

THE PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION
OF NEW MEXICO



ANNUAL
REPORT
1991-92

THE PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION OF NEW MEXICO

1991-92
ANNUAL REPORT

1992 HIGHLIGHTS

Participating employers	595
Active members	41,463
Pensioners and beneficiaries	11,293
Benefits paid:	
Retirement benefits	\$109,536,698
Contribution refunds	\$14,015,395
Contributions:	
Employer contributions	\$113,569,855
Member contributions	\$67,659,604
Assets	\$2,462,194,981
Investments, at market value	\$2,444,550,531

THE PUBLIC EMPLOYEES RETIREMENT BOARD

as
Constituted on June 30, 1992

EX-OFFICIO MEMBERS

Stephanie Gonzales, Secretary of State
David W. King, State Treasurer

STATE MEMBERS

Jerry Richardson, Chairman, Taxation and Revenue Department
Ben J. Montoya, Vice Chairman, State Treasurer's Office
Alfred J. Herrera, State Department of Education
Jerry Rael, State Personnel Office

COUNTY MEMBER

Emma C. Gonzales, County of Bernalillo

MUNICIPAL MEMBERS

Doug Crandall, City of Albuquerque
James P. Garcia, City of Las Vegas
Julie C. Garcia, City of Albuquerque

RETIREE MEMBER

Larry Ward, Albuquerque, New Mexico

JUDICIAL LIAISON

Joseph Baca, Justice of the Supreme Court

OFFICIALS OF THE PUBLIC EMPLOYEES RETIREMENT BOARD

Carlos A. Gallegos, Executive Secretary
David W. Brooks, Assistant Executive Secretary
Sam J. Montoya, Assistant Executive Secretary
Alice E. Herter, Chief Counsel
Vern Curtis, Investment Director
Annette Maka, Comptroller

Monica Ontiveros, Special Assistant Attorney General

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INTRODUCTORY SECTION



LETTER FROM THE EXECUTIVE SECRETARY

TRANSMITTAL LETTER to the Chairman and Members of the Retirement Board.

Dear Mr. Chairman and Members:

I am pleased to submit to you the comprehensive annual financial report of the Public Employees' Retirement Association of New Mexico for the fiscal year ended June 30, 1992.

Accounting System and Reports

This report has been prepared in accordance with generally accepted accounting principles applied on a consistent basis as agreed upon by the Government Accounting Standards Board and the American Institute of Certified Public Accountants. Transactions of the Public Employees' Retirement Association of New Mexico are reported on the accrual basis of accounting for assets, liabilities, revenues and expenses. Revenues for the Association are taken into account when earned without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment was made. Property and equipment are recorded at cost and depreciated through charges to expense over the estimated useful lives of the assets. Contributions to the Association are based on the principles of level cost financing with current services financed on the principles of level cost financing with current services financed on a current basis and prior service is amortized over varying periods depending upon the respective division.

REVENUES

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and income on investments. Contributions and investment income for the fiscal year ending June 30, 1992, totaled \$373 million for the Public Employees' Retirement Fund; \$3.2 million for the Judicial Retirement Fund; \$1.1 million for the Magistrate Retirement Fund; and \$954 thousand for the Volunteer Firefighters' Retirement Fund.

EXPENSES

The primary expense of a retirement system relates to the purpose for which it is created, i.e., the payment of benefits. Consequently, recurring benefit payments, refunds of contributions to terminated employees and the cost of administering the association comprise the total expenses of the association. Expenses for the reporting period which ends June 30, 1992, totaled \$129,599,885, an increase of 9% over 1991 expenses. Administrative expenses for 1992 were \$6,047,792. Revenues of \$380,677,267 exceeded expenses of \$129,599,885 by \$251,077,382 during 1992.

FUND BALANCES

The pension benefit obligation in the Balance Sheet represents the estimated present values of credited projected benefits. The pension benefit obligation includes the present value of benefits earned for active and inactive members for the current and prior years and retired benefits granted for retirees and beneficiaries. The amount by which the present values of credited projected benefits exceed the net assets available for benefits and unreserved but designated amounts is called the unfunded actuarial present value of credited projected benefits. The unfunded actuarial present value of benefits are being funded over the respective periods indicated in the actuarial section of this report. The unfunded present values presented in the financial statements are calculated under the unit credit method to determine the actuarial present value of benefits payable to current retirees, beneficiaries and terminated employees and for benefits credited to active members of the association.

INVESTMENTS

The investment portfolio is a major revenue source to the association. Income from investments amounted to \$197 million which represented 52% of total revenues. The pension trust funds' total assets were calculated at \$2,462,194,981 which translates to an annual rate of increase of 8.55%. Although an increase of 8.55% in total assets may not seem large, the actual increase in investments at market value is 21.66%. Proper funding and healthy investment returns are very important to financial soundness of the Retirement Systems. This is especially evidenced by the 52% ratio of investment earnings to total revenues in the association.

FUNDING

The bottom line for a retirement system is the level of funding or the funding ratio. The funding ratio increases as the assets available for benefits that have been earned. The higher the level of funding, the larger the ratio of assets accumulated and the greater the level of investment income potential. A higher level of funding gives the participants a greater degree of assurance that their pension benefits are secure. The advantage of a fully-funded plan is that participants can be assured that assets are irrevocably committed for the payment of benefits they have earned. Although the historical level of funding for the Retirement Plans administered by the Retirement Board is good, constant effort will continue to be directed at improving funding levels, thereby assuring the participants of a financially sound retirement plan. Funding levels are presented in the actuarial section of this report.

PROFESSIONAL SERVICES

Professional consultants are appointed by the Board to perform services which are essential to the effective and efficient operation of the retirement plans and high returns on investments administered by the Board. Actuarial services are provided by Gabriel, Roeder, Smith and Company. Wilshire Associates serves as the investment consultant, and Arthur Andersen and Company as the contracted auditors.

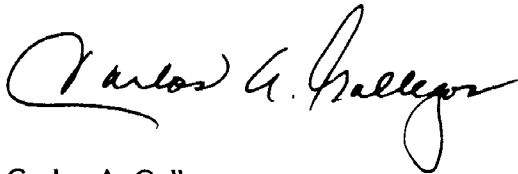
ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the staff under the direction of the Retirement Board. It is intended to provide extensive and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the retirement association's members and their employers.

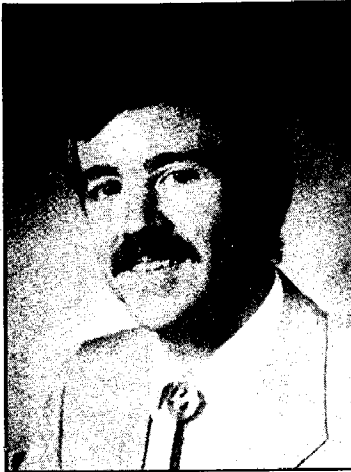
This report is being mailed to all affiliated public employers of the Association. They form the link between the New Mexico Public Employees Retirement Plans and their membership. Their cooperation contributes significantly to the success of the systems. Hopefully, the employers and their employees will find this report both informative and helpful.

I would like to express my gratitude to the staff, the consultants, the Retirement Board and to the many people who have worked diligently to assure the successful operation of the Association.

Respectfully submitted,

A handwritten signature in black ink, reading "Carlos A. Gallegos". The signature is fluid and cursive, with the first name "Carlos" being more prominent and the last name "Gallegos" written in a continuous script.

Carlos A. Gallegos
Executive Secretary



LETTER FROM THE CHAIRMAN

Dear PERA Members, Retirees and Employers:

It is my pleasure to submit to you on behalf of the Public Employees Retirement Board the 1991-1992 Annual Report for the fiscal year ended June 30, 1992. As this report illustrates, the year was one of significant growth for PERA, both in terms of its invested assets and in terms of its obligations to its active members and retirees.

I am particularly proud of our investment performance. During the fiscal year the market value of PERA's invested assets increased 21.66%. During my tenure on the Board, the Board and its Investment Committee have worked very hard to improve our investment performance. In just four years we have risen from the bottom quartile in investment performance among public pension funds to the top quartile. This was accomplished through a number of Board actions. The fund's asset allocation strategy was reviewed and modified. Investment managers were changed in some cases. A portion of our equity portfolio was moved to a passive investment strategy, resulting in significant management savings. Finally, all of our active investment managers fees were renegotiated and all now work on performance based fees.

We have also received significant support and cooperation from the Legislature to improve PERA. They have continued to fund the implementation of the new information system designed for PERA. The 1992 Legislature authorized PERA to invest up to 10% of its assets in international markets. The PERA Board is currently studying the best way to begin investing in global markets. Additionally, PERA, with the assistance and cooperation of New Mexico's Judicial branch secured legislation recodifying the Magistrates and Judicial Retirement Acts. The legislation clarified those acts and, most significantly, increased the funding to those retirement programs to ensure their actuarial soundness into the future.

On behalf of the PERA Board and staff, I thank you for your interest and support for the Association. Your interest and involvement are instrumental to the maintenance and improvement of this, your retirement system. Together, we can assure a financially secure retirement future for all PERA participants.

Sincerely,

Jerry Richardson, Chairman
Public Employees Retirement Board



A PERA HISTORICAL PERSPECTIVE

The Public Employees Retirement Act was established by the New Mexico Legislature on August 1, 1947. At that time, members were required to contribute 3.5% of their gross salary and their employer matched with an equal amount. The maximum annuity any member could expect to receive was \$150.00 per month. There were no death-in-line-of-duty benefits or survivor benefits available. On August 31, 1950, the number of participating local government employers were:

State Agencies	59
Cities	15
Counties	12
Judicial Districts	9
Conservancy Districts	1
<hr/>	
Total Employers	96

In 1953, the law was repealed and reenacted. Contributions were then increased to 5% of gross salary for employees and matching contributions. Police and firemen's contributions were increased to 7%. The increase provided for an annuity of \$200.00 maximum per month, plus \$50.00 for members with 30 or more years of service credit.

In 1960, PERA recorded 593 pension recipients with an annual pension payroll of \$717,200 averaging \$1,209 per annuitant. In 1961, the plan was again increased to provide for a benefit of up to 50% of final average salary.

Today, PERA is the administrator of four cost-sharing multiple-employer public employee retirement systems providing pension benefits for employees of state government and covered governmental units. As of June 30, 1992, these retirement systems recorded 11,293 annuity recipients with an annual pension payroll of \$114,148,771. On June 30, 1992, the number of affiliates were:

State Agencies	109
Cities	65
Counties	33
Special Districts	18
Housing Authority	18
Hospitals	5
<hr/>	
Total PERA Employers	248
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Judicial Employers	28
Magistrate Employers	1
V.F.F. Employers	318
<hr/>	
	595
	<hr/>



SUMMARY OF PLAN PROVISIONS

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Membership

PERA membership is a condition of employment with the state of New Mexico and affiliated public employers. Certain exceptions to the above condition of employment exist. The PERA has a fiduciary responsibility of making sound investments to the benefit of retiring generations of state and affiliated employees.

Contributions by Members and Employers


The contribution requirements by members and affiliated public employees are outlined below:

<u>Coverage Plan</u>	Percent of Salary Contribution Rate	
	<u>Member</u>	<u>Employer</u>
State General Member Coverage Plan 2	6.18%	13.83%
State Police Member Coverage Plan 1	7.60	25.10
State Hazardous Duty Member Coverage Plan 1	4.00	21.50
Municipal General Member Coverage Plan 1	7.00	7.00
Municipal General Member Coverage Plan 2	9.15	9.15
Municipal Police Member Coverage Plan 1	7.00	10.00
Municipal Police Member Coverage Plan 2	7.00	15.00
Municipal Police Member Coverage Plan 3	7.00	18.50
Municipal Police Member Coverage Plan 4	12.35	18.50
Municipal Police Member Coverage Plan 5	16.30	18.50
Municipal Fire Member Coverage Plan 1	7.00	10.00
Municipal Fire Member Coverage Plan 2	7.00	16.50
Municipal Fire Member Coverage Plan 3	7.00	20.25
Municipal Fire Member Coverage Plan 4	11.80	20.25
Municipal Fire Member Coverage Plan 5	15.20	20.25

Interest is credited to your member contribution account on each June 30, at the rate set by the retirement board.

Vested Termination of Membership

If you terminate your employment and membership with at least 5 years of credited service and leave your accumulated member contributions on deposit with the Association, you will become a vested former member. This entitles you to a deferred pension when you become eligible for normal retirement.



In addition, certain disability and survivor pension provisions apply. You should apply for normal retirement in the 30 to 60 day period immediately prior to meeting one of the eligibility conditions for normal retirement (see Normal Retirement Eligibility Conditions heading for details).

After termination of employment you may apply for payment of your accumulated member contributions at any time, but payment of your accumulated member contributions will cause you to lose your status as a vested former member and therefore all rights to your deferred pension and any disability and survivor benefits.

Normal Retirement Eligibility Conditions

Any age with 25 or more years of credited service; or
Age 60 or older with 20 or more years of credited service; or
Age 61 or older with 17 or more years of credited service; or
Age 62 or older with 14 or more years of credited service; or
Age 63 or older with 11 or more years of credited service; or
Age 64 or older with 8 or more years of credited service; or
Age 65 or older with 5 or more years of credited service.

If you are a police or fire member under one of the following coverage plans you are also eligible for normal retirement at any age with 20 or more years of credited service:

Municipal Police Coverage Plan 3
Municipal Police Coverage Plan 4
Municipal Police Coverage Plan 5
Municipal Fire Coverage Plan 3
Municipal Fire Coverage Plan 4
Municipal Fire Coverage Plan 5

Normal Retirement Pension Amount

The amount of your normal retirement pension is based on your:

- * Final average salary, which is the average of your salary for the 36 consecutive months of credited service producing the largest average;
- * Service Credit (years and months); and the
- * Pension factor applicable to the coverage plan under which you retire.


The pension factor and maximum pension as a percent of final average salary under each coverage plan are as follows:

<u>Coverage Plan</u>	<u>Pension Factor Per Year of Credited Service</u>	<u>Maximum Pension as Percent of Final Average Salary</u>
State General Member Coverage Plan 2	2.5%	75%
State Police Member Coverage Plan	3.0	80
State Hazardous Duty Member Coverage Plan 1	2.5	100
Municipal General Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	75
Municipal Police Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	100
Coverage Plan 3	2.5	100
Coverage Plan 4	3.0	80
Coverage Plan 5	3.5	80
Municipal Fire Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	100
Coverage Plan 3	2.5	100
Coverage Plan 4	3.0	80
Coverage Plan 5	3.5	80

Optional Forms of Payment

You may elect to have your pension paid to you under one of the four optional forms of payment provided for in the Public Employees Retirement Act. You will be required to submit a signed statement of consent by your spouse as to the form of payment and beneficiary selected; or an affidavit that you are not married. Your election is made on a PERA form which must be filed with PERA before your first pension payment is made. An election cannot be changed after the first payment, except under the following circumstances:

1. If you elected Form of Payment B or Form of Payment C and your named survivor pension beneficiary dies, you may change your form of payment to Form of Payment A by filing written notice with PERA;

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2. If you elected Form of Payment B or Form of Payment C, named your spouse as survivor pension beneficiary and become divorced, you may be able to change your form of payment to Form of Payment A. A court, for purposes of dividing a community interest in a pension, may prohibit you from changing your form of payment and may also direct PERA to make direct payment of a portion of your pension to your spouse (in the case of a legal separation) or your former spouse (in the case of a divorce). PERA, in conjunction with the Family Law Section of the State Bar Association, has developed standards for these court orders; and
 3. You elected Form of Payment D and you no longer have a designated eligible child.

FORM OF PAYMENT A. Form of Payment A provides a pension which terminates upon the death of the retiree. No pension is paid to a beneficiary.

FORM OF PAYMENT B. Form of Payment B provides a pension which is reduced from the Form of Payment A amount, but the full amount of the reduced pension will continue to the designated survivor pension beneficiary upon the retiree's death. The amount of reduction from the form of Payment A amount depends upon the retiree's age and that of the survivor pension beneficiary.

FORM OF PAYMENT C. Form of Payment C provides a pension which is reduced from the Form of Payment A amount but which is larger than the Form of Payment B pension. One-half the amount of the reduced pension will continue to your survivor pension beneficiary upon the retiree's death. The amount of reduction from the Form of Payment A amount depends upon the retiree's age and that of your survivor pension beneficiary.

FORM OF PAYMENT D. Form of Payment D provides a pension which is reduced from the Form of Payment A, but the full amount of the reduced pension will continue to the retiree's designated eligible children until age 25 or prior death. A retiree may designate eligible children and specify the shares of the pension each will be paid upon the retiree's death. Equal shares will be paid if no specification of different shares is declared. An eligible child is a natural or adopted child who is under age 25. The amount of reduction from Form of Payment A depends upon the retiree's age and the age of the youngest eligible child.

No matter which form of payment is elected, PERA will never pay out less than the retiree's accumulated contributions.

Survivor Pensions - Death in the Line-of-Duty

Pensions are paid to the eligible spouse and eligible children if survivor coverage has not been elected under the Elective Survivor Pension Beneficiary provision. The amount of pension payable for life to an eligible spouse is 50% of final average salary, or, if larger, 80% of the accrued normal retirement pension. The amount of pension payable to each eligible child is an equal share of 25% of final average salary. If there is not an eligible spouse or the eligible spouse dies, and if there are eligible children, the amount of pension payable to each eligible child is an equal share of 50% of final average salary. An eligible child is an unmarried natural or adopted child who is under 18 years of age. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.



Death Not In-Line-Of-Duty

Pensions are paid to an eligible spouse or eligible children if the member dies other than in line-of-duty, with 5 or more years of credited service, or if they are a vested former member and death is from any cause, and there is no election of coverage under the Elective Survivor Pension beneficiary provision. The amount of pension payable for life to the eligible spouse is 30% of final average salary, or, if larger, 80% of your accrued normal retirement pension (see normal retirement pension amount heading for information about accrued normal retirement pension).

An eligible child is paid a pension when there is no eligible spouse or following the death of the eligible spouse. The amount of pension payable to each of the eligible children is an equal share, with each other child, of 25% of final average salary, or, if greater, 50% of accrued normal retirement pension. An eligible child is an unmarried, natural or adopted child who is under age 18. The pension of any remaining eligible child is recalculated whenever a child's pension is terminated.

Elective Survivor Pension Beneficiary Pension

Applicable to members with 5 or more years of credited service and vested former members who have elected Form of Payment B and designated a survivor pension beneficiary. The amount of pension is the amount of accrued normal retirement pension under optional Form of Payment B.

Disability Retirement

Applicable to members and vested former members with 5 or more years of credited service. The 5-year credited service requirement is waived if the disability is incurred in line-of-duty. The amount of disability pension is the accrued normal retirement pension at time of disability retirement. If the disability is in line-of-duty, the credited service used is the amount that would have been acquired when first eligible for normal retirement.

Cost-of-Living Adjustments

Pensions are increased each July 1 in accordance with changes in the Consumer Price Index during the preceding calendar year if retirement has been in effect for at least 2 full calendar years. The maximum annual increase is 3%. If retired on account of disability or if at least age 65, the 2 calendar year waiting period is reduced to 1 full calendar year.

THE JUDICIAL RETIREMENT SYSTEM

Normal Retirement Eligibility Conditions

Applicable to all judges and justices:

Age 64 or older with 5 or more years of service, or

Age 60 or older with 15 or more years of service.



Early Retirement

At any time between age 50 and 60 with not less than 18 years of service.

Early Retirement Plan: 70% of salary received during the last full year in office prior to retirement plus one-half of one percent annually times the number of years between age 50 and 60 at the time of retirement.

Normal Retirement Pension Amount

The amount of normal retirement pension is based on:

- Final salary, which is the judge's or justice's salary received during the last one (1) year in office prior to retirement;
- Years of service (years and months); and
- The coverage plan.

Pre 7-1-80 Plan: 37.5% of Final Average Salary (FAS) plus 7.5% of FAS for each year of service in excess of 5 years. Maximum is 75% of FAS (10 or more years of service).

Post 7-1-80 Plan: 37.5% of FAS plus 3.75% of FAS for each year of service in excess of 5 years. Maximum is 75% of FAS (15 or more years of Service).

Deferred Retirement Allowance

If judicial service terminates after 5 or more years of service, the judge or justice and spouse retain entitlement to benefits of the Fund. Payment of the judge's or justice's retirement allowance commences at age 60 if the judge or justice has 15 or more years of service; or at age 64 if the judge or justice has 5 or more years of service but less than 15 years of service.

Survivor's Pensions - Retired Judges or Justices

The surviving spouse of a retired judge or justice receives a retirement allowance of 75% of the judge's or justice's retirement allowance until death. Allowance is payable to deceased judge's or justice's minor and dependent children if there is no eligible surviving spouse.

Survivor's Pension - Active Judges or Justices

Applicable if judge or justice had 5 or more years of service. The surviving spouse would receive 75% of the judge's or justice's vested retirement allowance until death. Allowance is payable to deceased judge's or justice's minor and dependent children if there is no eligible surviving spouse.

Disability Retirement

Applicable if judge or justice has 5 or more years of service and becomes incapacitated to perform duties of office. Judge or justice would receive vested retirement allowance.



Contributions by Judges, Justices and Public Payment

Pre 7-1-80 Plan: 5 percent of salary (an additional 5% is paid by the state effective July 1, 1984).

Post 7-1-80 Plan: 3.5% of salary (an additional 3.5% is paid by the state effective July 1, 1984).

Public Payment: \$38.00 from each civil case docket fee paid in the district court (increased from \$27.25 effective July 1, 1987).

THE MAGISTRATE RETIREMENT SYSTEM

Normal Retirement Eligibility Conditions

Applicable to all magistrates:

Age 64 or older with 5 or more years of service; or

Age 60 or older with 15 or more years of service.

Normal Retirement Pension Amount

The amount of normal retirement pension is based on:

- Final salary, which is the judge's salary received during the last one (1) year in office prior to retirement; and,
- Years and months of service.

The annual benefit is 37.5% of final salary plus 3.75% of final salary for each year of service in excess of 5 years. Maximum is 75% of final salary (15 or more years of service).

Survivor's Pension

Upon the death of any magistrate, former magistrate or retired magistrate, the surviving spouse would receive an annual survivor's annuity equal to seventy-five (75) percent of the magistrate's vested annuity, payable in monthly installments for life. Allowance is payable to a deceased magistrate's minor and dependent children if there is no eligible surviving spouse.

Disability Retirement

Applicable if magistrate has 5 or more years of service and becomes incapacitated to perform duties of office. The magistrate would receive his/her vested retirement allowance. Duty disability retirement is also provided.

Contribution

Twenty-five (25) dollars from each civil action docket fee paid in the magistrate or metropolitan court of the State of New Mexico and ten (10) dollars from each civil jury fee paid in that court.



THE VOLUNTEER FIREFIGHTERS' RETIREMENT SYSTEM

Normal Retirement Eligibility Conditions

Applicable to all eligible volunteer nonsalaried firefighters:
Age 55 or older with 25 or more years of credited service, or
Age 55 or older with 10 or more years of credited service.

Normal Retirement Pension Amount

The amount of normal retirement pension is:

\$200 for a volunteer nonsalaried firefighter with 25 or more years of service, payable monthly during the remainder of his or her life; or \$100.00 for a volunteer nonsalaried firefighter with 10 or more years of service, payable monthly during the remainder of his or her life.

Deferred Retirement Allowance

If any member ceases to be a volunteer nonsalaried firefighter after 10 years or more of service credit, the volunteer nonsalaried firefighter retains entitlement to the fund.

Survivor's Pensions

Upon the death of a retirement annuitant, the surviving spouse shall receive an annuity equal to two-thirds (2/3) of the annuity being paid to the retirement annuitant at the time of death.

Contributions

Annually on the last day of July the State Fire Protection Fund contributes \$500,000.00 for the support of the retirement program.



FINANCIAL
SECTION

ARTHUR ANDERSEN & CO.

UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS PRESENTED TOGETHER WITH SUPPORTING SCHEDULES REPORTED ON AS SUPPLEMENTARY DATA

Report of Independent Public Accountants

Mr. Robert E. Vigil, State Auditor
Office of the State Auditor
and
Members of the Board of Directors of the
Public Employees' Retirement Association of New Mexico
Santa Fe, New Mexico:

We have audited the accompanying financial statements of **PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO (PERA)**, as of June 30, 1992, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of PERA's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the State of New Mexico Public Employees' Deferred Compensation Plan, which statements reflect total assets of 99 percent of the related totals of the Agency Funds. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Agency Funds, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, the combined financial statements of the Pension Trust Funds of PERA referred to above present fairly, in all material respects, the combined financial position of PERA Pension Trust Funds as of June 30, 1992, and the combined results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements of PERA Pension Trust Funds referred to above present fairly, in all material respects, the financial position of each of the individual funds of PERA Pension Trust Funds and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Further, in our opinion, based upon our audit and the report of other auditors, the financial statements of the PERA Agency Funds referred to above present fairly, in all material respects, the financial position of the Agency Funds of PERA as of June 30, 1992, in conformity with generally accepted accounting principles. Also, in our opinion, based upon our audit and the report of other auditors, the combining statement of changes in assets and liabilities of the PERA Agency Funds referred to above present fairly, in all material respects, the financial position of each of the individual funds of the PERA Agency Funds as of June 30, 1992, and the changes in their assets and liabilities for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements. The accompanying financial information listed as Other Financial Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of PERA. Such information has been subjected to the auditing procedures applied in our audit of the combined, combining and individual fund financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In addition, the accompanying financial information listed as Supplementary Financial Information in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements of PERA. This information has not been subjected to the auditing procedures applied in our audit of the combined, combining and individual fund financial statements and, accordingly, we express no opinion on it.

Albuquerque, New Mexico

February 8, 1993

Arthur Andersen & Co.

COMBINED BALANCE SHEET

	Pension Trust Funds	
	Public Employees Retirement Fund	Judicial Retirement Fund
Assets:		
Cash and cash equivalents	\$192,020,891	\$659,737
Receivables:		
Contributions receivable	9,846,309	82,586
Accrued investment income	21,816,467	338,761
Accounts receivable - brokers	72,686,051	—
Investments at carrying value:		
U.S. treasury securities	693,106,743	6,206,172
U.S. agencies securities	154,930,240	5,970,282
FHA insured mortgages	2,562,876	—
Corporate fixed income securities	524,923,442	7,418,917
Corporate stocks	752,556,528	—
Investment in land and buildings	2,918,094	—
Property and equipment, net of accumulated depreciation	1,991,087	—
Other	112,429	—
Investments at market value	—	—
Total Assets	2,429,471,157	20,676,455
Liabilities:		
Accounts payable and accrued expenses	140,164,683	49,031
Investment in fixed assets	—	—
Due to other state funds	—	—
Mortgage escrow deposits	326,190	—
Funds held for others	2,264,484	—
Total Liabilities	142,755,357	49,031
NET ASSETS AVAILABLE FOR PLAN BENEFITS	2,286,715,800	20,627,424
Fund balance:		
Actuarial present value of projected benefits for: Current retirees and beneficiaries and terminated vested participants	1,463,843,089	18,712,433
Actuarial present value of credited projected benefits for active employees:		
Member contributions and employers	1,517,811,859	13,694,207
Total actuarial present value of credited projected benefits	2,981,654,948	32,406,640
Reserved for encumbrances, fiscal year 1992	689,750	—
Unfunded actuarial present value of credited projected benefits	(695,628,898)	(11,779,216)
TOTAL FUND BALANCE	\$2,286,715,800	\$20,627,424

-- JUNE 30, 1992

Pension Trust Funds		Agency Funds		Total
Magistrate Retirement Fund	Vol. Firefighters' Retirement Fund	Social Security	Deferred Compensation	All Funds
\$178,579	\$91,658	\$292,549	\$332,412	\$193,575,826
1,420	—	—	63,241	9,993,556
105,835	112,535	—	—	22,373,598
—	—	—	—	72,686,051
2,207,082	1,957,763	—	—	703,477,760
1,861,010	1,367,033	—	—	164,128,565
—	—	—	—	2,562,876
1,893,341	2,271,113	—	—	536,506,813
—	—	—	—	752,556,528
—	—	—	—	2,918,094
—	—	26,255	—	2,017,342
—	—	—	282,014	394,443
—	—	—	63,641,455	63,641,455
<u>6,247,267</u>	<u>5,800,102</u>	<u>318,804</u>	<u>64,319,122</u>	<u>2,526,832,907</u>
776	—	—	3,633	140,218,123
—	—	26,255	—	26,255
—	—	292,549	—	292,549
—	—	—	—	326,190
—	—	—	64,315,489	66,579,973
<u>776</u>	<u>—</u>	<u>318,804</u>	<u>64,319,122</u>	<u>207,443,090</u>
<u>6,246,491</u>	<u>5,800,102</u>	<u>—</u>	<u>—</u>	<u>2,319,389,817</u>
1,432,353	218,400	—	—	1,484,206,275
7,160,124	6,134,124	—	—	1,544,800,314
8,592,477	6,352,524	—	—	3,029,006,589
—	—	—	—	689,750
<u>(2,345,986)</u>	<u>(552,422)</u>	<u>—</u>	<u>—</u>	<u>(710,306,522)</u>
<u>\$6,246,491</u>	<u>\$5,800,102</u>	<u>—</u>	<u>—</u>	<u>2,319,389,817</u>

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - PENSION TRUST FUNDS

	Year Ended June 30	
	1992	1991
REVENUES		
Member Contributions:		
Public Employees Retirement	\$67,487,775	\$62,780,037
Legislative Retirement	—	—
Judicial Retirement	171,829	168,831
Total Member Contribution	67,659,604	62,948,868
Employer Contributions:		
Public Employees Retirement	111,076,010	102,477,179
Legislative Retirement	51,900	51,900
Judicial Retirement	1,329,265	1,364,026
Magistrate Retirement	612,680	601,399
Volunteer Firefighters Retirement	500,000	500,000
Total Employer Contributions	113,569,855	104,994,504
Service Credits Purchased:		
Public Employees Retirement	1,120,601	1,095,242
Judicial Retirement	15,398	—
Total Service Credits Purchased	1,135,999	1,095,242
Total Contributions	182,365,458	169,038,614
Income Earned from Investments:		
Interest on Investments	110,539,355	108,192,291
Dividends	28,154,485	27,628,675
Net Gain from Securities Transactions	58,471,334	9,158,411
Other Income relating to Investments	1,146,635	1,272,992
Total Income Earned from Investments	198,311,809	146,252,369
TOTAL REVENUES	380,661,869	315,290,983
EXPENSES		
Administrative Expense	6,047,792	5,297,197
Benefit payments:		
Public Employees Retirement	107,736,470	97,661,350
Judicial Retirement	1,703,619	1,527,861
Magistrate Retirement	78,209	49,986
Volunteer Firefighters' Retirement	18,400	7,899
Total Benefit Payments	109,536,698	99,247,096
Contribution Refunds to terminated members with interest	14,015,395	13,935,785
TOTAL EXPENSES	129,599,885	118,480,078
Prior Period Adjustment	—	3,357,842
NET INCREASE IN FUND	251,077,382	200,168,747
FUND BALANCE AT BEGINNING OF YEAR	2,068,312,435	1,868,143,688
FUND BALANCE AT END OF YEAR	\$ 2,319,389,817	\$ 2,068,312,435

COMBINED STATEMENT OF CASH FLOW PENSION TRUST FUNDS

CASH FLOW FROM OPERATING ACTIVITIES:

Net income	\$ 251,077,382
Adjustments to reconcile net income to net cash provided by operating activities -	
Depreciation	198,068
Net accretion on investments	(16,719,858)
Increase in accrued investment income	(122,801)
Decrease in accounts receivable - brokers	53,392,100
Decrease in contributions receivable	245,962
Decrease in accounts payable and accrued expenses	(57,004,134)
Increase in mortgage escrow deposits	89,001
Decrease in funds held for others	(179,950)
Net cash provided by operating activities	<u>230,975,770</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

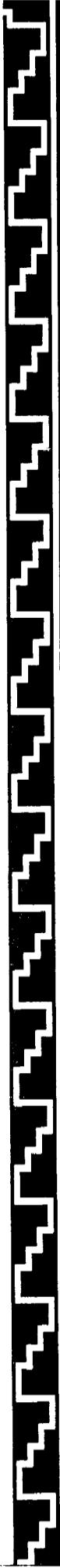
Sales of investments	3,603,168,899
Purchases of investments	(3,836,260,122)
Principal repayments on U.S. Government Agencies	8,789,362
Net cash used by investing activities	<u>(224,301,861)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of fixed assets	(366,920)
Net increase in cash and cash equivalents	<u>6,306,989</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 1991	<u>186,643,876</u>

CASH AND CASH EQUIVALENTS, JUNE 30, 1992

\$ 192,950,865



ACTUARIAL
SECTION

GABRIEL, ROEDER, SMITH & COMPANY
Actuaries & Consultants

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 313-799-9000

March 9, 1993

The Retirement Board
Public Employees Retirement Association
Santa Fe, New Mexico

Attention: Leo Griego, Executive Secretary

We certify that the annual actuarial valuation as of June 30, 1992 of the Public Employees Retirement Association of New Mexico was made in accordance with recognized actuarial methods.

The valuation was based on data submitted by PERA concerning financial information and people data, which we examined for reasonableness. The asset values used for the valuation were smoothed market values.

We believe the experience assumptions used in making the valuation provide a reasonable measure of the obligations and periods over which unfunded accrued obligations will be financed under the statutory contribution rates.

Respectfully submitted,



Sandra W. Rodwan Ronald J. W. Smith

SWR:rmc

PERA'S HUMAN RESOURCES - 1992

Participants

41,463

71%

Retirees

9,935

17%

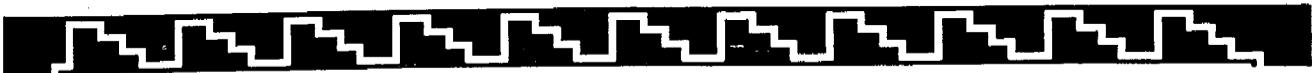
Vested and Non-vested

Former Members

5,723

10%

Disabilities	726	1%
Survivors	632	1%



***SUMMARY OF ACTUARIAL ASSUMPTION for the
FOUR RETIREMENT SYSTEMS OF NEW MEXICO***

Valuation as of June 30, 1992

The purpose of the actuarial valuation is to ascertain whether or not PERA is meeting its statutory obligations which are:

- Pension payments to current and future retired members, vested former members and survivor pension beneficiaries;
- Refunds of member contributions to non-vested former members; and
- Administrative and investment expenses incurred in the operation of PERA.

The sources of PERA funding to meet the statutory obligations are:

- Member contributions;
- Affiliated public employer contributions; and
- Investment earnings on PERA assets.

The basic funding objective of PERA is to avoid transfers of the cost of statutory obligations between generations of taxpayers. The objective will be realized if PERA sources of funding are sufficient to fund:


- Costs allocated to the current year on account of service rendered by PERA members in the current year (the normal cost);
- Costs allocated to prior years on account of service rendered by PERA members in prior years (the unfunded actuarial accrued liability).

Board policy, established January 26, 1989, is to fund the unfunded actuarial accrued liability over 40 years from June 30, 1989.

The actuarial valuation measured:

1. The relationship between PERA obligations and funding resources to determine if the funding objective is being met; and
2. The contribution rate needed to comply with the 40-year objective for funding the unfunded actuarial accrued liability.

The June 30, 1992, actuarial valuation indicated that PERA has an actuarial balance between resources and obligations in all divisions. The financing periods for all divisions except the State Police-Hazardous Duty division are in excess of the period targeted under the Retirement Board's funding policy. PERA has no margin with which to absorb the obligations associated with any benefit improvement. Future



ability to properly monitor PERA's actuarial balance is dependent upon continued diligence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns. The PERA funding resource together with current assets will be sufficient to fund the accruing obligation if the estimates of future PERA activities are realized and resources are not absorbed by unfunded benefit improvements.

Fiscal Estimates

Fiscal estimates are commonly selected on the basis of what is expected to occur in an inflation-free environment. Each item is then increased by a provision for long-term inflation. The estimates used for this valuation are;

- 8.00% nominal rate of investment return;
- 5.00% inflation; and
- 3.00% post retirement benefit increases; and
- 5.00% wage increases.

The nominal rate of investment return is 9.75% for pensions with effective date prior to July 1, 1985. Within the scope of the estimated wage increases above, attribution is made to inflation and other factors generating across-the-board increases. Provision is also made for merit and seniority increases.

Funding Periods

The unfunded actuarial accrued liability funding periods supported by current statutory contribution rates and the additional contribution resources needed to immediately reduce these periods to 37 years are:

<u>Coverage Group</u>	<u>Funding Period (1)</u>	<u>Additional Funding for 37 years (2)</u>
State General	54 years	1.00%
State Police/Haz. Duty	3 years	0.00
Municipal General	39 years	0.09
Municipal Police	75 years	1.25
Municipal Fire	99+ years	3.83

(1) The number of years needed to fund the unfunded actuarial accrued liability with current statutory contribution rates.

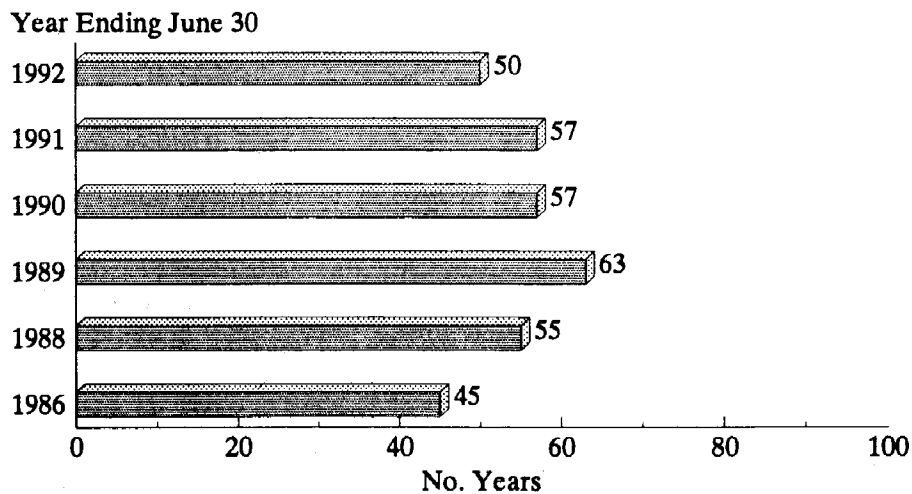
(2) The additional contributions (percents of payroll) needed to immediately reduce the funding period to 37 years. The Board established a target financing period of 40 years from June 30, 1989.

PERA FINANCING PERIODS

The number of years needed to eliminate the unfunded actuarial accrued liability under current statutory revenue provisions.

	<u>6/30/92</u>	<u>6/30/91</u>	<u>6/30/90</u>	<u>6/30/89</u>	<u>6/30/88</u>	<u>6/30/86</u>
PERA Aggregate	50	57	57	63	55	45
State General	54	59	65	73	62	48
State Hazardous Duty	3	12	20	23	31	36
Municipal General	39	43	43	47	44	35
Municipal Police	75	92	91	65	38	60
Municipal Fire	99+	99+	90	-	-	88

PERA Aggregate Financing Period

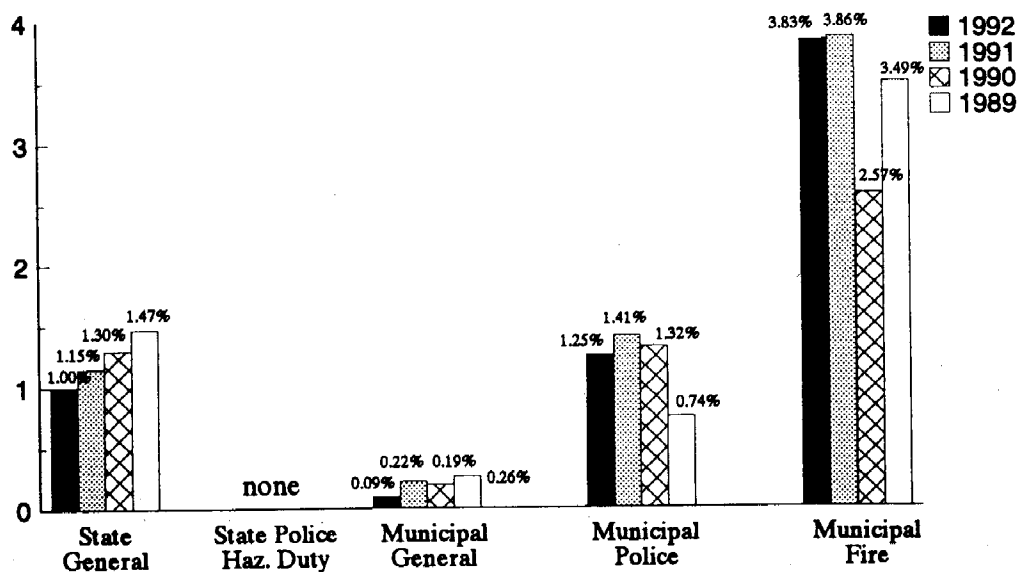


PERA FUNDING POLICY

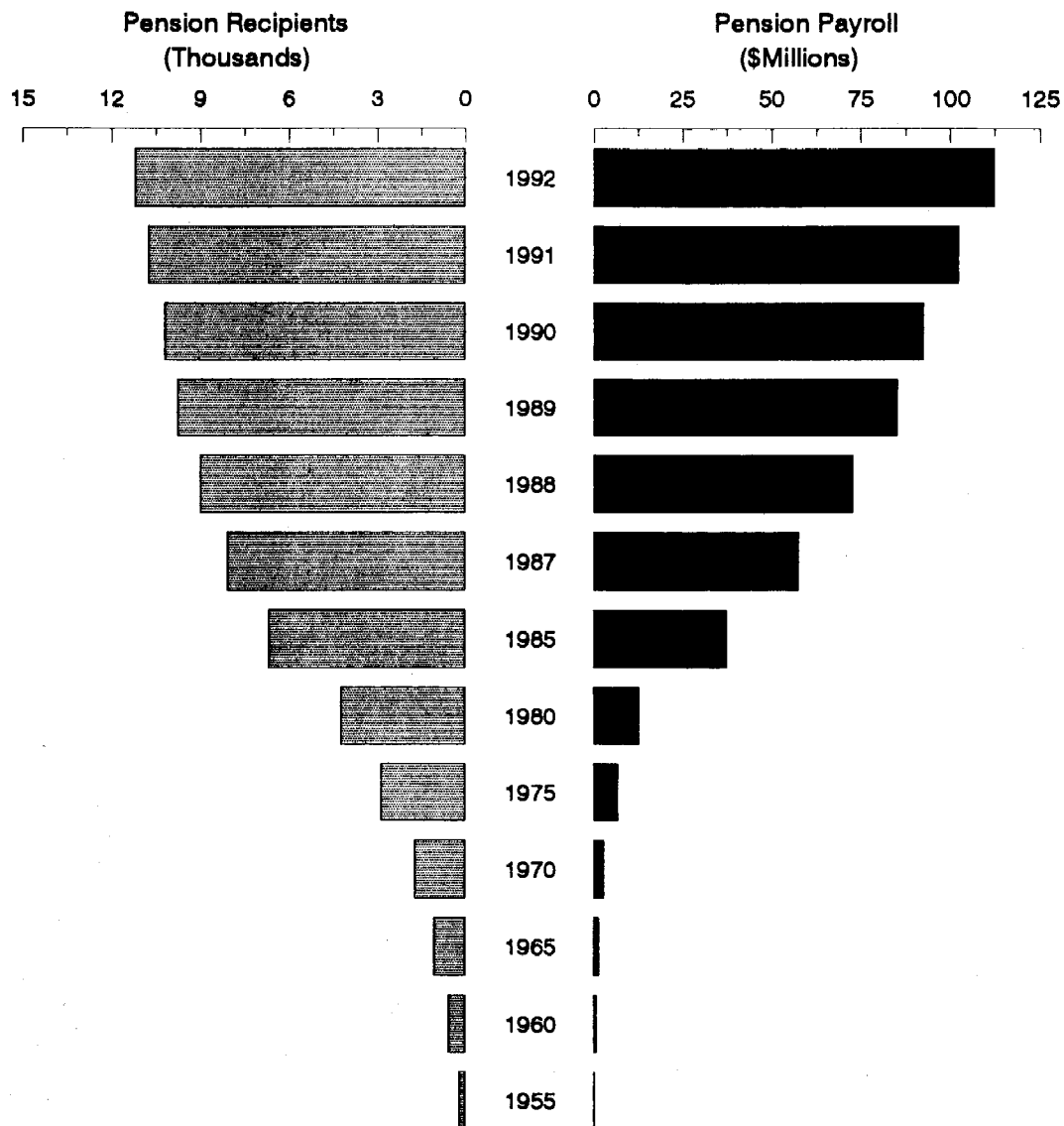
Additional contribution needed for immediate realization of funding policy financing period (40 years at June 30, 1989, 39 years at June 30, 1990, 38 years at June 30, 1991 and 37 years at June 30, 1992).

Division	Additional Contributions as Percent of Member Payroll			
	June 30, 1992	June 30, 1991	June 30, 1990	June 30, 1989
State General	1.00%	1.15%	1.30%	1.47%
State Hazardous Duty	0.00	0.00	0.00	0.00
Municipal General	0.09	0.22	0.19	0.26
Municipal Police	1.25	1.41	1.32	0.74
Municipal Fire	3.83	3.86	2.57	3.49

% of Member Payroll



Pension Recipients and Pension Payroll Historic Development





CONCLUSIONS FROM ACTUARIAL REPORT

The June 30, 1992 actuarial valuation indicates:

- PERA has an actuarial balance between resources and obligations.
- The financing periods for all divisions except the State Police - Hazardous Duty division are in excess of the period targeted under the Retirement Board's funding policy.
- PERA has no margin with which to absorb the obligation associated with any benefit improvement.
- Future ability to properly monitor PERA's actuarial balance is dependent upon continued diligence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns.



**NEW MEXICO JUDICIAL AND
MAGISTRATE RETIREMENT FUNDS**

**COMPUTED CONTRIBUTION REQUIREMENT VS.
STATUTORY CONTRIBUTIONS FOR FY 92/93**

The following schedule indicates the contribution required during the 1992/1993 fiscal year to finance the normal cost and amortize the unfunded actuarial accrued liability over 36 years (the remainder of a 40 year period, effective July 1, 1988). The statutory contribution resources are also shown.

<u>Contributions for</u>	<u>Percents of Payroll of Present Judges</u>	<u>Dollars Based on \$4,862,100 Valn. Payroll</u>
Total Required Contributions	43.65%	\$2,122,306
Total Statutory Contributions	41.34%	\$2,009,959

<u>Contributions for</u>	<u>Percents of Payroll of Present Magistrate</u>	<u>Dollars Based on \$3,064,151 Valn. Payroll</u>
Total Required Contributions	33.34%	\$1,021,589
Total Statutory Contributions	33.40%	\$1,023,277



STATISTICAL
SECTION

ASSETS

<u>Year ended June 30</u>	<u>Total Assets</u>	<u>Annual Rate of Increase</u>
THE PUBLIC EMPLOYEES' RETIREMENT FUND		
1992	\$ 2,429,471,157	8.51%
1991	2,238,928,213	20.11
1990	1,864,125,712	10.75
1989	1,683,234,648	14.51
1988	1,469,922,612	9.40
1987	1,343,575,263	20.74
1986	1,112,819,941	14.54
1985	971,577,229	24.77
1984	778,691,066	20.03
1983	648,747,650	24.64
THE JUDICIAL RETIREMENT FUND		
1992	20,676,455	7.92
1991	19,158,512	8.64
1990	17,634,330	14.19
1989	15,443,400	8.81
1988	14,192,495	13.54
1987	12,499,963	10.62
1986	11,299,966	12.87
1985	10,011,219	12.21
1984	8,921,544	14.28
1983	7,806,673	18.61
THE MAGISTRATE RETIREMENT FUND		
1992	6,247,267	18.96
1991	5,251,429	21.38
1990	4,326,282	25.41
1989	3,449,676	20.05
1988	2,873,612	48.97
1987	1,929,036	43.88
1986	1,340,718	121.87
1985	604,292	—
1984*		
THE VOLUNTEER FIREFIGHTERS' FUND		
1992	5,800,102	18.99
1991	4,874,528	8.28
1990	4,501,618	39.63
1989	3,223,930	17.04
1988	2,754,575	57.16
1987	1,752,720	54.32
1986	1,135,796	107.38
1985	547,697	—
1984**		

* New Retirement Plan effective July 1, 1984

** New Retirement Plan effective January 1, 1984

EXPENSES BY TYPE

Year Ended June 30	Benefits	Administrative Expenses	Total Expenses
THE PUBLIC EMPLOYEES' RETIREMENT FUND			
1992	\$107,736,470	\$6,020,866	\$127,772,731
1991	97,661,350	5,277,510	116,874,645
1990	88,755,420	8,218,855	111,140,540
1989	83,020,533	5,987,853	101,346,092
1988	66,663,753	18,799,173	97,009,726
1987	53,860,576	4,701,477	69,583,824
1986	43,052,646	3,925,990	57,837,317
1985	35,712,616	3,078,500	49,906,359
1984	29,635,558	2,285,656	41,331,396
1983	23,256,602	2,190,360	32,702,964
THE JUDICIAL RETIREMENT FUND			
1992	1,703,619	7,456	1,711,075
1991	1,527,861	9,289	1,537,150
1990	1,543,485	12,048	1,555,533
1989	1,294,161	5,120	1,314,169
1988	1,126,404	13,023	1,146,849
1987	1,019,206	13,264	1,034,467
1986	899,036	12,291	935,543
1985	800,812	13,017	827,642
1984	747,364	10,001	758,876
1983	538,539	8,356	553,612
THE MAGISTRATE RETIREMENT FUND			
1992	78,209	9,406	87,615
1991	49,986	8,650	58,636
1990	—	10,705	10,705
1989	—	1,900	1,900
1988	—	1,500	1,500
1987	—	500	500
1986	—	4,000	4,000
1985	—	—	—
1984*	—	—	—
THE VOLUNTEER FIREFIGHTERS' FUND			
1992	18,400	10,064	28,464
1991	7,899	1,748	9,647
1990	—	3,555	3,555
1989	—	1,900	1,900
1988	—	1,500	1,500
1987	—	500	500
1986	—	—	—
1985	—	—	—
1984**	—	—	—

* New Retirement Plan effective July 1, 1984

** New Retirement Plan effective January 1, 1984

REVENUES BY SOURCE

Year Ended June 30	Member Contribution	Employer Contribution	Investment Income	Total Revenues
THE PUBLIC EMPLOYEES' RETIREMENT FUND				
1992	\$67,487,775	\$111,127,910	\$194,575,516	\$ 373,191,201
1991	62,780,037	102,529,079	142,688,089	307,997,205
1990	58,769,793	96,224,188	150,974,446	305,346,865
1989	53,769,793	89,317,498	146,073,719	289,161,010
1988	50,728,008	87,172,940	113,641,429	251,542,377
1987	40,738,342	76,393,672	157,306,320	274,438,334
1986	36,514,084	68,587,171	132,692,635	237,793,890
1985	36,582,060	58,912,491	91,173,353	186,667,904
1984	39,771,271	46,304,991	83,279,510	169,355,772
1983	37,144,812	42,544,814	79,757,803	159,447,429
THE JUDICIAL RETIREMENT FUND				
1992	171,829	1,329,265	1,665,623	3,166,717
1991	168,831	1,364,026	1,526,347	3,059,204
1990	160,505	2,156,855	1,429,103	3,746,463
1989	148,115	1,347,115	1,280,891	2,776,121
1988	148,561	1,306,171	1,185,326	2,640,058
1987	166,870	906,727	1,149,483	2,223,080
1986	135,381	893,580	1,131,318	2,160,279
1985	123,180	749,014	1,044,918	1,917,112
1984	262,317	661,087	947,914	1,871,318
1983	240,847	685,725	850,875	1,777,447
THE MAGISTRATE RETIREMENT FUND				
1992	—	612,680	469,997	1,082,677
1991	—	601,399	382,384	983,783
1990	—	569,541	317,770	887,311
1989	—	529,162	253,756	782,918
1988	—	576,856	164,266	741,122
1987	—	511,271	125,232	636,503
1986	—	615,971	76,770	692,741
1985	—	583,599	20,693	604,292
1984*	—	—	—	—
THE VOLUNTEER FIREFIGHTERS' FUND				
1992	—	500,000	454,038	954,038
1991	—	500,000	382,557	882,557
1990	—	500,000	281,243	781,243
1989	—	500,000	278,686	578,686
1988	—	500,000	195,924	695,924
1987	—	500,000	121,094	621,094
1986	—	500,000	84,429	584,429
1985	—	500,000	47,697	547,697
1984**	—	—	—	—

* New Retirement Plan effective July 1, 1984

** New Retirement Plan effective January 1, 1984