

Tim Eichenberg – State Treasurer - *Ex Officio*

*Mario Suazo – HED designee - *Ex Officio*

Kurt Steinhaus – PED Secretary - *Ex Officio*

*Matias Fontenla – AFTNM

Don Duszynski – AAUP

Vacant – Governor Appointee

(* Identifies new board member position created by SB303 in 2021.)

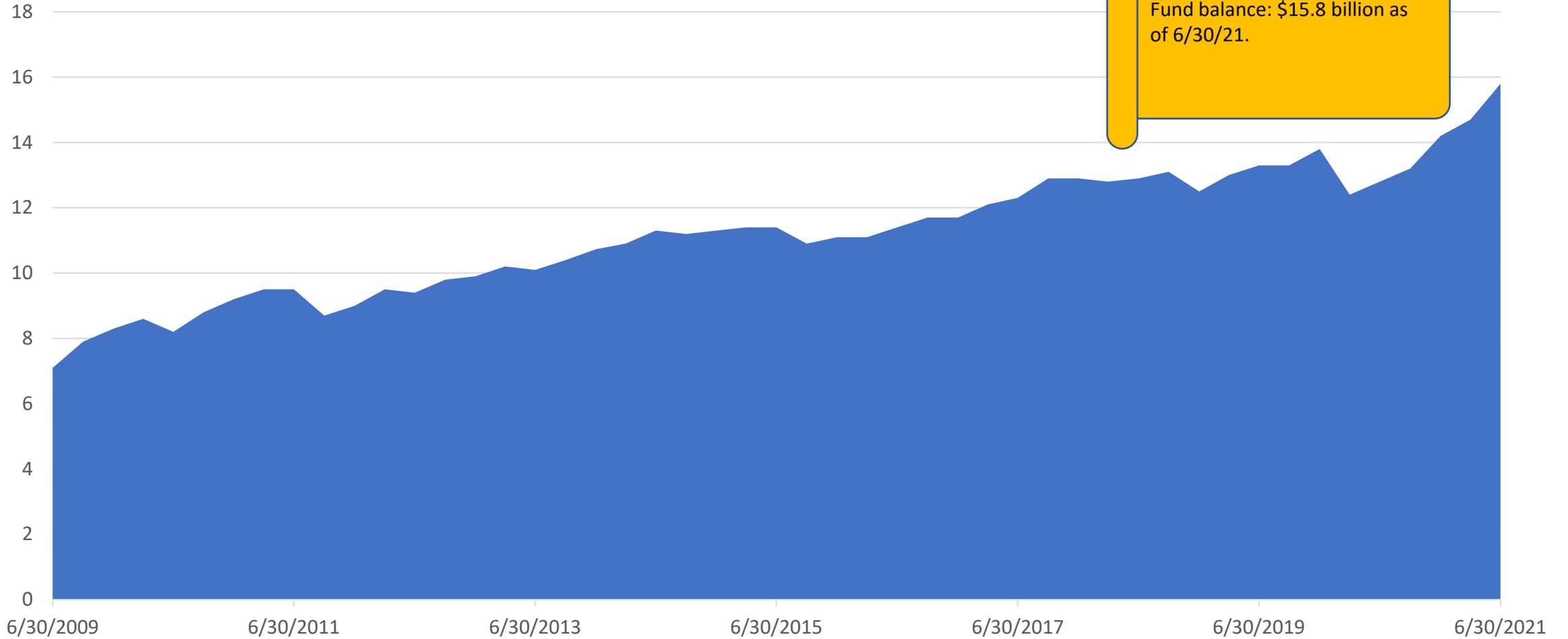
Active ERB Members	61,091
Retirees and Beneficiaries	51,397
Retiree Payroll	\$1,169,304,517
Member Contributions	\$328,080,239
Employer Contributions	\$461,556,144
Active Member Payroll	\$3.0 billion
Participating Employers	216
ERB Net Assets	\$13.0 billion
Average Benefit	\$23,388
Average Age at Retirement	62.1
Net Investment Return/(Loss)	(0.97%)

Evaluating Performance

- Look at both Risk and Return.
- ERB has done well on various comparative criteria:
 - Policy Index.
 - Peer Universe.
 - Actuarial Assumption.
 - Variability.
- Evaluate over multiple year time frame. Outcomes in a single quarter or year are subject to random chance.
- “No amount of sophistication is going to allay the fact that all of your knowledge is about the past and all your decisions are about the future.”
 - Ian Wilson



Historical Asset Growth





June 30, 2021 Investment Returns

<u>Returns*</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>30 Years</u>
Portfolio	28.76%	11.01%	10.62%	8.61%	8.67%
Policy Index	24.28%	10.78%	10.56%	8.27%	7.84%
Annual Value added	4.48%	0.23%	0.06%	0.34%	0.83%
Universe Ranking	27	37	45	34	29

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

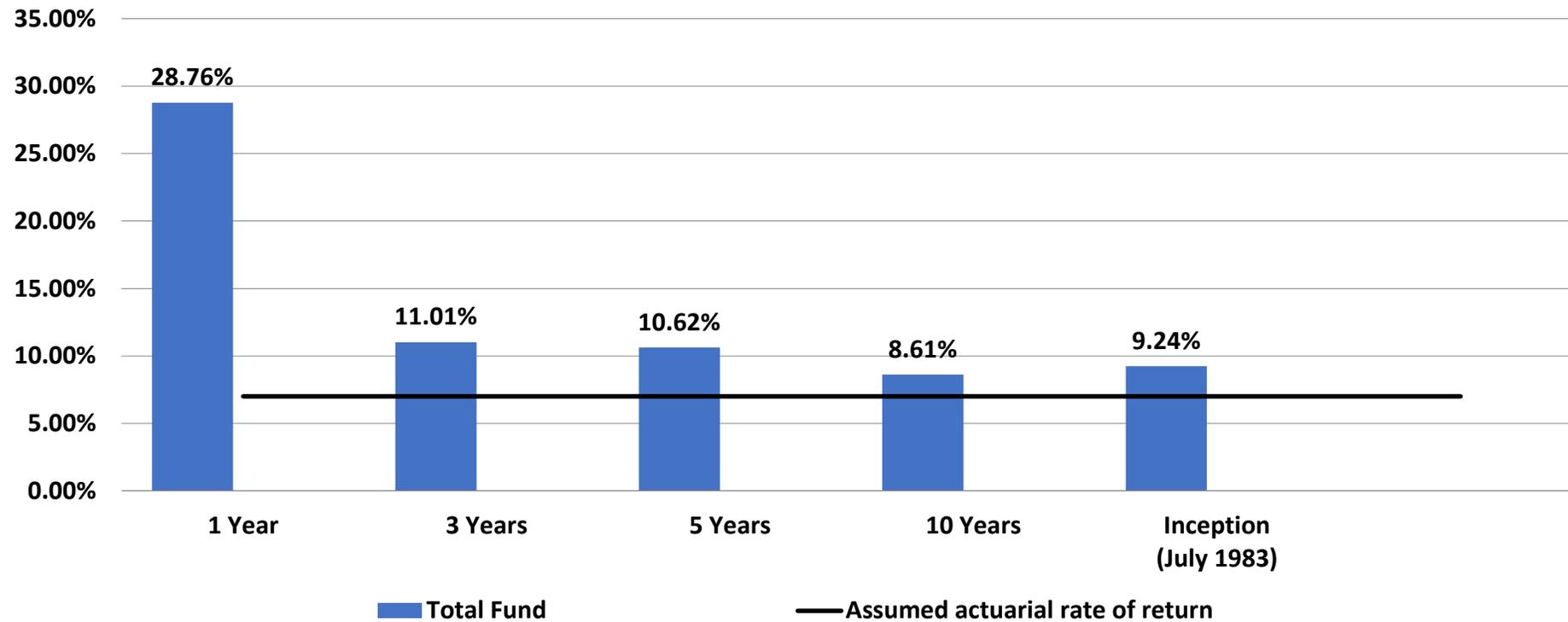


Actual Return vs. 7% Target

NMERB Annualized Returns

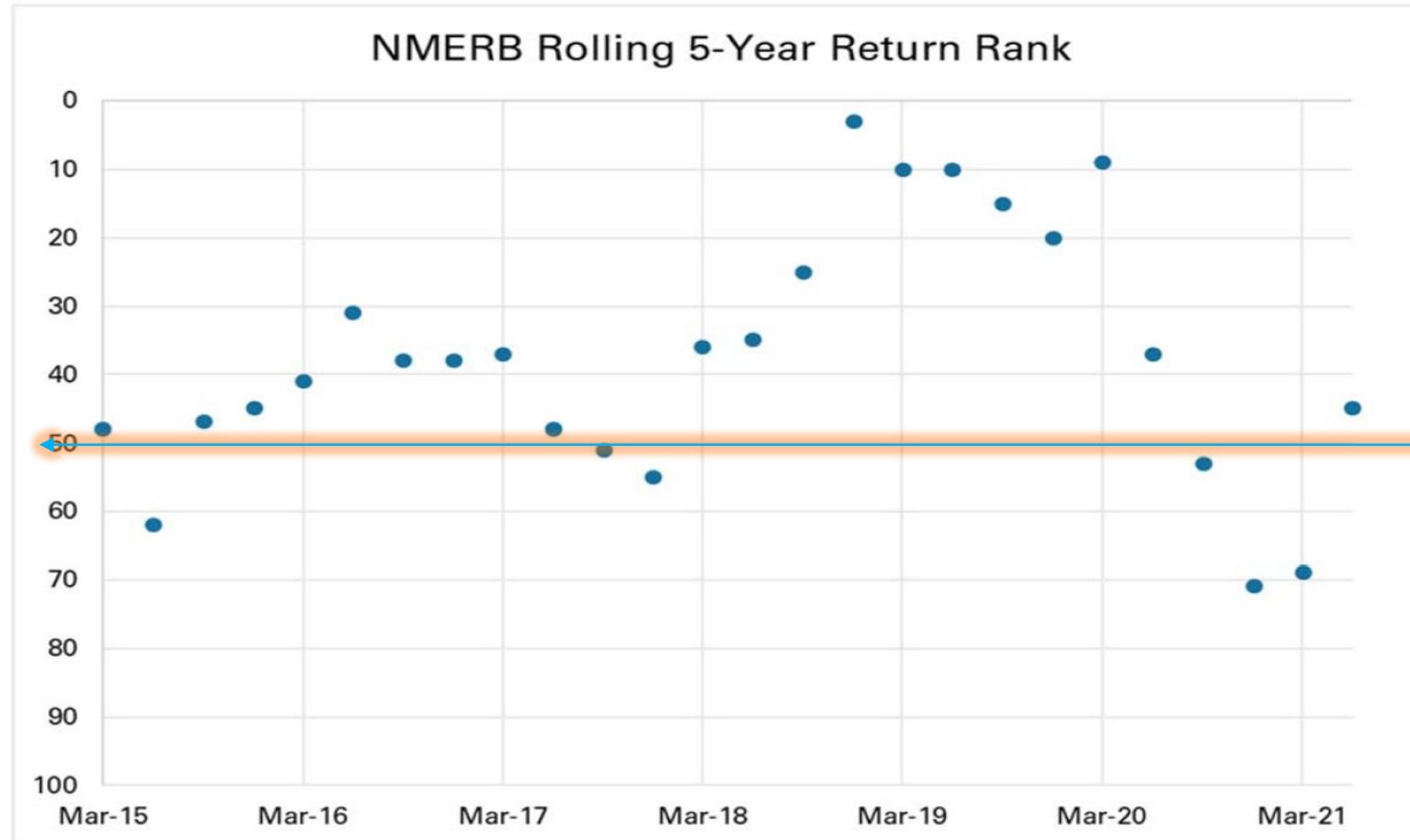
As of June 30, 2021

Net of Fees





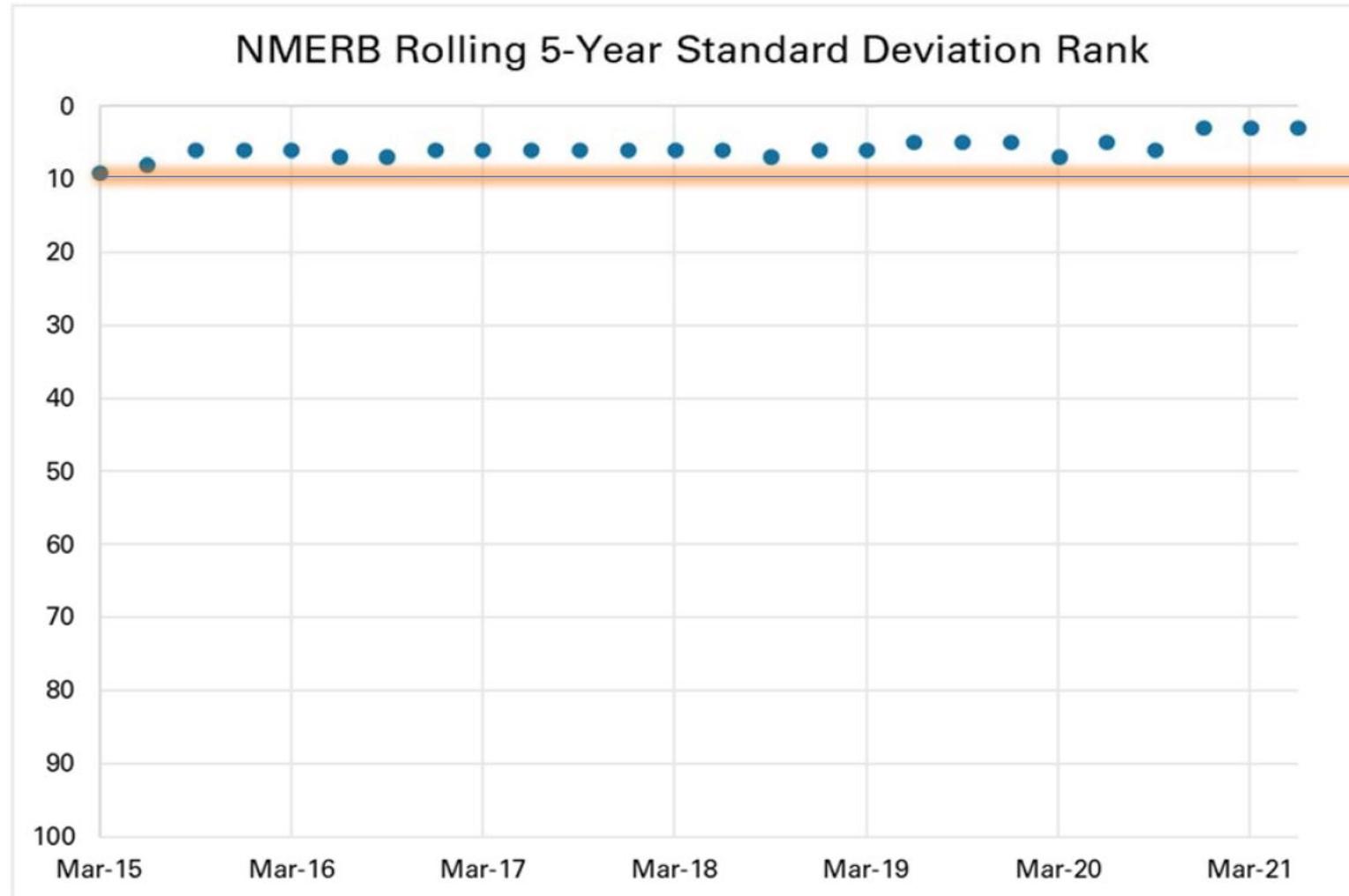
Peer Universe Comparison - Returns



NERB: Very good comparative returns. 20 of 26 (77%) above the median.



Peer Universe Comparison - Risk



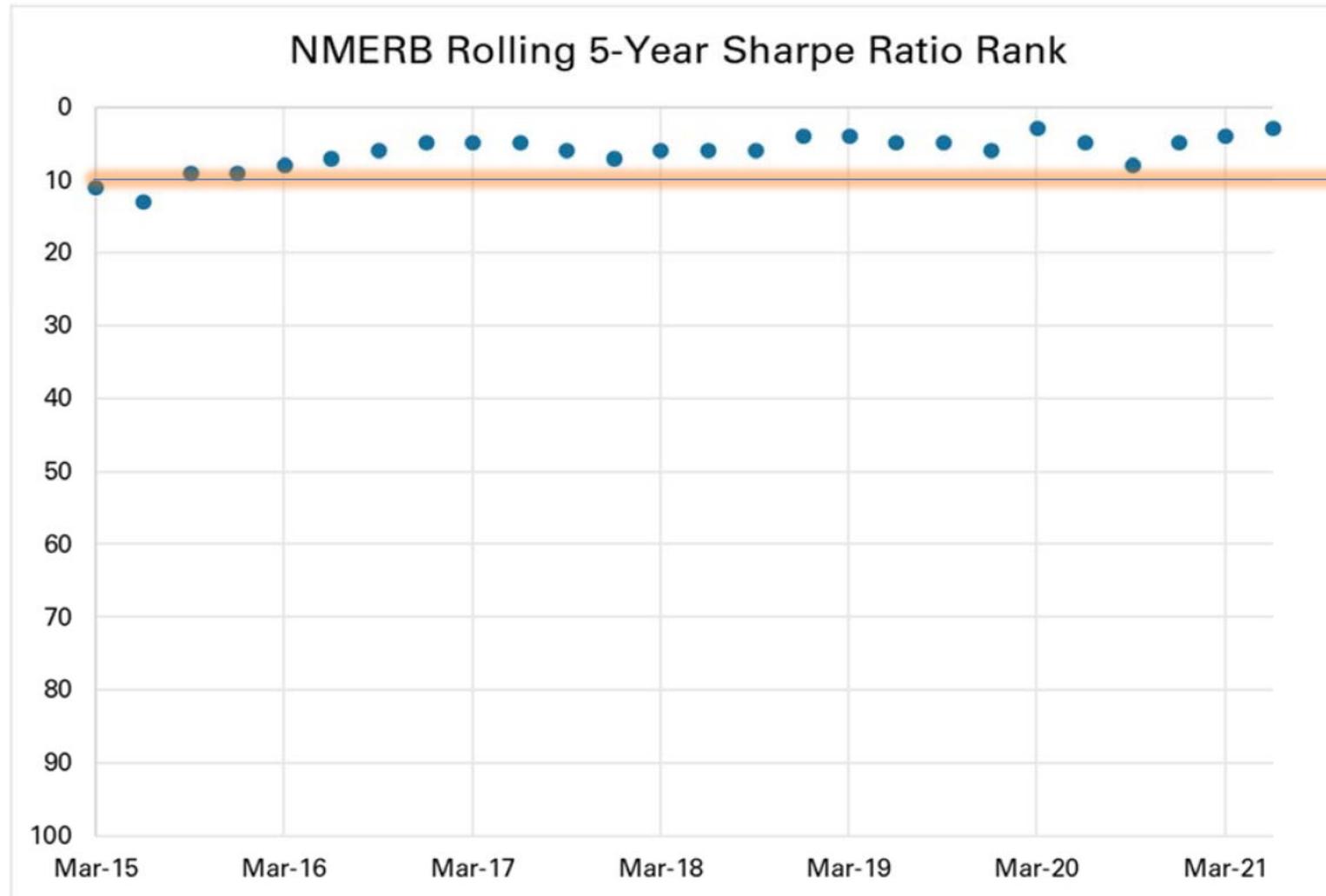
ALL data points in the top 10% of peer rankings meaning the lowest risk.

Risk and Return Combined: The Sharpe Ratio

- The Sharpe Ratio is a commonly used investment metric to measure risk-adjusted return.
- Developed by Nobel-prize winning Professor Merton Sharpe.
- The ratio is a portfolio's annualized return minus the risk-free rate, divided by the portfolio's risk (represented by the standard deviation).
- It measures the efficiency of a portfolio, the amount of return earned per unit of risk taken.



Peer Comparison – Risk and Return Combined



All data points in or near the top 10%.

Fiscal Year 21 Investment Environment: “Stimulated”

- Federal Reserve policy kept interest rates very low.
- Responding to low rates and massive Federal fiscal and monetary stimulus, equity markets delivered high returns.
- For example, the S&P 500 stock index was up about 38% for the FY.
- Bond markets were less robust, with the Aggregate investment grade bond index returning a slight loss at -0.3%.
- “Do what you can, with what you’ve got, where you are.” –Theodore Roosevelt

The Future ???

- “The future’s uncertain and the end is always near.....” - The Doors
Roadhouse Blues
- The preceding slides told you in detail about history. We can only make our best guess about the future, which given many factors, seems more uncertain than normal.
- We maintain our long-term assumption of a 7% return for actuarial calculations.

Next Steps

- FY21 Financial Audit is progressing and will be submitted on schedule to the Office of the State Auditor.
- FY21 Actuarial Report is progressing on schedule and early indications are that Unfunded Actuarial Accrued Liability will decrease, funding ratio will increase, and funding period should be less than 50 years. The report is expected sometime in November.
- SB42 report will be prepared in the spring of 2022.
- At its October 15th meeting, the Board passed a resolution that they would support legislation to increase employer contributions.



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