



October 28, 2021

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

Subject: GASB 67/68 Reporting and Disclosure Information for the Educational Retirement Board of New Mexico (ERB) Fiscal Year Ending June 30, 2021

Dear Members of the Board:

This report provides information required by the Educational Retirement Board of New Mexico (ERB) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in ERB in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending June 30, 2022. The information provided herein was prepared for the purpose of assisting ERB and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than ERB only in its entirety and only with the permission of ERB.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ending 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. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

This report provides the Collective Pension Amounts under GASB Statement No. 68 which will be allocated to the governmental employers participating in ERB.

This report is based upon information, furnished to us by ERB, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERB.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the ERB fiscal year ending June 30, 2013.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to ERB subsequent to June 30, 2021.

This report complements the actuarial valuation report as of June 30, 2021, provided for plan funding purposes, which was also provided to ERB and should be considered together as a complete report for the plan year ending June 30, 2021. Please see the actuarial valuation report as of June 30, 2020, dated November 18, 2020, and the 2020 Actuarial Experience Study report, dated June 4, 2020, for additional discussion of the actuarial valuation that was used in the roll-forward, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, this report is complete and accurate and is in accordance with generally recognized actuarial practices and methods. Mr. Falls and Ms. Woolfrey are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



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Summary of Population Statistics

The total pension liability described in this report is based on the plan membership as of June 30, 2020:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	51,397
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	50,914
Active Plan Members	<u>61,091</u>
Total Plan Members	163,402

Measurement of the Net Pension Liability

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% and a municipal bond rate of 1.92%. 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.

A single discount rate of 3.89% was used to measure the total pension liability as of June 30, 2020. This 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 source of the municipal bond rate as of June 30, 2021 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement 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 (ARP) and the Return to Work Program are included in the projection of cash flows. These contributions are assumed to remain a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing 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 or one-percentage-point higher than the single discount rate:

1% Decrease	Current Single	1% Increase
6.00%	Rate Assumption	8.00%
7.00%		
\$ 10,035,064,321	\$ 7,087,466,701	\$ 4,651,571,637

Reconciliation of Plan Net Assets

for Fiscal Year Ending June 30, 2021

Fiscal Year	<u>2021</u>
Additions	
Contributions	
Employer	\$ 445,654,793
Employer for ARP members	7,217,494
Member	327,477,585
Member service purchases	2,589,302
Total Contributions	<u>\$ 782,939,174</u>
Net Investment Income	
Investment income	\$ 4,020,539,336
Investment expenses	<u>(185,998,988)</u>
Net Investment Income	\$ 3,834,540,348
Total Additions	<u>\$ 4,617,479,522</u>
Deductions	
Benefit payments and refunds	\$ 1,263,064,463
Administrative expense	12,087,563
Other	<u>0</u>
Total Deductions	\$ 1,275,152,026
Net Increase in Net Position	\$ 3,342,327,496
Net Position Restricted for Pensions	
Beginning of Year	<u>\$ 13,019,196,862</u>
End of Year	<u>\$ 16,361,524,358</u>

This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB may require additional detail regarding the changes throughout the year.

Schedules of Required Supplementary Information

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

Last 10 Fiscal Years (which may be built prospectively)

Fiscal year ending June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	\$ 348,266,697
Interest on the Total Pension Liability	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	1,202,676,449
Benefit Changes	0	0	(4,381,848,971)	0	0	0	0	0	10,093,494
Difference between Expected and Actual 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)	0
Assumption Changes	(11,462,882,997)	11,316,075,911	0	659,787,674	4,371,799,749	0	299,084,856	0	(5,035,689,829)
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)	(853,329,267)
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	\$ (4,327,982,456)
Total Pension Liability - Beginning	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	20,796,533,408
Total Pension Liability - Ending (a)	\$ 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	\$ 16,468,550,952
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	\$ 299,657,530
Member Contributions	330,066,887	329,724,869	303,442,092	290,007,133	295,982,532	295,946,396	294,560,840	271,513,574	250,529,596
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	1,016,865,792
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)	(853,329,267)
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)	(10,985,967)
Other	0	0	0	0	0	0	0	0	0
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	\$ 702,737,634
Plan Fiduciary Net Position - Beginning	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	9,488,961,169
Plan Fiduciary Net Position - Ending (b)	\$ 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	\$ 10,191,698,803
Net Pension Liability - Ending (a) - (b)	\$ 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	\$ 6,276,852,149
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 %	61.89 %
Covered Employee 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	\$ 2,706,170,349
Net Pension Liability as a Percentage of Covered Employee Payroll	231.77 %	664.80 %	270.84 %	444.00 %	407.33 %	262.59 %	237.23 %	209.92 %	231.95 %

Notes to Schedule:

The change in total pension liability due to assumption changes for the fiscal year ending June 30, 2013 includes the impact of the new assumptions adopted by the Board on April 26, 2013 as well as the change in the single discount rate between June 30, 2012 and June 30, 2013. The change for the fiscal year ending June 30, 2015 includes the impact of the new assumptions adopted by the Board on June 12, 2015. The change for the fiscal year ending June 30, 2017 includes the impact of the new assumptions adopted by the Board on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017. The change for the fiscal year ending June 30, 2018 includes the change in the single discount rate. The change in discount rate for the fiscal year ending June 30, 2019 was included in the benefit changes category as it was due to the funding and benefit changes enacted by House Bill 360 per the response to Question 65 in the GASB 67 implementation guide. The change for the fiscal year ending June 30, 2020 includes the impact of the new assumptions adopted by the Board on April 17, 2020 as well as the change in the single discount rate between June 30, 2019 and June 30, 2020. The change for the fiscal year ending June 30, 2021 includes the change in the single discount rate.

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



Schedules of Required Supplementary Information

Schedule of Employer Contributions

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	\$480,700,326	\$299,657,530	\$181,042,796	\$ 2,706,170,349	11.07 %
2014	479,884,486	362,462,537	117,421,949	2,718,100,677	13.34 %
2015	450,950,584	395,129,621	55,820,963	2,730,320,345	14.47 %
2016	465,340,519	396,988,557	68,351,962	2,740,526,669	14.49 %
2017	477,840,156	395,843,795	81,996,361	2,728,361,993	14.51 %
2018	546,593,275	388,723,983	157,869,292	2,678,214,885	14.51 %
2019	587,331,406	406,549,056	180,782,350	2,797,685,921	14.53 %
2020	586,451,550	451,556,144	134,895,406	3,048,404,048	14.81 %
2021	656,732,175	452,872,287	203,859,888	3,057,978,722	14.81 %

Notes to Schedule of Contributions

Valuation Date: June 30, 2020

Notes Actuarially determined contribution rates are calculated as of June 30. Members and employers contribute based on statutorily fixed rates.

A new set of assumptions was adopted for the June 30, 2020 actuarial valuation and was first reflected for the ADEC determined for the fiscal year ending 2021.

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, plus 0.70% productivity increase rate, plus step-rate promotional increases for members with 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>

Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending June 30, 2021

To be used for Governmental Employer Reporting for Fiscal Years Ending
Between June 30, 2021 and June 30, 2022

1. Total Service Cost	\$ 916,075,923
2. Interest on the Total Pension Liability	1,288,040,945
3. Current-Period Benefit Changes	0
4. Member Contributions	(330,066,887)
5. Projected Earnings on Plan Investments	(894,116,331)
6. Administrative Expense	12,087,563
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of Deferred Outflow (Inflow) of Resources due to Liabilities	205,511,782
9. Recognition of Deferred Outflow (Inflow) of Resources due to Assets	(489,766,667)
10. Total Pension Expense	\$ 707,766,328

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2021 fiscal year, the expected remaining service lives of all employees was 552,988 years for ERB. Additionally, the ERB plan membership (active employees and inactive employees) was 163,402. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2021 fiscal year is 3.38 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

Governmental Employer Financial Statements

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods

For ERB Fiscal Year Ending June 30, 2021

To be used for Governmental Employer Reporting for Fiscal Years Ending
Between June 30, 2021 and June 30, 2022

A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 685,734,963	\$ 0	\$ 685,734,963
2. Assumption Changes	0	11,462,882,997	(11,462,882,997)
3. Net Difference between projected and actual earnings on pension plan investments	0	2,940,424,017	(2,940,424,017)
4. Total	\$ 685,734,963	\$ 14,403,307,014	\$ (13,717,572,051)

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 254,653,823	\$ 60,690,857	\$ 193,962,966
2. Assumption Changes	3,402,934,319	3,391,385,503	11,548,816
3. Net Difference between projected and actual earnings on pension plan investments	210,864,787	700,631,454	(489,766,667)
4. Total	\$ 3,868,452,929	\$ 4,152,707,814	\$ (284,254,885)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 556,891,124	\$ 17,453,084	\$ 539,438,040
2. Assumption Changes	4,717,780,919	8,071,497,494	(3,353,716,575)
3. Net Difference between projected and actual earnings on pension plan investments	631,901,438	2,394,410,607	(1,762,509,169)
4. Total	\$ 5,906,573,481	\$ 10,483,361,185	\$ (4,576,787,704)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

Fiscal Year Ending June 30	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2022	\$ 3,764,666,105	\$ 4,017,959,089	\$ (253,292,984)
2023	1,854,294,589	4,000,506,003	(2,146,211,414)
2024	287,612,787	1,876,811,292	(1,589,198,505)
2025	0	588,084,801	(588,084,801)
2026	0	0	0
Thereafter	0	0	0
Total	\$ 5,906,573,481	\$ 10,483,361,185	\$ (4,576,787,704)



Governmental Employer Financial Statements

Recognition of Deferred Outflows and Inflows of Resources

For ERB Fiscal Year Ending June 30, 2021

To be used for Governmental Employer Reporting for Fiscal Years Ending
Between June 30, 2021 and June 30, 2022

Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities

2017	(207,788,603)	3.65	0	0	0.00
2018	(184,089,981)	3.56	(28,957,974)	0	0.00
2019	(112,651,733)	3.55	(31,732,883)	(17,453,084)	0.55
2020	177,583,640	3.43	51,773,656	74,036,328	1.43
2021	685,734,963	3.38	202,880,167	482,854,796	2.38
Total			193,962,966	539,438,040	

Deferred Outflow (Inflow) due to Assumption Changes

2017	4,371,799,749	3.65	0	0	0.00
2018	659,787,674	3.56	103,786,823	0	0.00
2019	0	3.55	0	0	0.55
2020	11,316,075,911	3.43	3,299,147,496	4,717,780,919	1.43
2021	(11,462,882,997)	3.38	(3,391,385,503)	(8,071,497,494)	2.38
Total			11,548,816	(3,353,716,575)	

Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments

2017	(457,554,772)	5.00	(91,510,952)	0	0.00
2018	1,732,299	5.00	346,460	346,459	1.00
2019	(105,178,488)	5.00	(21,035,698)	(42,071,394)	2.00
2020	1,052,591,633	5.00	210,518,327	631,554,979	3.00
2021	(2,940,424,017)	5.00	(588,084,804)	(2,352,339,213)	4.00
Total			(489,766,667)	(1,762,509,169)	