

# *New Mexico*

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION



1995 - 96

*Annual  
Report*

# 1996 Highlights

**PERA Members ..... 50,556**

State ..... 21,478  
Municipal ..... 20,407  
Judicial ..... 83  
Magistrate ..... 62  
Volunteer Firefighters ..... 8,495  
Legislative ..... 31

**Retired Members and Beneficiaries ..... 13,606**

State ..... 7,521  
Municipal ..... 5,879  
Judicial ..... 64  
Magistrate ..... 22  
Volunteer Firefighters ..... 82  
Legislative ..... 38

**Retirement Benefits ..... \$164,729,793**

**Contribution Refunds ..... \$19,355,581**

**Participating Employers ..... 624**

State ..... 117  
Municipal ..... 70  
Counties ..... 33  
Housing Authorities ..... 22  
Special Districts ..... 26  
Hospitals ..... 1  
Volunteer Fire ..... 355

## **Contributions:**

**Member contributions ..... \$105,721,574**

**Employer contributions ..... \$161,723,891**

**Total PERA Assets ..... \$4,778,646,918**

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## **Financial**

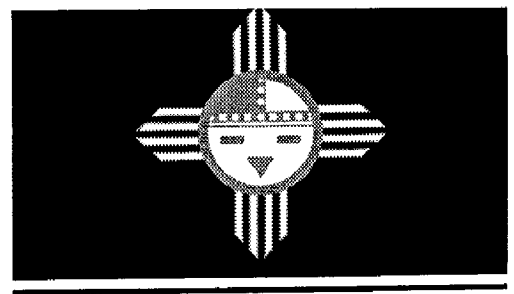
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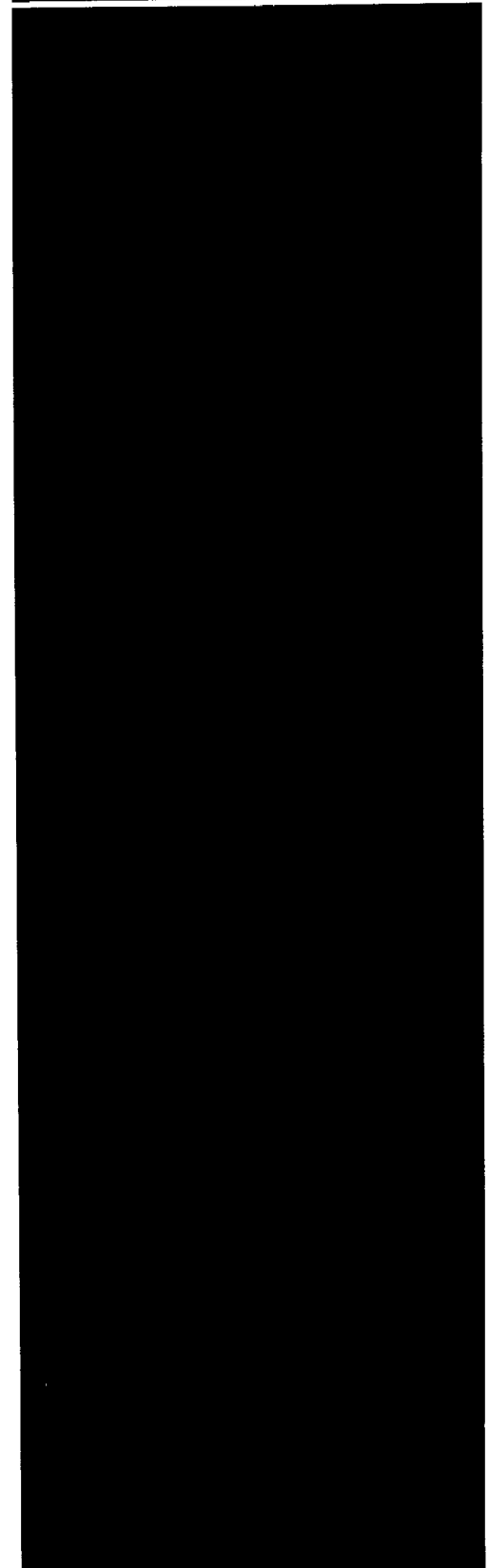
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# *Administration*

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# *Pera Staff*

## **Executive Staff**

Alice E. Herter, Executive Director  
R. Lowell Gilbert, Deputy Executive Director  
Carol A. Baca, General Counsel  
Victor A. Montoya, Property Manager  
Jeffrey W. States, Investment Director  
Bert J. Terrazas, Director of Member Services

### **Administration**

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

### **Administrative Services**

Sharon D. Barela, Financial Specialist III  
Lynn Coles, Financial Manager I  
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

### **Member Services**

Pamela Bustos, Secretary III  
Renee Herrera, Clerk IV  
Vincent J. Jaramillo, Information Specialist II  
Priscilla V. Kilkeny, Manager V  
Loren Pacheco, Manager IV  
Beatrice Randolph, Manager IV  
Joyce Rivera, Financial Specialist II  
Erlinda Roybal, Clerk Specialist  
Louis E. Scheier, Clerk Specialist  
Claudine Serna, Clerk IV  
Nora E. Solano, Manager IV  
Denise A. Vialpando, Clerk IV  
Kathy A. Webb, Manager IV

### **Building and Grounds**

Marisela Aguirre, Custodial Worker I  
Benjamin J. Anaya, Custodial Worker I  
Octavio Burrola-Chavez, Maintenance Worker I  
Ramona Chavez, Custodial Worker I  
Carol S. Dunaway, Administrative Secretary  
Louie A. Gonzales, Custodial Worker I  
David C. Lovato, Maintenance Worker II  
Jose F. Marquez, Custodial Worker I  
Horacio Martinez, Maintenance Worker II  
Richard A. Martinez, Laborer  
Gilbert S. Montoya, Custodial Worker I

Paul A. Montoya, Maintenance Lead Worker  
Mel E. Prada, Maintenance Lead Worker  
Joe R. Sisneros, Custodial Worker I  
Valentin Ulibarri, Custodial Worker Supervisor I  
Pedro B. Valencia, Custodial Worker I  
John L. Waterman, Custodial Worker I  
William David Wright, Maintenance Worker I

### **Contribution Accounting**

Joseph W. Maes, Financial Specialist III  
Liz Montoya, Financial Specialist I  
Herbert Romero, Manager V

### **Information Systems**

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, Systems Analyst  
William J. Schneider, Data Processing Manager II  
Jeremy C. Schofield, Programmer Analyst I  
Robert Turner, Data Base Specialist I  
Christopher R. Worth, Systems Analyst Manager

### **Investments**

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

### **Office of Legal Counsel**

Donna M. Encinias, Legal Assistant II  
Laura C. Harper, Assistant General Counsel  
Barbara Montoya, Administrative Secretary

### **Records**

Alex F. Coriz, Clerk IV  
Marco DeWart, Clerk IV  
John Howard, Clerk IV  
Mark Sanchez, Administrator III

(As constituted on 12/1/96)

# Pera Board

## *Ex-Officio Members:*

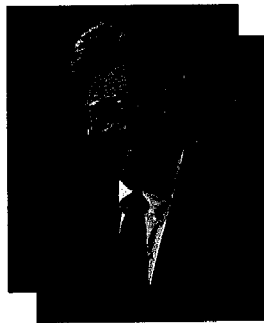


Stephanie Gonzales  
Secretary of State

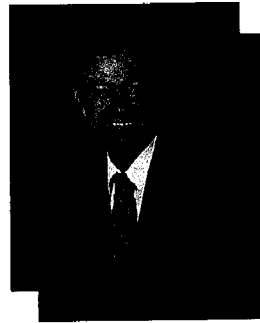


Michael A. Montoya  
State Treasurer

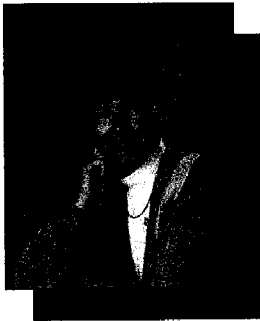
## *Elected Members:*



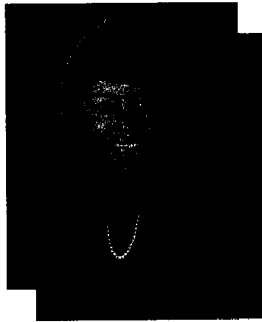
Doug Crandall, Chair  
City of Albuquerque  
Municipal Member



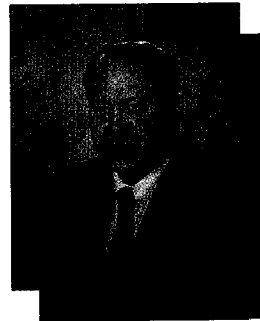
Jerry Rael, Vice Chair  
State Personnel Office  
State Member



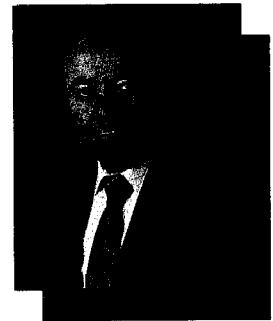
Susan H. Biernacki  
City of Albuquerque  
Municipal Member



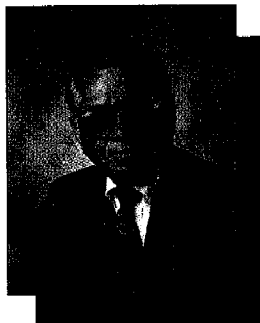
Anita Hisenberg  
Department of Finance  
and Administration  
State Member



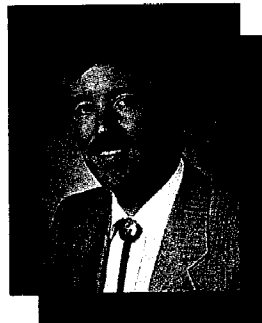
Lou Hoffman  
City of Albuquerque  
Municipal Member



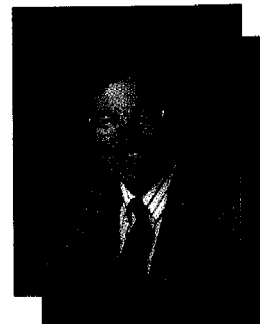
Robert Mascareñas  
County of Bernalillo  
County Member



Fred Muniz  
Santa Fe, New Mexico  
Retiree Member



Jerry Richardson  
Taxation and Revenue  
State Member



Gene A. Valdes  
Human Services Department  
State Member



Larry Ward  
Albuquerque, New Mexico  
Retiree Member

# Letter from the Board Chair



Doug Crandall, Chair  
City of Albuquerque  
Municipal Member

It has been another successful year for PERA and I am pleased to present this annual report to our membership and to the general public.

The PERA fund continues to grow at an astounding rate. We now have more than \$4.8 billion in assets, a growth of nearly 300% in the past eight years. Our investment returns continue to rank our fund in the top quartile of all public employee pension funds. The latest calendar year figures showed an investment return of more than 28%.

Of course, not every year is going to produce a return of 28%. What is important, however, is that our investment plan has allowed the fund to take advantage of good years in the stock and bond markets while still being conservative enough to protect us in the inevitable down years of these markets. Approximately 55% of PERA's assets are invested in stocks, including 10% in international stocks. These investments are divided among several money managers, each investing in a different sector of the overall stock market. Bond managers are also spread across each segment of the yield curve in order to provide superior returns without added volatility.

Each of our money managers is paid on a performance fee basis. This means that the better they perform, the more money they will earn. Conversely, if they should not perform as well as expected, PERA pays out substantially less money in fees. This philosophy essentially makes the money manager more

than just someone who handles our funds, but an actual partner in our success. Despite this approach and the incredible success we have over the past several years, our fees continue to be among the lowest of all state funds using external managers.

Earning a good investment return is certainly important. What is most important, however, is the soundness of the PERA fund. I am pleased to say that our unfunded actuarial liabilities have continued to decrease and are at the board's policy of a 40 year amortization period. We are now over 90% funded according to a recent study which is up from only 70% in 1985.

Alice Herter continues to serve as Executive Director of PERA. She has been working hard in all areas of PERA administration. Alice and her staff have done an excellent job over the past year and, on behalf of the entire board, I would like to say thank you to each and every person working for PERA. It is a difficult and important job and I am convinced that we have the finest group of employees of any public employee fund in the country. I am also pleased with our newsletter, "La Voz." This newsletter is the primary communication tool between the PERA staff, board and membership.

Finally, the board would like to thank the members of PERA for their interest and support. We had several wonderful and well qualified candidates for our latest board elections and our meetings are always attended by members with a genuine interest and concern for their association. It is this enthusiasm which makes serving on the board not only a great privilege, but a great source of satisfaction as well.

Doug Crandall  
PERA Board Chair

# Letter from the Executive Director

I am once again pleased to present to you the Annual Report for the New Mexico Public Employees Retirement Association for the fiscal year ended June 30, 1996. This report provides comprehensive information about the retirement programs PERA administers and the pension funds we manage. FY 96 has been an outstanding year for PERA. Our actuarial funding period has decreased over the past year from 43 years in FY 94 to 40 years in FY 96. Our investment performance was exceptional yielding an overall return, net of fees, of 16.73%.

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 investment performance and actuarial health of our retirement system. We are also fortunate to have a hard-working, dedicated staff at PERA who earnestly endeavor to provide quality services to all our participants. It is through their professional work that the day-to-day operations at PERA are implemented. 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

Alice E. Herter  
Executive Director



retirement plan. Working together, we are able to provide safe and secure retirement benefits for many dedicated and hard-working public employees throughout the State of New Mexico.

## Statistical Overview

As of June 30, 1996, PERA had 50,556 active members. Of this number, 21,478 are state members, 20,407 are municipal members, and the remaining members are participants in the judicial, magistrate, volunteer firefighters and legislative retirement programs. Also, as of June 30, 1996, PERA had 13,606 retirees and beneficiaries receiving pensions from PERA. Of these numbers, 7,521 are state retirees, 5,879 are municipal retirees, and the remaining retirees are from the judicial, magistrate, volunteer firefighters and legislative retirement plans. PERA's pensions payroll for FY 96 was just under 165 million dollars and the average pension paid was \$12,139. The average age at retirement was 58.2 years. PERA currently has 269 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, 1996, was \$1,021,140,758. Of this amount, \$105,721,574 was from employee contributions, \$161,723,891 was from employer contributions and \$750,197,522 was from net investment income. 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 96 were \$164,729,793. 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 96, these combined expenses totaled \$195,196,622. PERA'S administrative expenses are controlled by an annual budget submitted by the Board for appropriation by the Legislature. In FY 96, these expenses represented less than 3/10 of 1% of PERA's total assets.

Thus, for FY 96, our total revenues exceeded our expenses by \$825,944,136. Total assets increased \$1,566,690,203 during FY 96, resulting in total PERA assets of \$4,778,646,918 as of June 30, 1996.

## **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 40 years in FY 96. 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 pension plan.

## **Investments**

Proper funding and stable investment returns are critical to the financial soundness of the Association. For the fiscal year ending June 30, 1996, the total investment return, on a market value basis, was 16.73%. This outstanding performance was net of all fees and exceeded the performance of both the New Mexico 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 30% for the 96th fiscal year. PERA's investment performance in domestic stocks outperformed the S & P 500 by almost 3% and the Salomon Large Pension Fund Index by one 12%. This year, PERA invested about 7.5% of its portfolio in international

securities, which had outperformed the international EAFE index by more than 3%.

The exceptional 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 spend considerable time and effort developing and reviewing the investment policy of the PERA fund. Their heightened level of care has resulted in a substantial increase in earnings to 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. Up to 10% of PERA's portfolio can be 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 from 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 has continued to utilize successfully a general ledger system

which we implemented last year. 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. PERA has conducted a number of internal audits this year allowing us to improve various recordkeeping and management controls in the member services area. 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 over 200,000 participant records for active members, inactive members, retirees and beneficiaries. Until this year, these records were maintained manually, in paper files. 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 New Mexico state government and allows PERA records to be retrieved by computer and be immediately available for use by PERA benefit counselors when discussing retirement issues with members and retirees. Additionally, it provides backup 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. As of June 30, 1996, PERA completed the imaging of over 53,000 active member files. The imaging of retiree files is expected to be completed during FY 97.

## 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, the Board utilizes the services of investment management firms to invest the funds assets in accordance with its policy directives. Professional legal services are also utilized as needed for litigation and administrative 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 remains sound.

## Conclusion

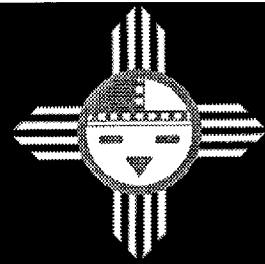
I am pleased to be a part of the management team here at PERA and I want to express my gratitude to the many individuals who contribute to the success of the Association. Our many affiliated public employers work continuously and cooperatively with PERA to assure that public employees have a retirement 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. While we are proud of PERA's status as one of the best retirement systems in the nation, 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. Attaining this goal requires the combined efforts of Board, staff, employers and participants. Together, we can refine our priorities and develop options for the future. Together, we can build trust, team work and communication at all levels. Together, we can assure public employees throughout New Mexico that their retirement benefits are and will remain safe and secure, now and in the future.

Respectfully submitted,



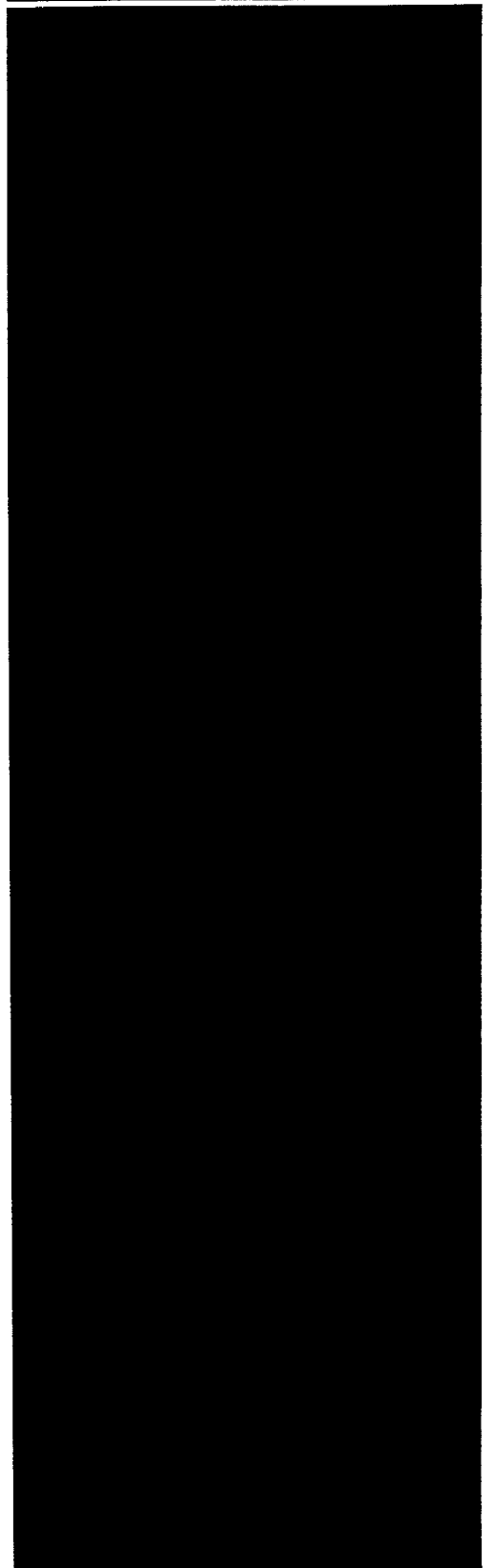
**ALICE E. HERTER**  
*Executive Director*



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## *About Pera*

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# About Pera

## **A Historical Perspective**

New Mexico enacted legislation creating a public employee retirement system in 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 employers matched with an equal amount. The maximum annuity any member could expect to receive was \$150 per month. There were no pre-retirement 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. These plans currently cover state employees, municipal employees, county employees, police, firefighters, judges, magistrates and legislators. We now have approximately 51,000 members and over 13,700 retirees, whose pensions average about \$12,139 per year.

## **PERA's Governing Body**

PERA is governed by a Retirement Board consisting of 12 members. The State Treasurer and Secretary of State are members by reason of their office. Eight members of the Board are elected by the active membership of the Association. Four of the eight members are Municipal Division members,

at least one of whom is employed by a county. The remaining four are State Division members. Two board members are PERA Retirees elected to the board by the retired members. Persons elected to the Board serve staggered 4-year terms.

## **Summary of Plan Provision**

### ***Membership***

PERA membership is generally a condition of employment with the state of New Mexico and affiliated public employers. Certain exceptions to the above condition of employment exist.

### ***Vested Membership***

Members who terminate employment with at least 5 years of service credit and leave their accumulated member contributions on deposit with the Association, are considered vested. They are entitled to a pension when they become eligible for normal retirement. In addition, non-duty disability and survivor benefits are available to vested members.

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

Pensions are increased 3% each July 1, 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.

### ***Contribution by Members and Employers***

The contribution requirements by members and affiliated public employers are outlined on the following pages:

# 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%	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%
Coverage Plan 3*	13.15%	9.15%	3%	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.

\* Many municipalities opt to pay 80% of the member contribution in addition to the employer share.

### **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 twelve months in office prior to retirement.
- Years and months of service; and
- The coverage plan applicable:

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 24 years of service.

The pension is payable monthly during the remainder of volunteer firefighters life and a survivor benefit is available for a surviving spouse.

### **The Legislative Retirement System**

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

The Plan was reactivated this year after seven years of litigation concerning the constitutionality of the Plan. The New Mexico Supreme Court has ruled that the plan is constitutional.

\*Contribution to support the plan comes from legislative appropriations and participating legislators who pay \$100 per year of service.

# Legislation

## **1996 Retirement Legislation**

January 16, 1996, marked the beginning of a 30-day legislative session. PERA requested that Governor Gary E. Johnson put "On the Call" two bills: one the Board deemed necessary to begin improving the actuarial status of the municipal firefighter retirement plans, and the second, a reintroduction of the Disability Retirement Bill that the Governor vetoed last session.

Neither of the bills made "The Call," so PERA will attempt to reintroduce the Disability Bill in the 1997 session, and for 1996, approached the firefighter funding issues through the appropriation process.

The House Appropriations and Finance Committee substitute for House Bills 667 and 693

provided for an annual transfer of \$750,000 from the general fund to the Volunteer Firefighters Retirement Fund. This represented an increase of \$250,000 over the previous year, but was \$1.25 million short of the amount recommended by PERA's actuary to finance the plan on an actuarially sound basis. Prior to 1996, \$500,000 was transferred annually from the fire protection fund.

HAFC/HB667 and 693 also addressed municipal firefighters' retirement by making a onetime appropriation of \$300,000 from the general fund to employers accumulation fund in the PERA Act, and requiring a match by employers or employees (or both) by a contribution of an amount equal to one percent of the municipal fire members plan's monthly payroll.

# Services

## **Communications**

### ***Annual Statement of Account***

Annual statements of account for individual members are mailed directly to each member in September. The statement provides a summary of account transactions and member contribution balances.

### ***Individual Counseling***

PERA conducts member and retirement seminars at locations throughout the state. PERA representatives are available to counsel members about retirement benefits and a Retirement Kit is now available by request.

## **Newsletters**

Approximately 50,000 copies of the PERA newsletter, *La Voz*, are distributed each quarter. The *La Voz* Retiree Edition is sent out to more than 13,600 retirees. *La Voz* is disseminated in order to inform members about legislative updates, investments, counseling schedules and other important matters.

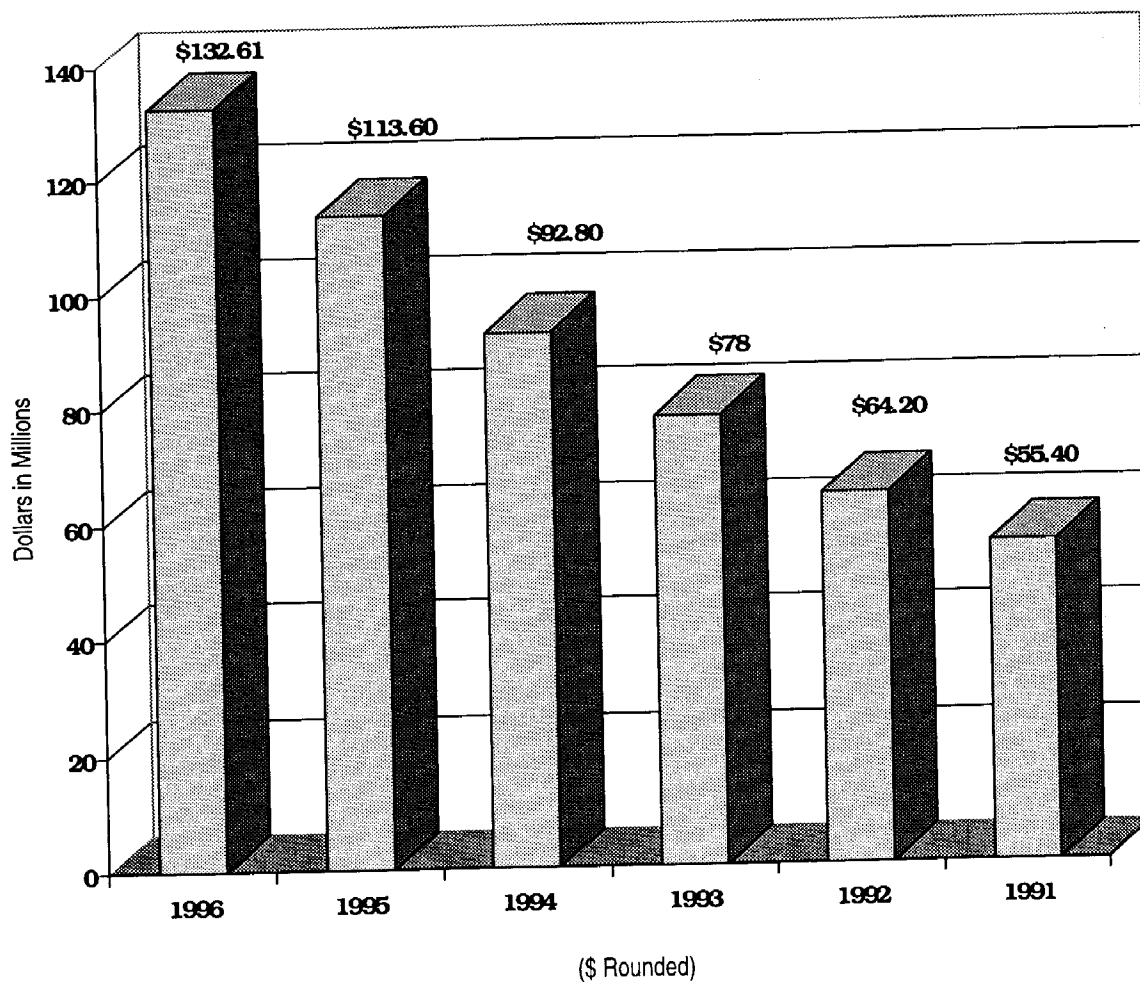
## **Deferred Compensation**

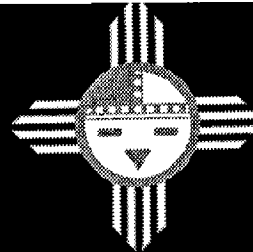
In 1981, the New Mexico legislature adopted the state of New Mexico Deferred Compensation Act, as authorized by 26 USC Section 457 (Internal Revenue Code). The Plan allows state and local public

employees to defer a portion of their salary into approved investment options administered by the third party administrator of the plan, the Copeland Companies. The Deferred Compensation administrator at PERA oversees the activities of the third party administrator and reconciles the deferrals from all participating employers through the State Treasurer's Office into the selected investment plan.

The purpose of this voluntary participation plan is to allow state and public employees to participate in a supplemental retirement program using tax deferred income. As of June 30, 1996, the Plan had 8,790 contributing participants deferring approximately \$5 million dollars per quarter. Total assets of the Plan were at \$132,613,716 as of June 30, 1996.

### Deferred Compensation Historical Plan Assets





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## *Investments*

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# *Investments*

Under the direction of the PERA Board and the Executive Director, the Investment Bureau administers the investment programs for each of PERA's retirement funds. On June 30, 1996, the PERA Retirement Fund, the largest of PERA's separate investment funds, had a market value of \$4.364 billion. Besides the PERA Fund there are four additional and separate investment funds: the Volunteer Firefighters Retirement Fund, with a market value of \$11.630 million, the Judicial Retirement Fund, with a market value of \$32.760 million, the Magistrate Retirement Fund with a market value of \$14.477 million and the Legislative Retirement Fund, with a market value of 3.114 million.

## **Investment Philosophy**

The PERA Board's investment plan establishes the investment management policy guidelines for the different funds. The primary objective of the plan is to obtain sound long-term rates of return, consistent with the degree of risk assumed. 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.

Equity investments for the Volunteer Firefighters, Judicial and Magistrate Funds are managed by the

PERA Investment Bureau. Fixed income 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.

## **Asset Allocation**

The strategic asset allocation decision is attributable for 90% of a pension funds total fund return according to PERA's investment consultant, Wilshire and Associates. Therefore, the PERA Board by policy established a widely diversified asset allocation plan designed to ensure a desired, consistent rate of return, with prudent market and economic risk.

The asset allocation on June 30, 1996, for the PERA Trust is graphically displayed in the following chart. It reflects a highly diversified portfolio of equity (stocks) securities and cash. The Board's asset allocation targets for the PERA Retirement Fund are 55% equity securities, including a 10% allocation to international equities and 45% in fixed income securities. The actual asset allocation, as allocated, on June 30, 1996, to domestic equities is 48%, international equities 7% and fixed income 45%.

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**

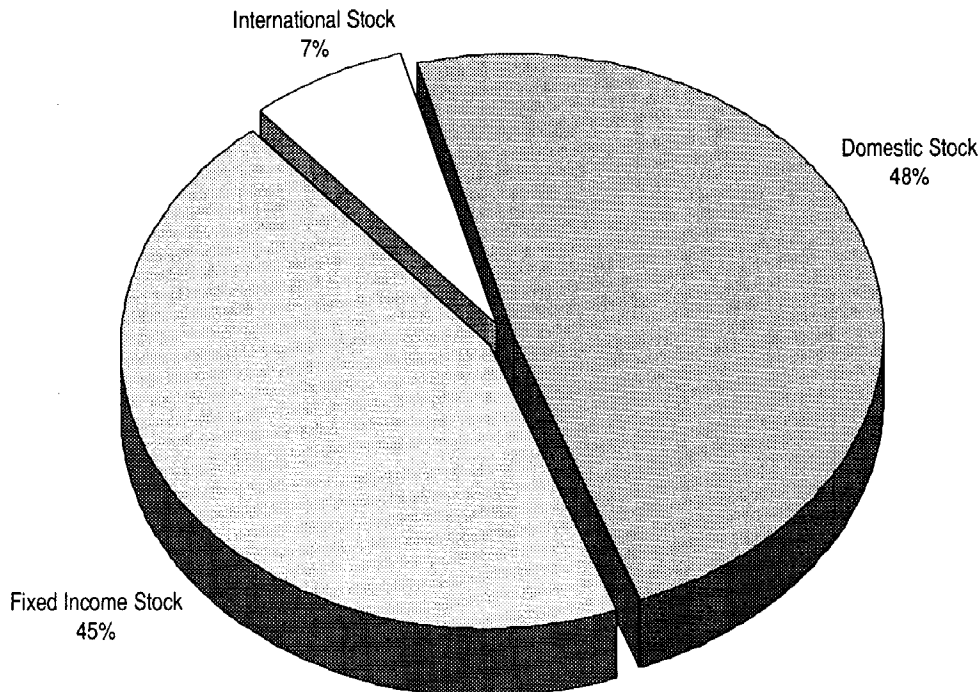
Investment performance for the 96th Fiscal Year was 16.7% for the total fund, net of manager fees and

administrative expenses. The Fund grew from a market value of \$3.059 billion on June 30, 1995, to \$4.364 billion on June 30, 1996. Domestic equity performance continued to lead the returns balancing weak domestic bond performance. PERA's equity managers achieved an overall return of 29%. This return compared to the S&P 500 which was up 26.1% for the same period. The overall performance of PERA's fixed income investment managers was 4.8% compared to a 5% return for the Lehman Aggregate Bond index.

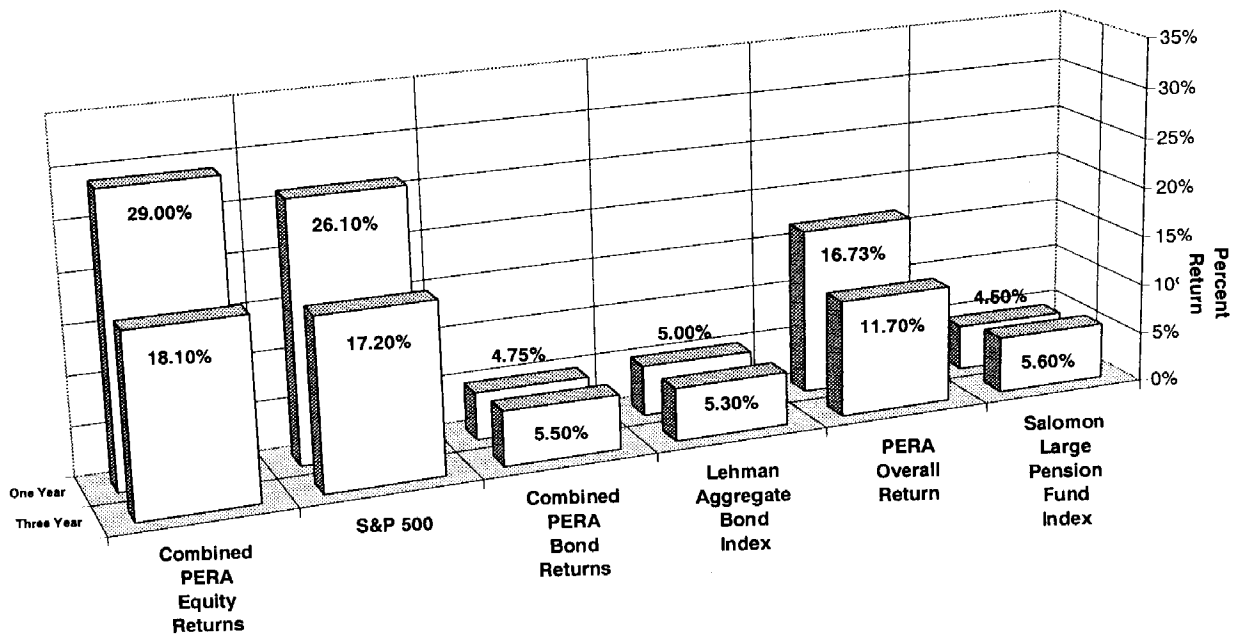
Consistent long-term performance is the goal of the investment program. The PERA investment returns for the total fund indicated that this is being accomplished. The PERA Fund achieved a 12.5% annual rate of return over the last five years and a return of 10.31% annual return over the last ten years.

PERA's outstanding investment performance was achieved with investment management fees that are considerably below the national average for public funds according to a 1995 Greenwich Associates survey of 325 public funds.

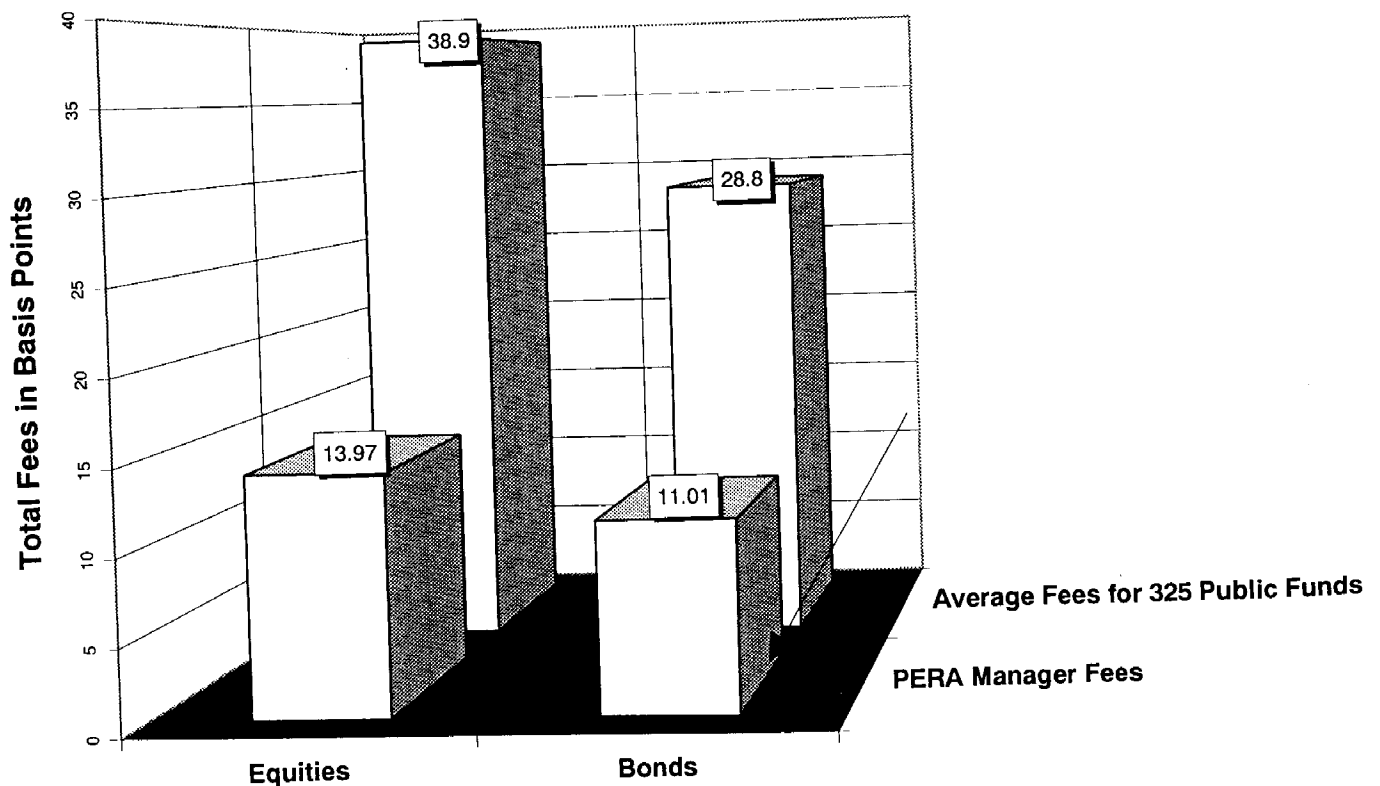
## Current Asset Allocation



## PERA Net Investment Fund Performance as of 6/30/96



## Average Fees Paid to Outside Investment Managers PERA vs. National Average





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*Financial*

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# COMBINING STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUNDS

June 30, 1996

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 438,579,458	\$ 1,736,029	\$ 1,086,866	\$ 216,733	\$ 441,619,086
Accrued investment income	29,632,466	248,818	100,149	87,526	30,068,959
Accounts receivable - brokers	63,280,518	—	—	—	63,280,518
Accounts receivable - other	453,603	—	10,528	28	464,159
Contributions receivable	12,582,380	121,294	99,923	—	12,803,597
Interfund receivable	151,997	3,909	—	—	155,906
Investments, at market	4,170,510,375	30,692,903	13,192,379	11,422,151	4,225,817,808
Investment in building, net	2,849,671	—	—	—	2,849,671
Property and equipment, net	1,587,214	—	—	—	1,587,214
Total assets	<u>4,719,627,682</u>	<u>32,802,953</u>	<u>14,489,845</u>	<u>11,726,438</u>	<u>4,778,646,918</u>
<b>LIABILITIES</b>					
Accounts payable - brokers	347,552,457	—	—	—	347,552,457
Accounts payable - other	3,768,124	—	—	—	3,768,124
Accrued payroll	114,086	—	—	—	114,086
Accrued compensated absences	152,420	—	—	—	152,420
Interfund payable	3,909	43,115	12,352	96,530	155,906
Mortgage escrow deposits	80,215	—	—	—	80,215
Funds held for others	791,561	—	—	—	791,561
Total liabilities	<u>352,462,772</u>	<u>43,115</u>	<u>12,352</u>	<u>96,530</u>	<u>352,614,769</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,367,164,910</u>	<u>\$ 32,759,838</u>	<u>\$ 14,477,493</u>	<u>\$ 11,629,908</u>	<u>\$ 4,426,032,149</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>					
Total actuarial present value of credited projected benefits	\$ 4,688,085,176	\$ 44,605,062	\$ 14,920,648	\$ 12,737,460	\$ 4,760,348,346
Reserved for encumbrances, fiscal year 1996	1,133,541	—	—	—	1,133,541
State legislator member coverage plan assets	3,114,879	—	—	—	3,114,879
Net unfunded actuarial present value of credited projected benefits	(325,168,686)	(11,845,224)	(443,155)	(1,107,552)	(338,564,617)
TOTAL NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,367,164,910</u>	<u>\$ 32,759,838</u>	<u>\$ 14,477,493</u>	<u>\$ 11,629,908</u>	<u>\$ 4,426,032,149</u>

# COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS

Year ended June 30, 1996

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ 158,085,666	\$ 1,919,159	\$ 1,219,066	\$ 500,000	\$ 161,723,891
Member contributions	105,255,837	301,406	164,331	—	105,721,574
Net investment income	742,081,914	4,369,421	2,026,393	1,719,794	750,197,522
Service credits purchased	1,588,419	5,252	—	—	1,593,671
Rental income	1,716,242	—	—	—	1,716,242
Other	187,858	—	—	—	187,858
Total additions	<u>1,008,915,936</u>	<u>6,595,238</u>	<u>3,409,790</u>	<u>2,219,794</u>	<u>1,021,140,758</u>
<b>DEDUCTIONS</b>					
Benefit payments	161,927,472	2,172,963	550,958	78,400	164,729,793
Refunds to terminated employees	19,316,936	38,645	—	—	19,355,581
Administrative expenses	<u>11,081,177</u>	<u>13,817</u>	<u>10,209</u>	<u>6,045</u>	<u>11,111,248</u>
Total deductions	<u>192,325,585</u>	<u>2,225,425</u>	<u>561,167</u>	<u>84,445</u>	<u>195,196,622</u>
Net increase in net assets held in trust for pension benefits	<u>816,590,351</u>	<u>4,369,813</u>	<u>2,848,623</u>	<u>2,135,349</u>	<u>825,944,136</u>
Net assets held in trust for pension benefits, June 30, 1995, as previously reported	3,061,863,076	26,317,528	10,591,883	8,668,844	3,107,441,331
Prior period adjustments	<u>488,711,483</u>	<u>2,072,497</u>	<u>1,036,987</u>	<u>825,715</u>	<u>492,646,682</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1995, as restated	<u>3,550,574,559</u>	<u>28,390,025</u>	<u>11,628,870</u>	<u>9,494,559</u>	<u>3,600,088,013</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996	<u>\$ 4,367,164,910</u>	<u>\$ 32,759,838</u>	<u>\$ 14,477,493</u>	<u>\$ 11,629,908</u>	<u>\$ 4,426,032,149</u>

# COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS

Year ended June 30, 1996

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from operating activities:					
Net increase in net assets held in trust for pension benefits	\$ 816,590,351	\$ 4,369,813	\$ 2,848,623	\$ 2,135,349	\$ 825,944,136
Adjustments to reconcile net increase in net assets to net cash provided by operating activities					
Depreciation	532,307	1,044	783	—	534,134
Depreciation allocation	1,827	(1,044)	(783)	—	—
Net realized and unrealized gains on investments	(571,248,377)	(2,874,698)	(1,455,756)	(1,228,579)	(576,807,410)
(Increase) decrease in accrued investment income	(4,466,018)	22,265	(5,657)	12,404	(4,437,006)
Decrease in accounts receivable - brokers	6,668,182	—	—	—	6,668,182
(Increase) decrease in contributions receivable	(1,641,319)	84,924	185,554	—	(1,370,841)
(Increase) decrease in interfund receivable	(125,257)	212,831	116,691	94,906	299,171
(Increase) decrease in accounts receivable - other	(137,790)	375	—	(28)	(137,443)
Increase in accounts payable - brokers	246,272,406	—	—	—	246,272,406
Increase in accounts payable - other	2,370,962	—	—	—	2,370,962
Increase in accrued payroll	4,285	—	—	—	4,285
Increase in accrued compensated absences	16,057	—	—	—	16,057
Increase (decrease) in interfund payable	(424,428)	28,786	1,251	95,220	(299,171)
(Decrease) in mortgage escrow deposits	(884)	—	—	—	(884)
(Decrease) in funds held for others	(264,270)	—	—	—	(264,270)
Net cash provided by operating activities	<u>494,148,034</u>	<u>1,844,296</u>	<u>1,690,706</u>	<u>1,109,272</u>	<u>498,792,308</u>
Cash flows from investing activities:					
Sales of investments	3,841,459,536	5,492,631	2,499,719	2,196,005	3,851,647,891
Purchases of investments	(4,089,793,935)	(6,138,958)	(3,377,545)	(3,295,836)	(4,102,606,274)
Principal repayments on U.S. Government Agencies	<u>44,369,228</u>	<u>244,213</u>	<u>194,056</u>	<u>147,811</u>	<u>44,955,308</u>
Net cash used by investing activities	<u>(203,965,171)</u>	<u>(402,114)</u>	<u>(683,770)</u>	<u>(952,020)</u>	<u>(206,003,075)</u>

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

Year ended June 30, 1996

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from financing activities:					
Purchase of fixed assets	<u>(429,911)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(429,911)</u>
Net increase in cash and cash equivalents	289,752,952	1,442,182	1,006,936	157,252	292,359,322
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>
Cash and cash equivalents, June 30, 1996	<u>\$ 438,579,458</u>	<u>\$ 1,736,029</u>	<u>\$ 1,086,866</u>	<u>\$ 216,733</u>	<u>\$ 441,619,086</u>

# COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - PUBLIC EMPLOYEES RETIREMENT FUND

Year ended June 30, 1996

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ —	\$ 158,085,666	\$ —	\$ —	\$ 158,085,666
Member contributions	105,255,837	—	—	—	105,255,837
Net investment income	—	—	—	742,081,914	742,081,914
Service credits purchased	991,877	596,542	—	—	1,588,419
Rental income	—	—	—	1,716,242	1,716,242
Other	—	—	—	187,858	187,858
<b>Total additions</b>	<u>106,247,714</u>	<u>158,682,208</u>	<u>—</u>	<u>743,986,014</u>	<u>1,008,915,936</u>
<b>DEDUCTIONS</b>					
Administrative expenses	—	—	—	6,197,496	6,197,496
Contractual services	—	—	—	2,153,227	2,153,227
Personal services	—	—	—	1,055,340	1,055,340
Other operating costs	—	—	—	711,538	711,538
Employee benefits	—	—	—	532,307	532,307
Depreciation expense	—	—	—	314,264	314,264
Maintenance and repairs	—	—	—	81,299	81,299
Supplies	—	—	—	35,706	35,706
Travel	—	—	—	—	—
<b>Total administrative expenses</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,081,177</u>	<u>11,081,177</u>
Benefit payments	—	—	161,927,472	—	161,927,472
Refunds to terminated employees	19,316,936	—	—	—	19,316,936
<b>Total deductions</b>	<u>19,316,936</u>	<u>—</u>	<u>161,927,472</u>	<u>11,081,177</u>	<u>192,325,585</u>
<b>Net increase (decrease) in net assets held in trust for pension benefits</b>	<u>86,930,778</u>	<u>158,682,208</u>	<u>(161,927,472)</u>	<u>732,904,832</u>	<u>816,590,351</u>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	37,690,134	—	695,214,703	(732,904,837)	—
Other transfers	(26,010,577)	928,722,141	(902,711,564)	—	—
<b>Total operating transfers</b>	<u>11,679,557</u>	<u>928,722,141</u>	<u>207,496,861</u>	<u>(732,904,837)</u>	<u>—</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1995, as restated</b>	<u>714,041,152</u>	<u>350,291,363</u>	<u>2,486,242,044</u>	<u>—</u>	<u>3,550,574,559</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996</b>	<u>\$ 812,651,487</u>	<u>\$ 1,437,695,712</u>	<u>\$ 2,116,817,711</u>	<u>\$ —</u>	<u>\$ 4,367,164,910</u>

# COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - JUDICIAL RETIREMENT FUND

Year ended June 30, 1996

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ —	\$ 1,919,159	\$ —	\$ —	\$ 1,919,159
Member contributions	301,406	—	—	—	301,406
Net investment income	—	—	—	4,369,421	4,369,421
Service credits purchased	1,313	3,939	—	—	5,252
Rental income	—	—	—	—	1,716,242
<b>Total additions</b>	<b>302,719</b>	<b>1,923,098</b>	<b>—</b>	<b>4,369,421</b>	<b>6,595,238</b>
<b>DEDUCTIONS</b>					
Administrative expenses					
Contractual services	—	—	—	6,853	6,853
Personal services	—	—	—	3,663	3,663
Employee benefits	—	—	—	1,079	1,079
Depreciation expense	—	—	—	1,044	1,044
Other operating costs	—	—	—	925	925
Supplies	—	—	—	115	115
Maintenance and repairs	—	—	—	78	78
Travel	—	—	—	60	60
<b>Total administrative expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13,817</b>	<b>13,817</b>
Benefit payments	—	—	2,172,963	—	2,172,963
Refunds to terminated employees	38,645	—	—	—	38,645
<b>Total deductions</b>	<b>38,645</b>	<b>—</b>	<b>2,172,963</b>	<b>13,817</b>	<b>2,225,425</b>
<b>Net increase (decrease) in net assets held in trust for pension benefits</b>	<b>264,074</b>	<b>1,923,098</b>	<b>(2,172,963)</b>	<b>4,355,604</b>	<b>4,369,813</b>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	119,171	—	4,236,433	(4,355,604)	—
Other transfers	(110,125)	2,491,632	(2,381,507)	—	—
<b>Total operating transfers</b>	<b>9,046</b>	<b>2,491,632</b>	<b>1,854,926</b>	<b>(4,355,604)</b>	<b>—</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1995, as restated</b>	<b>2,295,123</b>	<b>2,561,488</b>	<b>23,533,414</b>	<b>—</b>	<b>28,390,025</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996</b>	<b>\$ 2,568,243</b>	<b>\$ 6,976,218</b>	<b>\$ 23,215,377</b>	<b>\$ —</b>	<b>\$ 32,759,838</b>

# COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - MAGISTRATE RETIREMENT FUND

Year ended June 30, 1996

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ —	\$ 1,219,066	\$ —	\$ —	\$ 1,219,066
Member contributions	164,331	—	—	—	164,331
Net investment income	—	—	—	2,026,393	2,026,393
Service credits purchased	—	—	—	—	—
Rental income	—	—	—	—	—
<b>Total additions</b>	<u>164,331</u>	<u>1,219,066</u>	<u>—</u>	<u>2,026,393</u>	<u>3,409,790</u>
<b>DEDUCTIONS</b>					
Administrative expenses	—	—	—	4,986	4,986
Contractual services	—	—	—	2,747	2,747
Personal services	—	—	—	809	809
Employee benefits	—	—	—	783	783
Depreciation expense	—	—	—	694	694
Other operating costs	—	—	—	86	86
Supplies	—	—	—	59	59
Maintenance and repairs	—	—	—	45	45
Travel	—	—	—	—	—
<b>Total administrative expenses</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,209</u>	<u>10,209</u>
Benefit payments	—	—	550,958	—	550,958
Refunds to terminated employees	—	—	—	—	—
<b>Total deductions</b>	<u>—</u>	<u>—</u>	<u>550,958</u>	<u>10,209</u>	<u>561,167</u>
<b>Net increase (decrease) in net assets held in trust for pension benefits</b>	<u>164,331</u>	<u>1,219,066</u>	<u>(550,958)</u>	<u>2,016,184</u>	<u>2,848,623</u>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	26,634	—	1,989,550	(2,016,184)	—
Other transfers	—	2,771,227	(2,771,227)	—	—
<b>Total operating transfers</b>	<u>26,634</u>	<u>2,771,227</u>	<u>(781,677)</u>	<u>(2,016,184)</u>	<u>—</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1995, as restated</b>	<u>434,465</u>	<u>3,589,046</u>	<u>7,605,359</u>	<u>—</u>	<u>11,628,870</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996</b>	<u>\$ 625,430</u>	<u>\$ 7,579,339</u>	<u>\$ 6,272,724</u>	<u>\$ —</u>	<u>\$ 14,477,493</u>

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

June 30, 1996

	June 30, 1995	Additions	Deletions	June 30, 1996
<b>SOCIAL SECURITY FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 327,814	\$ 17,203	\$ —	\$ 345,017
Accrued investment income	1,534	3,006	1,534	3,006
Property and equipment, net	26,255	—	—	26,255
<b>Total assets</b>	<u>355,603</u>	<u>20,209</u>	<u>1,534</u>	<u>374,278</u>
<b>Liabilities</b>				
Due to State of New Mexico	329,348	20,209	1,534	348,278
Investment in fixed assets	26,255	—	—	26,255
<b>Total liabilities</b>	<u>355,603</u>	<u>20,209</u>	<u>1,534</u>	<u>374,278</u>
<b>STATE OF NEW MEXICO PUBLIC EMPLOYEES DEFERRED COMPENSATION FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	524,420	16,911,852	16,849,647	586,625
Contributions receivable	516,580	17,305,271	17,130,402	691,449
Accrued investment income	1,690	1,867	1,690	1,867
Investments, at market	108,583,027	28,041,010	6,452,700	130,171,337
Policyholder account value of universal life insurance contracts	796,958	250,225	—	1,047,183
Interfund transfers in transit	—	115,255	—	115,255
<b>Total assets</b>	<u>\$ 110,422,675</u>	<u>\$ 62,625,385</u>	<u>\$ 40,434,439</u>	<u>\$ 132,613,716</u>
<b>Liabilities</b>				
Accounts payable - other	2,349	95	2,349	95
Accrued payroll	1,301	—	1,301	—
Accrued compensated absences	2,535	—	1,475	1,060
Funds held for others	110,416,490	62,625,385	40,429,314	132,612,561
<b>Total liabilities</b>	<u>\$ 110,422,675</u>	<u>\$ 62,625,480</u>	<u>\$ 40,434,439</u>	<u>\$ 132,613,716</u>

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

June 30, 1996

	June 30, 1995	Additions	Deletions	June 30, 1996
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 852,234	\$ 16,929,055	\$ 16,849,647	\$ 931,642
Accrued investment income	3,224	4,873	3,224	4,873
Contributions receivable	516,580	17,305,271	17,130,402	691,449
Investments, at market	108,583,027	28,041,010	6,452,700	130,171,337
Property and equipment, net	26,255	—	—	26,255
Policyholder account value of universal life insurance contracts	796,958	250,225	—	1,047,183
Interfund transfers in transit	—	115,255	—	115,255
<b>Total assets</b>	<u>\$ 110,778,278</u>	<u>\$ 62,645,689</u>	<u>\$ 40,435,973</u>	<u>\$ 132,987,994</u>
<b>Liabilities</b>				
Accounts payable - other	\$ 2,349	\$ 95	\$ 2,349	\$ 95
Accrued payroll	1,301	—	1,301	—
Accrued compensated absences	2,535	—	1,475	1,060
Due to State of New Mexico	329,348	20,209	1,534	348,023
Funds held for others	110,416,490	62,625,385	40,429,314	132,612,561
Investment in fixed assets	26,255	—	—	26,255
<b>Total liabilities</b>	<u>\$ 110,778,278</u>	<u>\$ 62,645,689</u>	<u>\$ 40,435,973</u>	<u>\$ 132,987,994</u>

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

Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Member Contributions	\$ 105,255,837	\$ 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
Employer Contributions	158,085,666	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
Net Investment Income	742,081,914	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
Other Income	3,492,519	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
<b>Total</b>	<b>\$ 1,008,915,936</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>

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

Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Benefit Payments	\$ 161,927,472	\$ 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
Administrative Expenses	11,081,177	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
Refunds to Terminated Employees	19,316,936	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
Other Expenses	—	—	162,143	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 192,325,585</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>

# REVENUES BY SOURCE - JUDICIAL RETIREMENT FUND

Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Member Contributions	\$ 301,406	\$ 275,718	\$ 262,809	\$ 251,860	\$ 171,829	\$ 168,831	\$ 160,505	\$ 148,115	\$ 148,561	\$ 166,870
Employer Contributions	1,919,159	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
Net Investment Income	4,369,421	1,648,799	1,599,200	1,633,893	1,665,623	1,526,347	1,429,103	1,280,891	1,185,326	1,149,483
Other Income	5,252	58,770	36,469	6,963	15,398	—	—	—	—	—
<b>Total</b>	<b>\$ 6,595,238</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>

# EXPENSES BY TYPE - JUDICIAL RETIREMENT FUND

Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Benefit Payments	\$ 2,172,963	\$ 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
Administrative Expenses	13,817	16,126	13,346	12,303	7,456	9,289	12,048	5,120	13,023	13,264
Refunds to Terminated Employees	38,645	2,363	—	3,145	—	—	—	14,888	7,422	1,997
<b>Total</b>	<b>\$ 2,225,425</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>

**REVENUES BY SOURCE -  
MAGISTRATE RETIREMENT FUND**

Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Member Contributions	\$ 164,331	\$ 174,288	\$ 159,129	\$ 152,182	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Employer Contributions	1,219,066	1,175,579	1,065,054	842,300	612,680	601,399	569,541	529,162	576,856	511,271
Net Investment Income	2,026,393	592,445	517,518	499,184	469,997	382,384	317,770	253,756	164,266	125,232
Other Income	—	155	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 3,409,790</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>

**EXPENSES BY TYPE -  
MAGISTRATE RETIREMENT FUND**

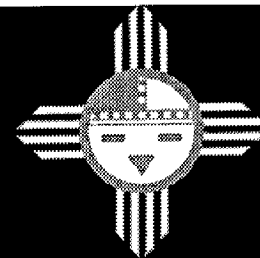
Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Benefit Payments	\$ 550,958	\$ 392,246	\$ 228,476	\$ 151,887	\$ 78,209	\$ 49,986	\$ —	\$ —	\$ —	\$ —
Administrative Expenses	10,209	13,684	12,158	13,510	9,406	8,650	10,705	1,900	1,500	500
Refunds to Terminated Employees	—	19,356	—	1,125	—	—	—	—	—	—
<b>Total</b>	<b>\$ 561,167</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>

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

Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Employer Contributions	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 527,930	\$ 500,000	\$ 500,000
Net Investment Income	1,719,794	549,167	490,087	480,070	454,038	382,557	281,243	250,756	195,924	121,094
<b>Total</b>	<b>\$ 2,219,794</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>

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

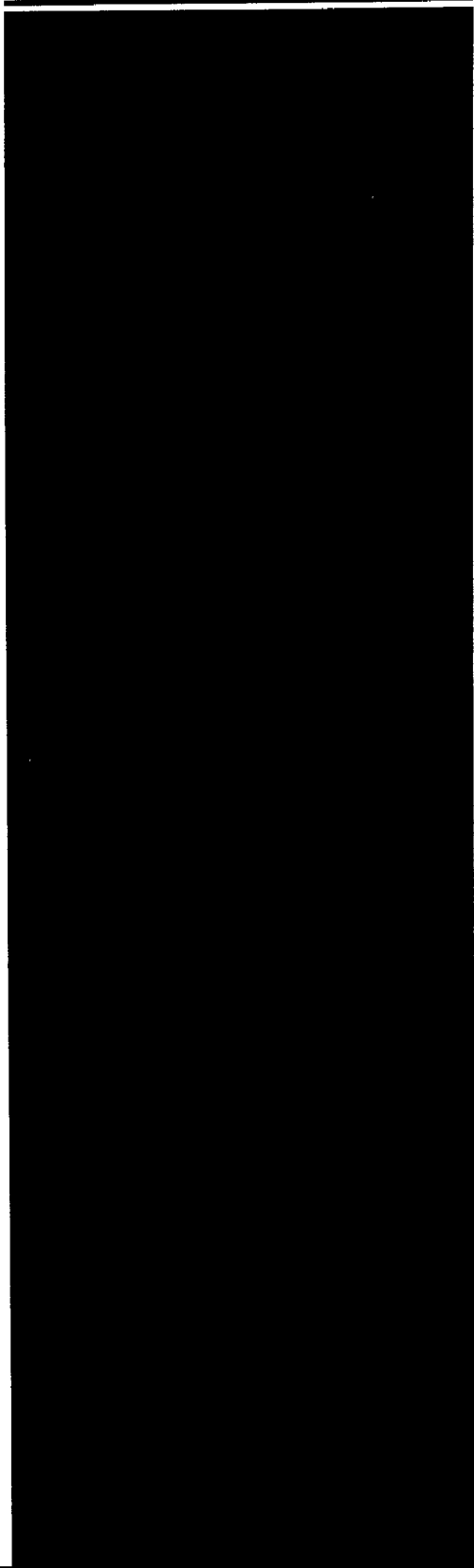
Fiscal Year Ended June 30	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Benefit Payments	\$ 78,400	\$ 50,400	\$ 43,100	\$ 32,569	\$ 18,400	\$ 7,899	\$ —	\$ —	\$ —	\$ —
Administrative Expenses	6,045	7,890	8,458	8,165	10,064	1,748	3,555	1,900	1,500	500
<b>Total</b>	<b>\$ 84,445</b>	<b>\$ 58,290</b>	<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>



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# *Actuarial*

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**GABRIEL, ROEDER, SMITH & COMPANY**

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December 10, 1996

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

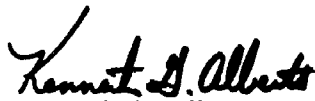
Attention: Alice Herter, Executive Secretary


We certify that the annual actuarial valuation as of June 30, 1996 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,

  
Kenneth G. Alberts

  
Sandra W. Rodwan

KGA/SWR:ct

# *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 (fixed statutory rates);
- Affiliated public employer contributions (fixed statutory rates); and
- Investment earnings of PERA assets.

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

- Costs allocated to the current year to service rendered by PERA members in the current year (normal cost); and
- Costs allocated to prior years to 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 measures:

- The relationship between PERA 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.

The estimates of future inflation, real investment return in excess of inflation and 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. This is the rate at which growth in the supply of money and credit is assumed to exceed growth in the supply of goods and services.

- **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		
<i>Coverage Group</i>	<i>Funding Period *</i>	<i>Additional Funding for 40 years **</i>
State General	44 years	0.30%
State Police/Haz. Duty	0 years	0.00%
Municipal General	41 years	0.02%
Municipal Police	34 years	0.00%
Municipal Fire	109 years	3.14%
<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>		

## PERA Financing Periods

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

	6/30/96	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91	6/30/90
PERA Aggregate	40	38	43	40	50	57	57
State General	44	43	52	47	54	59	65
State Hazardous Duty	0	0	0	0	3	12	20
Municipal General	41	29	33	30	39	43	43
Municipal Police	34	46	60	46	75	92	91
Municipal Fire	109	#	99+	99+	99+	99+	90

## PERA Funding Policy

The charts below show the additional contributions needed for immediate realization of the funding policy financing period:

Division	6/30/96	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91
State General	.30%	.24%	.62%	.38%	1.00%	1.15%
State Hazardous Duty	.00%	.00%	0.0%	0.0%	.00%	.00%
Municipal General	.02%	.00%	0.0%	0.0%	.09%	.22%
Municipal Police	.00%	.26%	.73%	.26%	1.25%	1.41%
Municipal Fire	3.14%	3.65%	3.38%	2.93%	3.83%	3.86%

## *Conclusions*

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

- PERA has an actuarial balance between resources and obligations;
- PERA experienced funding progress during the year ended June 30, 1996, with the funding rates increasing to 82% from 79%;
- Future funding progress will be primarily determined by rates of investment earnings and compensation increases. Over the short term, retirement rates are expected to have a significant impact in all divisions, but particularly in the State General Division as Coverage Plan 3 becomes effective. Of lesser influence are mortality decreases and member withdrawal;
- The financing periods for all divisions except the State Police - Hazardous Duty division and Municipal Police are in excess of the period targeted under the Retirement Board's funding policy.
- PERA has no margin with which to absorb any benefit improvements.
- Future ability to properly monitor PERA's actuarial balance is dependent upon diligence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns.