



Investments and Pensions Oversight Committee

Agency Updates and 2023 Proposed Legislation

Representative Patricia Roybal Caballero, Chair
Senator Roberto “Bobby” J. Gonzales, Vice Chair

November 3, 2022

H. Russell Goff, Chair
Mary Lou Cameron, Vice Chair
David Archuleta, Executive Director



Educational Retirement Board Leadership

Board of Directors

- H. Russell Goff, Chair – NM Association of Educational Retirees
- Mary Lou Cameron, Vice Chair – NEA
- Larry Magid, Secretary – Governor Appointee
- Tim Eichenberg, State Treasurer, Ex-Officio
- Mario Suazo, Higher Education Department Secretary Designee, Ex-Officio*
- Antonio Ortiz, Public Education Department Secretary Designee, Ex-Officio
- Matias Fontenla, AFTNM*
- Don Duszynski, AAUP
- Max Baca, Governor Appointee

*New positions created by Laws 2021, Chapter 78 (Senate Bill 303)



Agency Highlights

As of June 30, 2022

• Active Members	59,887
• Retirees & Beneficiaries	53,972
• Retiree Payroll	\$1,321,790,011
• Member Contributions	\$345,047,671
• Employer Contributions	\$512,573,812
• Active Member Payroll	\$3.6 billion
• Participating Employers	216
• Net Assets	\$15.5 billion
• Net Investment Return (FY22)	1%
• Funded Ratio - 6/30/21	62.8%

Operations

- 3 office locations:
 - 701 Camino De Los Marquez
 - 1596 Pacheco St, Suite 107
 - 8500 Menaul Blvd. NE, Suite B-450
- Open Monday-Friday 8AM-5PM
- Virtual & in-person pre-retirement counseling
- Hybrid work schedules (50 percent)
- 91 authorized FTE
 - 17% current vacancy rate
- Retirements
 - 2019 (932) / 2020 (906) / 2021 (1,269) / 2022 (904)

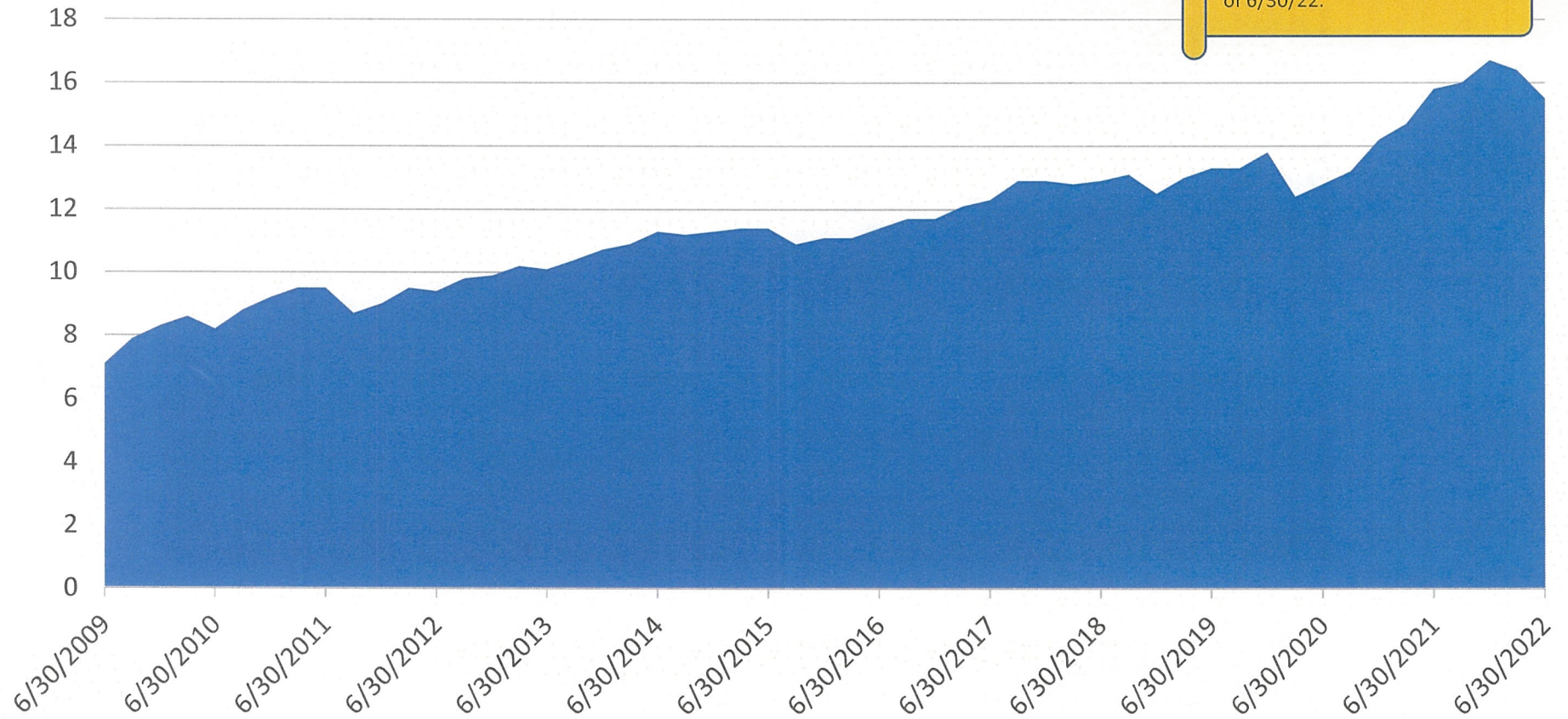


Strategic Planning & Priorities

- New Office Complex
 - Revised ICIP Submitted July 2022
 - Project Bid – June/July 2022
 - Estimated Completion – December 2024
- New Pension Administration System
 - System RFP Completed
 - Implementation: July 2023 – June 2027
 - Project Management RFP – January 2023
 - Data Cleansing RFP – January 2023
- FY24-FY26 Strategic Plan
 - Customer Service
 - Recruitment & Retention
 - Investment Returns
 - Completing Projects
 - Training & Education



Historical Asset Growth



\$184 million investment gains for the FY.
Fund balance: \$15.5 billion as of 6/30/22.



June 30, 2022 Investment Returns

<u>Returns*</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>30 Years</u>
Portfolio	1.0%	8.8%	8.4%	8.5%	8.1%
Policy Index	-2.8%	7.2%	7.5%	7.7%	7.2%
Annual Value added	3.8%	1.6%	0.9%	0.8%	0.9%
Universe Ranking	3	7	7	9	12

*All returns in this presentation are net of external manager fees.



FY22 Asset Class Returns – One Year

US Equity	-11.4%		Diversifying Assets	-3.3%
Non-US Equity	-23.8%		Private Equity	21.9%
Core Fixed Income	-10.8%		Real Assets	17.7%
EM Debt	-15.2%		Real Estate	20.3%
Cash	3.3%		Opportunistic Credit	4.6%
Total Portfolio		1.0%		



Recent Legislation

SB42 – Increase ED Retirement Contributions – Laws 2021, Chapter 44

- Employer contributions rates
 - FY21 – 14.15 percent
 - FY22 – 15.15 percent
 - FY23 – 16.15 percent
- Extended sunset of existing return-to-work provisions from January 1, 2022, to January 1, 2024
- Requires ERB to present ways to improve pension solvency without additional employer-paid increases to DFA, LFC, LESC and any other appropriate interim committee
- Reduced amortization period or “funding period” from infinite to 42 years

SB36 - Educational Retirement Board Contributions – Laws 2022, Chapter 29

- Effective July 1, 2022
- Employer contribution rates
 - FY23 – 17.15 percent
 - FY24 – 18.15 percent
- Reduces funding period from 42 to 33 years (FY55)



Recent Legislation & RTW

HB73 – Educational Retirees Returning to Work – Laws 2022, Chapter 20

- Effective May 18, 2022
- Allows retired ERB employees to return to work 90-days following retirement without suspending their pension for up to 36 consecutive or nonconsecutive months
- Requires non-refundable employee and employer contributions
- No additional service credit earned

Additional Return to Work Options

- Option 1 - 12 consecutive month layout period
 - **Expires January 1, 2024**
 - Requires non-refundable employee and employer contributions
 - No additional service credit earned
- Option 2 – 90 consecutive day layout period (earning less than \$15,000)
- Option 3 – No lay out period (less than .25 FTE)
 - 10 hours per week or less

Alternative Option – Suspend retirement and return to work

- Increase service credit and boost pension earnings



2023 Proposed Legislation

Procurement Code

- Proposed amendment to Procurement Code to allow Pension Administration System contracts to exceed 4 years --- § 13-1-150. Multi-term contracts; specified period
 - B. A contract for professional services may not exceed four years, including all extensions and renewals, except for the following: 1, 2, 3, 4, 5, 6
- (7) services required to design, develop, implement or operate the pension administration system of the educational retirement board.

Educational Retirement Act

- Proposed amendment to the Educational Retirement Act to allow eligible employees of Southeast New Mexico College to participate in the Alternative Retirement Plan (ARP) --- § 22-11-2 Definitions
 - V. “qualifying state educational institution” means the university of New Mexico, New Mexico state university...northern New Mexico ~~state school~~ college, San Juan college, ~~and~~ State Fe community college and southeast New Mexico college;
 - W. “participant” means: (1) a person regularly employed as a faculty or professional employee of the university of New Mexico...northern New Mexico ~~state school college~~...or a person regularly employed as faculty or professional employee of southeast New Mexico college who is first employed by the institution on or after July 1, 2023



2023 Proposed Legislation Cont.

Educational Retirement Act

- Proposed amendment to the Educational Retirement Act to increase the requirement minimum distribution age from 70 ½ to age in accordance with appropriate section of Internal Revenue Code --- § 22-11-30 Retirement Benefits; reductions

N. Unless otherwise required by the Internal Revenue Code of 1986, a member shall begin receiving retirement benefits by age seventy years and six months, or upon termination of employment, whichever occurs later. Notwithstanding any provision of the Educational Retirement Act to the contrary, retirement benefits will be distributed in accordance with section 401(a)(9) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, including the minimum incidental death benefit restrictions of section 401(a)(9)(G) of the Internal Revenue Code of 1986, as amended.



Contact Information

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