

POPULAR ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2023



New Mexico Educational
Retirement Board

A Pension Trust Fund of the
State of New Mexico



For seven consecutive years, the New Mexico Educational Retirement Board (NMERB) has received Government Finance Officers Association's *Award for Outstanding Achievement in Popular Annual Reporting*. NMERB believes this current Popular Annual Finance Report (PAFR) also meets the criteria for the prestigious annual award.

ABOUT THIS REPORT

This report is a summary of NMERB's services, membership, investments, and financial results, as reported in its Annual Comprehensive Financial Report (Annual Report) for the fiscal year ended June 30, 2023. All funds administered by NMERB and presented in the Annual Report are included in this report.

The 2023 Annual Report is presented in conformity with generally accepted accounting principles (GAAP) and, therefore, includes more detailed information than this summary, including management's discussion and analysis of financial results and NMERB's Chief Investment Officer's Investment performance report.

The Annual Report can be viewed online at: <https://www.erb.nm.gov/annual-reports/>.

BOARD OF TRUSTEES

The Board of Trustees provides fiduciary oversight, policy guidance, and strategic direction for NMERB. It also appoints NMERB's Executive Director. On December 10, 2021, the Board appointed the current executive director, David Archuleta, effective January 10, 2022. Board membership is established by the New Mexico Educational Retirement Act. The board is comprised of nine elected, appointed, and ex-officio members:

H. Russell Goff, Chair, New Mexico Association of Educational Retirees Appointee

Mary Lou Cameron, Vice-Chair, National Education Association Appointee

Larry Magid, Secretary, Governor Appointee

Max Baca, Member, Governor Appointee

Donald Duszynski, Member, American Association of University Professors Appointee

Matías Fontenla, Member, American Federation of Teachers Appointee

Laura M. Montoya, Ex-Officio Member, State Treasurer

Antonio Ortiz, Ex-Officio Designee for Secretary of Public Education Department

Mario Suazo, Ex-Officio Designee for Secretary of Higher Education Department

NMERB's SERVICES

NMERB provides retirement benefit services to over 171,000 members and 220 educational employer groups. NMERB was created by the New Mexico Educational Retirement Act to administer the Educational Employees' Retirement Plan and to provide retirement and disability benefits for employees of New Mexico's public schools, institutions of higher education, and certain state agencies providing educational programs. NMERB has managed the retirement assets of New Mexico's educational employees since 1957.

MEMBERS AND EMPLOYERS

Total Membership Status by Year

Status	<u>2023</u>	<u>2022</u>	<u>2021</u>
Retirees and beneficiaries	54,774	53,972	52,790
Active working	61,503	59,887	58,988
Inactive, vested	13,669	12,648	12,215
Inactive, nonvested	41,087	40,625	39,321
Total	171,033	167,132	163,314

Schedule of Contributing Employers by Year

Employer Category	<u>2023</u>	<u>2022</u>
Charter Schools	100	100
Public Schools	89	89
State Agencies	11	11
Universities and Colleges	16	16
Special Schools	4	4
Total	220	220

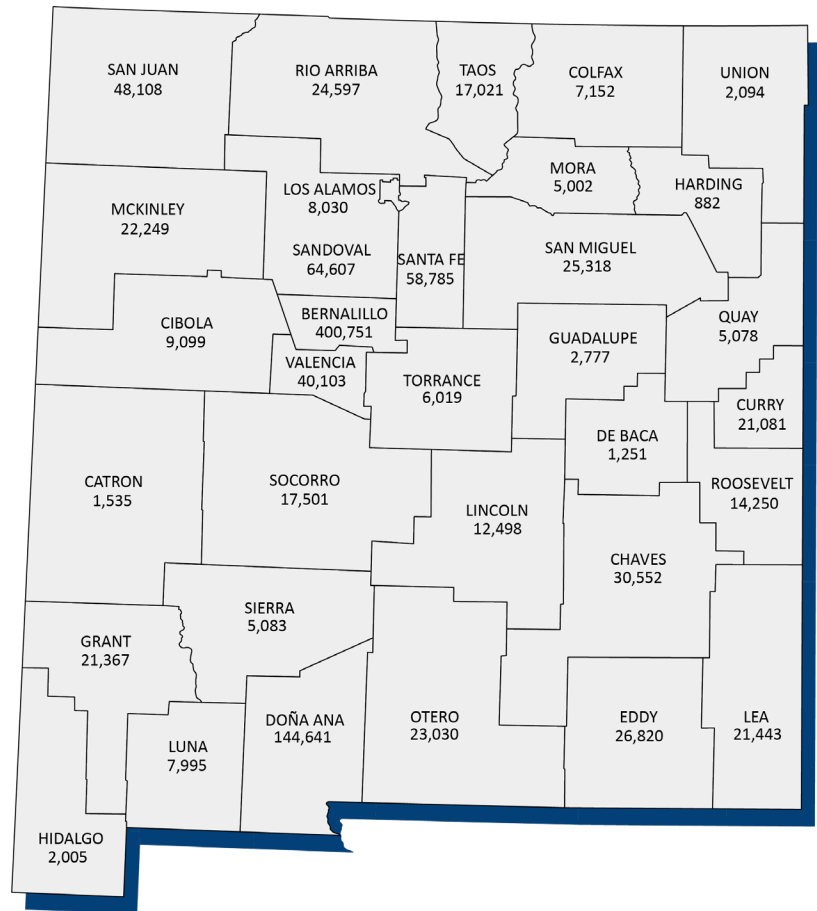
Fiscal Year 2023 Contribution Rates

<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>
Over \$24K	10.70 %	17.15 %	27.85 %
\$24K or Less	7.90 %	17.15 %	25.05 %

Retirement Benefits by New Mexico County

Pension benefit payments made by NMERB significantly contribute to New Mexico's economy. In fiscal year 2023, gross benefit payments paid to retirees living in New Mexico's 33 counties totaled \$1,098,722,550.

County	Rounded
Bernalillo	400,751
Catron	1,535
Chaves	30,552
Cibola	9,099
Colfax	7,152
Curry	21,081
De Baca	1,251
Dona Ana	144,641
Eddy	26,820
Grant	21,367
Guadalupe	2,777
Harding	882
Hidalgo	2,005
Lea	21,443
Lincoln	12,498
Los Alamos	8,030
Luna	7,995
McKinley	22,249
Mora	5,002
Otero	23,030
Quay	5,078
Rio Arriba	24,597
Roosevelt	14,250
San Juan	48,108
San Miguel	25,318
Sandoval	64,607
Santa Fe	58,785
Sierra	5,083
Socorro	17,501
Taos	17,021
Torrance	6,019
Union	2,094
Valencia	40,103
<u>1,098,723</u>	

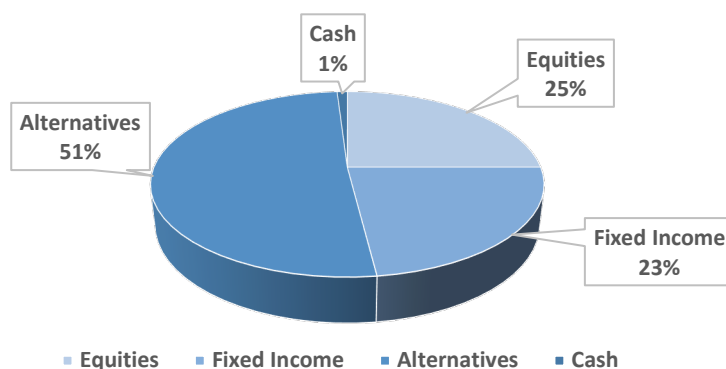


New Mexico Benefit Payments	\$1,098,722,550
Outside New Mexico	218,865,063
Total Gross Benefit Payments	\$1,317,587,613

Note: The amounts are in thousands.

INVESTMENTS

NMERB's investments are well-diversified and its strategic asset allocation is designed to withstand volatility and ensure a secure retirement for NMERB's members.



Schedule of Asset Allocation Versus Policy Targets

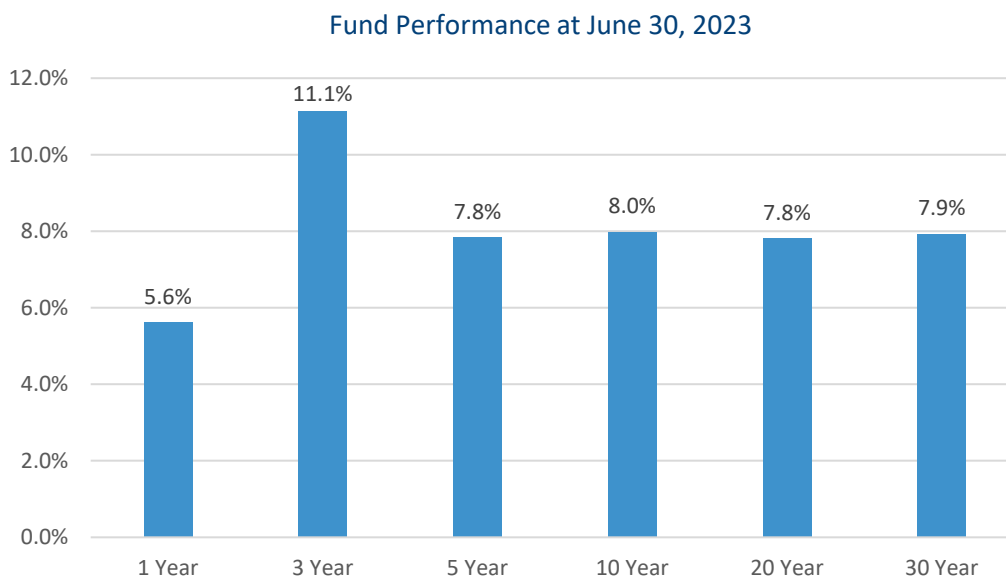
	Allocation	Policy Target ¹
Equities		
<i>Domestic Equities</i>		
Large cap equities	11.4%	15.0%
Small-mid cap equities	2.9%	4.0%
Total domestic equities	14.3%	19.0%
<i>International Equities</i>		
Developed markets	4.9%	5.0%
Emerging markets	5.3%	4.0%
Total international equities	10.2%	9.0%
Fixed Income		
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.

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

For the year ending June 30, 2023, the Fund’s independent investment consultants reported the following:

“For the year ending June 30, 2023 the Fund experienced a net investment gain of \$871.6 million, which includes a net Investment gain of \$415.1 million during the quarter. Assets increased from \$15.5 billion twelve months ago, to \$16.0 billion on June 30 2023, with \$362.0 million in net distribution during the year. The Fund returned 5.6%, underperforming the policy index by 89 basis points and ranking in the 91st percentile of its peers.”



From July 1, 1983, through June 30, 2023, NMERB’s annualized investment return, net of fees, was 8.9%.

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%

FINANCIAL RESULTS

The Fund's Summary Statements of Fiduciary Net Position show what NMERB owned (assets) and owed (liabilities) at the end of a fiscal year.

Summary Statements of Fiduciary Net Position (in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets	\$ 16,378,746	\$ 15,701,952	\$ 16,514,019
Liabilities	116,953	151,250	152,495
Net Position Restricted for Pensions	<u>\$ 16,261,793</u>	<u>\$ 15,550,702</u>	<u>\$ 16,361,524</u>

The Fund's Summary Statements of Changes in Net Position show the financial activity occurring during a fiscal year.

Summary Statements of Changes in Net Position (in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Additions			
Contributions	\$ 1,058,565	\$ 859,861	\$ 782,939
Net Investment Income (Loss)	1,036,247	(336,990)	3,833,449
Other Income	505	802	1,092
Total Additions	2,095,317	523,673	4,617,480
Deductions			
Benefits payments and refunds	1,371,674	1,321,514	1,263,064
Administrative Expenses	12,551	12,982	12,088
Total Deductions	1,384,225	1,334,496	1,275,152
Net Increase (Decrease)	711,091	(810,823)	3,342,328
Net Position			
Beginning of the Year	15,550,702	16,361,525	13,019,197
End of the Year	<u>\$16,261,793</u>	<u>\$15,550,702</u>	<u>\$16,361,525</u>

Summary of Actuarial Information: Unfunded Actuarial Accrued Liability (in millions), Funded Ratio, and Funding Period

<u>Year</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Funding Period</u>
2023	\$9,569	62.9%	26 yrs
2022	\$8,841	63.5%	29 yrs
2021	\$8,666	62.8%	47 yrs
2020	\$9,004	60.4%	Infinite
2019	\$7,904	62.9%	47 yrs

The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets. The funding period is a theoretical calculation of the length of time required for the UAAL to be completely paid off.



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

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