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Ex Officio

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ERB Board Secretary
PED Ex Officio Designate

James Lewis
NM State Treasurer
Ex Officio

Jan Goodwin
Executive Director

Rick Scroggins
Deputy Director



2014 *Board Meeting Dates*

February 14, 2014
April 11, 2014
June 13, 2014
August 15, 2014
October 31, 2014
December 12, 2014

ERB Offices

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This Popular Annual Financial Report (PAFR) is a summary derived from the information contained in the State of New Mexico Educational Retirement Board Comprehensive Annual Financial Report (CAFR) and is consistent with Generally Accepted Accounting Principles (GAAP). This PAFR provides an overview of ERB's financial and operating results.

ERB's CAFR and PAFR is available for review at
www.nmerb.org

State of New Mexico Educational Retirement Board Popular Annual Financial Report

For The Fiscal Year Ended June 30, 2013



A Defined Benefit Pension Plan for
Employees of the New Mexico
Educational System





Introduction

Plan Description—

The State of New Mexico Educational Retirement Board (the Board) or (ERB) was created by the Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees' Retirement Plan (the Plan). The Plan is a cost-sharing, multiple-employer plan established and administered by the Board to provide retirement and disability benefits for all certified teachers and other employees of the State of New Mexico educational institutions, junior colleges, technical-vocational institutions, and state agencies.

Reporting Entity—

The Board is an agency of the State of New Mexico. The Plan administered by the Board is considered part of the State financial reporting entity and is a pension trust fund.

Contributing employers to the Plan include the following:

Public schools	90
Universities and colleges	15
Charter schools	95
Special schools	7
State agencies	24
Total	231

ERB Members include the following:

Active Members: 61,211
 Retired Members: 39,088
 Inactive Members: 35,304

Fiscal Year 2013 Accomplishments

This PAFR is a demonstration of the commitment of our Board and staff to provide complete, accurate, and timely reporting of the activities and the soundness of our membership's retirement plan.

- ✦ A Certificate of Achievement for Excellence in Financial Reporting was awarded to ERB for the fourth consecutive year by the Government Finance Officers Association of the United States and Canada (GFOA).
- ✦ An Award for Outstanding Achievement in Popular Financial Reporting was successfully attained for the first year by the GFOA.
- ✦ Actuarial Plan funding objective is to meet long term benefit promises to current and future members through member and employer contributions and investment earnings. Senate Bill 115, signed into law on March 29, 2013, will be instrumental in achieving this goal. Current actuarial projections estimate that by 2043 the Plan will be funded at greater than 90%.
- ✦ Recognizing the perpetual nature of the investment fund and the fiduciary responsibilities of the Board, the primary goal in investing assets is to provide significant real returns adjusted for inflation over long periods of time with acceptable risk. ERB's investment portfolio produced a total gross return of 11% for the year ended June 30, 2013. The policy benchmark return for the same period was 9.4%.
- ✦ The ERB will continue to propose and support amendments to the Educational Retirement Act to ensure the long-term sustainability of the Plan's retirement benefits and the preservation of the defined benefit plan.

Member Services	Member Services	Member Services	Benefits Processing	Benefits Processing
43	5,595	69,622	37,998	3,596
Workshops and Benefits Fairs	One-to-one Counseling Sessions	Call Center Phone Calls	Average Monthly Retirement Benefits Paid	New Retirees



Financial Information

The Statement of Fiduciary Net Position reports ERB's pension plan's financial position as of the end of the fiscal year. The Statement of Changes in Fiduciary Net Position reports the inflows and outflows of resources that increased and decreased ERB's pension plan's net position during the fiscal year.

The net change in fair value of investments increased significantly during fiscal year 2013. The increase is primarily due to the fund posting an 11% return during fiscal year 2013 versus a 2% return in fiscal year 2012. This line item includes realized/unrealized gains and losses for ERB's investment portfolio.

Although Governmental Accounting Standards Board (GASB) 67 is effective for fiscal years beginning after June 15, 2013, the New Mexico Educational Retirement Board has elected to reflect these changes in its June 30, 2013 financial statements. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability, comprehensive footnote disclosure regarding the pension liability calculation and assumptions, and increased investment activity disclosures.

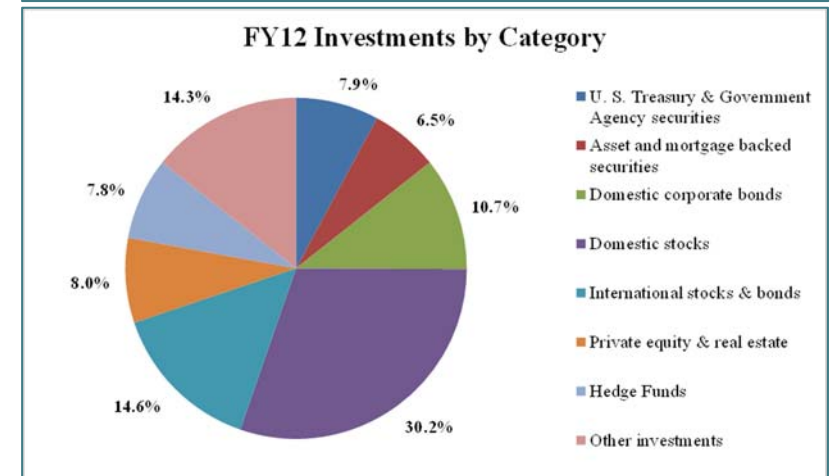
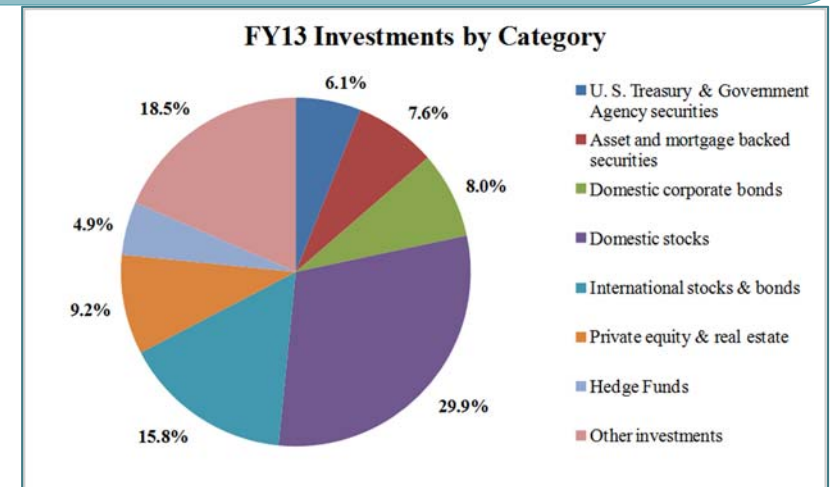
Schedule of Actuarial Value of Assets, Accrued Liabilities, Unfunded Actuarial Accrued Liability, and Funded Ratio

Year ended June 30	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
2003	\$ 7,518,163,450	\$ 9,266,626,972	\$ 1,748,463,522	81.1%
2004	\$ 7,487,979,776	\$ 9,927,058,567	\$ 2,439,078,791	75.4%
2005	\$ 7,457,547,183	\$ 10,591,808,489	\$ 3,134,261,306	70.4%
2006	\$ 7,813,888,383	\$ 11,436,324,190	\$ 3,622,435,807	68.3%
2007	\$ 8,591,417,402	\$ 12,190,080,577	\$ 3,598,663,175	70.5%
2008	\$ 9,272,828,135	\$ 12,966,995,130	\$ 3,694,166,995	71.5%
2009	\$ 9,366,271,312	\$ 13,883,273,082	\$ 4,517,001,770	67.5%
2010	\$ 9,431,321,589	\$ 14,353,509,423	\$ 4,922,187,834	65.7%
2011	\$ 9,642,229,673	\$ 15,293,072,424	\$ 5,650,842,751	63.0%
2012	\$ 9,606,304,017	\$ 15,836,972,530	\$ 6,230,668,513	60.7%
2013	\$ 9,828,547,715	\$ 16,362,279,203	\$ 6,533,731,488	60.1%

Investment Summary

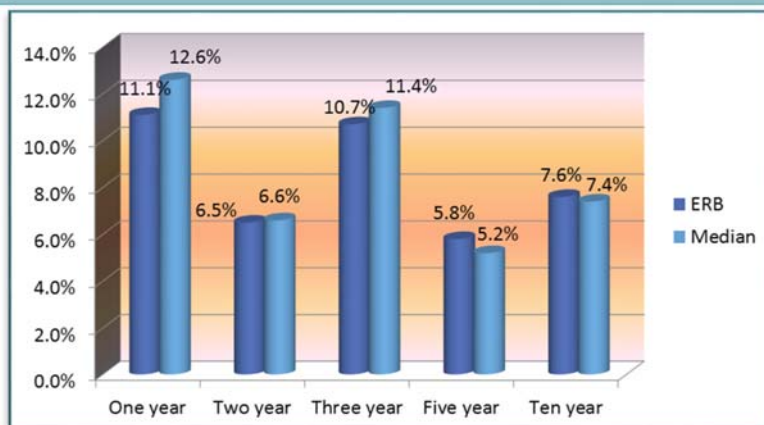
In alignment with our Mission, the goal of ERB's investment program is to generate adequate long-term returns, when combined with employer and employee contributions that will result in sufficient assets to pay the present and future benefit obligations of ERB.

The following charts depict the changes in investment categories over the last two years.



Investment Summary

The following chart depicts peer comparison trend data for June 30, 2013. The chart depicts ERB investment returns as compared to the median of U.S. public pension funds greater than \$1 billion. Median is the middle number in a series of numbers.



The following information depicts ERB's asset allocation that the Board revised during fiscal year 2013.

Asset Class	After 9/20/2012 Target Allocation	Prior to 9/20/2012 Target Allocation
EQUITIES		
<i>Domestic Equities</i>		
Large Cap Equities	20%	23%
Small/Mid Cap Equities	2%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging Markets	10%	10%
TOTAL EQUITIES	37%	40%
FIXED INCOME		
Opportunistic Credit	20%	20%
Core Bonds	7%	5%
Emerging Market Debt	2%	2%
TOTAL FIXED INCOME	29%	27%
ALTERNATIVES		
Real Estate/REITS	5%	5%
Real Assets	7%	7%
Private Equity	8%	7%
Absolute Return	3%	8%
Global Tactical Asset Allocation	5%	5%
Risk Parity	5%	0%
TOTAL ALTERNATIVES	33%	32%
CASH	1%	1%



Financial Information

Condensed Financial Information Statement of Fiduciary Net Position As of June 30, 2013 and 2012

	2013	2012
Assets		
Cash and Short Term Investments	\$ 746,623,052	\$ 317,056,896
Receivables	164,616,757	153,420,332
Investment in State General Fund Investment Pool	5,353,975	5,521,436
Investments—at fair value	9,439,289,300	9,177,972,688
Capital assets, net of accumulated depreciation	2,175,777	2,862,746
Total assets	\$ 10,358,058,861	\$ 9,656,834,098
Liabilities		
Current liabilities	166,129,255	167,669,129
Long-term liabilities (compensated absences)	230,803	203,800
Total liabilities	166,360,058	167,872,929
Net position restricted for pensions	\$ 10,191,698,803	\$ 9,488,961,169

Condensed Financial Information Statement of Changes in Fiduciary Net Position As of June 30, 2013 and 2012

	2013	2012
Additions		
Contributions	\$ 548,442,717	\$ 543,697,371
Investment income less investment expenses	179,518,742	161,326,103
Net change in fair value of investments	837,193,133	(565,488)
Other income	1,898,276	3,061,710
Total additions	1,567,052,868	707,519,696
Deductions		
Benefit payments	811,665,051	754,554,951
Refunds	41,664,216	40,580,979
Administrative expenses	10,985,967	11,985,538
Total deductions	864,315,234	807,121,468
Net increase (decrease)	702,737,634	(99,601,772)
Net position restricted for pensions		
Beginning of year	9,488,961,169	9,588,562,941
End of year	\$ 10,191,698,803	\$ 9,488,961,169