



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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



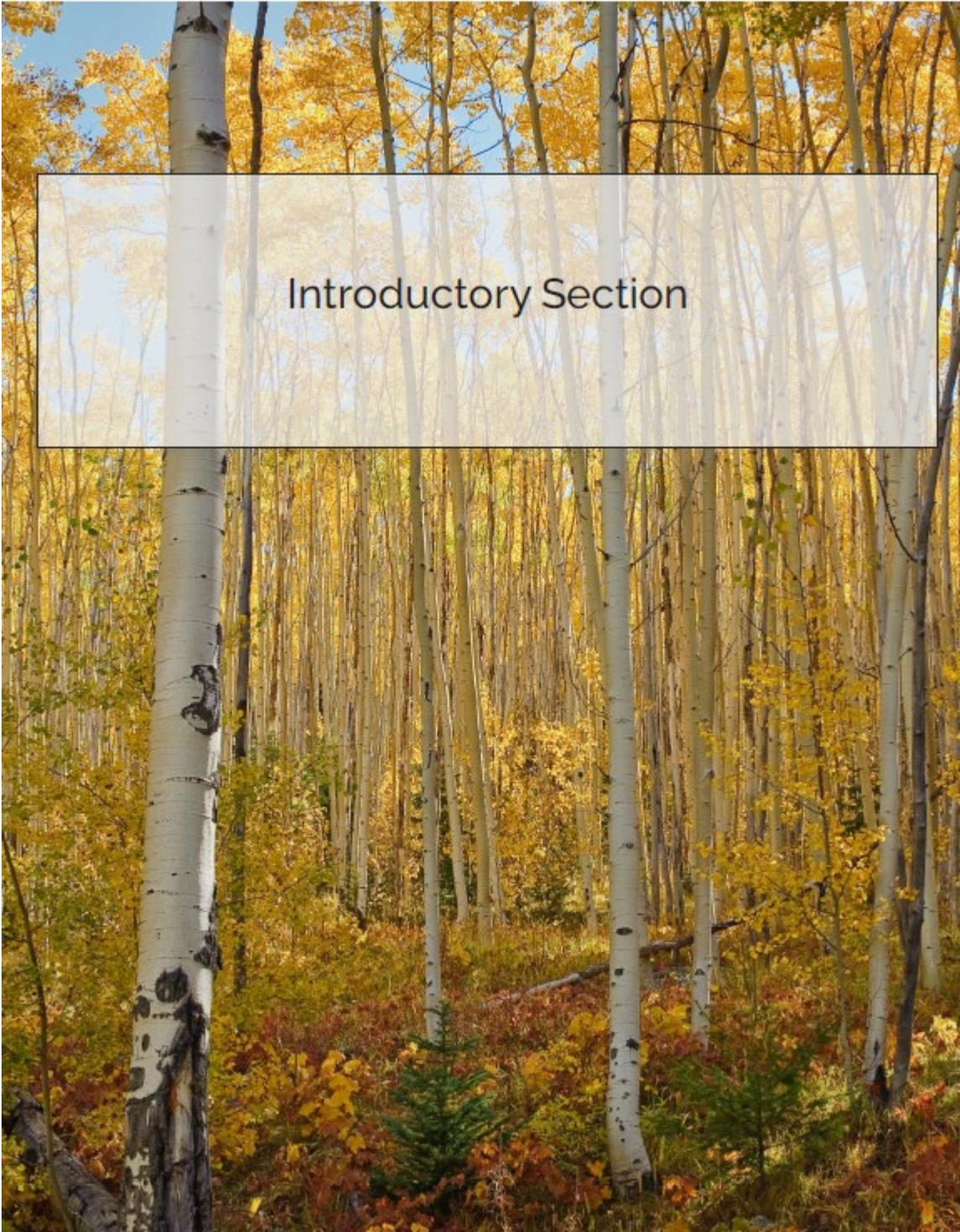
**New Mexico Educational Retirement Board
A Pension Trust Fund of the State of New Mexico**

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For the Fiscal Year Ended June 30, 2023**

Prepared by the Staff of the New Mexico Educational Retirement Board

Available online at www.erb.nm.gov

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Introductory Section



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

New Mexico Educational Retirement Board

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Merrill

Executive Director/CEO



Public Pension Coordinating Council

**Recognition Award for Administration
2023**

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 (GFOA) awarded a Certificate of Achievement (COA) for Excellence in Financial Reporting to the New Mexico Educational Retirement Board for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. 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, 2023. This is the thirteenth 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 17, 2023

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

We are pleased to present the fiscal year 2023 Annual Comprehensive Financial Report (ACFR). This report reflects the ongoing commitment to all activities undertaken by the New Mexico Educational Retirement Board (NMERB) for the fiscal year ended June 30, 2023. Management remains committed to a sustainable and sound pension fund indefinitely.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that have been established for this purpose. Moss Adams LLP has issued an unmodified opinion on the New Mexico Educational Retirement Board's financial statements for the year ended June 30, 2023. 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 (BOT); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. 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 36 (SB36) was approved during the 2022 Legislation Session and signed into law by Governor Michelle Lujan Grisham. SB36 increased the employer contribution by 2% for the fiscal year 2023, resulting in a 17.15% employer contribution rate, and 1% increase in fiscal year 2024, resulting in an 18.15% employer contribution rate.

Senate Bill 20 (SB20) was approved during the 2023 Legislative Session and signed into law by Governor Michelle Lujan Grisham. SB20 amended Section 22-11-47 of the ERA to authorize employees of the Southeast New Mexico College to participate in the Alternative Retirement Plan. This bill also amended the Act to align with recent changes to Federal Law regarding required minimum distribution age requirements. The age required to take the minimum distribution now references Federal Law to eliminate the need for future amendments.

House Bill 304 (HB304) was also approved during the 2023 Legislative Session and signed into law by Governor Michelle Lujan Grisham. HB 304 allows members covered by the Public Employees Retirement Act, the Judicial Retirement Act, the Magistrate Retirement Act, and the ERA to name a supplemental needs trust as their beneficiary. Supplemental needs trusts allow qualified individuals to receive funds without jeopardizing their access to public assistance benefits, such as Medicaid.

The fair value of the Fund ended the year at \$16.3 billion, as compared to the June 30, 2022 net position of \$15.5 billion, with the net position increasing by \$711.1 million. The Fund's investments returned 5.6% net of fees, ranking NMERB in the top 91st percentile of its peers. The results for the 3-, 5-, 10-, and 20-year performance measurements exceed the Fund's long-term actuarial annual return assumption of 7.00%. Over the past five years, the Fund returned 7.84%, net of fees, per annum, outperforming the policy index by 58 basis points and ranking in the top 6th percentile of the InvMetrics Public Funds > \$1 Billion universe.

The number of active members increased from 59,887 to 61,503, while the retiree population increased from 53,972 to 54,774. These results are consistent with the trend seen over the last ten (10) years for a stable active membership population size, when compared to the growing retiree population.

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

In fiscal year 2023, NMERB continued to experience changes in leadership roles, including the Chief Financial Officer and Chief Information Officer. These changes resulted in the addition of two highly qualified professionals joining the organization with extensive experience managing pension finances and large-scale multi-million-dollar information technology projects. These additions come at a time when ERB has begun a multi-year journey to modernize its Pension Administration System, which serves as the foundation for our daily operations.

Last fall, the BOT updated its strategic plan which aims to improve customer service, achieve specific investment targets, educate plan participants, and improve the financial integrity of the program. While most of the targets have been met, ERB continues to strive to improve the customer service experience, reach our financial goals and ensure our long-term financial obligations are met.

ERB staff are also working to ensure Board Member training requirements are met and that their fiduciary responsibilities are well understood. This training will also help provide context to the challenges the program faces as proposed changes to eligibility requirements, cost-of-living adjustments and contributions are made each year during the legislative session.

BUDGET OVERVIEW: BASIS AND PROCESS

The BOT 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 goals and 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 2023 operating budget increased by \$2.3 million, or 8%, compared to the prior fiscal year.

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 BOT. Moss Adams LLP had full 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 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, decreased from 63.5% in fiscal year 2022 to 62.9% in fiscal year 2023. However, 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 29 years in fiscal year 2022 to 26 years in fiscal year 2023.

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. Total member and employer contributions in fiscal year 2023 increased by 23.1% compared to 2022 contributions.

Fiscal year 2023 net investment gain (net depreciation in the fair value of plan investments, dividend income, and interest income less investment expenses) was \$1,036,246,730 as compared to a \$336,990,042 loss in fiscal year 2022. 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 vary year to year and can even be less than the assumed rate of return 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.

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, 2022. NMERB has achieved this prestigious award numerous times. 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, 2023. This is the 13th consecutive year that the NMERB has been recognized.

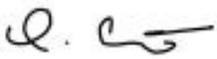
The PPCC is a coalition of three national associations that represent public retirement systems and administrators: the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR), and the National Conference on Public Employee Retirement Systems (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 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). The PARF and ACFR reports are available at www.erb.nm.gov/annual-reports.

Respectfully submitted,



David Archuleta
Executive Director



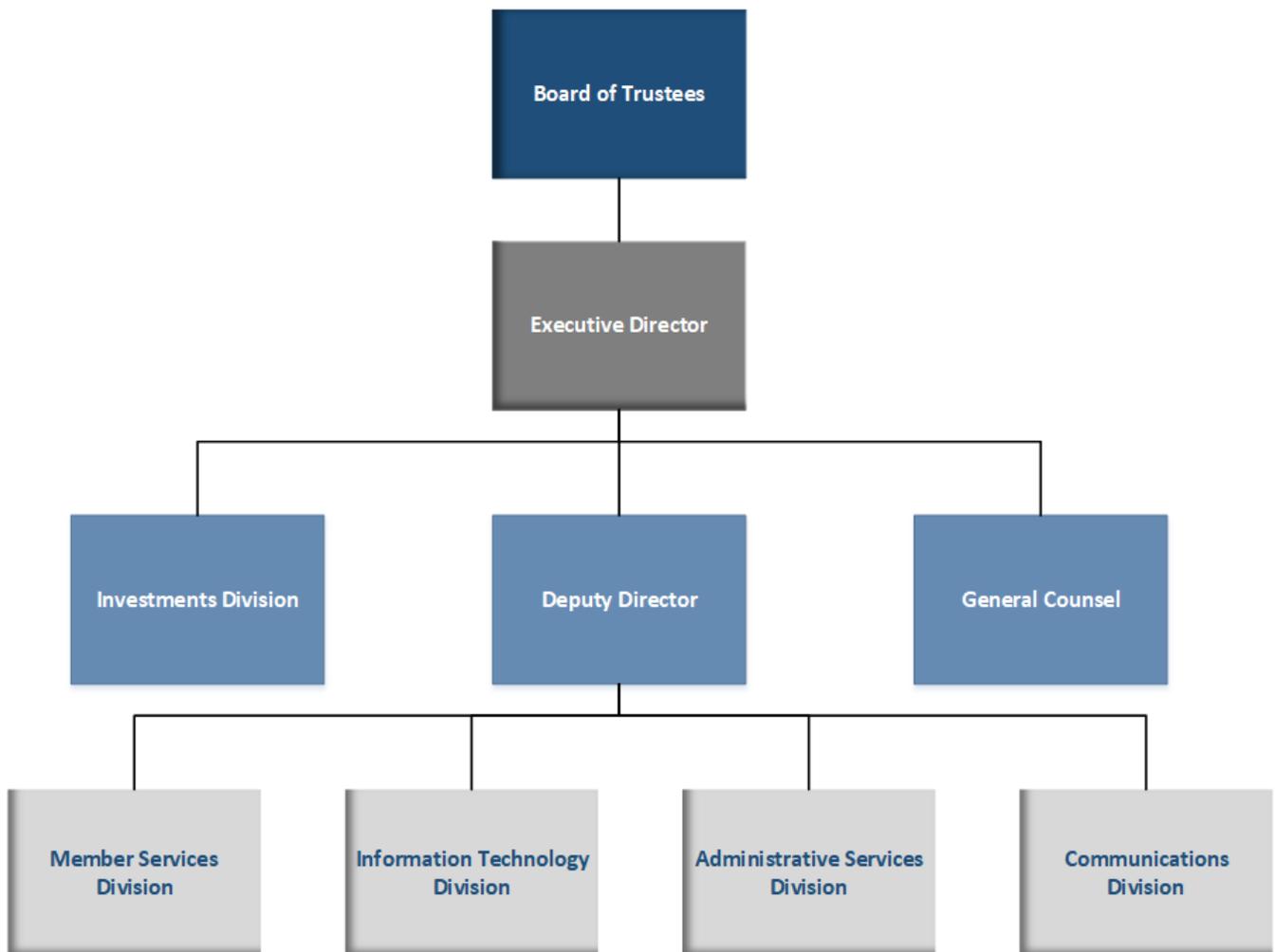
Renada Peery-Galon
Administrative Services Director/CFO

About NMERB

The New Mexico Educational Retirement Board (NMERB) is headquartered in Santa Fe, New Mexico and provides retirement benefit services to more than 171,033 members and 220 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



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.)

General Counsel

The Office of General Counsel serves as legal adviser to the New Mexico Educational Retirement Board and Agency management. The office ensures 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 assist 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, and contracts and procurement. Staff works closely with all areas of the Agency to ensure the programmatic needs 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.

NMERB's Staff as of June 30, 2023

Executive Management

Executive Director, David Archuleta
Deputy Director, Lawrence Esquibel
Assistant Executive Director, Rick Scroggins
Human Resource Manager, Melinda Garcia
Executive Assistant, Ariana Wakefield

Investment Division

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

Staff:

Ben Chang	Francine Jacquez
Mark Canavan	Nathan Sax
Rita Lopez	Duncan Manning
Francine Pacheco	Pete Werner
Alan Myers	Kevin Tatlow
Patricia Martinez	Charles Kassicieh
Adam Squire	Marla Medina
Samantha Martinez	

Legal Division

General Counsel, Susanne Roubidoux
Deputy Counsel, Randall Cherry
Assistant Deputy Counsel, Robert Shulman

Staff:

Amanda Olsen

Information Technology

Acting Chief Information Officer, Lawrence Esquibel

Staff:

Robert Hampton	Ryan Plumley
Nicole Jaramillo	Ramila Baral
Kerry Pickens	Isaac Romero
Bea Pacheco	Gerald Ortiz
Davis Lee	Chantelle Chasteen
Julian Barraza	Joshua Craft

Member Services

Director, Monica Lujan
Pension Benefit Manager, Raul Duran
Retirement & Member Services Manager, Jenna Vigil

Staff:

Christine Duran	Cynthia Marquez
Barbara Feeney	Patrick Gardner
Melissa Knox	Suzanne Webb
Adam Jaramillo	Michael Michaud
Jerome Lopez	Stephen Herrera-Luna
Kayla Gabaldon	Alyssa Thomas
Starlene Lucero	Mya Sandoval
Julio Barbery	Shirley Rodriguez
Julianna Martinez	Theresa Gonzales
Jocelynn Reichbach	Leticia Esparza
Jennifer Vigil	Nadia Jimenez
Daniel Roybal	Michael Pavia
Crystal Miera-Macias	Deanza Gallegos
Maria Sepulveda	Alondra Pinon
Raquel Roybal	

Administrative Services

ASD Director and Chief Financial Officer, Renada Peery-Galon
Budget and Procurement Manager, Megan Mannila
General Ledger & Employer Reporting Manager, Sandra Alva
General Ledger Supervisor, Felicia Sena
Employer Reporting Supervisor, Selina Herrera

Staff:

Joseph Avila	Sharon Lucero
Levi Tapia	Melissa McFall
Nancy Hun-Lopez	Salvador Hernandez
Jessica Tapia	David Medina
Amanda Hellinghausen	

Communications

Communications Director, Renee Garcia

Staff:

Hope Bakker

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. Russell Goff	New Mexico Association of Educational Retirees	Chair	June 30, 2024
Mary Lou Cameron	National Education Association of New Mexico	Vice-Chair	December 31, 2023
Larry Magid	Governor Appointee	Secretary	June 30, 2021
Max Baca	Governor Appointee		September 11, 2026
Donald Duszynski	American Association of University Professors		June 30, 2024
Matias Fontela	American Federation of Teachers New Mexico		June 30, 2024
Laura M. Montoya	Ex Officio - State Treasurer		
Antonio Ortiz	Ex Officio Designee - Public Education Department		
Mario Suazo	Ex Officio Designee - Higher Education Department		

The Business of the Board of Trustees

The Board of Trustees (BOT) adopted a new Strategic Plan for fiscal year 2024. The plan was implemented in the second quarter of fiscal year 2023. This plan identified the overarching goals of financial integrity and good governance, meeting member expectations, technological innovation, and building organizational strength. The plan will serve as a road map to achieve both our long and short-term goals, including the construction of new office complex, implementation of a new pension administration system, ongoing customer support improvements, and meeting our short and long-term financial obligations.

In fiscal year 2023, the BOT fully resumed in-person, regularly scheduled committee and Board meetings. These meetings provide an opportunity for Board Members to interact with each other, gather perspective, and provide staff with valuable feedback to help guide the Agency. The overall goal is to develop and maintain a strong sense of camaraderie among staff and Board Members through open communication and regular feedback.

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.

Values

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

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 1) financial integrity and good governance, 2) meet member expectations, 3) technological innovation, and 4) organizational strength. The following are the strategic priorities:

- Procurement and implementation of a new Pension Administration System (PAS).
- Design and development of a new central office complex.
- Recruitment and retention of qualified personnel.
- Compliance with reporting requirements contained in GASB Statements 25, 53, 67, 68, 72, 87 and 96.
- Continuous improvement to the funded ratio of the Trust Fund.
- Implementation of internal audit recommendations.
- Board member training and education.
- Employee training and education.

Multi-year initiatives include short-term, interim objectives and performance measures to manage the initiatives and measure their success.

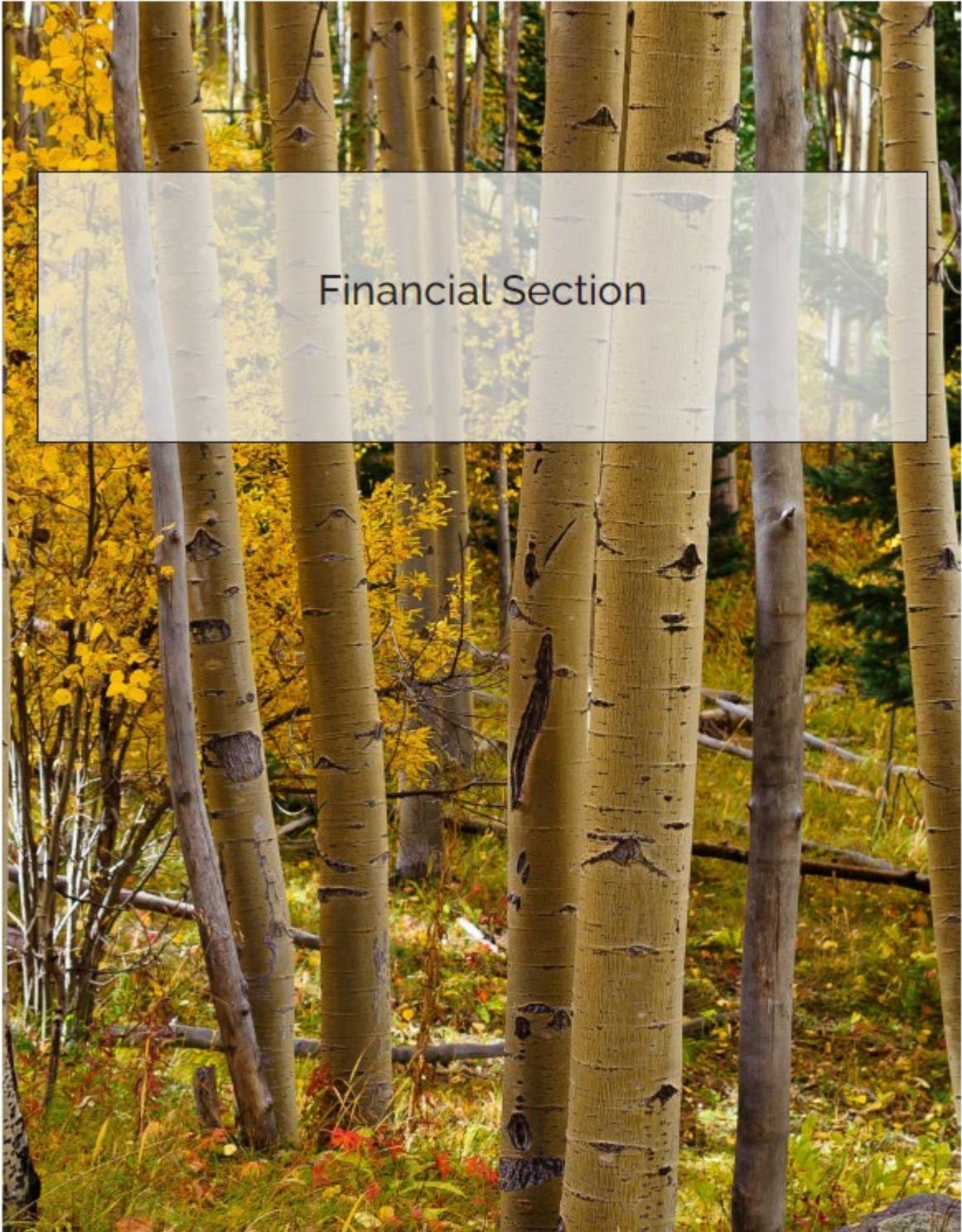
Budget Planning

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 Board of 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) 4208 Six Forks Rd., Suite 1700 Raleigh, NC 27609
Internal Audit Services	REDW, LLC 7425 Jefferson Street NE Albuquerque, NM 87109
Investment Consultants	NEPC, LLC 255 State Street Boston, MA 02109
	Hamilton Lane One Presidential Blvd. Fourth Floor Bala Cynwyd, PA 19004
	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
	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





Report of Independent Auditors

Board of Trustees
New Mexico Educational Retirement Board

Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2023, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of New Mexico Educational Retirement Board as of June 30, 2023, and the respective change in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NMERB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of New Mexico Educational Retirement Board 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, 2023, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NMERB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in employers' net pension liability and related ratios, schedule of investment returns, schedule of employer contributions, and notes to the schedule (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 New Mexico Educational Retirement Board'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 and administrative expenses, 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. Such 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. The 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

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, actuarial, investment, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023 on our consideration of New Mexico Educational Retirement Board'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 New Mexico Educational Retirement Board'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 New Mexico Educational Retirement Board's internal control over financial reporting and compliance.



Albuquerque, New Mexico
November 21, 2023

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, 2023. 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.

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 on June 30, 2023.

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 subscription-based information technology arrangements.
- Note 11** Provides information on accrued compensated absences.
- Note 12** Provides information on retirement plans.
- Note 13** Provides information on post-employment benefits.
- Note 14** Provides information on risk management.
- Note 15** Provides information on special, deficiency, and specific appropriations.
- Note 16** 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 Employers' Net Pension Liability and Related Ratios, Schedule of Investment Returns (annual money-weighted rate of return), Schedule of Employer Contributions, and Methods and Assumptions for Actuarially Determined Contribution Rate for Fiscal Year 2023.

Other Supplementary Information (OSI)

OSI includes the Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Basis); Schedule of Budgeted Expenditures; Schedule of Investing Activity and Administrative Investment Expense; 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 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

Management's Discussion and Analysis

prudent asset management, efficient administration, membership training, and reliable payment processing. In support of these desirable outcomes, NMERB met targeted goals for average rate of net return over the last five years, funding period of unfunded actuarial accrued liability (in years), average rate of net return over the last ten years, and percent of member satisfaction with seminars and trainings.

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 [31](#) and [32](#).

Condensed Statement of Fiduciary Net Position (in Millions)

	2023	2022	Change	
			Dollar	%*
Assets:				
Cash and Receivables	\$ 511	\$ 489	\$ 22	5%
Investments, Fair Value	15,865	15,210	655	4%
Capital Assets, Net	3	3	0	(7%)
Total Assets	16,379	15,702	677	4%
Total Liabilities	117	151	(34)	-23%
Net Position Restricted for Pensions	\$ 16,262	\$ 15,551	\$ 711	5%

Management's Discussion and Analysis

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

	2023	2022	Change	
			Dollar	%*
Additions				
Contributions	\$ 1,058	\$ 860	\$ 198	23%
Net Investment Income (Loss)	1,036	(337)	1,373	(408)%
Other Income	1	1	0	(37)%
Total Additions	2,095	524	1,571	300%
Deductions				
Benefits and Withdrawals	1,372	1,322	50	4%
Administrative Expenses	12	13	(1)	(11)%
Total Deductions	1,384	1,335	49	4%
Net Increase (Decrease)	711	(811)	1,522	(188)%
Net Position Restricted for Pensions				
Beginning of Year	15,551	16,362	(1,081)	-7%
End of Year	\$ 16,262	\$ 15,551	\$ 711	5%

*percentages based on amounts before rounding.

Overall Analysis of Financial Position and Results of Operations

Financial

Additions. During the fiscal years ending June 30, 2023 and 2022, the additions to the Plan's fiduciary net position totaled \$2,095 million and \$524 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 \$1,384 million in fiscal year 2023 and \$1,334 million in fiscal year 2022 resulted in an increase of 3.65% year over year, respectively. These were primarily due to normal increases in total age and service benefits.

Management's Discussion and Analysis

Condensed Net Position Analysis (in Millions)

	2023	2022	Change	
			Dollar	%
Net Position Restricted for Pensions	\$ 16,262	\$ 15,551	\$ 711	5%
Net Increase (Decrease) in Net Position	\$ 711	\$ (811)	\$ 1,522	(188%)

Net Position. In the fiscal year ended June 30, 2023 the net position increased to \$16,262 million from the prior year net position of \$15,551 million. Overall, the net increase of \$711 million was the result of investment gains during the year.

Investments

Long Term Return on Investments. As of June 30, 2023, NMERB's investment return, net of fees, since July 1, 1983 was 9%.

Fair Value of Investments. The primary element of NMERB's fiduciary net position is the fair value of the investment portfolio. Investment assets totaled \$15,865 million as of June 30, 2023, which was \$656 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)

	2023	2022	Change	
			Dollar	%
Cash and Short Term Investments	\$ 365	\$ 228	\$ 137	60%
Investments, at Fair Value	15,865	15,209	656	4%
Total	\$ 16,230	\$ 15,437	\$ 793	5%

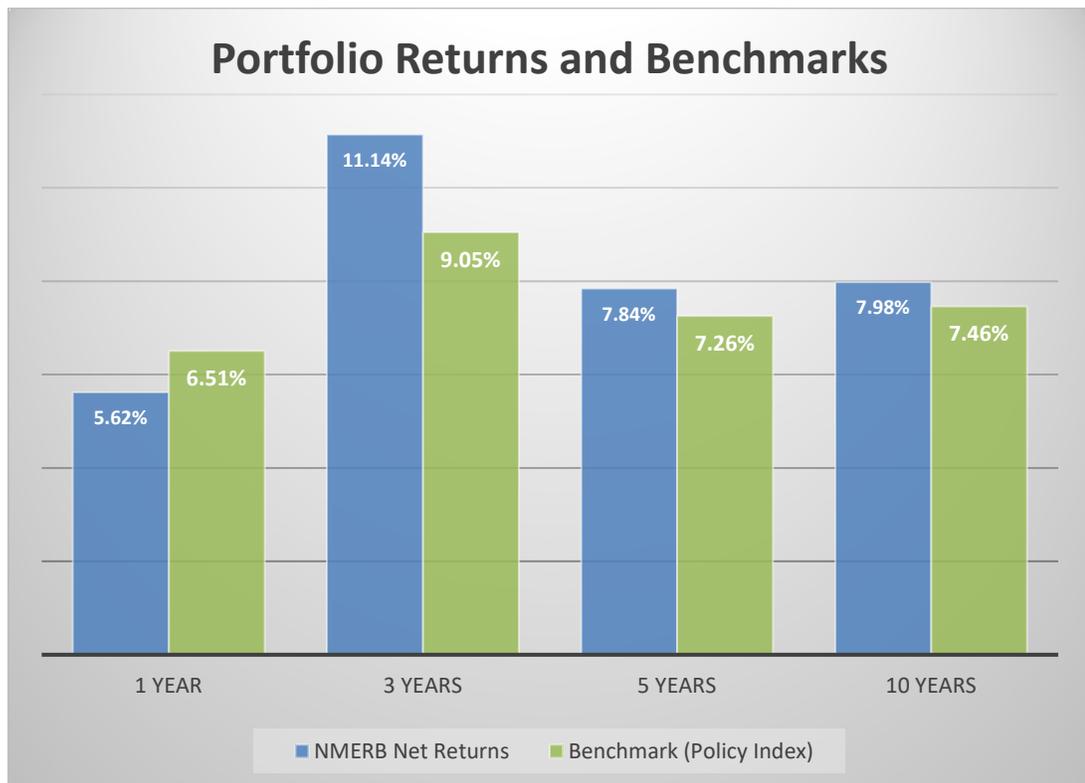
Annual Return. The investment fund achieved a positive 5.6% time weighted rate of return during the fiscal year, net of fees. This one-year return did not exceed the investment return assumption of 7.00% used for actuarial purposes. For the year, the fund's return underperformed the policy index by 89 basis points and ranked in the 91st percentile of its peers which are 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.

Management’s Discussion and Analysis

The following table provides a summary of total fund performance (net of fees) as of June 30, 2023.

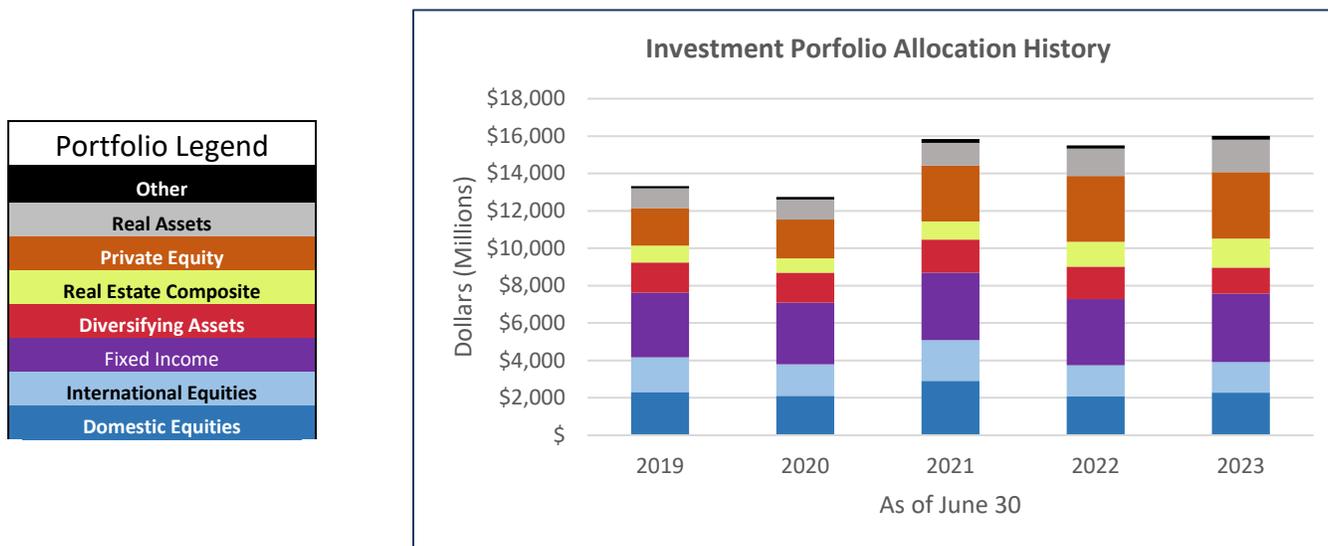
Fund Performance Summary (Net of Fees) at June 30, 2023

1 Year	3 Year	5 Year	10 Year	20 Year	30 Year	Since Inception
5.6%	11.1%	7.8%	8.0%	7.8%	7.9%	8.9%



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 2019 to 2023. Target investment allocations are reviewed at least annually by the Board of Trustees. Additional details on fiscal year 2023 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 \$8,684 million, measured as the total pension liability, less the Plan’s fiduciary net position as of June 30, 2023, was calculated based on an expected rate of return on Plan investments of 7.0%. The current NPL increased by 3.1% over the fiscal year 2022 NPL of \$8,421 million.

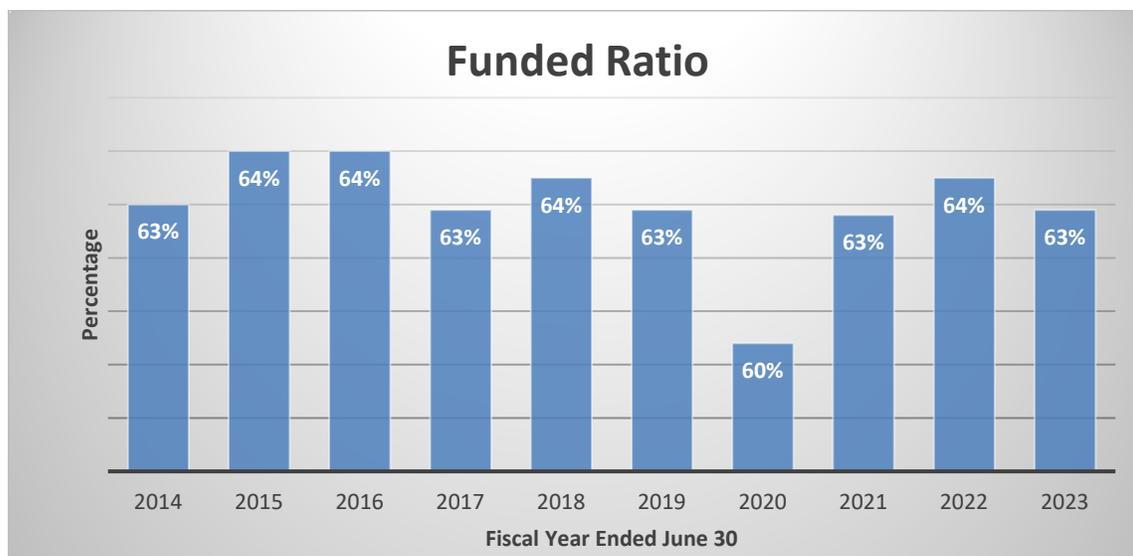
Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption. The table below presents the changes in NMERB’s fiduciary net pension liability. The table also provides the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shown below is for fiscal years 2018 through 2023.

Management’s Discussion and Analysis

Net Pension Liability

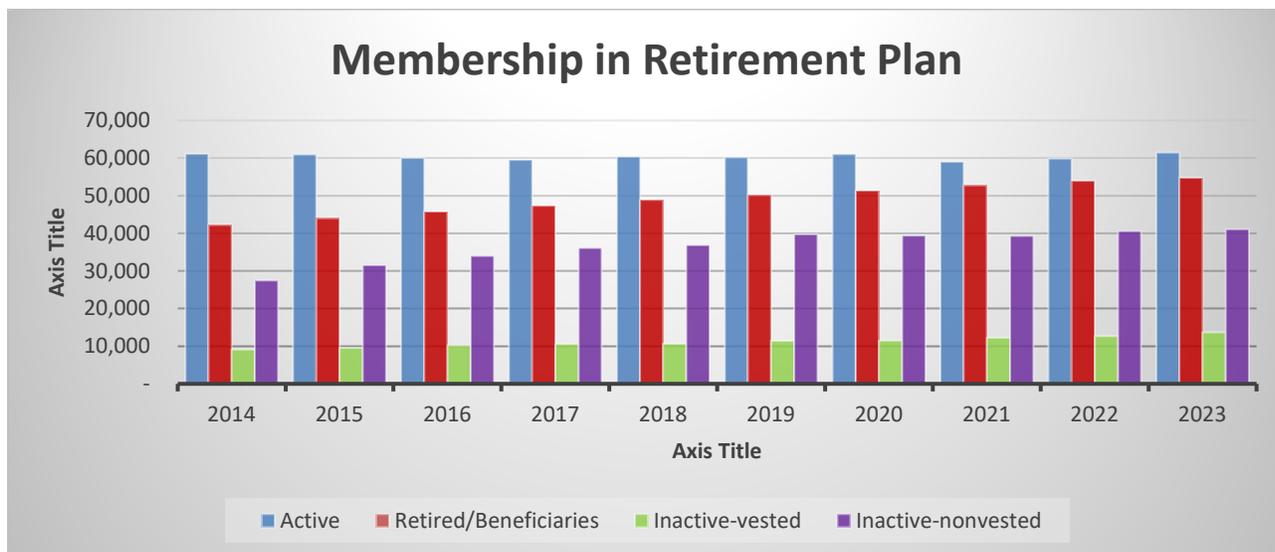
Fiscal Year	Discount Rate	1% Decrease	Current Single Rate Assumption	1% Increase
2023	7.00 %	\$ 11,805,547,098	\$ 8,684,285,003	\$ 6,105,755,256
2022	7.00 %	\$ 11,419,137,344	\$ 8,421,711,477	\$ 5,944,381,908
2021	7.00 %	\$ 10,035,064,321	\$ 7,087,466,701	\$ 4,651,571,637
2020	3.89 %	\$ 25,593,615,269	\$ 20,265,889,826	\$ 15,979,388,434
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

Funded Ratio. The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from 63.5% as of June 30, 2022 to 62.9% as of June 30, 2023. The decrease was primarily due to individual salaries increasing 8.4% more than expected. However, it is important to note that greater than expected salaries results in greater than expected contributions. The Plan’s funding period, based on an open group projection as of the valuation date of June 30, 2023, is 26 years compared to 29 years as of June 30, 2022.



Membership: Over the last ten years, the total number of active plan members has increased 0.5%, while the number of retired members and beneficiaries has increased 29.7%. 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 49.5% and 50.0%, respectively. Total membership has increased 22.2%.

Management's Discussion and Analysis



Analysis of Balances and Transactions

Receivables and Payables. Total current receivables for fiscal year 2023 decreased by \$116.6 million from the prior year. Total current payables for fiscal year 2023 decreased by \$46.1 million from the prior year. Changes in year-end balances were primarily caused by changes in year-end accounts payable, broker purchases and sales proceeds.

Condensed Receivables and Payables Analysis (in Millions)

	2023	2022	Change	
			Dollar	% *
Interest, Dividends, and Other Receivables	\$ 12	\$ 152	\$ (140)	(92)%
Contributions	133	110	23	21%
Total Current Receivables	\$ 145	\$ 262	\$ (117)	-45%
Accounts Payable	\$ 3	\$ 4	\$ (1)	-16%
Accounts Payable - Benefit Payments Payable	110	0	110	Undefined
Accrued Payroll and Benefits	1	1	(0)	-9%
Refunds Payable and Other Liabilities	1	3	(2)	-74%
Investment Purchases and Foreign Exchange Payables	1	144	(143)	(99)%
Total Current Payables	\$ 116	\$ 152	\$ (36)	-30%

*percentages based on amounts before rounding.

Management's Discussion and Analysis

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.

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 \$1,058 billion and include contributions for service credit purchases. This is an increase of \$198.7 million, or 23.1%, from the prior fiscal year. The change in contributions derived in part from an increase of 2% in employer contributions in fiscal year 2023.

Investment Income. Investment gain, net of external manager and custody banking fees, was \$1,036 billion for 2023 and an investment loss, net of external manager and custody banking fees of (\$337) million for 2022, respectively. 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 2023, including disability and death benefit payments, totaled \$1,317 billion, a 3.68% increase over the prior year's net benefit payments. The increase in payments is attributable to the growth in the retiree population by 1.5% from 53,972 in fiscal year 2022 to 54,774 in fiscal year 2023 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.

Contact NMERB

Questions

Any questions regarding the financial statements of NMERB should be directed to the NMERB Chief Financial Officer at (505) 476-6118 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 For the Year Ended June 30, 2023

	Fund 60500
ASSETS	
Cash and Short Term Investments:	
Investment in State General Fund Investment Pool	\$ 121,848,734
Other Cash	117,465
Short Term Investments	<u>243,306,941</u>
Total Cash and Short Term Investments	365,273,140
Receivables:	
Contributions	132,507,164
Investment Sales Proceeds - Brokers and Foreign Exchange Receivables	3,430,678
Interest and Dividends	9,186,964
Allowance for Uncollectible Accounts	<u>(226,511)</u>
Total Receivables	144,898,295
Investments, at Fair Value	
Public Equity	4,307,535,938
Alternative Investments	10,704,058,032
Fixed Income	<u>853,745,203</u>
Total Investments	<u>15,865,339,173</u>
Capital Assets, Net of Accumulated Depreciation	<u>3,236,106</u>
Total Assets	<u>16,378,746,714</u>
LIABILITIES	
Accounts Payable	113,149,194
Accrued Payroll and Employee Benefits	762,943
Refunds Payable	693,632
Investment Purchases and Foreign Exchange Payables	999,238
Other	<u>1,348,237</u>
Total Liabilities	<u>116,953,244</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 16,261,793,470</u></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, 2023

	Fund 60500
ADDITIONS	
Contributions	
Employer	\$ 662,750,272
Member	394,165,107
Service Credits Purchases	1,650,074
Total Contributions	1,058,565,453
Investment Income	
Net Appreciation in Fair Value of Plan Investments	926,848,601
Dividend Income	62,130,195
Interest Income	44,384,055
Other Investment Income	154,605,179
Total Investment Income	1,187,968,030
Investment Expenses	
Management Fees	(116,543,519)
Performance Fees and Carried Interest	(30,422,231)
Consulting Fees	(1,721,985)
Custodial Fees	(968,790)
Legal Fees and IT Costs	(2,064,775)
Total Investment Expenses	(151,721,300)
Net Investment Income	1,036,246,730
Other Income	505,251
Total Additions	2,095,317,434
DEDUCTIONS	
Age and Service Benefit Payments	1,317,587,613
Refunds to Terminated Members	54,086,836
Administrative	12,551,223
Total Deductions	1,384,225,672
INCREASE IN NET POSITION	711,091,762
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING OF YEAR	15,550,701,708
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	\$ 16,261,793,470

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

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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 of Trustees exercises oversight responsibility; financial interdependency; selection of governing authority; designation of management; and ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on the criteria, the Board of Trustees has determined 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 171,033 as of June 30, 2023. The following schedule shows the number of members by category. A breakdown of contributing employers by reporting category as of June 30, 2023 follows.

Schedule of Plan Membership

Membership Status	2023
Active Working Members	61,503
Retirees and Beneficiaries Currently Receiving Benefits	54,774
Inactive Members, Vested	13,669
Inactive Members, Nonvested	41,087
Total	171,033

E. Participating Employers

NMERB served a total of 220 educational employers in fiscal year 2023. Changes in the number of participating employers from year to year are due largely to Charter Schools opening and closing throughout the fiscal year. For fiscal year 2023, there were no changes in participating employers from the prior fiscal year. 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 2023 follows:

Schedule of Participating Employers

Employer Category	2023
Charter Schools	100
Public Schools	89
State Agencies	11
Universities and Colleges	16
Special Schools	4
Total	220

For the fiscal year ended June 30, 2023, 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
2023	7/1/2022 to 6/30/2023	Over \$24K	10.70 %	17.15 %	27.85 %	2.00 %
2023	7/1/2022 to 6/30/2023	\$24K or Less	7.90 %	17.15 %	25.05 %	2.00 %

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 65 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 67 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 of Trustees.

Monthly Benefit – The monthly benefit is equal to 2% 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 of Trustees. 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, 2023, colleges and universities contributed 17.15% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 6.25% 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 6.25% contributions to the Plan. Employer contributions reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of the ARP defined benefit plan. The 6.25% contribution remitted for fiscal year ended June 30, 2023, was \$15,811,155.

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. New Accounting Standard

In May 2020, the Governmental Accounting Standards Board (GASB) issued a new standard, Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The implementation of the GASB 96, effective for fiscal years beginning after June 15, 2022, is intended to provide guidance on the accounting and financial reporting for SBITAs for government entities. SBITAs are defined in GASB 96 as "a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange-like transaction."

Additional information on the implementation of GASB 96 along with placement in the financial statements can be found in Section M Accounting Policies for Leases and Subscription-Based Information Technology Arrangements of Note 2 on page 46 and in Note 10 Subscription-Based Information Technology Arrangements on page 68.

D. 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).

E. 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.

F. Benefits

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

G. 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.

H. 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. 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
Furniture and Equipment	10
Data Processing Equipment (Including Software)	5

I. 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 (SBD), 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 SBD 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 13 of the General Appropriation Act of 2022, 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.

J. Information Technology Appropriation

In the 2023 legislative session, NMERB received an information technology appropriation for fiscal years 2023, 2024 and 2025 in the amount of \$30,500,000 for a Pension Administration System (PAS) Modernization project. The PAS project supports the following strategic goals: financial integrity and governance, meet members expectations, technology innovation and organizational strength. This will be a multi-year, phased project that will replace the current system with a vendor hosted secure software. In May 2023, NMERB received Project Certification Committee (PCC) certification on \$7,568,673 of the \$30.5 million to cover the costs of the first year of the PAS implementation. The PAS project started in fiscal year 2024 with the support of four contracts for project management, software, data cleansing and conversion, and Independent Verification and Validation (IV&V).

K. 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 2023, as soon as the state's central accounting system is available to process the new fiscal year's transactions.

L. Due to Other State Agencies

NMERB's financial statements do not reflect any amounts due to other state agencies as of June 30, 2023.

M. Accounting Policy for Leases and Subscription-Based Information Technology Arrangements

NMERB recognizes leases and Subscription-Based Information Technology Arrangements (SBITA) that have a term exceeding one year that meet the definition of anything other than short-term lease or SBITA. NMERB uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the New Mexico Department of Finance and Administration (DFA) incremental borrowing rates for the appropriation fiscal year and term of agreement. Short-term subscription payments are expensed when incurred.

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, 2023. 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 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, 2023

Total Pension Liability	\$ 24,946,078,473
Plan Fiduciary Net Position	<u>(16,261,793,470)</u>
Employer Net Pension Liability	<u>\$ 8,684,285,003</u>
Plan Fiduciary Net Position as a percentage of	
Total Pension Liability	65.19%
Covered Payroll	\$ 3,645,972,589
Net Pension Liability as a percentage of Covered Payroll	238.19%

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, 2022. The total pension liability was rolled forward from the valuation date to June 30, 2023 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, 2023. 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

2023

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>

Notes to the Financial Statements

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.

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, 2023. 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
2023	7.00 %	\$ 11,805,547,098	\$ 8,684,285,003	\$ 6,105,755,256

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, 2023, the annual money-weighted rate of return on pension plan investments was 5.62%.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for fiscal year 2023 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	4.0%
US Large-Cap Equity	4.6%
US Small/Mid-Cap Equity	6.5%
Non-US Developed Equity	5.0%
Non-US Developed Equity (USD Hedge)	5.1%
Emerging Market Equity	9.2%
Private Equity*	10.8%
US TIPS	4.6%
US Treasury Bond	4.2%
US Corporate Bond	5.7%
US Mortgage-Backed Securities	4.5%
US Aggregate Bond (Core Bonds)**	4.7%
US High Yield Corporate Bond	6.8%
US Leveraged Loan (Bank Loans)	7.6%
Emerging Market External Debt	7.7%
Emerging Market Local Currency Debt	6.5%
Global Government Bond	3.1%
Global Government Bond (USD Hedge)	3.2%
Private Debt - Credit Opportunities	8.0%
Commodity Futures	4.8%
Real Estate - Core	5.3%
Private Real Assets***	7.4%
Hedge Fund - Macro	5.6%

Note: 10-year geometric rates.

*Private Equity is 60% Private Equity Buyout, 20% Private Equity Secondary, 20% Private Equity Growth.

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

***Private Real Assets assumption is 50% Private Real Assets Natural Resources and 50% Private Real Assets Infrastructure.

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 the 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 are 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, 2023, 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 the 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 the 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 the 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 the State Treasurer's Office for Business Unit 35200 and Fund 60500. As of June 30, 2023, NMERB had \$121,848,734 invested in the SGFIP.

A. Interest Rate Risk

The State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy enables the 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 the State Treasurer's Office, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2023.

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 \$365,273,140 as of June 30, 2023 is reported as cash and short-term investment balances in NMERB's statement of net position.

The short-term investment balances have no amounts in the State Treasurer's Office Local Government Investment Pool as of June 30, 2023.

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 the 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 of Trustees 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, 2023, the uncollected balance including interest assessed, net of uncollectible amounts due to settlement, bankruptcy, or death, is \$229,719. 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, 2023 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, 2023, NMERB's additional future contribution commitments to limited partnerships totaled \$4.41 billion.

Notes to the Financial Statements

The following schedule presents a summary of NMERB's investments measured at fair value as of June 30, 2023.

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	\$ -	\$ 47,596	\$ 26,267	\$ 73,863
Mortgage & Asset Backed Securities	-	134,736	59,093	193,829
Municipal Obligations	-	4,024	-	4,024
U.S. Agency Obligations	-	196,618	-	196,618
U.S. Corporate Obligations	-	191,811	-	191,811
U.S. Government	-	187,653	-	187,653
Total Debt Securities	-	762,438	85,360	847,798
Equity Securities:				
Foreign Stocks	46,601	-	-	46,601
U.S. Common and Preferred Stock	2,591,432	-	2	2,591,434
Total Equity Securities	2,638,033	-	2	2,638,035
Total Investments by Fair Value Level	2,638,033	762,438	85,362	3,485,833
Investments Measured at the Net Asset Value				
Commingled Global Asset Allocation				418,240
Commingled International Equity Funds				1,629,700
Hedge Funds				74
Opportunistic Credit Funds				2,793,737
Private Equity Funds				4,622,429
Private Real Estate Assets				2,915,326
Total Investments Measured at the Net Asset Value				12,379,506
Total Investments, at Fair Value				\$ 15,865,339

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.

Investments Measured at Net Fair Value (in Thousands)

	2023	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Comingled Global Asset Allocation	418,240	-	Monthly, Quarterly, Semi-Annual, Annual	30-120 Days
Comingled International Equity Funds	1,629,700	-	Daily, Monthly	5-15 Days
Hedge Funds	75	-	In Liquidation Process	N/A
Opportunistic Credit Funds	2,793,737	718,163	Daily, Monthly, Quarterly, Semi-Annual	30-180 Days
Private Equity Funds	4,622,430	2,413,586	N/A	N/A
Private Real Assets	2,915,326	1,286,794	N/A	N/A
Total	<u>\$ 12,379,507</u>	<u>\$ 4,418,543</u>		

Commingled Bond Funds and Equity Funds. Consisting of four (4) international equity funds that 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 one (1) fund, 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. This investment is valued at the NAV per share.

Diversifying Assets. Consisting of thirteen (13) funds that seek to invest 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 is 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 thirty-two (32) 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 one hundred and seven (107) 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.

Notes to the Financial Statements

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 ninety-one (91) 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 February 2022. 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 February 2022 as well as the prior allocation policy targets.

Schedule of Asset Allocation Versus Policy Targets

	Allocation	Policy Target ¹
Equities		
<i>Domestic Equities</i>		
Large cap equities	11.4%	15.0%
Small-mid cap equities	2.9%	4.0%
Total domestic equities	<u>14.3%</u>	<u>19.0%</u>
<i>International Equities</i>		
Developed markets	4.9%	5.0%
Emerging markets	5.3%	4.0%
Total international equities	<u>10.2%</u>	<u>9.0%</u>
Fixed Income		
Core fixed income	5.0%	6.0%
Opportunistic credit	17.8%	18.0%
Emerging markets debt	0.2%	0.0%
Total fixed income	<u>23.0%</u>	<u>24.0%</u>
Alternatives		
Global asset allocation	2.1%	2.0%
Risk parity	0.5%	0.0%
Other diversifying assets	6.1%	8.0%
REITs	1.5%	0.0%
Private real estate	8.1%	8.0%
Private equity	22.3%	17.0%
Inflation-linked assets	10.8%	12.0%
Total alternatives	<u>51.4%</u>	<u>47.0%</u>
Cash		
	1.3%	1.0%
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

¹ Long-Term Policy Target approved by the Board in February 2022.

Notes: Allocations shown here include cash held in separately managed portfolios.

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, 2023, was \$84,586,981. A detailed 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 (in Thousands)

Continent	Currency	Securities	Cash	Net Foreign Currency Risk
AMERICAS	MEXICAN PESO	\$ -	\$ 2	\$ 2
ASIA	HONG KONG DOLLAR	5	-	5
	YUAN RENMINBI	-	13,730	13,730
	YUAN RENMINBI OFFSHORE	-	(13,710)	(13,710)
EUROPE	EURO CURRENCY	84,485,760	5,184	84,490,944
	RUSSIAN RUBLE	-	96,010	96,010
	Total	\$ 84,485,765	\$ 101,216	\$ 84,586,981

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 2023 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)
U.S. Treasury Securities	\$ 175,764,701	9.18
U.S. Government & Government Related Obligations	17,258,929	16.33
International Government Obligations	33,645,286	5.65
Corporate Obligations	197,986,212	7.15
Asset and Mortgage-Backed Securities	355,895,053	2.31
Total	\$ 780,550,181	

E. Concentration of Credit Risk

Concentration risk is identified by the amount of investment in any one issuer that represents 5% or more of the fiduciary net position. As of June 30, 2023, 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, 2023 is presented in the Summary of Investments by Category and Credit Risk. 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, 2023.

Notes to the Financial Statements

Summary of Investments Subject to Credit Risk, at Fair Value

Agency	\$	13,171,675
Asset Backed		77,628,286
CMBS		929,468
CMO		80,126,388
Corporate		197,986,212
Mortgage Pass-Through		197,210,911
Municipal		4,087,254
US Treasury		175,764,701
Yankee		33,645,286
Total	\$	<u>780,550,181</u>

NMERB's investments were rated and categorized according to Standard & Poor's rating standards. Investments by category and credit risk are listed below as of June 30, 2023.

Summary of Investments by Category and Credit Risk Standard and Poor's Rating

	AAA	AA+	AA-	BBB+	Grand Total
Agency	\$ -	\$ 13,171,675	\$ -	\$ -	\$ 13,171,675
Asset Backed	-	-	77,628,286	-	77,628,286
CMBS	929,468	-	-	-	929,468
CMO	-	80,126,388	-	-	80,126,388
Corporate	-	-	-	197,986,212	197,986,212
Mortgage Pass-Through	-	197,210,911	-	-	197,210,911
Municipal	4,087,254	-	-	-	4,087,254
US Treasury	-	175,764,701	-	-	175,764,701
Yankee	-	-	-	33,645,286	33,645,286
Grand Total	<u>\$ 5,016,722</u>	<u>\$466,273,675</u>	<u>\$77,628,286</u>	<u>\$231,631,498</u>	<u>\$780,550,181</u>

G. Cash Balances

NMERB earns interest on all monies held in the Agency’s custodial agent bank. Cash balances exist in various accounts due to income received (dividends, principal and interest payments, etc.) sale of securities, and as a pool for future investments. NMERB’s money is invested overnight in a Short-Term Investment Fund. As of June 30, 2023, NMERB had \$243,306,941 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. The 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, 2023, NMERB had \$121,966,199 on deposit with the State Treasurer’s Office. Additional information regarding NMERB’s cash balances can be found on page 84.

Note 8 Derivative Instruments

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

The Board of Trustees 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, 2023.

**Notional Amounts, Fair Value
(in Thousands)**

	2023
Commodity Futures	\$ 3,194
Futures Contracts	34,100
Index Futures	119

The fair values of derivative instruments outstanding as of June 30, 2023 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 63.

Unrealized Gain/(Loss) <i>(in Thousands)</i>				
Derivative Type	Classification	Gain/(Loss)	Classification	Amount
Commodity Futures - long	Investment Income	\$ (993)	Investment	\$ -
Commodity Futures - short	Investment Income	195	Investment	-
Credit default swaps - purchased	Investment Income	(87)	Investment	-
Credit default swaps - written	Investment Income	121	Investment	-
Fixed Income Futures - long	Investment Income	(3,576)	Investment	-
Fixed Income Futures - short	Investment Income	316	Investment	-
Fixed Income Options - purchased	Investment Income	(32)	Investment	-
Fixed Income Options - written	Investment Income	3	Investment	-
Fx Forwards	Investment Income	1,619	Investment	-
Index futures - long	Investment Income	(3,493)	Investment	-
Index futures - short	Investment Income	111	Investment	-
Fx Options - purchased	Investment Income	123	Investment	-
Fx Options - written	Investment Income	(32)	Investment	-
Pay interest rate swaps	Investment Income	(775)	Investment	-
Receive interest rate swaps	Investment Income	42	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	EGYPTIAN POUND	\$ -	\$ -	\$ -	\$ 4
	SOUTH AFRICAN RAND	-	166	-	(12)
AMERICAS	BRAZILIAN REAL	-	10	-	(485)
	CANADIAN DOLLAR	-	6	-	1
	CHILEAN PESO	-	-	-	(33)
	COLOMBIAN PESO	-	-	-	(165)
	MEXICAN PESO (NEW)	-	(0)	-	(92)
	SOL	-	-	-	(25)
	ASIA	INDIAN RUPEE	-	9	-
	INDONESIAN RUPIAH	-	64	-	-
	JAPANESE YEN	-	8	-	(38)
	MALAYSIAN RINGGIT	-	(0)	-	(5)
	NEW ISRAELI SHEQEL	-	235	-	(6)
	NEW TAIWAN DOLLAR	-	93	-	-
	PHILIPPINE PESO	-	(4)	-	(119)
	SINGAPORE DOLLAR	-	-	-	(8)
	SOUTH KOREAN WON	-	56	-	-
	THAILAND BAHT	-	127	-	-
	YUAN RENMINBI OFFSHORE	-	(136)	-	(0)
EUROPE	CZECH KORUNA	-	-	-	(97)
	EURO CURRENCY	-	233	-	(6)
	HUNGARIAN FORINT	-	58	-	(27)
	POLISH ZLOTY	-	11	-	(160)
	ROMANIAN LEU	-	2	-	(30)
	TURKISH LIRA	-	1	-	38
	AUSTRALIAN DOLLAR	-	44	-	(16)
	Total	\$ —	\$ 983	\$ —	\$ (1,281)

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, 2023 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, 2023 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, 2023. 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 fair value following determination of the occurrence of a credit event. Swap contracts as of June 30, 2023 are summarized below.

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

Transaction Type	Currency	Notional Amount	Unrealized Gain/Loss
Futures	Euro Currency	\$ -	\$ 59
	US Dollar	37,413	971
Options Purchased	US Dollar	-	19
Options Written	US Dollar	-	79
Swaps	Brazilian Real	-	(385)
	Chilean Peso	-	(17)
	Colombian Peso	-	(39)
	Czech Koruna	-	(296)
	Hungarian Forint	-	15
	Malaysian Ringgit	-	(111)
	Mexican Peso (New)	-	(313)
	Polish Zloty	-	217
	South African Rand	-	32
	South Korean Won	-	(13)
	Thailand Baht	-	(23)
		\$ 37,413	\$ 195

F. 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.

G. 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 market value, as of June 30, 2023 are as follows:

Schedule of Asset-Backed Securities

Security Type	Amount
Asset-Backed Securities	\$ 292,977,515
Non-Agency Mortgage-Based Securities	24,882,536
Foreign Asset-Backed Securities	36,793,428
Total	<u>\$ 354,653,479</u>

Note: The amounts are based on market value.

Note 9 Capital and Right to Use 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, 2023 is shown below.

Schedule of Capital Asset Activity

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets, at Cost				
Land & Land Improvements	\$ 1,243,703	\$ -	\$ -	\$ 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>\$ 15,105,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,105,619</u>
Accumulated Depreciation				
Land Improvements	(12,017)	(699)	-	(12,716)
Building and Improvements	(2,531,442)	(92,413)	-	(2,623,855)
Retirement Information System	(9,156,963)	-	-	(9,156,963)
Furniture, Fixtures and Equipment	(1,191,200)	(6,287)	-	(1,197,487)
Total	<u>\$(12,891,622)</u>	<u>\$(99,399)</u>	<u>\$ -</u>	<u>\$(12,991,021)</u>
Capital Assets, Net of				
Accumulated Depreciation	<u>\$ 2,213,997</u>	<u>\$(99,399)</u>	<u>\$ —</u>	<u>\$ 2,114,598</u>

The NMERB has recorded intangible right-to-use lease assets as a result of implementing GASB 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability [plus any lease payments made prior to the lease term and ancillary charges necessary to place the lease into service, less lease incentives]. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term.

Lease asset activity for the NMERB for the year ended June 30, 2023 was as follows:

Schedule of Right to Use Asset Activity

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets, at Cost				
Right-to-use building	1,340,394	-	-	1,340,394
Right-to-use equipment	63,215	-	-	63,215
Total	<u>\$ 1,403,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,403,609</u>
Accumulated Depreciation				
Right-to-use building	(119,560)	(119,560)	-	(239,120)
Right-to-use equipment	(21,490)	(21,490)	-	(42,980)
Total	<u>\$ (141,050)</u>	<u>\$ (141,050)</u>	<u>\$ -</u>	<u>\$ (282,100)</u>
Right to Use Assets, Net of Accumulated Depreciation	<u>\$ 1,262,559</u>	<u>\$ (141,050)</u>	<u>\$ -</u>	<u>\$ 1,121,509</u>

Leases

The NMERB has entered into agreements to lease equipment and a building. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021.

An agreement was in effect on July 1, 2021, to lease a building through October 2038, requiring 208 monthly payments. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of 1.75%. The IBR is an estimation made by the state of New Mexico based on current borrowing rates. As a result of the lease, the NMERB has a lease asset with a net book value of \$1,045,622, and a lease liability of \$1,078,772 on June 30, 2023.

Another agreement was in effect on July 1, 2021, to lease a building through July 2024, requiring 37 monthly payments. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of .50%. The IBR is an estimation made by the state of New Mexico based on current borrowing rates. As a result of the lease, the NMERB has a lease asset with a net book value of \$55,649, and a lease liability of \$56,878 on June 30, 2023.

A third agreement was in effect on July 1, 2021, to lease copy machines through February 2024, requiring 32 monthly payments of approximately \$1,200. The lease liability is measured at the applicable Incremental Borrowing Rate (IBR) of .50%. The IBR is an estimation made by the state of New Mexico based on current borrowing rates. As a result of the lease, the NMERB has a lease asset with a net book value of \$9,599 and a lease liability of \$9,643 on June 30, 2023.

A fourth agreement was in effect on July 1, 2021, to lease a folder/insert machine through December 2024, requiring 42 monthly payments of \$596. The lease liability is measured at the applicable Incremental Borrowing

Rate (IBR) of .50%. The IBR is an estimation made by the state of New Mexico based on current borrowing rates. As a result of the lease, the NMERB has a lease asset with a net book value of \$10,637 and a lease liability of \$10,686 on June 30, 2023.

The future minimum payments on those leases as of June 30, 2023 were as follows:

	Principal Payments	Interest Payments	Total
2024	\$ 122,860	\$ 18,671	\$ 141,531
2025	63,595	17,505	81,100
2026	57,712	16,507	74,219
2027	59,858	15,480	75,338
2028	62,056	14,415	76,471
2029-2033	346,190	60,620	406,810
2034-2038	413,638	28,666	442,304
2039	30,069	1,482	31,551
	<u>\$ 1,155,978</u>	<u>\$ 173,346</u>	<u>\$ 1,329,324</u>

The changes in lease liabilities for the year ended June 30, 2023 are as follows:

	June 30, 2022 Beginning Balance	Increases	Decreases	June 30, 2023 Ending Balance	Current Portion of Balance
Governmental Activities					
Lease Liabilities					
Right-to-use building	\$ 1,238,643	\$ -	\$ (102,993)	\$ 1,135,650	\$ 106,102
Right-to-use equipment	41,812	-	(21,484)	20,328	16,758
	<u>\$ 1,280,455</u>	<u>\$ -</u>	<u>\$ (124,477)</u>	<u>\$ 1,155,978</u>	<u>\$ 122,860</u>

Depreciation expense reported as part of administrative expenses is \$99,399 for fiscal year 2023. Amortization of right-to-use assets is \$141,050 for fiscal year 2023.

Note 10 Subscription-Based Information Technology Arrangements

The NMERB entered into a professional services information technology contract for software subscription and maintenance for the pension administration system, also known as Browser. This contract met the scope of GASB 96 requiring the recognition of Subscription-Based Information Technology Arrangements (SBITAs) assets and liabilities. This was a four-year contract that started in fiscal year 2020 and ended in fiscal year 2023. A new four-year contract started in fiscal year 2024 with a termination date of June 30, 2027. This new contract will be recognized as an SBITA next year.

Compensation for the contract ended June 30, 2023 was \$3,830,999 plus gross receipts tax of \$253,150. There were no capitalized SBITA assets due to the contract terminating at the end of fiscal year 2023. NMERB paid the following amounts for the four years of the contract.

Fiscal year	Subscription		Maintenance		Total
2023	\$	325,970	\$	536,793	\$ 862,763
2022		335,748		990,803	1,326,551
2021		356,717		579,464	936,181
2020		366,995		591,659	958,654
Total	\$	1,385,430	\$	2,698,720	\$ 4,084,150

Note 11 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, 2023.

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, 2022	Increase	Decrease	June 30, 2023
Compensated Absences	\$ 542,707	\$ 228,087	\$ (188,093)	\$ 582,701

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 12 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 10.42% of their gross salary. NMERB is required to contribute 18.74% 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, 2023 were \$1,164,302.

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.erb.nm.gov.

D. NMERB Funding Policy

2023 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 exceeds \$24,000 are required to contribute 10.70% of their gross salary.

2023 Employer Contributions – Employers contribute 17.15% of the gross covered salary for employees whose annual salary was \$24,000 or less, and 17.15% of the gross covered salary for employees whose salary exceeds \$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.

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 13 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, 2023 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 14 Risk Management

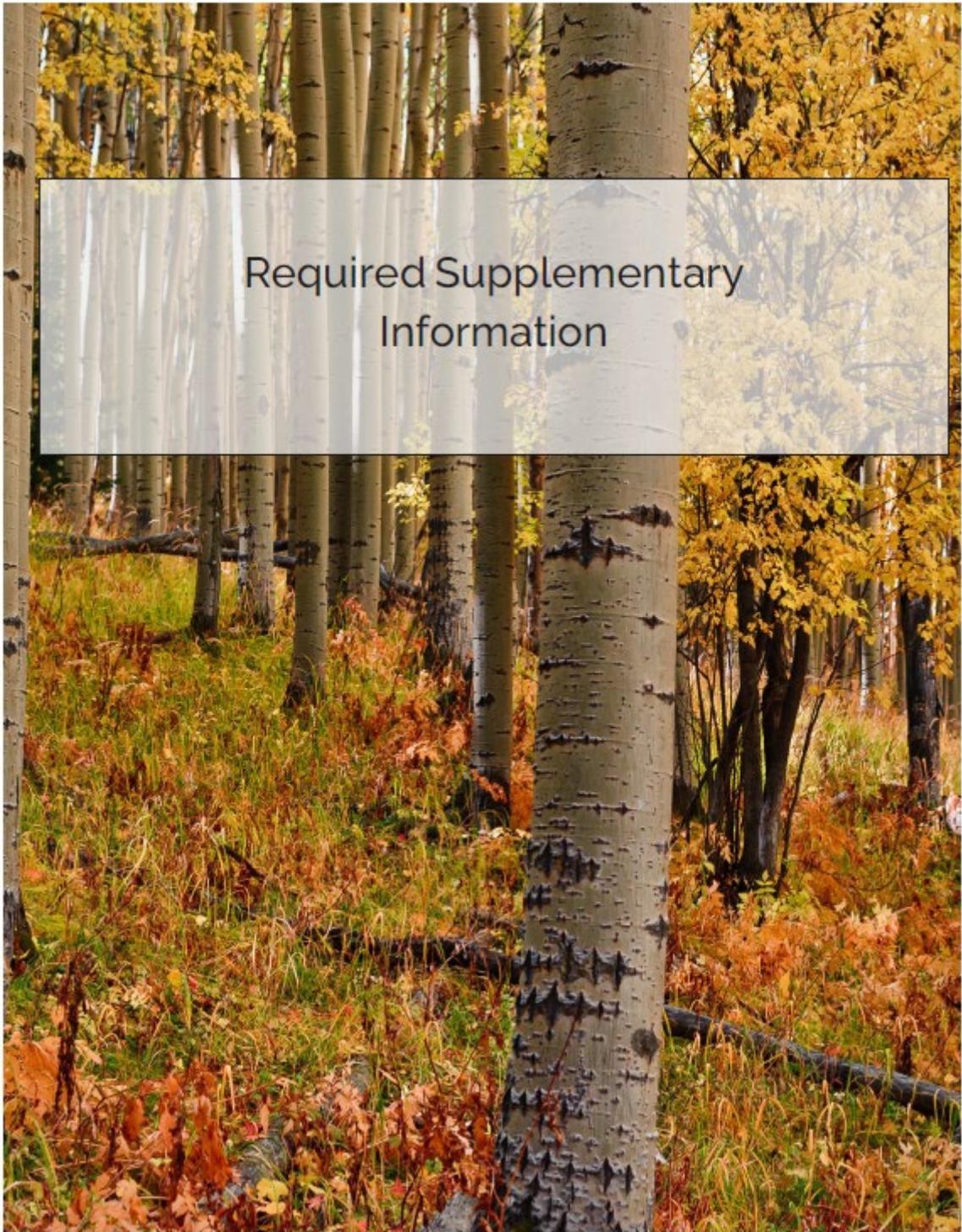
NMERB is exposed to various risks of loss for which it carries insurance (auto, employee bond, general liability, civil rights and foreign jurisdiction, money and securities, property, and workers' compensation) with the Risk Management Division insurance program of the New Mexico General Services Department.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

Note 15 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 specific appropriation for fiscal year end 2023 can be found in Note 2, Item J Information Technology Appropriation on page 45.

Note 16 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 ending June 30, 2023	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 456,424,585	\$ 431,265,638	\$ 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 on the Total Pension Liability	1,646,035,178	1,610,270,664	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 Expected and Actual Experience	242,879,974	(196,599,674)	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	(1,371,674,449)	(1,321,514,502)	(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	\$ 973,665,288	\$ 523,422,126	\$ (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	23,972,413,185	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
Total Pension Liability - Ending (a)	\$ 24,946,078,473	\$ 23,972,413,185	\$ 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	\$ 662,750,272	\$ 511,943,988	\$ 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	395,815,181	347,917,165	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	1,036,751,981	(336,187,635)	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	(1,371,674,449)	(1,321,514,502)	(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	(12,551,223)	(12,981,666)	(12,087,563)	(10,877,658)	(9,325,712)	(9,908,319)	(9,848,329)	(9,660,510)	(10,597,846)	(16,617,970)
Other	0	0	0	0	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	\$ 711,091,762	\$ (810,822,650)	\$ 3,342,327,496	\$ (525,494,252)	\$ 574,390,259	\$ 460,944,945	\$ 976,517,959	\$ 35,114,836	\$ 1,306,024,312	\$ 1,154,377,021
Plan Fiduciary Net Position - Beginning	\$ 15,550,701,708	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
Plan Fiduciary Net Position - Ending (b)	\$ 16,261,793,470	\$ 15,550,701,708	\$ 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 - Ending (a)-(b)	\$ 8,684,285,003	\$ 8,421,711,477	\$ 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	65.19%	64.87%	69.77%	39.11%	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%
Covered Payroll	\$ 3,645,972,589	\$ 3,214,177,618	\$ 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	238.19 %	262.02 %	231.77 %	664.80 %	270.84 %	444.00 %	407.33 %	262.59 %	237.23 %	209.92 %

Notes to Schedule:

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%.

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

Schedule of Investment Returns

Fiscal Year Ending June 30, 2023	Annual Money - Weighted Rate of Return
2023	5.62 %
2022	1.00 %
2021	28.76 %
2020	(0.97)%
2019	7.29 %
2018	8.38 %
2017	11.91 %
2016	2.68 %
2015	4.06 %
2014	14.71 %

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

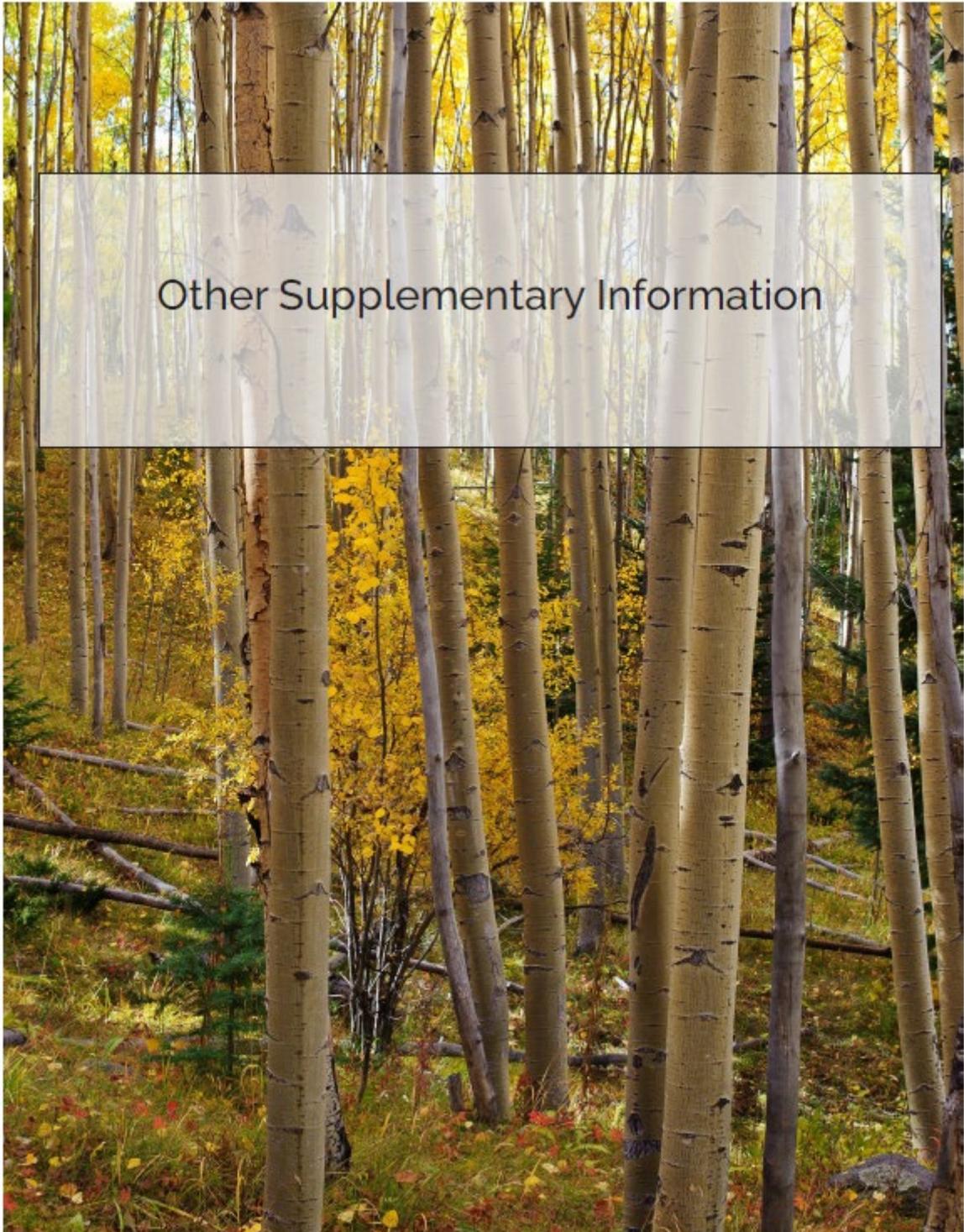
Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Payroll	Contribution as a Percent of Covered Payroll
2023	\$ 690,316,084	\$ 662,750,272	\$ 27,565,812	\$ 3,645,972,589	18.18%
2022	\$ 627,460,825	\$ 511,943,988	\$ 115,516,837	\$ 3,214,177,618	15.93%
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	\$ 587,331,306	\$ 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%

Notes to Schedule:

The valuation date for fiscal year 2023 is June 30, 2022. Actuarially determined contribution rates are calculated each fiscal year-end on June 30. Employers and members contribute based on statutorily fixed rates.

Methods and Assumptions for Actuarially Determined Contribution Rate for Fiscal Year 2023

Actuarial Cost Method	Entry age normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization	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 as of June 30, 2021.



**SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (NON-GAAP BASIS)
YEAR ENDED June 30, 2023**

	Appropriation Budget	Final Budget	Budgetary Basis Actual	Variance - Final Budget Favorable (Unfavorable)
Revenues and Appropriations:				
Other State Funds				
Interest and Dividend Income	\$ 30,645,200	\$30,645,200	\$ 30,645,200	\$ —
Total Revenues and Appropriations	<u>30,645,200</u>	<u>30,645,200</u>	<u>30,645,200</u>	<u>—</u>
Expenditures:				
Operating Expenditures				
Personal Services/Employee Benefits	8,826,100	9,426,100	8,780,402	645,698
Contractual Services	20,000,000	19,400,000	13,236,887	6,163,113
Other Costs	1,819,100	1,819,100	1,696,815	122,285
Total Expenditures	<u>\$ 30,645,200</u>	<u>\$30,645,200</u>	<u>\$ 23,714,104</u>	<u>\$ 6,931,096</u>
Changes in Net Position - Budgetary Basis			\$ 6,931,096	
Non-Budgeted Revenue and Expenses:				
Contributions (Member, Employer and Service Credits Purchased)			1,058,565,453	
Net Appreciation in Fair Value of Plan Investments			926,848,601	
Other Income			505,251	
Non-budgeted Interest and Dividend Income			75,869,050	
Non-budgeted Other Investment Income			154,605,179	
Age and Service Benefit Payments			(1,317,587,613)	
Refunds to Terminated Members			(54,086,836)	
Non-budgeted Investment Expenses			<u>(140,558,419)</u>	
Change in Net Position - GAAP Basis			711,091,762	
Net Position Held in Trust for Pension Benefits -				
Beginning of Year			<u>15,550,701,708</u>	
Net Position Held in Trust for Pension Benefits -				
End of Year			<u>\$ 16,261,793,470</u>	

Note to Schedule: NMERB's annual budget is prepared on the modified accrual basis.

Schedule of Investment and Administrative Expenses
Year Ended June 30, 2023

	Investment Operations	Administrative Operations	Total
Personal Services and Benefits Expenditures:			
Salaries	\$ 1,922,904	\$ 4,482,450	\$ 6,405,354
Fringe Benefits	646,381	1,728,667	2,375,048
Personal Services and Benefits Expenditures Subtotal	<u>2,569,285</u>	<u>6,211,117</u>	<u>8,780,402</u>
Expenditures:			
Management Fees	7,336,421		7,336,421
Consulting Fees	1,721,985		1,721,985
Custodial Fees	968,791		968,791
Actuarial Fees		96,350	96,350
Auditing Fees		128,733	128,733
Legal Fees	1,111,798	16,579	1,128,377
Information Technology Fees	393,999	1,115,285	1,509,284
Other Contractual Services	6,469	340,478	346,947
Expenditures Subtotal	<u>11,539,463</u>	<u>1,697,425</u>	<u>13,236,888</u>
Other Investment Expenditures:			
Off-Budget Investment Management Fees	140,558,419	—	140,558,419
Other Investment Expenditures Subtotal	<u>140,558,419</u>	<u>—</u>	<u>140,558,419</u>
Other Administrative Expenditures:			
Communication			
Telephone and Network Fees	—	152,334	152,334
Printing, Postage, and Mailing Expenses	366	97,012	97,378
Subtotal	<u>366</u>	<u>249,346</u>	<u>249,712</u>
Facility			
Lease	52,335	83,051	135,386
Off-Budget Depreciation	—	172,156	172,156
Maintenance	—	51,288	51,288
Utilities	—	23,175	23,175
Subtotal	<u>52,335</u>	<u>329,670</u>	<u>382,005</u>
Software			
Licensing and Maintenance	353,310	269,075	622,385
Subtotal	<u>353,310</u>	<u>269,075</u>	<u>622,385</u>
Education, Meeting and Travel			
Professional Development and Administrative	6,586	22,038	28,624
Travel Cost	54,996	22,929	77,925
Subtotal	<u>61,582</u>	<u>44,967</u>	<u>106,549</u>
General Administrative			
Other Overhead Expense	40,914	281,535	322,449
Membership and Subscription	62,266	123,605	185,871
Subtotal	<u>103,180</u>	<u>405,140</u>	<u>508,320</u>
Other Administrative Expenditures Subtotal	<u>570,773</u>	<u>1,298,198</u>	<u>1,868,971</u>
Total Expenses	<u>\$ 155,237,940</u>	<u>\$ 9,206,740</u>	<u>\$ 164,444,680</u>

**Schedule of Investing Activity and Administrative Investment Expenses
Year Ended June 30, 2023**

	Investment Operations	Administrative Operations	Total
Total Investment Operations Expense	\$ 152,097,881	\$ -	\$ 152,097,881
Total Administrative Operations Expense	3,140,058	9,206,740	12,346,798
Total Expenses	<u>\$ 155,237,939</u>	<u>\$ 9,206,740</u>	<u>\$ 164,444,679</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, 2023

Educational Employees Retirement Fund
Pension Trust Account
Fund 60500

Short Term Investment Accounts:

Investment in State General Fund Investment Pool	\$	121,848,734
Other Cash		117,465
State Street Bank - Short-Term Investments, at Fair Value		243,306,941
Total	\$	365,273,140

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 are 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.

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 below based on our primary services of prudent asset management, pension benefit administration, and outreach and training services for both our membership and educational employers.

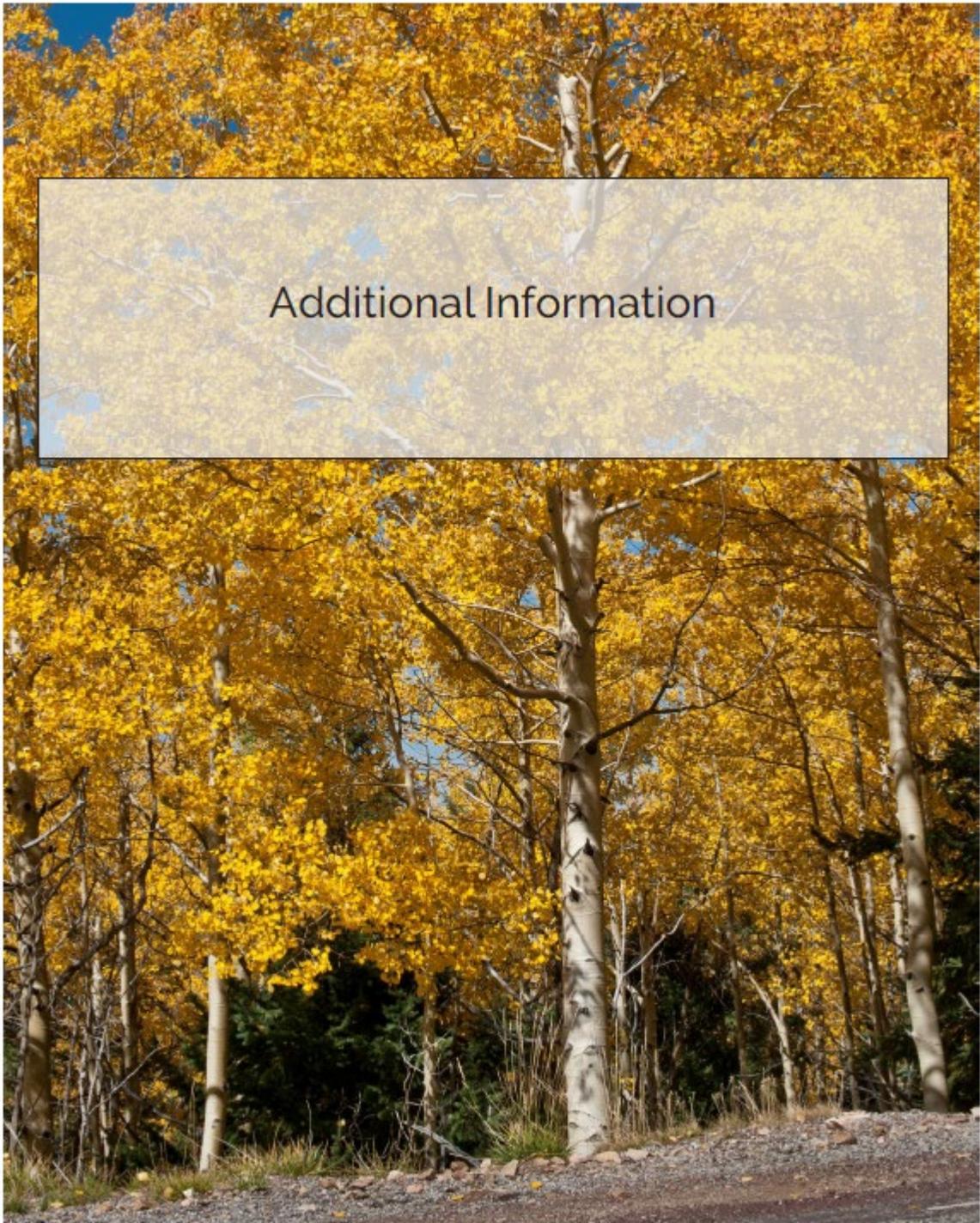
Accountability In Government Act Performance Measures
June 30, 2023

Type	Description	Target	Actual
Outcome	Average rate of net return over the last five years	7.00%	7.84 %
Outcome	Funding period of unfunded actuarial accrued liability, in years**	<30	26
Outcome	Average rate of net return over the last ten years	7.00%	7.98%
Quality	Percent of member satisfaction with seminars and trainings*	95%	97%
Explanatory	Five-year performance ranking in a national peer survey of public plans	N/A	6th
Explanatory	Ten-year performance ranking in a national peer survey of public plans	N/A	12th
Explanatory	Five-year annualized investment returns to meet or exceed board approved reference portfolio benchmark, in basis points	N/A	54
Explanatory	Ten-year annualized investment returns to meet or exceed board approved reference portfolio benchmark, in basis points	N/A	48

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 the actuarial assumptions.





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. Joseph M. Maestas, P.E.
New Mexico State Auditor

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, a component unit of the State of New Mexico, which comprise the statement of fiduciary net position as of June 30, 2023, 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 New Mexico Educational Retirement Board's basic financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Mexico Educational Retirement Board'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Mexico Educational Retirement Board's internal control. Accordingly, we do not express an opinion on the effectiveness of New Mexico Educational Retirement Board'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Mexico Educational Retirement Board'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Albuquerque, New Mexico
November 21, 2023

**New Mexico Educational Retirement Board
Schedule of Findings and Responses
Year Ended June 30, 2023**

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? No

FINANCIAL STATEMENT FINDINGS

No matters reported.

New Mexico Educational Retirement Board
Schedule of Prior Audit Findings
Year Ended June 30, 2023

No findings reported in the prior fiscal year

EXIT CONFERENCE - June 30, 2023

NMERB staff prepared the Management Discussion and Analysis (MD&A), financial statements, statements, schedules, and notes for the fiscal years ended June 30, 2023. The contents of this report were discussed during an exit conference with the Chair of the Audit Committee, Chair of the Board of Trustees, and management of NMERB on November 15, 2023. The following individuals attended this exit conference:

Educational Retirement Board

Mary Lou Cameron, Audit Committee Chairperson

David Archuleta, Executive Director

Lawrence Esquibel, Deputy Director

Renada Peery-Galon, ASD Director/Chief Financial Officer

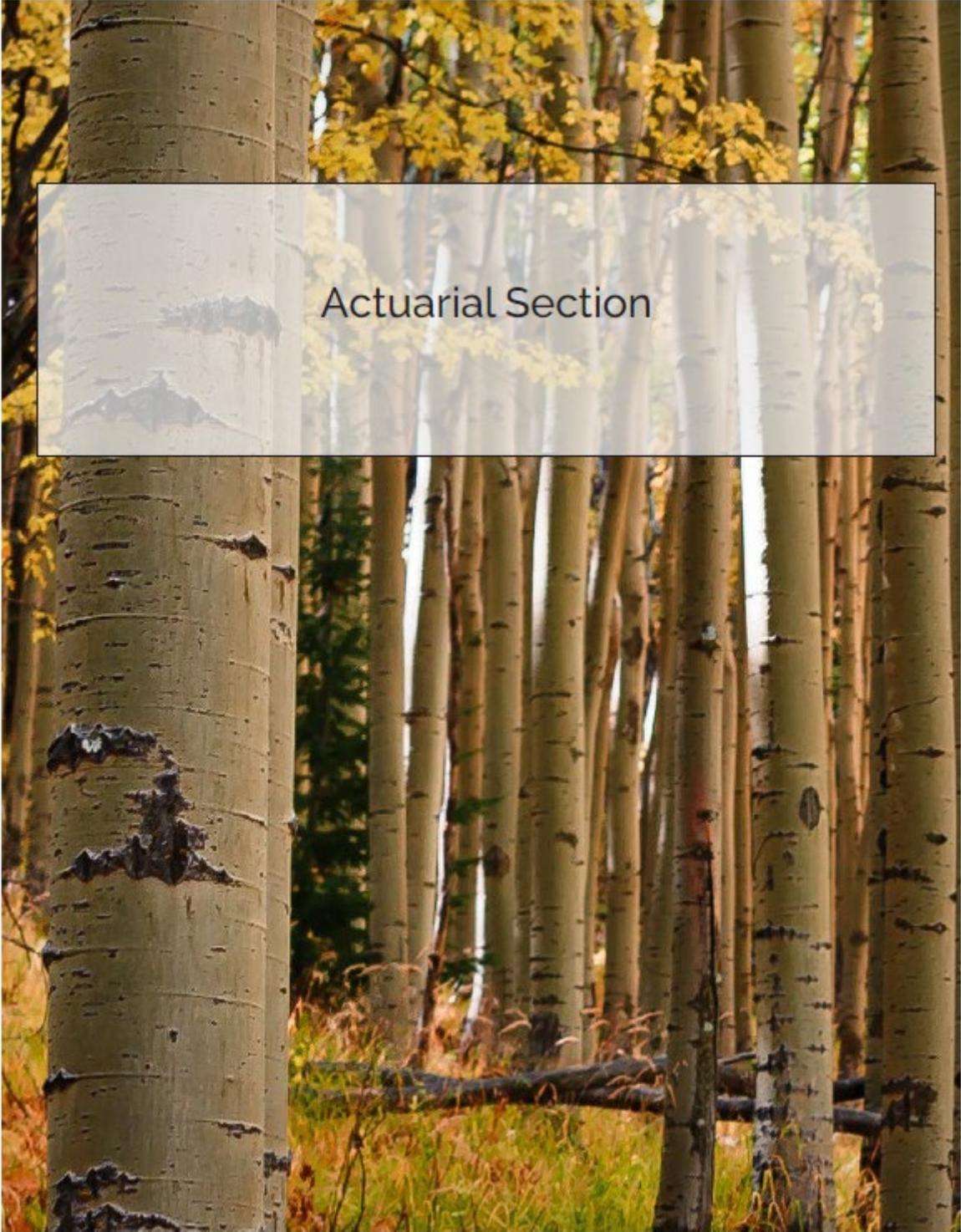
Sandra Alva, Accounting and Employer Reporting Manager

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.



Actuarial Section



October 26, 2023

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, 2023

Dear Members of the Board:

The results of the June 30, 2023 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, 2023.

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, 2023, 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, 2023."

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.

Actuarial Certification Letter

Board of Trustees

October 26, 2023

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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 Laws 2022, Chapter 29 (Senate Bill 36), employer contributions for the current fiscal year are scheduled to be 18.15% of active member payroll, 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 (26 years from June 30, 2023). 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. The Actuarially Determined Contribution under the Board's funding policy can be considered a "Reasonable Actuarially Determined Contribution" as required by the Actuarial Standards of Practice.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded condition of the plan, as measured by the funded ratio, decreased slightly from 2022 to 2023. The decrease was primarily due to salary increases and cost-of-living adjustments being higher than expected.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) was 63.5% as of June 30, 2022, and is 62.9% as of June 30, 2023. During the last fiscal year, the UAAL increased from \$8.8 billion to \$9.6 billion. The funded ratio based on the market value of assets was 64.3% as of June 30, 2022, and is 63.1% as of June 30, 2023.

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

Actuarial Certification Letter

Board of Trustees

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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.

Currently, the employer scheduled to make contributions of 18.15% during FY2024 and thereafter. **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, 2049. Therefore, the Board's financing objectives are 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.

RECENT EVENTS

On March 1, 2022, Senate Bill 36 was signed into law. Senate Bill 36 increased employer contribution rates from 16.15% to 17.15% starting July 1, 2022 and 18.15% starting July 1, 2023.

The annual return during FY2023 on the market value of assets was approximately 6.7% and the annual return from that same period on the actuarial value of assets was 7.7%. The return on the actuarial value of assets reflects the five-year "smoothing" of gains and losses at work in the asset valuation method. The net result of the gains from FY2021 being recognized in this valuation compared to the losses from FY2020, FY2022, and FY2023 is an overall gain on the actuarial value of assets measured from last year to this year (a return of 7.7% compared to the assumed return of 7.0%).

BENEFIT PROVISIONS

There were no modifications to the benefit provisions with an actuarial impact that were reflected in the actuarial valuation as of June 30, 2022.

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.

We believe the recommended assumptions and methods are internally consistent, are reasonably based on the actual experience of ERB, and comply with the Actuarial Standards of Practice, and are expected to have no significant bias.

Actuarial Certification Letter

Board of Trustees

October 26, 2023

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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, 2023 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, 2023 was also supplied by the ERB staff.

We provide some of the information used in the Annual Comprehensive Financial Report. Specifically, we provided information used in the 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.

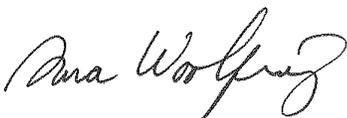
CERTIFICATION

All of our work conforms with the 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.

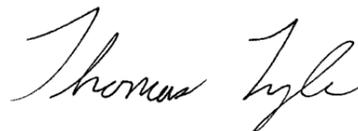
The undersigned are independent actuaries and consultants. Both are Enrolled Actuaries, are Members of the American Academy of Actuaries, and meet all of the Qualification Standards of the American Academy of Actuaries. Both of the undersigned are experienced in performing valuations for large public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

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

Respectfully submitted,



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant



Thomas Lyle, FSA,EA, MAAA
Consultant

Actuarial Standards of Practice Disclosure Statements

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, 2023.

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:	06/30/2023	06/30/2022
Contribution Rates for Fiscal Year Ending:	06/30/2024	06/30/2023
Membership <ul style="list-style-type: none"> • Number of <ul style="list-style-type: none"> - Active members - Retirees and beneficiaries - Inactive, vested - Inactive, nonvested - Total • Payroll 	61,503 54,774 13,669 <u>41,087</u> 171,033 \$ 3.6 billion	59,887 53,972 12,648 <u>40,625</u> 167,132 \$ 3.1 billion
Statutory contribution rates <ul style="list-style-type: none"> • Employer • Member 	18.15% 10.70%	17.15% * 10.70%
Assets <ul style="list-style-type: none"> • Market value • Actuarial value • Return on market value • Return on actuarial value • Employer contributions • External cash flow % • Ratio of actuarial to market value 	\$ 16.3 billion \$ 16.2 billion 6.7% 7.7% \$ 662.8 million -2.0% 99.7%	\$ 15.6 billion \$ 15.4 billion -2.1% 8.6% \$ 511.9 million -3.1% 98.8%
Actuarial Information on AVA (smoothed) <ul style="list-style-type: none"> • Normal cost % • Unfunded actuarial accrued liability (UAAL) • Funded ratio • Funding period • Funding Policy Contribution 	13.83% \$ 9.6 billion 62.9% 26 years 17.85%	13.95% \$ 8.8 billion 63.5% 29 years 18.50%
Gains/(losses) on the UAAL <ul style="list-style-type: none"> • Asset experience • Liability experience • COLA experience • Benefit changes • Assumption/method changes • Total 	\$ 111.0 million (672.8) million (158.2) million 0.0 million 0.0 million <u>\$ (720.0) million</u>	\$ 228.7 million (221.3) million (5.7) million 0.0 million 0.0 million <u>\$ 1.7 million</u>

*Increasing to 18.15% of pay effective July 1, 2023.

Introduction

The results of the June 30, 2023 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 \$618.9 million for imputed interest and decreased by \$610.2 million because of contributions made in excess of the normal cost. This means that the UAAL was expected to increase \$8.7 million before recognizing plan experience. The UAAL as of June 30, 2022 was \$8.8 billion, and the expected UAAL as of June 30, 2023, recognizing actual contributions made, was expected to be \$8.8 billion.

A cost-of-living adjustment (COLA) was applied as of July 1, 2023 to retirement benefits for retirees eligible to receive a COLA as defined in Section 22-11-31 of the New Mexico Statutes Annotated. A 4.00% 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 2018 or earlier. Since the plan's funded ratio as of June 30, 2022 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., \$1,720.56 as of June 30, 2023) received an annual adjustment of 3.60%. All remaining non-disability retirements received an annual adjustment of 3.20%. Note that the adjustment is only applied to members who retired in calendar year 2022 or earlier; members who retired in 2023 are ineligible. The overall actual COLA was more than the expected 1.8% which resulted in a net \$158.2 million increase in UAAL.

The plan experienced an actuarial gain on investments of \$111.0 million. The investment gain resulted from the fact that the return on the actuarial value of assets, 7.7%, was greater than the 7.0% assumed investment return. The market rate of return in FY2023 was 6.7%. 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 increased by \$672.8 million as a result of liability experience different than expected. Most notably, individual salaries increased by 8.4% more than expected. However, it is important to note that greater than expected salaries will also result in greater than expected contributions.

There were no benefit changes since the last actuarial valuation.

As a result of all the above experience, the UAAL increased from \$8.8 billion to \$9.6 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 (26 years from June 30, 2023). 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.

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.

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 96% of the contributions necessary to meet their Funding Policy.

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 4.00% during the preceding fiscal year. Additionally, the ERB funded status was less than 100%. As a result of these two factors, ERB granted a COLA on July 1, 2023 which resulted in an actuarial loss of \$158.2 million.

Comments on Actuarial 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. 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 reflects 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, 2023 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 99.7% 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 \$54.4 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 FY2023 on market value was 6.7%, while it was 7.7% 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 2.0% 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 6.7% 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 increased since last year, from 59,887 to 61,503.

Total payroll increased 13.9% since last year. For all comparative purposes, payroll is the amount supplied by the ERB staff (i.e., the 2022-2023 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, 2023. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased 10.6% since last year. Average pay for members active in both this valuation and the last year's valuation increased 12.9%. 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.

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 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:

	2023	2022	2021	2020	2019
Ratio of the market value of assets to total payroll	4.4	4.8	5.4	4.2	4.8
Ratio of actuarial accrued liability to payroll	6.9	7.4	7.6	7.3	7.5
Ratio of actives to retirees and beneficiaries	1.1	1.1	1.1	1.2	1.2
Ratio of net cash flow to market value of assets	-2.0%	-3.1%	-3.0%	-3.5%	-3.4%
Duration of the actuarial accrued liability	12.8	12.7	12.7	12.7	12.7

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.

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.

Risk Measures – Low Default Risk Obligation Measure

INTRODUCTION

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standards of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions. The revised ASOP No 4 requires calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation measure” (LDROM). The rationale that ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and the presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provided **appropriate, useful information for the intended user regrading the funded status of a pension plan.** The calculation and disclosure of this additional measure is **not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.”**

COMPARING THE ACCRUED LIABILITIES AND THE LDROM

One of the fundamental financial objectives of the Educational Retirement Board of New Mexico (ERB) is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of ERB is set equal to the expected return on the Fund’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For ERB, the investment return assumption is 7.00%.

The LDROM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the intermediate rate from the FTSE Pension Discount Curve and Liability Index published by the Society of Actuaries. This rate is 4.90% as of June 30, 2023. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

The difference between the two measures (Valuation and LDROM) is one illustration of the savings the sponsor anticipates by taking on risk in a diversified portfolio.

Valuation Accrued Liabilities	LDROM
\$25,777,120,835	\$33,552,242,614

Table 1

Actuarial Information

	June 30, 2023 (1)	June 30, 2022 (2)
1. Payroll		
a. Supplied by System (annualized)	\$ 3,550,591,908	\$ 3,124,810,720
b. Adjusted for one-year's pay increase	3,720,985,507	3,271,860,825
2. Normal cost rate (payable monthly)		
a. Total normal cost rate	13.83%	13.95%
b. Assumed administrative expenses	0.35%	0.35%
c. Less: member contribution rate	<u>(10.70%)</u>	<u>(10.70%)</u>
d. Employer normal cost rate	3.48%	3.60%
3. Employer normal cost (Item 2d * Item 1b)	\$ 129,490,296	\$ 117,786,990
4. Actuarial accrued liability for active members		
a. Actuarial present value of future benefits	\$ 12,913,856,269	\$ 11,542,048,860
b. Less: actuarial present value of future normal costs	<u>(3,502,045,174)</u>	<u>(3,090,650,708)</u>
c. Actuarial accrued liability	\$ 9,411,811,095	\$ 8,451,398,152
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 15,203,126,971	\$ 14,672,121,461
b. Inactive members	1,162,182,769	1,075,884,202
c. Active members (Item 4c)	<u>9,411,811,095</u>	<u>8,451,398,152</u>
d. Total	\$ 25,777,120,835	\$ 24,199,403,815
6. Actuarial value of assets	\$ 16,207,390,686	\$ 15,358,353,947
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 9,569,730,149	\$ 8,841,049,868
8. Payment towards unfunded liability for next fiscal year		
a. Employer contribution rate	18.15%	17.15%
b. Less: Employer normal cost rate (Item 2d)	<u>(3.48%)</u>	<u>(3.60%)</u>
c. Payment Towards Unfunded Liability	14.67%	13.55%
d. Unfunded liability contribution (Item 8c * Item 1b)	\$ 545,868,574	\$ 443,337,142
e. Expected ARP contribution	<u>16,222,245</u>	<u>10,277,755</u>
f. Total	\$ 562,090,819	\$ 453,614,897
9. Funding period based on current statutory contribution requirement and an open group projection	26 years	29 years

Table 2**Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)**

Basis (1)	Year Ending	
	June 30, 2023 (2)	June 30, 2022 (3)
1. UAAL at prior valuation	\$ 8,841.0	\$ 8,666.2
2. Increases/(decreases) due to:		
a. Interest on UAAL	618.9	606.6
b. Amortization payments ¹	(610.2)	(430.1)
c. Liability experience	672.8	221.3
d. Asset experience	(111.0)	(228.7)
e. Actual COLA More/(Less) than Expected	158.2	5.7
f. Changes in actuarial assumptions and methods	0.0	0.0
g. Benefit changes	<u>0.0</u>	<u>0.0</u>
h. Total	\$ 728.7	\$ 174.8
3. Current UAAL (Item 1 + Item 2h)	\$ 9,569.7	\$ 8,841.0

Note : Dollar amounts in millions

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

Table 3**Actuarial Present Value of Future Benefits**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
	(1)	(2)
1. Active members		
a. Service retirement benefits	\$ 11,873,041,717	\$ 10,610,941,514
b. Refunds and deferred termination benefits	840,137,856	751,602,404
c. Survivor benefits	87,923,658	79,953,030
d. Disability retirement benefits	<u>112,753,038</u>	<u>99,551,912</u>
e. Total	\$ 12,913,856,269	\$ 11,542,048,860
2. Retired members		
a. Service retirement	\$ 14,493,248,812	\$ 13,998,096,130
b. Disability retirement	109,716,144	102,899,784
c. Beneficiaries	<u>600,162,015</u>	<u>571,125,547</u>
d. Total	\$ 15,203,126,971	\$ 14,672,121,461
3. Inactive members		
a. Vested terminations	\$ 935,451,288	\$ 857,292,561
b. Nonvested terminations	223,546,286	215,388,599
c. Unallocated contributions	<u>3,185,195</u>	<u>3,203,042</u>
d. Total	\$ 1,162,182,769	\$ 1,075,884,202
4. Total actuarial present value of future benefits	\$ 29,279,166,009	\$ 27,290,054,523

Table 4**Analysis of Normal Cost**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
	(1)	(2)
1. Gross normal cost rate (payable monthly)		
a. Service retirement benefits	9.62%	9.75%
b. Refunds and deferred termination benefits	3.96%	3.95%
c. Disability retirement benefits	0.16%	0.16%
d. Survivor benefits	0.09%	0.09%
e. Total	<u>13.83%</u>	<u>13.95%</u>
2. Plus: Assumed administrative expenses	0.35%	0.35%
3. Less: member contribution rate	<u>(10.70%)</u>	<u>(10.70%)</u>
4. Employer normal cost rate	3.48%	3.60%

Table 5a

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

	<u>June 30, 2023</u> (1)	<u>June 30, 2022</u> (2)
1. Funding period (years)	26	27
2. Funding Policy Contribution for Employers		
a. Total Contribution Needed to Fund the Unfunded Liability by June 30, 2049*	17.85%	18.50%
b. Statutory rate	18.15%	17.15%
c. Funding Policy Contribution (greater of (Item 2a, Item 2b))	18.15%	18.50%

* 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 for Year Ending June 30, 2023

1. Actual employer contributions		
a. On behalf of active ERB members	\$	625,284,299
b. On behalf of return-to-work retirees		21,654,818
c. On behalf of ARP members		15,811,155
d. Total	\$	662,750,272
2. Statutory employer contribution rate		17.15%
3. Imputed fiscal year payroll for active ERB members (Item 1a / Item 2)	\$	3,645,972,589
4. Funding Policy Contribution for Employers		
a. Employer's funding policy contribution for active ERB members as percent of payroll		18.50%
b. Employer's funding policy contribution for active ERB members (Item 4a * Item 3)	\$	674,504,929
c. Funding policy contribution (Item 4b + Item 1c)	\$	690,316,084
5. Percentage of Funding Policy Contribution Received in Prior Year (Item 1d / Item 4c)		96.0%

Table 6a**Active Membership Data**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
	(1)	(2)
1. Active members		
<u>Tier 1</u>		
a. Number	20,012	21,637
b. Total payroll supplied by System (annualized)	\$ 1,402,480,553	\$ 1,356,990,452
c. Average salary	\$ 70,082	\$ 62,716
d. Average age	52.9	52.4
e. Average service	19.1	18.4
<u>Tier 2</u>		
a. Number	5,028	5,306
b. Total payroll supplied by System (annualized)	\$ 321,069,479	\$ 298,705,069
c. Average salary	\$ 63,856	\$ 56,296
d. Average age	48.0	47.4
e. Average service	10.9	10.0
<u>Tier 3</u>		
a. Number	16,011	17,403
b. Total payroll supplied by System (annualized)	\$ 877,271,713	\$ 828,381,374
c. Average salary	\$ 54,792	\$ 47,600
d. Average age	44.7	43.9
e. Average service	6.7	5.7
<u>Tier 4</u>		
a. Number	20,452	15,541
b. Total payroll supplied by System (annualized)	\$ 949,770,163	\$ 640,733,825
c. Average salary	\$ 46,439	\$ 41,229
d. Average age	39.1	38.6
e. Average service	1.8	1.5
<u>Total</u>		
a. Number	61,503	59,887
b. Total payroll supplied by System (annualized)	\$ 3,550,591,908	\$ 3,124,810,720
c. Average salary	\$ 57,730	\$ 52,178
d. Average age	45.8	45.9
e. Average service	9.5	9.6

Table 6b**Inactive Membership Data**

	June 30, 2023 (1)	June 30, 2022 (2)
1. Vested inactive members (excluding pending refunds)		
a. Number	13,669	12,648
b. Total annualized deferred monthly benefits	\$ 113,941,932	\$ 106,121,631
c. Average annualized deferred monthly benefit	\$ 8,336	\$ 8,390
2. Nonvested inactive members and vested pending refunds		
a. Number	41,087	40,625
b. Employee assessments with interest due	\$ 223,546,286	\$ 215,388,599
c. Average refund due	\$ 5,441	\$ 5,302
3. Service retirees		
a. Number	50,331	49,592
b. Total annualized monthly benefits	\$ 1,288,227,741	\$ 1,232,792,241
c. Average annualized monthly benefit	\$ 25,595	\$ 24,859
4. Disabled retirees		
a. Number	751	765
b. Total annualized monthly benefits	\$ 9,889,530	\$ 9,231,933
c. Average annualized monthly benefit	\$ 13,168	\$ 12,068
5. Beneficiaries		
a. Number	3,692	3,615
b. Total annualized monthly benefits	\$ 68,072,345	\$ 64,282,811
c. Average annualized monthly benefit	\$ 18,438	\$ 17,782

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	9.4
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
2022	59,887	1.5%	3,125	6.9%	52,178	5.3%	45.9	9.6
2023	61,503	2.7%	3,551	13.6%	57,730	10.6%	45.8	9.5

Table 7**Reconciliation of Plan Net Assets**

	Year Ending	
	June 30, 2023 (1)	June 30, 2022 (2)
1. a. Value of assets at beginning of year (Value reported in prior valuation)	\$ 15,550,701,708	\$ 16,361,524,358
b. Adjustment	0	3
c. Value of assets at beginning of year after adjustment	\$ 15,550,701,708	\$ 16,361,524,361
2. Revenue for the year		
a. Contributions		
i. Member contributions	\$ 394,165,107	\$ 344,499,120
ii. Member service purchases	1,650,074	3,418,045
iii. Employer contributions	646,939,117	501,926,683
iv. Employer contributions for ARP members	15,811,155	10,017,305
v. Total	\$ 1,058,565,453	\$ 859,861,153
b. Net investment income		
i. Investment income	\$ 1,188,473,281	\$ (148,699,238)
ii. Investment expenses	(151,721,300)	(187,488,400)
iii. Net investment income	\$ 1,036,751,981	\$ (336,187,638)
c. Total revenue	\$ 2,095,317,434	\$ 523,673,515
3. Expenditures for the year		
a. Refunds	\$ 54,086,836	\$ 50,692,632
b. Benefit payments	1,317,587,613	1,270,821,870
c. Administrative and miscellaneous expenses	12,551,223	12,981,666
d. Total expenditures	\$ 1,384,225,672	\$ 1,334,496,168
4. Increase in net assets (Item 2c - Item 3d)	\$ 711,091,762	\$ (810,822,653)
5. Value of assets at end of year (Item 1c + Item 4)	\$ 16,261,793,470	\$ 15,550,701,708

Table 8

Development of Actuarial Value of Assets

	<u>Year Ending June 30, 2023</u>
1. Market value of assets at beginning of year	\$ 15,550,701,708
2. Net new investments	
a. Contributions	\$ 1,058,565,453
b. Expenditures	<u>(1,384,225,672)</u>
c. Subtotal	(325,660,219)
3. Market value of assets at end of year	\$ 16,261,793,470
4. Net earnings (Item 3 - Item 1 - Item 2c)	\$ 1,036,751,981
5. Assumed investment return rate	7.00%
6. Expected return	\$ 1,077,151,012
7. Excess (Shortfall) return (Item 4 - Item 6)	\$ (40,399,031)
8. Excess return on assets for last four years :	
	<u>Deferred Amount</u>
	<u>(4)</u>
a. June 30, 2020	\$ (210,518,327)
b. June 30, 2021	1,176,169,607
c. June 30, 2022	(878,929,271)
d. June 30, 2023	<u>(32,319,225)</u>
	\$ 54,402,784
9. Actuarial value of assets (Item 3 - Item 8)	\$ 16,207,390,686
10. Actuarial value as percentage of market value	99.7%

Table 9a

Estimation of Yields

	Year Ending	
	June 30, 2023 (1)	June 30, 2022 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 15,550,701,708	\$ 16,361,524,358
2. Investment income (including realized and unrealized gains and losses)	\$ 1,036,751,981	\$ (336,187,638)
3. End of year market assets	\$ 16,261,793,470	\$ 15,550,701,708
4. Estimated dollar weighted market value yield	6.7%	-2.1%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 15,358,353,947	\$ 14,599,015,189
2. Actuarial return	\$ 1,174,696,958	\$ 1,233,973,773
3. End of year actuarial assets	\$ 16,207,390,686	\$ 15,358,353,947
4. Estimated actuarial value yield	7.7%	8.6%

Table 9b

History of Investment Return Rates

Plan Year Ending June 30 of (1)	Market (2)	Actuarial (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%
2020	-0.6%	5.8%
2021	30.0%	10.3%
2022	-2.1%	8.6%
2023	6.7%	7.7%
Average Returns (all returns net of administrative and investment-related expenses)		
Last 5 years	7.9%	7.8%
Last 10 years	7.9%	8.3%
Last 15 years	7.0%	6.6%
Last 20 years	7.6%	6.4%

Table 10a

Investment Experience Gain or Loss

Item (1)	Year Ending	
	June 30, 2023 (2)	June 30, 2022 (3)
1. Actuarial assets, beginning of year	\$ 15,358,353,947	\$ 14,599,015,189
2. Total contributions during year	\$ 1,058,565,453	\$ 859,861,153
3. Benefits, refunds and administrative paid	\$ (1,384,225,672)	\$ (1,334,496,168)
4. Assumed net investment income		
a. Beginning of year assets	\$ 1,075,084,776	\$ 1,021,931,063
b. Contributions	37,049,791	30,095,140
c. Benefits and refunds paid	<u>(48,447,899)</u>	<u>(46,707,366)</u>
d. Total	\$ 1,063,686,668	\$ 1,005,318,837
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 16,096,380,396	\$ 15,129,699,011
6. Actual actuarial assets, end of year	\$ 16,207,390,686	\$ 15,358,353,947
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ 111,010,290	\$ 228,654,936

Table 10b**Total Experience Gain or Loss**

Item (1)	Year Ending	
	June 30, 2023 (2)	June 30, 2022 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 8,841,049,868	\$ 8,666,237,857
2. Normal cost (incl. admin) for the previous year	\$ 468,975,808	\$ 444,247,304
3. Less: contributions for the year	\$ (1,058,565,453)	\$ (859,861,153)
4. Interest at 7 %		
a. On UAAL	\$ 618,873,491	\$ 606,636,650
b. On normal cost	16,414,153	15,548,656
c. On contributions	(37,049,791)	(30,095,140)
d. Total	\$ 598,237,853	\$ 592,090,166
5. Expected UAAL (Sum of Items 1 - 4)	\$ 8,849,698,076	\$ 8,842,714,174
6. Actual UAAL	\$ 9,569,730,149	\$ 8,841,049,868
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ (720,032,073)	\$ 1,664,306
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ 111,010,290	\$ 228,654,936
9. Liability experience gain (loss) for the year	(672,809,968)	(221,269,919)
10. Actual COLA (More) Less than Expected	(158,232,395)	(5,720,711)
11. Assumption change	0	0
12. Benefit change	0	0
13. Total	\$ (720,032,073)	\$ 1,664,306

Table 11**Schedule of Funding Progress**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability	Unfunded 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%
June 30, 2022	15,358	24,199	8,841	63.5%	3,125	282.9%
June 30, 2023	16,207	25,777	9,570	62.9%	3,551	269.5%

Note : Dollar amounts in millions

Table 12

History of Cash Flow

Year Ending June 30,	Expenditures					External Cash Flow for the Year ²	Market Value of Assets	External Cash Flow as Percent of Market Value
	Contributions ¹	Benefit Payments	Refunds	Administrative Expenses	Total			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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)	(1,022.4)	(329.5)	11,532.8	-2.9%
2017	691.8	(1,019.4)	(33.3)	(9.8)	(1,062.5)	(370.7)	12,509.4	-3.0%
2018	678.7	(1,069.6)	(37.8)	(9.9)	(1,117.3)	(438.6)	12,970.3	-3.4%
2019	710.0	(1,122.3)	(42.4)	(9.3)	(1,174.0)	(464.0)	13,544.7	-3.4%
2020	781.3	(1,169.3)	(50.9)	(10.9)	(1,231.1)	(449.8)	13,019.2	-3.5%
2021	782.9	(1,217.6)	(45.5)	(12.1)	(1,275.2)	(492.3)	16,361.5	-3.0%
2022	859.9	(1,270.8)	(50.7)	(13.0)	(1,334.5)	(474.6)	15,550.7	-3.1%
2023	1,058.6	(1,317.6)	(54.0)	(12.6)	(1,384.2)	(325.6)	16,261.8	-2.0%

Amounts in \$ millions

¹ Column (2) includes employee and employer contributions, as well as employer contributions for ARP members.² Column (7) = 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)	(8)	(9)
2009	\$ 2,298,505,189	\$ 6,606,725,003	\$ 4,978,042,890	\$ 13,883,273,082	\$ 9,366,271,312	100%	100%	9%
2010	2,434,760,057	6,933,427,044	4,985,322,322	14,353,509,423	9,431,321,589	100%	100%	1%
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	16,362,279,203	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	20,457,996,102	12,996,625,320	100%	81%	0%
2019	2,883,336,173	13,050,104,203	5,354,132,381	21,287,572,757	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%
2022	3,201,769,304	14,672,121,461	6,325,513,050	24,199,403,815	15,358,353,947	100%	83%	0%
2023	3,396,766,588	15,203,126,971	7,177,227,276	25,777,120,835	16,207,390,686	100%	84%	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, (1)	Number (2)	Average Monthly (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
2022	53,972	2,017
2023	54,774	2,079

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

Table 15

**Distribution of Active Members by Age and by Years of Service
As of June 30, 2023**

Attained Age	Years of Credited Service												Total Count & Avg. Comp.
	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	718 \$29,271	888 \$32,396	304 \$33,172	92 \$31,457	55 \$30,075	19 \$29,663	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	2,076 \$31,301
25-29	606 \$38,226	1,266 \$42,119	859 \$45,513	630 \$46,537	549 \$49,304	648 \$49,679	5 \$48,243	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	4,563 \$44,796
30-34	604 \$43,179	1,119 \$45,522	708 \$45,907	540 \$49,835	652 \$50,830	2,135 \$57,357	345 \$63,589	7 \$40,750	0 \$0	0 \$0	0 \$0	0 \$0	6,110 \$51,433
35-39	912 \$41,078	1,124 \$47,417	671 \$48,677	524 \$55,431	620 \$51,885	2,098 \$58,363	1,411 \$69,951	342 \$64,958	6 \$44,970	0 \$0	0 \$0	0 \$0	7,708 \$55,562
40-44	419 \$47,797	808 \$46,115	568 \$48,661	455 \$52,776	554 \$53,570	2,088 \$59,559	1,452 \$70,102	1,441 \$74,114	313 \$72,801	3 \$60,118	0 \$0	0 \$0	8,101 \$61,046
45-49	325 \$45,133	654 \$46,327	432 \$48,135	313 \$53,773	475 \$52,794	1,774 \$59,155	1,374 \$70,284	1,417 \$72,592	1,338 \$78,292	170 \$77,409	1 \$45,023	0 \$0	8,273 \$64,064
50-54	269 \$50,919	517 \$48,641	377 \$47,143	323 \$50,715	369 \$51,105	1,488 \$57,166	1,254 \$64,062	1,470 \$70,405	1,378 \$74,391	691 \$81,902	54 \$67,488	2 \$73,516	8,192 \$63,921
55-59	225 \$49,640	440 \$46,574	318 \$48,456	244 \$54,633	339 \$49,587	1,303 \$54,052	1,057 \$65,342	1,293 \$63,818	1,136 \$68,079	623 \$74,543	230 \$82,238	34 \$74,037	7,242 \$61,369
60-64	151 \$52,119	345 \$43,914	224 \$47,775	206 \$50,684	241 \$47,684	1,112 \$54,701	873 \$62,808	886 \$62,902	748 \$64,711	496 \$71,285	196 \$76,301	110 \$82,925	5,588 \$59,929
65 & Over	129 \$35,084	254 \$36,979	157 \$41,011	150 \$47,202	198 \$43,589	821 \$49,730	563 \$64,080	426 \$60,400	378 \$63,573	229 \$71,654	181 \$82,935	164 \$103,886	3,650 \$57,861
Total	4,358 \$41,230	7,415 \$43,704	4,618 \$46,146	3,477 \$50,689	4,052 \$50,488	13,486 \$56,659	8,334 \$67,140	7,282 \$68,612	5,297 \$71,757	2,212 \$76,013	662 \$79,411	310 \$92,978	61,503 \$57,730

Table 16**Reconciliation of Members by Status for Year Ending June 30, 2023**

	Active Members	Inactive, Nonretired Members		Annuitants			Grand Total
		Vested	Nonvested	Service Retirees	Disabled Retirees	Beneficiaries	
Number at beginning of year	59,887	12,648	40,625	49,592	765	3,615	167,132
Refund paid (non-death)	(912)	(35)	(3,857)				(4,804)
Refund due	(3,782)		3,782				0
Vested terminations	(2,131)	2,131					0
Retirements (nondisabled)	(1,401)	(538)	(42)	1,981			0
Disabled retirements	(11)	(5)	(1)		17		0
New Alternate Payee resulting from QDRO				47			47
Death before retirement - refund							0
Death before retirement - annuity	(27)	(17)				44	0
Death of annuitant - survivor benefit due				(212)	(11)	223	0
Death of annuitant - no further benefits due				(1,036)	(20)	(185)	(1,241)
New hires	7,925	14	1,774				9,713
Reemployments	1,955	(566)	(1,224)	(27)			138
Adjustments and corrections		37	30	(14)		(5)	48
Number at end of year	61,503	13,669	41,087	50,331	751	3,692	171,033

Table 17**Schedule of Retirees & Beneficiaries
Added to/and Removed from Rolls**

Year Ending June 30, (1)	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase/ Decrease in Annual Allowances (5)	Average Annual Benefit
	Number	Annual Allowances*	Number	Annual Allowances	Number	Annual Allowances		
	(2)		(3)		(4)			
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	907,625,716	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
2022	2,771	81,922,448	1,589	30,479,953	53,972	1,306,306,985	4.1%	24,203
2023	2,326	92,191,916	1,524	32,309,285	54,774	1,366,189,616	4.6%	24,942

* 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.

Summary of Plan Provisions

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.

<u>Fiscal Year Ended</u>	<u>Member Contribution Rate</u>
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 6.25% (7.25% for FY2024 and later) 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	17.15%
FYE 2024 and later	18.15%

* 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 60 months, or such other consecutive 60-month period that gives the largest average.

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.

Summary of Plan Provisions

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:
- 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.

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.

Summary of Plan Provisions

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 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

Summary of Plan Provisions

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 institutions 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 6.25% (7.25% for FY2024 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 the 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:

Years of	Annual Step-Rate/Promotional	Total Annual
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.

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

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):

Completed Service	Terminations per 100 Members	
	Males	Females
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

Definition of Actuarial Terms

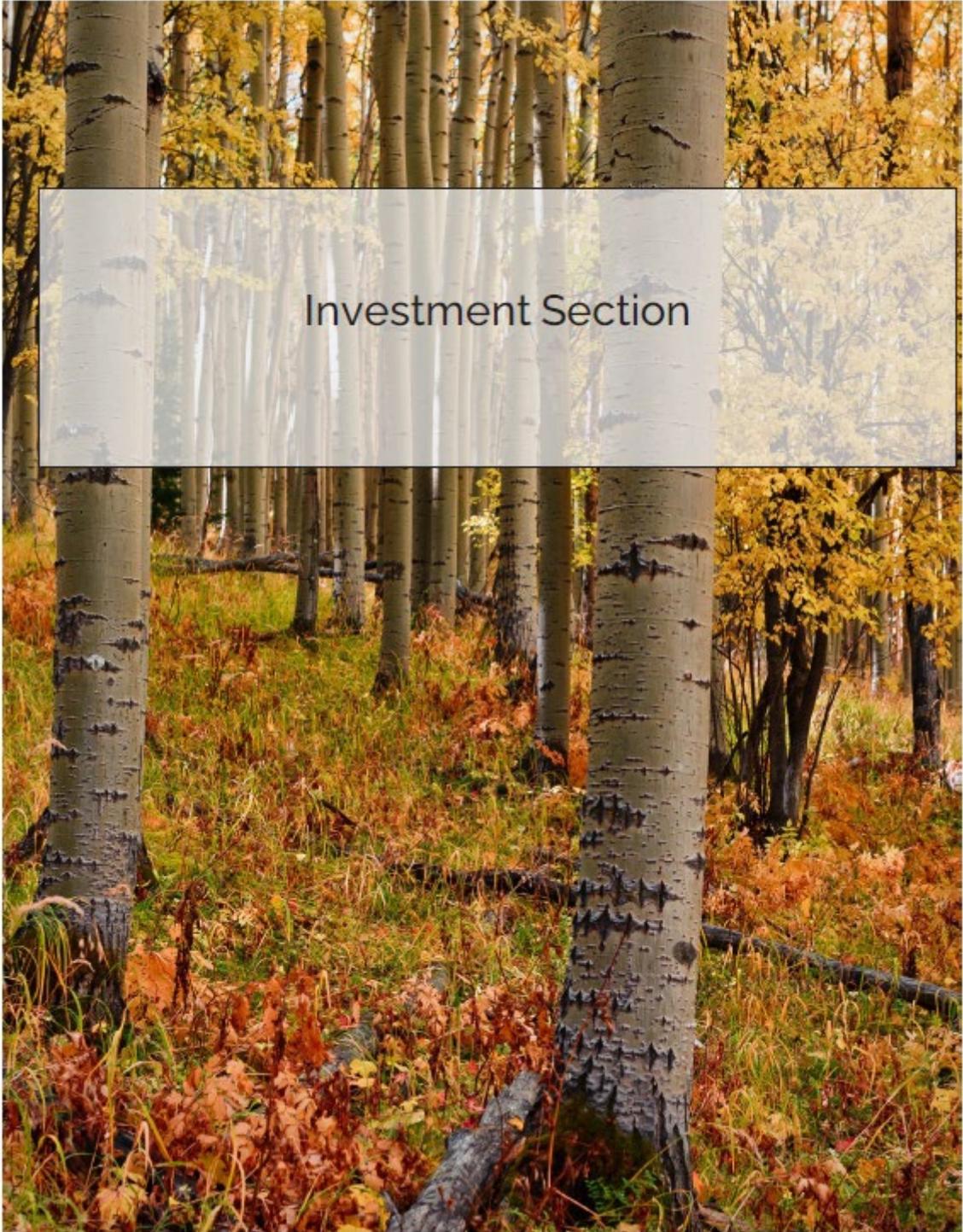
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
7. **Actuarial Present Value of Future Plan Benefits:** The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial 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.

Definition of Actuarial Terms

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 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.
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 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 67 and GASB 68:** Governmental Accounting Standards Board Statements 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 Statement No. 68 sets the rules for the systems themselves.

Definition of Actuarial Terms

- 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, 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.





State of New Mexico
Educational Retirement Board

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STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
REPORT ON INVESTMENT ACTIVITY
JUNE 30, 2023

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

Another fiscal year is in the books! The fiscal year ending June 30, 2023, was a positive one for most investment markets. The economy and markets exhibited a marked recovery from the pandemic. Stock markets posted strong gains for the year, while investment grade bonds posted a small loss. The median return for U.S. public funds with \$1 billion or more in assets was 7.56%, according to *InvMetrics*, a data reporting firm. NERB's investment portfolio trailed the median with a return of 5.62%, primarily due to a less concentrated portfolio exposure to public equities. This resulted in net investment gains of approximately \$872 million for the fiscal year.

In equity markets, the S&P 500 gained a very robust 19.6% for the fiscal year. The Europe, Australasia, and Far East (EAFE) index for developed foreign equity markets was up 13.3%, while the MSCI Emerging Markets Equity index posted a modest gain of 4.6%. Bonds were mixed, with the Bloomberg U.S. Aggregate index, representing the U.S. investment grade bond market, posting a return of -0.9%. In the high yield bond space, the Barclays US High Yield index returned a positive 9.06%. NERB'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 returned a positive 4.4%.

Meeting or exceeding our 7% annual goal is the most important measure of our investment success. While we did not meet that target for the 2023 fiscal year, our long-term targets continue to exceed performance expectations. The average annual return exceeded 7% in all periods measured. Since the inception of performance reporting, the ERB portfolio has generated a net return of 8.93% annually.

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 5.62% fell short of the Fund's policy index return of 6.51%. For all the longer periods measured, our actual returns exceeded the policy return. Likewise, on the peer group measure, our portfolio fell short of the median public returns for the year but exceeded that benchmark for periods longer than a year. You may find the details of performance on page 15 of the Quarterly Investment Performance Report available on our website: <https://www.erb.nm.gov/wp-content/uploads/2023/08/2023-Q2-NMERB-IPA-Report.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 Annual Comprehensive 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, 2022, while the annual report includes an adjustment for June 30th reporting.

Our portfolio also contains investments in the alternative investment category. The performance of these assets was mixed for the year:

Alternative Asset Performance	
Category	Results
Private Equity	-1.8%
Real Assets	10.9%
Real Estate	4.2%
Opportunistic Credit	5.5%

During the year, we commenced adoption of new asset allocation policy targets that were adopted by the Board of Trustees in December of 2022. The changes to this policy were relatively minor. We eliminated emerging market debt and risk parity. We reduced targets to emerging markets equities. Offsetting the reductions were slight increases to targets for domestic public equity, private equity, opportunistic credit, real assets, and other diversifying assets. Full implementation of the new targets is ongoing. Should you wish to review our targets and current actual allocation, you may find that information on page 20 of our quarterly investment report.

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. The success of this approach is highlighted on page 16 of the performance report referenced earlier. When ranked relative to other public pension funds, NMERB's portfolio exhibits a very low volatility, as measured by standard deviation, consistently in the top 10%. When risk and return are combined in a measure of investment efficiency called the "Sharpe Ratio", NMERB is also consistently in the top 5-10% in peer rankings, as seen on page 18 of the same report.

While we have highlighted the results for the year so far, one should not place a great deal of significance on the results in a single year. The required return assumption is intended to be a target that is met on average over several 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	11.14
5 years	7.84
10 years	7.98
Since Inception*	8.93

**Since inception of reporting in July 1983.*

In summary, although the results for the year only produced a modest return, we are meeting our goals in the longer term, which is more important. As we look to the future, you can be assured that your NMERB Board of Trustees and staff will strive to continue to provide superior investment results.

Sincerely,



Bob Jacksha
Chief Investment Officer

Performance reported in this letter is based on time weighted rates of return calculated using the market value of assets as of June 30, 2023, 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.

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 Board of 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.erb.nm.gov/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.erb.nm.gov/investment_policies.html.

The following schedule shows the asset allocation on June 30, 2023. NMERB's board approved the policy targets in February 2022. All asset classes were within policy range as of June 30, 2023.

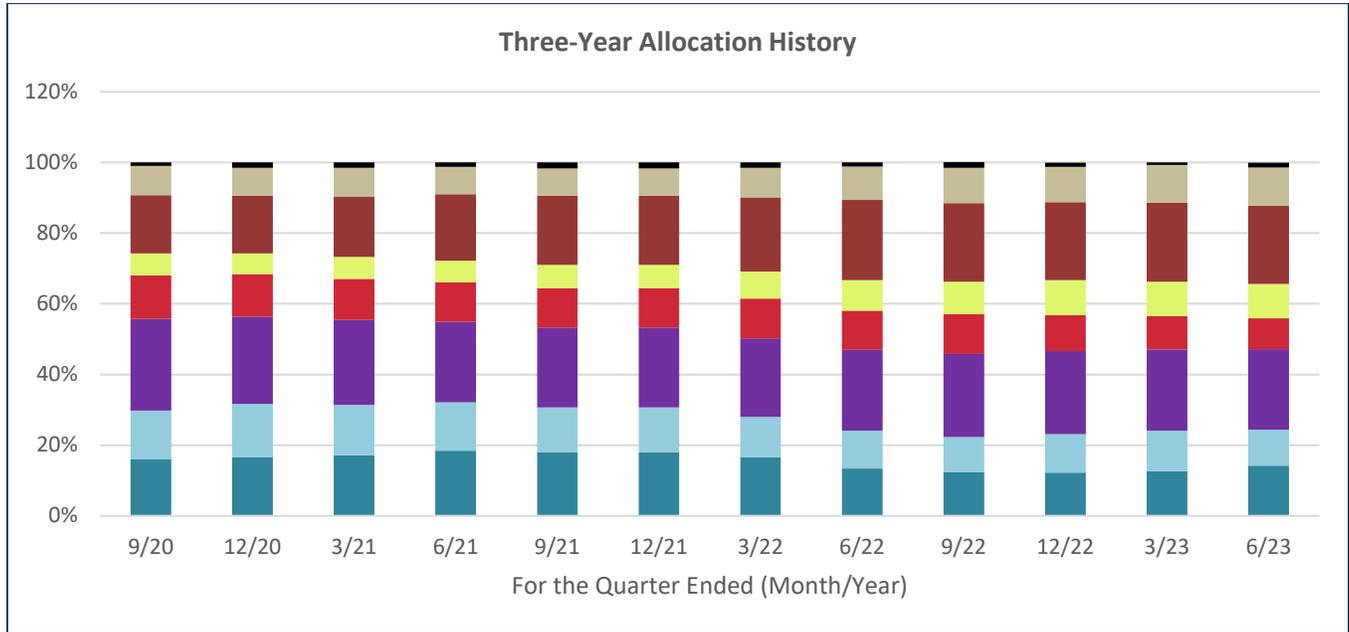
Schedule of Asset Allocation Versus Policy Targets

	Allocation	Policy Target ¹
Equities		
<i>Domestic Equities</i>		
Large cap equities	11.4%	15.0%
Small-mid cap equities	2.9%	4.0%
Total domestic equities	14.3%	19.0%
<i>International Equities</i>		
Developed markets	4.9%	5.0%
Emerging markets	5.3%	4.0%
Total international equities	10.2%	9.0%
Fixed Income		
Core fixed income	5.0%	6.0%
Opportunistic credit	17.8%	18.0%
Emerging markets debt	0.2%	0.0%
Total fixed income	23.0%	24.0%
Alternatives		
Global asset allocation	2.1%	2.0%
Risk parity	0.5%	0.0%
Other diversifying assets	6.1%	8.0%
REITs	1.5%	0.0%
Private real estate	8.1%	8.0%
Private equity	22.3%	17.0%
Inflation-linked assets	10.8%	12.0%
Total alternatives	51.4%	47.0%
Cash		
	1.3%	1.0%
Total	100.0%	100.0%

¹ Long-Term Policy Target approved by the Board in February 2022.

Notes: Allocations shown here include cash held in separately managed portfolios. Total plan includes Legacy Assets totaling \$7.

The Graph below is a three-year asset allocation history on a quarterly basis that ranges from June 30, 2020 to June 30, 2023.



Portfolio Legend
Other
Real Assets
Private Equity
Real Estate Composite
Diversifying Assets
Fixed Income
International Equities
Domestic Equities

Investment Results

The investment performance shown in the schedules and chart below is based on time weighted rates of return calculated using the fair value of assets as of June 30, 2023. Performance shown for periods longer than one year has been annualized.

Over the past five years, the Fund returned 7.8% per annum, outperforming the policy index by 0.6% and ranking in the top 6th percentile of the Investment Metrics Public Funds greater than \$1 Billion universe and outperforming the actuarial assumed rate of 7.00%. The Fund's volatility was 7.1%, which ranks in the top 1st percentile of its peers over this period. The Fund's risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the top 2nd percentile of its peers.

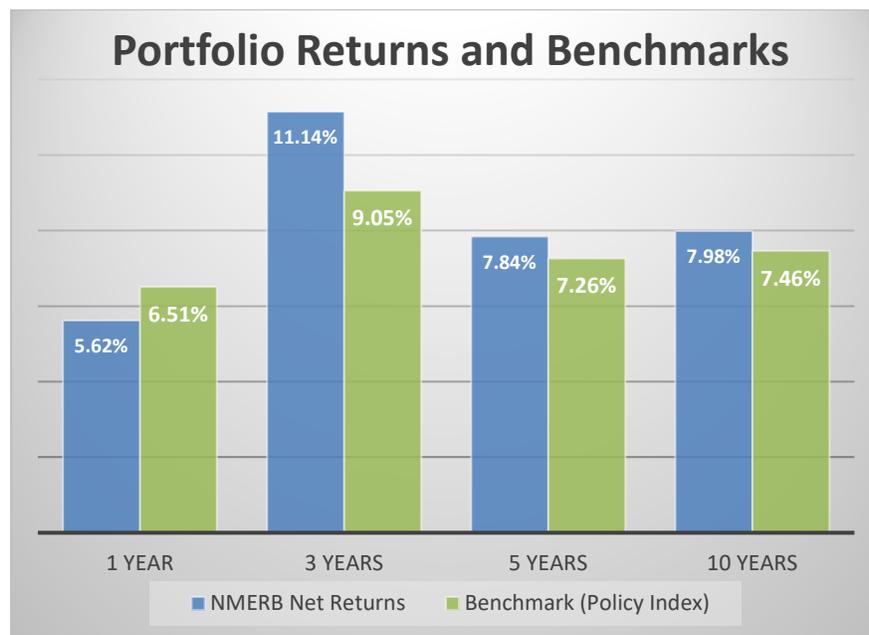
Over the past three years, the Fund returned 11.1% per annum, outperforming the policy index by 2.1% and ranking in the top 6th percentile of its peer group. Over the same period, the Fund's volatility ranks in the top 2nd percentile of its peers, resulting in a three-year Sharpe Ratio of 1.37, which ranks in the top 2nd percentile.

Fund Performance Summary (Net of Fees) at June 30, 2023

1 Year	3 Year	5 Year	10 Year	20 Year	30 Year
5.62%	11.14%	7.84%	7.98%	7.82%	7.93%

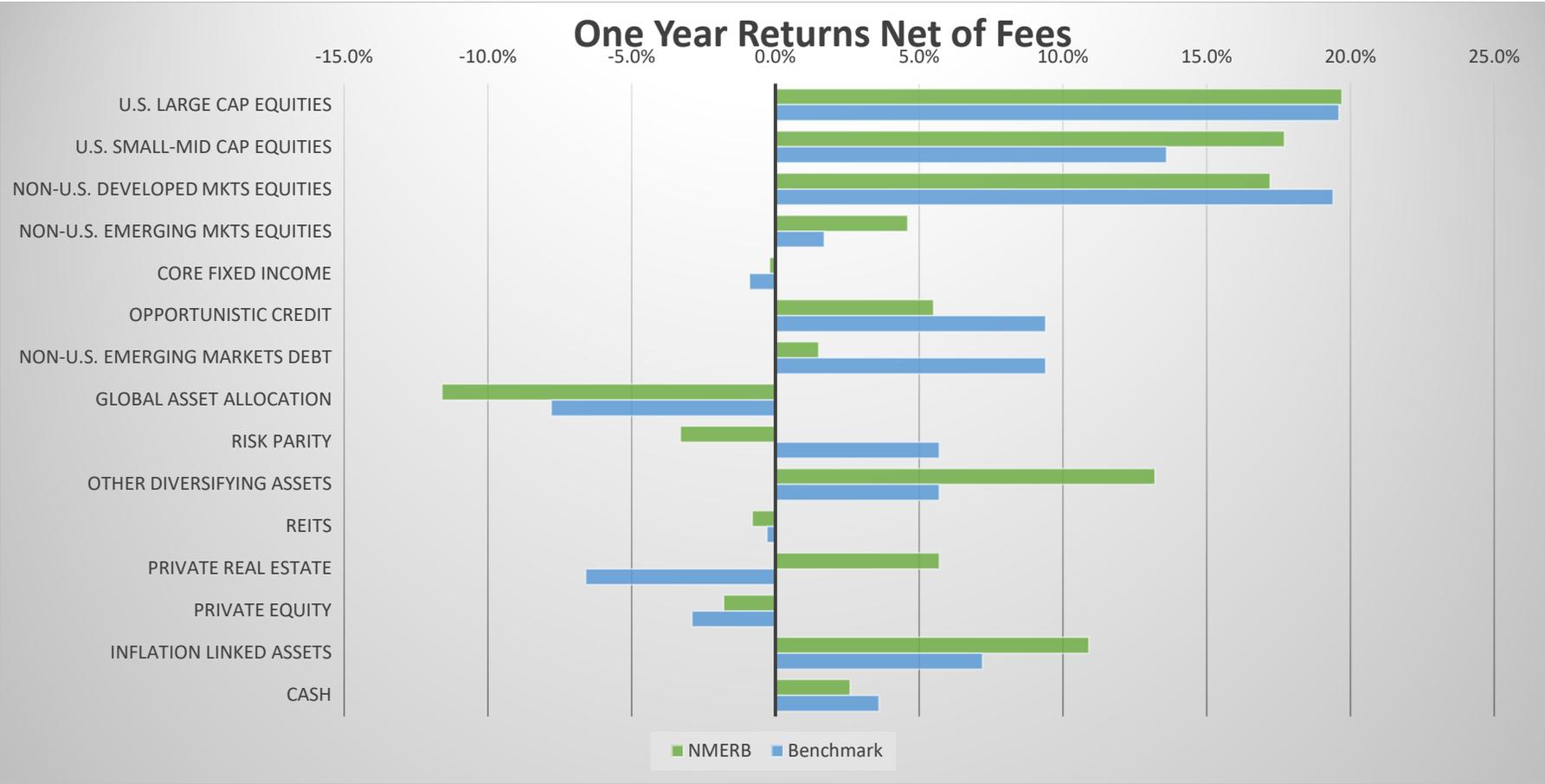
Portfolio Returns and Benchmarks

The following two charts show the investment return of NMERB versus benchmarks as of June 30, 2023.



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.erb.nm.gov/wp-content/uploads/2023/08/2023-Q2-NMERB-IPA-Report.pdf>.



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 For Period Ending June 30, 2023* prepared by NEPC. The complete analysis can be found at <https://www.erb.nm.gov/wp-content/uploads/2023/08/2023-Q2-NMERB-IPA-Report.pdf>.

Schedule of Investment Results (Net of Fees) For the Year Ending June 30, 2023

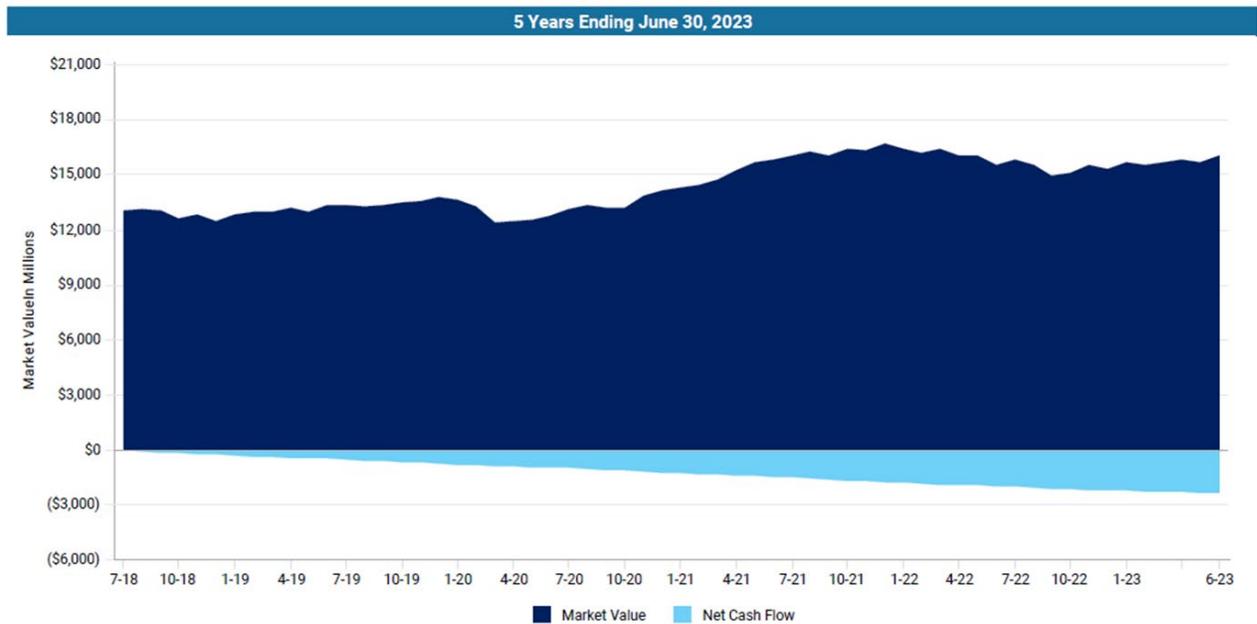
	Market Value	Percentage of Portfolio	Investment Results (%)					Return	Since
			1 Year	3 Years	5 Years	10 Years			
U. S. Equity	2,281,721,037	14.2	18.9	14.5	11.6	12.4	11.4	Jan-85	
U.S. Large Cap Equity	1,814,901,148	11.3	19.7	14.6	12.6	13.0	7.7	Aug-99	
U.S. Small/Mid Cap Equity	466,819,889	2.9	17.7	15.0	7.1	9.7	7.6	Aug-99	
Non-U.S. Equity	1,629,741,472	10.2	9.6	4.1	2.0	3.5	5.6	Jul-95	
Non-U.S. Developed Mkts Equity	777,825,748	4.9	17.2	9.0	4.4	5.2	5.9	Sep-95	
Non-U.S. Emerging Mkts Equity	851,915,724	5.3	4.6	1.0	0.4	2.3	5.3	Sep-00	
Fixed Income	3,657,567,857	22.8	4.4	6.7	4.3	4.9	3.2	Jan-85	
Core Fixed Income	793,820,636	5.0	-0.2	-3.4	0.8	1.7	4.2	Dec-99	
Non-U.S. Emerging Mkt Debt	33,368,564	0.2	1.5	-1.8	0.0	0.6	0.7	Sep-11	
Opportunistic Credit	2,830,378,656	17.7	5.5	10.7	5.5	6.4	7.7	May-08	
Diversifying Assets	1,393,412,423	8.7	-1.3	2.7	2.5	3.5	5.6	Oct-09	
Global Asset Allocation	331,208,634	2.1	-11.6	6.1	1.9	2.3	2.1	Nov-12	
Risk Parity	87,030,954	0.5	-3.3	-0.7	1.5	3.8	2.9	Nov-12	
Other Diversifying Assets	975,172,835	6.1	13.2	6.4	7.4	-	7.6	Feb-18	
Real Estate Composite	1,547,927,696	9.7	4.2	17.3	11.2	11.3	10.4	Dec-03	
Public Real Estate	242,517,773	1.5	-0.8	9.2	4.2	5.7	7.7	Dec-03	
Private Real Estate	1,305,409,923	8.1	5.7	20.4	14.3	14.6	10.3	Jan-08	
Private Equity	3,564,355,240	22.2	-1.8	22.0	15.7	14.9	9.4	Jun-06	
Real Assets	1,733,096,921	10.8	10.9	13.7	9.5	8.4	4.7	Jul-08	
Infrastructure	628,372,883	3.9	8.0	13.3	10.5	9.0	5.4	Jul-08	
Natural Resources	1,104,724,038	6.9	12.7	13.9	8.8	8.0	5.6	Mar-09	
Cash	175,670,066	1.1							
Legacy Assets	222								
Total Portfolio Return		99.7	5.6	11.1	7.8	8.0	8.9	Jul-83	

Market Value History

The following graph shows total fund asset growth for the three-year period ending June 30, 2023. The table that follows the graph 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 For Period Ending June 30, 2023* prepared by NEPC.

New Mexico Educational Retirement Board-Top Plan
ASSET GROWTH SUMMARY

June 30, 2023



	Last Three Months	Year To Date	1 Year	3 Years	5 Years	Since 10/1/05
Beginning Market Value	15,660,700,951	15,317,974,859	15,511,202,665	12,752,951,878	12,886,225,133	7,694,652,368
Net Cash Flow	-54,994,861	-144,220,226	-362,018,758	-1,392,090,158	-2,333,415,973	-5,592,519,373
Net Investment Change	415,060,929	847,012,386	871,583,112	4,658,260,059	5,466,312,619	12,824,940,131
Ending Market Value	16,020,767,019	16,020,767,019	16,020,767,019	16,020,767,019	16,020,767,019	14,926,351,620
Net Change	360,066,068	702,792,160	509,564,354	3,267,815,141	3,134,541,886	7,231,699,252

Schedule of Fund's Ten Largest Stock Holdings

Company Name	CUSIP No.	Number of Shares	Fair Value
Apple Inc.	037833100	719,264	\$ 139,515,638
Microsoft Corp.	594918104	361,647	123,155,269
Amazon.com Inc.	023135106	433,100	56,458,916
Nvidia Corp	67066G104	119,528	50,562,735
Prologis Inc.	74340W103	296,755	36,391,066
Alphabet Inc. CL A	02079K305	289,320	34,631,604
Tesla Inc.	88160R101	130,700	34,213,339
Meta Platforms Inc. Class A	30303M102	108,050	31,008,189
Alphabet Inc. CL C	02079K107	248,580	30,070,723
Berkshire Hathaway Inc. CL B	084670702	87,557	29,856,937
Total			<u>\$ 565,864,416</u>

Schedule of Ten Largest Fixed Income Holdings

Security Name	CUSIP No.	Par	Fair Value
Strips	912834UY2	43,000,000	\$ 15,304,130
US Treasury N/B	91282CAM3	15,000,000	13,586,100
State Street Bank + Trust Co.	8611249M9	13,498,671	13,498,671
US Treasury N/B	912810TK4	10,000,000	9,077,000
US Treasury N/B	912828ZB9	10,000,000	8,923,400
US Treasury N/B	912810TQ1	9,000,000	8,775,000
US Treasury N/B	912810TG3	10,000,000	8,287,100
US Treasury N/B	91282CFU0	8,000,000	7,958,160
FNMA Pool RS3071	3140XJMV2	8,592,917	7,631,026
US Treasury N/B	912810SU3	10,000,000	6,621,500
Total			<u>\$ 99,662,087</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.

Fees, commissions, and carried interest for the year ended June 30, 2023 are listed below.

Schedule of Asset Management Costs-Unaudited
For the Year Ended June 30, 2023

All Asset Classes:

Consultant	Location	Description of Investments Subject to the Agreement	Fees
NEPC	Out of state	Total fund	\$ 364,435

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 06/30/23	Management Fees	Performance Fees
Equities-Internal	Domestic Equity	\$ 2,281,721,037	\$ —	\$ —
Equities-External	Domestic Equity	73,474,346	529,323	—
Equities-External	Real Estate Investment Trusts (REITs)	242,517,773	1,457,838	—
Equities-External	International Equity	1,636,488,766	7,988,375	—
Fixed Income-Internal	Domestic Fixed Income	\$ 793,820,636	\$ —	\$ —
Fixed Income-External	Domestic Fixed Income	74,526,717	549,537	—
Fixed Income-External	International Fixed Income	33,368,554	1,368,454	—
	Listed Infrastructure	—	—	—
	Commodities	—	—	—
	TIPS	—	—	—
	Other	—	—	—
		\$ 5,135,917,829	\$ 11,893,527	\$ —

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	\$ 418,562
Hamilton Lane	Out of State	Infrastructure	500,000
Banner Ridge	Out of State	Private Equity	106,040
NEPC	Out of State	Private Equity	104,560
Top Tier	Out of State	Private Equity	103,615
			\$ 1,232,777

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	\$ 5,576,078	\$ 1,488,220
Diversifying Assets	Investment Mix Targeting Diversity	9,306,749	—
Private Equity	Investment Mix Targeting Investments		
	Not Listed on a Public Exchange	41,092,230	22,046,739
	Investment Mix Targeting Real		
Real Return/Real Assets	Assets	17,381,608	873,108
Real Estate	Investment Mix Targeting Real Estate	9,502,256	868,093
	Investment Mix Targeting Balanced		
Risk Parity	Risk	987,367	
	Investments Providing Capital to		
Opportunistic Credit	Borrowers	20,677,740	5,146,071
Other	Other	—	—
		\$ 104,524,028	\$ 30,422,231

Profit Share

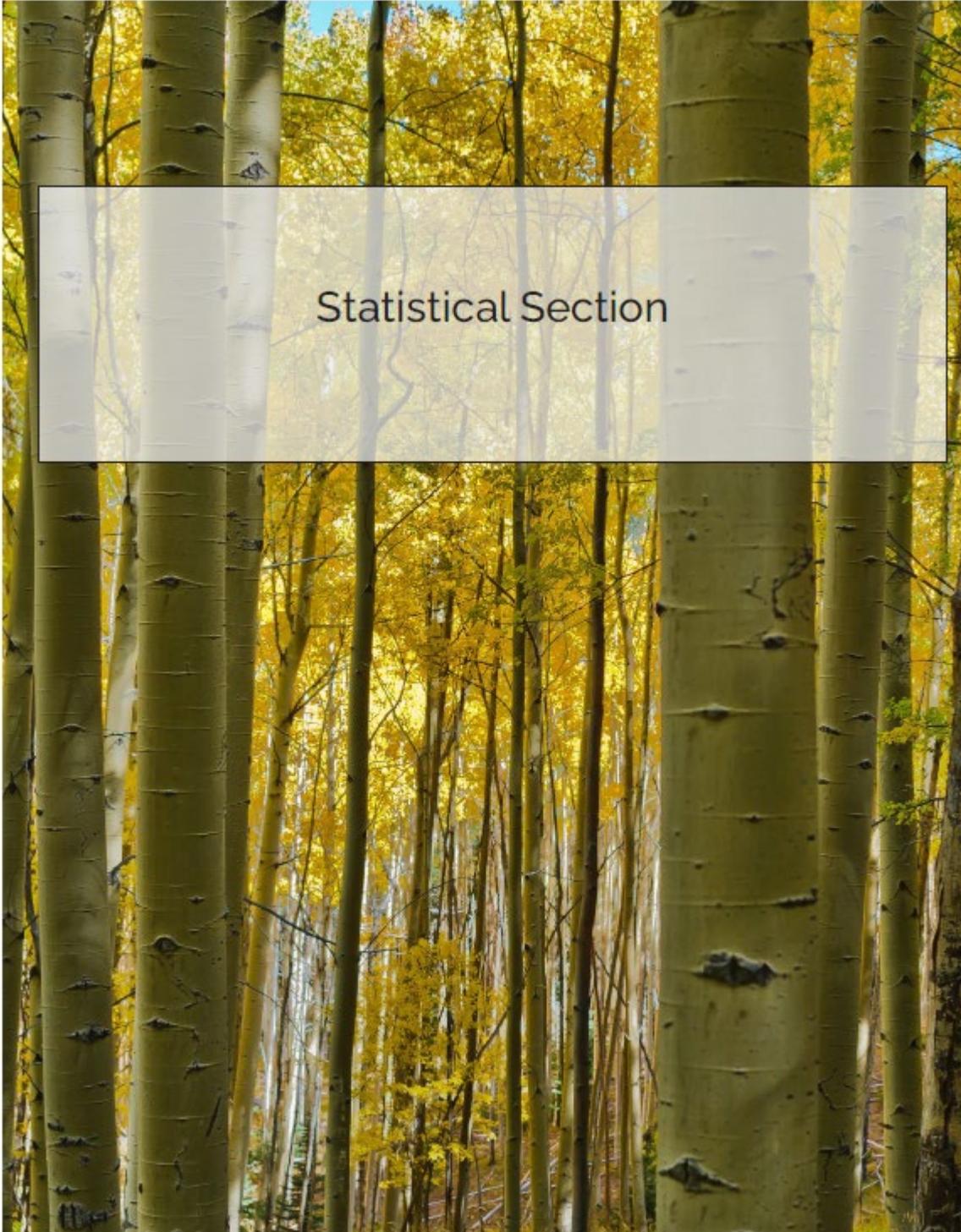
The next schedule provides information on profit sharing. Certain investment manager contracts, primarily in the alternative assets category, provide for the manager to earn a share of the profits from NMERB investments once certain rate of return hurdles are met. Typically, the manager's profits share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

The amounts shown in the schedule below are based on profits at June 30, 2023. 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 Investment Profit Share (Expense) by Category of Investment for the Fiscal Year Ended June 30, 2023

Category	Profit Share*
Infrastructure	\$ (125,702)
Natural Resources	998,811
Opportunistic Credit	5,146,071
Private Equity	22,046,739
Private Real Estate	868,093
GTAA	1,488,220
Total	<u>\$ 30,422,231</u>

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



Statistical Section

The Statistical Section provides additional historical perspective, context, and relevant details to assist readers in using information found within the fiscal year 2023 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.

Summary of Changes in Fiduciary Net Position

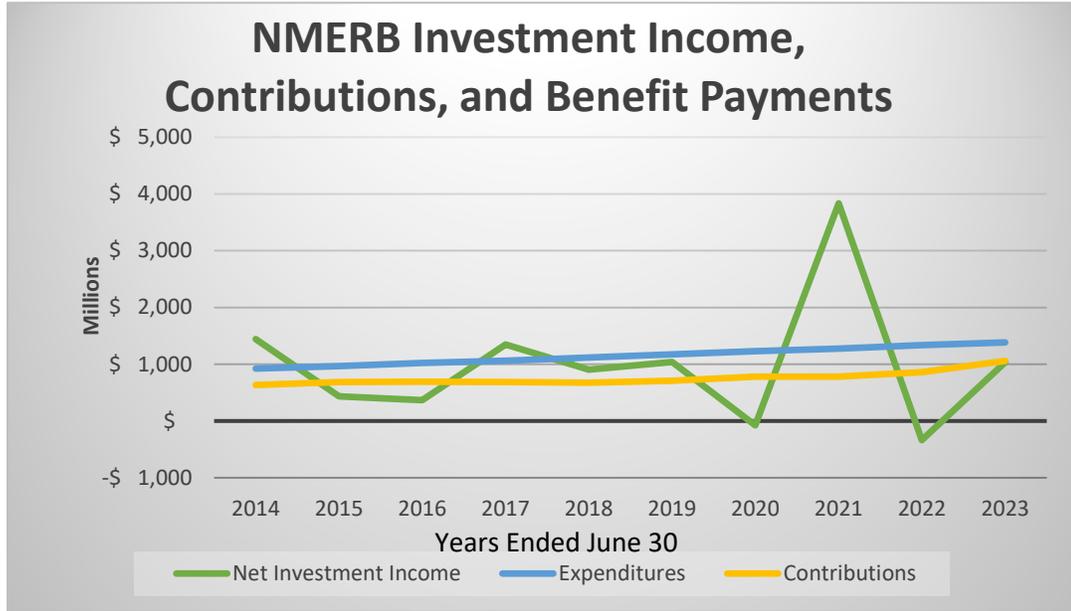
The following fiscal year tables show trend information. Unless otherwise noted, the information is derived from the annual financial reports for the relevant year.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions										
Contributions:										
Employer	\$646,939	\$501,927	\$445,655	\$444,606	\$400,577	\$382,862	\$390,010	\$391,508	\$389,767	\$357,430
Member	395,815	347,917	330,067	329,725	303,442	287,324	292,809	293,848	292,822	271,514
Employer ARP	15,811	10,017	7,217	6,950	5,972	5,862	5,834	5,480	5,362	5,032
Total Contributions	1,058,565	859,861	782,939	781,281	709,991	676,048	688,653	690,836	687,951	633,976
Investment Income:										
Interest, dividends, other	261,119	242,757	283,257	209,093	142,276	138,513	125,198	126,427	133,004	180,493
Investment expenses	(151,721)	(187,489)	(185,999)	(143,400)	(114,060)	(84,214)	(103,106)	(87,883)	(76,436)	(13,720)
Net change asset value	926,849	(392,258)	3,736,190	(141,571)	1,009,667	845,832	1,324,655	326,027	366,761	1,277,460
Net investment income	1,036,247	(336,990)	3,833,448	(75,878)	1,037,883	900,131	1,346,747	364,571	423,329	1,444,233
Other income	505	803	1,092	241	487	2,116	3,642	2,098	8,147	-
Total additions	2,095,317	523,674	4,617,479	705,644	1,748,361	1,578,295	2,039,042	1,057,506	1,119,427	2,078,209
Deductions										
Benefit payments, refunds	1,371,675	1,321,514	1,263,064	1,220,261	1,164,645	1,107,441	1,052,675	1,012,731	957,183	907,214
Administrative expense	12,551	12,982	12,088	10,878	9,326	9,908	9,848	9,661	10,598	16,618
Total deductions	1,384,226	1,334,496	1,275,152	1,231,139	1,173,971	1,117,350	1,062,524	1,022,391	967,781	923,832
Net increase (decrease) in net position	711,091	(810,822)	3,342,327	(525,495)	574,389	460,945	976,518	35,114	151,646	1,154,377
Net position restricted for pensions										
Beginning of the year	\$15,550,702	\$16,361,524	\$13,019,197	\$13,544,691	\$12,970,301	\$12,509,356	\$11,532,838	\$11,497,723	\$11,346,076	\$ 10,191,699
End of the year	\$16,261,793	\$15,550,702	\$16,361,524	\$13,019,197	\$13,544,691	\$12,970,301	\$12,509,356	\$11,532,838	\$11,497,723	\$ 11,346,076

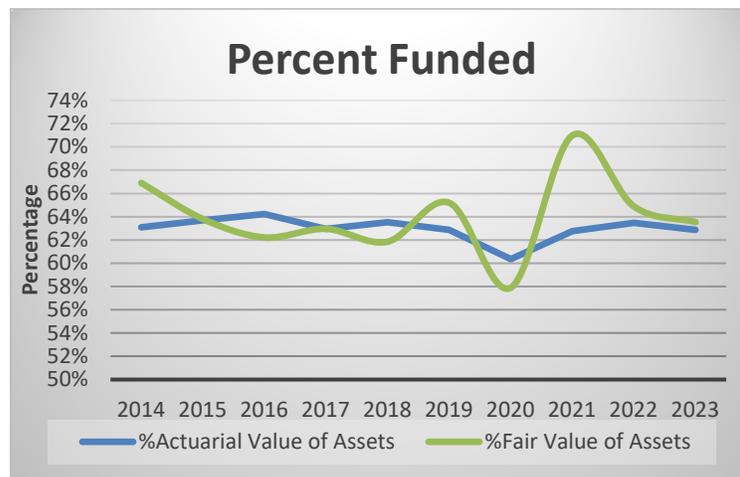
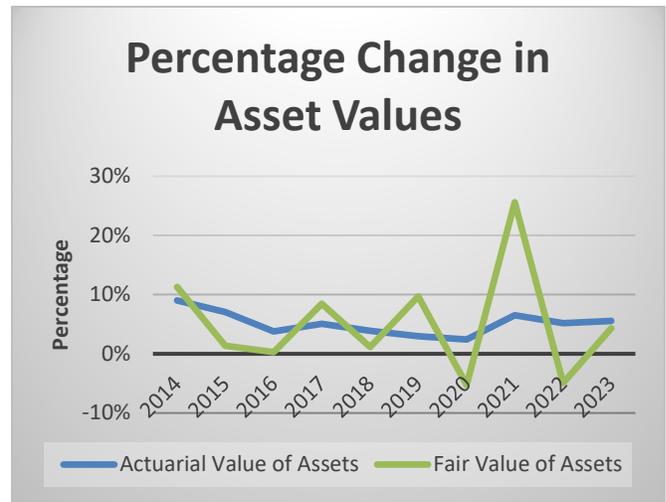
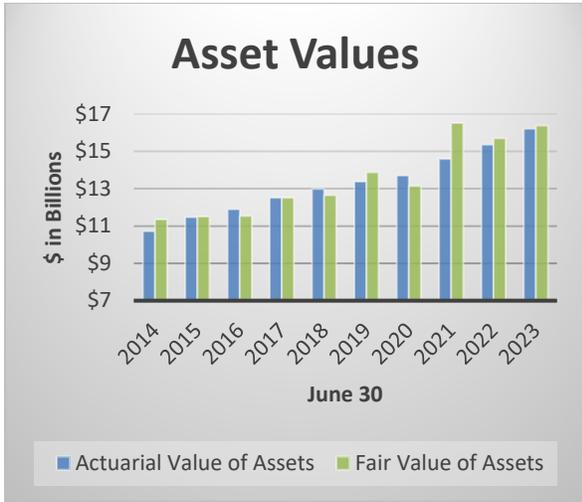
NMERB Investment Income, Contributions, and Benefit Payments

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



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.



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
2023	54,774	\$ 1,317,587,613	\$ 2,079
2022	53,972	1,270,821,870	2,017
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

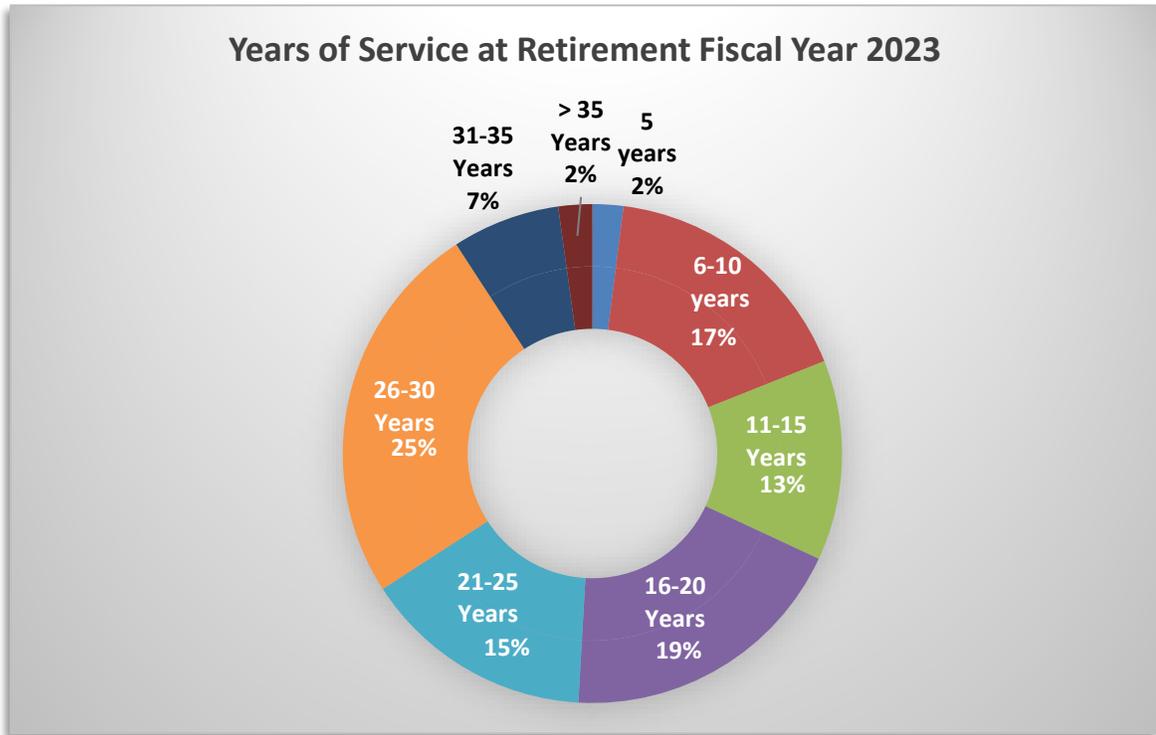
Number of Members Retiring

Members Retiring Last Five Fiscal Years*

	2023	2022	2021	2020	2019
Number Retiring	1,998	2,428	2,556	2,159	2,102
Average Age at Retirement	62.6	62.4	62.2	62.5	62.0
Median Age at Retirement	63.0	63.0	62.0	63.0	62.5
Average Service Credit	19.0	18.9	20.7	19.8	20.0
Median Service Credit	19.5	19.0	21.0	20.0	20.0
Average Monthly Benefit	\$ 2,119	\$ 1,944	\$ 2,187	\$ 2,032	\$ 2,043
Median Monthly Benefit	\$ 1,711	\$ 1,540	\$ 1,825	\$ 1,612	\$ 1,695

*Does not include reciprocities and QDROs.

Years of Service at Retirement



Average Benefit Payment New Retirees

Schedule of Average Benefit Payments New Retirees Last Five Fiscal Years

	Years of Service Credit							
	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
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
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
Number of retirees	133	277	494	486	669	338	110	49
Period 7/1/2021 to 6/30/2022								
Average monthly benefit	\$ 399	\$ 833	\$ 1,274	\$ 1,803	\$ 2,740	\$ 3,735	\$ 4,105	\$ 5,027
Number of retirees	165	409	526	483	581	180	60	25
Period 7/1/2022 to 6/30/2023								
Average monthly benefit	\$ 241	\$ 589	\$ 1,190	\$ 1,735	\$ 2,248	\$ 3,181	\$ 4,261	\$ 5,866
Number of retirees	40	342	266	380	307	492	131	40

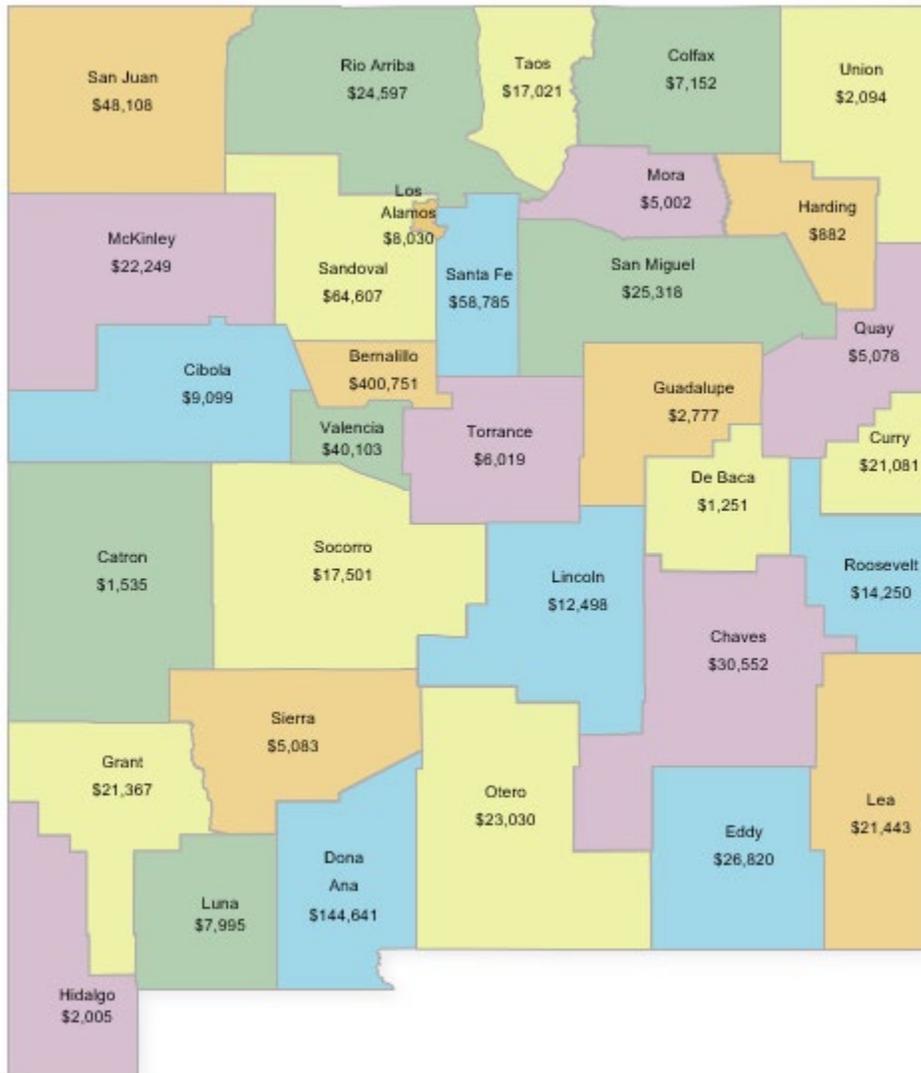
Benefit Recipients by Type of Retirement and Option Selected

**Benefit Recipients by Type of Retirement and Option Selected
June 30, 2023**

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	2,228	1,310	652	266
251-500	3,960	2,522	1,034	404
501-750	4,822	3,135	1,193	494
751-1,000	4,395	2,805	1,125	465
1,001-1,250	4,291	2,604	1,175	512
1,251-1,500	3,968	2,440	1,109	419
1,501-1,750	3,982	2,462	1,109	411
1,751-2,000	3,657	2,206	1,055	396
Over 2,000	23,471	14,062	6,547	2,862
Total	54,774	33,546	14,999	6,229

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

2023 Retiree Gross Benefits by New Mexico County



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

New Mexico Benefit Payments	\$	1,098,722,550
Outside New Mexico		218,865,063
Total Gross Benefit Payments	\$	1,317,587,613

Schedule of Membership Status

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

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

Status	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Active-working	61,503	59,887	58,988	61,091	60,197	60,358	59,495	60,057	60,998	61,173
Service retirees	50,331	49,592	48,421	47,093	45,988	44,796	43,282	41,771	40,140	38,438
Beneficiaries	3,692	3,615	3,591	3,491	3,378	3,279	3,218	3,189	3,071	2,980
Disability	751	765	778	813	831	844	840	837	832	828
Inactive, vested	13,669	12,648	12,215	11,513	11,436	10,621	10,581	10,219	9,513	9,113
Inactive, nonvested	41,087	40,625	39,321	39,401	39,703	36,891	36,098	34,009	31,535	27,476
Total	171,033	167,132	163,314	163,402	161,533	156,789	153,514	150,082	146,089	140,008

Average Active Members and Years of Service

Average Active Member Age and Years of Service

	2023	2022	2021	2020	2019
Average Age	45.8	45.9	46.1	46.1	46.3
Average Years of Service	9.5	9.6	9.8	9.6	9.7
Average Annual Salary	\$ 57,730	\$ 52,178	\$ 49,576	\$ 48,324	\$ 44,980

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

**Distribution of Active Members by Age and by Years of Service
As of June 30, 2023**

Years of Credited Service

Attained Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
	Count & Avg. Comp.												
Under 25	718 \$29,271	888 \$32,396	304 \$33,172	92 \$31,457	55 \$30,075	19 \$29,663	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	2,076 \$31,301
25-29	606 \$38,226	1,266 \$42,119	859 \$45,513	630 \$46,537	549 \$49,304	648 \$49,679	5 \$48,243	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	4,563 \$44,796
30-34	604 \$43,179	1,119 \$45,522	708 \$45,907	540 \$49,835	652 \$50,830	2,135 \$57,357	345 \$63,589	7 \$40,750	0 \$0	0 \$0	0 \$0	0 \$0	6,110 \$51,443
35-39	912 \$41,078	1,124 \$47,417	671 \$48,677	524 \$55,431	620 \$51,885	2,098 \$58,363	1,411 \$69,951	342 \$64,958	6 \$44,970	0 \$0	0 \$0	0 \$0	\$7,708 \$55,562
40-44	419 \$47,797	808 \$46,115	568 \$48,661	455 \$52,776	554 \$53,570	2,088 \$59,559	1,452 \$70,102	1,441 \$74,114	313 \$72,801	3 \$60,118	0 \$0	0 \$0	8,101 \$61,046
45-49	325 \$45,133	654 \$46,327	432 \$48,135	313 \$53,773	475 \$52,794	1,774 \$59,155	1,374 \$70,284	1,417 \$72,592	1,338 \$78,292	170 \$77,409	1 \$45,023	0 \$0	8,273 \$64,064
50-54	269 \$50,919	517 \$48,641	377 \$47,143	323 \$50,715	369 \$51,105	1,488 \$57,166	1,254 \$64,062	1,470 \$70,405	1,378 \$74,391	691 \$81,902	54 \$67,488	2 \$73,516	8,192 \$63,921
55-59	225 \$49,640	440 \$46,574	318 \$48,456	244 \$54,633	339 \$49,587	1,303 \$54,052	1,057 \$65,342	1,293 \$63,818	1,136 \$68,079	623 \$74,543	230 \$82,238	34 \$74,037	7,242 \$61,369
60-64	151 \$52,119	345 \$43,914	224 \$47,775	206 \$50,684	241 \$47,684	1,112 \$54,701	873 \$62,808	886 \$62,902	748 \$64,711	496 \$71,285	196 \$76,301	110 \$82,925	5,588 \$59,929
65 & Over	129 \$35,084	254 \$36,979	157 \$41,011	150 \$47,202	198 \$43,589	821 \$49,730	563 \$64,080	426 \$60,400	378 \$63,573	229 \$71,654	181 \$82,935	164 \$103,886	3,650 \$57,861
Total	4,358 \$41,230	7,415 \$43,704	4,618 \$46,146	3,477 \$50,689	4,052 \$50,488	13,486 \$56,659	8,334 \$67,140	7,282 \$68,612	5,297 \$71,757	2,212 \$76,013	662 \$79,411	310 \$92,978	61,503 \$57,730

Principal Employers Ranked by Number of Employees in Active Status

Fiscal Year Ended

Employer Name	June 30, 2023		June 30, 2022		June 30, 2021		June 30, 2020		June 30, 2019		June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2014	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
Albuquerque Public Schools	10,853	18%	10,960	18%	11,173	18%	11,772	19%	11,670	19%	11,571	19%	11,598	19%	11,797	20%	11,802	19%	11,799	20%
University of New Mexico	6,791	11%	6,536	11%	6,486	11%	6,568	11%	6,661	11%	6,719	11%	6,833	11%	6,629	11%	7,081	12%	7,045	12%
New Mexico State University	3,367	5%	3,231	5%	3,286	5%	3,494	6%	3,478	6%	3,780	6%	3,693	6%	3,716	6%	4,294	7%	4,592	8%
Las Cruces Public Schools	3,192	5%	3,086	5%	3,059	5%	3,211	5%	3,099	5%	3,043	5%	2,977	5%	2,856	5%	3,052	5%	3,048	5%
Rio Rancho Public Schools	2,032	3%	1,995	3%	2,045	3%	2,145	3%	1,958	3%	2,037	3%	2,055	3%	1,855	3%	2,077	3%	2,078	3%
Gadsden Independent Schools	1,956	3%	1,967	3%	1,908	3%	1,943	3%	1,877	3%	1,853	3%	1,867	3%	1,897	3%	1,891	3%	1,844	3%
Central New Mexico Community College	1,624	3%	1,587	3%	1,606	3%	1,687	3%	1,619	3%	1,675	3%	1,570	3%	1,655	3%	1,969	3%	1,975	3%
Santa Fe Public Schools	1,545	3%	1,581	3%	1,577	3%	1,701	3%	1,604	3%	1,619	3%	1,682	3%	1,649	3%	1,614	3%	1,508	2%
Gallup McKinley County Schools	1,355	2%	1,388	2%	1,433	2%	1,563	3%	1,529	2%	1,586	3%	1,624	3%	1,594	3%	1,730	3%	1,766	3%
Farmington Public Schools	1,350	2%	1,319	2%	1,307	2%	1,331	2%	1,329	2%	1,276	2%	1,319	2%	1,291	2%	1,289	2%	1,268	2%
All other active employees	27,484	45%	26,237	43%	25,108	41%	25,676	43%	25,534	42%	25,199	40%	24,277	41%	25,118	39%	24,199	39%	24,250	39%
Total	61,549	100%	59,887	97%	58,988	96%	61,091	100%	60,358	97%	60,358	97%	59,495	100%	60,057	98%	60,998	99%	61,173	100%

Participating New Mexico Employer by County

County	Employer Name	Category	
Bernalillo County	ABQ Charter Academy	Charter School	2340
Bernalillo County	ABQ Institute for Math and Science	Charter School	2341
Bernalillo County	ABQ Talent Development Academy	Charter School	2361
Bernalillo County	Ace Leadership High School	Charter School	2390
Bernalillo County	ACES Technical Charter School	Charter School	02441
Bernalillo County	Albuquerque Collegiate School	Charter School	2435
Bernalillo County	Albuquerque Public Schools	Public School	2003
Bernalillo County	Albuquerque School of Excellence	Charter School	2412
Bernalillo County	Alice King Community School	Charter School	2356
Bernalillo County	Altura Preparatory School	Charter School	2434
Bernalillo County	Amy Biehl Charter High	Charter School	2303
Bernalillo County	Central New Mexico Community College	Universities and Colleges	2123
Bernalillo County	Central Regional Ed Coop	State Agency	2150
Bernalillo County	Cesar Chavez Community School	Charter School	2336
Bernalillo County	Christine Duncan Community School	Charter School	2353
Bernalillo County	Cien Aguas International School	Charter School	2367
Bernalillo County	Coral Community Charter School	Charter School	2421
Bernalillo County	Corrales International School	Charter School	2363
Bernalillo County	Cottonwood Classical Prep School	Charter School	2364
Bernalillo County	Digital Arts and Technology Academy	Charter School	2350
Bernalillo County	East Mountain High School	Charter School	2304
Bernalillo County	El Camino Real Academy	Charter School	2323
Bernalillo County	Explore Academy	Charter School	2432
Bernalillo County	Gilbert L. Sena Charter High School	Charter School	2339
Bernalillo County	Gordon Bernell Charter School	Charter School	2362
Bernalillo County	Health Leadership High School	Charter School	2430
Bernalillo County	Horizon Academy West	Charter School	2327
Bernalillo County	La Academia de Esperanza	Charter School	2329
Bernalillo County	La Promesa Early Learning Center	Charter School	2343
Bernalillo County	Los Puentes Charter School	Charter School	2322
Bernalillo County	Media Arts Collaborative Charter	Charter School	2365
Bernalillo County	Mission Achievement & Success Charter	Charter School	2425
Bernalillo County	Montessori Elementary	Charter School	2351
Bernalillo County	Montessori Rio Grande Charter	Charter School	2334
Bernalillo County	Mountain Mahogany Community	Charter School	2342
Bernalillo County	Native American Community Charter	Charter School	2354
Bernalillo County	New Mexico Activities Association	State Agency	2148
Bernalillo County	North Valley Academy	Charter School	2328
Bernalillo County	Nuestros Valores Charter	Charter School	2311
Bernalillo County	Public Academy for Performing Arts	Charter School	2320
Bernalillo County	Rio Grande Academy of Fine Arts	Charter School	2445
Bernalillo County	Robert F Kennedy Charter	Charter School	2318
Bernalillo County	Roots and Wings Community School	Charter School	2313
Bernalillo County	SAHQ Academy	Charter School	2403

Demographic and Economic Information

County	Employer Name	Category	
Bernalillo County	Siembra Leadership High School	Charter School	2433
Bernalillo County	Solare Collegiate Charter	Charter School	2440
Bernalillo County	South Valley Academy	Charter School	2309
Bernalillo County	South Valley Preparatory School	Charter School	2396
Bernalillo County	Southwest Aeronautics Mathematics & Science	Charter School	2420
Bernalillo County	Southwest Primary Learning Center	Charter School	2346
Bernalillo County	Southwest Secondary Learning	Charter School	2310
Bernalillo County	Tech Leadership High School	Charter School	2394
Bernalillo County	The Albuquerque Sign Language Academy	Charter School	2402
Bernalillo County	The Great Academy	Charter School	2413
Bernalillo County	The Int'l School at Mesa del Sol	Charter School	2368
Bernalillo County	The New America School	Charter School	2366
Bernalillo County	The New Mexico International School	Charter School	2414
Bernalillo County	Tierra Adentro of New Mexico	Charter School	2370
Bernalillo County	Twenty-First Century Charter	Charter School	2308
Bernalillo County	University Hospital	Special School	2295
Bernalillo County	University of New Mexico	Universities and Colleges	2095
Bernalillo County	Voz Collegiate Preparatory Charter School	Charter	02442
Bernalillo County	William W. & Josephine Dorn Charter	Charter School	2417
Catron County	Quemado	Public School	28084
Catron County	Reserve Independent Schools	Public School	28085
Chaves County	Dexter Consolidated Schools	Public School	4008
Chaves County	Hagerman Municipal Schools	Public School	4009
Chaves County	Lake Arthur Municipal Schools	Public School	4010
Chaves County	New Mexico Military Institute	Special School	4097
Chaves County	Roswell Independent Schools	Public School	4011
Chaves County	Sidney Gutierrez Middle Charter	Charter School	4317
Colfax County	Cimarron Municipal Schools	Public School	9027
Colfax County	High Plains Reg Ed Coop	State Agency	9150
Colfax County	Maxwell Municipal Schools	Public School	9028
Colfax County	Moreno Valley High School	Charter School	9324
Colfax County	Raton Public Schools	Public School	9029
Colfax County	Springer Municipal Schools	Public School	9030
Curry County	Clovis Community College	Universities and Colleges	5011
Curry County	Clovis Municipal Schools	Public School	5012
Curry County	Grady Municipal Schools	Public School	5013
Curry County	Melrose Schools	Public School	5014
Curry County	Regional Education Coop #6	State Agency	5016
Curry County	Texico Municipal Schools	Public School	5015
De Baca County	Fort Sumner Municipal Schools	Public School	27083
Doña Ana County	Alma d'Arte Charter	Charter School	7335
Doña Ana County	Gadsden Independent Schools	Public School	7021
Doña Ana County	Hatch Valley Municipal Schools	Public School	7022
Doña Ana County	J Paul Taylor Academy	Charter School	7420

Demographic and Economic Information

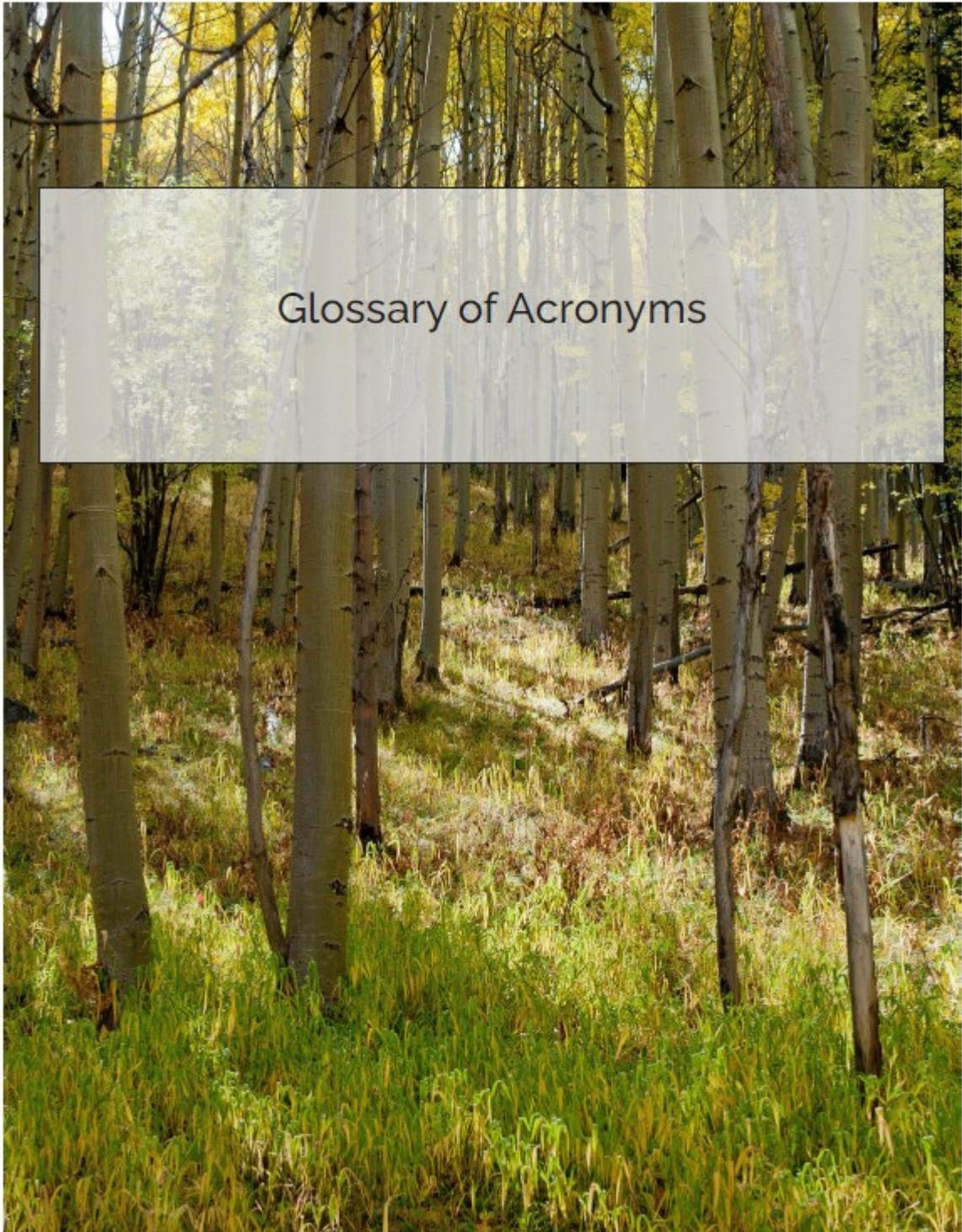
County	Employer Name	Category	
Doña Ana County	La Academia Dolores Huerta	Charter School	7337
Doña Ana County	Las Cruces Public Schools	Public School	7023
Doña Ana County	Las Montanas Charter School	Charter School	7338
Doña Ana County	New America School-Las Cruces	Charter School	7421
Doña Ana County	New Mexico State University	Universities and Colleges	7098
Doña Ana County	Raices Del Saber Xinachtli Community School	Charter School	7445
Eddy County	Artesia Public Schools	Public School	3004
Eddy County	Carlsbad Municipal Schools	Public School	3005
Eddy County	Jefferson Montessori Academy	Charter School	3321
Eddy County	Loving Municipal Schools	Public School	3006
Eddy County	Pecos Connections Academy	Charter School	3433
Eddy County	Southeast New Mexico College	Universities and Colleges	3010
Grant County	Aldo Leopold High School	Charter School	8347
Grant County	Cobre Consolidated Schools	Public School	8024
Grant County	Silver Consolidated Schools	Public School	8026
Grant County	Western New Mexico University	Universities and Colleges	8099
Guadalupe County	Santa Rosa Consolidated Schools	Public School	24072
Guadalupe County	Vaughn Municipal Schools	Public School	24073
Harding County	Mosquero Municipal Schools	Public School	31091
Harding County	Roy Municipal Schools	Public School	31092
Hidalgo County	Animas Public Schools	Public School	23121
Hidalgo County	Lordsburg Municipal Schools	Public School	23070
Lea County	Eunice Public Schools	Public School	6016
Lea County	Hobbs Municipal Schools	Public School	6017
Lea County	Jal Public Schools	Public School	6018
Lea County	Lovington Municipal Schools	Public School	6019
Lea County	New Mexico Junior College	Universities and Colleges	6124
Lea County	Regional Education Coop #7	State Agency	6150
Lea County	Tatum Municipal Schools	Public School	6020
Lincoln County	Capitan Municipal Schools	Public School	26077
Lincoln County	Carrizozo Municipal Schools	Public School	26078
Lincoln County	Corona Public Schools	Public School	26079
Lincoln County	Hondo Valley Public Schools	Public School	26080
Lincoln County	Regional Education Coop IX	State Agency	26150
Lincoln County	Ruidoso Municipal Schools	Public School	26081
Los Alamos County	Los Alamos Schools	Public School	32093
Luna County	Deming Cesar Chavez	Charter School	19301
Luna County	Deming Public Schools	Public School	19059
McKinley County	Dzil Diti' Ooi School for Empowerment	Charter School	13437
McKinley County	Gallup McKinley City Schools	Public School	13041
McKinley County	Hozho Academy	Charter	13436
McKinley County	Middle College High School	Charter School	13369
McKinley County	Six Directions Indigenous School	Charter School	13438
McKinley County	Zuni Public-School District	Public School	13142

Demographic and Economic Information

County	Employer Name	Category	
Mora County	Mora Independent Schools	Public School	30089
Mora County	Wagon Mound Public Schools	Public School	30090
Otero County	Alamogordo Public Schools	Public School	15046
Otero County	Cloudcroft Municipal Schools	Public School	15047
Otero County	New Mexico School for the Blind & Visually Impaired	Special School	15104
Otero County	Tularosa Municipal Schools	Public School	15049
Quay County	House Municipal Schools	Public School	10119
Quay County	Logan Municipal Schools	Public School	10120
Quay County	Mesalands Community College	Universities and Colleges	10141
Quay County	San Jon Schools	Public School	10032
Quay County	Tucumcari Municipal Schools	Public School	10033
Rio Arriba County	Chama Valley Schools	Public School	17126
Rio Arriba County	Dulce Independent Schools	Public School	17115
Rio Arriba County	Espanola Public Schools	Public School	17054
Rio Arriba County	La Tierra Montessori School	Charter School	17425
Rio Arriba County	McCurdy Charter School	Charter School	17424
Rio Arriba County	Mesa Vista Consolidated Schools	Public School	17127
Rio Arriba County	Northern New Mexico Community College	Universities and Colleges	17105
Roosevelt County	Dora Consolidated Schools	Public School	11117
Roosevelt County	Eastern New Mexico University-Portales	Universities and Colleges	11101
Roosevelt County	Eastern New Mexico University-Roswell	Universities and Colleges	11102
Roosevelt County	Elida Municipal Schools	Public School	11034
Roosevelt County	Floyd Municipal Schools	Public School	11118
Roosevelt County	Portales Municipal Schools	Public School	11035
San Juan County	Aztec Municipal Schools	Public School	16050
San Juan County	Bloomfield Schools	Public School	16051
San Juan County	Central Consolidated Schools	Public School	16053
San Juan County	Dream Dine' Charter School	Charter School	16359
San Juan County	Farmington Municipal Schools	Public School	16052
San Juan County	Mosaic Academy Charter	Charter School	16356
San Juan County	San Juan College	Universities and Colleges	16155
San Miguel County	Las Vegas City Schools	Public School	12037
San Miguel County	Luna Community College	Universities and Colleges	12128
San Miguel County	New Mexico Highlands University	Universities and Colleges	12102
San Miguel County	Northeast Rec	State Agency	12151
San Miguel County	Pecos Independent Schools	Public School	12039
San Miguel County	Pecos Valley Rec #8	State Agency	12150
San Miguel County	Rio Gallinas School	Charter School	12326
San Miguel County	West Las Vegas Schools	Public School	12038
Sandoval County	Bernalillo Public Schools	Public School	29086
Sandoval County	Cuba Independent Schools	Public School	29087
Sandoval County	Jemez Mountain School District	Public School	29122
Sandoval County	Jemez Valley Public Schools	Public School	29088
Sandoval County	NW Regional Education Cooperative #2	State Agency	29150

Demographic and Economic Information

County	Employer Name	Category	
Sandoval County	Rio Rancho Public Schools	Public School	29123
Sandoval County	San Diego Riverside Charter	Charter School	29305
Sandoval County	Sandoval Academy of Bilingual Education	Charter School	29303
Sandoval County	The Ask Academy	Charter School	29408
Sandoval County	Walatowa	Charter School	29330
Santa Fe County	Academy for Technology & The Classics	Charter School	1301
Santa Fe County	DFA	State Agency	1341
Santa Fe County	Monte Del Sol Charter School	Charter School	1306
Santa Fe County	New Mexico Connections	Charter School	1418
Santa Fe County	New Mexico School for the Arts	Charter School	1416
Santa Fe County	New Mexico School for The Deaf	Special School	1094
Santa Fe County	Pojoaque Valley Schools	Public School	1001
Santa Fe County	Santa Fe Community College	Universities and Colleges	1003
Santa Fe County	Santa Fe Public Schools	Public School	1002
Santa Fe County	The Masters Program	Charter School	1398
Santa Fe County	Thrive Community School	Charter School	1425
Santa Fe County	Tierra Encantada Charter High	Charter School	1343
Santa Fe County	Turquoise Trail Charter School	Charter School	1315
Sierra County	Southwest Rec #10	State Agency	21150
Sierra County	Truth or Consequences Municipal Schools	Public School	21063
Socorro County	Cottonwood Valley Charter	Charter School	25319
Socorro County	Magdalena Municipal Schools	Public School	25075
Socorro County	NM Institute of Mining & Tech	Universities and	25106
Socorro County	Socorro Consolidated Schools	Public School	25076
Taos County	Anansi Charter School	Charter School	20316
Taos County	Penasco Independent Schools	Public School	20060
Taos County	Questa Independent Schools	Public School	20125
Taos County	Red River Valley Charter	Charter School	20312
Taos County	Taos Academy Charter School	Charter School	20265
Taos County	Taos Integrated School of the Arts	Charter School	20415
Taos County	Taos International School	Charter School	20435
Taos County	Taos Municipal Charter School	Charter School	20307
Taos County	Taos Municipal Schools	Public School	20062
Taos County	Vista Grande High School	Charter School	20317
Torrance County	Estancia Municipal Schools	Public School	22065
Torrance County	Estancia Valley Classical Academy	Charter School	22201
Torrance County	Moriarty-Edgewood School District	Public School	22066
Torrance County	Mountainair Public Schools	Public School	22067
Union County	Clayton Municipal Schools	Public School	18056
Union County	Des Moines Municipal Schools	Public School	18057
Valencia County	Belen Consolidated Schools	Public School	14043
Valencia County	Grants-Cibola County Schools	Public School	14044
Valencia County	Los Lunas Schools	Public School	14045
Valencia County	School of Dreams Academy	Charter School	14366



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.

ARC – Annual Required Contribution

The employer's periodic contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

ARP – Alternative Retirement Plan

NMERB's ARP 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 BOT is composed of nine 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.

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 an ACFR in its annually updated publication *Codification of Governmental Accounting and Financial Reporting Standards*.

COLA – Cost of Living Adjustment

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit.

DBP – Defined Benefit Plan

A DBP 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

DCP 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.

DR/BCF – Disaster Recovery and Business Continuity Plan

A DR/BCF 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 – Government 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

GFOA is 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

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

NAV – Net Asset Value

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

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 VD is 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.

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NMERB is providing secure retirement benefits for New Mexico's educational employees – past, present, and future.

This publication can be found on the NMERB's website.