



November 21, 2022

Board of Trustees
Public Employees Retirement Association of New Mexico
Santa Fe, NM

Subject: GASB 67/68 Reporting and Disclosure Information for the New Mexico Magistrate Retirement Fund Fiscal Year Ending June 30, 2022

Dear Members of the Board:

This report provides information required by the Public Employees Retirement Association of New Mexico (PERA) with respect to the New Mexico Magistrate Retirement Fund (Magistrate Fund) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in the Magistrate Fund in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending June 30, 2022. The information provided herein was prepared for the purpose of assisting PERA and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Statement Nos. 67 and 68.

The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than PERA only in its entirety and only with the permission of PERA.

**Calculation of Net Pension Liability (NPL)
as of Fiscal Year Ending June 30, 2022**

| | |
|---|-------------------|
| Total Pension Liability | \$75,439,884 |
| Plan's Fiduciary Net Position | <u>32,399,143</u> |
| Net Pension Liability | \$43,040,741 |
| | |
| Ratio of Fiduciary Net Position to Total Pension Liability | 42.95% |

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2022 using generally accepted actuarial principles. GRS did not conduct the June 30, 2021 actuarial valuation; however, GRS did

replicate the valuation results based on the same assumptions, methods, and data, as of that date. The roll-forward is based on this replication. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2022. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Statement Nos. 67 and 68.

This report is based upon information, furnished to us by PERA, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by PERA.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Statement Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Statement Nos. 67 and 68. The historical information in this report will begin with the information presented for the Magistrate Fund fiscal year ending June 30, 2014. Information disclosed for years prior to June 30, 2022 were prepared by the prior actuary.

Paragraph 57 of GASB Statement No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to the Magistrate Fund subsequent to June 30, 2022.

This report complements the actuarial valuation report as of June 30, 2022, provided for plan funding purposes, which was also provided to PERA and should be considered together as a complete report for the plan year ending June 30, 2022. Please see the actuarial valuation report as of June 30, 2021 prepared by the prior actuary, dated October 28, 2021, for additional discussion of the actuarial valuation that was used in the roll-forward, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, this report is complete and accurate and is in accordance with generally recognized actuarial practices and methods. Mr. Falls and Ms. Shaw are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



R. Ryan Falls, FSA, MAAA, EA
Senior Consultant



Janie Shaw, ASA, EA, MAAA
Consultant



Summary of Population Statistics

The total pension liability described in this report is based on the plan membership as of June 30, 2021:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 111 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 18 |
| Active Plan Members | 64 |
| Total Plan Members | 193 |

Measurement of the Net Pension Liability

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 5.30% was used to measure the Total Pension Liability as of June 30, 2022. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 through the year 2042. As a result, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments through the year 2042, and the municipal bond rate of 3.69% was applied to all benefit payments after that date.

The source of the municipal bond rate as of June 30, 2022 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

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, and that future docket fees will be equal to \$364,000 a year. Additionally, the monthly appropriation of \$100,000 is assumed to continue until the Magistrate Fund attains a funded ratio of 100%.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2022. 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 or one-percentage-point higher than the single discount rate:

| Current Single | | |
|----------------|-----------------|---------------|
| 1% Decrease | Rate Assumption | 1% Increase |
| 4.30% | 5.30% | 6.30% |
| \$ 51,612,100 | \$ 43,040,741 | \$ 35,896,781 |

Schedules of Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

| Fiscal year ending June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------|----------------------|------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Total Pension Liability | | | | | | | | | |
| Service Cost | \$ 1,364,671 | \$ 1,257,756 | \$ 1,655,800 | \$ 1,465,584 | \$ 1,353,643 | \$ 1,536,910 | \$ 1,117,925 | \$ 947,730 | \$ 1,428,353 |
| Interest on the Total Pension Liability | 4,208,708 | 4,092,348 | 3,435,004 | 3,493,260 | 3,486,404 | 3,191,559 | 3,452,435 | 3,444,833 | 3,688,653 |
| Benefit Changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (7,527,733) |
| Difference between Expected and Actual Experience | 1,776,223 | (95,425) | (1,285,934) | 2,208,900 | (237,450) | (1,538,854) | 1,571,377 | 6,703,398 | 0 |
| Assumption Changes | 12,881,792 | 0 | (18,413,936) | 5,255,025 | 2,874,007 | (8,114,224) | 8,831,831 | 0 | (7,643,920) |
| Benefit Payments and Refunds | (4,320,629) | (4,343,482) | (4,204,113) | (4,081,635) | (4,014,306) | (3,966,314) | (3,991,391) | (3,960,605) | (3,705,358) |
| Net Change in Total Pension Liability | \$ 15,910,765 | \$ 911,197 | \$ (18,813,179) | \$ 8,341,134 | \$ 3,462,298 | \$ (8,890,923) | \$ 10,982,177 | \$ 7,135,356 | \$ (13,760,005) |
| Total Pension Liability - Beginning | 59,529,119 | 58,617,922 | 77,431,101 | 69,089,967 | 65,627,669 | 74,518,592 | 63,536,415 | 56,401,059 | 70,161,064 |
| Total Pension Liability - Ending (a) | \$ 75,439,884 | \$ 59,529,119 | \$ 58,617,922 | \$ 77,431,101 | \$ 69,089,967 | \$ 65,627,669 | \$ 74,518,592 | \$ 63,536,415 | \$ 56,401,059 |
| Plan Fiduciary Net Position | | | | | | | | | |
| Employer Contributions | \$ 2,384,818 | \$ 2,347,653 | \$ 1,292,686 | \$ 1,236,273 | \$ 1,231,917 | \$ 1,282,356 | \$ 1,280,104 | \$ 936,602 | \$ 793,044 |
| Member Contributions | 672,538 | 651,699 | 650,354 | 639,552 | 580,290 | 603,362 | 586,992 | 489,642 | 266,120 |
| Pension Plan Net Investment Income | (1,470,422) | 7,462,517 | (437,320) | 1,938,492 | 2,155,789 | 3,289,637 | 69,508 | 579,091 | 5,199,209 |
| Benefit Payments and Refunds | (4,320,629) | (4,343,482) | (4,204,113) | (4,081,635) | (4,014,306) | (3,966,314) | (3,991,391) | (3,960,605) | (3,705,358) |
| Pension Plan Administrative Expense | (31,459) | (24,759) | (28,328) | (27,744) | (26,591) | (25,004) | (23,735) | (22,660) | (24,275) |
| Other | 0 | 0 | 0 | 0 | 13,607 | 3,037 | 26,885 | (19,486) | 216,853 |
| Net Change in Plan Fiduciary Net Position | \$ (2,765,154) | \$ 6,093,628 | \$ (2,726,721) | \$ (295,062) | \$ (59,294) | \$ 1,187,074 | \$ (2,051,637) | \$ (1,997,416) | \$ 2,745,593 |
| Plan Fiduciary Net Position - Beginning | 35,164,297 | 29,070,669 | 31,797,390 | 32,092,452 | 32,225,122 | 31,038,048 | 33,187,494 | 35,184,910 | 32,439,317 |
| Prior Period Adjustments | 0 | 0 | 0 | 0 | (73,376) | 0 | (97,809) | 0 | 0 |
| Plan Fiduciary Net Position - Ending (b) | \$ 32,399,143 | \$ 35,164,297 | \$ 29,070,669 | \$ 31,797,390 | \$ 32,092,452 | \$ 32,225,122 | \$ 31,038,048 | \$ 33,187,494 | \$ 35,184,910 |
| Net Pension Liability - Ending (a) - (b) | \$ 43,040,741 | \$ 24,364,822 | \$ 29,547,253 | \$ 45,633,711 | \$ 36,997,515 | \$ 33,402,547 | \$ 43,480,544 | \$ 30,348,921 | \$ 21,216,149 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 42.95 % | 59.07 % | 49.59 % | 41.07 % | 46.45 % | 49.10 % | 41.65 % | 52.23 % | 62.38 % |
| Covered Employee Payroll | \$ 6,289,187 | \$ 6,091,529 | \$ 6,025,289 | \$ 6,025,309 | \$ 5,638,423 | \$ 5,633,125 | \$ 5,243,101 | \$ 5,065,798 | \$ 3,515,567 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 684.36 % | 399.98 % | 490.39 % | 757.37 % | 656.17 % | 592.97 % | 829.29 % | 599.09 % | 603.49 % |

Schedules of Required Supplementary Information

Schedule of Employer Contributions

| FY Ending June 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-------------------------------|--|--------------------------------|---|----------------------------|--|
| 2013 | \$ 2,286,413 | \$ 805,337 | \$ 1,481,076 | \$ 3,136,834 | 25.67 % |
| 2014 | 1,992,392 | 793,044 | 1,199,348 | 3,515,567 | 22.56 % |
| 2015 | 1,966,543 | 936,602 | 1,029,941 | 5,065,798 | 18.49 % |
| 2016 | 1,462,825 | 1,280,104 | 182,721 | 5,243,101 | 24.42 % |
| 2017 | 1,576,148 | 1,282,356 | 293,792 | 5,633,125 | 22.76 % |
| 2018 | 1,587,780 | 1,231,917 | 355,863 | 5,638,423 | 21.85 % |
| 2019 | 1,861,820 | 1,236,273 | 625,547 | 6,025,309 | 20.52 % |
| 2020 | 1,922,670 | 1,292,686 | 629,984 | 6,025,289 | 21.45 % |
| 2021 | 2,305,644 | 2,347,653 | (42,009) | 6,091,529 | 38.54 % |
| 2022 | 2,395,551 | 2,384,818 | 10,733 | 6,289,187 | 37.92 % |

Notes to Schedule of Contributions

Valuation Date: June 30, 2021

Notes Actuarially determined contribution rates are calculated as of June 30. Members and employers contribute based on statutorily fixed rates and additional State contributions.

Methods and Assumptions for Actuarially Determined Contribution Rate for Fiscal Year 2022:

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll |
| Amortization Period | 25 Years |
| Asset Valuation Method | 4-year smoothed market |
| Inflation | 2.50% |
| Salary Increases | 3.25% |
| Investment Rate of Return | 7.25% |
| Retirement Age | Experience-based table of rates based on age. Adopted by the Board in conjunction an actuarial experience study. |
| Mortality | RPH-2014 Blue Collar mortality table with female ages set forward one year. Generational mortality improvement projected based on 60% of the MP-2017 projection scale. |

Governmental Employer Financial Statements

Pension Expense for Fiscal Year Ending June 30, 2022

To be used for Governmental Employer Reporting for Fiscal Years Ending
Between June 30, 2022 and June 30, 2023

| | | |
|---|-----------|------------------|
| 1. Total Service Cost | \$ | 1,364,671 |
| 2. Interest on the Total Pension Liability | | 4,208,708 |
| 3. Current-Period Benefit Changes | | 0 |
| 4. Member Contributions | | (672,538) |
| 5. Projected Earnings on Plan Investments | | (2,502,477) |
| 6. Administrative Expense | | 31,459 |
| 7. Other Changes in Plan Fiduciary Net Position | | 0 |
| 8. Recognition of Deferred Outflow (Inflow) of Resources due to Liabilities | | 5,922,829 |
| 9. Recognition of Deferred Outflow (Inflow) of Resources due to Assets | | 342,728 |
| 10. Total Pension Expense | \$ | 8,695,380 |

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2022 fiscal year, the expected remaining service lives of all employees was 344 years for the Magistrate Fund. Additionally, the Magistrate Fund plan membership (active employees and inactive employees) was 193. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2022 fiscal year is 1.78 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.



Governmental Employer Financial Statements

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods

For the Magistrate Fund Fiscal Year Ending June 30, 2022

To be used for Governmental Employer Reporting for Fiscal Years Ending

Between June 30, 2022 and June 30, 2023

A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

| | Outflows of Resources | Inflows of Resources | Net Outflows of Resources |
|---|--------------------------|-------------------------|------------------------------|
| 1. Differences between expected and actual experience | \$ 1,776,223 | \$ 0 | \$ 1,776,223 |
| 2. Assumption Changes | 12,881,792 | 0 | 12,881,792 |
| 3. Net Difference between projected and actual earnings on pension plan investments | 3,972,899 | 0 | 3,972,899 |
| 4. Total | \$ 18,630,914 | \$ 0 | \$ 18,630,914 |

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

| | Outflows of Resources | Inflows of Resources | Net Outflows of Resources |
|---|--------------------------|-------------------------|------------------------------|
| 1. Differences between expected and actual experience | \$ 997,879 | \$ 193,596 | \$ 804,283 |
| 2. Assumption Changes | 7,236,962 | 2,118,416 | 5,118,546 |
| 3. Net Difference between projected and actual earnings on pension plan investments | 1,423,631 | 1,080,903 | 342,728 |
| 4. Total | \$ 9,658,472 | \$ 3,392,915 | \$ 6,265,557 |

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

| | Outflows of Resources | Inflows of Resources | Net Outflows of Resources |
|---|--------------------------|-------------------------|------------------------------|
| 1. Differences between expected and actual experience | \$ 778,344 | \$ 4,109 | \$ 774,235 |
| 2. Assumption Changes | 5,644,830 | 0 | 5,644,830 |
| 3. Net Difference between projected and actual earnings on pension plan investments | 4,303,623 | 3,242,709 | 1,060,914 |
| 4. Total | \$ 10,726,797 | \$ 3,246,818 | \$ 7,479,979 |

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

| Fiscal Year Ending June 30 | Outflows of Resources | Inflows of Resources | Net Outflows of Resources |
|-------------------------------|--------------------------|-------------------------|------------------------------|
| 2023 | \$ 7,811,130 | \$ 1,085,012 | \$ 6,726,118 |
| 2024 | 1,326,508 | 1,080,903 | 245,605 |
| 2025 | 794,580 | 1,080,903 | (286,323) |
| 2026 | 794,579 | 0 | 794,579 |
| 2027 | 0 | 0 | 0 |
| Thereafter | 0 | 0 | 0 |
| Total | \$ 10,726,797 | \$ 3,246,818 | \$ 7,479,979 |



Governmental Employer Financial Statements

Recognition of Deferred Outflows and Inflows of Resources

For the Magistrate Fund Fiscal Year Ending June 30, 2022

To be used for Governmental Employer Reporting for Fiscal Years Ending
Between June 30, 2022 and June 30, 2023

| Year Established | Initial Amount | Initial Recognition Period | Current Year Recognition | Remaining Recognition | Remaining Recognition Period |
|---|-------------------|----------------------------------|-----------------------------|--------------------------|------------------------------------|
| Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities | | | | | |
| 2018 | (237,450) | 2.02 | 0 | 0 | 0.00 |
| 2019 | 2,208,900 | 1.83 | 0 | 0 | 0.00 |
| 2020 | (1,285,934) | 2.26 | (147,938) | 0 | 0.00 |
| 2021 | (95,425) | 2.09 | (45,658) | (4,109) | 0.09 |
| 2022 | 1,776,223 | 1.78 | 997,879 | 778,344 | 0.78 |
| Total | | | 804,283 | 774,235 | |
| Deferred Outflow (Inflow) due to Assumption Changes | | | | | |
| 2018 | 2,874,007 | 2.02 | 0 | 0 | 0.00 |
| 2019 | 5,255,025 | 1.83 | 0 | 0 | 0.00 |
| 2020 | (18,413,936) | 2.26 | (2,118,416) | 0 | 0.00 |
| 2021 | 0 | 2.09 | 0 | 0 | 0.09 |
| 2022 | 12,881,792 | 1.78 | 7,236,962 | 5,644,830 | 0.78 |
| Total | | | 5,118,546 | 5,644,830 | |
| Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments | | | | | |
| 2018 | 178,386 | 5.00 | 35,674 | 0 | 0.00 |
| 2019 | 307,244 | 5.00 | 61,449 | 61,448 | 1.00 |
| 2020 | 2,659,640 | 5.00 | 531,928 | 1,063,856 | 2.00 |
| 2021 | (5,404,515) | 5.00 | (1,080,903) | (3,242,709) | 3.00 |
| 2022 | 3,972,899 | 5.00 | 794,580 | 3,178,319 | 4.00 |
| Total | | | 342,728 | 1,060,914 | |