

Popular Annual Financial Report For the Fiscal Year Ended June 30, 2024



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



For eight consecutive years, the New Mexico Educational Retirement Board (NERB) has received Government Finance Officers Association's *Award for Outstanding Achievement in Popular Annual Reporting*. NERB 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 NERB's services, membership, investments, and financial results, as reported in its Annual Comprehensive Financial Report (Annual Report) for the fiscal year ended June 30, 2024. All funds administered by NERB and presented in the Annual Report are included in this report.

The 2024 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 NERB'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 NERB. It also appoints NERB'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



Front entrance view of the new NMERB Santa Fe building under construction.

NMERB's SERVICES

NMERB provides retirement benefit services to over 172,000 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>2024</u>	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries	55,706	54,774	53,972
Active working	62,970	61,503	59,887
Inactive, vested	13,480	13,669	12,648
Inactive, nonvested	40,524	41,087	40,625
Total	172,680	171,033	167,132

Schedule of Contributing Employers by Year

Employer Category	<u>2024</u>	<u>2023</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

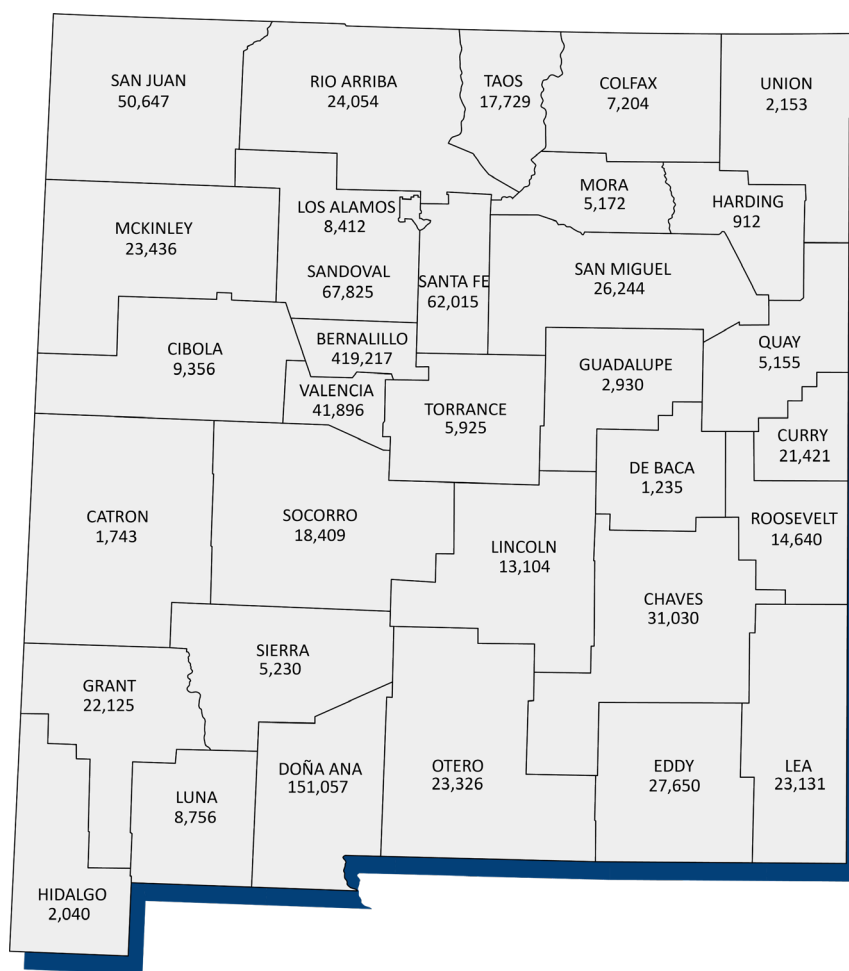
Fiscal Year 2024 Contribution Rates

<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>
Over \$24K	10.70 %	18.15 %	28.85 %
\$24K or Less	7.90 %	18.15 %	26.05 %

RETIREMENT BENEFITS BY NEW MEXICO COUNTY

Pension benefit payments made by NMERB significantly contribute to New Mexico's economy. In fiscal year 2024, gross benefit payments paid to retirees living in New Mexico's 33 counties totaled \$1,145,178,982.

County	Rounded
Bernalillo	419,217
Catron	1,743
Chaves	31,030
Cibola	9,356
Colfax	7,204
Curry	21,421
De Baca	1,235
Dona Ana	151,057
Eddy	27,650
Grant	22,125
Guadalupe	2,930
Harding	912
Hidalgo	2,040
Lea	23,131
Lincoln	13,104
Los Alamos	8,412
Luna	8,756
McKinley	23,436
Mora	5,172
Otero	23,326
Quay	5,155
Rio Arriba	24,054
Roosevelt	14,640
San Juan	50,647
San Miguel	26,244
Sandoval	67,825
Santa Fe	62,015
Sierra	5,230
Socorro	18,409
Taos	17,729
Torrance	5,925
Union	2,153
Valencia	41,896
	<u><u>1,145,179</u></u>

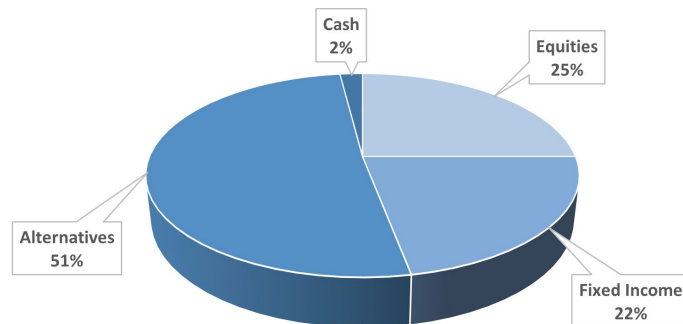


New Mexico Benefit Payments	\$1,145,178,982
Outside New Mexico	235,458,440
Total Gross Benefit Payments	\$1,380,637,422

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	13.6%	15.0%
Small-mid cap equities	3.2%	4.0%
Total domestic equities	16.8%	19.0%
<i>International Equities</i>		
Developed markets	4.4%	5.0%
Emerging markets	4.5%	4.0%
Total international equities	8.9%	9.0%
Fixed Income		
Core fixed income	4.8%	6.0%
Opportunistic credit	16.9%	18.0%
Emerging markets debt	0.0%	0.0%
Total fixed income	21.7%	24.0%
Alternatives		
Global asset allocation	1.7%	2.0%
Other diversifying assets	6.3%	8.0%
REITs	0.9%	0.0%
Private real estate	8.3%	8.0%
Private equity	22.4%	17.0%
Inflation-linked assets	11.3%	12.0%
Total alternatives	50.9%	47.0%
Cash	1.7%	1.0%
Total	100.0%	100.0%

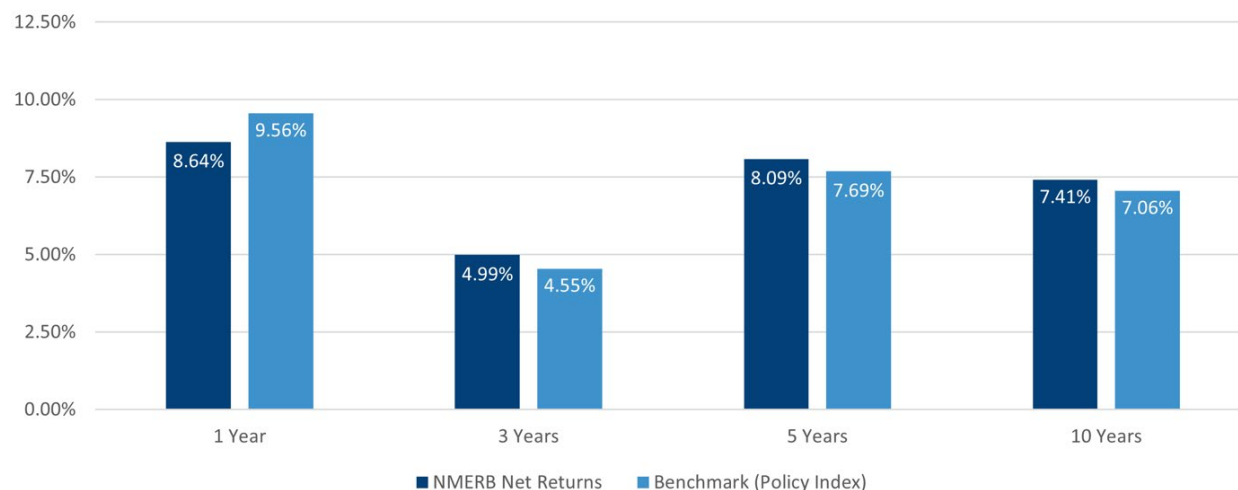
¹ Long-Term Policy Target approved by the Board in February 2022.

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

For the year ended June 30, 2024, the Fund’s independent investment consultants reported the following:

“For the year ending June 30, 2024, the Fund experienced a net investment gain of \$1.4 billion, which includes a net Investment gain of \$404 million during the quarter. Assets increased from \$16.0 billion twelve months ago, to \$17.1 billion on June 30 2024, with \$261.7 million in net distribution during the year. The Fund returned 8.6%, for the year, under-performing the policy index by 92 basis points and ranking in the 75th percentile of its peers.”

Portfolio Returns and Benchmarks



From July 1, 1983, through June 30, 2024, NMERB’s annualized investment return, net of fees, was 8.9%.

Fund Performance Summary (Net of Fees) at June 30, 2024

Year	3 Year	5 Year	10 Year	20 Year	30 Year	Since Inception
8.6%	5.0%	8.1%	7.4%	7.8%	7.9%	8.9%



User Acceptance Testing training session for new Pension Administration System.

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>2024</u>	<u>2023</u>	<u>2022</u>
Assets	\$ 17,508,373	\$ 16,378,746	\$ 15,701,952
Liabilities	10,163	116,953	151,250
Net Position Restricted for Pensions	<u>\$ 17,498,210</u>	<u>\$ 16,261,793</u>	<u>\$ 15,550,702</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>2024</u>	<u>2023</u>	<u>2022</u>
Additions			
Contributions	\$ 1,208,381	\$ 1,058,565	\$ 859,861
Net Investment Income (Loss)	1,488,530	1,036,247	(336,990)
Other Income	1,316	505	802
Total Additions	2,698,227	2,095,317	523,673
Deductions			
Benefits payments and refunds	1,447,686	1,371,674	1,321,514
Administrative Expenses	14,124	12,551	12,982
Total Deductions	1,461,810	1,384,225	1,334,496
Net Increase (Decrease)	1,236,417	711,091	(810,823)
Net Position			
Beginning of the Year	16,261,793	15,550,702	16,361,525
End of the Year	<u>\$17,498,210</u>	<u>\$16,261,793</u>	<u>\$15,550,702</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>
2024	\$9,372	64.8%	22 yrs
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

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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