

2021

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

**New Mexico Educational Retirement Board
A Pension Trust Fund of the State of New Mexico**



**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021**

**Prepared by the Staff of the New Mexico Educational Retirement Board
Available online at www.nmerb.org**

Contents

Introductory Section

Professional Awards	5
Letter of Transmittal	6
About NMERB	10
Functional Organization Chart	10
Functional Work Groups	11
NMERB's Staff as of June 30, 2021	12
Board of Trustees	13
The Business of the Board of Trustees	14
Mission and Vision Statements	14
Strategic Planning	14
Budget Planning	14
Key Consultants and Service Providers	15

Financial Section

Report of the Independent Auditors	17
Management's Discussion and Analysis	20
Statement of Fiduciary Net Position	29
Statement of Changes in Net Fiduciary Position	30
Index to Notes	31
Notes to Financial Statements	33
Required Supplementary Information	68
Schedule of Changes in the Employers' Pension Liability and Related Ratios	69
Schedule of Investment Returns	71
Schedule of Employer Contributions	72
Other Supplemental Information	73
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP Basis)	74
Schedule of Budgeted Expenditures	75
Schedule of Investment and Administrative Expenses	76
Schedule of Investing Activity Expense Statement of Changes in Fiduciary Net Position	77
Schedule of Cash and Short-Term Accountability in Government Act Performance Measures	79
Additional Information	80
Independent Auditors' Report	81
Exit Conference	86

Actuarial Section

Actuarial Certification Letter	88
Actuarial Standards of Practice Disclosure Statement	92
Executive Summary	93
Introduction	94
Analysis of Changes	95
Funding Policy	96
Comments on Benefit Provisions	97
Comments on Actuarial Methods and Assumptions	98
Assets	99
Member Data	100
Risk Assessment	101
Supporting Schedules	104
Summary of Plan Provisions	126
Summary of Actuarial Assumptions & Methods	132
Definition of Actuarial Terms	138

Investment Section

Report on Investment Activities	143
Investment Policies	146
Asset Allocation Policy	148
Investment Results	150
Fund Performance Summary (Net of Fees)	150
Portfolio Returns and Benchmarks	150
One-Year Returns Net of Fees	151
Schedule of Investment Results (Net of Investment Summary)	152
List of Largest Assets Held	154
Fees, Commissions and Carried Interest	155
Profit Share	156

Statistical Section

Summary	158
Financial Trends	159
Summary of Changes in Fiduciary Net Schedule of Revenue and Expenses - Budget and Actual	160

Contents (continued)

Statistical Section (continued)

Schedule of Key Consultants and Service Providers Including Fees	161
Schedule of Employer Contributions and Covered Payroll	162
Schedule of Benefit and Refund from Net Position	162
Additions to Net Position by Source	162
NMERB Investment Income, And Benefit Payments	163
Funded Ratio	163
Asset Smoothing	164
Employer Schedule of Funding Progress ..	165
Retirees and Beneficiaries Data	166
Members Retiring Last Five Fiscal Years ...	167
Years of Service at Retirement	167
Average Benefit Payments New Retirees ..	168
Benefit Recipients by Type of Retirement And Option Selected	169
Distribution of Benefits Recipients by 2019 Retiree Gross Benefits by New County	171
Schedule of Pension Plan Contribution ..	172
Demographic and Economic Information ..	173
Membership and Participating Employers ..	173
Schedule of Members by Status and Type of Benefit	174
Average Active Members and Years of Service	174
Distribution of Active Members by Age and by Years of Service	175
Principle Employers Ranked by Number of Employees in Active Status	176
Participating New Mexico Employers by County	177
Glossary of Acronyms	182
Contact Information	186



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

New Mexico Educational Retirement Board

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2020

Christopher P. Merrill
Executive Director/CEO



Public Pension Coordinating Council

**Recognition Award for Administration
2021**

Presented to

New Mexico Educational Retirement Board

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkler
Alan H. Winkler
Program Administrator

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada awarded the New Mexico Educational Retirement Board a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. We believe our current Annual Comprehensive Financial Report also meets the Certificate of Achievement Program's requirements.

PUBLIC PENSION STANDARDS AWARD

The Public Pension Coordinating Council (PPCC) awarded a Pension Standards Award for Standards and Administration for the fiscal year ended June 30, 2021. This is the eleventh consecutive year that the New Mexico Educational Retirement Board has achieved this prestigious award. To be awarded a Public Pension Standards Award, a public pension program must meet the professional standards for plan design and administration as set forth in the Public Pension Standards guideline. This award is valid for a period of one year.



State of New Mexico
Educational Retirement Board

701 Camino de los Marquez Santa Fe, New Mexico 87505
Toll Free 1(866) 691-2345 Main Office (505) 827-8030



November 18, 2021

To the Trustees and Members of the
New Mexico Educational Retirement Board:

We are pleased to present the fiscal year 2021 Annual Comprehensive Financial Report (ACFR). This report reflects the ongoing commitment of all activities undertaken by the New Mexico Educational Retirement Board (NERB) for the fiscal year ended June 30, 2021. The year was marked by management's commitment to a sustainable and sound pension fund now and in the future.

Management assumes full responsibility for the completeness and reliability of the information in this report, based on a comprehensive framework of internal control that has been established for this purpose. Moss Adams LLP, Certified Public Accountants, have issued an unmodified opinion on the New Mexico Educational Retirement Board's financial statements for the year ended June 30, 2021. The independent auditors' report is located at the beginning of the financial section of this report. Management's discussion and analysis (MD&A) follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

BACKGROUND

The Educational Retirement Act (ERA) in 1957 established the NMERB Board of Trustees to administer the Educational Employees Retirement Plan (Plan). The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a nine-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan, which is a pension trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer and employee contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

HIGHLIGHTS

Senate Bill 42 (SB42) was approved during the 2021 Legislation Session and signed into law by Governor Michelle Lujan Grisham. SB42 made several changes which include, but are not limited to, increasing the employer contribution by 1% each year for the next two fiscal years, resulting in a 15.15% employer contribution rate and a 16.15% employer contribution rate in fiscal year 2022 and fiscal year 2023, respectively. As a result of these changes and the excellent performance of the

Letter of Transmittal

fund for the fiscal year, the open group funding period improved from infinite years in fiscal year 2019 to 42 years in fiscal year 2021.

Senate Bill 303 (SB303) was approved during the 2021 Legislation Session and signed into law by Governor Michelle Lujan Grisham. SB303 increases the board size by two members, bringing it to a total of nine. One is a member from American Federation of Teachers New Mexico, and the other is the Higher Education Secretary or designee.

The year resulted in continued growth for the New Mexico Educational Retirement Board Fund (Fund). The fair value of our public pension fund ended the year at \$16.4 billion as compared to June 30, 2020 net position was \$13 billion, with net position increasing by \$3,868 billion. The Fund's investments returned 28.8% net of fees, ranking NMERB in the top 27th percentile of its peers, for an annual investment gain of approximately \$3.8 billion. The results for the year exceed the Fund's long-term actuarial annual return assumption of 7.00%. Over the past five years, the Fund returned 10.6%, net of fees, per annum, outperforming the policy index by 6 basis points and ranking in the top 45th percentile of the InvestorForce Public Funds > \$1 Billion universe.

The number of active members decreased from 61,091 to 58,988, while the retiree population increased from 51,397 to 52,790. These results are consistent with the trend seen over the last ten (10) years for a stable active membership population size, compared to the growing retiree population.

STRATEGIC GOALS: STRATEGIES, PRIORITIES, AND LONG-RANGE PLANS

The Board of Trustees (BOT) is continuing to operate based on the strategic plan it adopted for 2017-2019, until such time the COVID-19 situation allows BOT to meet in person to reassess the plan. BOT's strategic plan sets specific goals, objectives, and initiatives to continuously improve customer service. We continue to focus on improving the financial condition of the fund, improving and increasing the quality of services we offer, managing risks inherent in administering a pension fund, and building strong relationships with stakeholders. Staff manages priorities and progress toward NMERB's multi-year strategic goals and objectives through a sound project management approach.

BUDGET OVERVIEW: BASIS AND PROCESS

The Board of Trustees integrates the budgetary reporting process as a tool for monitoring the strength of internal controls and administration of the Plan. NMERB's budgetary process supports our strategic mission to provide secure retirement benefits to current and future retirees through strong oversight of the Fund's asset value and performance and continued high quality services for membership. The fiscal year 2021 budget appropriation remained stable in comparison to the prior year but continued to support efforts to enhance our core retirement software application.

FINANCIAL REPORTING AND SYSTEMS

The integrity and fairness of the information presented in this ACFR, including data, which of necessity is based on estimates and judgments, are the responsibility of NMERB management. The accounting policies used to prepare the financial statements conform to accounting principles generally accepted in the United States. Financial information presented throughout this annual report is consistent with these accounting principles.

Our independent external auditor, Moss Adams LLP, conducted an annual audit of the basic financial statements in accordance with auditing standards generally accepted in the United States, performing such tests and other procedures as they deemed necessary to express opinions on the basic financial statements in their report to the Board of Trustees (BOT). Moss Adams LLP had full

Letter of Transmittal

and unrestricted access to the BOT to discuss the audit and related findings as to the integrity of the financial reporting and the adequacy of internal control systems.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that NMERB assets are protected from loss, theft, or misuse, and that revenues are appropriately distributed. Since the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures, rests with NMERB management. The basic financial statements were prepared in accordance with accounting principles generally accepted in the United States. Management assumes full responsibility for the completeness and reliability of the information contained in the financial statements, and in this report.

FUNDING

The funded ratio, as measured by the ratio of the actuarial value of the assets to the actuarial accrued liability, increased in stability from 60.4% in fiscal year 2020 to 62.8% in fiscal year 2021.

The funding period (open group projection) of the plan, as measured the number of years in the future that will theoretically be required to pay off or eliminate the Unfunded Actuarial Accrued Liability, decreased from infinite years in fiscal year 2020 to 42 years in fiscal year 2021.

NMERB has two significant revenue sources: 1) employer and employee contributions from New Mexico public schools, colleges, and universities; and 2) investment income. We continue to work with stakeholders (schools, educational associations, and retirees) to ensure efficient payment systems for reporting and payment of contributions, equitable reporting guidelines, a secure retirement outlook for New Mexico's educational employees, and a qualified workforce for participating educational employers. The actual contribution as a percentage of covered payroll remained the same at 14.81% in fiscal year 2021, as compared to 2020. Total member and employer contributions in fiscal year 2021 increased by 0.25% over 2020 contributions.

Fiscal year 2021 net investment income (net appreciation in the fair value of plan investments, dividend income, and interest income less investment expenses) was \$3,833,448,456, as compared to (\$75,878,363) in fiscal year 2020. It is important to keep in mind that NMERB's well diversified portfolio, especially in times of investment market volatility, is the best way to ensure a secure retirement for NMERB's members. While the overall results for the year broke a return record for the Agency, one should not place a great deal of significance on the results in any single year. NMERB invests for the long-term. Longer term results over multiple years are of much greater significance in gauging the contribution of the NMERB portfolio to the Fund's long-term sustainability than are single year results. These results have also been quite good. NMERB's multiple year portfolio results are as follows:

Investment Returns	
Period	%
3 years	11.0
5 years	10.6
10 years	8.6
Since Inception*	9.2

*Since inception of reporting in July 1983.

PROFESSIONAL AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the NMERB for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This is the 10th consecutive year that the NMERB has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment for the NMERB.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Public Pension Coordinating Council (PPCC) also awarded the NMERB a Recognition Award for Administration for plan administration for the fiscal year ended June 30, 2021. This is the 11th consecutive year that the NMERB has been recognized.

The PPCC is a coalition of three national associations that represent public retirement systems and administrators: the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR), and the National Conference on Public Employee Retirement Systems (NCPERS). To receive the Recognition Award for Administration, the retirement system must meet the following professional standards: Comprehensive Benefit Program, Actuarial, Audit, Investments and Communications.

IN CLOSING

We would like to extend our sincerest appreciation to all of NMERB's staff, consultants and vendors for their contributions and hard work on this report and throughout the year. This report is intended to provide complete and reliable information as a basis for management decisions, legal compliance, and stewardship of the NMERB Fund assets.

The NMERB also publishes an annual summary referred to as the Popular Annual Financial Report (PAFR) of the information contained in this report. Both reports are available on our website: http://www.nmerb.org/Annual_reports.html

Respectfully submitted,

Rick Scroggins
Interim Executive Director

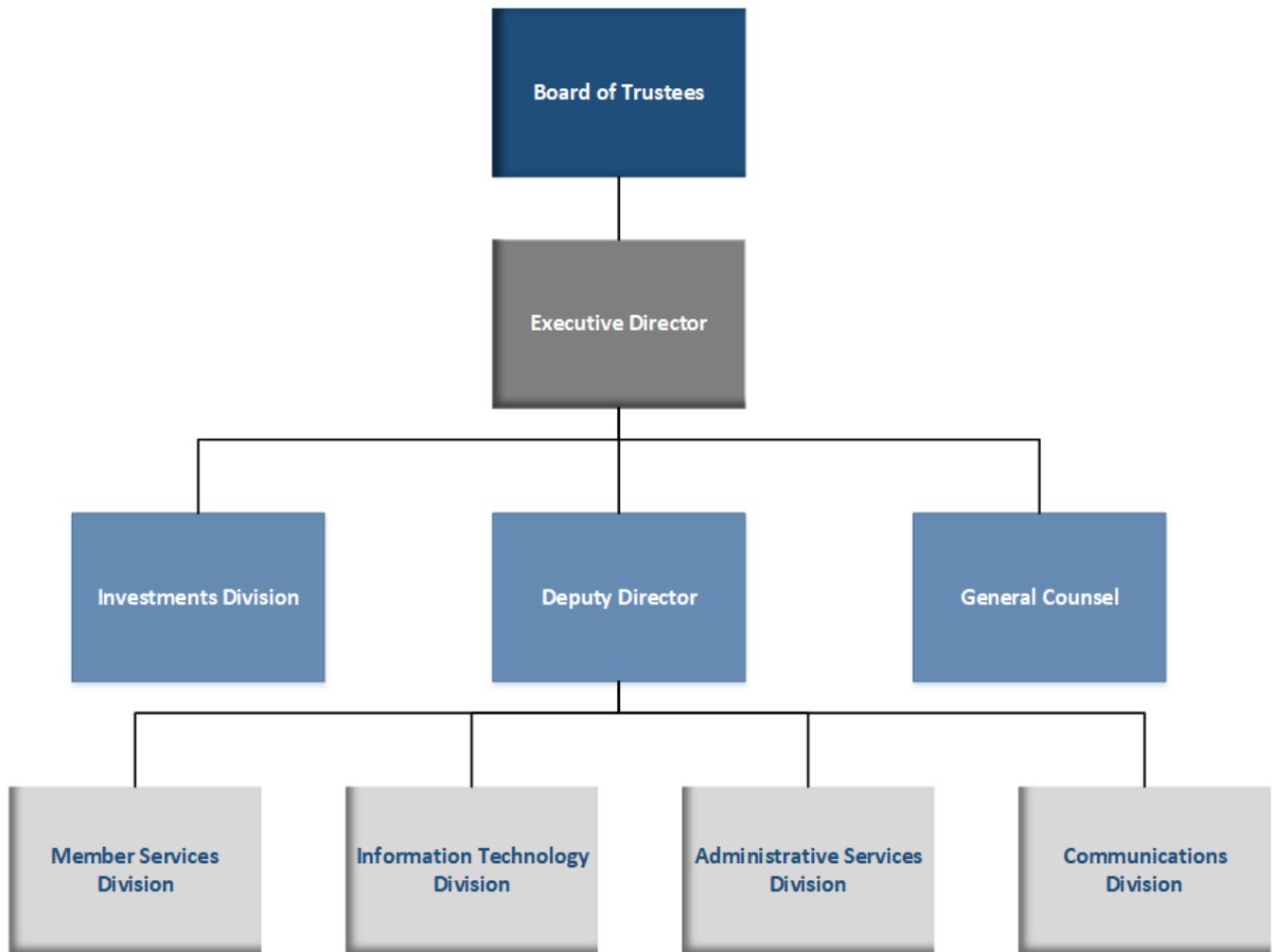
Sara Brownstein
Chief Financial Officer

About NMERB

The New Mexico Educational Retirement Board (NMERB) is headquartered in Santa Fe, New Mexico and provides retirement benefit services to more than 163,000 members and 216 public educational employers. NMERB was created by New Mexico's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, to administer the Educational Employees' Retirement Plan which provides retirement and disability benefits for certified teachers and other employees of the state's public schools, including public colleges, universities, and public technical and vocational institutions. As a defined benefit retirement plan, NMERB benefits are based on years of service, a benefit multiplier, and average compensation in the five highest consecutive years.

The management of NMERB is vested in a nine-member board. The organization functions through its five interrelated work groups to serve the membership and the employers.

Functional Organization Chart



About NMERB

Functional Workgroups

Investments

NMERB's investment asset portfolio is invested, or reinvested, pursuant to the authority of the Educational Retirement Act, Section 22-11-13 in accordance with the Uniform Prudent Investor Act, Sections 45-7-601 through 45-7-612, NMSA 1978. Investing is conducted solely in the interest of, and for the exclusive purposes of, providing benefits to members and their beneficiaries and defraying reasonable administrative expenses. (Schedules of Fees, Commissions, and Carried Interest and a Schedule of Profit Share can be found in the Investment Section of this report, on pages [155](#) and [156](#)).

General Counsel

The Office of General Counsel serves as legal adviser to the New Mexico Educational Retirement Board and Agency management. The office ensures that the Board and NMERB act in conformance with all applicable legal and regulatory requirements and coordinates all litigation for NMERB.

Member Services

Member Services staff assists members throughout their careers and into retirement, acting as the primary customer service contact for assistance, information, and education about potential or current retirement benefits. Member Services provides educational outreach across New Mexico, conducts one on one onsite counseling, processes retirement applications and benefit estimates, and helps transition benefits to survivors.

Information Technology

Information Technology staff provides technical hardware and software support for NMERB's data processing needs, network capability, and the communication system. Staff uses a project management and customer service orientation to maintain a secure and stable environment that ensures customer satisfaction and collaboration.

Administrative Services

The Administrative Services Division (ASD) provides operational support functions including: accounts payable and receivable, asset and inventory management, budget, employer reporting and compliance, facilities maintenance services, financial audit and reporting, general ledger, human resources, investment accounting, purchasing and procurement, and records management. Staff works closely with each of the functional workgroups to ensure the programmatic needs of the agency are met in support of NMERB's mission.

Communications

The Communications Division enables clear and concise communication between NMERB and internal staff, the members of the retirement plan, news media outlets, and the general public. Also, the Division is responsible for organizing data and facts and managing social media accounts.

About NMERB

NMERB's Staff as of June 30, 2021

Executive Management

Interim Executive Director, Rick Scroggins
Deputy Director, Lawrence Esquibel
Administrative Assistant, Vacant Position

Investment Division

Chief Information Officer, Bob Jacksha
Deputy Investment Officer, Steve Neel
Deputy Investment Officer, Kay Chippeaux

Staff:

Aaron Armstrong
Mark Canavan
Rita Lopez
Heather Lujan
Alan Myers
Francine Jacquez
Casey Poe
Nathan Sax
Duncan Manning
Pete Werner

Legal Division

General Counsel, Susanne Roubidoux
Deputy Counsel, Elena Cardona
Assistant Deputy Counsel, Robert Shulman

Staff:

Amanda Olsen
Theresa Vargas

Information Technology

Acting Chief Information Officer, Lawrence Esquibel

Staff:

Robert Hampton
Nicole Jaramillo
Dustin McGlasson
Bea Pacheco
Davis Lee
Julian Barraza

Communications

Communications Director, Mariana La Roche

Staff:

Hope Bakker

Member Services

Director, Monica Lujan
Pension Benefit Manager, Raul Duran
Retirement & Member Services Manager, Karla Leyba

Staff:

Christine Duran
Deanza Gallegos
Renee Garcia
Cesar Gardea
Selina Herrera
Jerome Lopez
Joyce Lucero
Starlene Lucero
Brian Martinez
Amanda Padilla
Shirley Rodriguez
Daniel Roybal
Antoinette Schmitt
Jocelynn Smith
Jennifer Vigil
Daniel Roybal
Crystal Miera-Macias
Melissa Knox
Lydia Rodriguez
Shirley Rodriguez

Administrative Services

ASD Director and Chief Financial Officer, Sara Brownstein

Budget and Procurement Manager, Megan Mannila

General Ledger Manager, Sandra Alva

General Ledger Supervisor, Felicia Sena

Human Resources Manager, Charlene Zalma

School Reporting Manager, Selina Herrera

Staff:

Joseph Avila
Sharon Brooks
Rosalie Garcia
Kevin Long
Jessica Tapia
Joan Duran-Kuck
Barbara Feeney
Bernadette Torr
Salvador Hernandez
Mallory Miera

Board of Trustees

The Board stands in a fiduciary relationship to the members covered under the Educational Retirement Act. Administrative management of the Fund is vested in the Executive Director who is appointed by the Board of Trustees to advise the Trustees on all matters pertaining to the retirement system, contractual obligations, and employment of the staff needed for operations.

Board and committee meetings are open to the public. The nine-member Board of Trustees is comprised of elected, appointed, and ex-officio members to provide broad policy guidance and direction. Membership on the board is prescribed by the Educational Retirement Act in Section 22-11-3, NMSA 1978, as follows:

- Secretary of the Public Education Department (PED), or a designee of the secretary who is a resident of New Mexico, a current employee of PED, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.
- State Treasurer, or a designee of the Treasurer who is a resident of New Mexico, a current employee of the State Treasurer’s Office, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.
- One member to be elected for a term of four years by the members of the New Mexico Association of Educational Retirees.
- One member to be elected for a term of four years by the members of the National Education Association of New Mexico.
- One member to be elected for a term of four years by the members of the New Mexico members of the American Association of University Professors.
- Two members to be appointed by the Governor for terms of four years each. Each member appointed shall have a background in investments, finance or pension fund administration.
- One member to be elected for a term of four years by the members of the American Federation of Teachers New Mexico.
- Secretary of Higher Education, or a designee of the secretary who is a resident of New Mexico, is a current employee of the Higher Education Department, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.

Trustee Name	Elected or Appointed by	Title	Term
H.Russel Goff	New Mexico Association of Educational Retirees	Vice-Chair	June 30, 2024
Larry Magid	Governor Appointee	Secretary	June 30, 2021
Mary Lou Cameron	National Education Association of New Mexico		December 31, 2022
Adán Delgado	Ex Officio Designee - New Mexico Public Education Department		
Donald Duszynski	American Association of University Professors		June 30, 2024
Tim Eichenberg	Ex Officio - State Treasurer		
Matías Fontela	American Federation of Teachers New Mexico		June 30, 2024
Mr. Mario Suazo	Ex Officio Designee - New Mexico Higher Education Department		
Vacant	Governor Appointee		

About NMERB

The Business of the Board of Trustees

The Board of Trustees (BOT) is continuing to operate based on the strategic plan it adopted for 2017-2019, until such time the COVID-19 situation allows BOT to meet in person to reassess the plan. In keeping with that strategic plan, each year the Trustees and executive management ratify investment policies and asset allocation targets, approve the annual budget, update the information technology plan, review actuarial assumptions, and address overall planning to administer their fiduciary responsibility to the pension plan trust.

Mission and Vision Statements

Mission Statement

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

Vision Statement

To be an effective and trusted manager of New Mexico's educational retirement system.

Strategic Planning

The Board of Trustees follows a formal strategic planning process which includes periodic review and update of NMERB's Strategic Plan. The goals set for fiscal years are to 1) improve and maintain the financial condition of the fund, 2) continually improve the quality of member and employer service, 3) embark on agency-wide risk identification and management effort, and 4) build strong, effective relationships with all stakeholders. Each functional area implements the NMERB's strategic plan through inter-divisional initiatives producing sound long-term benefits for membership and stakeholders alike. Multi-year initiatives include short-term, interim objectives and performance measures to manage the initiatives and measure their success.

Budget Planning

The Board of Trustees employs the budgetary reporting process as a tool to administer and establish priorities for the Plan. Annual budget preparation includes periodic monitoring of appropriations and benchmarking to mitigate risk. The Chief Financial Officer is responsible for monitoring the budget and related business processes to add value and improve effectiveness, efficiencies, and adaptability to NMERB operations. The Chief Financial Officer regularly apprises the Trustees on NMERB's budgetary status and financial position.

The budget is adopted on the modified accrual basis of accounting, except for prior year obligations approved for payment by the New Mexico Department of Finance and Administration (DFA) per Section 6-10-4, NMSA 1978.

Key Consultants and Service Providers

Actuary	Gabriel Roeder Smith & Company 5605 N. MacArthur Blvd., Suite 870 Irving, TX 75038-2631
Auditors	Moss Adams LLP 6565 Americas Parkway NE, Suite 600 Albuquerque, NM 87110
Alternative Retirement Plan	CAPTRUST (formerly Cammack Retirement) 40 Wall Street, 56 th Floor New York, New York 10005
Internal Audit Services	REDW, LLC 7425 Jefferson Street NE Albuquerque, NM 87109
Investment Consultants	NEPC, LLC 255 State Street Boston, MA 02109 Hamilton Lane 15350 SW Sequoia Pkwy, Suite 260 Portland, OR 97224 Top Tier Capital Partners, LLC 600 Montgomery Street, Suite 480 San Francisco, CA 94111 Caledon Capital Management, Inc. 141 Adelaide Street, Suite 1500 Toronto, Ontario M5H 3L5 Banner Ridge Advisory 641 Lexington Avenue, 18 th Floor New York, NY 10022
Custody Bank	State Street Bank & Trust Company 1776 Heritage Drive North Quincy, MA 02171
Legal Services	Foster Garvey, PLLC 1111 Third Ave Seattle, WA 98101 Freedman Boyd Hollander Goldberg Urias & Ward PA 200 3 rd St NW, Suite 700 Albuquerque, NM 87102 Groom Law Group, Chartered 1701 Pennsylvania Avenue, NW Washington, DC 20006 K & L Gates, LLP 925 4 th Ave Suite 290 Seattle, WA 98104
Pension Administration Software and Maintenance	Vitech Systems Group, LLC 401 Park Ave South New York, NY 10016



FINANCIAL SECTION

Report of Independent Auditors

Board of Trustees
New Mexico Educational Retirement Board

Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of New Mexico Educational Retirement Board (NMERB), a component unit of the State of New Mexico, which comprise the statement of fiduciary net position as of June 30, 2021 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise NMERB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Educational Retirement Board as of June 30, 2021 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the NMERB present the fiduciary net position and changes in fiduciary net position of the State of New Mexico that are attributable to the transactions of NMERB. The financial statements do not present fairly the financial position of the entire State of New Mexico as of June 30, 2021, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, schedule of changes in the employer's net pension liability and related ratios, schedule of employer contributions, schedule of investment returns, and notes to the schedules (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NMERB's basic financial statements. The schedule of revenues and expenditures – budget and actual (non-GAAP basis), schedule of budgeted expenditures, schedule of investment and administrative expenses, schedule of investing activity expense per statement of changes in fiduciary net position, schedule of cash and short-term investments and accountability in government act performance measures (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The introductory section, actuarial section, investment section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 on our consideration of NMERB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NMERB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMERB's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 18, 2021

Management's Discussion and Analysis

Introduction

The New Mexico Educational Retirement Board (NMERB) is a pension trust fund of the State of New Mexico. This Management's Discussion and Analysis (MD&A) section provides a narrative analysis of the NMERB's financial performance for the fiscal year ended June 30, 2021. This section should be read in conjunction with the Letter of Transmittal included in the Introductory Section in this report. It should also be read in conjunction with the Basic Financial Statements and accompanying Notes to the Financial Statements presented in the Financial Section of this report.

In addition to historical information, this MD&A includes certain forward-looking statements, which involve currently known facts and certain risks and uncertainties. NMERB's actual results, performance, and achievements may differ materially from the results, performance, and achievements expressed or implied in such forward-looking statements, due to a wide range of factors, including changes in interest rates, changes in the securities markets, general economic conditions, legislative changes, and other factors.

NMERB administers the Educational Employees Retirement Plan (Plan). The plan provides retirement, disability, and survivor benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. A summary of Plan provisions and the composition of NMERB's Board of Trustees can be found in the Notes to the Financial Statements.

The following section provides an overview of NMERB financial statements.

Overview of the Financial Statements

This Annual Comprehensive Financial Report (ACFR) includes two basic financial statements: the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Notes to the Financial Statements are an integral part of the statements.

In addition to the financial statements and notes, this ACFR also includes two types of supporting information: Required Supplementary Information (RSI) and Other Supplementary Information (OSI). RSI and OSI place the financial statements and notes into appropriate operational, economic, or historical context. RSI and OSI differ in that RSI is mandated by the Governmental Accounting Standards Board (GASB). The GASB considers RSI an essential part of financial reporting. Although OSI is not mandated by the GASB, it includes more detailed presentations of the information in the financial statements and notes, as well as presentations mandated by the New Mexico Office of the State Auditor and other oversight agencies.

Basic Financial Statements

The Statement of Fiduciary Net Position reports on the pension trust fund's assets, liabilities, and the resulting net position where Assets minus Liabilities equals Net Position restricted for pensions at the end of the fiscal year. It is a snapshot of the pension trust fund at June 30, 2021.

The Statement of Changes in Fiduciary Net Position summarizes the pension trust fund's financial transactions that occurred during the fiscal year, where Additions minus Deductions equals the net increase/decrease in Net Position. This statement describes the changes that have occurred, during this fiscal year, to the prior year's ending net position.

Management's Discussion and Analysis

Notes to the Financial Statements

The Notes to the Financial Statements accompany the basic financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements. The information in the Notes to the Financial Statements is described below.

- Note 1** Provides a general description of the Educational Retirement Plan, including plan membership, plans benefits, and the composition of NMERB's Board of Trustees.
- Note 2** Provides a summary of significant accounting policies, including basis of accounting, measurement focus, use of estimates, and other significant accounting policies.
- Note 3** Provides information about Net Pension Liability, including actuarial assumptions and the annual money-weighted return on investments.
- Note 4** Provides information about NMERB's investment in the State General Fund Investment Pool.
- Note 5** Provides information about refund overpayments.
- Note 6** Provides information about how NMERB classifies and measures investments.
- Note 7** Provides information on investments, including NMERB's asset allocation policy, risk, and cash balances.
- Note 8** Provides information on derivative instruments.
- Note 9** Provides information on capital assets.
- Note 10** Provides information on accrued compensated absences.
- Note 11** Provides information on retirement plans.
- Note 12** Provides information on post-employment benefits.
- Note 13** Provides information on risk management.
- Note 14** Provides information on special, deficiency, and specific appropriations.
- Note 15** Provides information on pending litigation and claims.

Required Supplementary Information (RSI)

In addition to the MD&A, this report includes the following RSI: Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, Schedule of Investment Returns (annual money-weighted rate of return), and Schedule of Employer Contributions.

Other Supplementary Information (OSI)

OSI includes the Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP Basis); Schedule of Budgeted Expenditures; Schedule of Investment and Administrative Expenses; Schedule of Investing Activity Expense per Statement of Changes in Fiduciary Net Position, Schedule of Cash and Short-Term Investments; and the Accountability in Government Act performance measures.

Performance measures are included in the Notes to the Financial Statements in compliance with the Section 2.2.2.11, NMAC. In 1999, the Accountability in Government Act mandated performance-based budgeting across state agencies per Section 6-3A, NMSA 1978 to improve program coordination and increase operational information available to the Governor, the Legislature, and the public. NMERB serves its membership through prudent asset management, efficient administration, membership training, and reliable payment processing. In support of these

Management's Discussion and Analysis

desirable outcomes, NMERB met targeted goals for five-year investment performance, training satisfaction, and ten-year performance ranking in a national peer survey of public plans.

Comparative Summary Statements

Below is presented a condensed version of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. More detailed versions of the statements can be found on pages [29](#) and [30](#).

Condensed Statement of Fiduciary Net Position (in Millions)

	2021	2020	Change	
			Dollar	%*
Assets:				
Cash and Receivables	\$ 498	\$ 422	\$ 76	18%
Investments, Fair Value	16,014	12,725	3,289	26%
Capital Assets, Net	2	1	1	132%
Total Assets	16,514	13,148	3,366	26%
Total Liabilities	152	129	23	18%
Net Position Restricted for Pensions	\$16,362	\$13,019	\$ 3,343	26%

* percentages based on amounts before rounding.

Condensed Statement of Changes in Fiduciary Net Position (in Millions)

	2021	2020	Change	
			Dollar	%*
Additions				
Contributions	\$ 783	\$ 781	2	—%
Net Investment Income (Loss)	3,833	(75)	3,908	(5,211)%
Other Income	1	—	1	
Total Additions	4,617	706	3,911	554%
Deductions				
Benefits and Withdrawals	1,262	1,220	42	3%
Administrative Expenses	12	11	1	10%
Total Deductions	1,274	1,231	43	4%
Net Increase (Decrease)	3,343	(525)	3,868	(737)%
Net Position Restricted for Pensions				
Beginning of Year	13,019	13,544	(525)	-4%
End of Year	\$ 16,362	\$ 13,019	\$ 3,343	26%

* percentages based on amounts before rounding.

Management's Discussion and Analysis

Overall Analysis of Financial Position and Results of Operations

Financial

Additions. During the fiscal years ending June 30, 2021 and 2020, the additions to the Plan's fiduciary net position totaled \$4,617 million and \$706 million, respectively. The components of additions are member and employer contributions, (including contributions from service credits purchased), net investment income, and other income.

Deductions. Total deductions from the Plan's fiduciary net position of \$1,274 million in fiscal year 2021 and \$1,231 million in fiscal year 2020 resulted in an increase of 3.51% year over year, respectively. These were primarily due to normal increases in total age and service benefits.

Condensed Net Position Analysis (in Millions)

	2021	2020	Change	
			Dollar	%
Net Position Restricted for Pensions	\$ 16,362	\$ 13,019	\$ 3,343	26%
Net Increase (Decrease) in Net Position	\$ 3,343	\$ (525)	\$ 3,868	(737%)

Net Position. In the fiscal year ended June 30, 2021 the net position increased to \$16,362 million from the prior year net position of \$13,019 million. Overall, the net increase of \$3,343 million was the result of contributions and investment income exceeding benefit payments, refunds, and administrative costs.

Investments

Long Term Return on Investments. As of June 30, 2021, NMERB's investment return, net of fees, since July 1, 1983 was 9.24%.

Fair Value of Investments. The primary element of NMERB's fiduciary net position is the fair value of the investment portfolio. Investment assets totaled \$16,014 million as of June 30, 2021, which was \$3,289 million higher than the prior fiscal year. It is important to note that the net change year over year is not only due to changes in fair value, but is also impacted by the timing of purchases, sales, and redemptions.

Condensed Investment Portfolio, Fair Value (in Millions)

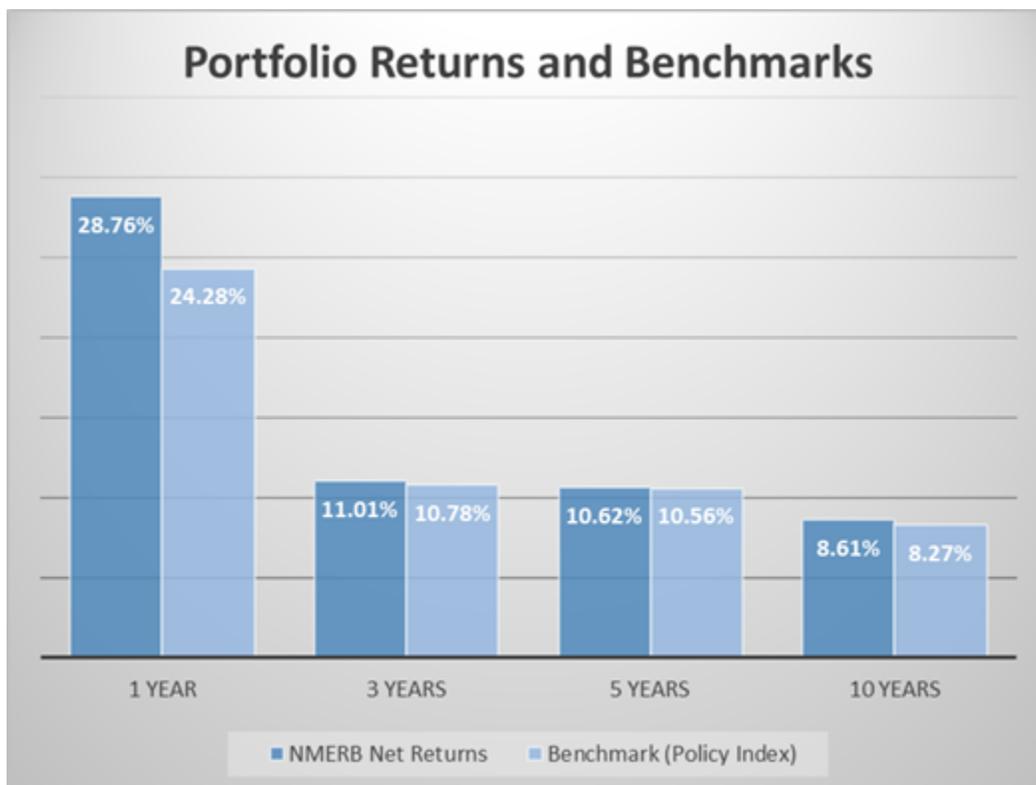
	2021	2020	Change	
			Dollar	%
Cash and Short Term Investments	\$ 245	\$ 195	50	26%
Investments, at Fair Value	16,014	13,301	2,713	20%
Total	\$ 16,259	\$ 13,496	2,763	20%

Management's Discussion and Analysis

Annual Return. The investment fund achieved a positive 28.76% time weighted rate of return during the fiscal year, net of fees. This one-year return exceeded the investment return assumption of 7.00% used for actuarial purposes. For the year, the actual portfolio return exceeded the Fund's policy index return of 24.3%. On another measure, the Fund's investment performance ranked in the 27th percentile (which means the Fund was in the top 27%) of NMERB's peer group of U.S. public pension funds with assets of \$1 billion or more, as measured by the Investor Force database. All NMERB asset classes were within target policy ranges at year end. The following table provides a summary of total fund performance (net of fees) as of June 30, 2021.

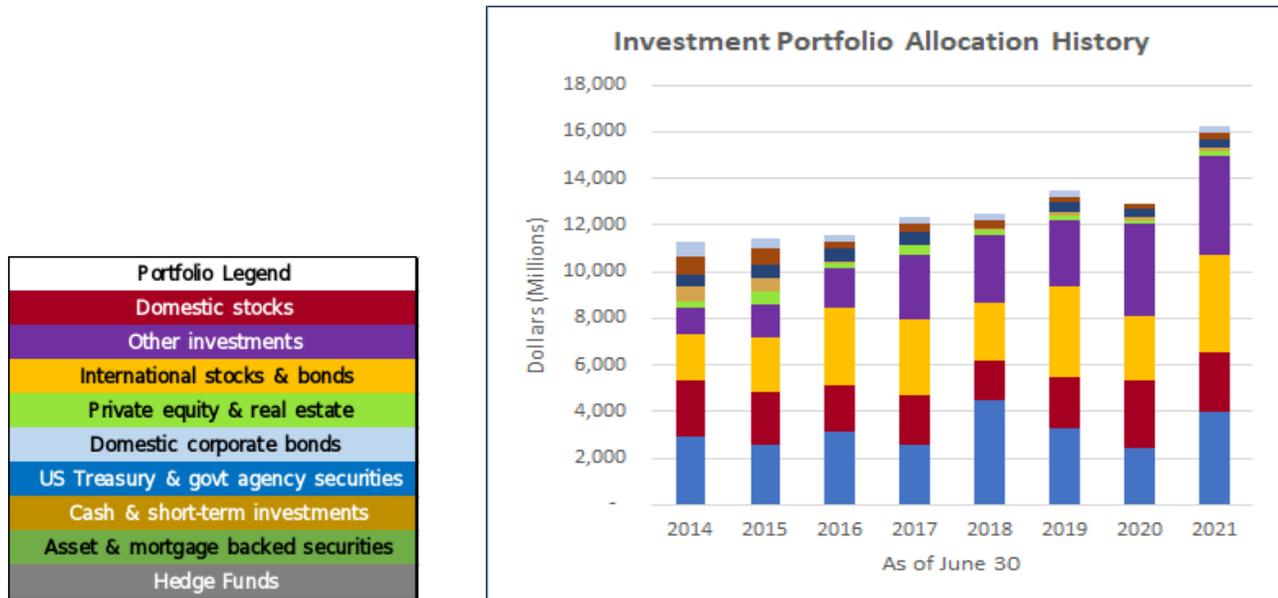
Fund Performance Summary (Net of Fees) at June 30, 2021

1 Year	3 Year	5 Year	10 Year	15 Year	20 year	30 Year	Since Inception
28.76%	11.01%	10.62%	8.61%	7.35%	6.97%	8.67%	9.24%



Management’s Discussion and Analysis

Investment Allocation History. The following chart depicts growth and changes in investment allocations by portfolio category as of June 30 from fiscal years 2014 to 2021. Target investment allocations are reviewed at least annually by the Board of Trustees. Additional detail on fiscal year 2021 targets are available in the Notes to the Financial Statements.



Investment Risk Exposure. In formulating the Plan’s investment strategy, NMERB takes a long-term perspective designed to meet the needs of our beneficiaries for many years to come. NMERB seeks to diversify the risks contained in the investment portfolio among the many categories of assets available to institutional investors. NMERB also manages liquidity to ensure the Plan’s ability to meet continuing pension benefit obligations. NMERB continues to pursue long-term institutional strategies for growth at a minimum level of risk per unit of return.

Actuarial

Net Pension Liability. The current fiscal year’s net pension liability (NPL) of \$7,087 million, measured as the total pension liability, less the Plan’s fiduciary net position as of June 30, 2021, was calculated based on an expected rate of return on Plan investments of 7.00%. The current NPL decreased by 65% over the fiscal year 2020 NPL of \$20,266. The NPL decreased because of the following:

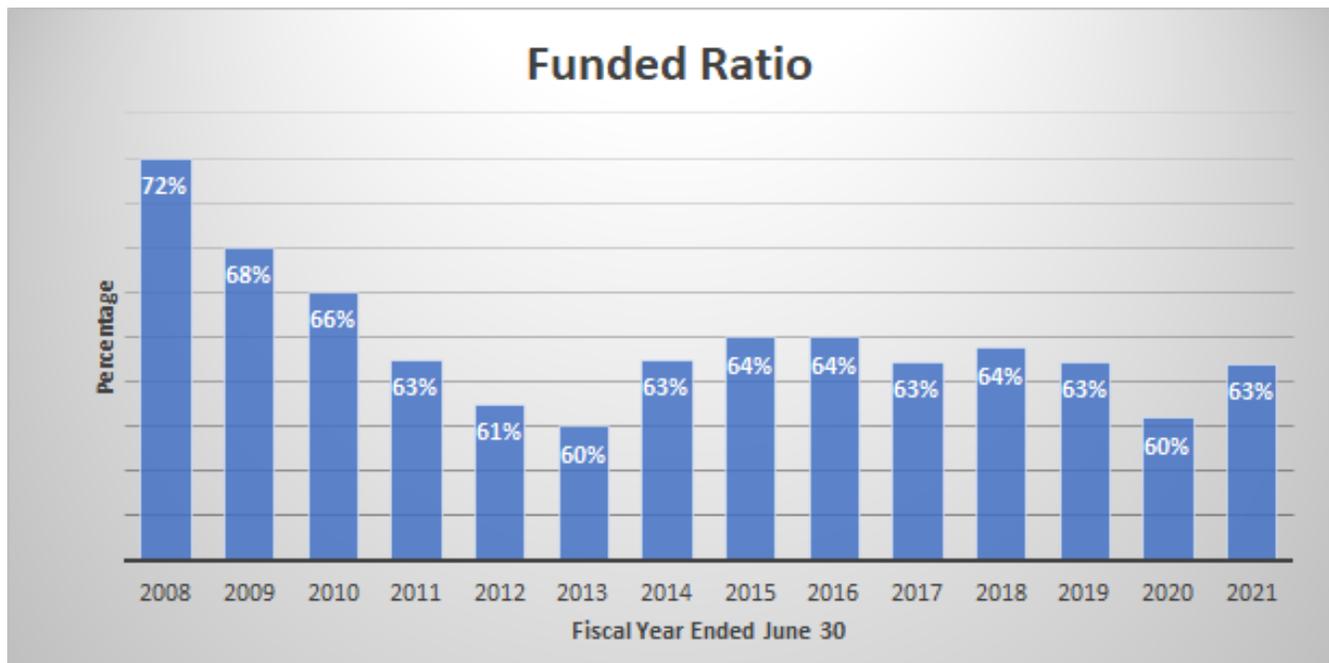
- The 28.76% return on investments for fiscal year 2021.
- A rate of 7.00% was used as of June 30, 2021 compared to a blended rate of 3.89% used as of June 30, 2020 to discount the Plan’s pension liabilities.

Management's Discussion and Analysis

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption. The table below presents the changes in NMERB's fiduciary net pension liability. The table also provides the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shown below is for fiscal years 2017 through 2021.

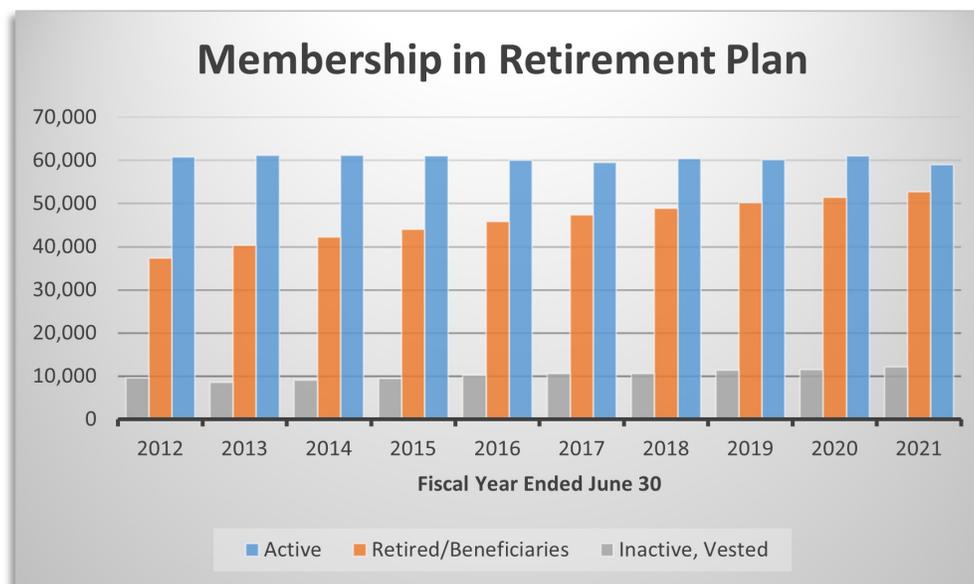
Fiscal Year	Discount Rate	Net Pension Liability		
		1% Decrease	Current Single Rate Assumption	1% Increase
2021	7.00%	\$ 10,035,064,321	\$ 7,087,466,701	\$ 4,651,571,637
2020	3.89%	25,593,615,269	7,577,302,491	5,384,280,133
2019	7.25%	10,228,778,073	7,577,302,491	5,384,280,133
2018	5.69%	15,454,175,919	11,891,330,976	8,984,271,849
2017	5.90%	14,466,971,886	11,113,468,217	8,372,251,825

Funded Ratio. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from 60.4% percent as of June 30, 2020 to 62.8% percent as of June 30, 2021. The increase was primarily due to the investment gains on the smoothed or actuarial value of the assets and the employer contribution increase of 1% over the next two fiscal years. The Plan's funding period, based on an open group projection as of the valuation date of June 30, 2021, is 42 years. This compares to infinite years as of June 30, 2020.



Management's Discussion and Analysis

Membership: Over the last ten years, the total number of active plan members has decreased 4.4%, while the number of retired members and beneficiaries has increased 48.9%. The ratio of active members to retired members and beneficiaries is 1.12. Other membership categories—inactive non-vested members and inactive vested members—have also increased 66.1% and 30.9%, respectively. Total membership has increased 25.5%.



Analysis of Balances and Transactions

Receivables and Payables. Total current receivables for fiscal year 2021 increased by \$25,994,132 from the prior year. Total current payables for fiscal year 2021 increased by \$23,929,186 from the prior year. Changes in year-end balances were primarily caused by changes in year-end broker purchases and sales proceeds.

Condensed Receivables and Payables Analysis (in Millions)

	2021	2020	Change	
			Dollar	% *
Interest, Dividends, and Other Receivables	\$ 149	\$ 134	\$ 15	11%
Contributions	104	93	11	12%
Total Current Receivables	\$ 253	\$ 227	\$ 26	12%
Investment Broker Payables	\$ 146	\$ 123	\$ 23	19%
Accounts Payable	4	4	—	3%
Member Withdrawals	2	1	1	68%
Accrued Payroll and Benefits	1	1	—	(31)%
Total Current Payables	\$ 152	\$ 129	\$ 23	18%

* percentages based on amounts before rounding.

Changes in broker receivables and payables relate to the volume of investments sold at or near the current fiscal year end as compared to the prior year. Securities sales and purchases in the United States equity markets are based on “trade + 2 days,” meaning the transactions will settle in two business days after initiation. The number of days varies in other U.S. and foreign securities markets.

Management's Discussion and Analysis

Contributions. NMERB's funding objective is to meet long-term benefit obligations through member and employer contributions, as well as through investment earnings. Annual contributions for the current reporting year were \$783 million and include contributions for service credit purchases. This is an increase of \$2 million, or 0.25%, from the prior fiscal year. The contributions remained consistent in the current fiscal year as compared to the prior fiscal year.

Investment Income. Investment income, net of external manager and custody banking fees, was \$3,833 million for 2021 and an investment loss, net of external manager and custody banking fees of \$(75) million for 2020, respectively. The continued positive return reflects NMERB's investment allocation plan. NMERB's investment allocation plan is designed to result in a lower volatility of returns than the historical NMERB portfolio and the average public pension fund. This means NMERB may lag other funds somewhat when equity markets move up sharply. However, NMERB expects to exceed the returns on those same funds when the equity markets have very small gains or losses. In short, NMERB is seeking to mute the extreme differences in returns from one quarter or one year to the next. This philosophy has contributed positively to NMERB's results in previous fiscal years and has contributed positively to its longer-term comparative performance.

Age and Service Benefits. Age and service benefits paid in fiscal year 2021, including disability and death benefit payments, totaled \$1,218 million, a 4.1% increase over the prior year's net benefit payments. The increase in payments is attributable to the growth in the retiree population by 3% from 51,397 in fiscal year 2020 to 52,790 in fiscal year 2021 and mirrors the consistent, though modest, annual growth in the total retiree population.

Currently Known Facts and Conditions

Pending Litigation and Claims

During each business cycle, NMERB may be named as a defendant in administrative appeals arising from the normal course of business. Legal counsel believes resolution of any currently pending matters will not have a material effect on the financial statements.

COVID-19

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As a result, NMERB closed its offices to the public and sent almost all staff home to work remotely or to come into the office on staggered schedules to avoid exposures. During the pandemic, NMERB has made extensive use of technology for meeting as well as for presenting information to members through its website and webinars.

Contact NMERB

Questions

Any questions regarding the financial statements of NMERB should be directed to the NMERB Chief Financial Officer at (505) 476-6126 or by mail at 701 Camino de los Marquez, Santa Fe, New Mexico 87505.

Statement of Fiduciary Net Position

New Mexico Educational Retirement Board Statement of Fiduciary Net Position As of June 30, 2021

	Fund 60500
ASSETS	
Cash and Short Term Investments:	
Cash	\$ 8,781,112
Short Term Investments	236,149,560
Investment in Local Government	<u>106,362</u>
Total Cash and Short Term Investments	<u>245,037,034</u>
Receivables:	
Contributions	103,889,962
Investment Sales Proceeds - Brokers and Foreign Exchange	138,513,406
Interest and Dividends	10,739,739
Allowance for Uncollectible Accounts	<u>(226,511)</u>
Total Receivables	<u>252,916,596</u>
Investments, at Fair Value	
Public Equity	6,372,249,992
Alternative Investments	8,733,828,092
Fixed Income	<u>907,666,993</u>
Total Investments	<u>16,013,745,077</u>
Capital Assets, Net of Accumulated Depreciation	<u>2,319,974</u>
Total Assets	<u>16,514,018,681</u>
LIABILITIES	
Accounts Payable	4,110,068
Accrued Payroll and Employee Benefits	690,679
Refunds Payable and Other Liabilities	1,680,630
Investment Purchases and Foreign Exchange Payables	<u>146,012,946</u>
Total Liabilities	<u>152,494,323</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 16,361,524,358</u>

See accompanying Notes to the Basic Financial Statements, beginning on page 33.

Statement of Changes in Fiduciary Net Position

New Mexico Educational Retirement Board Statement of Changes in Fiduciary Net Position For the Year Ended June 30, 2021

	Fund 60500
ADDITIONS	
Contributions	
Employer	\$ 452,872,287
Member	327,477,585
Service Credits Purchases	<u>2,589,302</u>
Total Contributions	<u>782,939,174</u>
Investment Income	
Net Appreciation in Fair Value of Plan Investments	3,736,189,967
Dividend Income	67,475,607
Interest Income	28,308,337
Other Investment Income	<u>187,473,533</u>
Total Investing Activity Gain	<u>4,019,447,444</u>
Investment Expenses	
Management Fees	(124,128,248)
Performance Fees and Carried Interest	(57,714,454)
Investment Consulting Fees	(1,582,541)
Custodial Fees	(1,003,758)
Legal Fees and Other Costs	<u>(1,569,987)</u>
Total Investment Expenses	<u>(185,998,988)</u>
Net Investment Income	<u>3,833,448,456</u>
Other Income	<u>1,091,892</u>
Total Additions	<u>4,617,479,522</u>
DEDUCTIONS	
Age and Service Benefit Payments	1,217,645,352
Refunds to Terminated Members	45,419,111
Administrative	<u>12,087,563</u>
Total Deductions	<u>1,275,152,026</u>
INCREASE IN NET POSITION	3,342,327,496
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING OF YEAR	<u>13,019,196,862</u>
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	<u>\$ 16,361,524,358</u>

See accompanying Notes to the Basic Financial Statements, beginning on page 33.

Index to Notes to the Financial Statements

Note 1: General Description of Board and Retirement Plan	33
A. Background	33
B. Reporting Entity	33
C. Defined Benefit Plan Description	34
D. Membership	34
E. Participating Employers	35
F. Pension Benefit	36
G. Summary of Plan Provision for Retirement Eligibility	36
H. Form of Payment	37
I. Benefit Options	37
J. Cost of Living	37
K. Refund of Contributions	38
L. Alternative Retirement Plan	38
Note 2: Significant Accounting Policies	40
A. Basis of Accounting and Measurement Focus	40
B. Use of Estimates	40
C. Cash and Short-Term Investments	40
D. Revenue Recognition	40
E. Benefits	40
F. Investments	41
G. Capital Assets	41
H. Budgets and Budgetary Accounting	41
I. Special Appropriation	43
J. Refunds Payable	43
K. Due to Other State Agencies	43
Note 3: Net Pension Liability	44
A. Net Pension Liability of Plan Membership	44
B. Actuarial Assumptions	45
C. Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption	46
D. Rate of Return	46
Note 4 State General Fund Investment Pool	47
A. Interest Rate Risk	49
B. Credit Risk	49
C. Cash and Short-Term Investments	49
D. Custodial Credit Risk	49
Note 5: Refund Overpayments	50
Note 6: Fair Value Measurements	50

Index to Notes to the Financial Statements

Note 7: Investments	53
A. Asset Allocation Policy.....	54
B. Foreign Currency Risk.....	55
C. Custodial Credit Risk.....	56
D. Interest Rate Risk.....	56
E. Concentration of Credit Risk.....	56
F. Credit Risk.....	57
G. Cash Balances.....	58
Note 8: Derivative Instruments	59
A. Derivative Risks.....	60
B. Foreign Currency Exchange Contracts.....	60
C. Options.....	61
D. Swap Contracts.....	61
E. Hedge Funds.....	62
F. Asset-Backed Securities.....	62
Note 9: Capital Assets	63
Note 10: Accrued Compensated Absences	64
Note 11: Retirement Plans	65
A. Public Employees Retirement Association (PERA).....	65
B. PERA Funding Policy.....	65
C. Educational Retirement Board (NMERB).....	65
D. NMERB Funding Policy.....	65
E. GASB No. 68 Financial Reporting and Disclosure for Multiple Employer Cost Sharing Pension Plans by Employers.....	66
Note 12: Post-Employment Benefits – Retiree Health Care Plan	66
Note 13: Risk Management	66
Note 14: Statutory Disclosures	67
Note 15: Pending Obligations and Claims	67

Note 1: General Description of the Board and Retirement Plan

A. Background

The New Mexico Legislature passed the Educational Retirement Act (ERA) in 1957, establishing the NMERB Board of Trustees to administer the Educational Employees Retirement Plan (Plan). The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

B. Reporting Entity

The Plan administered by NMERB is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a nine-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

The ERA defines the governing Board of Trustees for NMERB per Section 22-11-3, NMSA 1978, as follows:

- Secretary of the Public Education Department (PED), or a designee of the secretary who is a resident of New Mexico, a current employee of PED, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.
- State Treasurer, or a designee of the Treasurer who is a resident of New Mexico, a current employee of the State Treasurer's Office, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.
- One member to be elected for a term of four years by the members of the New Mexico Association of Educational Retirees.
- One member to be elected for a term of four years by the members of the National Education Association of New Mexico.
- One member to be elected for a term of four years by the members of the New Mexico members of the American Association of University Professors.
- Two members to be appointed by the Governor for terms of four years each. Each member appointed shall have a background in investments, finance or pension fund administration.
- One member to be elected for a term of four years by the members of the American Federation of Teachers New Mexico.
- Secretary of Higher Education, or a designee of the secretary who is a resident of New Mexico, is a current employee of the higher education department, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.

NMERB applied criteria established by Generally Accepted Accounting Principles (GAAP) to determine whether other state agencies, boards or commissions which benefit the members of NMERB should be included within its financial reporting entity as component units. Those criteria include, but are not limited to, whether the Board exercises oversight responsibility; financial interdependency; selection of governing authority; designation of management; an ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, the Board has determined that there are no component units that should be included in its financial reporting entity.

C. Defined Benefit Plan Description

The Plan administers a cost-sharing, multiple-employer defined benefit pension plan, which is a qualified plan under Section 401(a) of the Internal Revenue Service Code and is exempt from federal income taxes under Section 501(a). All accumulated assets are held in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

D. Membership

Active, retired, and inactive membership totaled 163,314 as of June 30, 2021. The following schedule shows the number of members by category. A breakdown of contributing employers by reporting category for fiscal year 2021 follows.

Schedule of Plan Membership

Membership Status	2021
Active Working Members	58,988
Retirees and Beneficiaries Currently Receiving Benefits	52,790
Inactive Members, Vested	12,215
Inactive Members, Nonvested	39,321
Total	163,314

E. Participating Employers

NMERB served a total of 216 educational employers in fiscal year 2021. The fluctuations in the number of participating employers each year is due to Charter Schools opening and closing throughout the fiscal year. For fiscal year 2021, one Charter School opened as of November 1, 2020 and no schools were closed as of June 30, 2021. The “State Agencies” category includes the State of New Mexico as the common paymaster for all state agencies with educational programs, the New Mexico Activities Association, and the nine New Mexico Regional Education Cooperatives.

A breakdown of contributing employers by reporting category for the fiscal year 2021 follows:

Schedule of Participating Employers

Employer Category	2021
Charter Schools	97
Public Schools	89
State Agencies	11
Universities and Colleges	15
Special Schools	4
Total	216

For the fiscal year ended June 30, 2021, educational employers and members contributed to the Plan based on the following rate schedule.

Schedule of Contribution Rates

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2021	7/1/2020 to 6/30/2021	Over \$24K	10.70 %	14.15 %	24.85 %	0.00 %
2021	7/1/2020 to 6/30/2021	\$24K or Less	7.90 %	14.15 %	22.05 %	0.00 %

F. Pension Benefit

A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five fiscal years of service or any other consecutive five fiscal year period, whichever is greater.

G. Summary of Plan Provisions for Retirement Eligibility

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and allowable service credit add up to the sum of 75 or more. Those who retire under the age of 60, and who have fewer than 25 years of earned service credit will receive reduced retirement benefits, or
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 was refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits, or
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Section 22-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions and returned to work for an NMERB employer on or after July 1, 2013. These members must meet one of the following requirements.

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits, or
- The member's age is 67 and has earned five or more years of service credit.

Section 22-11-23.3, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2019, or who were employed before July 1, 2019 but terminated employment and subsequently withdrew all contributions and returned to work for an NMERB employer on or after July 1, 2019. These members must meet one of the following requirements.

- The member is any age and has thirty or more years of earned service credit.
- The member is at least 67 years of age and has 5 or more years of earned service credit.
- The sum of the member's age and years of earned service credit equals at least eighty.

H. Form of Payment

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

I. Benefit Options

The Plan has three benefit options available:

Option A - Straight Life Benefit - The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B - Joint 100 Percent Survivor Benefit - The single life annuity monthly benefit is reduced to provide for a 100 percent survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C - Joint 50 Percent Survivor Benefit - The single life annuity monthly benefit is reduced to provide for a 50 percent survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50 percent benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

J. Cost of Living Adjustment (COLA)

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3 and Tier 4).

Membership Tiers	
Tier	Membership is Comprised of:
1	Employees who became members prior to July 1, 2010
2	Employees who became members on or after July 1, 2010, but prior to July 1, 2013
3	Employees who became members on or after July 1, 2013, but prior to July 1, 2019
4	Employees who became members on or after July 1, 2019

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

Disability Benefit:

Eligibility - A member is eligible for a disability benefit provided (a) he or she has credit for at least ten years of service, and (b) the disability is approved by the Board.

Monthly Benefit - The monthly benefit is equal to two percent of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times years of service projected to age 60.

Form of Payment - The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied.

K. Refund of Contributions

Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

L. Alternative Retirement Plan

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52, NMSA 1978 to provide eligible employees an election to establish an alternative retirement plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association, and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to

ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Eligibility

Certain employees of the University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, New Mexico Highlands University, Eastern New Mexico University, Western New Mexico University, Central New Mexico Community College, Clovis Community College, Luna Community College, Mesalands Community College, New Mexico Junior College, Northern New Mexico College, San Juan College and Santa Fe Community College are eligible to make an election to participate within 90 days of employment. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan.

Section 22-11-47(D), NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

Form of Payment

Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Code. Retirement benefits shall, at the option of the employee, be paid:

- in the form of a lifetime income, if held in an annuity contract,
- payments for a term of years, or
- a single-sum cash payment.

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the defined benefit plan administered by NMERB.

ARP Contributions

For the year ended June 30, 2021, colleges and universities contributed 10.9% of participating employees' gross salary to the ARP vendor on behalf of the participant, and three percent of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors. Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the three percent contributions to the Plan. Employer contributions reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The 3% contribution remitted for fiscal year ended June 30, 2021 was \$7,217,494.

Note 2 Significant Accounting Policies

A. Basis of Accounting and Measurement Focus

The Board's financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. The New Mexico General Fund Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis for the State. Prior year encumbrances are not carried forward for single year appropriations. Employer and member contributions are recognized as revenue in the period in which the member's services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

B. Use of Estimates

In preparing financial statements in conformity with governmental accounting principles generally accepted in the United States, NMERB's management makes estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of additions to and deductions from the Plan fiduciary net position during the reported period, and disclosures as of the date of the financial statements. Actual results could differ from those estimates and assumptions. Certain NMERB investment assets, in particular global real assets and global private equity funds, use estimates in reporting fair value in the financial statements. These estimates are subject to uncertainty in the near term, which could result in changes in the values reported for those assets in the Statement of Fiduciary Net Position.

C. Cash and Short-Term Investments

Cash includes demand deposits and all short-term instruments with maturities at the time of purchase of less than 90 days. Individual deposit accounts and investment accounts held by NMERB are shown on the Statement of Fiduciary Net Position at fair value as required by Section 12-6-5(A), NMSA 1978. Cash activity is accounted for within the Statewide Human Resources, Accounting, and Management System (SHARE) fund number 60500. NMERB earns interest on all monies held at the State Treasurer's Office and in NMERB's custodial investment account at State Street Bank. When a security purchase transaction fails to be completed due to the broker not delivering the purchased security on settlement date, the cash remains with custodial agent bank. When this occurs, NMERB's money is invested overnight in a Short-Term Investment Fund (STIF).

D. Revenue Recognition

Pension contributions are recognized as additions in the period they become due based on Plan reporting requirements. Investment income includes net investment appreciation or depreciation in the fair value of investments, interest and dividend income, and foreign currency transaction gains and losses. Investment income is recognized when earned.

E. Benefits

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

F. Investments

All investment securities are reported at fair value, which is defined as the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Due to the nature of investments, it is reasonable to expect that changes in the value of investment assets will occur in the near future and that changes could materially affect the amounts reported.

NMERB's investments are measured and reported at fair value, based on quoted prices in active markets, significant other observable inputs, and significant unobservable inputs. Additional information on the valuation of investment securities can be found in Note 6, which is presented in accordance with GASB No. 72, *Fair Value Measurement and Application*. There are certain market risks, credit risks, foreign exchange currency risks, or events that may subject the Plan's investment portfolio to economic changes occurring in certain industries, sectors, or geographic markets.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and investment expenses, which include management and custodial fees, and all other significant investment related costs. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of pension plan investments. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

G. Capital Assets

Capital assets represent the cost of assets, net of accumulated depreciation, used for the administration of the Plan. Capital assets include NMERB's administration building located in Santa Fe, New Mexico. NMERB's capitalization policy, based on the requirements from Section 12-6-10, NMSA 1978, is to include all assets with a useful life of more than one year and a cost basis of at least \$5,000. Assets with an original cost less than \$5,000 but categorized as sensitive, primarily IT equipment, are also capitalized for tracking and control purposes. All additions are capitalized at historical cost as of the date of acquisition; depreciation is calculated on a straight-line basis over the asset's estimated useful life with no salvage value. Estimated useful asset lives are as follows:

	<u>Years</u>
Buildings and Building Improvements	25
Depreciable Land Improvements	10
Furniture and Equipment	10
Data Processing Equipment (Including Software)	5

H. Budgets and Budgetary Accounting

Formal budgetary integration is used by the Board of Trustees as a tool for monitoring internal controls and administering the Plan. The budget for NMERB, a New Mexico State agency is adopted on the modified accrual basis of accounting, except for prior year obligations approved for payment by the New Mexico Department of Finance and Administration (DFA) per Section 6-10-4, NMSA 1978.

Each year the New Mexico Legislature approves multi-year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the multi-year budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. Budget presentations in these financial statements are consistent with this budgeting methodology.

Only administrative expenses are budgeted, while significant revenues and non-administrative expenses are not. The budget recognizes encumbrances and capital expenses as current expenses, excludes depreciation expense, and recognizes revenue when cash is received. Budgetary comparisons for the Plan are presented in the schedule of revenues and expenditures, included in Other Supplemental Information.

The Accountability in Government Act, Chapter 15, Laws of 1999, requires implementation of performance-based budgeting over a four-year period. NMERB developed performance measures which were approved by the State Budget Division, a division of the DFA, and the Legislative Finance Committee (LFC), an interim committee of the New Mexico Legislature, and included in the General Appropriations Act. NMERB is required to report annually to the SBD and the LFC on these performance measures. Performance results are included in Other Supplemental Information.

To establish the annual budget, NMERB has the following procedures:

1. NMERB prepares a Budget Appropriation Request for the Board of Trustees' approval, and to present at a LFC hearing. The request includes proposed expenses and the means of financing them.
2. The Budget Appropriation Request is submitted to the State Budget Division of DFA and the LFC.
3. DFA makes recommendations and adjustments to NMERB's Budget Appropriation Request, which becomes the Governor's proposal to the legislature.
4. The LFC holds hearings on the Budget Appropriation Request during the legislature's interim period. Recommendations and adjustments are made prior to presenting the Budget Appropriation Request to the legislature.
5. Both DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget. The final budget approved by the legislature is then sent to the Governor's office for final approval.
6. NMERB submits its annual operating budget to DFA and LFC based on the final appropriation recommendation from the Legislature and approval by the Governor.
7. Per Section 9 of the General Appropriation Act of 2012, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services, and other costs. The legal level of budgetary control for NMERB's operating budget is the enacted appropriation program.

I. Special Appropriation

In fiscal year 2019, the NMERB received a special appropriation in the amount of \$1,545,900 to implement and conduct a data cleanse project of the inactive members in the membership database. The focus of this project is to update the contact information for inactive members who have paid into the retirement system but no longer work for an NMERB affiliated employer and are not currently receiving pension benefits. Since the Internal Revenue Service requires withdrawal of contributions or payment of retirement benefits at age 70½ unless employed, this project will also notify this segment of the membership regarding their options. Any unexpended balances at the end of the fiscal year shall be used exclusively for expenditures in fiscal year 2020 and fiscal year 2021 for the same purpose. Expenditures for this project for the period ended June 30, 2021 were \$69,605.

J. Refunds Payable

Refunds payable represents the total amount due and payable as of June 30th to terminated members who have submitted valid claims for a full refund of contributions. These refunds are processed in early July 2021, as soon as the state's central accounting system is available to process the new fiscal year's transactions.

K. Due to Other State Agencies

NMERB's financial statements do not reflect any amounts due to other state agencies as of June 30, 2021.

Note 3 Net Pension Liability

Governmental employers participating in the Plan are required to report their proportionate share of the Plan's net pension liability, pension expense, and deferred outflows and inflows of resources within their financial statements, as well as to disclose financial information about the Plan.

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 7.00% was used to measure the Total Pension Liability as of June 30, 2021. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The single discount rate used at June 30, 2021 differs from the rate used at June 30, 2020 which was 3.89%. The single discount rate was based on an expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.45%. Based on the stated assumptions and the projection of cash flows, the pension plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2045. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2045 and the municipal bond rate was applied to all benefit payments after that date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels. Additionally, contributions received through Alternative Retirement Plan and the Return to Work Program are included in the projection of cash flows. These contributions are assumed to remain a level percentage of NMERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

A. Net Pension Liability of Plan Membership

The components of the net pension liability at June 30, 2021 were as follows:

	2021
Total Pension Liability	\$ 23,448,991,059
Plan Fiduciary Net Position	<u>(16,361,524,358)</u>
Employer Net Pension Liability	<u>\$ 7,087,466,701</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	69.77%
Covered Payroll	\$ 3,057,978,722
Net Pension Liability as a percentage of Covered Payroll	<u>231.77%</u>

B. Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information were based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled forward from the valuation date to June 30, 2021 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2021. For purposes of projecting future benefits, it is assumed that the full COLA will be paid in all future years.

Methods of Assumptions Used to Determine the Total Pension Liability

	2021
Actuarial Cost Method	Entry age normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Amortized over a closed 30-year period from June 30, 2019, ending June 30, 2049
Asset Valuation Method	5-year smoothed market
Inflation	2.30%
Salary Increases	Composed of 2.30% inflation, 0.70% productivity increase rate, plus step-rate promotional increases for less than 15 years of service
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates based on age and service. Adopted by the Board on April 17, 2020 in conjunction with the six year experience study for the period ending June 30, 2019.
Mortality	Healthy Males: 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. Healthy Females: 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.

The target long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following:

- Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

The total pension liability was rolled forward from the valuation date to June 30, 2021 using generally accepted actuarial principles and included the legislative change to the employer contribution rate, which increased the employer contribution by 1% each year for the next two fiscal years, resulting in a 15.15% employer contribution rate and a 16.15% employer contribution rate in fiscal year 2022 and fiscal year 2023, respectively. As a result of these changes and the excellent performance of the fund for the fiscal year, the discount rate increased from 3.89% to 7.00%.

C. Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption

The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2021. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate:

Fiscal Year	Discount Rate	Net Pension Liability		
		1% Decrease	Current Single Rate Assumption	1% Increase
2021	7.00%	\$ 10,035,064,321	\$ 7,087,466,701	\$ 4,651,571,637

D. Rate of Return

Disclosure of the annual money-weighted return is a requirement of GASB No. 67. It incorporates both the size and timing of cash flows to determine an internal rate of return, and expresses investment performance adjusted for the changing amounts actually invested. The requirements of the calculation are listed below.

- The rate is computed net of investment expenses, but not net of administrative expenses.
- External cash flows used as inputs should be determined on at least a monthly basis.
- Cash flows should be determined on an accrual basis of accounting.
- Cash flow weighting should be representative of the Plan's actual external cash flow timing.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments was 28.76%.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for fiscal year 2021 for 30-year return assumptions are summarized net of fees and inflation in the following table by asset class.

Schedule of Real Rates of Return by Asset Class

Asset Class	Percentage
Cash	(0.31)%
U.S. Treasuries	(0.08)%
IG Corp Credit	1.69%
Mortgage Backed Securities	0.28%
Core Bonds*	0.58%
Treasury Inflation Protected Securities	0.04%
High-Yield Bonds	3.31%
Bank Loans	2.91%
Global Bonds (Unhedged)	(0.09)%
Global Bonds (Hedged)	(0.16)%
Emerging Market Debt External	2.99%
Emerging Market Debt Local Currency	3.57%
Large Cap Equities	5.18%
Small/Mid Cap Equities	6.11%
International Equities (Unhedged)	5.84%
International Equities (Hedged)	5.74%
Emerging International Equities	9.37%
Private Equity	10.18%
Private Debt	5.78%
Private Real Assets	7.59%
Real Estate	6.17%
Commodities	2.57%
Hedge Funds	3.28%

* Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and Mortgage Backed Securities).

Note 4 State General Fund Investment Pool

The State General Fund Investment Pool (SGFIP) is the State of New Mexico's main cash account. In compliance with Section 6-10-3, NMSA 1978, and to optimize the state's cash management and investment practices, funds of various state agencies are deposited in the SGFIP. This pool is managed by the New Mexico State Treasurer's Office. Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office acts as the State's bank. Agency cash receipts are deposited with State Treasurer's Office and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced. The comprehensive cash reconciliation model compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office. This process has been reviewed multiple times by the independent public accountants during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Annual Comprehensive Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

- As of June 30, 2021, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- All claims recorded in SHARE are honored at face value.

NMERB believes the cash invested in State Treasurer's Office Overnight Pool is represented fairly based on reconciliation procedures performed by NMERB. NMERB has established internal control procedures consistent with the State's Manual of Model Accounting Practices. These procedures are designed to avert accounting errors and violations of state and federal law and rules related to financial matters.

NMERB uses the State's financial software general ledger system, SHARE, monitoring balances through internal reporting, and performing reconciliation procedures throughout the fiscal year, following the Department of Finance and Administration's policies and procedures for fiscal safeguards. Cash balances posted in SHARE are correct to the extent that NMERB has control (i.e., collection, depositing, reconciling, and documentation of outstanding items) of the cash, and its receipts and transfers to the SGFIP and other state agencies are made pursuant to Department of Finance and Administration's current policies and procedures. Each deposit, payment voucher, investment, and other transactions that affect cash are verified to ensure the amounts are accurate and correctly classified in SHARE.

NMERB does not collect any revenues that contribute to, or revert to, the SGFIP, but does maintain all deposits on account at State Treasurer's Office which are identified by NMERB's business unit and fund number. NMERB's cash balances are required to be managed by State Treasurer's Office per Section 8-6-3, NMSA 1978. Accordingly, NMERB's investments include an interest in the SGFIP equal to the cash balance on hand that is managed by State Treasurer's Office for Business Unit 35200 and Fund 60500. As of June 30, 2021, NMERB had \$8,781,112 invested in the SGFIP.

A. Interest Rate Risk

State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy enables State Treasurer's Office to manage interest rate risk exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

B. Credit Risk

For additional GASB No. 40 disclosure information regarding funds held by STO, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2021.

C. Cash and Short-Term Investments

In addition to the overnight investment of funds deposited to the SGFIP at State Treasurer's Office, NMERB invests in the Short-Term Investment Fund held by State Street Bank, NMERB's custody bank. The Short-Term Investment Fund is used to facilitate more efficient trade procedures among NMERB's external money managers. Net cash balances in each of the custody bank internal and external investment managers' portfolios are swept into the Short-Term Investment Fund at the end of each day. Short-Term Investment Fund investments and cash equivalents of \$236,149,560 as of June 30, 2021 is reported as cash and short term investment balances in NMERB's statement of net position.

The short-term investment balances include \$106,362 in the State Treasurer's Office Local Government Investment Pool as of June 30, 2021.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, NMERB will not be able to recover deposits or will not be able to recover collateral securities held in the possession of an outside party. NMERB's investment securities, including cash invested overnight in a short-term investment fund, are held by State Street Bank, a third-party custodian, independent of any counterparty. State Street Bank by agreement holds sufficient assets to minimize the risk that NMERB would not be able to recover the value of investments held for NMERB. To minimize risk to operating cash held in the State's depository bank, Wells Fargo, management utilizes the services of State Treasurer's Office for overnight investment in a commingled Short-Term Investment Fund. For the Local Government Investment Pool, public funds are exempt from disclosing custodial credit risk and concentration of credit risk.

Note 5 Refund Overpayments

In June 2010, the Board adopted a revised method for computing interest due on refunds of contributions to members that have terminated employment and elected to withdraw their contributions, and on refunds paid to a beneficiary of a deceased member, with an effective date of July 1, 2010. During implementation, a programming error resulted in 834 individuals receiving overpayments totaling \$1,691,929, and ranging from less than one dollar to \$306,264.

The State Constitution requires every reasonable effort be made to recover these funds and that interest be assessed on the overpayments. As of June 30, 2021, the uncollected balance including interest assessed, net of uncollectible amounts due to settlement, bankruptcy, or death, is \$238,837. The agency continues to take all reasonable actions to collect and settle these outstanding amounts.

Note 6 Fair Value Measurements

NMERB investments are measured and reported at fair value, and classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based on unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as an indication of investment risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. NMERB uses internal fair values provided by the investment manager for mortgage and asset backed securities classified in Level 3 due to lack of an independent pricing source. Fair value reporting for the fiscal years ending June 30, 2021 is provided on the pages that follow.

NMERB's investments in limited partnerships are valued at an estimated fair value based on their proportionate share of the partnership's fair value as recorded in the partnership's financial statements. The limited partnerships allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreements. As of June 30, 2021, NMERB's additional future contribution commitments to limited partnerships totaled \$3.83 billion.

Notes to the Financial Statements

The following schedule presents a summary of NMERB's investments measured at fair value as of June 30, 2021.

Schedule of Investments and Short-Term Holdings Measured at Fair Value by Level (In Thousands)

	Quoted Price-Active Markets for identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Investments by Fair Value Level				
Debt Securities				
Foreign Obligations	\$ —	\$ 154,359	\$ 17,559	\$ 171,918
Mortgage & Asset Backed Securities	—	62,492	—	62,492
Municipal Obligations	—	5,710	26,576	32,286
U.S. Agency Obligations	—	209,420	—	209,420
U.S. Corporate Obligations	—	259,424	—	259,424
U.S. Government	—	171,520	—	171,520
Total Debt Securities	<u>—</u>	<u>862,925</u>	<u>44,135</u>	<u>907,060</u>
Equity Securities:				
Foreign Stocks	79,470	—	—	79,470
U.S. Common and Preferred Stock	<u>3,235,512</u>	<u>—</u>	<u>—</u>	<u>3,235,512</u>
Total Equity Securities	<u>3,314,982</u>	<u>—</u>	<u>—</u>	<u>3,314,982</u>
Total Investments by Fair Value Level	<u>\$ 3,314,982</u>	<u>\$ 862,925</u>	<u>\$ 44,135</u>	<u>\$4,222,042</u>
Investments Measured at the Net Asset Value				
Commingled Bond Funds				115,070
Commingled Global Asset Allocation				1,157,415
Commingled International Equity Funds				2,166,828
Hedge Funds				319
Opportunistic Credit Funds				2,612,086
Private Equity Funds				3,903,566
Private Real Estate Assets				1,836,419
Total Investments Measured at the Net Asset Value				<u>11,791,703</u>
Total Investments				<u>\$16,013,745</u>
Investment Derivatives Instruments				
Interest Rate Swaps	(310)	—	—	(310)
Foreign Currency Forward Contracts	806	—	—	806
Options	(47)	—	—	(47)
Total Derivatives Instruments	<u>\$ 449</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 449</u>

Notes to the Financial Statements

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

Investment Measured at Net Asset Value

	2021	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	(In Thousands)			
Comingled Bond Funds	\$ 115,070	\$ –	Monthly	2 Months
Comingled Global Asset Allocation	1,157,415	–	Monthly, Quarterly, Semi-Annual, Annual	30-120 Days
Comingled International Equity Funds	2,166,828	–	Daily, Monthly	5-15 Days
Hedge Funds	319	–	In Liquidation Process	N/A
Opportunistic Credit Funds	2,612,086	605,802	Daily, Monthly, Quarterly, Semi-Annual	30-180 Days
Private Equity Funds	3,903,566	1,979,095	N/A	N/A
Private Real Assets	1,836,419	1,241,379	N/A	N/A
Total	<u>\$11,791,703</u>	<u>\$ 3,826,276</u>		

Commingled Bond Funds and Equity Funds. One (1) bond fund and five international equity funds are considered to be commingled in nature. Each are valued at the NAV of units held at the end of the period based on the fair value of the underlying investments.

Commingled Global Asset Allocation/ Risk Parity Funds. Consisting of four (4) funds, this strategy invests across multiple asset sectors based upon outcomes of economic and technical analysis and may allocate risk across the portfolio in order to achieve optimal portfolio diversification. These investments are valued at the NAV per share.

Diversifying Assets. Consisting of four (4) funds that seek to investment in assets that change in value independent of the core financial markets such as equities and fixed income securities. These investments are valued at NAV per share. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the duration of five (5) to ten (10) years.

Hedge Funds-Absolute Return. Consisting of one (1) fund, this investment are valued at NAV per share. This investment is being wound down, and due to contractual lock up restrictions, the remaining redeemable balance of this investment is difficult to determine.

Opportunistic Credit Funds. Consisting of twenty-nine (29) funds, this strategy's main focus is to invest in a variety of credit securities to enhance investment risk-adjusted returns and increase total portfolio diversification. These investments are valued at NAV per share. While many of these funds are currently eligible for redemption, some of the fund distributions received as underlying investments are liquidated, which may be from five (5) to ten (10) years from the commencement of the fund.

Private Equity. Consisting of ninety-six (96) funds, investing primarily in buyout, distress, growth equity, and secondaries, with some exposure to mezzanine and venture. The fair value of these funds has been determined using the most recent financial information. These funds are not

eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the duration of five (5) to ten (10) years.

Private Real Assets. Consisting of seventy-nine (79) funds, investing primarily in real estate, natural resources, and infrastructure, the fair values of these funds have been determined using the most recent financial information. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds when liquidated, which on average can occur over the duration of five (5) to ten (10) years.

Note 7 Investments

NMERB is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act Section 45-7-601, NMSA 1978. Key provisions per the Uniform Prudent Investor Act are summarized below. Provisions of the Act:

- Set a higher standard of care and prudence for investments, above and beyond the previous standard and guiding principles of law;
- Apply to the trust as a whole, rather than individual investments;
- Require investment strategy to be based on suitable risk and reward strategies; and
- Require diversification unless the trustees reasonably determine it is not in the best interest of the fund.

A. Asset Allocation Policy

NMERB has adopted a strategic Asset Allocation Plan, containing weights, ranges, and benchmarks for each asset class. Over time this strategy is expected to achieve NMERB's assumed overall rate of return on Plan assets of 7.00%. Achieving the target weights is a long-term goal. In the short term, a particular asset position may represent an intermediate point in the process of attaining its target weight.

NMERB's investment allocation policy was reviewed and amended by the Board of Trustees in August 2019. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the asset allocation policy adopted in August 2019 as well as the prior allocation policy targets.

Schedule of Asset Allocation Versus Policy Targets

	Allocation ²	Policy Target ¹
Equities		
Domestic Equities		
Large cap equities	15.3%	14.0%
Small-mid cap equities	3.1%	3.0%
Total domestic equities	<u>18.4%</u>	<u>17.0%</u>
International Equities		
Developed markets	5.1%	5.0%
Emerging markets	8.6%	9.0%
Total international equities	<u>13.7%</u>	<u>14.0%</u>
Fixed Income		
Core fixed income	4.9%	6.0%
Opportunistic credit	16.3%	16.0%
Emerging markets debt	1.6%	2.0%
Total fixed income	<u>22.8%</u>	<u>24.0%</u>
Alternatives		
Global asset allocation	2.4%	2.0%
Risk parity	4.9%	3.0%
Other diversifying assets	3.9%	7.0%
REITs	2.2%	2.0%
Private real estate	3.9%	6.0%
Private equity	18.8%	15.0%
Inflation-linked assets	7.7%	9.0%
Total alternatives	<u>43.8%</u>	<u>44.0%</u>
Cash	1.2%	1.0%
Total	<u>100.0%</u>	<u>100.0%</u>

¹ Long-Term Policy Target approved by the Board in August 2019.

² Allocations shown here include cash held in separately managed portfolios. Total plan includes Legacy Assets totaling \$5,705. Totals may not add to 100% due to rounding.

B. Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the underlying securities. NMERB's exposure to foreign currency risk is derived from positions held in foreign currency and currency-denominated investments. Managers are given discretion to hedge this risk. NMERB's foreign currency exposure as of June 30, 2021 was \$86,453,271. A detail schedule reflecting foreign currency exposure is shown next.

With respect to the Local Government Investment Pool, all investments are denominated in US dollars. The Local Government Investment Pool does not have any foreign currency risk.

Schedule of Foreign Currency Risk Exposure

Continent	Currency	Equity Securities	Cash (Overdraft)	Net Foreign Currency Risk
AFRICA	SOUTH AFRICAN RAND	\$ 5,897,234	\$ 11,055	\$ 5,908,289
AMERICAS	BRAZILIAN REAL	809,685	(35)	\$ 809,650
	CANADIAN DOLLAR	–	1,674	\$ 1,674
	CHILEAN PESO	1,416,733	1,410	\$ 1,418,143
	COLOMBIAN PESO	2,053,328	97,595	\$ 2,150,923
	DOMINICAN PESO	157,839	–	\$ 157,839
	MEXICAN PESO	2,871,949	786,451	\$ 3,658,400
	SOL	156,812	–	\$ 156,812
	SOL	1,147,013	–	\$ 1,147,013
	URUGUAYAN PESO	105,881	1,215	\$ 107,096
	ASIA	HONG KONG DOLLAR	5	–
INDIAN RUPEE		–	(28)	\$ (28)
INDONESIAN RUPIAH		8,189,305	108,282	\$ 8,297,587
MALAYSIAN RINGGIT		4,020,558	4,496	\$ 4,025,054
NEW ISRAELI SHEQEL		–	1	\$ 1
SINGAPORE DOLLAR		–	1	\$ 1
SOUTH KOREAN WON		(36,249)	–	\$ (36,249)
THAILAND BAHT		4,959,264	42,486	\$ 5,001,750
YUAN RENMINBI		4,208,273	(4,624,594)	\$ (416,321)
OFFSHORE		–	4,697,187	\$ 4,697,187
AUSTRALIA	AUSTRALIAN DOLLAR	–	1	\$ 1
EUROPE	CZECH KORUNA	960,121	37,172	\$ 997,293
	EURO CURRENCY	36,396,848	169,617	\$ 36,566,465
	HRYVNIA	274,096	–	\$ 274,096
	HUNGARIAN FORINT	1,764,521	27,968	\$ 1,792,489
	NEW RUSSIAN RUBLE	149,024	–	\$ 149,024
	POLISH ZLOTY	3,194,745	93,921	\$ 3,288,666
	ROMANIAN LEU	696,802	–	\$ 696,802
	ROMANIAN LUE	444,331	–	\$ 444,331
	RUSSIAN RUBLE	4,109,670	9,185	\$ 4,118,855
	SWISS FRANC	–	1	\$ 1
TURKISH LIRA	1,040,422	–	\$ 1,040,422	
	Total Subject to Risk	<u>84,988,210</u>	<u>1,465,061</u>	<u>86,453,271</u>

C. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, NMERB will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

All investment securities were held in a custodial position by State Street Bank, located in Boston, Massachusetts, during fiscal year 2021 in the name of NMERB. Deposits and securities held by the custody bank are collateralized with securities held by State Street Bank's trust department, as described in our custody agreement.

D. Interest Rate Risk

Interest rate risk relates to changes in interest rates that will adversely affect the fair value of an investment. NMERB's investing activities may lead earnings and capital to be exposed to movements in interest rates. Interest rate risk management is handled through duration, and by operating within defined risk parameters. NMERB uses a weighted-average method to determine the duration of its investments.

Investment Type	Amount	Duration (Years)
Short-Term Investments	\$ 35,027,745	> 1.00
U.S. Treasury Securities	141,321,095	9.33
U.S. Government & Government Related Obligations	36,746,905	16.04
International Government Obligations	147,023,760	8.00
Corporate Obligations	267,938,491	4.67
Asset and Mortgage-Backed Securities	293,459,269	2.27
Total	\$ 921,517,265	6.34

E. Concentration of Credit Risk

Concentration risk is identified by the amount of investment in any one issuer that represents five percent or more of the fiduciary net position. As of June 30, 2021, with the exception of U.S. Government and Agency securities, NMERB was not exposed to any concentration risk greater than 5%.

F. Credit Risk

Credit risk for investments is the risk that an issuer or other counterparty to an investment agreement will not fulfill its obligations. Credit risk is managed through diversification and by operating within NMERB defined parameters instead of using a benchmark index. Excluding those investments issued by, or explicitly guaranteed by, the U.S. government, which are not considered to have credit risk, NMERB's credit quality distribution for investments with credit risk exposure as of June 30, 2021 is presented in the Summary of Investments by Rating schedule. NMERB's investments were rated and categorized according to Standard & Poor's rating standards. The schedule below summarizes the investments by category subject to credit risk as of June 30, 2021.

Summary of Investments Subject to Credit Risk, at Fair Value

Asset and Mortgage-Backed Securities	\$	243,733,164
Collateralized Debt Obligations		82,255,711
Corporate Securities		324,997,902
Bank Loans, Bonds and Treasury Bills		148,280,499
Foreign Government Bonds		87,222,244
Cash Equivalent		35,027,745
Total	\$	<u>921,517,265</u>

Investments by category and credit risk are listed below as of June 30, 2021.

Summary of Investments by Category and Credit Risk

Moody's Quality Rating	Total	Asset & Mortgage Backed Securities	Collateralized Debt Obligations	Corporate Securities	Bank Loans Bonds & Treasury Bills	Other Investments
AAA	\$ 7,161,020	\$ 1,387,617	\$ -	\$ -	\$ 5,773,403	\$ -
AA	421,396,531	197,819,725	82,255,711	-	141,321,095	-
A	42,969,718	42,969,718	-	-	-	-
BBB	343,272,699	-	-	323,069,126	20,203,573	-
BB	71,689,552	1,556,104	-	1,928,776	68,204,672	-
B	-	-	-	-	-	-
Not Rated	35,027,745	-	-	-	-	35,027,745
Total	<u>\$921,517,265</u>	<u>\$243,733,164</u>	<u>\$ 82,255,711</u>	<u>\$ 324,997,902</u>	<u>\$235,502,743</u>	<u>\$ 35,027,745</u>

G. Cash Balances

NMERB earns interest on all monies held in the Agency's custodial agent bank. When a security purchase transaction fails to be completed due to the broker not delivering the purchased security on settlement date, the cash remains with custodial agent bank. When this occurs, NMERB's money is invested overnight in a Short-Term Investment Fund. As of June 30, 2021, NMERB had \$236,149,560 on deposit with State Street Bank.

State law requires (Section 8-6-3, NMSA 1978) the agency's operating cash to be managed by the New Mexico State Treasurer's Office, which invests monies held overnight. State Treasurer's Office ensures adequate protection of State monies for agency deposit accounts by requiring all qualified financial institutions to pledge collateral to secure public deposits. As of June 30, 2021, NMERB had \$8,781,112 on deposit with State Treasurer's Office. The State Local Government Investment Pool balance as of June 30, 2021 was \$106,362. Additional information regarding NMERB's cash balances can be found on page [47](#).

Note 8 Derivative Instruments

Derivatives are generally defined as contracts or securities whose value depend on, or derive from, the value of an underlying asset, reference rate, or index.

The Board has adopted GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of derivative instruments. This note describes the Board's investment derivative instruments measured at fair value in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

NMERB's investment policies do allow portfolio managers to trade in certain derivatives for hedging purposes.

The notional or contractual amounts of derivatives indicate the extent of the Board's involvement in the various types and uses of derivative financial instruments and do not measure the Board's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and other terms of the derivatives.

The following table summarizes the aggregate notional or contractual amounts related to NMERB's derivative financial instruments as of June 30, 2021.

Notional Amounts, Fair Value (in Thousands)

	2021
Futures contracts	\$ (7,174)
Fx forward contracts, net	1,316
Options, net	126,686
Pay interest rate swaps	12,889
Receive interest rate swaps	27,025

The fair values of derivative instruments outstanding as of June 30, 2021 are classified by type and by the changes in fair value of the derivative instrument in the following table. A summary of foreign exchange contracts by currency is in section "B" on page [60](#).

Unrealized Gain/(Loss) (in Thousands)

Derivative Type	Classification	Gain/ (Loss)	Classification	Amount
Futures	Investment Income	\$ 755	Investment	\$ -
Options - purchased	Investment Income	(146)	Investment	14
Options - written	Investment Income	674	Investment	(61)
Fx forwards	Investment Income	1,784	Investment	806
Pay interest rate swaps	Investment Income	395	Investment	144
Receive interest rate swaps	Investment Income	(1,015)	Investment	(454)
Rights- common stock	Investment Income	(199)	Investment	—

A. Derivative Risks

NMERB is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. Portfolio managers authorized to invest in derivatives manage the contractual obligation within established policy parameters for both the types of derivatives and the counterparty ratings, ensuring these contracts are made with high quality institutions. NMERB can be exposed to market risk in the event that changes in market conditions cause investments to decline in value.

This exposure is managed within guidelines related to the types of instruments bought or sold and parameters for offsetting positions. Foreign currency risk is the risk that changes in exchange rates will adversely affect the investments. Managers of these assets are given discretion to hedge this risk.

B. Foreign Currency Exchange Contracts

NMERB may enter into forward contracts to purchase and sell foreign currencies in the normal course of investing activities to manage currency exposure associated with NMERB's foreign equity and fixed income investments. The terms of these contracts generally do not exceed one year. The credit risk associated with these contracts is minimal as they are limited to a small number of highly rated counterparties. NMERB's foreign exchange contracts by currency type are summarized below.

**Schedule of Foreign Currency Risk Exposure
(in thousands)**

Continent	Currency	Buys	Unrealized Gain/Loss	Sells	Unrealized Gain/Loss
AFRICA	SOUTH AFRICAN RAND	\$ 4,926	\$ 343	\$ 1,329	\$ (26)
AMERICAS	BRAZILIAN REAL	16,338	334	21,933	441
	CANADIAN DOLLAR	530	5	524	(7)
	CHILEAN PESO	2,268	72	331	(2)
	COLOMBIAN PESO	470	1	1,310	(53)
	MEXICAN PESO (NEW)	432	5	4,201	(269)
	SOL	1,432	11	244	(9)
	ASIA	INDIAN RUPEE	321	(29)	4,305
	INDONESIAN RUPIAH	1,336	28	1,019	11
	JAPANESE YEN	1,311	31	1,579	(32)
	MALAYSIAN RINGGIT	–	–	1,094	(11)
	NEW ISRAELI SHEQEL	1,874	3	1,889	(7)
	NEW TAIWAN DOLLAR	928	34	593	(22)
	PHILIPPINE PESO	413	(16)	1,103	6
	SINGAPORE DOLLAR	1,134	6	–	(14)
	SOUTH KOREAN WON	1,831	3	2,882	(27)
	THAILAND BAHT	2,134	50	2,935	(57)
	YUAN RENMINBI OFFSHORE	1,880	43	4,303	(15)
AUSTRALIA	AUSTRALIAN DOLLAR	2,660	(66)	1,563	(51)
	NEW ZEALAND DOLLAR	259	(43)	262	(5)
EUROPE	CZECH KORUNA	1,802	3	4,131	138
	EURO CURRENCY	10,969	(32)	3,292	(36)
	HRYVNIA	279	(7)	–	–
	HUNGARIAN FORINT	2,523	19	1,548	61
	POLISH ZLOTY	499	(102)	3,939	115
	ROMANIAN LEU	–	(1)	1,012	18
	RUSSIAN RUBLE	2,347	15	3,766	(38)
	TURKISH LIRA	–	(9)	115	9
	Total	\$ 60,896	\$ 701	\$ 71,202	\$ 73

C. Futures

Currency futures are an exchange traded contract that specifies the price in one currency at which another currency can be bought or sold at a future date. Currency futures contracts legally bind the counterparties to deliver the currency amount at the specified price at the delivery date. Currency futures can be used as a hedge against currency risk or to speculate on price movements in currencies. Currency futures bought and sold as of June 30, 2021 are summarized in Note 8E, below.

D. Options

An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (“call option”), or sell to (“put option”), the writer of a designated instrument at a specified price within a specified period of time. When NMERB purchases or writes an option, an amount equal to the premium paid or received by the Plan is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract expires or is closed. Options purchased and written as of June 30, 2021 are summarized in Note 8E, below.

E. Swap Contracts

Swap contracts are executed on a number of different bases. NMERB employed both interest rate swap contracts and credit default swap contracts as of June 30, 2021. An interest rate swap contract is an agreement between two parties to exchange periodic interest payments. One party agrees to make payments to the other based on a fixed rate of interest in exchange for payments based on a variable rate. NMERB employs interest rate swap contracts to adjust fixed income portfolio durations. A credit default swap contract is similar to an insurance policy, with the credit risk of an individual issuer or a basket of issuers (the “reference asset”) the insured factor. Under such a contract, two parties enter into an agreement whereby the first party pays the second party a fixed periodic payment for the specified life of the contract (analogous to an insurance premium). The other party makes no payment unless a credit event related to the reference asset occurs. If such an event takes place, the second party is obligated to make a payment to the first party. The size of the payment is linked to the decline in the reference asset’s market value following determination of the occurrence of a credit event. Swap contracts as of June 30, 2021 are summarized below.

Summary of Futures, Options & Swap Contracts by Currency (in thousands)

Transaction Type	Currency	Notional Amount	Unrealized Gain/Loss
Futures	EURO CURRENCY	\$ (5,574)	\$ (42)
	US DOLLAR	(1,600)	(151)
	US DOLLAR	1,316	14
	US DOLLAR	(5,413)	(61)
Options Purchased	BRAZILIAN REAL	12,073	(80)
	CHILEAN PESO	880	7
	COLOMBIAN PESO	740	(13)
Options Written	CZECH KORUNA	1,038	36
	HUNGARIAN FORINT	1,059	(13)
	MALAYSIAN RINGGIT	1,999	(4)
	MEXICAN PESO	6,388	31
Rights Swaps	POLISH ZLOTY	1,941	99
	RUSSIAN RUBLE	433	(13)
	SOUTH AFRICAN RAND	5,878	40
	SOUTH KOREAN WON	3,641	(36)
	YUAN RENMINBI	3,845	(117)
			<u>\$ 28,644</u>

E. Hedge Funds

The use of derivatives is allowed under the Hedge Fund Investment Policy. These investments are under the management of the external Hedge Fund managers who are employed in the “Hedge Fund,” “Emerging Market Debt,” and “Opportunistic Credit” classifications.

F. Asset-Backed Securities

In accordance with investment policy and fiduciary principles, the Plan invests in various forms of asset-backed securities that fit the previous definition of derivative securities. These securities are held by NMERB for investment purposes. The assets presented by investment category, at fair value, as of June 30, 2021 are as follows:

Schedule of Asset-Backed Securities

Security Type	Amount
Asset-Backed Securities	\$ 258,065,128
Non-Agency Mortgage-Based Securities	13,846,603
Foreign Asset-Backed Securities	20,891,175
Total	<u>\$ 292,802,906</u>

Note 9 Capital Assets

Capital assets are used in operations and have useful lives extending beyond a single reporting period. Assets whose cost is \$5,000 or more per Section 12-1-10, NMSA 1978 are recorded at historical cost and depreciated over their useful lives. Furniture, fixtures, and equipment are depreciated over five to ten years; building and improvements are depreciated over twenty-five years. A schedule of capital asset activity for the year ended June 30, 2021 is shown below.

Depreciation expense reported as part of administrative expenses is \$172,160 for fiscal year 2021.

Schedule of Capital Asset Activity

	Balance 2020	Additions	Deletions	Balance 2021
Capital Assets, at Cost				
Land & Land Improvements	\$ 248,172	\$ 995,531	\$ –	\$ 1,243,703
Depreciable Land Improvements	19,361	–	–	19,361
Building & Building Improvements	3,436,060	–	–	3,436,060
Retirement Information System	9,156,963	–	–	9,156,963
Furniture, Fixtures and Equipment	1,219,032	–	–	1,219,032
Other Assets	30,500	–	–	30,500
Total	<u>14,110,088</u>	<u>995,531</u>	<u>–</u>	<u>15,105,619</u>
Accumulated Depreciation				
Land Improvements	(10,615)	(703)	–	(11,318)
Building and Improvements	(2,336,141)	(102,888)	–	(2,439,029)
Retirement Information System	(9,156,963)	–	–	(9,156,963)
Furniture, Fixtures and Equipment	(1,109,766)	(68,569)	–	(1,178,335)
Total	<u>(12,613,485)</u>	<u>(172,160)</u>	<u>–</u>	<u>(12,785,645)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,496,603</u>	<u>\$ 823,371</u>	<u>\$ –</u>	<u>\$ 2,319,974</u>

Note 10 Accrued Compensated Absences

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of 30 working days (equivalent to 240 hours) of such accumulated vacation leave can be carried forward into the beginning of the next calendar year. Any excess accumulated vacation leave is forfeited on a calendar year basis.

When employees terminate employment with the State, they are compensated for accumulated vacation leave as of the termination date, up to a maximum of 240 hours. All balances for each employee have been recorded at their current pay rate as of June 30, 2021.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave an employee can accumulate. Once per fiscal year, in either January or July, employees may elect to be paid for accrued sick leave in excess of 600 hours but less than 720 hours at 50 percent of their current hourly rate.

In the case of retiring employees, they may be paid for accrued sick leave in excess of 600 hours but less than 1,000 hours at 50 percent of their current hourly rate. All sick leave balances in excess of 600 hours but less than 720 hours for each employee have been recorded as a liability at 50 percent of their current hourly rate.

Schedule of Compensated Absences

	Balance			Balance
	June 30, 2020	Increase	Decrease	June 30, 2021
Compensated Absences	\$ 437,523	\$ 169,943	\$ (122,575)	\$ 484,891

The portion of compensated absences due after one year is not material, and therefore, not separately presented. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

Note 11 Retirement Plans

NMERB employees who do not possess a teaching or administrative certificate have the option of participating in the Educational Employees Retirement Plan or the Public Employees Retirement Plan. In the past, some NMERB employees elected to participate in the Educational Employees Retirement Plan. Currently, all employees participate in the Public Employees Retirement Plan. A summary of both plans is listed below.

A. Public Employees Retirement Association (PERA)

The Public Employee Retirement Plan is a qualified governmental plan under Section 401(a) of the Internal Revenue Code administered by the Public Employees Retirement Association (PERA), which provides retirement, disability, and survivor benefits pursuant to the Public Employees Retirement Act. PERA is a cost-sharing, multiple employer defined benefit plan. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report is available at www.nmpera.org.

B. PERA Funding Policy

Plan members are required to contribute 9.42% of their gross salary. NMERB is required to contribute 17.74% of the gross covered salary. The contribution requirements for Plan members and NMERB are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Total contributions from NMERB and Plan members to PERA for fiscal year ended June 30, 2021 were \$1,235,992.

C. Educational Retirement Board (NMERB)

The New Mexico Educational Retirement Board administers a cost sharing multiple employer Plan authorized by the Educational Retirement Act established in Chapter 10, Article 22, NMSA 1978. NMERB administers the Plan which is a cost-sharing, multiple employer defined benefit plan providing retirement, disability, and survivor benefits to plan members (certified teachers and other employees of state public schools, colleges and universities, public charter schools). NMERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report is available at www.nmerb.org.

D. NMERB Funding Policy

2021 Member Contributions - Plan members whose annual salary is \$24,000 or less are required to contribute 7.90% of their gross salary. Plan members whose annual salary exceeded \$24,000 are required to contribute 10.70% of their gross salary.

2021 Employer Contributions - Employers contribute 14.15% of the gross covered salary for employees whose annual salary was \$24,000 or less, and 14.15% of the gross covered salary for employees whose salary exceeded \$24,000.

Contribution requirements of the Plan are established under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. There were no contributions from NMERB and Plan members to the Plan for fiscal years ended June 30, 2021.

E. GASB No. 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers

According to the Department of Finance and Administration, consistent with the requirements of GASB No. 68, the State of New Mexico implemented the standard during the fiscal year ending June 30, 2015. NMERB, as part of the primary government (fiduciary fund) of the State of New Mexico, is a contributing employer to the cost-sharing multiple employer PERA fund. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Annual Comprehensive Financial Report of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the Annual Comprehensive Financial Report, and is available from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Note 12 Post-Employment Benefits – Retiree Health Care Plan

The NMERB, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the ACFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico ACFR for the year ended June 30, 2020 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Note 13 Risk Management

NMERB is exposed to various risks of loss for which it carries insurance (auto, employee bond, general liability, civil rights and foreign jurisdiction, money and securities, property, and workers' compensation) with the Risk Management Division insurance program of the New Mexico General Services Department. The Plan's coverages are designed to satisfy the requirements of State tort claims. All claims are processed through Risk Management Division.

In response to the COVID-19 pandemic, NMERB has implemented several changes in their operations to continue to fulfill its purpose to members and keep NMERB staff safe.

Note 14 Statutory Disclosures

Section 2.2.2.10P(2) of the Audit Rule 2011, 2.2.2 NMAC entitled, “Requirements for Contracting and Conducting Audits of Agencies” requires that state agencies disclose all special, deficiency, and specific appropriations. Information regarding NMERB’s special appropriation for fiscal year end 2019, 2020, and 2021 can be found in Note 2, Item I Special Appropriation on page 43.

Note 15 Pending Litigation and Claims

During each business cycle, NMERB may be named as a defendant in administrative appeals arising from the normal course of business. Legal counsel believes resolution of any currently pending matters will not have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Fiscal Year Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 916,075,923	\$ 388,501,008	\$ 523,131,668	\$ 494,875,509	\$ 357,631,074	\$ 356,873,760	\$ 346,956,028	\$ 350,247,724
Interest	1,288,040,945	1,501,193,247	1,396,375,797	1,375,675,929	1,424,585,583	1,367,647,222	1,321,047,780	1,254,730,237
Benefits Changes	–	–	(4,381,848,971)	–	–	–	–	–
Differences Between Actual and								
Expected Experience	685,734,963	177,583,640	(112,651,733)	(184,089,981)	(207,788,603)	42,491,846	(86,722,485)	(114,507,809)
Assumption Changes	(11,462,882,997)	11,316,075,911	–	659,787,674	4,371,799,749	–	299,084,856	–
Benefit Payments and Refunds	(1,263,064,463)	(1,220,260,723)	(1,164,644,987)	(1,107,441,427)	(1,052,675,188)	(1,012,730,730)	(957,183,402)	(907,214,467)
Net Change in Total Pension								
Liability	(9,836,095,629)	12,163,093,083	(3,739,638,226)	1,238,807,704	4,893,552,615	754,282,098	923,182,777	583,255,685
Total Pension Liability - Beginning of Year	33,285,086,688	21,121,993,605	24,861,631,831	23,622,824,127	18,729,271,512	17,974,989,414	17,051,806,637	16,468,550,952
Total Pension Liability - End of Year	\$23,448,991,059	\$33,285,086,688	\$21,121,993,605	\$24,861,631,831	\$23,622,824,127	\$18,729,271,512	\$17,974,989,414	\$17,051,806,637
Plan Fiduciary Net Position								
Employer Contributions	\$ 452,872,287	\$ 451,556,144	\$ 406,549,056	\$ 388,723,983	\$ 395,843,795	\$ 396,988,557	\$ 395,129,621	\$ 362,462,537
Member Contributions and Other	330,066,887	329,724,869	303,442,092	290,007,133	295,982,532	295,946,396	294,560,840	271,513,574
Pension Plan Net Investment								
Income	3,834,540,348	(75,636,884)	1,038,369,810	899,563,575	1,347,215,149	364,571,123	429,738,078	1,444,233,347
Benefit Payments and Refunds	(1,263,064,463)	(1,220,260,723)	(1,164,644,987)	(1,107,441,427)	(1,052,675,188)	(1,012,730,730)	(957,183,402)	(907,214,467)
Pension Plan Administrative								
Expense	(12,087,563)	(10,877,658)	(9,325,712)	(9,908,319)	(9,848,329)	(9,660,510)	(10,597,846)	(16,617,970)
Net Change in Plan Fiduciary Net								
Position	3,342,327,496	(525,494,252)	574,390,259	460,944,945	976,517,959	35,114,836	151,647,291	1,154,377,021
Plan Fiduciary Net Position - Beginning of Year	13,019,196,862	13,544,691,114	12,970,300,855	12,509,355,910	11,532,837,951	11,497,723,115	11,346,075,824	10,191,698,803
Plan Fiduciary Net Position - End of Year	16,361,524,358	13,019,196,862	13,544,691,114	12,970,300,855	12,509,355,910	11,532,837,951	11,497,723,115	11,346,075,824
NET PENSION LIABILITY	\$7,087,466,701	\$20,265,889,826	\$7,577,302,491	\$11,891,330,976	\$11,113,468,217	\$7,196,433,561	\$6,477,266,299	\$5,705,730,813
Plan Fiduciary Net Position as a								
Percentage of Total Pension Liability	69.77 %	39.11 %	64.13 %	52.17 %	52.95 %	61.58 %	63.97 %	66.54 %
Covered Payroll	\$3,057,978,722	\$3,048,404,048	\$2,797,685,921	\$2,678,214,885	\$2,728,361,993	\$2,740,526,669	\$2,730,320,345	\$2,718,100,677
Net Pension Liability as a								
Percentage of Covered Payroll	231.77 %	664.80 %	270.84 %	444.00 %	407.33 %	262.59 %	237.23 %	209.92 %

Notes to Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Year Ending June 30	Change in Assumption
2021:	The change in assumption includes the change in discount rate from 3.89% to 7.00%.
2020:	The change in assumption includes the reduction in discount rate from 7.00 to 3.89%.
2019:	The change in assumption includes the change in discount rate from 5.69% to 7.25%.
2018:	The change in assumption includes the reduction in discount rate from 5.90% to 5.69%.
2017:	The change in assumption includes the change in discount rate from 7.75% to 5.90%.
2016:	The change in assumption includes a single discount rate of 7.75%.
2015:	The change in assumption includes a single discount rate of 7.75%.
2014:	The change in assumption includes a single discount rate of 7.75%.

The covered employee payroll is the actual payroll, imputed from the total employer contribution for active members, for the fiscal year ending June 30.

The total pension liability was rolled forward from the valuation date to June 30, 2021 using generally accepted actuarial principles and included the legislative change to the employer contribution rate, which increased the employer contribution by 1% each year for the next two fiscal years, resulting in a 15.15% employer contribution rate and a 16.15% employer contribution rate in fiscal year 2022 and fiscal year 2023, respectively. As a result of these changes and the excellent performance of the fund for the fiscal year, the discount rate increased from 3.89% to 7.00%.

SCHEDULE OF INVESTMENT RETURNS

Fiscal Year Ending June 30,	Annual Money - Weighted Rate of Return
2021	28.76%
2020	(0.97)%
2019	7.29%
2018	8.38%
2017	11.91%
2016	2.68%
2015	4.06%
2014	14.71%
2013	11.12%
2012	1.87%

Notes to Schedule:

GASB No. 67 requires pension plans to disclose the annual money-weighted rate of return (MWRR). The MWRR incorporates both the size and the timing of cash flows to determine an internal rate of return. The MWRR considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. This rate of return is computed net of investment expenses but not net of administrative investment expenses.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Contribution as a Percent of Covered Payroll
2021	\$ 656,732,175	\$ 452,872,287	\$ 203,859,888	\$ 3,057,978,722	14.81%
2020	586,451,550	451,556,144	134,895,406	3,048,404,048	14.81%
2019	587,331,406	406,549,056	180,782,250	2,797,685,921	14.53%
2018	546,593,275	388,723,983	157,869,292	2,678,214,885	14.51%
2017	477,840,156	395,843,795	81,996,361	2,728,361,993	14.51%
2016	465,340,519	396,988,557	68,351,962	2,740,526,669	14.49%
2015	450,950,584	395,129,621	55,820,963	2,730,320,345	14.47%
2014	479,884,486	362,462,537	117,421,949	2,718,100,677	13.34%
2013	480,700,326	299,657,530	181,042,796	2,706,170,349	11.07%
2012	400,461,343	253,845,277	146,616,066	2,495,300,000	10.17%

Notes to Schedule:

The valuation date for fiscal year 2021 is June 30, 2020. Actuarially determined contribution rates are calculated as of years ending June 30. Employers and members contribute based on statutorily fixed rates.

Methods and Assumptions for Actuarially Determined Contribution Rate for Fiscal Year 2021

Actuarial Cost Method	Entry age normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Amortized over a closed 30-year period from June 30, 2019, ending June 30, 2049
Asset Valuation Method	5-year smoothed market
Inflation	2.30%
Salary Increases	Composed of 2.30% inflation, 0.70% productivity increase rate, plus step-rate promotional increases for less than 15 years of service
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates based on age and service. Adopted by the Board on April 17, 2020 in conjunction with the six year experience study for the period ending June 30, 2019.
Mortality	<p>Healthy Males: 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.</p> <p>Healthy Females: 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.</p>
Other Information/Notes	A new set of assumptions was adopted for the June 30, 2020, actuarial valuation and was first reflected for the ADEC determined af of June 30, 2021.

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP BASIS)
YEAR ENDED June 30, 2021**

	Appropriation Budget	Final Budget	Budgetary Basis Actual	Variance - Final Budget Favorable (Unfavorable)
Revenues and Appropriations:				
Other State Funds				
Interest and Dividend Income	\$ 32,037,100	\$ 32,037,100	\$ 32,037,100	\$ –
Appropriations	<u>32,037,100</u>	<u>32,037,100</u>	<u>32,037,100</u>	<u>–</u>
Expenditures:				
Operating Expenditures				
Benefits	7,798,400	7,926,400	7,060,884	865,516
Contractual Services	22,582,000	22,454,000	15,833,425	6,620,575
Other Costs	1,656,700	1,656,700	1,416,021	240,679
Total Expenditures	<u>\$ 32,037,100</u>	<u>\$ 32,037,100</u>	<u>24,310,330</u>	<u>\$ 7,726,770</u>
Budgetary Basis			\$ 7,726,770	
Expenses:				
Contributions (Member, Employer and Service Credits Purchased)			782,939,174	
Net Appreciation in Fair Value of Plan Investments			3,736,189,967	
Other Income			1,091,892	
Non-budgeted Interest and Dividend Income			63,746,844	
Non-budgeted Other Investment Income			187,473,533	
Age and Service Benefit Payments			(1,217,645,352)	
Refunds to Terminated Members			(45,419,111)	
Non-budgeted Investment Expenses			<u>(173,776,221)</u>	
Change in Net Position - GAAP Basis			3,342,327,496	
Net Position Held in Trust for Pension Benefits - Beginning of Year			<u>13,019,196,862</u>	
Net Position Held in Trust for Pension Benefits - End of Year			<u>\$ 16,361,524,358</u>	

Note to Schedule:

NMERB's annual budget is prepared on the modified accrual basis.

**SCHEDULE OF BUDGETED EXPENDITURES
YEAR ENDED June 30, 2021**

Personal Services and Benefits	
Salaries	\$ 5,130,469
Benefits	1,930,415
Total Revenues and Appropriations	7,060,884
 Expenditures:	
Investment Manager Expenses	
Non-U.S. Fixed Income	591,063
Domestic Equity	1,878,396
Emerging Market Equity	3,059,062
Non-U.S. Equity	4,111,580
Investment Consulting Expenses	1,582,541
Investment Custodial Expenses	1,003,758
Actuarial Fees	104,108
Auditing Fees	121,990
Legal Fees	625,492
Information Technology Fees	2,330,354
Other Contractual Services	425,081
Total Investment Expenses	15,833,425
 Other Services	
Communication	196,743
Facility	209,921
Software	123,479
Education, Meeting and Travel	40,712
General Administrative	845,166
Total Other Administrative Expenses	1,416,021
Total Budgeted Expenditures	\$ 24,310,330

Note to Schedule:

NMERB's budget is prepared on the modified accrual basis of accounting.

Other Supplementary Information

Schedule of Investing Activity and Administrative Investment Expenses Year Ended June 30, 2021

	Investment Operations	Administrative Operations	Total
Revenues and Appropriations:			
Salaries	\$ 1,785,355	\$ 3,345,114	\$ 5,130,469
Fringe Benefits	582,384	1,348,031	1,930,415
Subtotal	<u>2,367,739</u>	<u>4,693,145</u>	<u>7,060,884</u>
Expenditures:			
Investment Management Fees	9,640,101		9,640,101
Investment Consulting Fees	1,582,541		1,582,541
Investment Custodial Fees	1,003,758		1,003,758
Actuarial Fees		104,108	104,108
Auditing Fees		121,990	121,990
Legal Fees	583,507	41,985	625,492
Information Technology Fees	269,160	2,061,194	2,330,354
Other Contractual Services	3,850	421,231	425,081
Subtotal	<u>13,082,917</u>	<u>2,750,508</u>	<u>15,833,425</u>
Other Investment Expenses			
Off-Budget Investment Management Fees	173,776,221	–	173,776,221
Subtotal	<u>173,776,221</u>	<u>–</u>	<u>173,776,221</u>
Communication Expenses			
Telephone and Network Fees	9,322	136,962	146,284
Printing, Postage, and Mailing Expenses	–	50,459	50,459
Subtotal	<u>9,322</u>	<u>187,421</u>	<u>196,743</u>
Facility Expenses			
Lease	49,947	111,479	161,426
Depreciation	–	172,156	172,156
Maintenance	–	27,863	27,863
Utilities	–	20,631	20,631
Subtotal	<u>49,947</u>	<u>332,129</u>	<u>382,076</u>
Software Expenses			
Licensing and Maintenance	–	123,479	123,479
Subtotal	<u>–</u>	<u>123,479</u>	<u>123,479</u>
Education, Meeting and Travel Expenses			
Professional Development and Administrative	7,884	24,142	32,026
Travel Cost	–	8,686	8,686
Subtotal	<u>7,884</u>	<u>32,828</u>	<u>40,712</u>
General Administrative Expenses			
Other Overhead Expense	351,486	373,652	725,138
Membership and Subscription	56,389	63,639	120,028
Subtotal	<u>407,875</u>	<u>437,291</u>	<u>845,166</u>
Total Investment & Administrative Expenses	<u>\$ 189,701,905</u>	<u>\$ 8,556,801</u>	<u>\$ 198,258,706</u>

Schedule of Investing Activity and Administrative Investment Expenses Year Ended June 30, 2021

	Investment Operations	Administrative Operations	Total
Total Investment Operations Expense	\$ 186,859,138	\$ –	\$ 186,859,138
Total Administrative Operations Expense	<u>2,842,767</u>	<u>8,556,801</u>	<u>11,399,568</u>
Total Expenses	<u>\$ 189,701,905</u>	<u>\$ 8,556,801</u>	<u>\$ 198,258,706</u>

Notes to Schedule:

1. Personal services and employee benefits represent actual wages, adjusted for year-end accruals.
2. Professional contractual services represent the cost of on-budget investment contracts.
3. Other investment expenses are the off-budget investment manager fees booked at fiscal year-end.
4. Communication expenses are based on the expenses of the staff in the workgroup.
5. Investment facility expenses represent leased office space in Santa Fe, New Mexico.
6. Software expenses represent the costs of software licensing and maintenance for investment software.
7. Education, Meeting and Travel expenses include the cost of employee in-state and out of state business travel and professional development.
8. General administrative expenses for investment operations represent costs for information feeds, subscriptions, memberships, and other overhead based on the staff in the workgroup and are included in the total administrative operations expenses.

SCHEDULE OF CASH AND SHORT-TERM INVESTMENTS
June 30, 2021

Educational Employees Retirement Fund
Pension Trust Account
Fund 60500

Short Term Investment Accounts:	
State Treasurer's General Fund Investment Pool	\$ 8,781,112
State Treasurer's Local Government Investment Pool	106,362
State Street Bank - Short-Term Investments, at Fair Value	236,149,560
Total	<u>\$ 245,037,034</u>

Notes to Schedule

1. Individual deposit accounts and investment accounts held in the name of the New Mexico Educational Retirement Board are shown above as required by Section 12-6-5(A), NMSA 1978. All cash activity is accounted for within the Statewide Human Resources Accounting and Management System (SHARE) fund 60500.
2. Additional information on credit risk related to state agency investments held in the State Treasurer's General Fund Investment Pool can be found in the State Treasurer's separately issued financial statements which disclose the collateral pledged to secure cash and investments.
3. State Street Bank balances for cash held by foreign currency and other portfolio managers is securitized by State Street Bank. See Note 7 for additional information on custodial and credit risk with respect to funds held by State Street Bank.
4. With respect to the Local Government Investment Pool (LGIP) in fiscal year 2021, the funds maintained by the State Treasurer's Office (STO) were rated AAAM by Standard & Poor's. As a Public Fund, STO is not required to disclose custodial risk and concentration of credit risk for this fund.
5. STO used the Weighted Average Maturity (WAM) method to report interest rate risk. As of June 30, 2021 the LGIP WAM (R) was 35 days and the WAM (F) was 112 days where WAM (R) indicates the number of days until the floating interest rate resets, and WAM (F) indicates the number of days to final maturity. Additional information can be found on STO's website at www.nmsto.gov.
6. New Mexico LGIP AAAM Rated \$106,362 [35] day WAM (R); [112] day WAM (F).

NMERB reports annual performance measure results (outputs and outcomes) through the state's budget process in pursuit of cost-effective and responsive government services in conformance with the Accountability in Government Act (Sections 6-3A-1 to 6-3A-9, NMSA 1978). Agency performance measures are included in the General Appropriations Act. NMERB selected the measures shown above based on our primary services of prudent asset management, pension benefit administration, and outreach and training services for both our membership and educational employers.

ACCOUNTABILITY IN GOVERNMENT ACT PERFORMANCE MEASURES
June 30, 2021

Type	Description	Target	Actual
Outcome	Average rate of return over a cumulative five-year period	7.25%	10.62%
Outcome	Member seminar and training satisfaction ratings*	95%	88%
Outcome	Ten-year performance ranking in a nation peer survey of public plans	<50%	34%
Outcome	Funding period of unfunded actuarial accrued liability in years**	<30	42 years

Notes to Schedule

* NMERB created more opportunities for members and employers to attend training workshops in regional settings or at their own sites. These sessions are in high demand and helpful for educating our current membership and future retirees.

** NMERB's contribution rate structure is intended to be sufficient to pay NMERB's normal cost and to amortize the unfunded actuarial accrued liability (UAAL) in payments which are level as a percentage of payroll. Except for short-term fluctuations, the amortization period should not extend beyond June 30, 2042 (30 years from June 30, 2012) in accordance with the funding policy set by the Board of Trustees. The amortization period, or funding period, is the number of years expected to be required to completely amortize the UAAL, assuming that NMERB's experience is consistent with all of the actuarial assumptions.

ADDITIONAL INFORMATION

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
New Mexico Educational Retirement Board

Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Mexico Educational Retirement Board (NMERB), a component unit of the State of New Mexico, which comprise the statement of fiduciary net position as of June 30, 2021 and the statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise NMERB's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NMERB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NMERB's internal control. Accordingly, we do not express an opinion on the effectiveness of NMERB's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMERB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003.

Management's Response to Findings

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
November 18, 2021

**New Mexico Educational Retirement Board
 Schedule of Findings and Responses
 June 30, 2021**

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? No

Significant deficiencies identified not considered to be material weaknesses? No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? Yes

FINANCIAL STATEMENT FINDING

2021-001: Member Refund and Retiree Distribution Files (Finding that does not rise to the level of significant deficiency)

Condition: The current procedures over the processing of member refund and distribution files created from the pension system allow for manual adjustments to be made prior to being sent for payment processing without an independent review and authorization.

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls for their accounting cycles, which includes establishing segregation of duties, and to prevent, detect, and correct errors or fraud.

Cause: Due to pension system limitations, certain benefit or refund payments need to be manually split between two bank accounts, multiple beneficiaries, and other payments that have not been implemented into the pension administration system. The source files were changed by an individual during their final review and approval and the changes were not reviewed by a second individual.

Effect: The changes to final payment files were not reviewed prior to payment processing creating a segregation of duties control issue and potential errors or fraud in the refunds or benefit payments.

Auditor's Recommendations: We recommend NMERB establish an additional review control over the changes made to the payment files or redesign the internal controls to ensure segregation of duties is established.

Views of responsible officials and planned corrective actions: Management agrees with this finding. In June 2021, the Chief Financial Officer was notified by the General Ledger Manager that a lack of segregation of duties existed in the payment processing of certain benefit and refund payments. In coordination with the Interim Executive Director and Deputy Director a new process was implemented by the Agency in July 2021. The process includes a second review of the changes made to file, until such time the issue can be addressed by the contracted pension system vendor. A ticket for a software change to the pension administration system was initiated to automate an internal validation with the pension system vendor.

2021-002: Reporting – regulatory compliance (Finding that does not rise to the level of significant deficiency)

Condition: The pension administration system was not accurately programmed to sunset certain member credit amounts when the system was upgraded in 2014. NMERB did not automate the steps to effectively sunset those amounts.

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls for their compliance with laws and regulations including ensuring their reports are accurate.

Cause: NMERB lacks pension system automation to ensure compliance of those regulations and created a manual intervention to attempt regulation compliance.

Effect: NMERB created a potential risk of inaccurate reporting by allowing certain member accounts to receive a credit that should have been terminated.

Auditor’s Recommendations: We recommend NMERB establish a review of statutory and regulatory changes that may affect a members account in order to implement automation with the pension administration system vendor.

Views of responsible officials and planned corrective actions: Management agrees with this finding. To ensure compliance with regulations, staff in member services have been manually validating each affected member’s account. Additionally, in coordination with the Interim Executive Director, Deputy Director, and Member Services Director the Agency is working with the pension system vendor on a software change to validate, automate, and ensure that those credit amounts are accurate and in compliance with the regulations. The pension system will implement an update to ensure compliance by March 31, 2022.

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

2021-003: Public Money Act (Other non-compliance)

Condition: Checks received by the NMERB are not consistently being deposited by the close of the next business day.

Criteria: NMSA 1978, 6-10-3, all cash and check receipts should be deposited into the State Treasury before the close of the next succeeding business day after the receipt of the money.

Cause: The NMERB does not have sufficient controls in place to ensure all cash and check receipts are deposited within the timeframe specified in NMSA 1978, 6-10-3.

Effect: The NMERB is not in compliance with the Public Money Act.

Auditor’s Recommendations: We recommend that management of NMERB implements a cash and check receipts log that is reviewed daily to ensure all deposits are made within the timeframe specified in NMSA 1978, 6-10-3.

Views of responsible officials and planned corrective actions: Management agrees with this finding. The COVID-19 work environment that has staff working remotely created issues in monitoring timely deposits of money received by the Agency. As of November 1, 2021, staff are partially back in the office and the Chief Financial Officer is working with the General Ledger Manager to ensure that a check receipts log is reviewed daily to ensure compliance with NMSA 1978, 6-10-3.

Schedule of Prior Audit Findings
June 30, 2021

No prior audit findings noted.

EXIT CONFERENCE June 30, 2021

NMERB staff prepared the Management Discussion and Analysis (MD&A), financial statements, statements, schedules, and notes for the fiscal years ended June 30, 2021. The contents of this report were discussed during an exit conference with the Audit Committee of the Board of Trustees and management of NMERB on November 18, 2021. The following individuals attended this exit conference:

Educational Retirement Board

Rick Scroggins, Interim Executive Director
Lawrence Esquibel, Deputy Director
Sara Brownstein, ASD Director/Chief Financial Officer
Mary Lou Cameron, Audit Committee Chairperson
H. Russel Goff, Audit Committee Member

Moss Adams LLP

Kory Hoggan, Partner
Aaron Hamilton, Assurance Senior Manager

The contents of this report will also be presented to the NMERB Board of Trustees as part of the regular board meeting succeeding the submission and release of the Annual Comprehensive Financial Report by the New Mexico State Auditor.

A large, dark blue arrow pointing to the left, with the text "ACTUARIAL SECTION" written in white, uppercase letters inside it.

ACTUARIAL SECTION



November 1, 2021

Board of Trustees
Educational Retirement Board of New Mexico
P.O. Box 26129
Santa Fe, NM 87502-0129

Subject: Actuarial Valuation as of June 30, 2021

Dear Members of the Board:

The results of the June 30, 2021 annual actuarial valuation are presented in this report. We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Educational Retirement Board of New Mexico (ERB) as of June 30, 2021.

This report was prepared at the request of the Board and is intended for the Board's use and those designated or approved by the Board. This report may be provided to parties other than the ERB only in its entirety and only with the permission of the Board.

To the best of our knowledge, this report is based on benefit provisions in effect as of June 30, 2021, audited financial information prepared as of that date, member data gathered as of that date, and the actuarial assumptions and methods previously adopted by the Board.

Valuations are prepared annually, as of June 30th of each year, the last day of ERB's plan and fiscal years.

ACTUARIAL VALUATION

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of ERB, to analyze changes in ERB's financial condition, and to provide various summaries of the membership data.

This report does not provide information required under Governmental Accounting Standards Board (GASB) Statement Nos. 67 & 68. All of the information required by GASB is provided in a stand-alone report entitled "GASB Reporting and Disclosure Information for ERB Fiscal Year Ending June 30, 2021."

The valuation report provides a "snapshot" of ERB's estimated financial condition as of the valuation date. The valuation does not predict ERB's future financial condition or its ability to pay benefits in the future and it also does not provide any guarantee of future financial soundness of ERB. Over time, ERB's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of members receiving benefits, the period of time over which benefits are paid, plan expenses, and the amount earned on any assets invested toward the payment of benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Board of Trustees
November 1, 2021
Page 2

To prepare the valuation report, actuarial assumptions, including those adopted by the Board on April 17, 2020, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because the results are sensitive to the assumptions made, and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future.

FINANCING OBJECTIVES

In accordance with HB 360 (2019 Regular Session) and Senate Bill 42 (2021 Regular Session), employer contributions for the current fiscal year are scheduled to be 15.15% of active member payroll (increasing to 16.15% beginning FY2023), member contributions for employees with annual salary more than \$24,000 are 10.70% of pay, and member contributions for employees with annual salary of \$24,000, or less, are 7.90% of pay.

These contribution rates are intended to be sufficient to pay ERB's normal cost and to eliminate ERB's unfunded actuarial accrued liability (UAAL) over a period established in the funding policy set by the Board of Trustees. The current Board of Trustees funding policy aims to eliminate the UAAL by June 30, 2049 (28 years from June 30, 2021). The amortization period, also referred to as the funding period, is the number of years expected to be required to completely eliminate the UAAL, assuming that ERB's experience exactly follows all of the actuarial assumptions.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded condition of the plan, as measured by the funded ratio, improved from 2020 to 2021. The increase was primarily due to market value investment returns which were substantially higher than the 7.00% assumed return.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) was 60.4% as of June 30, 2020, and is 62.8% as of June 30, 2021. During the last fiscal year, the UAAL decreased from \$9.0 billion to \$8.7 billion. The funded ratio based on the market value of assets was 57.3% as of June 30, 2020, and is 70.3% as of June 30, 2021.

The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

Board of Trustees
November 1, 2021
Page 3

Based on open group projections, assuming the actuarial value of assets earns 7.00% per year going forward, the plan is expected to be fully funded by June 30, 2063. Therefore, the Board financing objectives are not currently being met. These expectations reflect currently scheduled statutory contributions, anticipated future cost-of-living adjustments based on the plan's projected funded status, and reflecting new hire benefits currently in place for the most recent tier. **The plan would need an employer contribution of 19.21% of pay to be fully funded by June 30, 2049.** Currently the employer is scheduled to make contributions of 15.15% during FY 2022 and 16.15% thereafter.

RECENT EVENTS

In April 2021, Senate Bill 42 was signed into law. Senate Bill 42 increased employer contribution rates from 14.15% to 15.15% starting July 1, 2021 and 16.15% starting July 1, 2022.

The annual return during FY 2021 on the market value of assets was approximately 30.0% and the annual return from that same period on the actuarial value of assets was 10.3%. The more modest return on the actuarial value of assets reflects the five-year "smoothing" of gains and losses at work in the asset valuation method, with much of the FY 2021 investment gain not yet being recognized.

BENEFIT PROVISIONS

Other than the employer contribution increases attributable to Senate Bill 42, there were no modifications to the benefit provisions with an actuarial impact that were reflected in the actuarial valuation as of June 30, 2020.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. The Board adopted new assumptions on April 17, 2020 in conjunction with the six- year actuarial experience study period ending June 30, 2019. No changes have been made to the assumptions since the prior valuation. The calculation of the funding policy contribution has been updated to reflect an open group projection, recognizing new hire benefits as well as anticipated cost-of- living adjustments less than the assumed 1.80% while the plan is less than fully funded.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

MEMBER AND FINANCIAL DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2021 by the ERB staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information as of June 30, 2021 was also supplied by the ERB staff.

Board of Trustees
November 1, 2021
Page 4

We provided some of the information used in the Annual Comprehensive Financial Report. Specifically, we provided information used in preparing the schedules of Active Member Valuation Data, Retirants and Beneficiaries, Analysis of Financial Experience, Schedule of Funding Progress, Solvency Test, and the Schedule of Retirees & Beneficiaries Added to/and Removed from Rolls that are found in the Actuarial Section; and we provided the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios as well as the Schedule of Employer Contributions in the Financial Section.

CERTIFICATION

All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of New Mexico state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Both are Enrolled Actuaries, are Members of the American Academy of Actuaries, and meet all of the Qualification Standards of the American Academy of Actuaries. Both of the undersigned are experienced in performing valuations for large public retirement systems.

We would like to especially thank the ERB staff for its assistance in the preparation of our report.

Respectfully submitted,



R. Ryan Falls, FSA, EA, MAAA
Senior Consultant



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The valuation was based upon information furnished by the ERB's staff, concerning ERB benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the ERB's staff.

The developed findings included in this report consider data or other information through June 30, 2021.

This is one of multiple documents comprising the actuarial report. The other document comprising the actuarial report is a PowerPoint presentation presented to the Board of Trustees following the publication of this report.

Executive Summary

Valuation as of:	06/30/2021	06/30/2020
Contribution Rates for Fiscal Year Ending:	06/30/2022	06/30/2021
Membership		
• Number of		
- Active members	58,988	61,091
- Retirees and beneficiaries	52,790	51,397
- Inactive, vested	12,215	11,513
- Inactive, nonvested	<u>39,321</u>	<u>39,401</u>
- Total	163,314	163,402
• Payroll	\$2.9 billion	\$3.0 billion
Statutory contribution rates		
• Employer	15.15% *	14.15%
• Member	10.70%	10.70%
Asset		
• Market value	\$16.4 billion	\$13.0 billion
• Actuarial value	\$14.6 billion	\$13.7 billion
• Return on market value	30.0%	-0.6%
• Return on actuarial value	10.3%	5.8%
• Employer contributions	\$452.9 million	\$451.6 million
• External cash flow %	-3.0%	-3.5%
• Ratio of actuarial to market value	89.2%	105.3%
Actuarial Information on AVA (smoothed)		
• Normal cost %	14.10%	14.22%
• Unfunded actuarial accrued liability (UAAL)	\$8.7 billion	\$9.0 billion
• Funded ratio	62.8%	60.4%
• Funding period	42 years	Infinite
• Funding Policy Contribution	19.21%	21.24% **
Gains/(losses) on the UAAL		
• Asset experience	\$441.6 million	\$(191.4) million
• Liability experience	99.2 million	(348.6) million
• COLA experience	84.5 million	33.9 million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	<u>0.0 million</u>	<u>(427.9) million</u>
• Total	\$625.3 million	\$(934.0) million

*Increasing to 16.15% of pay effective July 1, 2022.

**Prior year reflected amortization of unfunded liability without reflection of new hire benefits.

Introduction

The results of the June 30, 2021 actuarial valuation of the Educational Retirement Board of New Mexico (ERB) are presented in this report. Table 1 of our report summarizes the key actuarial results. Table 2 analyzes changes in the unfunded actuarial accrued liability. Tables 3 and 4 show more detailed actuarial information. Tables 5a and 5b develop the Funding Policy Contribution and compare to the actual contributions received. Tables 6a, 6b, 6c, 14, 15, 16 and 17 show statistical information about the membership, and Tables 7 through 9b, and Table 12 show information about plan assets. Tables 10a and 10b show the calculation of the actuarial gains and losses. Table 11 shows a history of the plan's funding progress. Table 13 shows the solvency test, used by some funds in their annual report. Finally, Appendix 1 is a summary of the benefit and contribution provisions of ERB, Appendix 2 is a summary of the actuarial methods and assumptions, and Appendix 3 is a glossary of terms.

Analysis of Changes

Table 2 shows an analysis of the changes in the UAAL. Since the UAAL is an actuarial present value, with future anticipated benefits discounted using an annual 7.00% interest rate, the UAAL increases each year by the imputed interest rate, less employer contributions made to amortize the UAAL. (Keep in mind that part of the employer contribution is used to pay the normal cost, so only part of each year's contribution is available to amortize the UAAL.)

As shown in Table 2, the UAAL increased by \$630.3 million for imputed interest and decreased by \$343.0 million because of contributions made in excess of the normal cost. This means that the UAAL was expected to increase \$287.3 million before recognizing plan experience. The UAAL as of June 30, 2020 was \$9.0 billion, and the expected UAAL as of June 30, 2021, recognizing actual contributions made, was expected to be \$9.3 billion.

A cost-of-living adjustment (COLA) was applied as of July 1, 2021 to retirement benefits for retirees eligible to receive a COLA as defined in Section 22-11-31 of the New Mexico Statutes Annotated. A 1.20% adjustment factor was applied to all disabled retirees who had been retired for at least three years, i.e., members who began receiving a disability retirement benefit in calendar year 2017 or earlier. Since the plan's funded ratio as of June 30, 2020 was 90% or less, all non-disability retirements with 25 or more years of service credit at retirement and whose monthly annuity is less than the median monthly benefit of all non-disability retirees from the prior year (i.e., \$1,677.19 as of June 30, 2021) received an annual adjustment of 1.08%. All remaining non-disability retirements received an annual adjustment of 0.96%. Note that the adjustment is only applied to members who retired in calendar year 2020 or earlier; members who retired in 2021 are ineligible. The overall actual COLA was less than the expected 1.8% which resulted in a net \$84.5 million decrease in UAAL.

The plan experienced an actuarial gain on investments of \$441.6 million. The investment loss resulted from the fact that the return on the actuarial value of assets, 10.3%, was greater than the 7.00% assumed investment return. The market rate of return in FY2021 was 30.0%. The investment returns stated in this report are calculated net of investment-related expenses and may differ from the actual rate of return reported by ERB's investment consultants.

The UAAL also decreased by \$99.2 million as a result of liability experience different than expected.

There were no benefit changes since the last actuarial valuation.

As a result of all the above experience, the UAAL decreased from \$9.0 billion to \$8.7 billion.

Funding Policy and Funding Period

The Board of Trustees has established a funding policy with a goal of eliminating the UAAL by a specified date. At its November 2018 meeting, the Board of Trustees updated the funding policy to establish a goal of eliminating the UAAL by June 30, 2049 (28 years from June 30, 2021). This funding policy does not directly impact the level of funding on an annual basis since the members and the employers all contribute a fixed percentage of payroll. However, the **Funding Policy Contribution** amount provides the Board of Trustees with a valuable benchmark which can be used to determine whether the total contribution being received by ERB is sufficient to meet the long-term goal of eliminating the UAAL by June 30, 2049.

The **funding period** is calculated by determining how long it will take to reduce the UAAL to zero based on the currently scheduled contribution rates. Since the contributions to ERB are not based directly on the Funding Policy Contribution then the funding period will not necessarily equal the remaining period established by the funding policy.

Beginning with the current valuation, the Funding Policy Contribution fully recognizes the value of the lower new hire benefits and the anticipated cost-of-living adjustments less than the assumed 1.80% while the plan is less than fully funded. This is the same basis that the “open group projection” funding period has previously been determined so the reporting of these two amounts is now more consistent. Previous reporting of the Funding Policy Contribution and the “closed group valuation” funding period utilized an algebraic calculation based on snapshot results as of the valuation date.

Table 5a of our report calculates the Funding Policy Contribution and Table 5b tracks how closely the contributions received during the past fiscal year compared to the Funding Policy Contribution. As noted on Table 5b, ERB only received 69% of the contributions necessary to meet their Funding Policy. Had the fiscal year 2021 Funding Policy Contribution been determined on the new open group projection basis, the Funding Policy Contribution would have been 19.40% rather than 21.24% and actual contributions would have been 75% of the Funding Policy Contribution.

Comments on Benefit Provisions

Appendix 1 of our report summarizes the provisions of ERB.

This valuation reflects benefits promised to members by statute. There are no ancillary benefits (i.e., retirement type benefits not required by statutes but which might be deemed an ERB liability if continued beyond the availability of funding by the current funding source).

The overall percentage increase of the Consumer Price Index resulted in a base cost of living adjustment of 1.20% during the preceding fiscal year. Additionally, the ERB funded status was less than 100%. As a result of these two factors, ERB granted a reduced COLA on July 1, 2021 which resulted in an actuarial gain of \$84.5 million.

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. The Board adopted new assumptions on April 17, 2020 in conjunction with the six- year actuarial experience study period ending June 30, 2019. At that time, the Board adopted a number of demographic and economic assumption changes. There were no changes in assumptions since the prior valuation. The calculation of the Funding Policy Contribution has been updated to reflect an open group projection, recognizing new hire benefits as well as anticipated cost-of-living adjustments less than the assumed 1.80% while the plan is less than fully funded.

We believe the assumptions are internally consistent and are reasonably based on the actual experience of ERB. Appendix 2 of our report summarizes the current actuarial assumptions being utilized in the preparation of the actuarial valuations.

In addition to the actuarial assumptions, the actuary also makes use of an actuarial funding method to allocate costs to particular years. In common with most public sector retirement plans, ERB uses the entry age normal actuarial cost method. This method produces a relatively level pattern of funding over time, and thereby provides equity between various generations of taxpayers. We continue to believe this method is appropriate for ERB.

Assets

ERB assets are held in trust. The ERB staff has provided the asset information as of June 30, 2021 used in this valuation.

Table 7 of our report shows a reconciliation of the assets from the beginning of the prior year to the valuation date.

Table 8 shows the development of the actuarial value of assets (AVA). The AVA is a “smoothed” market value. A smoothed value is used in order to dampen some of the year-to-year fluctuations that would occur if the market value were used instead. The method used phases in differences between the actual and expected market returns over five years. The expected return is determined using the 7.00% assumption and the plan’s market value, adjusted for contributions received and benefits and refunds paid. Both the actual and expected returns are computed net of investment expenses.

Note that the actuarial value is currently 89.2% of the market value. The dollar amount of the difference between the actuarial value and market value is the value of the deferred gains, and totals \$1,762.5 million. Over any short time period, a disparity between actuarial value and market value may appear, but over the long term, we would expect the actuarial value and the market value to continue to track each other fairly closely.

Table 9a shows that the investment return rate for FY2021 on market value was 30.0%, while it was 10.3% on the actuarial value of assets. Table 9b shows historical return rates since the current actuarial asset method was adopted.

Finally, Table 12 shows a history of cash flows to the trust, and the net cash flow measured as a percentage of the assets. The net cash flow is negative, 3.0% of market value. A slightly negative cash flow like this is typical for a mature defined benefit plan where the annual investment earnings are expected to finance a large portion of the annual benefit payments.

It should be noted that the actual rate of return on the market value of assets of 30.0% that is stated in this report is based on a simplifying assumption that all contributions and benefit payments occur in the middle of the year. Additionally, this return is calculated net of investment-related expenses. This methodology is consistent with other procedures incorporated into this actuarial valuation. However, this actual rate of return may differ from the actual rate of return reported by ERB’s investment consultants which are based on more sophisticated methods.

Member Data

Membership data was provided in electronic files by the ERB staff. Data for active members includes gender, birthdate, service, salary paid in the prior year, and accumulated contributions. Data for inactive, nonretired members was similar, but includes the member's accrued benefit as well. For retired members, data includes status (service retiree, disabled retiree or beneficiary), gender, birthdate, pension amount, form of payment, beneficiary gender and birthdate if applicable, and date of retirement.

While not verifying the correctness of the data at the source, we performed various tests to ensure the internal consistency of the data and its overall reasonableness.

Tables 6a and 6b summarize the data for all members. Table 6c is a history of key statistical information about active members, and Table 14 is a history of statistical information about retirees. Table 15 is an age/service distribution of active members and their average pay. Table 17 is a reconciliation that tracks changes in the plan population from last year to this year.

The number of active members decreased since last year, from 61,091 to 58,988.

Total payroll decreased 0.94% since last year. For all comparative purposes, payroll is the amount supplied by the ERB staff (i.e., the 2020-2021 member pay). However, this figure is increased by one year's expected pay increase to determine the member's rate of pay as of July 1, 2021. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased 2.6% since last year. Average pay for members active in both this valuation and the last year's valuation increased 2.4%. The difference between these two figures is due to the effect of retirements and terminations, and their replacement by new members who generally earn less.

Risk Assessment

Risks Associated with Measuring the Actuarial Accrued Liability and Actuarially Determined Employer Contribution

The determination of the actuarial accrued liability and the actuarially determined employer contribution (ADEC) requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the system's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the system's future financial condition include:

1. Investment risk - actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch - changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk - actual contributions may differ from expected future contributions. For example, actual contributions from the State and employers may not be made in accordance with the current arrangement or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk - actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk - members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks - members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The Funding Policy Contribution calculated in Tables 5a and 5b may be considered as a minimum contribution that complies with the Board's funding policy and State statute. The timely receipt of the Funding Policy Contribution is critical to support the financial health of the system. Users of this

Risk Assessment

report should be aware that contributions made consistent with the Funding Policy Contribution do not necessarily guarantee benefit security.

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	2021	2020	2019	2018	2017
Ratio of the market value of assets to total payroll	5.4	4.2	4.8	4.7	4.6
Ratio of actuarial accrued liability to payroll	7.6	7.3	7.5	7.5	7.3
Ratio of actives to retirees and beneficiaries	1.1	1.2	1.2	1.2	1.3
Ratio of net cash flow to market value of assets	-3.0%	-3.5%	-3.4%	-3.4%	-3.0%
Duration of the actuarial accrued liability	12.7	12.7	12.7	12.7	12.8

Ratio of Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll

The ratio of liability to payroll may be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll, a change in liability 2% other than assumed would equal 5% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

Risk Assessment

Duration of Actuarial Accrued Liability

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Table 1

Actuarial Information

	June 30, 2021 (1)	June 30, 2020 (2)
1. Payroll		
a. Supplied by System (annualized)	\$2,924,364,375	\$2,952,180,942
b. Adjusted for one-year's pay increase	3,058,621,543	3,090,674,504
2. Normal cost rate (payable monthly)		
a. Total normal cost rate	14.10%	14.22%
b. Assumed administrative expenses	0.35%	0.35%
c. Less: member contribution rate	(10.70%)	(10.70%)
d. Employer normal cost rate	<u>3.75%</u>	<u>3.87%</u>
3. Employer normal cost (Item 2c* Item 1b)	\$114,698,308	\$119,609,103
4. Actuarial accrued liability for active members		
a. Actuarial present value of future benefits	\$10,933,397,459	\$11,034,042,069
b. Less: actuarial present value of future normal cost	(2,917,913,433)	(2,933,996,910)
c. Actuarial accrued liability	<u>\$8,015,484,026</u>	<u>\$8,100,045,159</u>
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$14,185,632,113	\$13,641,242,486
b. Inactive members	1,064,136,907	970,288,595
c. Active members (Item 4c)	<u>8,015,484,026</u>	<u>8,100,045,159</u>
d. Total	<u>\$23,265,253,046</u>	<u>\$22,711,576,240</u>
6. Actuarial value of assets	\$14,599,015,189	\$13,707,345,072
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$8,666,237,857	\$9,004,231,168
8. Payment towards unfunded liability for next fiscal year		
a. Employer contribution rate	15.15%	14.15%
b. Less: Employer normal cost rate (Item 2d)	(3.75%)	3.87%
c. Amortization rate	<u>11.40%</u>	<u>10.28%</u>
d. Amortization contribution (Item 8c* Item 1b)	\$348,682,856	\$317,721,339
e. Expected ARP contribution	<u>7,405,149</u>	<u>7,130,638</u>
f. Total	<u>\$356,088,005</u>	<u>\$324,851,977</u>
9. Funding period based on current statutory contribution requirement and an open group projection	42 years	infinite

Table 2

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis (1)	Year Ending	
	June 30, 2021 (2)	June 30, 2020 (3)
1. UAAL at prior valuation	\$ 9,004.2	\$ 7,904.2
2. Increase/(decrease) due to:		
a. Interest on UAAL	630.3	573.1
b. Amortization payments ¹	(343.0)	(407.1)
c. Liability experience	(99.2)	348.6
d. Asset experience	(441.6)	191.4
e. Actual COLA More/(Less) than Expected	(84.5)	(33.9)
f. Changes in actuarial assumptions and methods	0.0	427.9
g. Benefit changes	—	0.0
h. Total	\$ (338.0)	\$ 1,100.0
3. Current UAAL (1+2h)	\$ 8,666.2	\$ 9,004.2

Note: Dollar amounts in millions

¹ Actual contributions reduced by normal cost, and adjusted timing.

Table 3

Actuarial Present Value of Future Benefits

	June 30, 2021	June 30, 2020
	(1)	(2)
1. Active members		
a. Service retirement benefits	\$10,047,434,734	10,146,495,588
b. Refunds and deferred termination benefits	715,757,764	717,593,842
c. Survivor benefits	76,700,238	78,222,254
d. Disability retirement benefits	93,504,723	91,730,385
e. Total	<u>\$10,933,397,459</u>	<u>\$11,034,042,069</u>
2. Retired members		
a. Service retirement	\$13,535,893,637	\$13,010,606,207
b. Disability retirement	103,726,203	106,501,947
c. Beneficiaries	546,412,273	524,134,332
d. Total	<u>\$ 14,186,032,113</u>	<u>\$ 13,641,242,486</u>
3. Inactive members		
a. Vested terminations	\$ 860,455,482	\$ 769,757,710
b. Nonvested terminations	198,109,617	191,055,603
c. Unallocated contributions	5,571,808	9,475,282
d. Total	<u>\$ 1,064,136,907</u>	<u>\$ 970,288,595</u>
4. Total actuarial present value of future benefits	<u>\$26,183,166,479</u>	<u>\$25,645,573,150</u>

Table 4

Analysis of Normal Cost

	June 30, 2021	June 30, 2020
	(1)	(2)
1. Gross normal cost rate (payable monthly)		
a. Service retirement benefits	9.89%	10.00%
b. Refunds and deferred termination benefits	3.96%	3.96%
c. Disability retirement benefits	16.00%	16.00%
d. Survivor benefits	9.00%	10.00%
e. Total	<u>14.10%</u>	<u>14.22%</u>
3. Less: member contribution rate	<u>(10.70)%</u>	<u>(10.70)%</u>
4. Employer normal cost rate	3.75%	3.87%

Table 5a

**Calculation of Funding Policy Contribution
(For Following Fiscal Year)**

	June 30, 2021	June 30, 2020
	(1)	(2)
1. Funding period (years)	28	29
2. Funding Policy Contribution for Employers		
a. Total Contribution Needed to Fund the Unfunded Liability by June 30, 2049*	19.21%	21.24%
b. Statutory rate	15.15%	14.15%
c. Funding Policy Contribution (greater of (a,b))	19.21%	21.24%

* Beginning with the valuation as of June 30, 2021, Funding Policy Contribution reflects an open group projection recognizing new hire benefits as well as anticipated cost-of-living adjustments less than the assumed 1.80% while ERB is less than fully funded.

Table 5b

Actual Contributions as Percentage of Funding Policy Contribution

	June 30, 2021
1. Actual employer contributions	
a. On behalf of active ERB members	\$ 432,703,989
b. On behalf of return-to-work retirees	12,950,804
c. On behalf of ARP members	7,217,494
d. Total	<u>\$ 452,872,287</u>
2. Statutory employer contribution rate	14.15%
3. Imputed fiscal year payroll for active ERB members (Item 1a/Item 2)	\$ 3,057,978,722
4. Funding period Contribution for Employers	
a. Employer's funding policy contribution for active ERB members as percent of payroll	21.24%
b. Employer's funding policy contribution for active ERB members (Item 4a * Item 3)	\$ 649,514,681
c. Fundraising policy contribution (Item 4b + Item 1c)	\$ 656,732,175
5. Percentage of Funding Policy Contribution Received in Prior Year (Item 1d / Item 4c)	69.0 %

Table 6a

Active Membership Data

	June 30, 2021	June 30, 2020
	(1)	(2)
1. Active members		
<u>Tier 1</u>		
a. Number	23,589	26,172
b. Total payroll supplied by System (annualized) \$	1,382,677,326	\$ 1,494,941,437
c. Average salary \$	58,615	\$ 57,120
d. Average age	52.0	51.9
e. Average service	17.7	17.2
<u>Tier 2</u>		
a. Number \$	5,694	6,019
b. Total payroll supplied by System (annualized) \$	295,956,202	\$ 301,936,818
c. Average salary \$	51,977.0	\$ 50,164
d. Average age	46.7	46.2
e. Average service	9.1	8.2
<u>Tier 3</u>		
a. Number	19,595	22,018
b. Total payroll supplied by System (annualized) \$	848,054,177	\$ 899,518,110
c. Average salary \$	43,279	\$ 40,854
d. Average age	43.0	42.0
e. Average service	4.8	3.7
<u>Tier 4</u>		
a. Number	10,110	6,882
b. Total payroll supplied by System (annualized) \$	397,674,670	\$ 255,784,577
c. Average salary \$	39,335	\$ 37,167
d. Average age	37.9	37.7
e. Average service	1.3	0.8
<u>Total</u>		
a. Number	58,988	61,091
b. Total payroll supplied by System (annualized) \$	2,924,364,375	\$ 2,952,180,942
c. Average salary \$	49,576	\$ 48,324
d. Average age	46.1	46.1
e. Average service	9.8	9.6

Table 6b

	June 30, 2021	June 30, 2020
	(1)	(2)
1. Vested inactive members (excluding pending refunds)		
a. Number	12,215	11,513
b. Total annual deferred monthly benefits \$	104,797,142	\$ 97,337,577
c. Average annual deferred monthly benefits \$	8,579	\$ 8,455
2. Nonvested inactive members and vested pending refunds		
a. Number	39,321	39,401
b. Employee assessments with interest due \$	198,109,617	\$ 191,055,603
c. Average refund due \$	5,038	\$ 4,849
3. Service retirees		
a. Number	48,421	47,093
b. Total annualized monthly benefits \$	1,184,080,142	\$ 1,133,638,629
c. Average annualized monthly benefits \$	24,454	\$ 24,072
4. Disabled retirees		
a. Number	778	813
b. Total annualized monthly benefits \$	9,214,355	\$ 9,428,150
c. Average annualized monthly benefits \$	11,884	\$ 11,597
5. Beneficiaries		
a. Number	3,591	3,491
b. Total annualized monthly benefits \$	61,569,993	\$ 59,112,402
c. Average annualized monthly benefits \$	17,146	\$ 16,933

Note: Retirement benefits include impact of July 1 cost-of-living increases.

Table 6c

Historical Summary of Active Member Data

Year-Ending June 30,	Active Members		Covered Payroll		Average Salary		Average Age	Average Service
	Number	Percent Increase	Amount in \$ Millions	Percent Increase	\$ Amount	Percent Increase		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1982	42,015	–	\$622	–	\$14,810	–	40.9	10.7
1984	40,385	-3.9%	670	7.7%	16,600	12.1%	42.0	9.9
1986	45,311	12.2%	786	17.3%	17,353	4.5%	41.7	9.7
1988	45,492	0.4%	863	9.8%	18,968	9.3%	43.9	10.1
1990	48,858	7.4%	1,033	19.7%	21,146	11.5%	42.6	8.5
1992	51,161	4.7%	1,150	11.3%	22,486	6.3%	43.0	8.9
1993	52,296	2.2%	1,191	3.6%	22,774	1.3%	43.2	8.9
1994	53,744	2.8%	1,259	5.7%	23,420	2.8%	43.3	9.0
1995	54,840	2.0%	1,356	7.7%	24,735	5.6%	43.2	9.0
1996	55,782	1.7%	1,414	4.3%	25,341	2.4%	43.7	9.1
1997	56,685	1.6%	1,449	2.5%	25,556	0.8%	43.9	9.1
1998	58,097	2.5%	1,543	6.5%	26,555	3.9%	44.0	9.0
1999	58,615	0.9%	1,637	6.1%	27,936	5.2%	44.3	9.2
2000	60,090	2.5%	1,796	9.7%	29,884	7.0%	44.5	9.1
2001	60,155	0.1%	1,820	1.3%	30,248	1.2%	44.9	9.2
2002	61,091	1.6%	1,979	8.7%	32,387	7.1%	45.2	9.3
2003	62,614	2.5%	2,032	2.7%	32,460	0.2%	45.3	9.3
2004	62,901	0.5%	2,142	5.4%	34,061	4.9%	45.6	9.1
2005	63,362	0.7%	2,209	3.1%	34,865	2.4%	45.6	9.3
2006	61,829	-2.4%	2,219	0.5%	35,896	3.0%	45.7	9.2
2007	62,687	1.4%	2,341	5.5%	37,347	4.0%	45.9	9.3
2008	63,698	1.6%	2,492	6.4%	39,118	4.7%	46.1	9.4
2009	63,819	0.2%	2,586	3.8%	40,517	3.6%	46.3	9.6
2010	63,295	-0.8%	2,576	-0.4%	40,695	0.4%	46.5	9.7
2011	61,673	-2.6%	2,524	-2.0%	40,923	0.6%	46.8	10.0
2012	60,855	-1.3%	2,495	-1.1%	41,004	0.2%	47.0	10.0
2013	61,177	0.5%	2,517	0.9%	41,141	0.3%	47.0	9.9
2014	61,173	0.0%	2,539	0.9%	41,503	0.9%	46.6	9.8
2015	60,998	-0.3%	2,610	2.8%	42,793	3.1%	46.5	9.7
2016	60,057	-1.5%	2,612	0.1%	43,493	1.6%	46.4	9.8
2017	59,495	-0.9%	2,591	-0.8%	43,553	0.1%	46.4	9.8
2018	60,358	1.5%	2,609	0.7%	43,228	-0.7%	46.3	9.7
2019	60,197	-0.3%	2,708	3.8%	44,980	4.1%	46.3	9.7
2020	61,091	1.5%	2,952	9.0%	48,324	7.4%	46.1	9.6
2021	58,988	-3.4%	2,924	-0.9%	49,576	2.6%	46.1	9.8

Table 7

Reconciliation of Plan Net Assets

	Year Ending	
	June 30, 2021 (1)	June 30, 2020 (2)
1. a. Value of assets at beginning of year (Value reported in prior valuation)	\$ 13,019,196,862	\$ 13,544,691,114
b. Adjustment	0	—
c. Value of assets at beginning of year after adjustment	\$ 13,019,196,862	\$ 13,544,691,114
2. Revenue for the year		
a. Contributions		
i. Member contributions	\$ 327,477,585	\$ 328,080,239
ii. Member service purchases	2,589,302	1,644,630
iii. Employer contributions	445,654,793	444,606,204
iv. Employer contributions for ARP members	7,217,494	6,949,940
v. Total	\$ 782,939,174	\$ 781,281,013
b. Net investment income		
i. Investment income	\$ 4,020,539,336	\$ 67,762,865
ii. Investment expenses	(185,998,988)	(143,399,749)
iii. Net investment income	\$ 3,834,540,348	\$ (75,636,884)
c. Total revenue	\$ 4,617,479,522	\$ 705,644,129
3. Expenditures for the year		
a. Refunds	\$ 45,419,111	\$ 50,956,206
b. Benefit payments	1,217,645,352	1,169,304,517
c. Administrative and miscellaneous expenses	12,087,563	10,877,658
d. Total expenditures	\$ 1,275,152,026	\$ 1,231,138,381
4. Increase in net assets (Item 2 - Item 3)	\$ 3,342,327,496	\$ (525,494,252)
5. Value of assets at end of year (Item 1 + Item 4)	\$ 16,361,524,358	\$ 13,019,196,862

Table 8

Development of Actuarial Value of Assets

	Year Ending June 30, 2021		
1. Market value of assets at beginning of year	\$ 13,019,196,862		
2. Net new investments			
a. Contributions	\$ 782,939,174		
b. Expenditures	<u>(1,275,152,026)</u>		
c. Subtotal	<u>(492,212,852)</u>		
3. Market value of assets at end of year	\$ 16,361,524,358		
4. Net earnings (3-1-2c)	\$ 3,834,540,348		
5. Assumed investment return rate	7.00%		
6. Expected return	\$ 894,116,331		
7. Excess (Shortfall) return (4-6)	\$ 2,940,424,017		
8. Excess return on assets for last four years :			
<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>
(1)	(2)	(3)	(4)
a. June 30, 2018	(1,732,299)	60%	\$ (346,460)
b. June 30, 2019	105,178,488	80%	42,071,395
c. June 30, 2020	(1,052,591,633)	60%	(631,554,980)
d. June 30, 2021	2,940,424,017	80%	<u>2,352,339,214</u>
			\$ 1,762,509,169
9. Actuarial value of assets (Item 3 - Item 8)	\$ 14,599,015,189		
10. Actuarial value as percentage of market value			89.2%

Table 9a

Estimation of Yields

	Year Ending	
	June 30, 2021	June 30, 2020
	(1)	(2)
A. Market value yield		
1. Beginning of year market assets	\$13,019,196,862	\$13,544,691,114
2. Investment income (including realized and unrealized gains and losses)	\$3,834,540,348	\$(86,514,542)
3. End of year market assets	\$16,361,524,358	\$13,019,196,862
4. Estimated dollar weighted market value yield	30.0%	(0.6%)
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$13,707,345,072	\$13,383,320,024
2. Actuarial return	\$1,383,882,969	\$763,004,758
3. End of year actuarial assets	\$14,599,015,189	\$13,707,345,072
4. Estimated actuarial value yield	10.3%	5.8%

Table 9b

History of Investment Return Rates

Plan Year-Ending June 30 of	Market	Actuarial
(1)	(2)	(3)
1995	18.5%	11.5%
1996	12.2%	12.0%
1997	20.3%	13.4%
1998	19.6%	15.0%
1999	11.3%	16.4%
2000	13.1%	15.1%
2001	-11.1%	9.5%
2002	-8.8%	3.3%
2003	2.7%	0.1%
2004	15.3%	0.8%
2005	9.6%	1.1%
2006	12.0%	6.4%
2007	16.7%	11.6%
2008	-6.0%	9.3%
2009	-17.7%	2.2%
2010	17.7%	2.0%
2011	19.0%	4.2%
2012	1.6%	2.2%
2013	10.8%	5.6%
2014	14.2%	12.0%
2015	3.7%	9.7%
2016	3.1%	6.7%
2017	11.8%	8.2%
2018	7.2%	7.5%
2019	8.1%	6.6%
Average Returns (all returns net of administrative and investment-related expenses)		
Last 5 years	10.9%	7.7%
Last 10 years	8.7%	7.4%
Last 15 years	7.4%	6.9%
Last 20 years	7.0%	5.7%

Table 10a

Investment Experience Gain or Loss

Item	Year Ending	
	June 30, 2021	June 30, 2020
(1)	(2)	(3)
1. Actuarial assests, beginning of year	\$ 13,707,345,072	\$ 13,383,320,024
2. Total contributions during year	\$ 782,939,174	\$ 781,281,013
3. Benefits, refunds and administrative paid	\$ (1,275,152,026)	\$ (1,220,260,723)
4. Assumed net investment income		
a. Beginning of year assets	\$ 959,514,155	\$ 970,290,702
b. Contributions	27,402,871	28,321,437
c. Benefits and refund paid	<u>(44,630,321)</u>	<u>(44,234,451)</u>
d. Total	\$ 942,286,705	\$ 954,377,688
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 14,157,418,925	\$ 13,898,718,002
6. Actual actuarial assets, end of year	\$ 14,599,015,189	\$ 13,707,345,072
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ 441,596,264	\$ (191,372,930)

Table 10b
Total Experience Gain or Loss

Item (1)	Year Ending	
	June 30, 2021 (2)	June 30, 2020 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 9,004,231,168	\$ 7,904,252,733
2. Normal cost (incl. admin) for the previous	\$ 451,581,477	\$ 388,501,008
3. Less: contributions for the year	\$ (782,939,174)	\$ (781,281,013)
4. Interest at 7%		
a. On UAAL	\$ 630,296,182	573,058,323
b. On normal cost	15,805,352	14,083,162
c. On contributions	(27,402,871)	(28,321,437)
d. Total	618,698,663	558,820,048
5. Expected UAAL (Sum of items 1-4)	\$ 9,291,572,134	\$ 8,070,292,776
6. Actual UAAL	\$ 8,666,237,857	\$ 9,004,231,168
7. Total gain (loss) for the year (item 5 - item 6)	\$ 625,334,277	\$ (933,938,392)
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ 441,596,264	\$ (191,372,930)
9. Liability experience gain (loss) for the year	\$ 99,201,142	\$ (348,609,929)
10. Actual COLA (More) Less than Expected	\$ 84,536,871	\$ 33,918,036
11. Assumption change	\$ 0	\$ (427,873,569)
12. Benefit change	\$ 0	\$ 0
13. Total	\$ 625,334,277	\$ (933,938,392)

Table 11

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability	Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	9,431	14,354	4,922	65.7%	2,576	191.1%
June 30, 2011	9,642	15,293	5,651	63.0%	2,524	223.9%
June 30, 2012	9,606	15,837	6,231	60.7%	2,495	249.7%
June 30, 2013	9,829	16,362	6,534	60.1%	2,517	259.6%
June 30, 2014	10,715	16,971	6,256	63.1%	2,539	246.4%
June 30, 2015	11,472	18,014	6,542	63.7%	2,610	250.6%
June 30, 2016	11,906	18,536	6,630	64.2%	2,612	253.8%
June 30, 2017	12,508	19,871	7,363	62.9%	2,591	284.2%
June 30, 2018	12,997	20,458	7,461	63.5%	2,609	286.0%
June 30, 2019	13,383	21,288	7,904	62.9%	2,708	291.9%
June 30, 2020	13,707	22,712	9,004	60.4 %	2,952	305.0 %
June 30, 2021	14,599	23,265	8,666	62.8 %	2,924	296.3 %

Note: Dollar amounts in million

Table 12

History of Cash Flow

Expenditures

Year Ending June 30,	Contributions ¹	Benefit Payments	Refunds	Administrative Expenses	Total	External Cash Flow for the Year ²	Market Value of Assets	External Cash Flow as Percent of Market Value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7)	(7)
2001	315.2	(340.6)	(36.6)	(3.5)	(380.7)	(65.5)	6,667.0	-1.0%
2002	328.6	(367.5)	(28.5)	(5.8)	(401.8)	(73.2)	6,011.2	-1.2%
2003	337.9	(396.1)	(28.3)	(4.3)	(428.7)	(90.8)	6,083.4	-1.5%
2004	355.6	(422.4)	(26.4)	(2.6)	(451.4)	(95.8)	6,911.5	-1.4%
2005	371.0	(455.0)	(27.2)	(5.3)	(487.5)	(116.5)	7,451.1	-1.6%
2006	408.5	(494.1)	(28.3)	(5.2)	(527.6)	(119.1)	8,219.3	-1.4%
2007	449.5	(540.1)	(27.5)	(5.6)	(573.2)	(123.7)	9,455.8	-1.3%
2008	496.2	(578.8)	(29.5)	(6.1)	(614.4)	(118.2)	8,770.0	-1.3%
2009	538.8	(617.7)	(29.7)	(8.7)	(656.1)	(117.3)	7,113.7	-1.6%
2010	566.8	(656.2)	(28.8)	(11.5)	(696.5)	(129.7)	8,232.5	-1.6%
2011	559.0	(701.8)	(35.1)	(11.4)	(748.3)	(189.3)	9,588.6	-2.0%
2012	545.6	(754.6)	(40.6)	(12.0)	(807.2)	(261.6)	9,489.0	-2.8%
2013	550.2	(811.7)	(41.7)	(11.0)	(864.4)	(314.2)	10,191.7	-3.1%
2014	634.0	(868.3)	(38.9)	(16.6)	(923.8)	(289.8)	11,346.1	-2.6%
2015	689.7	(920.8)	(36.4)	(10.6)	(967.8)	(278.1)	11,497.7	-2.4%
2016	692.9	(973.7)	(39.0)	(9.7)	(329.5)	(329.5)	11,532.8	-2.9%
2017	691.8	(1,019.4)	(33.3)	(9.8)	(370.7)	(370.7)	12,509.4	-3.0%
2018	678.7	(1,069.6)	(37.8)	(9.9)	(438.6)	(438.6)	12,970.3	-3.4%
2019	710.0	(1,122.3)	(42.4)	(9.3)	(464.0)	(464.0)	13,544.7	-3.4%
2020	781	(1,169.3)	(50.9)	(10.9)	(1,231.1)	(449.8)	13,019.2	-3.5%
2021	783	(1,217.6)	(45.5)	(12.1)	(1,275.2)	(492.3)	16,361.5	-3.0%

Note: Amounts in \$ millions

¹ Column (2) includes employee and employer contributions, as well as employer contributions for ARP members.

² Column (2) = Column (2) + Column (6)

Table 13
Solvency Test

Year Ending June 30,	Actuarial Liability For			Total Actuarial Liability (AAL)	Actuarial Value of Assets	Cumulative portion of AAL covered		
	Total Active Member Contributions	Retirees and Beneficiaries	Active and Inactive Members (Employer Financed)			Total Active Member Contributions	Retirees and Beneficiaries	Active and Inactive Members (Employer Financed)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7)	(7)
2009	\$ 2,298,505,189	\$6,606,725,003	\$4,978,042,890	\$13,883,273,08	\$ 9,366,271,312	100%	107%	0%
2010	2,434,760,057	6,933,427,044	4,985,322,322	14,353,509,423	9,431,321,859	100%	101%	0%
2011	2,189,058,132	7,726,559,891	5,377,454,401	15,293,072,424	9,642,229,673	100%	96%	0%
2012	2,304,519,473	8,338,284,890	5,194,168,167	15,836,972,530	9,606,304,017	100%	88%	0%
2013	2,381,795,094	9,285,395,005	4,695,089,104	16,632,279,203	9,828,547,715	100%	80%	0%
2014	2,456,349,658	9,828,072,718	4,686,899,356	16,971,321,732	10,714,996,256	100%	84%	0%
2015	2,541,087,642	10,621,041,144	4,852,296,216	18,014,425,002	11,472,378,929	100%	84%	0%
2016	2,618,651,735	11,093,020,967	4,824,755,559	18,536,428,261	11,905,958,700	100%	84%	0%
2017	2,690,665,840	12,001,060,252	5,178,971,540	19,870,697,632	12,507,831,342	100%	82%	0%
2018	2,789,838,603	12,575,650,668	5,092,506,831	20,457,996,402	12,996,625,320	100%	81%	0%
2019	2,883,336,173	13,050,104,203	5,354,132,381	21,287,572,727	13,383,320,024	100%	80%	0%
2020	3,022,626,983	13,641,242,486	6,047,706,771	22,711,576,240	13,707,345,072	100%	78%	0%
2021	3,075,598,929	14,185,632,113	6,004,022,004	23,265,253,046	14,599,015,189	100%	81%	0%

A solvency test is one way of evaluating a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with:

1. The liabilities for active member accumulated contributions on deposit;
2. The liabilities for future benefits to present retirees and beneficiaries; and
3. The liabilities for service already rendered by active and inactive members.

In a system that has been following an actuarially determined financing principle, the liabilities for active member contributions on deposit (column 2) and the liabilities for future benefits to present retirees (column 3) should be fully covered by present assets. In addition, the additional liabilities for service already rendered by active members (column 4) should be partially covered by the remainder of present assets. Generally, if the system has been using actuarially determined financing, the funded portion of the liability will increase over time.

Table 14**Historical Retired Participants' Data**

Year Ending June 30,	Number	Average Monthly
(1)	(2)	(3)
1984	8,462	\$ 430
1986	10,004	512
1988	11,375	663
1990	12,741	767
1992	14,107	846
1993	15,001	890
1994	15,814	966
1995	16,593	976
1996	17,381	1,011
1997	18,317	1,055
1998	19,244	1,104
1999	20,109	1,139
2000	21,186	1,228
2001	22,191	1,274
2002	23,052	1,315
2003	24,085	1,376
2004	24,947	1,420
2005	26,100	1,466
2006	28,539	1,472
2007	29,969	1,523
2008	31,192	1,566
2009	32,496	1,607
2010	33,747	1,628
2011	35,457	1,669
2012	37,336	1,714
2013	40,310	1,767
2014	42,246	1,790
2015	44,043	1,819
2016	45,797	1,831
2017	47,340	1,857
2018	48,919	1,889
2019	50,197	1,921
2020	51,397	1,949
2021	52,790	1,981

Note: Retirement benefits include impact of July 1 cost-of-living increases.

Supporting Schedules

Table 15
Distribution of Active Members by Age and by Years of Service As of
June 30, 2021
Years of Credited Service

Attained Age	Years of Credited Service													Total Count & Avg. Comp.
	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.		
Under 25	594	609	353	106	40	12	0	0	0	0	0	0	0	1,714
	\$23,697	\$28,783	\$26,342	\$23,848	\$23,500	\$23,894	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,055
25-29	503	894	1,004	726	416	608	2	0	0	0	0	0	0	4,153
	\$33,680	\$36,303	\$36,380	\$37,667	\$40,051	\$41,292	\$35,174	\$0	\$0	\$0	\$0	\$0	\$0	\$37,347
30-34	386	769	886	742	538	2,221	300	6	0	0	0	0	0	5,848
	\$38,962	\$40,329	\$38,560	\$40,525	\$41,891	\$48,514	\$53,088	\$33,583	\$0	\$0	\$0	\$0	\$0	\$43,895
35-39	410	663	788	642	555	2,169	1,399	372	3	0	0	0	0	7,001
	\$39,820	\$42,877	\$41,732	\$42,192	\$44,992	\$49,562	\$58,196	\$55,960	\$24,845	\$0	\$0	\$0	\$0	\$48,494
40-44	266	501	705	600	489	2,091	1,447	1,436	279	2	0	0	0	7,816
	\$42,040	\$43,388	\$42,331	\$45,384	\$45,296	\$52,163	\$57,896	\$63,170	\$58,558	\$41,131	\$0	\$0	\$0	\$52,728
45-49	234	393	517	462	379	1,709	1,344	1,466	1,310	152	1	0	0	7,967
	\$39,067	\$39,203	\$42,029	\$43,022	\$42,369	\$49,772	\$57,782	\$60,935	\$68,002	\$67,442	\$ 52,723	\$0	\$0	\$54,430
50-54	192	371	449	413	309	1,610	1,371	1,504	1,388	529	59	0	0	8,195
	\$39,585	\$42,781	\$39,328	\$41,200	\$45,720	\$48,737	\$54,790	\$59,124	\$62,281	\$69,054	\$ 71,180	\$0	\$0	\$53,930
55-59	173	321	404	370	242	1,388	1,248	1,410	1,179	539	202	33	0	7,509
	\$41,720	\$43,036	\$38,472	\$42,156	\$39,508	\$45,510	\$53,483	\$52,735	\$56,664	\$66,339	\$ 71,205	\$62,719	\$0	\$51,275
60-64	100	204	276	278	224	1,092	890	879	798	435	199	88	0	5,463
	\$44,982	\$37,259	\$36,402	\$41,118	\$44,337	\$46,790	\$55,156	\$52,971	\$56,581	\$61,261	\$ 75,651	\$74,029	\$0	\$51,917
65 & Over	72	156	194	181	186	771	514	429	332	193	146	148	0	3,322
	\$34,169	\$38,089	\$29,457	\$41,280	\$39,820	\$44,493	\$56,377	\$52,884	\$53,697	\$67,006	\$ 78,861	\$99,945	\$0	\$51,785
Total	2,930	4,881	5,576	4,520	3,378	13,671	8,515	7,502	5,289	1,850	607	269	0	58,988
	\$35,660	\$38,885	\$38,273	\$41,074	\$42,730	\$48,410	\$56,228	\$57,797	\$60,829	\$66,054	\$74,471	\$86,900	\$0	\$49,576

Table 16
Reconciliation of Members by Status for Year Ending
June 30, 2021

	Inactive, Nonretired Members			Annuitants			Grand Total
	Active Members	Vested	Nonvested	Service Retirees	Disabled Retirees	Beneficiaries	
Number at beginning of year	61,091	11,513	39,401	47,093	813	3,491	163,402
Refund paid (non-death)	(797)	(452)	(3,967)				(5,216)
Refund due	(3,787)		3,787				0
Vested terminations	(1,995)	1,995					0
Retirements (nondisabled)	(1,995)	(517)	(44)	2,556			0
Disabled retirements	(13)	(2)			15		0
New Alternate Payee resulting from QDRO				25			25
Death before retirement - refund							0
Death before retirement - annuity	(26)					26	0
Death of annuitant - survivor benefit due				(280)	(10)	290	0
Death of annuitant - no further benefits due				(950)	(37)	(216)	(1,203)
New hires	5,040	96	1,170				6,306
Reemployments	1,470	(462)	(1,001)	(7)			0
Adjustments and corrections		44	(25)	(16)	(3)		0
Number at end of year	58,988	12,215	39,321	48,421	778	3,591	163,314

Table 17

**Schedule of Retirees & Beneficiaries
Added to/and Removed from Rolls**

Year Ending June 30,	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase/ Decrease in Annual Allowances	Average Annual Benefits
	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2012	2,768	\$ 72,218,345	889	\$ 14,359,797	37,336	\$768,140,575		\$ 20,574
2013	3,855	102,030,450	881	15,541,594	40,310	854,629,431	11.3%	21,201
2014	2,913	69,897,967	977	16,901,682	42,246	907,325,716	6.2%	21,484
2015	2,861	72,123,070	1,064	18,187,814	44,043	961,560,972	5.9%	21,832
2016	2,879	65,686,730	1,125	20,801,404	45,797	1,006,446,298	4.7%	21,976
2017	2,682	68,362,756	1,139	20,082,332	47,340	1,054,726,722	4.8%	22,280
2018	2,744	75,757,772	1,165	21,822,890	48,919	1,108,661,604	5.1%	22,663
2019	2,524	72,426,614	1,246	23,906,579	50,197	1,157,181,639	4.4%	23,053
2020	2,502	70,175,227	1,302	25,177,685	51,397	1,202,179,181	3.9%	23,390
2021	2,945	83,903,581	1,552	31,218,272	52,790	1,254,864,490	4.4%	23,771

* The Annual Allowances added to the rolls in each year include the COLA granted to all retirees for the year. As a result, the Annual Allowances added to the rolls do not necessarily correspond to the number of retirees and beneficiaries added to the rolls in the same year.

Summary of Plan Provisions

1. **Effective Date:** July 1, 1957
2. **Plan Year/Fiscal Year:** Twelve-month period ending June 30th.
3. **Administration:** The Educational Retirement Board of New Mexico (ERB) is responsible for administration of the plan and investment of plan assets.
4. **Type of Plan:** ERB is a qualified, defined benefit, governmental retirement plan. For government accounting purposes, it is a cost-sharing multiple-employer public employee retirement system.
5. **Eligibility:** All those employed and working more than 0.25 of a full-time equivalent (FTE) at public and state schools in New Mexico, including public colleges, universities, public technical and vocational institutions participate in ERB. Employees at regional education cooperatives and the New Mexico Activities Association participate in ERB. In addition, employees at certain state agencies that provide an educational program also participate if the employee filling a position is required to be a certified educator. Their participation is a condition of employment. However, see the section on the Alternative Retirement Plan below for an exception. Moreover, employees of ERB, the Public Education Department, certain State agencies, School for the Visually Handicapped, and School for the Deaf can choose to be ERB members upon hire.
6. **Member Contributions:** Members must contribute a percentage of their salary to ERB. "Salary" for this purpose includes substantially all earnings. The member contribution rate is set by statute, and has been changed from time to time. The following schedule shows recent and future member contribution rates. Member contributions are paid directly by employers so member contributions are considered "pre-tax" for federal income tax treatment.

Fiscal Year Ended	Member Contribution Rate
FYE 2005 and earlier	7.600%
FYE 2006	7.675%
FYE 2007	7.750%
FYE 2008	7.825%
FYE 2009	7.900%
FYE 2010*	9.400%
FYE 2011*	9.400%
FYE 2012*	11.150%
FYE 2013*	9.400%
FYE 2014*	10.100%
FYE 2015 to FYE 2019*	10.700%
FYE 2020 and later**	10.700%

* For members whose annual salary is greater than \$20,000. Members with annual salary of \$20,000 or less will continue to contribute 7.90%.

** For members whose annual salary is greater than \$24,000. Members with annual salary of \$24,000 or less will continue to contribute 7.90%.

Summary of Plan Provisions

7. **Employer Contributions:** The school district or other local administrative unit which employs a member contributes a percentage of the member's salary to ERB. "Salary" for this purpose includes substantially all earnings. The employer contribution rate is set by statute, and has been changed from time to time. The following schedule shows recent and future employer contribution rates. In addition, state universities, colleges and junior colleges contribute 3.25% of the earnings of non-members who are participating in the Alternative Retirement Plan.

Fiscal Year Ended	Employer Contribution Rate
FYE 2005 and earlier	8.65%
FYE 2006	9.40%
FYE 2007	10.15%
FYE 2008	10.90%
FYE 2009	11.65%
FYE 2010*	10.90%
FYE 2011*	10.90%
FYE 2012*	9.15%
FYE 2013*	10.90%
FYE 2014	13.15%
FYE 2015 to FYE 2019	13.90%
FYE 2020 to FYE 2021	14.15%
FYE 2022	15.15%
FYE 2023 and later	16.15%

* For members whose annual salary is greater than \$20,000. For members with annual salary of \$20,000 or less, the employer contributed 12.40% in FYE2010 through FYE2013.

8. **Service:** Employees receive credit for each calendar quarter in which they are contributing members. Credit is also granted for service prior to ERB's effective date, and certain military service. Allowed service credit may also be purchased for specific types of prior employment, including military service, teaching in another state, or teaching for an accredited private school or higher learning institution in New Mexico.
9. **Tier:** Members who join ERB by June 30, 2010 are in Tier 1, members who join between July 1, 2010 and June 30, 2013 are in Tier 2, members who join between July 1, 2013 and June 30, 2019 are in Tier 3 and members who join later are in Tier 4. Members who terminated, took a refund, later rejoined ERB, and repaid their refund to ERB prior to June 30, 2019 were allowed to rejoin their prior tier. Otherwise, members that take a refund and later rejoin ERB will be eligible for Tier 4 benefits.
10. **Final Average Compensation (FAC):** The average of the member's earnings for the last five years, or such other five consecutive year period that gives the largest average. Monthly benefits are based on one-twelfth of this amount.

Summary of Plan Provisions

11. Normal Retirement

a. Eligibility:

- Tier 1 members may retire upon Normal Retirement on the earliest of (i) the date he/she attains age 65 with credit for 5 years of service, or (ii) the date the member completes 25 years of service, or (iii) the date that the sum of the member's age and service is at least 75, provided the member is at least age 60.
- Tier 2, Tier 3 and Tier 4 members may retire upon Normal Retirement on the earliest of (i) the date he/she attains age 67 with credit for 5 years of service, or (ii) the date the member completes 30 years of service, or (iii) the date that the sum of the member's age and service is at least 80, provided the member is at least age 65.

b. Monthly Benefit:

- Tier 1, Tier 2 and Tier 3 members: 2.35% of FAC (monthly) times years of service. Tier 3 members who retire with 30 years of service and prior to attaining age 55 shall have their benefits reduced to an amount equal to the actuarial equivalent of the benefit the member would receive if the member had retired at age 55.
- Tier 4 members: FAC (monthly) times the aggregate Benefit Percentage, as detailed in the table below, over the course of their career. Tier 4 members who retire with 30 years of service and prior to attaining age 58 shall have their benefits reduced to an amount equal to the actuarial equivalent of the benefit the member would receive if the member had retired at age 58. Benefits are based under the schedule below:

For Service In:	Years	Benefit Percentage
The first 10 years of service	1-10	1.35%
The next 10 years of service	11-20	2.35%
The next 10 years of service	21-30	3.35%
Service after 30 years	30+	2.40%

c. Payment Form:

Benefits are paid as a monthly life annuity, with a guarantee that if the sum of payments made does not exceed the member's accumulated contributions with interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

12. Early Retirement

- #### a. Eligibility:
- Tier 1 members may take early retirement once the sum of his/her age and service equals or exceeds 75, while Tier 2, Tier 3 and Tier 4 members may take early retirement once the sum of his/her age and service equals or exceeds 80.

- #### b. Monthly Benefit:
- Monthly benefit calculated as Appendix 1, 11 b., multiplied by the early retirement factor below:

Summary of Plan Provisions

c. Early Retirement Factors:

Tier 1		Tier 2, Tier 3, and Tier 4	
Age at Retirement	Factor	Age at Retirement	Factor
60 or later	1.000	65 or later	1.000
59	.976	64	.976
58	.952	63	.952
57	.928	62	.928
56	.904	61	.904
55	.880	60	.880
54	.808	59	.808
53	.736	58	.736
52	.664	57	.664
51	.592	56	.592
50	.520	55	.520
49	.448	54	.448
48	.376	53	.376
47	.304	52	.304
46	.232	51	.232
45	.160	50	.160

The reduction for Tier 1 members is from age 60 and the reduction for Tier 2, Tier 3, and Tier 4 members is from age 65. The reduction is 2.4% per year for the first five years the retirement precedes age 60 (Tier 1) or age 65 (Tier 2, Tier 3, and Tier 4), and 7.2% for any additional years before the indicated age.

d. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

- a. Eligibility: A member is eligible provided (i) he/she has credit for at least 10 years of service, and (ii) the disability is approved by the Board of Trustees.
- b. Monthly Benefit: 2% of FAC (monthly) times years of service, but not less than the smaller of (i) one-third of FAC, or (ii) 2% of FAC times years of service projected to age 60.
- c. Payment Form: The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the sum of the member's accumulated contributions with interest as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are available.

Summary of Plan Provisions

14. Vested Termination Benefit

- a. **Eligibility:** A member with at least five (5) years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination benefit.
- b. **Monthly Benefit:** Same as for Normal Retirement above. Benefits may be reduced if they commence prior to Normal Retirement. Both FAC and Service are determined at the time the member leaves active employment.
- c. **Payment Form:** Benefits commence when the participant attains his/her normal retirement age. Alternatively, benefits may commence at the early retirement age, applying the same reduction factors as are used for regular early retirement. The form of payment is the same as for Normal Retirement above.
- d. **Death Benefit:** Upon the death of an inactive vested member who has not retired, the beneficiary may elect to receive an annuity as described under the Death in Service benefit below, with payments deferred until the member would have been eligible for retirement if the member was not eligible at the time of death. Alternatively, the beneficiary may receive a refund of the member's contributions, plus interest based upon a rate set by the Board of Trustees.

15. Withdrawal (Refund) Benefit

- a. **Eligibility:** All members leaving covered employment with less than five (5) years of service for a reason other than the member's death. Alternatively, members eligible for other benefits may withdraw their contributions in lieu of the regular benefits due.
- b. **Benefit:** The member who elects to withdraw receives a lump-sum payment of his/her employee contributions, plus interest computed at a rate set by the Board of Trustees.

16. Death in Service

Benefit: Upon the death of an active member, the beneficiary may receive a refund of the member's contributions, plus interest based upon a rate set by the Board of Trustees. If the member has five (5) or more years of service, the beneficiary may elect to receive an annuity determined as though the member had retired, elected option B below, and then died, in lieu of the refund. If the member is not eligible for early or normal retirement, this benefit may still be elected, with payments deferred until the member would have been eligible for retirement.

17. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

- a. **Option B** - A Joint and 100% Survivor annuity with a "pop-up" feature. The regular life annuity amount is reduced to provide a Joint and 100% Survivor benefit, i.e., a benefit payable as long as either the member or joint annuitant are alive. If the joint annuitant predeceases the member, then the member's benefit amount reverts to the regular life annuity amount.
- b. **Option C** - A Joint and 50% Survivor annuity with a "pop-up" feature. The regular life annuity amount is reduced to provide a Joint and 50% Survivor benefit, i.e., a benefit payable as long as both the member and the joint annuitant are alive, reducing to 50% of this amount upon

Summary of Plan Provisions

the member's death, if the joint annuitant is still living. If the joint annuitant predeceases the member, then the member's benefit amount reverts to the regular life annuity amount.

18. **Cost-of-Living Increase:** All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3 and Tier 4).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as $\frac{1}{2}$ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

19. **Alternative Retirement Plan (ARP):** Since July 1, 1991, certain members employed by higher education may elect participation in the ARP, a defined contribution plan, rather than in ERB. If this election is not made at the time of initial hire, the employee remains a member of the ERB defined benefit plan permanently. No benefits are paid to ARP members from the ERB defined benefit plan. Also as discussed in the section on Employer Contributions above, the employer of an ARP member makes a contribution of 4.25% (5.25% for FY2023 and later) of the member's salary to ERB.

Summary of Actuarial Assumptions and Methods

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees on April 17, 2020 based on the experience investigation that covered the period ending June 30, 2019.

I. Valuation Date

The valuation date is June 30 of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

The contribution rate is set by statute for both employees and for the employers. The funding period is determined, as described below, using the Individual Entry Age Normal actuarial cost method.

The Individual Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs for future years. Then each year's contribution is composed of (i) that year's normal cost, plus (ii) a payment used to reduce the unfunded actuarial accrued liability.

The normal contribution is determined using the Entry Age Normal method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. The salary-weighted average of these rates is the normal cost rate. This calculation reflects the plan provisions that apply to each individual member.

The employer normal cost rate is equal to (i) the normal cost rate, minus (ii) the member contribution rate.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets.

The balance of the employers' contributions--the remainder after paying their share of the normal cost--is used to reduce the unfunded actuarial accrued liability. The funding period is the length of time required for the unfunded actuarial accrued liability to be completely eliminated, assuming that the portion used to reduce the unfunded liability remains level as a percentage of total payroll. New entrant pay is assumed to increase 3.00% per year for each new group of new entrants incorporated into the open group projection. The contribution made by employers to ERB on behalf of employees who elected to participate in the Alternative Retirement Plan is also used to eliminate the unfunded actuarial accrued liability. The funding period fully recognizes the value of the lower new hire benefits and the anticipated cost-of-living adjustments less than the assumed 1.80% while the plan is less than fully funded.

Summary of Actuarial Assumptions and Methods

III. Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). Returns are measured net of all investment and administrative expenses.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 7.00% per year, net of investment-related expenses (composed of an assumed 2.30% inflation rate and a 4.70% real rate of return).
2. Salary increase rate: Inflation rate of 2.30% plus productivity increase rate of 0.70% plus step- rate/promotional as shown:

<u>Years of Service</u>	<u>Annual Step-Rate/Promotional Component Rates of Increase</u>	<u>Total Annual Rate of Increase</u>
0	7.00%	10.00%
1	3.50%	6.50%
2	2.75%	5.75%
3	2.25%	5.25%
4	1.75%	4.75%
5	1.50%	4.50%
6	1.25%	4.25%
7	1.00%	4.00%
8	0.75%	3.75%
9	0.50%	3.50%
10-14	0.25%	3.25%
15 or more	0.00%	3.00%

3. Cost-of-living increases: 1.80% per year, compounded annually. Note that increases are deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3 and Tier 4), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
4. Payroll growth: 2.60% per year (with no allowance for membership growth)
5. Contribution accumulation: The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Summary of Actuarial Assumptions and Methods

B. Demographic Assumptions

1. Mortality after termination or retirement -
 - a. Healthy males - 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020.
 - b. Healthy females - 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020.
 - c. Disabled males - 2020 GRS Southwest Region Teacher Mortality Table, set forward three years with minimum rates at all ages of 4.0%. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020.
 - d. Disabled females - 2020 GRS Southwest Region Teacher Mortality Table, set forward three years with minimum rates at all ages of 2.0%. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2020.
2. Mortality rates of active members - Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales published through 2019 by Retirement Plans Experience Committee of the Society of Actuaries ("Ultimate MP") and projected from the year 2010.
3. Disability Incidence - As shown below for selected ages (rates are only applied to eligible members, which are members with at least 10 years of service):

Age	Occurrence of Disability per 100 Members	
	Males	Females
25	.007	.010
30	.007	.010
35	.042	.020
40	.091	.050
45	.133	.080
50	.168	.120
55	.182	.168

Summary of Actuarial Assumptions and Methods

4. Retirement - Select and ultimate as shown below for selected ages (rates are only applied to members eligible for retirement):

Retirement Per 100 Members

Age	Males - Years of Service						
	0-4	5-9	10-14	15-19	20-24	25	26+
45	0	0	0	0	0	25	15
50	0	0	0	0	0	25	18
55	0	0	0	0	5	20	18
60	0	0	0	15	20	25	25
62	0	0	30	30	30	25	25
65	0	40	35	30	30	25	25
67	0	25	25	25	30	25	25
70	100	100	100	100	100	100	100

Age	Females - Years of Service						
	0-4	5-9	10-14	15-19	20-24	25	26+
45	0	0	0	0	0	25	15
50	0	0	0	0	0	25	18
55	0	0	0	0	6	25	23
60	0	0	0	20	15	25	25
62	0	0	40	30	30	30	30
65	0	35	40	40	40	40	40
67	0	25	25	25	30	30	30
70	100	100	100	100	100	100	100

The retirement assumption was further modified for members who joined after June 30, 2010. The probability of retirement upon first eligibility for Normal Retirement reflects the accumulated probability of retirement from the first eligibility for members who joined ERB by June 30, 2010 (generally, 25 years of service or Rule of 75) to their actual first eligibility for Normal Retirement (generally, 30 years of service or Rule of 80).

Early Retirement Per 100 Members - Members joined after June 30, 2010.

Early Retirement Per 100 Members - Members joined after June 30, 2010

Age	Years of Service					
	Males			Females		
	15-19	20-24	25-29	15-19	20-24	25-29
55	0	0	5	0	0	6
60	0	20	20	0	15	15
62	30	30	30	30	30	30
65	30	30	30	40	40	40

Summary of Actuarial Assumptions and Methods

5. Termination (for causes other than death, disability or retirement):

<u>Completed Service</u>	<u>Terminations per 100 Members</u>	
	<u>Males</u>	<u>Females</u>
0	30.0	24.0
1	24.0	20.0
2	19.0	16.5
3	14.0	13.5
4	11.5	11.5
5	10.0	10.0
6	9.0	9.0
7	7.5	7.5
8	6.5	7.0
9	6.0	6.0
10	5.3	5.5
11	4.6	4.7
12	4.1	4.2
13	3.4	3.6
14	3.1	3.2
15	2.8	2.8
16	2.5	2.5
17	2.2	2.2
18	1.9	1.9
19 and over	0.0	0.0

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits.

C. Other Assumptions

1. Age difference: Males are assumed to be three years older than females. All beneficiaries are assumed to be spouses.
2. Percent electing annuity on death: It is assumed that beneficiaries of deceased members will elect to receive the refund of contributions with interest, unless the member is eligible for early or normal retirement, in which case the beneficiary will elect to receive the survivor annuity.
3. Percent electing deferred termination benefit: All vested active members terminating prior to eligibility for a retirement benefit are assumed to elect the more valuable of (i) an immediate refund, or (ii) a deferred annuity commencing when the member is eligible for an unreduced retirement benefit.
4. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt when eligible for an unreduced benefit (or attained age if later).

Summary of Actuarial Assumptions and Methods

5. Investment and administrative expenses: The assumed investment return rate is intended to be the net rate of return after payment of all investment-related expenses. Administrative Expenses are assumed to be 0.35% of valuation payroll per year.
6. Percent married: For valuation purposes 100% of members are assumed to be married.

V. Participant Data

Participant data was supplied on an electronic file for (i) active members, (ii) inactive members, who are entitled to either a future deferred benefit or a refund of their employee contributions and the accumulated interest, and (iii) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included birth date, sex, years of service, salary, and accumulated employee contributions (without interest). For retired members and beneficiaries, the data included date of birth, sex, beneficiary or joint annuitant date of birth (where applicable), current monthly benefit, date of retirement, and a form of payment code.

Salary supplied for the current year was the total earnings for the year preceding the valuation date. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

VI. Actuarial Model

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Definition of Actuarial Terms

1. **Actuarial Accrued Liability (AAL):** That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.
2. **Actuarial Assumptions:** Assumptions as to future experience under the Plan. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:
 - mortality, withdrawal, disablement, and retirement;
 - future increases in salary;
 - future rates of investment earnings and future investment and administrative expenses;
 - characteristics of members not specified in the data, such as marital status;
 - characteristics of future members;
 - future elections made by members; and
 - other relevant items.
3. **Actuarial Cost Method or Funding Method:** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the Funding Policy Contribution.
4. **Actuarial Gain or Actuarial Loss:** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Plan's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.
5. **Actuarially Equivalent:** Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.
6. **Actuarial Present Value (APV):** The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Definition of Actuarial Terms

7. **Actuarial Present Value of Future Plan Benefits:** The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.
8. **Actuarial Valuation:** The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the funded ratio and the Funding Policy Contribution.
9. **Actuarial Value of Assets or Valuation Assets:** The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Funding Policy Contribution.
10. **Actuarially Determined:** Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.
11. **Amortization Method:** A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
12. **Amortization Payment:** That portion of the pension plan contribution or Funding Policy Contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
13. **Closed Amortization Period:** A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.
14. **Decrements:** Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.
15. **Defined Benefit Plan:** An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on

Definition of Actuarial Terms

the employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit. amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

16. **Defined Contribution Plan:** An employer-sponsored retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance. The ARP is a defined contribution plan.
17. **Employer Normal Cost:** The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.
18. **Experience Study:** A periodic review and analysis of the actual experience of the Plan which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.
19. **Funded Ratio:** The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB No. 25 reporting requires the use of the AVA.
20. **Funding Period or Amortization Period:** The term "Funding Period" is used in two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the Funding Policy Contribution. This funding period is chosen by the Board of Trustees as part of the funding policy. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.
21. **Funding Policy Contribution:** The employer's contribution rate determined in accordance with the funding policy established by the Board of Trustees. The Funding Policy Contribution consists of the Employer Normal Cost and the Amortization Payment. This contribution amount is sometimes referred to as the Annual Required Contribution (ARC) or Actuarially Determined Employer Contribution (ADEC).
22. **GASB:** Governmental Accounting Standards Board.
23. **GASB No. 67 and GASB No. 68:** Governmental Accounting Standards Board No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 67 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while GASB No. 68 sets the rules for the systems themselves.
24. **Normal Cost:** That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method,

Definition of Actuarial Terms

the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

25. **Open Amortization Period:** An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.
26. **Unfunded Actuarial Accrued Liability:** The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.
27. **Valuation Date or Actuarial Valuation Date:** The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

A large, dark blue arrow pointing to the right, with the words "INVESTMENT SECTION" written in white, uppercase, sans-serif font across its center.

INVESTMENT SECTION



STATE OF NEW MEXICO
Educational Retirement Board

701 CAMINO DE LOS MARQUEZ
P.O. BOX 26129
SANTA FE, NEW MEXICO 87502-0129
PHONE: (505) 827-8030
FAX: (505) 827-8010

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
REPORT ON INVESTMENT ACTIVITY
June 30, 2021

Members & Retirees of New Mexico Educational Retirement Board (NMERB):

\$3.6 billion! That is the investment headline number for the fiscal year ending June 30, 2021. It represents the amount earned by the ERB investment portfolio for the year. It is the highest dollar amount of returns for any year in the history of the fund. That translates to a return of 28.8% for the year. Both numbers are net of investment manager fees. Two categories of equity investments topped 50%: Our S&P 400 mid-cap public equity portfolio returned 52.5% for the year and private equity returned 51.7%

The investment environment was defined by two major factors. The first, as we are all too aware, was a global pandemic. In reaction to the pandemic, the response was massive government stimulus, not just domestically, but also in foreign markets, designed to keep economies afloat until COVID could be controlled. The stimulus resulted in investment markets generating outstanding returns, particularly in equity markets. For instance, the S&P 500 returned 40.8% for the fiscal year. The Europe, Australasia and Far East (EAFE) index for developed foreign equity markets was up 32.4%, while the MSCI Emerging Markets Equity index posted a return of 40.9%. In the fixed income sector, Fixed Income returns were surprisingly mixed. The Bloomberg/Barclays Capital Aggregate index, representing the U.S. investment grade bond market, posted a return of -0.3%. In the high yield bond space, the Bloomberg/Barclays US High Yield index returned 15.4%. NMERB's fixed income portfolio is a combination of managers operating in markets related to those two indices, as well as a small exposure to Emerging Market debt. Our fixed income portfolio did quite well, generating a return of 16.8%.

Meeting or exceeding the 7% annual hurdle is **THE** most important measure of our investment achievement, a goal that we now meet in all time periods we measure, save for one. In the 20-year period, the fund returned an annualized 6.97%, just short of the goal.

Besides the actuarial hurdle, we also use other secondary measures to gauge our performance on a relative basis. For the year, the actual portfolio return of 28.8% exceeded the Fund's policy index return of 24.3%. On another measure, the Fund's investment performance ranked in the 27th percentile (which means we were in the top 27%) of NMERB's peer group of U.S. public pension funds with assets of \$1 billion or more, as measured by the Investor Force database. For all other periods, our actual returns also exceeded the policy return. Likewise, on the peer group measure,

Report on Investment Activities

our portfolio is above the median return (50th percentile) in all periods measured. You may find the details of performance on page 15 of the Quarterly Investment Performance Report on our website: <https://www.nmerb.org/wp-content/uploads/2021/08/Q2-NMERB-IPA-Final.pdf>

The report is the source document for the data referenced in this letter. As such, please note that the performance report was prepared in August, prior to the annual report (the Combined Annual Financial Report) and lacks certain updates to information that are included in the annual report. Most notably, much of the private alternative investment data in the performance report is as of March 31, 2021, while the annual report includes an adjustment for June 30th reporting. If the June update were to be included in a recalculation of the performance report, the amount earned by the portfolio and thus the performance numbers would be even higher.

Our portfolio also contains investments in the alternative investment category. These assets also performed well. The following table illustrates those results:

Alternative Asset Performance	
Category	Results
Real Assets	12.6%
Private Real Estate	22.1%
Diversifying Assets	14.5%
Private Equity	51.7%

Returns are not the only metric to take into consideration when evaluating investment results. Risk is the other key factor and receives as much, or more consideration in our management of these assets. Our allocation plan is designed to result in a lower volatility of returns than the historical NMERB portfolio and the average public pension fund. In short, we are seeking to mute the extreme differences in returns from one quarter or one year to the next. This philosophy has contributed positively to our longer-term comparative performance. One can see the results of this strategy on page 18 of the performance report referenced earlier. Ranked relative to other public pension funds, ERB's portfolio exhibits a very low volatility, as measured by standard deviation, consistently in the best 10%. When risk and return are combined in a measure of investment efficiency called the "Sharpe Ratio", ERB is also consistently in the top 10% in peer rankings, as seen on page 17 of the same report.

While the overall results for the year were outstanding, one should not place a great deal of significance on the results in any single year. The required return assumption is intended to be a target that is met on average over a number of years. Thus, longer term results over multiple years are of much greater significance in gauging the contribution of the NMERB investment portfolio to the Fund's long-term sustainability. For these periods, results are as follows:

Investment Returns	
Period	%
3 years	11.0
5 years	10.6
10 years	8.6
Since Inception*	9.24

*Since inception of reporting in July 1983.

Report on Investment Activities

While we can tell you about past results in great detail, we can say little with certainty about the future. To use a quote I am fond of: “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

This we can say with certainty, however: Your NMERB Board of Trustees and staff are working to attain the best results possible in an uncertain and challenging environment.

Sincerely,



Bob Jacksha
Chief Investment Officer

The investment performance reported in this letter is based on time weighted rates of return calculated using the market value of assets as of June 30, 2021 and is presented net of investment manager fees. Performance shown for periods longer than one year has been annualized.

Investment Objectives

Recognizing NMERB's fiduciary responsibilities to the pension plan and long-term nature of the pension fund, assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. NMERB's Investment Division seeks to diversify investment assets to both enhance returns and control risk. Over the long term, the fund's objective is to earn the actuarial rate of return of 7.0%.

The strategy used within the equity investment program is to build a diversified portfolio of stocks. This includes large and mid-capitalization domestic stocks, as well as international equities. Large capitalization domestic stocks are managed internally in an S&P 500 index strategy. Mid-sized capitalization domestic stocks are managed internally in an S&P 400 index strategy. These portfolios replicate all of the holdings in their respective indices. A portfolio of REIT (real estate investment trusts) provides exposure to real estate through an equity vehicle. A portion of this exposure is obtained through an index portfolio based on the Wilshire REIT index.

Domestic investment grade fixed income securities are actively managed by internal managers. The investment grade securities include U.S. Treasury and agency, corporate, and asset backed securities. Additional diversification is achieved through investments in an opportunistic credit allocation which incorporates high yield debt and other credit strategies in both domestic and foreign debt. The fund also has investments in other alternative investment sectors to further diversify risks. These include investments in private equity, private real estate, absolute return strategies, global tactical asset allocation, risk parity and real assets in the form of infrastructure, mining and mineral, agriculture, timber, water, and energy assets

Investment Process

NMERB is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act, Section 45-7-601, NMSA 1978. Key guidelines are to:

- Set a higher standard of care and prudence for investments, above and beyond the previous standard guiding principles of law;
- Apply to the trust as a whole, rather than individual investments;
- Require investment strategy to be based on suitable risk and reward strategies; and
- Require diversification unless the trustees reasonably determine it is not in the best interest of the Fund.

NMERB's investment activity is further governed by the Educational Retirement Act of New Mexico (Chapter 22, Article 11, NMSA 1978). The "prudent investor" standard, as defined by the Section 22-11-13, NMSA 1978, requires all members of the Board of Trustees and NMERB staff to discharge their duties solely in the interest of Fund participants and beneficiaries, with the care, skill, prudence and diligence they would exercise in the conduct of their own affairs.

The Board of Trustees (Trustees) relies on the Investment Committee to monitor the activities of the Investment Division. The Investment Committee is composed of three (3) Trustees appointed by the Board Chair. The Chief Investment Officer, within the parameters of state statute and investment policies established by the Trustees, uses both external and internal managers to implement NMERB's investment goals and objectives.

Asset allocation is the greatest determinant of Fund performance. The Investment Committee uses the target asset allocation plan approved by NMERB's Trustees to carry out its responsibilities in conjunction with analyses of the Fund's long-term liabilities. The latest analysis can be found at http://www.nmerb.org/asset_allocation.html. The Investment Committee and NMERB staff regularly monitor the position of the Fund relative to the target allocations, periodically rebalancing among classes to maintain prescribed relationships. The Investment Committee reviews NMERB's investment policies annually with respect to target allocation guidelines. NMERB's Investment Policy Statement is available on NMERB's website at http://www.nmerb.org/investment_policies.html.

The following schedule shows the asset allocation on June 30, 2021. NMERB's board approved the policy targets in August 2019. All asset classes were within policy range as of June 30, 2021.

Schedule of Asset Allocation Versus Policy Targets

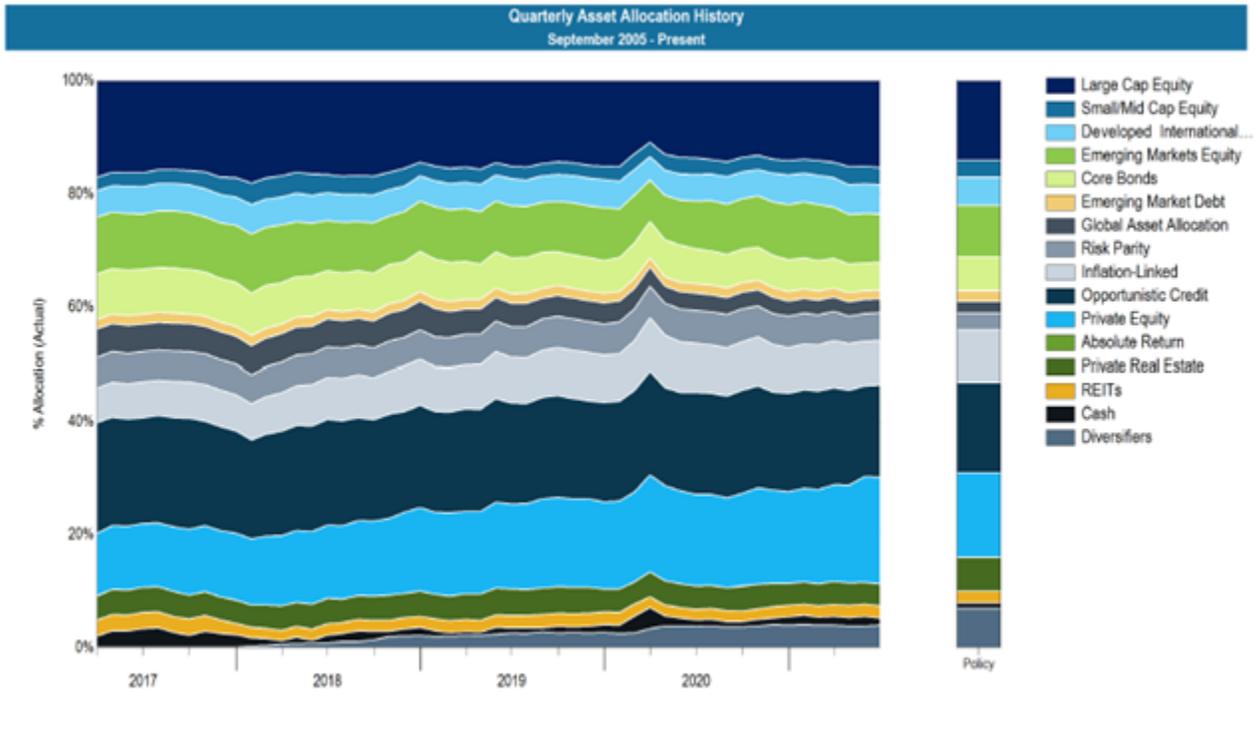
	Allocation ²	Policy Target ¹
Equities		
Domestic Equities		
Large cap equities	15.3%	14.0%
Small-mid cap equities	3.1%	3.0%
Total domestic equities	18.4%	17.0%
International Equities		
Developed markets	5.1%	5.0%
Emerging markets	8.6%	9.0%
equities	13.7%	14.0%
Fixed Income		
Core fixed income	4.9%	6.0%
Opportunistic credit	16.3%	16.0%
Emerging markets debt	1.6%	2.0%
Total fixed income	22.8%	24.0%
Alternatives		
Global asset allocation	2.4%	2.0%
Risk parity	4.9%	3.0%
Other diversifying assets	3.9%	7.0%
REITs	2.2%	2.0%
Private real estate	3.9%	6.0%
Private equity	18.8%	15.0%
Inflation-linked assets	7.7%	9.0%
Total alternatives	43.8%	44.0%
Cash	1.2%	1.0%
Total	100.0%	100.0%

¹ Long-Term Policy Target approved by the Board in August 2019.

² Allocations shown here include cash held in separately managed portfolios. Total plan includes Legacy Assets totaling \$5,705. Totals may not add to 100% due to rounding.

Asset Allocation

The Graph below is a quarterly asset allocation history from September 2005 to June 30, 2021.



Source: NEPC Investment Performance Analysis for the Period Ending June 30, 2021.

Investment Results

The investment performance shown in the schedules and chart below is based on time weighted rates of return calculated using the market value of assets as of June 30, 2021. Performance shown for periods longer than one year has been annualized.

Over the past five years, the Fund returned 10.6 % per annum, underperforming the policy index by 6 basis points and ranking in the top 45th percentile of the Investment Metrics Funds > \$1 Billion universe and outperforming the actuarial assumed rate of 7.0%. The Fund's volatility was 6.0%, which ranks in the top 3rd percentile of its peers over this period. The Fund's risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the top 3rd percentile of its peers.

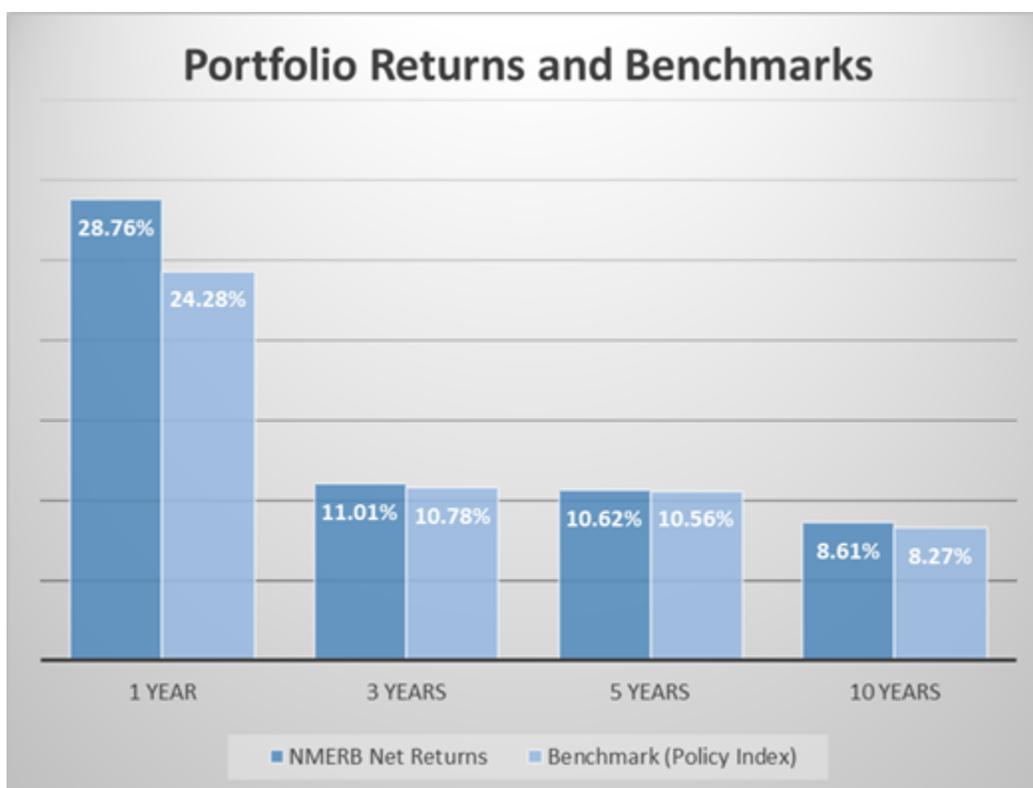
Over the past three years, the Fund returned 11.0% per annum, outperforming the policy index by 23 basis points and ranking in the 37th percentile of its peer group. Over the same period, the Fund's volatility ranks in the top 3rd percentile of its peers, resulting in a three-year Sharpe Ratio of 1.3, which ranks in the top 4th percentile.

Fund Performance Summary (Net of Fees) at June 30, 2021

1 Year	3 Year	5 Year	10 Year	15 Year	20 year	30 Year
28.76%	11.01%	10.62%	8.61%	7.35%	6.97%	8.67%

Portfolio Returns and Benchmarks

The following two charts show the investment return of NMERB versus benchmarks as of June 30, 2021.



Investment Results

One-Year Returns Net of Fees

The chart below compares benchmarks to actual returns by asset type. Detailed performance figures can be found on the NMERB website at <https://www.nmerb.org/investments/investment-performance/>.



Investment Results

Total Fund Performance Detail

A schedule of investment results is presented below. The investment results basis for calculations is a time-weighted rate of return based on the market rate of return. Performance information was obtained from the Investment Performance Analysis prepared by NEPC for the period ending June 30, 2021. The complete analysis can be found at [Q2-NMERB-IPA-Final.pdf](#).

Schedule of Investment Results (Net of Fees) For the Year Ending June 30, 2021

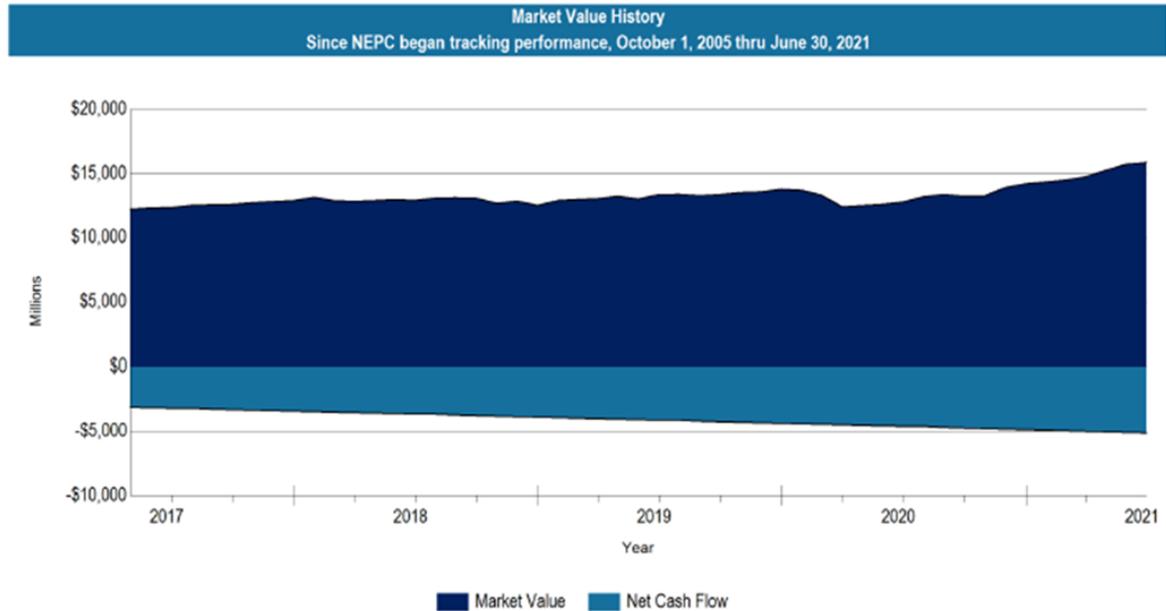
	Market Value	Percentage of Portfolio	Investment Results (%)					
			1 Year	3 Years	5 Years	10 Years	Return	Since
U. S. Equity	2,916,946,804	18.4	45.5	18.1	17.3	14.5	11.9	Jan-85
U.S. Large Cap Equity	2,430,460,887	15.3	40.9	19.2	17.8	14.9	8.1	Aug-99
U.S. Small/Mid Cap Equity	486,485,917	3.1	52.5	12.2	14.8	11.6	8.3	Aug-99
Non-U.S. Equity	2,166,832,473	13.7	35.2	9.8	10.6	3.8	6.8	Jul-95
Non-U.S. Developed Mkts Equity	810,930,486	5.1	35.1	9.0	10.3	5.7	6.5	Sep-95
Non-U.S. Emerging Mkts Equity	1,355,901,987	8.6	35.1	10.2	10.8	2.8	7.2	Sep-00
Fixed Income	3,610,966,986	22.8	16.8	5.8	5.9	6.1	3.3	Jan-85
Core Fixed Income	780,764,802	4.9	1.2	5.4	3.2	3.8	5.1	Dec-99
Non-U.S. Emerging Mkt Debt	250,120,203	1.6	10.2	5.2	4.6	–	2.4	Sep-11
Opportunistic Credit	2,580,081,981	16.3	22.9	5.9	7.1	7.4	8.1	May-08
Absolute Return	319,188	–						
Diversifying Assets	1,775,449,328	11.2	14.5	6.2	6.4	5.4	7.1	Oct-09
Global Asset Allocation	383,165,239	2.4	14.0	1.7	3.8	–	2.1	Nov-12
Risk Parity	774,249,949	4.9	20.0	9.6	8.0	–	6.1	Nov-12
Other Diversifying Assets	618,034,140	3.9	8.0	8.5	–	–	8.7	Feb-18
Real Estate Composite	968,302,900	6.1	28.7	10.7	9.9	11.2	10.2	Dec-03
Public Real Estate	353,888,153	2.2	42.8	10.4	6.5	9.1	9.2	Dec-03
Private Real Estate	614,414,747	3.9	22.1	10.9	12.2	12.8	9.0	Jan-08
Private Equity	2,985,820,898	18.8	51.7	20.2	17.7	15.5	9.4	Jun-06
Real Assets	1,217,763,833	7.7	12.6	6.4	7.6	5.2	3.4	Jul-08
Infrastructure	495,696,294	3.1	14.6	9.0	8.3	5.8	4.3	Jul-08
Natural Resources	722,067,539	4.6	11.2	4.7	7.2	5.5	4.2	Mar-09
Cash	197,758,194	1.1						
Legacy Assets	5,705		(1.0)	4.7	5.7	7.8	8.8	Jul-83

Source: NEPC Investment Performance Analysis for the Period Ending June 30, 2021.

Market Value History

Market Value History

The following chart shows total fund asset growth since NMERB's investment consultant, NEPC, began tracking investment performance in 2005. The chart and table were extracted from the Investment Performance Analysis prepared by NEPC for the period ending June 30, 2021.



	Last Three Months	Year-To-Date	One Year	Three Years	Five Years	Since 10/1/05
Beginning Market Value	\$14,732,541,618	\$14,185,864,078	\$12,752,951,878	\$12,886,225,133	\$11,366,601,630	\$7,694,652,364
Net Cash Flow	-\$122,604,129	-\$248,212,972	-\$519,570,391	-\$1,469,612,617	-\$2,313,761,678	-\$5,100,986,251
Net Investment Change	\$1,230,228,820	\$1,902,515,203	\$3,606,784,823	\$4,423,553,793	\$6,787,326,358	\$13,246,500,197
Ending Market Value	\$15,840,166,309	\$15,840,166,309	\$15,840,166,309	\$15,840,166,309	\$15,840,166,309	\$15,840,166,309

Schedule of Fund's Ten Largest Stock Holdings

Company Name	CUSIP No.	Number of Shares	Fair Value
APPLE INC	037833100	1,052,164	\$144,104,381
MICROSOFT CORP	594918104	502,847	136,221,252
AMAZON.COM INC	023135106	28,565	98,268,170
FACEBOOK INC CLASS A	30303M102	160,350	55,755,299
ALPHABET INC CL A	02079K305	20,081	49,033,585
ALPHABET INC CL C	02079K107	19,214	48,156,432
BERKSHIRE HATHAWAY INC CL B	084670702	127,157	35,339,473
PROLOGIS INC	74340W103	293,826	35,121,022
TESLA INC	88160R101	51,200	34,800,640
NVIDIA CORP	67066G104	41,332	33,069,733
Total			<u>\$ 669,869,987</u>

Schedule of Ten Largest Fixed Income Holdings

Security Name	CUSIP No.	Par	Fair Value
STATE STREET BANK + TRUST CO	8611249M9	33,581,696.950	\$ 33,581,697
US TREASURY N/B	9128284Z0	15,000,000.000	16,247,400
US TREASURY N/B	91282CAM3	15,000,000.000	14,684,100
STRIPS	912834UY2	25,000,000.000	13,467,500
US TREASURY N/B	912828ZB9	10,000,000.000	10,071,500
US TREASURY N/B	912810SU3	10,000,000.000	9,543,800
US TREASURY N/B	9128285D8	9,000,000.000	9,519,930
US TREASURY N/B	912810SK5	8,000,000.000	8,518,720
US TREASURY N/B	912810RV2	7,000,000.000	8,315,790
FED HM LN PC POOL SF7018	3133SUYP8	7,718,704.810	8,051,149
Total			<u>\$ 132,001,586</u>

NMERB holds on custody two fixed income portfolios: its internal domestic fixed income portfolio and its emerging market portfolio, which is separately managed. A complete list of holdings is available upon request.

Asset Management Fees and Carried Interest

Fees, commissions, and carried interest for the year ended June 30, 2021 are listed below.

Schedule of Asset Management Costs-Unaudited

All Asset Classes Except Private Asset Classes and Alternative Investment Classes:

Consultant	Location	Description of Investments Subject to the Agreement	Fees	
NEPC	Out of state	Total fund	\$ 434,515	
Third-party marketers	Location	Description of Investments Subject to the Agreement	Fees, Commissions, or Retainers	
Not Applicable				
Name of Investment	Asset Class	Value of the Investment at 06/30/21	Management Fees	Performance Fees
Equities-Internal	Domestic Equity	\$ 2,916,946,804	\$ -	\$ -
Equities-External	Domestic Equity	51,839,087	295,301	
Equities-External	Real Estate Investment Trusts (REITs)	353,888,153	1,412,449	
Equities-External	International Equity	2,166,838,179	9,661,113	
Fixed Income-Internal	Domestic Fixed Income	\$ 780,764,802	\$ -	\$ -
Fixed Income-External	Domestic Fixed Income	28,081,219	-	-
Fixed Income-External	International Fixed Income	250,120,202	1,966,935	1,972,620
	Listed Infrastructure		-	-
	Commodities		\$ -	\$ -
	TIPS		-	-
	Other		-	-
		<u>\$ 6,548,478,446</u>	<u>\$ 13,335,798</u>	<u>\$ 1,972,620</u>

For private asset classes and alternative investment classes:

Consultant	Location	Description of Investments Subject to the Agreement by Asset Class	Fees
Caledon Capital Management	Out of State	Real Estate	\$ 393,416
Hamilton Lane	Out of State	Infrastructure	475,000
Banner Ridge	Out of State	Private Equity	100,000
NEPC	Out of State	Private Equity	100,500
Top Tier	Out of State	Private Equity	79,110
			<u>\$ 1,148,026</u>
Third-party marketers	Location	Description of Investments Subject to the Agreement	Fees, Commissions, or Retainers
N/A			
Asset Class*	Brief Description of Investments	Management Fees	Carried Interest
Global Asset Allocation	Investment Mix Targeting Diversity	\$ 5,096,250	\$ -
Diversifying Assets	Investment Mix Targeting Diversity	9,295,453	-
Private Equity	Investment Mix Targeting Investments Not Listed on a Public Exchange	33,251,553	25,526,786
Real Return/Real Assets	Investment Mix Targeting Real Assets	17,104,184	718,011
Real Estate	Investment Mix Targeting Real Estate	12,117,375	9,239,691
Risk Parity	Investment Mix Targeting Balanced Risk	2,549,811	
Opportunistic Credit	Investments Providing Capital to Borrowers	31,377,824	20,257,346
		<u>\$ 110,792,450</u>	<u>\$ 55,741,834</u>

Profit Share

The next schedule provides information on profit sharing. Certain investment manager contracts, primarily in the alternative assets category, provide for the manager to earn a share of the profits from NMERB investments once certain rate of return hurdles are met. Typically, the manager's profits share is 10-20% of profits above the specified hurdle rate.

The amounts shown in the schedule below are based on profits at June 30, 2021. The profits shown are subject to change as they increase and decrease through time. Whether or not any profit share will ultimately be distributed to investment partners depends on the distribution terms of the underlying profit-sharing agreement and on profits at the time of distribution. Given this, profit share not paid cannot be estimated and accrued. NMERB does not accrue carried interest; it only reports amounts that have been paid and even those amounts can be adjusted over time. Carried interest provisions in NMERB's limited liability partnership agreements vary by manager and investment. Only reporting the amounts paid reduces the variability/volatility on a year over year basis. NMERB records profit share paid as a reduction of profits; however, the amount paid may be adjusted in subsequent years to reflect the actual profit share when profit share becomes payable to the general partners under the applicable profit-sharing agreement.

Schedule of Estimated Investment Profit Share (Expense) by Category of Investment for the Fiscal Year Ended June 30, 2021

Category	Profit Share*
Non-US Fixed Income	\$ 1,972,620
Opportunistic Credit	20,257,346
Private Equity	25,526,786
Private Real Estate	9,239,691
Infrastructure	718,011
Total	<u>\$ 57,714,454</u>

*Negative performance fees can result from adjustments caused by fluctuations in fair value.



STATISTICAL SECTION

Summary

The Statistical Section provides additional historical perspective, context, and relevant details to assist readers in using information found within the fiscal year 2021 financial statements, note disclosures, and supplementary information to assess the economic condition of NMERB. This information has not been audited by NMERB's independent auditor. All non-accounting data is taken from internal NMERB sources except for information derived from the actuarial valuations and investment performance analysis, both prepared by external consultants for NMERB.

The charts and schedules in the Statistical Section are organized into two categories: Financial Trends and Demographic and Economic Information.

Financial Trends

Summary of Changes in Fiduciary Net Position

The following tables contain trend information. Unless otherwise noted, the information included in the Financial Trends tables is derived from the annual financial reports for the relevant year.

Summary of Changes in Fiduciary Net Position - Last Ten Years (Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Additions										
Contributions:										
Employer	\$445,655	444,606	400,577	382,862	390,010	391,508	389,767	357,430	294,973	248,894
Member	330,067	329,725	303,442	287,324	292,809	293,848	292,822	271,514	248,785	289,852
Employer ARP	7,217	6,950	5,972	5,862	5,834	5,480	5,362	5,032	4,685	4,952
Total Contributions	<u>782,939</u>	<u>781,281</u>	<u>709,991</u>	<u>676,048</u>	<u>688,653</u>	<u>690,836</u>	<u>687,951</u>	<u>633,976</u>	<u>548,443</u>	<u>543,698</u>
Investment Income:										
Interest, dividends, other	283,257	209,093	142,276	138,513	125,198	126,427	133,004	180,493	196,838	175,422
Investment expenses	(185,999)	(143,400)	(114,060)	(84,214)	(103,106)	(87,883)	(76,436)	(13,720)	(15,421)	(11,035)
Net change asset value	<u>3,736,190</u>	<u>(141,571)</u>	<u>1,009,667</u>	<u>845,832</u>	<u>1,324,655</u>	<u>326,027</u>	<u>366,761</u>	<u>1,277,460</u>	<u>837,193</u>	<u>(565)</u>
Net investment income	<u>3,833,448</u>	<u>(75,878)</u>	<u>1,037,883</u>	<u>900,131</u>	<u>1,346,747</u>	<u>364,571</u>	<u>423,329</u>	<u>1,444,233</u>	<u>1,018,610</u>	<u>163,822</u>
Other income	1,092	241	487	2,116	3,642	2,098	8,147	–	–	–
Total additions	<u>4,617,479</u>	<u>705,644</u>	<u>1,748,361</u>	<u>1,578,295</u>	<u>2,039,042</u>	<u>1,057,505</u>	<u>1,119,427</u>	<u>2,078,209</u>	<u>1,567,053</u>	<u>707,520</u>
Deductions										
Benefit payments, refunds	1,263,064	1,220,261	1,164,645	1,107,441	1,052,675	1,012,731	957,183	907,214	853,329	795,136
Administrative expense	12,088	10,877	9,326	9,907	9,848	9,661	10,598	16,618	10,986	11,986
Total deductions	<u>1,275,152</u>	<u>1,231,138</u>	<u>1,173,971</u>	<u>1,117,348</u>	<u>1,062,523</u>	<u>1,022,392</u>	<u>967,781</u>	<u>923,832</u>	<u>864,315</u>	<u>807,122</u>
Net increase in net position	<u>3,342,327</u>	<u>(525,494)</u>	<u>574,390</u>	<u>460,947</u>	<u>976,519</u>	<u>35,113</u>	<u>151,646</u>	<u>1,154,377</u>	<u>702,738</u>	<u>(99,602)</u>
Net position restricted for pensions										
Beginning of the year	<u>13,019,197</u>	<u>13,544,691</u>	<u>12,970,301</u>	<u>12,509,354</u>	<u>11,532,835</u>	<u>11,497,722</u>	<u>11,346,076</u>	<u>10,191,699</u>	<u>9,488,961</u>	<u>9,588,563</u>
End of the year	<u>\$16,361,524</u>	<u>13,019,197</u>	<u>13,544,691</u>	<u>12,970,301</u>	<u>12,509,354</u>	<u>11,532,835</u>	<u>11,497,722</u>	<u>11,346,076</u>	<u>10,191,699</u>	<u>9,488,961</u>

Schedule of Revenue and Expenses – Budget and Actual

Schedule of Revenues and Expenses - Budget and Actual - Last Ten Years

Year	Revenues				Actual Expenses				Variance - Final Budget vs Actual Favorable (Unfavorable)
	Original Budget	Final Budget	Actual Budgetary Basis	Variance - Final Budget vs Actual Favorable (Unfavorable)	Personal Services & Employee Benefits	Contractual Services	Other Costs	Total Expenses	
2021	\$32,037,100	\$32,037,100	\$32,037,100	–	\$ 7,060,884	\$ 15,833,425	\$ 1,416,021	\$ 24,310,330	\$ 7,726,770
2020	31,932,400	31,932,400	\$32,103,047	–	6,986,842	18,414,936	1,496,488	26,898,266	5,204,781
2019	31,569,300	32,279,300	32,279,300	–	5,849,100	18,233,742	1,248,291	25,331,133	6,948,167
2018	29,152,400	29,152,400	29,152,400	–	5,802,963	19,239,160	1,043,252	26,085,375	3,067,025
2017	30,551,900	30,551,900	30,551,900	–	5,199,119	23,066,986	1,021,765	29,287,870	1,264,030
2016	30,452,800	30,452,800	30,452,800	–	5,914,755	20,041,708	1,340,164	27,296,627	3,156,173
2015	30,055,300	30,465,300	30,465,300	–	5,594,200	20,928,600	1,101,800	27,624,600	2,840,700
2014	31,971,300	31,971,300	31,970,300	–	5,104,000	24,221,400	742,600	30,068,000	1,902,300
2013	37,823,300	37,823,300	37,823,300	–	4,366,501	20,622,004	723,216	25,711,721	12,111,579
2012	40,233,900	40,560,900	40,560,900	–	4,203,662	16,638,703	700,121	21,542,486	19,018,414

Note to Schedule:

The original and final budget amounts shown for 2019 through 2021 do not include a special, multiyear appropriation of \$1,545,900. For fiscal years 2019 through 2021, expenditures funded by the appropriation were \$18,577, \$170,647, and \$69,605, respectively, and are included in the total expenses shown for the three fiscal years.

Schedule of Key Consultants and Service Providers Including Fees

Schedule of Key Consultants and Service Providers Including Fees for the Fiscal Year Ending June 30, 2021

Vendor Name	Type of Service	Amount
Caledon Capital Management, Inc.	Investment Consultants	\$ 393,416
CAPTRUST (formerly Cammack Retirement)	Alternative Retirement Plan Consultant	58,000
Moss Adams LLP	Audit Services	121,990
Foster Garvey, PLCC	Legal Services	495,679
Gabriel Roeder Smith & Company	Actuary	104,108
Groom Law Group, Chartered	Legal Services	27,403
Hamilton Lane	Investment Consultants	475,000
K & L Gates, LLP	Legal Services	87,828
Banner Ridge Advisory	Investment Consultants	100,000
NEPC, LLC	Investment Consultants	535,015
REDW, LLC	Internal Audit Services	156,087
State Street Bank & Trust Company	Custody Bank	1,003,758
Top Tier Capital Partners, LLC	Investment Consultants	79,110
ViTech Systems Group, LLC	Software Maintenance	1,326,551

Financial Trends

Schedule of Employer Contributions and Covered Payroll

Schedule of Employer Contributions and Covered Payroll by Year - Last Ten Years

Fiscal Year Ending	Actuarially Determined Contribution	Annual Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Imputed Covered Payroll	Actual Contribution % of Covered
2021	\$ 656,732,175		\$452,872,287	\$203,859,888	\$ 3,057,978,722	14.81%
2020	586,451,550		451,556,144	134,895,406	3,048,404,048	14.81%
2019	587,331,406		406,549,056	180,782,250	2,797,685,921	14.53%
2018	546,593,275		388,723,983	157,869,292	2,678,214,885	14.51%
2017	477,840,156		395,843,795	81,996,361	2,728,361,993	14.51%
2016	465,340,519		396,988,557	68,351,962	2,740,526,669	14.49%
2015	450,950,584		395,129,621	55,820,963	2,730,320,345	14.47%
2014	479,884,486		362,462,537	117,421,949	2,718,100,677	13.34%
2013	480,700,326		299,657,530	181,042,796	2,706,170,349	11.07%
2012		400,461,343	253,845,277	146,616,066	2,495,300,000	10.17%

Note: These figures have been compiled on an accrual basis from financial statement data.

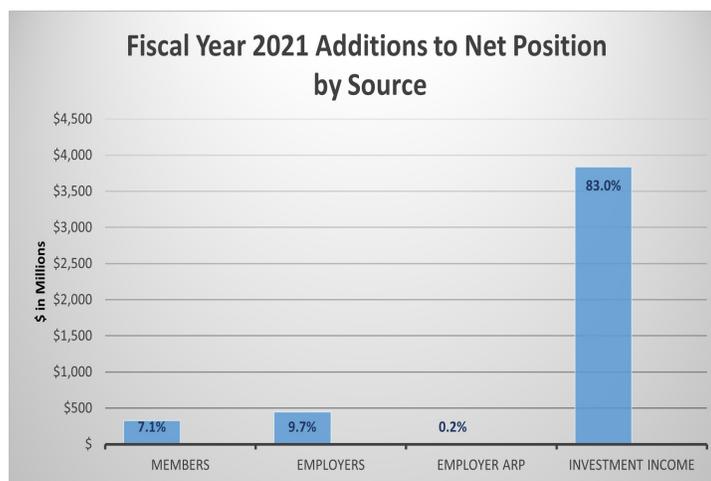
Schedule of Benefit and Refund Deduction from Net Position

Schedule of Benefit and Refund Deductions from Net Position - Last Ten Years (Dollars in Thousands)

Deduction Type	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Retirement Benefits	\$1,208,070	1,159,757	1,112,577	1,059,411	1,009,869	964,443	911,833	859,575	803,253	746,494
Separation Refunds	36,975	39,428	37,923	34,077	30,456	34,988	32,313	34,562	35,883	34,520
Interest on Refunds	8,444	11,528	4,448	3,767	2,888	4,039	4,115	4,361	5,781	6,061
Disability Benefits	9,576	9,547	9,697	10,187	9,461	9,260	8,923	8,716	8,412	8,061
Total	\$1,263,065	1,220,260	1,164,645	1,107,442	1,052,674	1,012,730	957,184	907,214	853,329	795,136

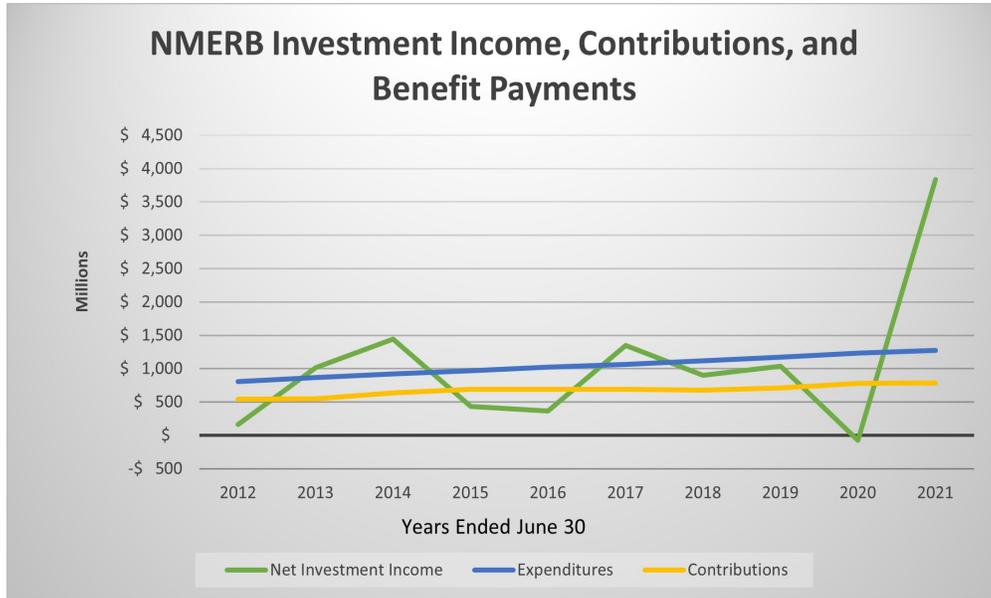
Additions to Net Position by Source

Retirement benefits are funded by member and employer contributions and by investment income. In fiscal year 2021, contributions and net investment income funded 149% of retirement benefits.



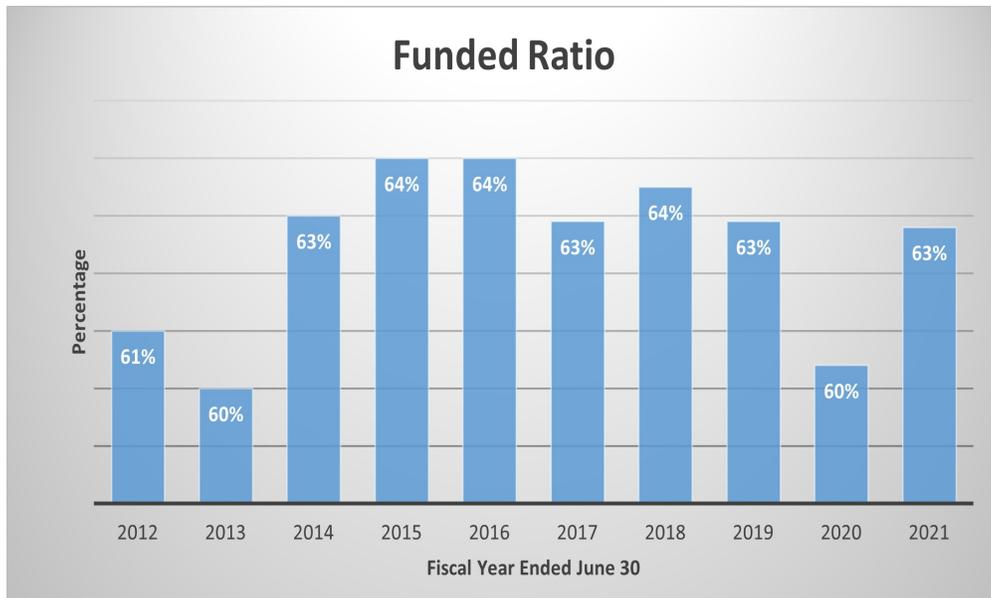
NMERB Investment Income, Contributions, and Benefit Payments

This chart shows the relationship between investment income, contributions, and benefit payments (expenditures) over the past ten years.



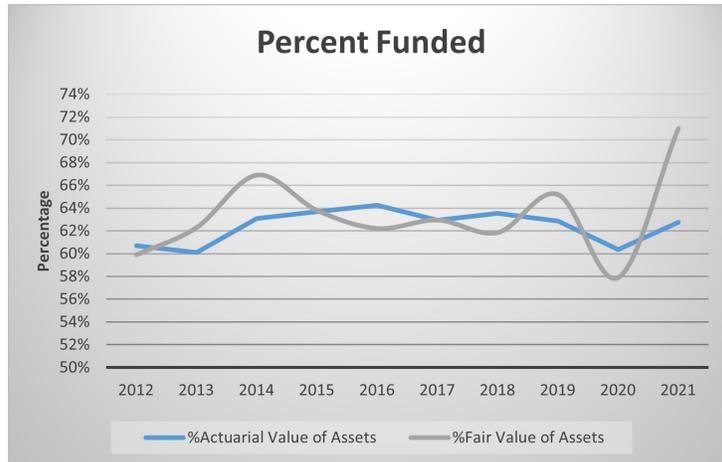
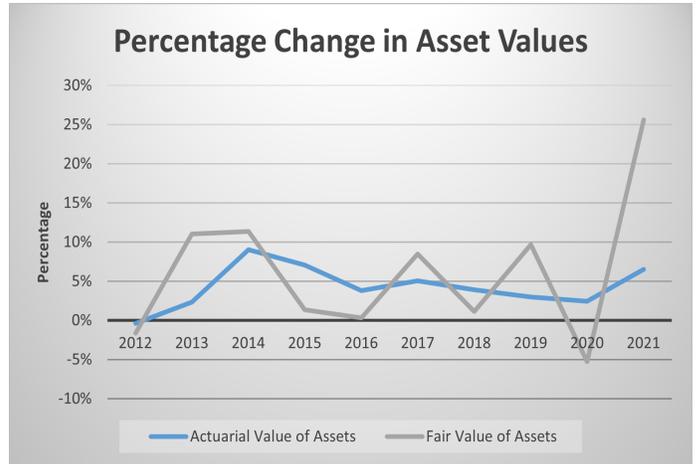
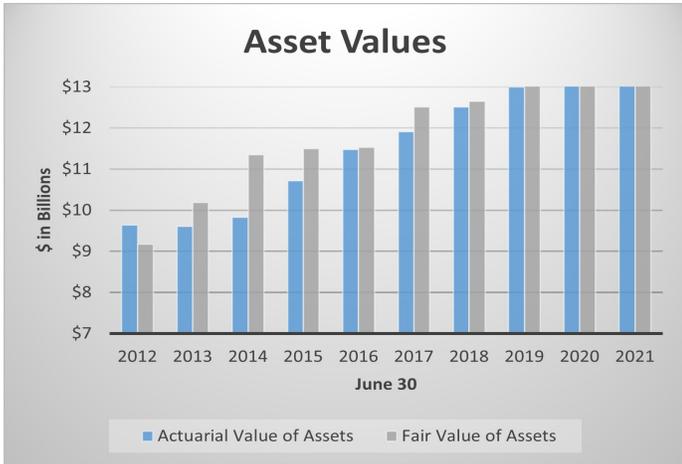
Funded Ratio

This chart illustrates the difference between the actuarial value of assets and the amount needed to pay benefits to current NMERB members. The ratio is determined using asset-smoothing methods that consider short-term fluctuations in asset values. Accordingly, the total actuarial value of assets will differ from the market value of investment for any given year (see “Asset Smoothing” below).



Asset Smoothing

The following three charts illustrate the impact of smoothing volatility in actuarial computations. Smoothing asset values reduces the year-to-year volatility of calculated results, such as the funded ratio. Accordingly, the use of smoothed asset values to determine contribution rates makes more sense than using fair market value. It also makes more sense when the objective is long-term investment returns, which require investing in classes of assets that, by their nature, tend to be somewhat volatile in fair market value.



Employer Schedule of Funding Progress

Employer Schedule of Funding Progress - Last Ten Years (in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL % of Covered Payroll [(b-a)/c]	Funding Period (Open Group Projection)
June 30, 2021	14,599	23,265	8,666	62.8%	2,924	296.3%	42 years
June 30, 2020	13,707	22,712	9,004	60.4%	2,952	305.0%	Infinite
June 30, 2019	13,383	21,288	7,904	62.9%	2,708	291.9%	47
June 30, 2018	12,997	20,458	7,461	63.5%	2,609	286.0%	70
June 30, 2017	12,508	19,871	7,363	62.9%	2,591	284.2%	61
June 30, 2016	11,906	18,536	6,630	64.2%	2,612	253.8%	46
June 30, 2015	11,472	18,014	6,542	63.7%	2,610	250.6%	37
June 30, 2014	10,715	16,971	6,256	63.1%	2,539	246.4%	36
June 30, 2013	9,829	16,362	6,534	60.1%	2,517	259.6%	32
June 30, 2012	9,606	15,837	6,231	60.7%	2,495	249.7%	56

Retirees and Beneficiaries Data

NMERB administers the Educational Employees' Retirement Plan, which was established by the New Mexico Educational Retirement Act to provide retirement, disability, and survivor benefits for educational employees (certified teachers and other employees of the State of New Mexico's public schools, institutions of higher learning, and state agencies providing educational programs). The schedule below shows the number of retirees, total annual benefits paid to retirees, and the average monthly individual benefit paid.

Retirees and Beneficiaries Data

Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
2021	52,790	\$ 1,217,645,352	\$ 1,981
2020	51,397	1,169,304,517	1,949
2019	50,197	1,122,274,311	1,921
2018	48,919	1,069,597,322	1,889
2017	47,340	1,019,330,496	1,857
2016	45,797	973,703,652	1,831
2015	44,043	920,755,421	1,819
2014	42,246	859,575,335	1,790
2013	40,310	811,665,051	1,767
2012	37,336	754,554,951	1,714
2011	35,457	701,771,592	1,669
2010	33,747	656,232,670	1,628
2009	32,496	617,705,038	1,607
2008	31,192	578,775,611	1,566
2007	29,969	650,143,723	1,523
2006	28,539	494,096,614	1,472
2005	26,100	454,983,452	1,466
2004	24,947	422,418,366	1,420
2003	24,085	396,081,755	1,376
2002	23,052	367,494,870	1,315
2001	22,191	340,595,679	1,274
2000	21,186	311,813,766	1,228

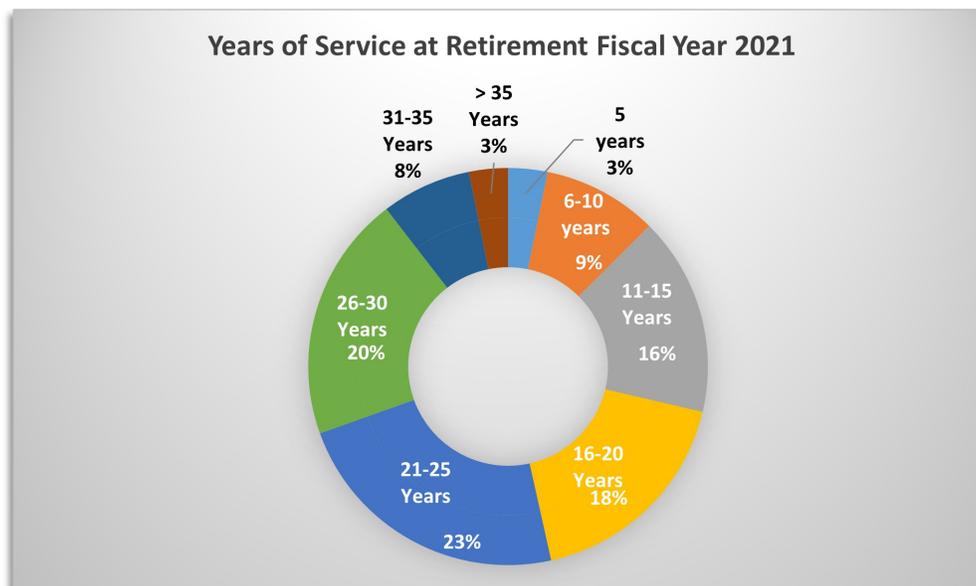
Number of Members Retiring

Members Retiring Last Five Fiscal Years*

	2021	2020	2019	2018	2017
Number Retiring	2,556	2,159	2,102	2,315	2,318
Average Age at	62.2	62.5	62.0	62.2	62.1
Median Age at	62.0	63.0	62.5	62.6	62.5
Average Service Credit	20.7	19.8	20.0	20.0	20.1
Median Service Credit	21.0	20.0	20.0	20.0	20.3
Average Monthly Benefit	\$ 2,187	\$ 2,032	\$ 2,043	\$ 1,960	\$ 1,956
Median Monthly Benefit	\$ 1,825	\$ 1,612	\$ 1,695	\$ 1,617	\$ 1,640

*Does not include reciprocities, disabilities, and QDROs.

Years of Service at Retirement



Average Benefit Payment New Retirees

Schedule of Average Benefit Payments New Retirees Last Three Fiscal Years

	Average Benefit Payment New Retirees							
	1-5	6-10	11-15	16-20	21-25	26-30	31-35	>35
Period 7/1/2018 to 6/30/2019								
Average monthly benefit	\$ 385	\$ 724	\$ 1,040	\$ 1,619	\$ 2,387	\$ 3,048	\$ 4,434	\$ 5,022
Average highest average salary	\$33,857	\$47,772	\$ 41,453	\$47,462	\$ 53,916	\$ 58,417	\$70,536	\$70,182
Number of retirees	32	221	338	435	458	340	119	43
Period 7/1/2019 to 6/30/2020								
Average monthly benefit	\$ 396	\$ 682	\$ 1,131	\$ 1,630	\$ 2,364	\$ 3,381	\$ 4,177	\$ 4,865
Average highest average salary	\$37,864	\$42,547	\$43,757	\$47,758	\$52,320	\$ 63,143	\$ 67,512	\$66,550
Number of retirees	53	248	380	373	473	275	94	30
Period 7/1/2020 to 6/30/2021								
Average monthly benefit	\$ 391	\$ 790	\$ 1,136	\$ 1,761	\$ 2,571	\$ 3,202	\$ 4,216	\$ 5,042
Average highest average salary	\$28,098	\$46,187	\$ 42,110	\$48,919	\$54,919	\$59,379	\$65,861	\$68,945
Number of retirees	133	277	494	486	669	338	110	49

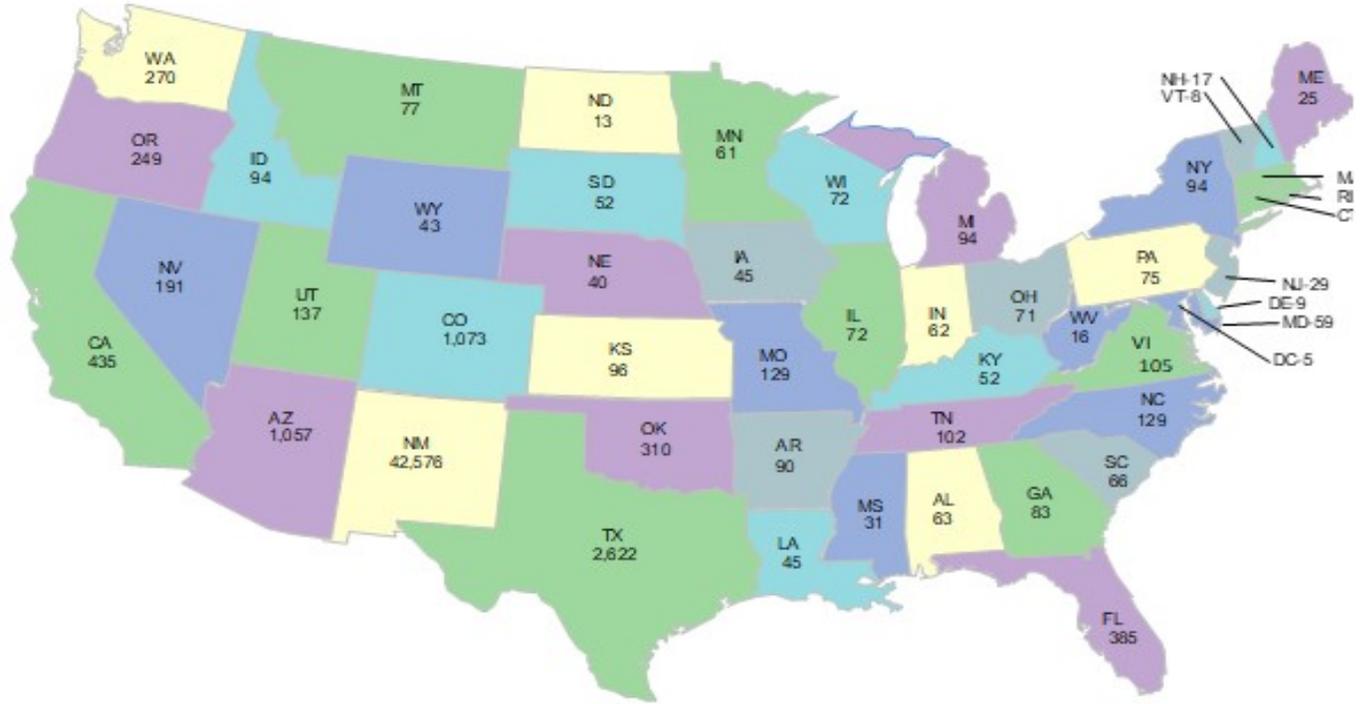
Benefit Recipients by Type of Retirement and Option Selected

Benefit Recipients by Type of Retirement and Option Selected June 30, 2021

Amount of Monthly Benefit (\$)	Number of Benefit Recipients	Type of Retirement*		
		Straight Life Benefit (Option A)	Joint 100% Survivor Benefit (Option B)	Joint 50% Survivor Benefit (Option C)
1-250	2,216	1,308	641	267
251-500	3,966	2,535	1,027	404
501-750	4,706	3,094	1,143	469
751-1,000	4,339	2,783	1,072	484
1,001-1,250	4,226	2,574	1,165	487
1,251-1,500	3,894	2,407	1,087	400
1,501-1,750	3,942	2,466	1,073	403
1,751-2,000	3,712	2,254	1,056	402
Over 2,000	<u>21,789</u>	<u>13,238</u>	<u>5,922</u>	<u>2,629</u>
Total	<u><u>52,790</u></u>	<u><u>32,659</u></u>	<u><u>14,186</u></u>	<u><u>5,945</u></u>

*See the Financial Section of this report for an explanation of each option.

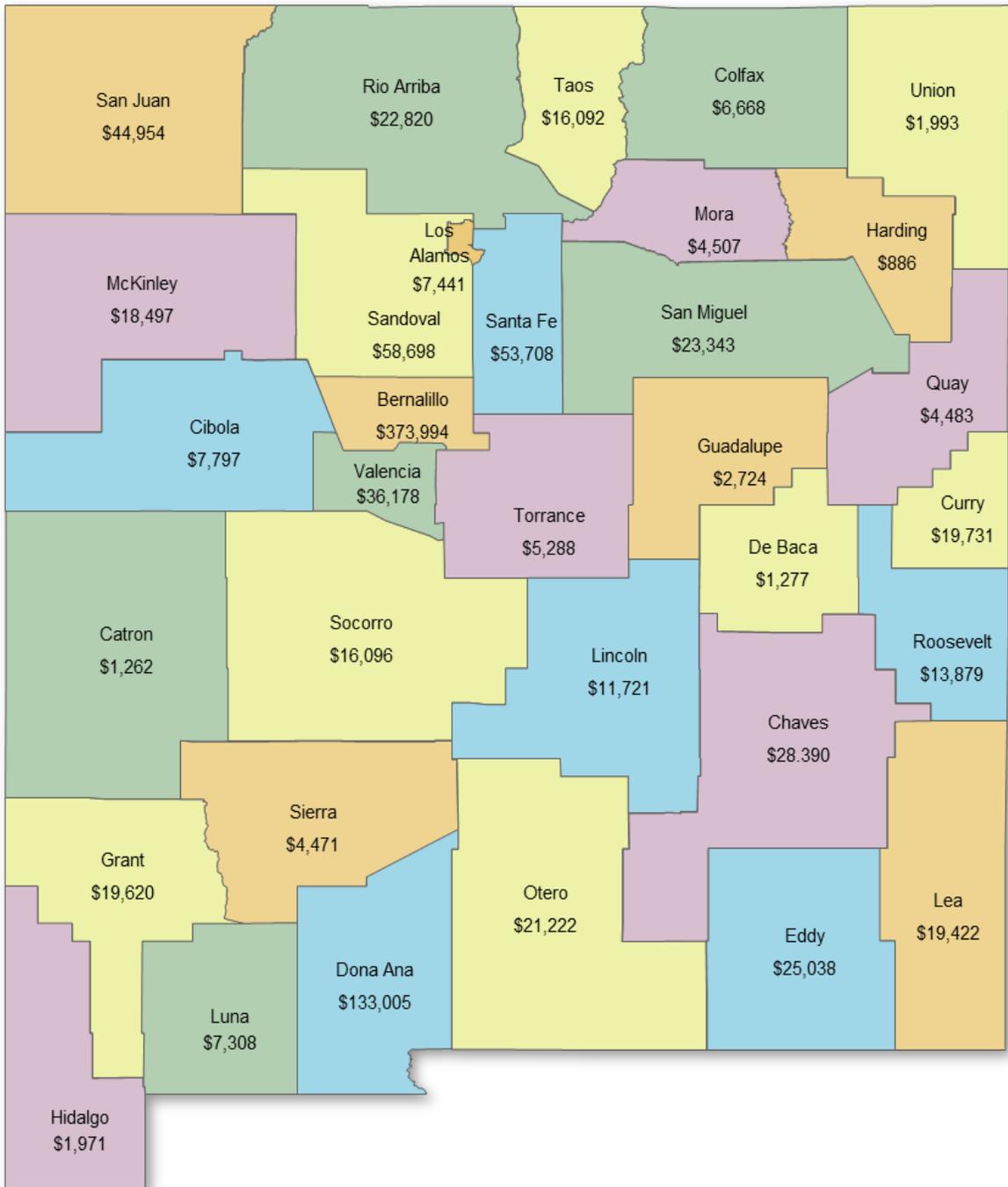
Distribution of Benefits Recipients by Location



Benefit Recipients outside the Continental United States

26 Alaska	3 Germany	2 Portugal
38 Hawaii	2 Greece	1 Puerto Rico
1 Argentina	1 Guam	2 Spain
5 Armed Forces Europe	2 Hungry	1 Sri Lanka
9 Australia	2 Israel	1 Sweden
9 Canada	2 Italy	1 Turkey
1 China	1 Mexico	10 United Kingdom
1 Czechoslovakia	1 Netherlands	1 Uruguay
1 Denmark	4 New Zealand	3 Virgin Islands
0 Finland	3 Philippines	1 Yugoslavia
1 France	2 Poland	

2021 Retiree Gross Benefits by New Mexico County



The Direct Impact of NMERB's Pension Benefits Ripples through New Mexico's Economy

New Mexico Benefit	\$ 1,014,933,931
Outside New Mexico	202,711,421
Total Gross Benefit	<u>\$ 1,217,645,352</u>

Schedule of Pension Plan Contribution Rates

Schedule of Pension Plan Contribution Rates by Fiscal Year - Last Ten Years

Contribution Rates by Wage Category

Year	\$24,000 or Less			Over \$24,000		
	Employee	Employer	Combined	Employee	Employer	Combined
2021	7.90%	14.15%	22.05%	10.70%	14.15%	24.85%
2020	7.90%	14.15%	22.05%	10.70%	14.15%	24.85%

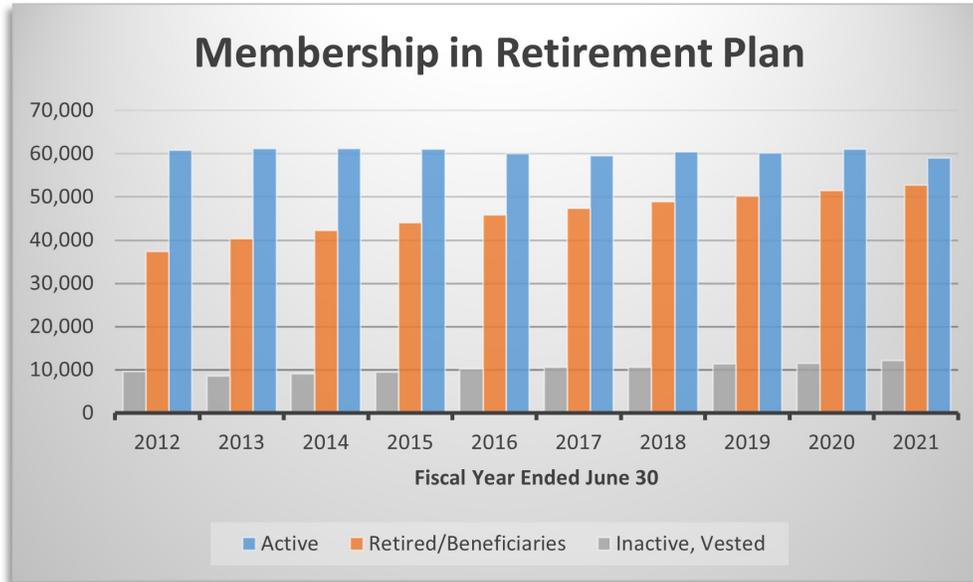
Year	\$20,000 or Less			Over \$20,000		
	Employee	Employer	Combined	Employee	Employer	Combined
2019	7.90%	13.90%	21.80%	10.70%	13.90%	24.60%
2018	7.90%	13.90%	21.80%	10.70%	13.90%	24.60%
2017	7.90%	13.90%	21.80%	10.70%	13.90%	24.60%
2016	7.90%	13.90%	21.80%	10.70%	13.90%	24.60%
2015	7.90%	13.90%	21.80%	10.70%	13.90%	24.60%
2014	7.90%	13.15%	21.05%	10.10%	13.15%	23.25%
2013	7.90%	12.40%	20.30%	9.40%	10.90%	20.30%
2012	7.90%	12.40%	20.30%	11.15%	9.15%	20.30%

Demographic and Economic Information

The following tables help the reader understand the environment within which NMERB's financial activities take place. NMERB is charged with providing secure retirement benefits for New Mexico's educational employees. This includes employees at schools providing kindergarten through twelfth grade instruction, colleges and universities, special state schools, and educational programs at state agencies.

Membership and Participating Employers

Total membership in the pension trust retirement system administered by NMERB decreased in fiscal year 2021 over the prior year by 88 members (0.05%).



The table below shows the change in membership by category. The largest membership increase was in the Service Retirees category and the largest Decrease was in the Active-working category.

Fiscal Year 2021 Change in Plan Membership by Category

Membership Category	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	%
Active-working	58,988	61,091	(2,103)	(3.44)%
Service retirees	48,421	47,093	1,328	2.82 %
Beneficiaries	3,591	3,491	100	2.86 %
Disability	778	813	(35)	(4.31)%
Inactive, vested	12,215	11,513	702	6.10 %
Inactive, nonvested	39,321	39,401	(80)	(0.20)%
Total	163,314	163,402	(88)	(0.05)%

Demographic and Economic Information

Schedule of Members by Status and Type of Benefit

The following schedule portrays the number of members by status in the current year and the growth in each membership level over the last ten years.

Schedule of Members by Membership Status by Fiscal Year - Last Ten Years

Status	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Active - working	58,988	61,091	60,197	60,358	59,495	60,057	60,998	61,173	61,177	60,855
Service retirees	48,421	47,093	45,988	44,796	43,282	41,771	40,140	38,438	36,614	33,741
Beneficiaries	3,591	3,491	3,378	3,279	3,218	3,189	3,071	2,980	2,882	2,809
Disability	778	813	831	844	840	837	832	828	814	786
Inactive, vested	12,215	11,513	11,436	10,621	10,581	10,219	9,513	9,113	8,615	9,648
Inactive, nonvested	39,321	39,401	39,703	36,891	36,098	34,009	31,535	27,476	25,482	24,384
Total	163,314	163,402	161,533	156,789	153,514	150,082	146,089	140,008	135,584	132,223

Average Active Members and Years of Service

Average Active Member Age and Years of Service

	2021	2020	2019	2018	2017
Average Age	46.1	46.1	46.3	46.3	46.4
Average Years of Service	9.8	9.6	9.7	9.7	9.8
Average Annual Salary	\$ 49,576	\$ 48,324	\$ 44,980	\$ 43,228	\$ 43,553

The schedules on the following pages show years of credited service and average annual compensation for active members, principle employers ranked by number of employees in active status, and participating employers by New Mexico County.

Demographic and Economic Information

Distribution of Active Members by Age and by Years of Service As of

June 30, 2021

Years of Credited Service

Attained Age	Years of Credited Service												Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 25	594	609	353	106	40	12	0	0	0	0	0	0	1,714
	\$23,697	\$28,783	\$26,342	\$23,848	\$23,500	\$23,894	\$0	\$0	\$0	\$0	\$0	\$0	\$26,055
25-29	503	894	1,004	726	416	608	2	0	0	0	0	0	4,153
	\$33,680	\$36,303	\$36,380	\$37,667	\$40,051	\$41,292	\$35,174	\$0	\$0	\$0	\$0	\$0	\$37,347
30-34	386	769	886	742	538	2,221	300	6	0	0	0	0	5,848
	\$38,962	\$40,329	\$38,560	\$40,525	\$41,891	\$48,514	\$53,088	\$33,583	\$0	\$0	\$0	\$0	\$43,895
35-39	410	663	788	642	555	2,169	1,399	372	3	0	0	0	7,001
	\$39,820	\$42,877	\$41,732	\$42,192	\$44,992	\$49,562	\$58,196	\$55,960	\$24,845	\$0	\$0	\$0	\$48,494
40-44	266	501	705	600	489	2,091	1,447	1,436	279	2	0	0	7,816
	\$42,040	\$43,388	\$42,331	\$45,384	\$45,296	\$52,163	\$57,896	\$63,170	\$58,558	\$41,131	\$0	\$0	\$52,728
45-49	234	393	517	462	379	1,709	1,344	1,466	1,310	152	1	0	7,967
	\$39,067	\$39,203	\$42,029	\$43,022	\$42,369	\$49,772	\$57,782	\$60,935	\$68,002	\$67,442	\$ 52,723	\$0	\$54,430
50-54	192	371	449	413	309	1,610	1,371	1,504	1,388	529	59	0	8,195
	\$39,585	\$42,781	\$39,328	\$41,200	\$45,720	\$48,737	\$54,790	\$59,124	\$62,281	\$69,054	\$ 71,180	\$0	\$53,930
55-59	173	321	404	370	242	1,388	1,248	1,410	1,179	539	202	33	7,509
	\$41,720	\$43,036	\$38,472	\$42,156	\$39,508	\$45,510	\$53,483	\$52,735	\$56,664	\$66,339	\$ 71,205	\$62,719	\$51,275
60-64	100	204	276	278	224	1,092	890	879	798	435	199	88	5,463
	\$44,982	\$37,259	\$36,402	\$41,118	\$44,337	\$46,790	\$55,156	\$52,971	\$56,581	\$61,261	\$ 75,651	\$74,029	\$51,917
65 & Over	72	156	194	181	186	771	514	429	332	193	146	148	3,322
	\$34,169	\$38,089	\$29,457	\$41,280	\$39,820	\$44,493	\$56,377	\$52,884	\$53,697	\$67,006	\$ 78,861	\$99,945	\$51,785
Total	2,930	4,881	5,576	4,520	3,378	13,671	8,515	7,502	5,289	1,850	607	269	58,988
	\$35,660	\$38,885	\$38,273	\$41,074	\$42,730	\$48,410	\$56,228	\$57,797	\$60,829	\$66,054	\$74,471	\$86,900	\$49,576

Demographic and Economic Information

Principal Employers Ranked by Number of Employees in Active Status

Employer Name	Fiscal Year Ended											
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012		
Albuquerque Public Schools	11,173 19%	11,772 20%	11,670 20%	11,571 20%	11,598 19%	11,797 20%	11,802 20%	11,799 20%	11,756 20%	11,685 19%		
University of New Mexico	6,486 11%	6,568 11%	6,661 11%	6,719 11%	6,833 11%	6,629 11%	7,081 12%	7,045 12%	6,624 11%	6,501 11%		
New Mexico State University	3,286 6%	3,494 6%	3,478 6%	3,780 6%	3,693 6%	3,716 6%	4,294 7%	4,592 8%	4,343 7%	4,365 7%		
Las Cruces Public Schools	3,059 5%	3,211 5%	3,099 5%	3,043 5%	2,977 5%	2,856 5%	3,052 5%	3,048 5%	3,026 5%	2,955 5%		
Rio Rancho Public Schools	2,045 3%	2,145 4%	1,958 3%	2,037 3%	2,055 3%	1,855 3%	2,077 3%	2,078 3%	2,022 3%	1,998 3%		
Gadsden Independent Schools	1,908 3%	1,943 3%	1,877 3%	1,853 3%	1,867 3%	1,897 3%	1,891 3%	1,844 3%	1,835 3%	1,837 3%		
Central New Mexico Community College	1,606 3%	1,687 3%	1,619 3%	1,675 3%	1,570 3%	1,655 3%	1,969 3%	1,975 3%	1,953 3%	1,861 3%		
Santa Fe Public Schools	1,577 3%	1,701 3%	1,604 3%	1,619 3%	1,682 3%	1,649 3%	1,614 3%	1,508 3%	1,498 2%	1,499 2%		
Gallup McKinley County Schools	1,433 2%	1,563 3%	1,529 3%	1,586 3%	1,624 3%	1,594 3%	1,730 3%	1,766 3%	1,851 3%	1,910 3%		
Farmington Public Schools	1,307 2%	1,331 2%	1,329 2%	1,276 2%	1,319 2%	1,291 2%	1,289 2%	1,268 2%	1,182 2%	1,182 2%		
All other active employees	25,108 43%	25,676 40%	25,534 41%	25,199 41%	24,277 42%	25,118 41%	24,199 39%	24,250 38%	25,087 41%	25,062 42%		
Total	58,988 100%	61,091 100%	60,358 100%	60,358 100%	59,495 100%	60,057 100%	60,998 100%	61,173 100%	61,177 100%	60,855 100%		

Demographic and Economic Information

Participating New Mexico Employers by County

Employer Name	Category	County	Employer Code
ABQ Charter Academy	Charter School	Bernalillo County	2340
ABQ Institute for Math and Science	Charter School	Bernalillo County	2341
ABQ Talent Development Academy	Charter School	Bernalillo County	2361
Ace Leadership High School	Charter School	Bernalillo County	2390
ACES Technical Charter School	Charter School	Bernalillo County	2441
Albuquerque Collegiate Charter School	Charter School	Bernalillo County	2435
Albuquerque Public Schools	Public School	Bernalillo County	2003
Albuquerque School of Excellence	Charter School	Bernalillo County	2412
Alice King Community School	Charter School	Bernalillo County	2356
Altura Preparatory School	Charter School	Bernalillo County	2434
Amy Biehl Charter High	Charter School	Bernalillo County	2303
Central New Mexico Community College	Universities and Colleges	Bernalillo County	2123
Central Regional Ed Coop	State Agency	Bernalillo County	2150
Cesar Chavez Community School	Charter School	Bernalillo County	2336
Christine Duncan Community School	Charter School	Bernalillo County	2353
Cien Aguas International School	Charter School	Bernalillo County	2367
Coral Community Charter School	Charter School	Bernalillo County	2421
Corrales International School	Charter School	Bernalillo County	2363
Cottonwood Classical Prep School	Charter School	Bernalillo County	2364
Digital Arts and Technology Academy	Charter School	Bernalillo County	2350
East Mountain High School	Charter School	Bernalillo County	2304
El Camino Real Academy	Charter School	Bernalillo County	2323
Explore Academy	Charter School	Bernalillo County	2432
Gilbert L. Sena Charter High School	Charter School	Bernalillo County	2339
Gordon Bernell Charter School	Charter School	Bernalillo County	2362
Health Leadership High School	Charter School	Bernalillo County	2430
Horizon Academy West	Charter School	Bernalillo County	2327
La Academia de Esperanza	Charter School	Bernalillo County	2329
La Promesa Early Learning Center	Charter School	Bernalillo County	2343
Los Puentes Charter School	Charter School	Bernalillo County	2322
Mark Armijo Academy	Charter School	Bernalillo County	2311
Media Arts Collaborative Charter	Charter School	Bernalillo County	2365
Mission Achievement & Success Charter	Charter School	Bernalillo County	2425
Montessori Elementary	Charter School	Bernalillo County	2351
Montessori Rio Grande Charter	Charter School	Bernalillo County	2334
Mountain Mahogany Community	Charter School	Bernalillo County	2342
Native American Community Charter	Charter School	Bernalillo County	2354
New Mexico Activities Association	State Agency	Bernalillo County	2148
North Valley Academy	Charter School	Bernalillo County	2328
Public Academy For Performing Arts	Charter School	Bernalillo County	2320
Robert F Kennedy Charter	Charter School	Bernalillo County	2318
Roots and Wings Community School	Charter School	Bernalillo County	2313
Siembra Leadership High School	Charter School	Bernalillo County	2433
Solare Collegiate Charter	Charter School	Bernalillo County	2440
South Valley Academy	Charter School	Bernalillo County	2309
South Valley Preparatory School	Charter School	Bernalillo County	2396

Demographic and Economic Information

Participating New Mexico Employers by County

Employer Name	Category	County	Employer Code
Southwest Aeronautics Mathematics & Science Academy	Charter School	Bernalillo County	2420
Southwest Primary Learning Center	Charter School	Bernalillo County	2346
Southwest Secondary Learning	Charter School	Bernalillo County	2310
Tech Leadership High School	Charter School	Bernalillo County	2394
The Albuquerque Sign Language Academy	Charter School	Bernalillo County	2402
The Great Academy	Charter School	Bernalillo County	2413
The International Sch at Mesa del Sol	Charter School	Bernalillo County	2368
The New America School	Charter School	Bernalillo County	2366
The New Mexico International School	Charter School	Bernalillo County	2414
Tierra Adentro of New Mexico	Charter School	Bernalillo County	2370
Twenty-First Century Charter	Charter School	Bernalillo County	2308
University Hospital	Special School	Bernalillo County	2295
University of New Mexico	Universities and Colleges	Bernalillo County	2095
Voz Collegiate Preparatory Charter School	Charter School	Bernalillo County	2442
William W. & Josephine Dorn Charter	Charter School	Bernalillo County	2417
Quemado	Public School	Catron County	28084
Reserve Independent Schools	Public School	Catron County	28085
Dexter Consolidated Schools	Public School	Chaves County	4008
Hagerman Municipal Schools	Public School	Chaves County	4009
Lake Arthur Municipal Schools	Public School	Chaves County	4010
New Mexico Military Institute	Special School	Chaves County	4097
Roswell Independent Schools	Public School	Chaves County	4011
Sidney Gutierrez Middle Charter	Charter School	Chaves County	4317
Cimarron Municipal Schools	Public School	Colfax County	9027
High Plains Reg Ed Coop	State Agency	Colfax County	9150
Maxwell Municipal Schools	Public School	Colfax County	9028
Moreno Valley High School	Charter School	Colfax County	9324
Raton Public Schools	Public School	Colfax County	9029
Springer Municipal Schools	Public School	Colfax County	9030
Clovis Community College	Universities and Colleges	Curry County	5011
Clovis Municipal Schools	Public School	Curry County	5012
Grady Municipal Schools	Public School	Curry County	5013
Melrose Schools	Public School	Curry County	5014
Regional Education Coop #6	State Agency	Curry County	5016
Texico Municipal Schools	Public School	Curry County	5015
Fort Sumner Municipal Schools	Public School	De Baca County	27083
Alma d'Arte Charter	Charter School	Dona Ana County	7335
Gadsden Independent Schools	Public School	Dona Ana County	7021
Hatch Valley Municipal Schools	Public School	Dona Ana County	7022
J Paul Taylor Academy	Charter School	Dona Ana County	7420
La Academia Dolores Huerta	Charter School	Dona Ana County	7337
Las Cruces Public Schools	Public School	Dona Ana County	7023
Las Montanas Charter School	Charter School	Dona Ana County	7338
New America School-Las Cruces	Charter School	Dona Ana County	7421
New Mexico State University	Universities and Colleges	Dona Ana County	7098

Demographic and Economic Information

Participating New Mexico Employers by County

Employer Name	Category	County	Employer Code
Raices Del Saber Xinachtli Community School	Charter School	Dona Ana County	7445
Artesia Public Schools	Public School	Eddy County	3004
Carlsbad Municipal Schools	Public School	Eddy County	3005
Jefferson Montessori Academy	Charter School	Eddy County	3321
Loving Municipal Schools	Public School	Eddy County	3006
Pecos Connections Academy	Charter School	Eddy County	3433
Aldo Leopold High School	Charter School	Grant County	8347
Cobre Consolidated Schools	Public School	Grant County	8024
Silver Consolidated Schools	Public School	Grant County	8026
Western New Mexico University	Universities and Colleges	Grant County	8099
Santa Rosa Consolidated Schools	Public School	Guadalupe County	24072
Vaughn Municipal Schools	Public School	Guadalupe County	24073
Mosquero Municipal Schools	Public School	Harding County	31091
Roy Municipal Schools	Public School	Harding County	31092
Animas Public Schools	Public School	Hidalgo County	23121
Lordsburg Municipal Schools	Public School	Hidalgo County	23070
Eunice Public Schools	Public School	Lea County	6016
Hobbs Municipal Schools	Public School	Lea County	6017
Jal Public Schools	Public School	Lea County	6018
Lovington Municipal Schools	Public School	Lea County	6019
New Mexico Junior College	Universities and Colleges	Lea County	6124
Regional Education Coop #7	State Agency	Lea County	6150
Tatum Municipal Schools	Public School	Lea County	6020
Capitan Municipal Schools	Public School	Lincoln County	26077
Carrizozo Municipal Schools	Public School	Lincoln County	26078
Corona Public Schools	Public School	Lincoln County	26079
Hondo Valley Public Schools	Public School	Lincoln County	26080
Regional Education Coop IX	State Agency	Lincoln County	26150
Ruidoso Municipal Schools	Public School	Lincoln County	26081
Los Alamos Schools	Public School	Los Alamos County	32093
Deming Cesar Chavez	Charter School	Luna County	19301
Deming Public Schools	Public School	Luna County	19059
Dzil Diti' Ooi School for Empowerment	Charter School	McKinley County	13437
Gallup Mckinley City Schools	Public School	McKinley County	13041
Hozho Academy	Charter School	McKinley County	13436
Middle College High School	Charter School	McKinley County	13369
Six Directions Indigenous School	Charter School	McKinley County	13438
Zuni Public School District	Public School	McKinley County	13142
Mora Independent Schools	Public School	Mora County	30089
Wagon Mound Public Schools	Public School	Mora County	30090
Alamogordo Public Schools	Public School	Otero County	15046
Cloudcroft Municipal Schools	Public School	Otero County	15047
New Mexico School for the Blind & Visually Impaired	Special School	Otero County	15104
Tularosa Municipal Schools	Public School	Otero County	15049
House Municipal Schools	Public School	Quay County	10119
Logan Municipal Schools	Public School	Quay County	10120

Demographic and Economic Information

Participating New Mexico Employers by County

Employer Name	Category	County	Employer Code
Mesalands Community College	Universities and Colleges	Quay County	10141
San Jon Schools	Public School	Quay County	10032
Tucumcari Municipal Schools	Public School	Quay County	10033
Chama Valley Schools	Public School	Rio Arriba County	17126
Dulce Independent Schools	Public School	Rio Arriba County	17115
Espanola Public Schools	Public School	Rio Arriba County	17054
La Tierra Montessori School	Charter School	Rio Arriba County	17425
McCurdy Charter School	Charter School	Rio Arriba County	17424
Mesa Vista Consolidated Schools	Public School	Rio Arriba County	17127
Northern New Mexico Community College	Universities and Colleges	Rio Arriba County	17105
Dora Consolidated Schools	Public School	Roosevelt County	11117
Eastern New Mexico University-Portales	Universities and Colleges	Roosevelt County	11101
Eastern New Mexico University-Roswell	Universities and Colleges	Roosevelt County	11102
Elida Municipal Schools	Public School	Roosevelt County	11034
Floyd Municipal Schools	Public School	Roosevelt County	11118
Portales Municipal Schools	Public School	Roosevelt County	11035
Aztec Municipal Schools	Public School	San Juan County	16050
Bloomfield Schools	Public School	San Juan County	16051
Central Consolidated Schools	Public School	San Juan County	16053
Dream Dine' Charter School	Charter School	San Juan County	16359
Farmington Municipal Schools	Public School	San Juan County	16052
Mosaic Academy Charter	Charter School	San Juan County	16356
San Juan College	Universities and Colleges	San Juan County	16155
Las Vegas City Schools	Public School	San Miguel County	12037
Luna Community College	Universities and Colleges	San Miguel County	12128
New Mexico Highlands University	Universities and Colleges	San Miguel County	12102
Northeast Rec	State Agency	San Miguel County	12151
Pecos Independent Schools	Public School	San Miguel County	12039
Pecos Valley Rec #8	State Agency	San Miguel County	12150
Rio Gallinas School	Charter School	San Miguel County	12326
West Las Vegas Schools	Public School	San Miguel County	12038
Bernalillo Public Schools	Public School	Sandoval County	29086
Cuba Independent Schools	Public School	Sandoval County	29087
Jemez Mountain School District	Public School	Sandoval County	29122
Jemez Valley Public Schools	Public School	Sandoval County	29088
Nw Regional Education Cooperative #2	State Agency	Sandoval County	29150
Rio Rancho Public Schools	Public School	Sandoval County	29123
San Diego Riverside Charter	Charter School	Sandoval County	29305
Sandoval Academy of Bilingual Education	Charter School	Sandoval County	29303
The Ask Academy	Charter School	Sandoval County	29408
Walatowa	Charter School	Sandoval County	29330
Academy For Technology & The Classics	Charter School	Santa Fe County	1301
DFA	State Agency	Santa Fe County	1341
Monte Del Sol Charter School	Charter School	Santa Fe County	1306
New Mexico Connections	Charter School	Santa Fe County	1418
New Mexico School for the Arts	Charter School	Santa Fe County	1416

Demographic and Economic Information

Participating New Mexico Employers by County

Employer Name	Category	County	Employer Code
New Mexico School For The Deaf	Special School	Santa Fe County	1094
Pojoaque Valley Schools	Public School	Santa Fe County	1001
Santa Fe Community College	Universities and Colleges	Santa Fe County	1003
Santa Fe Public Schools	Public School	Santa Fe County	1002
The Masters Program	Charter School	Santa Fe County	1398
Tierra Encantada Charter High	Charter School	Santa Fe County	1343
Turquoise Trail Charter School	Charter School	Santa Fe County	1315
Southwest Rec #10	State Agency	Sierra County	21150
Truth or Consequences Municipal Schools	Public School	Sierra County	21063
Cottonwood Valley Charter	Charter School	Socorro County	25319
Magdalena Municipal Schools	Public School	Socorro County	25075
NM Institute of Mining & Tech	Universities and Colleges	Socorro County	25106
Socorro Consolidated Schools	Public School	Socorro County	25076
Anansi Charter School	Charter School	Taos County	20316
Penasco Independent Schools	Public School	Taos County	20060
Questa Independent Schools	Public School	Taos County	20125
Red River Valley Charter	Charter School	Taos County	20312
Taos Academy Charter School	Charter School	Taos County	20265
Taos Integrated School of the Arts	Charter School	Taos County	20415
Taos International School	Charter School	Taos County	20435
Taos Municipal Charter School	Charter School	Taos County	20307
Taos Municipal Schools	Public School	Taos County	20062
Vista Grande High School	Charter School	Taos County	20317
Estancia Municipal Schools	Public School	Torrance County	22065
Estancia Valley Classical Academy	Charter School	Torrance County	22201
Moriarty-Edgewood School District	Public School	Torrance County	22066
Mountainair Public Schools	Public School	Torrance County	22067
Clayton Municipal Schools	Public School	Union County	18056
Des Moines Municipal Schools	Public School	Union County	18057
Belen Consolidated Schools	Public School	Valencia County	14043
Grants-Cibola County Schools	Public School	Valencia County	14044
Los Lunas Schools	Public School	Valencia County	14045
School of Dreams Academy	Charter School	Valencia County	14366



A large, dark blue arrow pointing to the right, containing the text "GLOSSARY OF ACRONYMS" in white, uppercase, sans-serif font.

Glossary of Acronyms

AC - Audit Committee

The NMERB AC is a subcommittee of the Board of Trustees charged with oversight of the financial and internal controls of the agency.

ACFR - Annual Comprehensive Financial Report

U.S. government financial statements comprising the financial report of a state, municipal, or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board. GASB provides standards for the content of a ACFR in its annually updated publication Codification of Governmental Accounting and Financial Reporting Standards.

ARC - Annual Required Contribution

The employer's periodic contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB No. 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

ARP - Alternative Retirement Plan

NMERB's Alternative Retirement Plan is a Defined Contribution Plan offered at colleges and universities. Under the provisions of this Plan participating Employers remit 3% of the annual employee's gross salary to NMERB. The balance of the employer and employee contributions are remitted to the ARP vendor and credited to the participants' accounts.

BOT - Board of Trustees

The governing board of NMERB is composed of seven (7) members. The Educational Retirement Act defines the composition of the BOT in Section 22-11-3, NMSA 1978; duties and powers of the BOT are addressed in Sections 22-11-4 through 22-11-14, NMSA 1978.

COLA - Cost of Living Adjustment

Is a benefit increase that is designed to help keep pace with increased living costs that result from inflation. It is typically based on the percentage increase in the consumer price index.

DBP - Defined Benefit Plan

A defined benefit plan is a pension plan in which a sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

DCP - Defined Contribution Plan

A defined contribution plan is a retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts plus any investment earnings on the money in the account.

DFA - New Mexico Department of Finance and Administration

DFA is the fiscal agency in New Mexico charged with the mission to provide budgetary and fiscal oversight for State agencies.

Glossary of Acronyms

DR/BCF – Disaster Recovery and Business Continuity Plan

A disaster recovery and business continuity plan is a documented process or set of procedures intended to recover and protect the information technology infrastructure in the event of a disaster.

ENC – Employer Normal Cost

The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

NMERB – New Mexico Educational Retirement Board

NMERB is the agency of the State of New Mexico which administers the Educational Retirement Plan.

GASB – Governmental Accounting Standards Board

GASB is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

GFOA – Government Finance Officers Association

A professional membership organization open to those whose career, studies, or interests involve government financial management. The organization established the Certificate of Achievement for Excellence in Financial Reporting Program to ensure users of governmental financial statements have the information they need to assess the health of participating governments.

GL – General Ledger

A GL is the complete record of financial transactions over the life of the entity, holding the account information needed to prepare financial statements.

IC – Investment Committee

The NMERB IC is a subcommittee of the Board of Trustees charged with oversight of the investment function of the Plan.

IPA – Independent Public Accountant

The IPA is the certified public accounting firm used to audit the agency's books and records.

MD&A – Management Discussion and Analysis

Management's discussion and analysis is required supplementary information in an entity's annual report that introduces the financial statements and provides an analytical overview of financial activities.

NASRA – National Association of State Retirement Administrators

NASRA is a non-profit association whose members are the directors of the nation's state, territorial and largest statewide public retirement systems. NASRA members oversee retirement systems that hold more than two-thirds of the \$3.8 trillion held in trust for fifteen million working and eight million retired employees of state and local government.

NAV – Net Asset Value

NAV is the value of an entity's assets minus the value of its liabilities.

Glossary of Acronyms

NCPERS – National Conference on Public Retirement Systems

NCPERS is the largest trade association for public sector pension funds, representing more than 500 funds throughout the United States and Canada.

NCTR – National Council on Teacher Retirement

The NCTR is an independent organization dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong and to promoting the rights and benefits of all present and future members of the systems.

NMAC – New Mexico Administrative Code

The NMAC represents the administrative laws of the State of New Mexico.

NMSA – New Mexico Statutes Annotated

The NMSA represents state statutes enacted by legislation.

NPL – Net Pension Liability

The NPL is the amount by which the total pension liability exceeds the pension plan's net assets.

PPCC – Pension Planning Coordinating Council

The PPCC is a coalition of three national associations that represent public retirement systems and administrators: National Association of State Retirement Administrators, National Council on Teacher Retirement, and National Conference on Public Employee Retirement Systems.

TPL – Total Pension Liability

The TPL is the total actuarial value of projected pension benefits attributable to past periods of employee service.

UAAL – Unfunded Actuarial Accrued Liability

The UAAL is the difference between accrued liabilities and the actuarial value of assets accumulated to finance an obligation, expressed in dollar amounts.

VD – Valuation Date, or Actuarial Valuation Date

The date as of which the value of the assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Santa Fe Office

701 Camino de los Marquez
Santa Fe, New Mexico 87505
Tel: (505) 827-8030 Fax: (505) 827-1855 Toll free: (866) 691-2345

Albuquerque Office

8500 Menaul Blvd. N. E., Suite B-450
Albuquerque, New Mexico 87112
Tel: (505) 888-1560 Fax: (505)-830-2976 Toll free: (866) 691-2345

www.nmerb.org



This publication can be found on the NMERB's website