

PUBLIC EMPLOYEES  
RETIREMENT ASSOCIATION  
OF NEW MEXICO

1994 ANNUAL REPORT 1995



# CONCLUSIONS

The June 30, 1995, actuarial valuation indicates the following:

- PERA has an actuarial balance between resources and obligations;
- Future funding progress will be determined primarily by rates of investment earnings and compensation increases. Over the short term, retirement rates are expected to have a significant impact. Of lesser influence are mortality decreases and member withdrawals;
- The aggregate funding period (38 years) is under the Retirement Board's target funding policy of 40 years;
- The funding periods for State Police/Hazardous Duty and Municipal General Divisions are better than the Retirement Board's targeted funding policy. Funding periods for other divisions are in excess of the period targeted under the funding policy;
- PERA has no margin with which to absorb obligations associated with any benefit improvements;
- Future ability to properly monitor PERA's actuarial balance is dependent upon diligence in maintaining accurate data and a period of benefit stability, thus permitting derivation of underlying benefit utilization patterns.

# 1995 HIGHLIGHTS

**Participating Members ..... 50,470**

State .....22,367  
Municipal .....20,377  
Judicial .....89  
Magistrate .....70  
Volunteer Firefighters .....7,522  
\*Legislative .....45

**Retired Members and Beneficiaries ..... 13,185**

State .....7,426  
Municipal .....5,602  
Judicial .....61  
Magistrate .....23  
Volunteer Firefighters .....43  
\*Legislative .....30

**Retirement Benefits ..... \$150,812,145**

**Contribution Refunds ..... \$17,484,425**

**Participating Employers ..... 272**

State .....121  
Municipal .....70  
Counties .....33  
Housing Authorities .....21  
Special Districts .....24  
Hospitals .....3

**Contributions:**

Member contributions ..... \$93,026,911  
Employer contributions ..... \$140,502,834

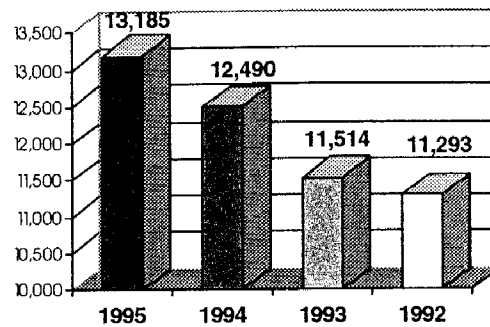
**Total PERA Assets, at cost..... \$3,211,956,715**

\* Plan inactive at 6/30/95

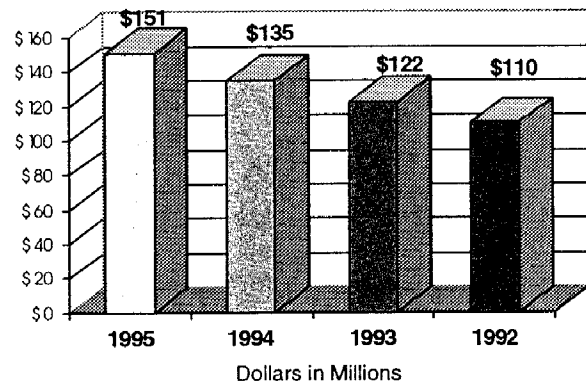
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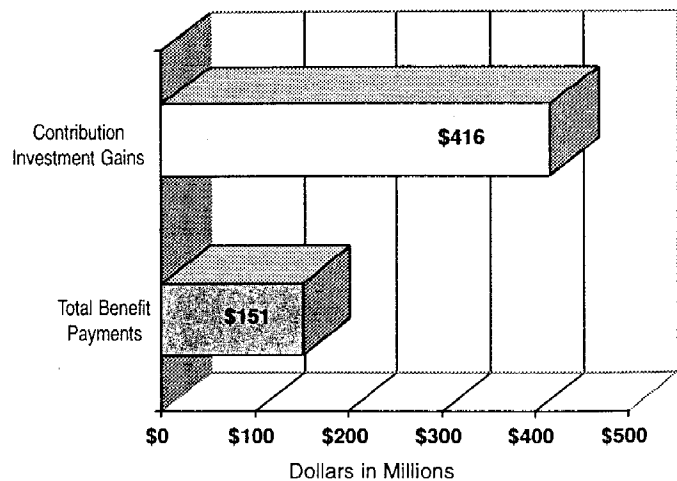
**Retired Members and Beneficiaries**

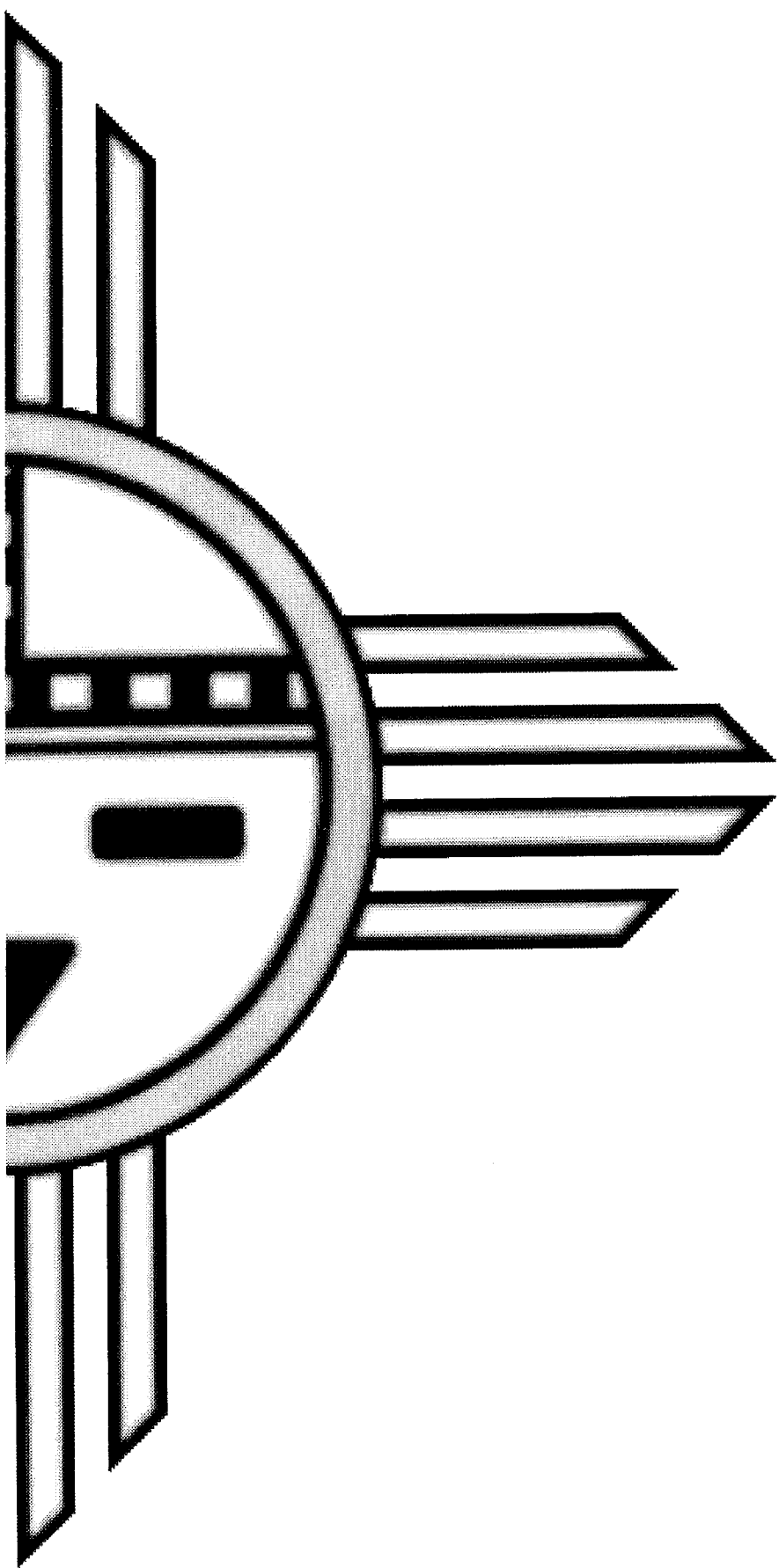


**Retirement Benefits Paid Out**



**Total Benefit Payments Compared to Fund Income and Revenues - 1995**





# ADMINISTRATION

# PERA STAFF

## Executive Staff

Alice E. Herter, Executive Director  
R. Lowell Gilbert, Assistant Executive Director  
Sigrid E. Olson, Assistant Executive Director  
Carol A. Baca, General Counsel  
Victor A. Montoya, Property Manager  
Margaret R. Phoenix, Comptroller  
Jeffrey W. States, Investment Director

### Administration

Valerie Jones, Administrator III  
Judy Olson, Administrator III  
Anna M. Martinez, Liaison Officer  
Loretta E. Valencia, Financial Management  
Consultant

### Administrative Services

Lynn Coles, Financial Manager I  
Sharon D. Barela, Financial Specialist III  
Arlene F. Coriz, Human Resources  
Administrator Senior  
Mary Lou L. Martinez, Financial Specialist II  
Sharon Moya, Financial Specialist II  
Arthur A. Trujillo, Financial Specialist III

### Benefits and Claims

Priscilla V. Kilkenny, Manager V  
Allison Kuper, Clerk Specialist  
Dorothy Lynch-Sandoval, Manager IV  
Beatrice Randolph, Manager IV  
Joyce Rivera, Financial Specialist II  
Louis E. Scheier, Clerk Specialist  
Claudine Serna, Clerk IV  
Nora E. Solano, Manager IV  
Kathy A. Webb, Manager IV

### Building and Grounds

Benjamin J. Anaya, Custodial Worker I  
Octavio Burrola-Chavez, Maintenance Worker I  
Hildelisa Chavez, Custodial Worker I  
Ramona Chavez, Custodial Worker I  
Gilbert Gurule, Custodial Worker II  
David C. Lovato, Maintenance Worker II  
Jose F. Marquez, Custodial Worker I  
Horacio Martinez, Maintenance Worker II  
Joseph A. Martinez, Maintenance Worker I  
Gilbert S. Montoya, Custodial Worker I  
Paul A. Montoya, Physical Plant Manager III  
Mel E. Prada, Maintenance Worker II  
Anthony P. Romero, Electrician I  
Marlene Romero, Custodial Worker I

Joe R. Sisneros, Custodial Worker I  
Mary C. Trujillo, Custodial Worker I  
Valentin Ulibarri, Custodial Worker Supervisor I  
Pedro B. Valencia, Custodial Worker I  
Michael P. Vigil, Laborer  
William David Wright, Maintenance Worker I

### Contribution Accounting

Herbert Romero, Manager V  
Vincent J. Jaramillo, Information Specialist II  
Joseph W. Maes, Financial Specialist III  
Liz Montoya, Financial Specialist I

### Deferred Compensation

Frances A. Porterfield, Administrative Assistant

### Information Systems

William J. Schneider, Data Processing Manager II  
Fermin R. Montoya, Data Processing Manager I  
Michael A. Gonzales, Programmer Analyst II  
Kevin W. Payne, Systems Analyst Manager  
James P. Risinger, Systems Analyst  
Regina B. Sanchez, Programmer Analyst II  
Jeremy C. Schofield, Computer Operator I

### Investments

Lorraine B. Ward, Investment Officer Principal  
Selma A. Arnold, Administrator II  
Louise E. Lopez-Heine, Administrator III  
Peter E. Roybal, Financial Specialist III  
Judy F. Toomey, Investment Officer II

### Office of Legal Counsel

Laura C. Harper, Assistant General Counsel  
Barbara Montoya, Secretary III

### Records

Mark Sanchez, Administrator III  
Alex F. Coriz, Clerk II  
Erlinda Roybal, Clerk Specialist  
Denise A. Vialpando, Clerk IV

# THE PUBLIC EMPLOYEES RETIREMENT BOARD

## Ex-Officio Members:

Stephanie Gonzales  
Secretary of State



Michael A. Montoya  
State Treasurer

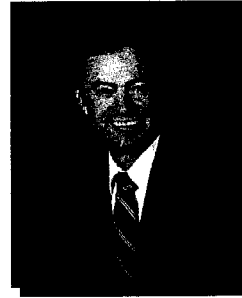


## Elected Members:

Doug Crandall, Chair  
City of Albuquerque  
Municipal Member



Jerry Rael, Vice Chair  
State Personnel Office  
State Member



Susan H. Biernacki  
City of Albuquerque  
Municipal Member



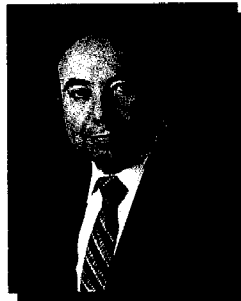
Linda Garcia Grisham  
State Corporation Commission  
State Member



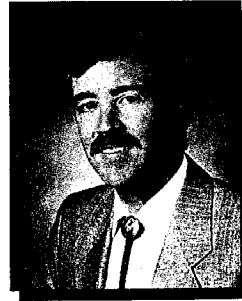
Anita Hisenberg  
Department of Finance  
and Administration  
State Member



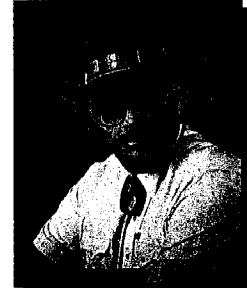
Fred Lopez  
City of Santa Fe  
Municipal Member



Robert Mascareñas  
County of Bernalillo  
County Member

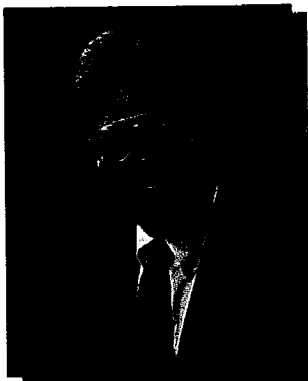


Jerry Richardson  
Taxation and Revenue Dept.  
State Member



Larry Ward  
Albuquerque, New Mexico  
Retiree Member

# LETTER FROM THE BOARD CHAIR



Doug Crandall, Chair  
City of Albuquerque  
Municipal Member

This has been a successful year and I am proud of our accomplishments.

In November, the fund topped the \$4 billion dollar plateau for the first time. This figure is more than double the fund total at the beginning of this decade. More importantly, our unfunded actuarial liabilities have continued to decrease and overall are well within the board's 40 year amortization funding policy.

Investment returns for the entire PERA fund during the past fiscal year reached 19% net of fees. This return placed PERA in the top 15% for all public employee pension funds. This success is attributable mainly to our diversified investment plan and to the managers we have chosen to invest our money.

PERA's investment plan currently allocates 55% of our money to stocks, ten percent of which is committed internationally and 45% to bonds. Because the international stock markets do not generally react in the same manner as domestic markets, this mix will provide PERA with slightly better returns and less volatility than if we were invested only in domestic equities. Our international manager and all of our other money managers are hired by the board for their experience, expertise and proven performance in their field. This policy of hiring outside expertise has proven to have a significantly positive impact on our investment returns.

I am pleased to say that PERA's automated document imaging system is now operational. This system enables PERA's retirement counselors to have immediate access to the entire history of an association member on a computer screen. Within the next few years, we expect to have all PERA records available on computer.

Another achievement of significance is the success of PERA's newsletter *La Voz*, with separate editions being provided to both current members and retirees. These newsletters are the primary communication tool between the PERA board and staff and the membership. The information contained in this publication is both timely and important to the membership. I am pleased with our progress in this area and look forward to continued improvement.

The board made an important decision earlier this year when Alice E. Herter was chosen as the new PERA Executive Director. Alice's previous position was legal counsel for the Association. Her experience and commitment to PERA were primary factors in her being chosen by the board. I am confident that Alice will be a strong leader for PERA, well into the next century.

I would like to take this opportunity to thank the entire PERA staff. On behalf of the board, I say "thank you" for your hard work and commitment to excellence.

Finally, the board would like to give another big "thank you" to the entire membership of PERA for your interest and support in your Association. As stewards of your fund, we are always looking for suggestions for improvement or indications of support for our goals and achievements. We are here for you. PERA is still a young institution with a short past and a long, bright future.



## LETTER FROM THE EXECUTIVE DIRECTOR



Alice E. Herter  
Executive Director

I am pleased to present to you the Annual Report for the New Mexico Public Employees Retirement Association for the fiscal year ended June 30, 1995. This report provides comprehensive information about the retirement programs we administer and the pension funds we manage. I am happy to report that PERA has had a successful year. Our actuarial funding period has decreased over the past year from 43 years in FY 94 to 38 years in FY 95. Our investment performance was outstanding, yielding an overall return, net of fees, of 19%.

The success of our retirement system is due to the dedicated efforts of many people. The PERA Board members volunteer a substantial amount of time establishing policies which give PERA direction and monitoring the performance of PERA's investments. We also have a hard-working, deeply committed staff at PERA who earnestly endeavor to provide quality services to our participants. It is through their professional work that the day-to-day operations at PERA are administered. PERA has also benefited greatly from the active participation of its retirees and

members. Their suggestions and comments over the past year have been extremely helpful in assuring that we stay in touch with the needs of our participants. Additionally, I have been especially grateful for the positive support PERA has received from the Legislature. New Mexico's legislators have consistently supported the PERA policy of assuring that the PERA funds remain actuarially sound and that any benefit enhancements to the retirement program are properly funded. Finally, PERA values highly the cooperation of state agencies and our affiliated public employers in trying to assure that we provide public employees in New Mexico with a stable and sound retirement plan.

### STATISTICAL OVERVIEW

As of June 30, 1995, PERA had 50,470 members. Of this number, 22,367 are state members, 20,377 are municipal members, and the remaining members are participants in the judicial, magistrate, volunteer firefighters and legislative retirement programs. Also, as of June 30, 1995, PERA had 13,185 retirees and beneficiaries receiving pensions from PERA. Of these numbers, 7,426 are state retirees, 5,602 are municipal retirees, and the remaining retirees are from the judicial, magistrate, volunteer firefighters and legislative retirement plans. PERA's pension payroll for FY 95 was just under \$151 million dollars and the average pension paid was \$12,139. The average age at retirement was 58.2 years. PERA currently has 272 separate, affiliated public employers. In

addition, we have 355 separate fire districts that participate in the volunteer firefighters plan.

### **REVENUE AND EXPENSE SOURCES**

PERA administers 25 different retirement plans. The revenue necessary to fund the retirement benefits paid under these plans comes from three sources: (1) employee contributions, (2) employer contributions, and (3) investment earnings. The total revenue received by PERA during the fiscal year ended June 30, 1995, was \$415,585,996. Of this amount, 22% was from employee contributions, 34% was from employer contributions and 44% was from investment earnings. Unlike many public retirement systems nationwide, PERA has not had to increase either employee or employer contributions under these plans unless there has been a corresponding increase in benefits.

The payment of retirement and survivor benefits constitutes the majority of PERA's expenses. These total payments for FY 95 were \$150,812,145. The remaining expenses for PERA were the refund of contributions to members who terminated employment and chose to withdraw their PERA contributions, and the costs of administering PERA. In FY 95, these combined expenses totaled \$26,854,836. PERA's administrative expenses are controlled by an annual budget submitted by the Board for appropriation by the Legislature. In FY 95, these expenses represented less than 3/10 of 1% of PERA's total assets.

Thus, for FY 95, our total revenues exceeded our expenses by \$237,919,015. Total assets increased \$89,554,334 during FY 95, resulting in total PERA assets, at cost, of \$3,211,956,715 as of June 30, 1995.

### **FUNDING - ACTUARIAL SOUNDNESS**

One of the most important factors for any retirement system is its level of funding. If this level is satisfactory, the ratio of total fund assets to total liabilities will be larger, and more funds are available for investment purposes. Also, adequate funding provides members and retirees assurance that their benefits are secure.

The PERA Board has established the target funding period for the PERA fund at 40 years. We experienced substantial funding progress this year as our funding period decreased from 43 years in FY 94 to 38 years in FY 95, dropping five years in total, to two years below the funding goal. The advantage of a well-funded plan is that participants can see assets that are irrevocably committed to the payment of promised benefits. But even though our funding level is quite sound, PERA is committed to maintaining and improving this situation. The Board's policy is that it will only support benefit enhancements to PERA plans that are properly funded and actuarially sound. The Legislature has been supportive of this policy which provides further assurance that PERA will remain a well-funded plan.

## **INVESTMENTS**

Proper funding and stable investment returns are critical to the financial soundness of the Association. For the fiscal year ended June 30, 1995, the total investment return, on a market value basis, was 19%. This outstanding performance was net of all fees and exceeded the performance of both the Educational Retirement Fund and the New Mexico State Permanent Fund. It also shows that the Board's investment policies during recent years have been successful. Because of this, the performance of the PERA fund has increased from the bottom 6% of public funds for the 1986-1990 period to the top 15% for the 95th fiscal year.

This increased investment performance is important because our investment earnings are a major contributor to the total revenues received by PERA. The PERA Board and its Investment Committee oversee the fund's investment policy, performance, and investment manager selection. They also review potential investment opportunities, with advice from staff and professional investment consultants, and assess potential effects of these investments on the fund.

## **ASSET ALLOCATION**

The foundation of PERA's investment policy is the type and extent of investment vehicles it uses. The Board's current investment plan allocates 55% of its assets to equity investments and 45% to fixed income. Within this broad allocation, the investments are further diversified into domestic stocks (both large and small capitalization), international stocks, bonds,

mortgage-backed securities and cash. About 10% of PERA's portfolio is invested internationally. The fund's diversified asset allocation mix is designed to optimize performance and also protect the fund from declines that a particular asset class may experience during a given period. The asset allocation policy, which is established by the PERA Board, determines up to 90-95% of the portfolio's return and risk.

## **ACCOUNTING AND INTERNAL CONTROLS**

PERA uses an accrual-based accounting system to record assets, liabilities, revenues and expenses of the Association. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. During the past year, PERA successfully implemented and utilized an internally-controlled general ledger system. Among many other advantages, the utilization of this system has allowed PERA to generate monthly financial statements for the Association and permits PERA's Comptroller to provide management with monthly expense statements and budget projections.

In developing the Association's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide assurance regarding safekeeping of assets and reliability of financial records. Continual efforts are made by the Association to improve the level of assurance in order to guarantee a financially sound retirement system.

## RECORDS

PERA maintains close to 200,000 participant records for active members, inactive members, retirees and beneficiaries. Until this year, these records were maintained manually, in hard, paper copy. This year PERA successfully implemented and is utilizing a computer-controlled imaging system for maintenance of all PERA records. This system is one of the first of its kind in government and allows PERA records to be retrieved by computer and immediately available for use by PERA benefit counselors when discussing retirement issues with PERA members and retirees. Additionally, it provides back-up copies of all records in the event the original paper records were to be destroyed by flood, fire or other disaster. The security built into the system also assures that the integrity of the files is maintained regardless of file utilization throughout the agency.

## PROFESSIONAL SERVICES

PERA uses independent, professional consultants to perform services for the Association that are essential to its effective and efficient operation. The independent monitoring of PERA's investment performance is performed by Wilshire Associates. Actuarial services are provided by Gabriel, Roeder, Smith & Company. The annual financial audit was performed by Atkinson & Company, Ltd. under the direction of the New Mexico State Auditor. Additionally, professional legal services are utilized as needed for litigation purposes. The utilization of these professional services assures the Board

and the Association that the fund's assets are managed properly and that the financial status of the fund is sound.

## CONCLUSION

I want to express my gratitude to the many individuals who contribute to the success of the Association. Our many affiliated public employers work continuously with PERA staff to assure that public employees have a retirement plan that will provide them financial security both now and into the future. The PERA Board devotes substantial amounts of time establishing Association policies and monitoring the Association's performance to maintain the strength and soundness of the PERA fund. And finally, I would like to acknowledge and commend the dedicated efforts of the PERA staff as they perform their daily responsibilities with a commitment to quality and customer service. We are proud of PERA's status as one of the best retirement systems in the nation, but we are continuing to explore new ways in which we can provide more efficient responses to participant questions and ways in which we can make the Association as "user-friendly" as possible. To attain this goal requires the combined efforts of Board, staff, employers and participants. Together, we can make the best, better.

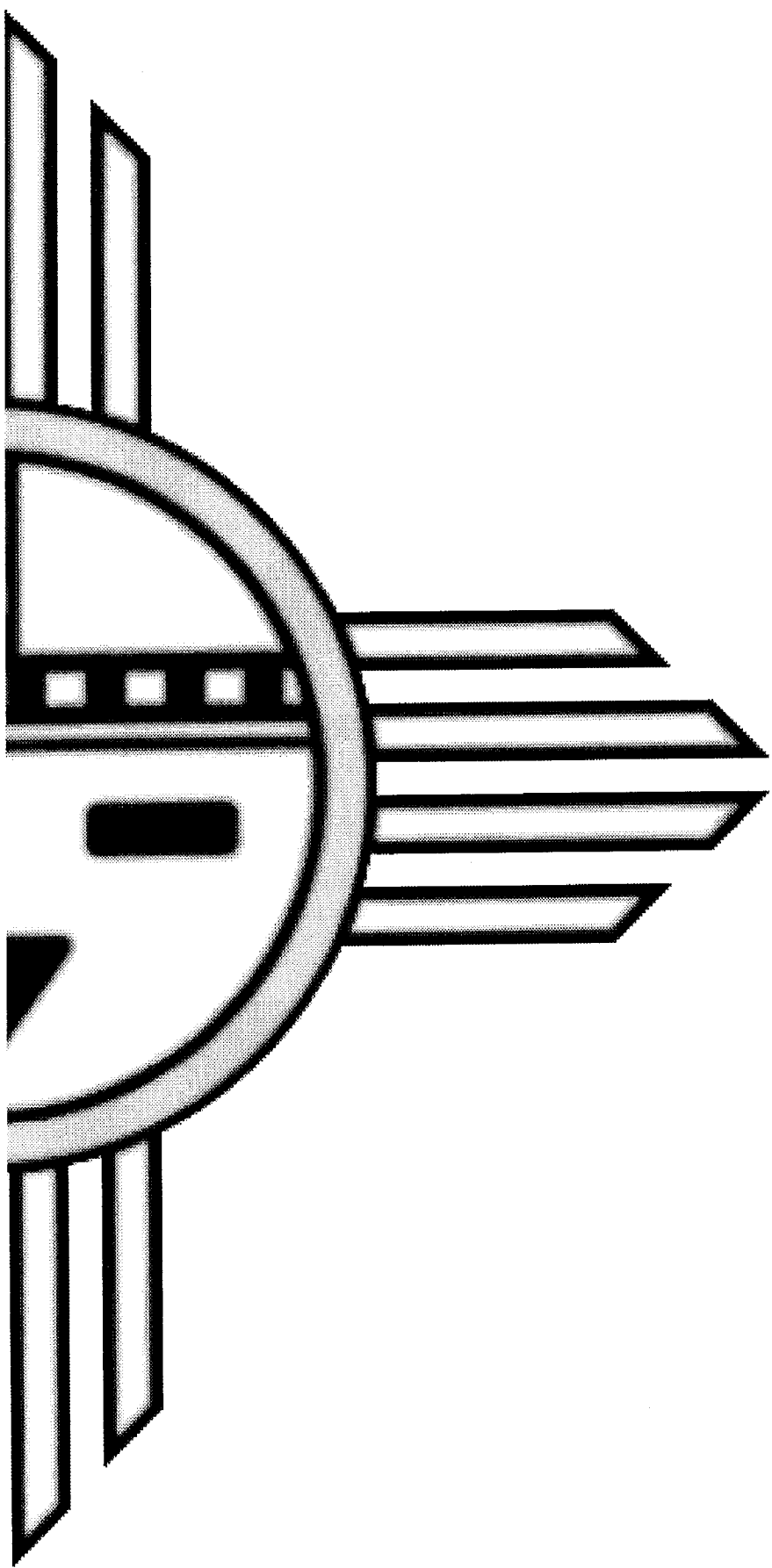
Respectfully submitted,



Alice E. Herter  
Executive Director



# INTRODUCTION



# ABOUT PERA

## **A Historical Perspective**

In 1952, New Mexico enacted legislation creating a public employee retirement system, with a retroactive beginning date of 1947. New Mexico was the last state in the continental United States to establish a retirement system for its public employees.

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 per month. There were no death-in-line-of-duty survivor benefits available.

In 1955, PERA had 217 pension recipients who received an average annual pension of \$1,161. 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 improved to provide benefits of up to 50% of a member's final average salary.

Today, PERA administers 25 different pension plans. We now have over 50,000 members and over 13,000 retirees, whose pensions average about \$12,139 per year.

## **The Public Employees Retirement System (PERA): Summary of Plan Provisions**

### ***Membership***

PERA membership is a statutory condition of employment with the state of New Mexico and affiliated public employers, with limited exceptions.

### ***Vested Membership***

Members who terminate employment with at least 5 years of service credit and leave their accumulated member contributions on deposit, are considered vested. They are entitled to a deferred pension when they become eligible for normal retirement. In addition, disability and survivor pension provisions apply.

### ***Cost-of-living Adjustments***

Pensions are increased each July 1, by a 3% cost-of-living adjustment, if retirement has been in effect for at least 2 full calendar years. If a member retires because of a disability or is at least age 65, the 2 calendar year waiting period is reduced to 1 full calendar year.

### ***Contributions by Members and Employers***

The contribution amounts required of members and affiliated public employees are outlined on the following page:

## The Public Employees Retirement System

### Contributions by Members and Employers

Coverage Plan	Percent of Salary Contribution Rate		Pension Factor Per Year of Credited Service	Maximum Pension as Percent of Final Average Salary
	Member	Employer		
State General Member				
Coverage Plan 1	3.83%	11.48%	2.0%	60%
Coverage Plan 2	6.18%	13.83%	2.5%	75%
Coverage Plan 3	7.42%	16.59%	3%	80%
State Police Member				
Coverage Plan 1	7.60%	25.10%	3%	80%
State Hazardous Duty Member				
Coverage Plan 1	4%	21.50%	2.5%	100%
Coverage Plan 2	4.78%	25.72%	3%	100%
Municipal General Member				
Coverage Plan 1	7%	7%	2%	60%
Coverage Plan 2	9.15%	9.15%	2.5%	75%
Cover Plan 3	13.15%	9.15%	3.0%	80%
Municipal Police Member				
Coverage Plan 1	7%	10%	2%	60%
Coverage Plan 2	7%	15%	2.5%	100%
Coverage Plan 3	7%	18.50%	2.5%	100%
Coverage Plan 4	12.35%	18.50%	3%	80%
Coverage Plan 5	16.30%	18.50%	3.5%	80%
Municipal Fire Member				
Coverage Plan 1	7%	10%	2%	60%
Coverage Plan 2	7%	16.50%	2.5%	100%
Coverage Plan 3	7%	20.25%	2.5%	100%
Coverage Plan 4	11.80%	20.25%	3%	80%
Coverage Plan 5	15.20%	20.25%	3.5%	80%

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

### **The Judicial Retirement System (JRA)**

The normal retirement pension amount is based on:

- Final salary, which is the judicial member's salary received during the last year in office prior to retirement.
- Years and months of service; and
- The coverage plan.

**Pre 7/1/80 Plan:** 37.5% of final salary plus 7.5% of final salary for each year of service in excess of 5 years. Maximum is 75% of final salary with 10 or more years of service.

**Post 7/1/80 Plan:** 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 with 15 or more years of service.

### **The Magistrate Retirement System (MRA)**

The normal retirement pension amount is based on:

- Final salary, which is the judge's salary received during the last 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 with 15 or more years of service.

### **The Volunteer Firefighters Retirement System**

The normal retirement pension amount for a volunteer non-salaried firefighter is:

- a. \$200 per month for firefighters with 25 or more years of service; or
- b. \$100 per month for firefighters with 10 to 25 years of service.

The pension is payable monthly for the remainder of the volunteer firefighters life.

### **The Legislative Retirement System**

The annual pension amount is \$250 multiplied by the years of service earned by a legislator or lieutenant governor after Dec. 31, 1959, and \$40 multiplied by the years of service earned as a legislator or lieutenant governor prior to Jan. 1, 1960.

This Plan was suspended in July of 1994, by an injunction issued by the Court of Appeals. The plan was in litigation challenging the constitutionality of the Plan. The New Mexico Supreme Court ruled in November, 1995, that the plan is constitutional. Information on the status of the Plan will be available in the 1995-1996 Annual Report.



## 1995 Retirement Legislation

House Bill 444 (PERA General Bill) added one retiree member to the PERA Board, changing the total number of retirees on the Board from one to two and the total number of Board members from eleven to twelve. House Bill 444 also amended certain definitions in the PERA Act to comply with new IRS requirements. In addition, House Bill 444 clarified provisions concerning withholdings based upon child support orders and amended the Judicial and Magistrate Retirement Acts to make them more consistent with the PERA Act.

House Bill 406 (PERA/Educational Retirement Association (ERA) Parity Legislation) allows a PERA retiree who returns to work for an ERA-covered employer to be treated the same as an ERA retiree who returns to work for a PERA-covered employer; that is, in neither case is the retiree's pension suspended. Prior to this legislation, PERA retirees who returned to work with ERA employers had their pensions suspended, and ERA retirees who returned to work for PERA employers did not.

Senate Bill 275 (Investments) made changes in PERA's investment authority to allow PERA to make investments in mutual fund

products developed for institutional investors and to invest directly in repurchase agreements. These changes will improve the efficiency of PERA's investment program.

Senate Bill 632 (Relating to Disability Retirement) was passed with strong bipartisan support, but was vetoed by the governor. The purpose of this legislation was to simplify and expedite the disability review process by "de-linking" PERA's disability review process from the federal social security system. The current statute requires PERA to track the social security process and pay benefits based upon whether or not social security is paying disability benefits, a process which is complicated and cumbersome. The proposed legislation would have vested all decision-making authority in PERA's Disability Review Committee.

# SERVICES

## Communications

**Annual Statement of Account:** Annual statements of account for individual members are mailed to each member in September. Member statements provide a summary of account transactions and balances.

**Individual Counseling:** PERA representatives are available to counsel members about retirement benefits. PERA also conducts retirement seminars at locations throughout the state.

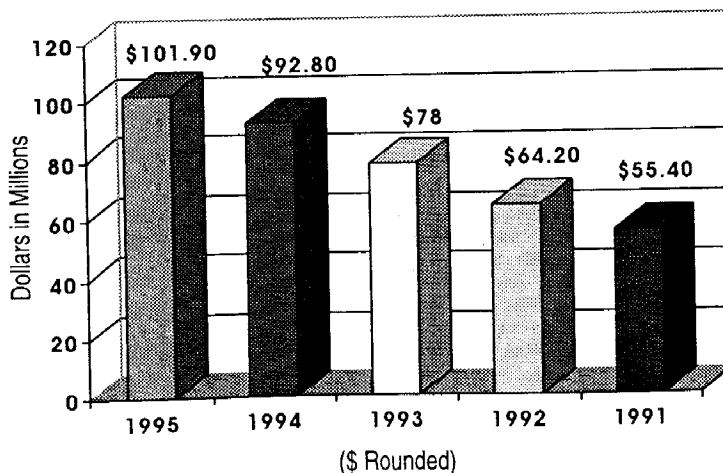
**Newsletters:** Approximately 45,000 copies of the PERA newsletter, *La Voz*, are distributed to active members each quarter. The *La Voz* Retiree Edition is sent out to more than 13,000 retirees. *La Voz* is published in order to inform members about PERA programs and activities, legislative updates, investments, counseling schedules and other important PERA matters.

## Deferred Compensation

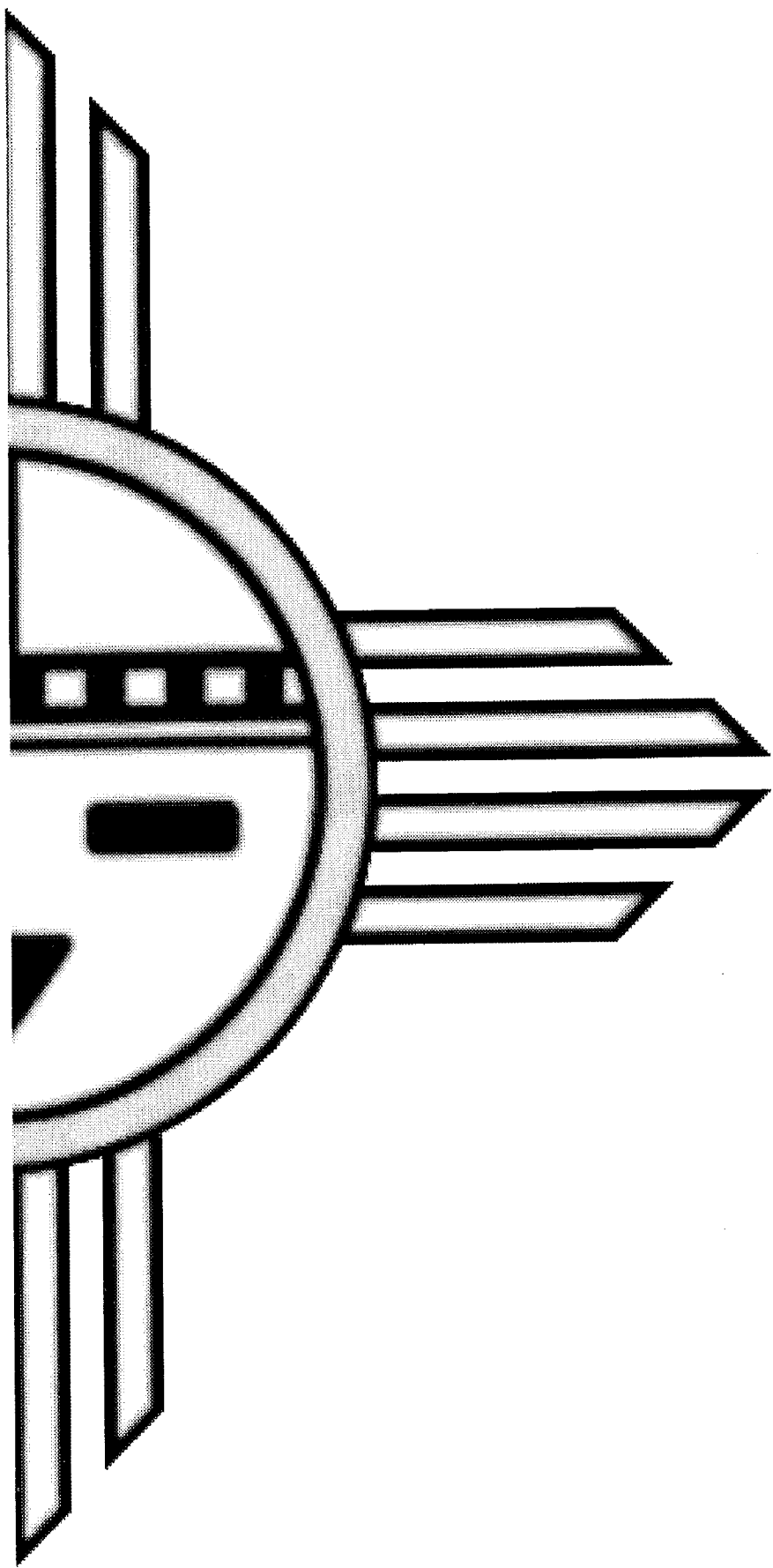
In 1981, the New Mexico legislature enacted the New Mexico Deferred Compensation Act, pursuant to 26 USC Section 457 (Internal Revenue Code). The Plan allows state and local public employees to defer up to \$7,500 or 25% of their salary, whichever is less, into approved investment options. The Plan is administered by the PERA Board through its third party administrator, the Copeland Companies.

The purpose of this voluntary plan is to allow state and public employees to participate in a supplemental retirement program using tax deferred income. As of June 30, 1995, the Plan had 7,990 participants who deferred approximately \$4 million dollars per quarter. Total assets of the Plan were \$101,947,687, as of June 30, 1995.

**Deferred Compensation Historical Plan Assets**



# INVESTMENTS



# INVESTMENTS

Under the policy direction of the PERA Board and Executive Director, the Investment Bureau administers investment programs for each of PERA's retirement funds. On June 30, 1995, the PERA Retirement Fund, the largest of PERA's separate investment funds, had market value assets totaling \$3.667 billion. Besides the PERA Fund, there are three additional and separate investment funds: the Volunteer Firefighter Fund, with a market value of \$9.534 million, the Judicial Retirement Fund, with a market value of \$28.284 million and the Magistrate Retirement Fund with a market value of \$11.378 million.

## **Investment Policy**

The PERA Board's investment plan establishes investment management policy guidelines for the different funds. Obtaining sound, long-term rates of return, consistent with the degree of risk assumed, is the primary objective of the plan. To accomplish this, the plan establishes policy guidelines pertaining to diversification among asset classes, investment style, and investment security.

To implement the Investment Policy, PERA contracts with eight external investment management firms for professional investment

services. They invest the funds allocated to them in a diversity of investment styles, which in total are structured to produce rates of return that are better than the overall market, as measured by the S&P 500 Equity Index and the Lehman Aggregate Bond Index. In June of 1995, PERA made its first international equity investments, primarily in the world's major developed countries. International investments, however, are limited by state law to no more than 10% of the book value of the PERA Retirement Fund.

Fixed income investments for the Volunteer Firefighter, Judicial, and Magistrate Funds are managed by the PERA Investment Bureau. These securities have maturities of less than ten years and are invested in a buy and hold strategy. Performance is measured against the Lehman Intermediate Government Corporate Index. Equity investments for these funds are invested in an externally managed S&P 500 index fund.

## **Asset Allocation**

Decisions on how to allocate assets between stocks, bonds and other investments account for up to 90 - 95% of total investment return according to PERA's investment advisor, Wilshire and Associates. Accordingly, the PERA Board takes



seriously its policy-making responsibilities in this area. The overriding goal of PERA's asset allocation plan is to maintain a portfolio of widely diversified assets designed to ensure a desired, consistent rate of return, with prudent market and economic risk.

The PERA Retirement Fund asset allocation on June 30, 1995, is graphically displayed on the following chart. It reflects a highly diversified portfolio of equity securities (stocks), fixed income securities (bonds), and cash. The Board's asset allocation policy for the PERA Retirement Fund is to maintain 55% of the fund in equity securities, including 10% in international equities, and 45% in fixed income securities.

The asset allocation objective for the Magistrate Judges and Volunteer Firefighter Funds is to invest 40% in fixed income and 60% in equities. An allocation of 50% equities and 50% fixed income is the objective for the Judicial Retirement Fund.

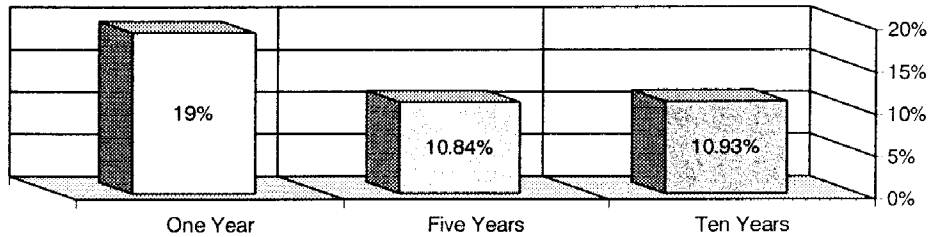
### **Investment Performance - PERA Retirement Funds**

Investment return for the 95th Fiscal Year was one of the best ever for the PERA Retirement Fund. The Fund grew from a market value

of \$3.04 billion on June 30, 1994, to \$3.67 billion on June 30, 1995. Total investment return for the year, net of all fees and transaction costs, was 19%. The primary factor contributing to this outstanding investment return was a strong showing in the domestic stock markets. PERA's external equity investment managers achieved a 26.3% overall rate of return. This compared favorably to the S&P 500, which was up 26.1% for the same period. On a fund the size of PERA, this increase in performance over the S&P 500 resulted in an additional \$7.8 million to the fund. PERA's external fixed income investment managers also performed well providing a 12.8% rate of return compared to a 12.6% rate of return for the Lehman Aggregate Bond Index. According to Wilshire and Associates, PERA's overall investment fund performance in FY 95 ranked in the top 15% of all public funds.

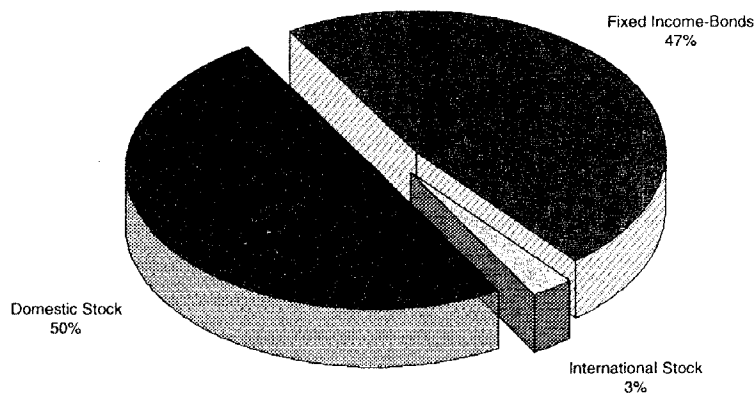
Consistent long-term performance is the goal of PERA's investment program, and actual rates of returns indicate that this goal is being accomplished. PERA achieved a 10.84% annualized rate of return over the past five years and a 10.93% return over the past ten years. At the same time, PERA's total investment management expenses are considerably below the national average for state investment funds.

### PERA Annualized Aggregate Fund Returns 1 year, 5 year and 10 years

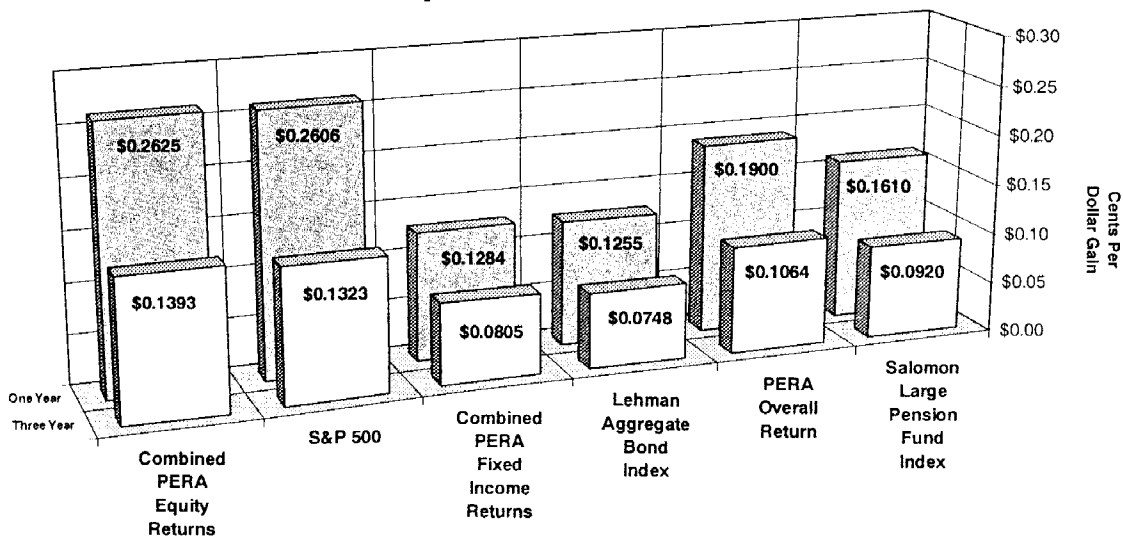


\* Investment return is net of all fees, expenses and transaction costs.

### PERA Investment Fund Asset Allocation



### PERA Annualized Aggregate Fund Return in Cents for Each \$1 Invested Compared to Index Returns



# FINANCIAL SECTION

\* The following financial pages are excerpts from PERA's audited financial statements for the fiscal year ended June 30, 1995. PERA received an unqualified audit opinion for FY95. A complete copy of the audited financial statements is available in the PERA Administrative Services Bureau.

# COMBINING BALANCE SHEET - PENSION TRUST FUNDS

June 30, 1995

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 148,826,506	\$ 293,847	\$ 79,930	\$ 59,481	\$ 149,259,764
Accrued investment income	25,166,448	271,083	94,492	99,930	25,631,953
Accounts receivable - brokers	69,948,700	-	-	-	69,948,700
Accounts receivable - other	315,813	375	10,528	-	326,716
Contributions receivable	10,941,061	206,218	285,477	-	11,432,756
Interfund receivable	26,740	216,740	116,691	94,906	455,077
Investments, at cost	2,906,585,344	25,343,594	10,015,866	8,415,837	2,950,360,641
Investment in building, net	2,792,435	-	-	-	2,792,435
Property and equipment, net	1,748,673	-	-	-	1,748,673
Total assets	<u>3,166,351,720</u>	<u>26,331,857</u>	<u>10,602,984</u>	<u>8,670,154</u>	<u>3,211,956,715</u>
<b>LIABILITIES</b>					
Accounts payable - brokers	101,280,051	-	-	-	101,280,051
Accounts payable - other	1,397,162	-	-	-	1,397,162
Accrued payroll	109,801	-	-	-	109,801
Accrued compensated absences	136,363	-	-	-	136,363
Interfund payable	428,337	14,329	11,101	1,310	455,077
Mortgage escrow deposits	81,099	-	-	-	81,099
Funds held for others	1,055,831	-	-	-	1,055,831
Total liabilities	<u>104,488,644</u>	<u>14,329</u>	<u>11,101</u>	<u>1,310</u>	<u>104,515,384</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 3,061,863,076</u>	<u>\$ 26,317,528</u>	<u>\$ 10,591,883</u>	<u>\$ 8,668,844</u>	<u>\$ 3,107,441,331</u>
<b>FUND BALANCE</b>					
Total actuarial present value of credited projected benefits	\$ 4,240,843,037	\$ 40,798,525	\$ 14,023,381	\$ 10,522,623	\$ 4,306,187,566
Reserved for encumbrances, fiscal year 1995	3,172,938	-	-	-	3,172,938
State legislator member coverage plan assets	2,480,189	-	-	-	2,480,189
Net unfunded actuarial present value of credited projected benefits	(1,184,633,088)	(14,480,997)	(3,431,498)	(1,853,779)	(1,204,399,362)
TOTAL FUND BALANCE	<u>\$ 3,061,863,076</u>	<u>\$ 26,317,528</u>	<u>\$ 10,591,883</u>	<u>\$ 8,668,844</u>	<u>\$ 3,107,441,331</u>

# **COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - PENSION TRUST FUNDS**

Year ended June 30, 1995

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
<b>OPERATING REVENUES</b>					
Employer contributions	\$ 136,944,079	\$ 1,883,176	\$ 1,175,579	\$ 500,000	\$ 140,502,834
Member contributions	92,576,905	275,718	174,288	-	93,026,911
Interest income	120,714,236	1,348,885	449,389	437,988	122,950,498
Net gains from sales of investments	18,097,644	77,914	22,055	14,228	18,211,841
Dividend income	36,759,020	222,000	121,001	96,951	37,198,972
Service credits purchased	1,770,633	58,770	-	-	1,829,403
Rental income	1,649,918	-	-	-	1,649,918
Other	215,464	-	155	-	215,619
<b>Total operating revenues</b>	<b>408,727,899</b>	<b>3,866,463</b>	<b>1,942,467</b>	<b>1,049,167</b>	<b>415,585,996</b>
<b>OPERATING EXPENSES</b>					
Benefit payments	148,407,314	1,962,185	392,246	50,400	150,812,145
Refunds to terminated employees	17,462,706	2,363	19,356	-	17,484,425
Administrative expenses	9,332,711	16,126	13,684	7,890	9,370,411
<b>Total operating expenses</b>	<b>175,202,731</b>	<b>1,980,674</b>	<b>425,286</b>	<b>58,290</b>	<b>177,666,981</b>
<b>Net increase in fund balance</b>	<b>233,525,168</b>	<b>1,885,789</b>	<b>1,517,181</b>	<b>990,877</b>	<b>237,919,015</b>
<b>FUND BALANCE, JUNE 30, 1994</b>	<b>2,828,337,908</b>	<b>24,431,739</b>	<b>9,074,702</b>	<b>7,677,967</b>	<b>2,869,522,316</b>
<b>FUND BALANCE, June 30, 1995</b>	<b>\$ 3,061,863,076</b>	<b>\$ 26,317,528</b>	<b>\$ 10,591,883</b>	<b>\$ 8,668,844</b>	<b>\$ 3,107,441,331</b>

# COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS

Year ended June 30, 1995

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from					
operating activities:					
Net increase in fund balance	\$ 233,525,168	\$ 1,885,789	\$ 1,517,181	\$ 990,877	\$ 237,919,015
Adjustments to reconcile net increase in fund balance to net cash provided by operating activities					
Depreciation	471,897	886	720	-	473,503
Depreciation allocation	1,606	(886)	(720)	-	-
Net gains from sale of investments	(18,097,644)	(77,914)	(22,055)	(14,228)	(18,211,841)
Net accretion on investments	(4,848,673)	(22,363)	(36,270)	(49,798)	(4,957,104)
(Increase) decrease in accrued investment income	(3,053,748)	22,254	10,173	4,534	(3,016,787)
Decrease in accounts receivable - broker	1,254,710	-	-	-	1,254,710
(Increase) decrease in contributions receivable	(1,182,676)	(180,085)	408,013	-	(954,748)
(Increase) decrease in interfund receivable	701,787	(88,576)	(61,404)	(42,576)	509,231
(Increase) decrease in accounts receivable - other	(181,786)	2,662	(10,528)	-	(189,652)
(Decrease) in accounts payable - brokers	(148,379,501)	-	-	-	(148,379,501)
Increase in accounts payable - other	281,357	-	-	-	281,357
Increase in accrued payroll	28,187	-	-	-	28,187
Increase in accrued compensated absences	10,676	-	-	-	10,676
Increase in interfund payable	195,109	8,072	6,032	841	210,054
Increase in mortgage escrow deposits	965	-	-	-	965
(Decrease) in funds held for others	(516,419)	-	-	-	(516,419)
Net cash provided by operating activities	60,211,015	1,549,839	1,811,142	889,650	64,461,646
Cash flows from					
investing activities:					
Sales of investments	3,826,489,662	5,506,957	2,215,497	1,228,214	3,835,440,330
Purchases of investments	(3,849,999,380)	(8,092,783)	(4,286,943)	(2,249,558)	(3,864,628,664)
Principal repayments on U.S. Government Agencies	21,004,319	390,450	137,832	88,386	21,620,987
Net cash used by investing activities	(2,505,399)	(2,195,376)	(1,933,614)	(932,958)	(7,567,347)



# **COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS- CONTINUED**

Year ended June 30, 1995

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from financing activities:					
Purchase of fixed assets	(566,882)	-	-	-	(566,882)
Net increase (decrease) in cash and cash equivalents	57,138,734	(645,537)	(122,472)	(43,308)	56,327,417
Cash and cash equivalents, June 30, 1994	91,687,772	939,384	202,402	102,789	92,932,347
Cash and cash equivalents, June 30, 1995	<u>\$ 148,826,506</u>	<u>\$ 293,847</u>	<u>\$ 79,930</u>	<u>\$ 59,481</u>	<u>\$ 149,259,764</u>

# COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - PUBLIC EMPLOYEES RETIREMENT FUND

Year ended June 30, 1995

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>OPERATING REVENUES</b>					
Employer contributions	\$ -	\$ 136,944,079	\$ -	\$ -	\$ 136,944,079
Member contributions	92,576,905	-	-	-	92,576,905
Interest income	-	-	-	120,714,236	120,714,236
Net gains from sales of investments	-	-	-	18,097,644	18,097,644
Dividend income	-	-	-	36,759,020	36,759,020
Service credits purchased	1,184,267	586,366	-	-	1,770,633
Rental income	-	-	-	1,649,918	1,649,918
Other	-	-	-	215,464	215,464
<b>Total operating revenues</b>	<u>93,761,172</u>	<u>137,530,445</u>	<u>-</u>	<u>177,436,282</u>	<u>408,727,899</u>
<b>OPERATING EXPENSES</b>					
Administrative expenses	-	-	-	5,105,335	5,105,335
Contractual services	-	-	-	2,030,678	2,030,678
Personal services	-	-	-	981,606	981,606
Other operating costs	-	-	-	626,954	626,954
Employee benefits	-	-	-	471,897	471,897
Depreciation expense	-	-	-	56,818	56,818
Supplies	-	-	-	34,784	34,784
Travel	-	-	-	24,639	24,639
Maintenance and repairs	-	-	-	-	-
<b>Total administrative expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,332,711</u>	<u>9,332,711</u>
Benefit payments	-	-	148,407,314	-	148,407,314
Refunds to terminated employees	17,462,706	-	-	-	17,462,706
<b>Total operating expenses</b>	<u>17,462,706</u>	<u>-</u>	<u>148,407,314</u>	<u>9,332,711</u>	<u>175,202,731</u>
<b>Net operating income (loss)</b>	<u>76,298,466</u>	<u>137,530,445</u>	<u>(148,407,314)</u>	<u>168,103,571</u>	<u>233,525,168</u>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	33,071,682	-	135,031,889	(168,103,571)	-
Other transfers	(33,377,520)	(179,550,403)	212,927,923	-	-
<b>Total operating transfers</b>	<u>(305,838)</u>	<u>(179,550,403)</u>	<u>347,959,812</u>	<u>(168,103,571)</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 1994</b>	<u>636,857,378</u>	<u>393,251,684</u>	<u>1,798,228,846</u>	<u>-</u>	<u>2,828,337,908</u>
<b>FUND BALANCE, June 30, 1995</b>	<u>\$ 712,850,006</u>	<u>\$ 351,231,726</u>	<u>\$ 1,997,781,344</u>	<u>\$ -</u>	<u>\$ 3,061,863,076</u>

# **COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - JUDICIAL RETIREMENT FUND**

Year ended June 30, 1995

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>OPERATING REVENUES</b>					
Employer contributions	\$ -	\$ 1,883,176	\$ -	\$ -	\$ 1,883,176
Member contributions	275,718	-	-	-	275,718
Interest income	-	-	-	1,348,885	1,348,885
Net gains from sales of investments	-	-	-	77,914	77,914
Dividend income	-	-	-	222,000	222,000
Service credits purchased	24,002	34,768	-	-	58,770
Rental income	-	-	-	-	-
Other	-	-	-	-	-
<b>Total operating revenues</b>	<u>299,720</u>	<u>1,917,944</u>	<u>-</u>	<u>1,648,799</u>	<u>3,866,463</u>
<b>OPERATING EXPENSES</b>					
Administrative expenses					
Contractual services	-	-	-	10,198	10,198
Personal services	-	-	-	3,133	3,133
Depreciation expense	-	-	-	886	886
Other operating costs	-	-	-	863	863
Employee benefits	-	-	-	853	853
Supplies	-	-	-	82	82
Travel	-	-	-	58	58
Maintenance and repairs	-	-	-	53	53
<b>Total administrative expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,126</u>	<u>16,126</u>
Benefit payments	-	-	1,962,185	-	1,962,185
Refunds to terminated employees	2,363	-	-	-	2,363
<b>Total operating expenses</b>	<u>2,363</u>	<u>-</u>	<u>1,962,185</u>	<u>16,126</u>	<u>1,980,674</u>
<b>Net operating income (loss)</b>	<u>297,357</u>	<u>1,917,944</u>	<u>(1,962,185)</u>	<u>1,632,673</u>	<u>1,885,789</u>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	108,204	-	1,524,469	(1,632,673)	-
Other transfers	(95,360)	(2,701,317)	2,796,677	-	-
<b>Total operating transfers</b>	<u>12,844</u>	<u>(2,701,317)</u>	<u>4,321,146</u>	<u>(1,632,673)</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 1994</b>	<u>1,984,922</u>	<u>3,344,861</u>	<u>19,101,956</u>	<u>-</u>	<u>24,431,739</u>
<b>FUND BALANCE, June 30, 1995</b>	<u>\$ 2,295,123</u>	<u>\$ 2,561,488</u>	<u>\$ 21,460,917</u>	<u>\$ -</u>	<u>\$ 26,317,528</u>

# COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - MAGISTRATE RETIREMENT FUND

Year ended June 30, 1995

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>OPERATING REVENUES</b>					
Employer contributions	\$ -	\$ 1,175,579	\$ -	\$ -	\$ 1,175,579
Member contributions	174,288	-	-	-	174,288
Interest income	-	-	-	449,389	449,389
Net gains from sales of investments	-	-	-	22,055	22,055
Dividend income	-	-	-	121,001	121,001
Service credits purchased	-	-	-	-	-
Rental income	-	-	-	-	-
Other	-	-	-	155	155
<b>Total operating revenues</b>	<u>174,288</u>	<u>1,175,579</u>	<u>-</u>	<u>592,600</u>	<u>1,942,467</u>
<b>OPERATING EXPENSES</b>					
Administrative expenses					
Contractual services	-	-	-	8,869	8,869
Personal services	-	-	-	2,545	2,545
Depreciation expense	-	-	-	720	720
Other operating costs	-	-	-	701	701
Employee benefits	-	-	-	693	693
Supplies	-	-	-	66	66
Travel	-	-	-	47	47
Maintenance and repairs	-	-	-	43	43
<b>Total administrative expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,684</u>	<u>13,684</u>
Benefit payments	-	-	392,246	-	392,246
Refunds to terminated employees	<u>19,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,356</u>
<b>Total operating expenses</b>	<u>19,356</u>	<u>-</u>	<u>392,246</u>	<u>13,684</u>	<u>425,286</u>
<b>Net operating income (loss)</b>	<u>154,932</u>	<u>1,175,579</u>	<u>(392,246)</u>	<u>578,916</u>	<u>1,517,181</u>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	17,214	-	561,702	(578,916)	-
Other transfers	<u>(55,518)</u>	<u>(3,205,859)</u>	<u>3,261,377</u>	<u>-</u>	<u>-</u>
<b>Total operating transfers</b>	<u>(38,304)</u>	<u>(3,205,859)</u>	<u>3,823,079</u>	<u>(578,916)</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 1994</b>	<u>317,837</u>	<u>5,619,326</u>	<u>3,137,539</u>	<u>-</u>	<u>9,074,702</u>
<b>FUND BALANCE, June 30, 1995</b>	<u>\$ 434,465</u>	<u>\$ 3,589,046</u>	<u>\$ 6,568,372</u>	<u>\$ -</u>	<u>\$ 10,591,883</u>

# **COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**

June 30, 1995

	<u>June 30, 1994</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1995</u>
<b>SOCIAL SECURITY FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 311,817	\$ 15,997	\$ -	\$ 327,814
Accrued investment income	1,060	1,534	1,060	1,534
Property and equipment, net	<u>26,255</u>	<u>-</u>	<u>-</u>	<u>26,255</u>
<b>Total assets</b>	<u>\$ 339,132</u>	<u>\$ 17,531</u>	<u>\$ 1,060</u>	<u>\$ 355,603</u>
<b>Liabilities</b>				
Due to State of New Mexico	\$ 312,877	\$ 17,531	\$ 1,060	\$ 329,348
Investment in fixed assets	<u>26,255</u>	<u>-</u>	<u>-</u>	<u>26,255</u>
<b>Total liabilities</b>	<u>\$ 339,132</u>	<u>\$ 17,531</u>	<u>\$ 1,060</u>	<u>\$ 355,603</u>

## **STATE OF NEW MEXICO PUBLIC EMPLOYEES DEFERRED COMPENSATION FUND**

<b>Assets</b>				
Cash and cash equivalents	\$ 488,884	\$ 15,487,630	\$ 15,452,094	\$ 524,420
Contributions receivable	14,236	15,751,661	15,249,317	516,580
Accrued investment income	-	1,690	-	1,690
Investments, at market	89,766,134	24,495,875	5,678,982	108,583,027
Policyholder account value of universal life insurance contracts	<u>590,978</u>	<u>205,980</u>	<u>-</u>	<u>796,958</u>
<b>Total assets</b>	<u>\$ 90,860,232</u>	<u>\$ 55,942,836</u>	<u>\$ 36,380,393</u>	<u>\$ 110,422,675</u>
<b>Liabilities</b>				
Accounts payable — other	\$ 1,731	\$ 2,349	\$ 1,731	\$ 2,349
Accrued payroll	1,137	1,301	1,137	1,301
Accrued compensated absences	1,060	2,535	1,060	2,535
Funds held for others	<u>90,856,304</u>	<u>55,936,651</u>	<u>36,376,465</u>	<u>110,416,490</u>
<b>Total liabilities</b>	<u>\$ 90,860,232</u>	<u>\$ 55,942,836</u>	<u>\$ 36,380,393</u>	<u>\$ 110,422,675</u>

# **COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS - CONTINUED**

June 30, 1995

	<u>June 30, 1994</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1995</u>
<b>TOTALS — ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 800,701	\$ 15,503,627	\$ 15,452,094	\$ 852,234
Accrued investment income	1,060	3,224	1,060	3,224
Contributions receivable	14,236	15,751,661	15,249,317	516,580
Investments, at market	89,766,134	24,495,875	5,678,982	108,583,027
Property and equipment, net	26,255	-	-	26,255
Policyholder account value of universal life insurance contracts	590,978	205,980	-	796,958
<b>Total assets</b>	<u><u>\$ 91,199,364</u></u>	<u><u>\$ 55,960,367</u></u>	<u><u>\$ 36,381,453</u></u>	<u><u>\$ 110,778,278</u></u>
<b>Liabilities</b>				
Accounts payable — other	\$ 1,731	\$ 2,349	\$ 1,731	\$ 2,349
Accrued payroll	1,137	1,301	1,137	1,301
Accrued compensated absences	1,060	2,535	1,060	2,535
Due to State of New Mexico	312,877	17,531	1,060	329,348
Funds held for others	90,856,304	55,936,651	36,376,465	110,416,490
Investment in fixed assets	26,255	-	-	26,255
<b>Total liabilities</b>	<u><u>\$ 91,199,364</u></u>	<u><u>\$ 55,960,367</u></u>	<u><u>\$ 36,381,453</u></u>	<u><u>\$ 110,778,278</u></u>



**REVENUES BY SOURCE -  
PUBLIC EMPLOYEES RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Member Contributions	\$ 92,576,905	\$ 81,384,660	\$ 71,814,306	\$ 67,487,775	\$ 62,780,037	\$ 58,148,231	\$ 53,769,793	\$ 50,728,008	\$ 40,738,342	\$ 36,514,084
Employer Contributions	136,944,079	125,240,793	117,424,895	111,127,910	102,529,079	96,224,188	89,317,498	87,172,940	76,393,672	68,587,191
Investment Income	175,570,900	184,100,070	248,727,714	194,575,516	142,688,089	150,974,446	146,073,719	113,641,429	157,306,320	132,692,635
Other Income	3,636,015	4,119,958	3,094,660	2,267,236	2,368,234	2,951,853	2,349,062	1,393,554	710,200	736,757
<b>Total</b>	<b>\$408,727,899</b>	<b>\$394,845,481</b>	<b>\$441,061,575</b>	<b>\$375,458,437</b>	<b>\$310,365,439</b>	<b>\$308,298,718</b>	<b>291,510,072</b>	<b>\$252,935,931</b>	<b>\$275,148,534</b>	<b>\$238,530,667</b>

**EXPENSES BY TYPE -  
PUBLIC EMPLOYEES RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Benefit Payments	\$ 148,407,314	\$ 133,160,027	\$ 120,159,284	\$ 107,736,470	\$ 97,661,350	\$ 88,755,420	\$ 83,020,533	\$ 66,663,753	\$ 53,860,576	\$ 43,052,646
Administrative Expenses	9,332,711	7,440,026	6,229,813	6,020,866	5,277,510	8,218,855	5,987,853	18,799,173	4,701,477	3,925,990
Refunds to Terminated Employees	17,462,706	12,222,471	14,911,184	14,015,395	13,935,785	14,166,265	12,337,706	11,546,800	11,021,771	10,858,681
Other Expenses		162,143								
<b>Total</b>	<b>\$175,202,731</b>	<b>\$152,984,667</b>	<b>\$141,300,281</b>	<b>\$127,772,731</b>	<b>\$116,874,645</b>	<b>\$111,140,540</b>	<b>\$101,346,092</b>	<b>\$97,009,726</b>	<b>\$69,583,824</b>	<b>\$57,837,317</b>

**REVENUES BY SOURCE -  
JUDICIAL RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Member Contributions	\$ 275,718	\$ 262,809	\$ 251,860	\$ 171,829	\$ 168,831	\$ 160,505	\$ 148,115	\$ 148,561	\$ 166,870	\$ 135,381
Employer Contributions	1,883,176	1,724,505	1,736,373	1,329,265	1,364,026	2,156,855	1,347,115	1,306,171	906,727	893,580
Investment Income	1,648,799	1,599,200	1,633,693	1,665,623	1,526,347	1,429,103	1,280,891	1,185,326	1,149,483	1,131,318
Other Income	58,770	36,469	6,963	15,398	—	—	—	—	—	—
<b>Total</b>	<b>\$3,866,463</b>	<b>\$3,622,983</b>	<b>\$3,628,889</b>	<b>\$3,182,115</b>	<b>\$3,059,204</b>	<b>\$3,746,463</b>	<b>\$2,776,121</b>	<b>\$2,640,058</b>	<b>\$2,223,080</b>	<b>\$2,160,279</b>

**EXPENSES BY TYPE -  
JUDICIAL RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Benefit Payments	\$ 1,962,185	\$ 1,726,169	\$ 1,692,594	\$ 1,703,619	\$ 1,527,861	\$ 1,543,485	\$ 1,294,161	\$ 1,126,404	\$ 1,019,206	\$ 899,036
Administrative Expenses	16,126	13,346	12,303	7,456	9,289	12,048	5,120	13,023	13,264	12,291
Refunds to Terminated Employees	2,363	—	3,145	—	—	—	14,888	7,422	1,997	24,216
<b>Total</b>	<b>\$1,980,674</b>	<b>\$1,739,515</b>	<b>\$1,708,042</b>	<b>\$1,711,075</b>	<b>\$1,537,150</b>	<b>\$1,555,533</b>	<b>\$1,314,169</b>	<b>\$1,146,849</b>	<b>\$1,034,467</b>	<b>\$935,543</b>

**REVENUES BY SOURCE -  
MAGISTRATE RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Member Contributions	\$174,288	\$159,129	\$152,182	—	—	—	—	—	—	—
Employer Contributions	1,175,579	1,065,054	842,300	612,680	601,399	569,541	529,162	576,856	511,271	615,971
Investment Income	592,445	517,518	499,184	469,997	382,384	317,770	253,756	164,266	125,232	76,770
Other Income	155	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$1,942,467</b>	<b>\$1,741,701</b>	<b>\$1,493,666</b>	<b>\$1,082,677</b>	<b>\$983,783</b>	<b>\$887,311</b>	<b>\$782,918</b>	<b>\$741,122</b>	<b>\$636,503</b>	<b>\$692,741</b>

**EXPENSES BY TYPE -  
MAGISTRATE RETIREMENT FUND**

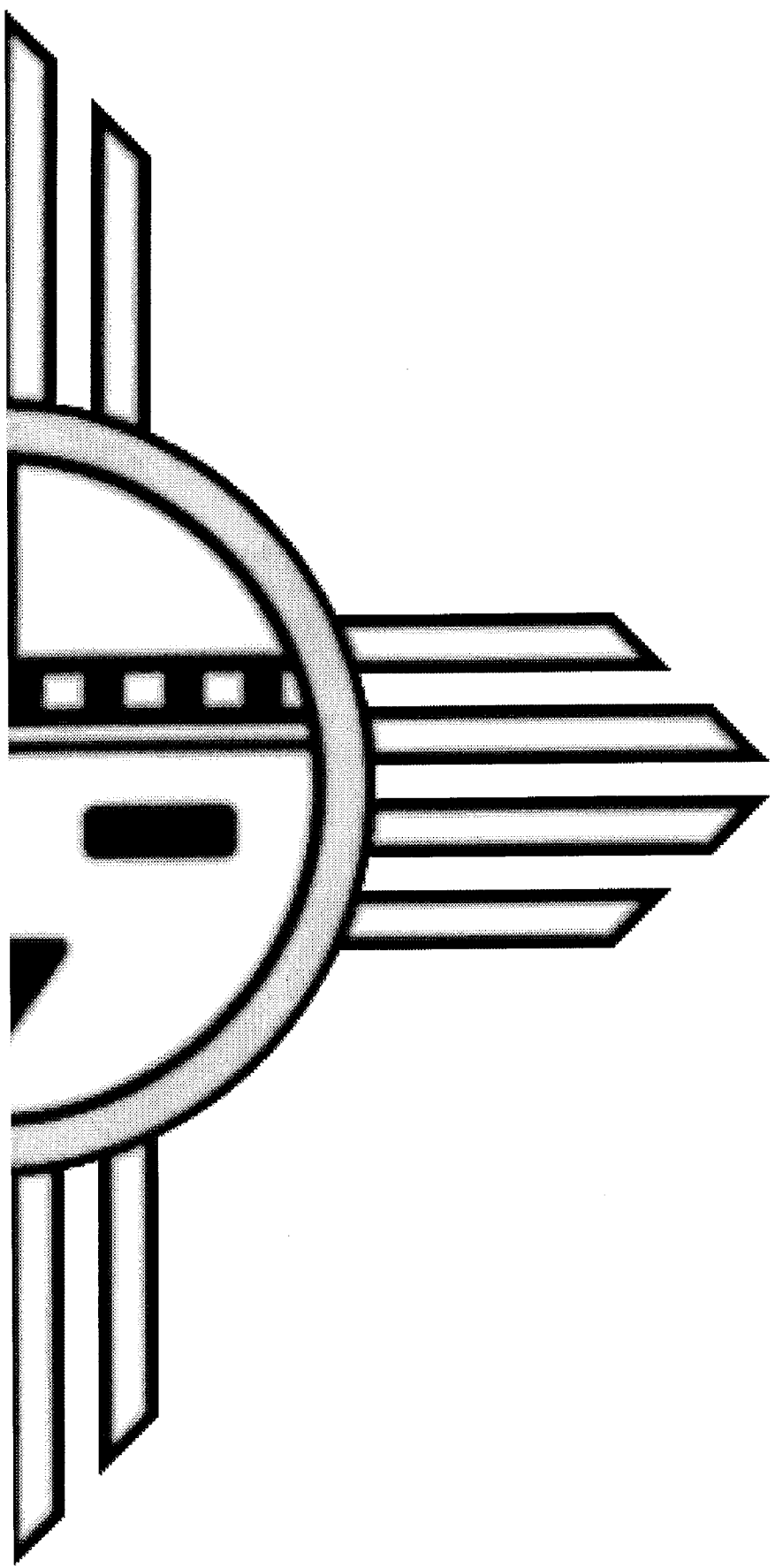
Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Benefit Payments	\$392,246	\$228,476	\$151,887	\$78,209	\$49,986	—	—	—	—	—
Administrative Expenses	13,684	12,158	13,510	9,406	8,650	10,705	1,900	1,500	500	4,000
Refunds to Terminated Employees	19,356	—	1,125	—	—	—	—	—	—	—
<b>Total</b>	<b>\$425,286</b>	<b>\$240,634</b>	<b>\$166,522</b>	<b>\$87,615</b>	<b>\$58,636</b>	<b>\$10,705</b>	<b>\$1,900</b>	<b>\$1,500</b>	<b>\$500</b>	<b>\$4,000</b>

**REVENUES BY SOURCE -  
VOLUNTEER FIREFIGHTERS RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Employer Contributions	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$527,930	\$500,000	\$500,000	\$500,000
Investment Income	549,167	490,087	480,070	454,038	382,557	281,243	250,756	195,924	121,094	84,429
<b>Total</b>	<b>\$1,049,167</b>	<b>\$990,087</b>	<b>\$980,070</b>	<b>\$954,038</b>	<b>\$882,557</b>	<b>\$781,243</b>	<b>\$778,686</b>	<b>\$695,924</b>	<b>\$621,094</b>	<b>\$584,429</b>

**EXPENSES BY TYPE -  
VOLUNTEER FIREFIGHTERS RETIREMENT FUND**

Fiscal Year Ended June 30	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
Benefit Payments	\$ 50,400	\$ 43,100	\$ 32,569	\$ 18,400	\$ 7,899	—	—	—	—	—
Administrative Expenses	7,890	8,458	8,165	10,064	1,748	3,555	1,900	1,500	500	—
<b>Total</b>	<b>\$58,290</b>	<b>\$51,558</b>	<b>\$40,734</b>	<b>\$28,464</b>	<b>\$9,647</b>	<b>\$3,555</b>	<b>\$1,900</b>	<b>\$1,500</b>	<b>\$500</b>	<b>—</b>



# ACTUARIAL SECTION

GABRIEL, ROEDER, SMITH & COMPANY  
Actuaries & Consultants

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 810-799-9000

December 29, 1995 (AIR)

The Retirement Board  
Public Employees Retirement Association  
Santa Fe, New Mexico 87504-2123

Attention: Alice Herter, Executive Secretary

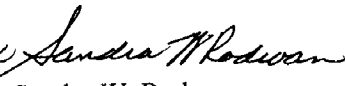
We certify that the annual actuarial valuation as of June 30, 1995 of the Public Employees Retirement Association of New Mexico was made in accordance with recognized actuarial methods.

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,

  
Ronald J. W. Smith

  
Sandra W. Rodwan

RJWS/SWR/mam



# ACTUARIAL VALUATION

## Summary of Actuarial Assumptions for PERA's Retirement Systems

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 statutory funding resources are:

- Member contributions (rates fixed by statute);
- Employer contributions (rates fixed by statute); and
- Investment earnings on PERA assets.

The basic funding objective of PERA is to avoid transferring the cost of statutory obligations between generations of taxpayers. This objective will be realized if PERA's funding sources are sufficient to finance:

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

The Board policy is to finance the unfunded actuarial accrued liability over 40 years.

PERA's actuarial valuation is intended to measure:

- The relationship between PERA's obligations and funding resources to determine if the funding objective is being met; and
- The contribution rates needed to comply with the Board's 40-year funding objective for financing the unfunded actuarial accrued liability.

## Fiscal Estimates

Funding objective contribution requirements and actuarial present values are calculated by applying estimates of future plan activities to benefit provisions and member demographic information.

Estimates of future inflation, real investment return in excess of inflation and actual salary increases were first used for the June 30, 1985 actuarial valuation. These fiscal estimates are used in combination with demographic estimates to determine the present value of amounts expected to be paid out in the future. Descriptions of these assumption variables are outlined as follows:

- **Inflation:** Five percent per annum, compounded annually.

- **Real Investment Return:** Three percent per annum, compounded annually. This is the rate of return to be produced in an inflation-free environment.
- **Salary Increases:** Salary increases occur in recognition of individual merit and longevity, inflation-related depreciation of the purchasing power of salaries, and other factors such as productivity gains and competition from other employers for personnel.

### Financing Periods

The existence of an unfunded actuarial accrued liability is not necessarily bad, any more than a mortgage on a house is bad. An unfunded actuarial accrued liability *does not* represent a debt that is payable today. It is important, however, to control the amount of unfunded actuarial accrued liability and the trend in the amount.

The financing periods for unfunded actuarial accrued liability supported by current statutory contribution rates and the additional contribution resources needed to immediately reduce these periods to 40 years are outlined below:

Financing Periods		
Coverage Group	Funding Period *	Additional Funding for 40 years **
State General	43 years	0.24%
State Police/ Haz. Duty	0 years	0.00%
Municipal General	29 years	0.00%
Municipal Police	46 years	0.26%
Municipal Fire	#	3.65%
<p>* The number of years needed to finance the unfunded actuarial accrued liability with current statutory contribution rates.</p> <p>** The additional contributions (percents of payroll) needed to immediately reduce the funding period to forty years, to meet Board policy.</p> <p># Contributions insufficient to fund unfunded actuarial accrued liability.</p>		

## PERA Financing Periods

The chart below shows the number of years needed to eliminate the unfunded actuarial accrued liability under current statutory revenue provisions:

Division	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91	6/30/90	6/30/89
PERA Aggregate	38	43	40	50	57	57	63
State General	43	52	47	54	59	65	73
State Police/Hazardous Duty	0	0	0	3	12	20	23
Municipal General	29	33	30	39	43	43	47
Municipal Police	46	60	46	75	92	91	65
Municipal Fire	#	99+	99+	99+	99+	90	—

# Contributions insufficient to fund unfunded actuarial accrued liability.

## PERA Funding Policy

The chart below shows the additional contributions needed for immediate realization of the funding policy financing period:

Division	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91	6/30/90
State General	.24%	.62%	.38%	1.00%	1.15%	1.30%
State Police/Hazardous Duty	.00%	0.0%	0.0%	.00%	.00%	.00%
Municipal General	.00%	0.0%	0.0%	.09%	.22%	.19%
Municipal Police	.26%	.73%	.26%	1.25%	1.41%	1.32%
Municipal Fire	3.65%	3.38%	2.93%	3.83%	3.86%	2.57%