

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

*celebrating*

*50*

*years of  
service*

1947 - 1997

*1996-1997 Annual Report*

# *Highlights*

**Total PERA Assets** ..... \$5,379,163,496

**Employer contributions** ..... \$166,617,652

**Member contributions** ..... \$110,100,237

## **Contributions:**

State ..... 117  
 Municipal ..... 71  
 Counties ..... 33  
 Housing Authorities ..... 26  
 Special Districts ..... 22  
 Hospitals ..... 1  
 Volunteer Fire ..... 356

**Participating Employers** ..... 626

**Contribution Refunds** ..... \$21,486,814

**Retirement Benefits** ..... \$185,450,603

State ..... 8,423  
 Municipal ..... 6,208  
 Judicial ..... 73  
 Magistrate ..... 26  
 Volunteer Firefighters ..... 111  
 Legislative ..... 70

**Retired Members and Beneficiaries** ..... 14,911

State ..... 20,562  
 Municipal ..... 20,701  
 Judicial ..... 86  
 Magistrate ..... 58  
 Volunteer Firefighters ..... 9,590  
 Legislative ..... 111

**PERA Members** ..... 51,108

# Administration

## **Executive Staff**

Alice E. Herter, Executive Director  
R. Lowell Gilbert, Assistant Executive Director  
Carol A. Baca, General Counsel  
Robert E. Gish, Investment Director  
Victor Montoya, Property Manager  
Bert J. Terrazas, Director of Member Services

### **Administration**

Pamela Bustos, Secretary III  
Jane Clifford, Administrative Assistant  
Valerie Jones, Administrator III  
Anna M. Martinez, Liaison Officer  
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  
Sharon Moya, Financial Specialist II  
Joyce Rivera, Financial Specialist II  
Arthur A. Trujillo, Financial Specialist III

### **Member Services**

Renee Baros-Herrera, Clerk IV  
Vincent J. Jaramillo, Information Specialist II  
Judy Olson, Manager IV  
Beatrice Randolph, Manager IV  
Erlinda Roybal, Clerk Specialist  
Louis E. Scheier, Clerk Specialist  
Claudine Serna, Clerk IV  
Nora E. Solano, Manager IV  
Kathy A. Webb, Manager IV

### **Building and Grounds**

Marisela Aguirre, Custodial Worker I  
Lillian Baca, Custodial Worker I  
Becky Chavez, Custodial Worker I  
Tommy Campos, Maintenance Worker II  
Victor Diaz, Laborer  
Carol S. Dunaway, Administrative Secretary  
Sergio Gutierrez, Maintenance Lead Worker  
David C. Lovato, Maintenance Worker II  
Jose F. Marquez, Custodial Worker I  
Eric Martinez, Maintenance Worker I  
Mel E. Prada, Maintenance Supervisor

Ramon Salaz, Maintenance Worker I  
Bertha A. Tagle, Custodial Worker I  
Valentin Ulibarri, Custodial Worker Supervisor I  
Pedro B. Valencia, Custodial Worker I  
Raquel Velazquez, Custodial Worker I  
John L. Waterman, Custodial Worker II  
William David Wright, Maintenance Worker I

### **Contribution Accounting**

Joseph W. Maes, Financial Specialist III  
Herbert Romero, Manager V  
Denise Vialpando, Financial Specialist I

### **Information Systems**

Shawn Frederick, Clerk IV  
Michael A. Gonzales, Programmer Analyst II  
Fermin R. Montoya, Data Processing Manager I  
Kevin W. Payne, Systems Analyst Manager  
Regina B. Sanchez, Systems Analyst

### **Investments**

Barbara Montoya, Financial Specialist III  
Peter E. Roybal, Investment Officer II  
Judy F. Toomey, Investment Officer II

### **Office of Legal Counsel**

Donna M. Encinias, Legal Assistant II  
Tracy M. Hughes, Assistant General Counsel  
Nona Gregg, Administrative Secretary

### **Records**

Alex F. Coriz, Clerk IV  
Marco deWart, Clerk IV  
Brenda Cordova, Laborer  
Mark Sanchez, Administrator III

(As constituted on 12/1/97)

# Elected Members



M.L. "Larry" Ward  
Albuquerque, NM  
Retiree Member

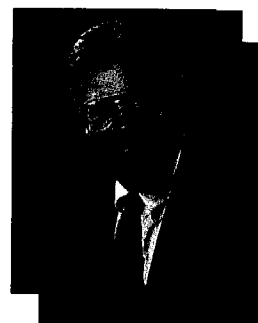
*Chair*



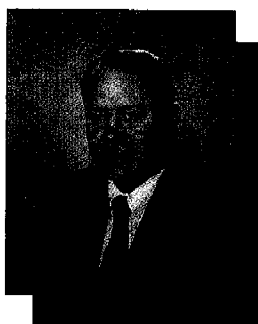
Jerry Rael  
State Personnel Office  
State Member



Susan H. Biernacki  
City of Albuquerque  
Municipal Member

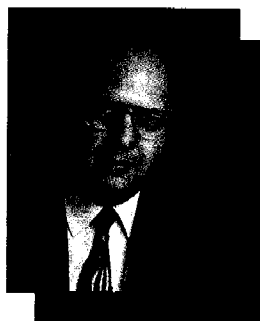


Doug Crandall  
City of Albuquerque  
Municipal Member



Lou Hoffman  
City of Albuquerque  
Municipal Member

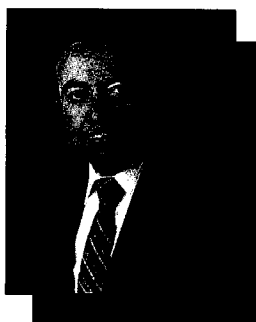
*Vice Chair*



John Lucero  
Albuquerque, NM  
Retiree Member



Richard Klein  
Office of the Attorney General  
State Member



Robert Mascarenas  
County of Bernalillo  
County Member



Jerry Richardson  
Taxation and Revenue  
State Member



Gene A. Valdes  
Human Services Department  
State Member

# Ex-Officio Members



The Honorable Stephanie Gonzales  
Secretary of State



The Honorable Michael A. Montoya  
State Treasurer

*Board*  
five

# Letter from the Board Chair

I am pleased to present this annual report to our membership and to the general public on another successful year for PERA. 1997 was PERA's 50th year, and our golden anniversary was observed with a wonderful celebration in September. PERA members and retirees, as well as many government officials, joined in the celebration. The PERA fund continues to grow at an impressive rate. We now have more than \$5.379 billion in net assets, a growth of over 300% in the past eight years. Our investment returns to continue to rank our fund in the top quartile of all public employee pension funds. Our investment return was 18.12% in calendar year 1997 and more than 19% in fiscal year 1997. While we will not experience a return of 19% every year, 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. Despite the well publicized turmoil in the Asian financial markets during the last quarter of 1997, PERA's international investments still earned a very respectable return of 10.69% for the full calendar year 1997. Approximately 58% of PERA's assets are invested in stocks, including 8.45% in international stocks. PERA's 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've had 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. However, we are mindful that the soundness of the PERA fund is most important. I am pleased to report that our unfunded actuarial liabilities have continued to decrease. Last year the board adopted a policy of a 30-year amortization period, a decrease from the previous 40-year amortization period. According to our most recent actuarial report, we are now 88% funded, which is up from only 70% in 1985. Alice Herter continues to serve with distinction as Executive Director of PERA. Alice and her staff have done an excellent job over the past year and, on behalf of the entire board, I thank everyone who works for PERA. The PERA staff performs a difficult and important job with dedication and sensitivity. I believe that our employees are the finest group of employees of any public employee fund in the country. I am also proud of our newsletter, "La Voz," which maintains communication between the PERA staff, board and membership. Finally, the board would like to thank the members of PERA for their interest and support. We have had many well qualified candidates for our latest board elections and vacancies, and our meetings are always attended by members with a genuine interest and concern for their association. This enthusiasm continually reminds us that serving on the board is not only a source of satisfaction but a great privilege as well.

M.L. "Larry" Ward  
PERA Board Chair

*M.L. "Larry" Ward*

M.L. "Larry" Ward  
Albuquerque, NM  
Retiree Member



# Letter from the Executive Director

ally 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. 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, 1997, PERA had 51,108

active members. Of this number, 20,562 are state members, 20,701 are municipal members, and the remaining members are participants in the judicial, magistrate, volunteer firefighters and legislative retirement programs. Also, as of June 30, 1997, PERA had 14,911 retirees and beneficiaries receiving pensions from PERA. Of these numbers, 8,423 are state retirees, 6,208 are municipal retirees, and the remaining retirees are from the judicial, magistrate, volunteer firefighters and legislative retirement plans. PERA's pension payroll for FY 97 was just over 185.45 million dollars and the average pension paid was \$12,437. The average age of PERA retirees is 66.2 years. PERA currently has 626 separate, affiliated public employers. In addition, we have 356 separate fire districts that participate in the volunteer firefighters plan.

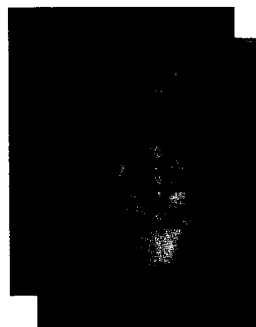
## Revenue and Expense Sources

PERA administers 26 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

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, 1997. This report provides comprehensive information about the retirement programs PERA administers and the pension funds we manage. FY 97 has been an outstanding year for PERA. Our actuarial funding period has decreased over the past year from 43 years in FY 94 to 31 years in FY 97. Our investment performance was exceptional, yielding an overall return, net of fees, of 19.31%.

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 this 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.

Alice E. Hetter  
Executive Director





earnings. The total revenue received by PERA during the fiscal year ended June 30, 1997, was \$1,172,700,477. Of this amount, \$110,100,237 was from employee contributions, \$166,617,652 was from employer contributions and \$884,819,265 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 97 were \$185,450,603. The remaining expenses for PERA were the refund of contributions to members who terminated employment and chose to withdraw their PERA contributions (\$21,486,814), and the costs of administering PERA (\$12,631,713). In FY 97, these combined expenses totaled \$219,569,130. PERA's administrative expenses are controlled by an annual budget submitted by the Board for appropriation by the Legislature. In FY 97, these expenses represented less than 1.0% of PERA's total assets.

Thus, for FY 97, our total revenues exceeded our expenses by \$953,131,347, increasing PERA's total net assets to \$5,379,163,496 as of June 30, 1997.

### **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.

This year, the PERA Board revised its target funding period for the PERA fund to 30 years. We experienced substantial funding progress this year as

our funding period decreased from 43 years in FY 94 to 31 years in FY 97. 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, 1997, the total investment return, on a market value basis, was 19.31%. This outstanding performance was net of all fees and exceeded the performance of all state investment agencies for three of the last four fiscal years and New Mexico Permanent Funds for each of the last five fiscal years. 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 the public funds universe in the mid-eighties to today, where PERA has performed in the top quartile. This year, PERA invested about 8.45% of its portfolio in international securities. PERA's return on its international securities was 29.36%, compared to a 12.84% return on international securities for the EAFE Index.

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 60% of its assets to equity investments and 40% 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 15% 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 90% of the portfolio's return.

### **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 three years ago. 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 242,000 participant records for active members, inactive members, retirees and beneficiaries. Until last year, these records were maintained manually, in paper files. Beginning last 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. The imaging of retiree files is expected to be completed during FY 98.

### **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 fund's 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*

*About You*



## 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 Plan Summary

### 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.

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

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

## *R*etirement Legislation for 1997

January 22, 1997, marked the beginning of the 60-day legislative session. Over 2,800 bills were introduced. Thirty eight of those bills related to PERA. This was, by far, the largest number of legislative bills ever introduced. The following is a summary of the four bills which were proposed:

**HB 875: PERA GENERAL BILL** - Contained technical and substantive changes to the PERA Act to reflect various changes in federal law and various PERA program issues. The bill passed.

**HB 671: DISABILITY RETIREMENT** - Would have removed the link between PERA disability determinations from Social Security, allowing PERA to expedite the disability determination process and assure consistent application of disability standards for PERA members. The bill died on the floor.

**HB 686: MUNICIPAL FIREFIGHTERS** - Would have increased the total contributions into each of the five municipal firefighter plans by a total of 2% in order to correct the actuarial condition of the fund. The increase will be divided equally between employers and employees: 1% increase for employers and 1% increase for firefighters. The bill passed.

**HB 623: VOLUNTEER FIREFIGHTERS** - Would have increased the annual contribution into the Volunteer Firefighters Fund from \$750,000 to \$2.1 million, the amount recommended by PERA's actuaries. The

funding would have come from the fire protection fund which is the source established to fund the plan. The bill died on the floor.

In addition, a joint memorial was introduced establishing a commission to plan and organize a celebration for PERA's 50th anniversary in August of 1997.

The most controversial bill was introduced in the legislative session on February 20. House Bill 1206 would have had a major impact on retirement benefits for public employees in New Mexico. HB 1206 would have created two new public employee retirement programs and phased out the current public employees retirement system over the lives of existing PERA retirees and future retirees who are currently PERA members. The proposed bill would also have reduced the current benefit factor of 3% per year of service under State General Plan 3 and Municipal Plans to 1% per year. This means that after 25 years of service, members would receive an annuity equal to only 25% of their final average salaries, instead of the current 75%. Additionally, the bill required employees to reach age 62 before any benefits would be paid.

Implementation of this bill would also have created serious actuarial problems relating to the long-term financial ability to pay retirement obligations owed to current retirees and to current PERA members who retire in the future.

After discussion, HB 1206 was tabled by the House Labor and Human Resources Committee by a vote of 5 to 3.



## 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

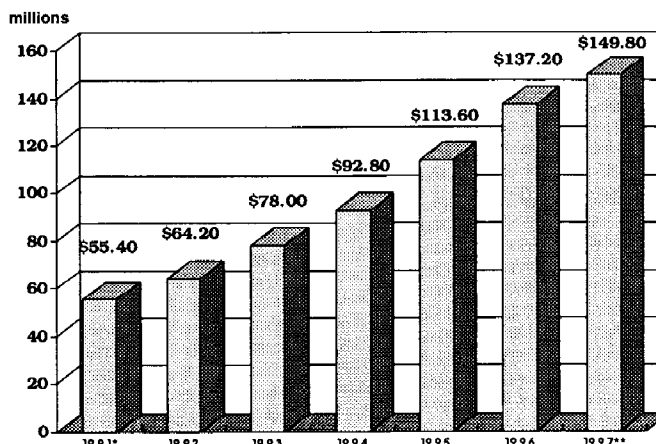
Approximately 50,000 copies of the PERA newsletter, *La Voz*, are distributed each quarter. The *La Voz* Retiree Edition is sent out to more than 13,600 retirees. *La Voz* is disseminated in order to inform members about legislative updates, investments, counseling schedules and other important matters.

## 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, 1997, the Plan had 9,520 contributing participants deferring approximately \$5 million dollars per quarter. Total assets of the Plan were at \$149.8 million as of June 30, 1996.

Historical Plan Assets



1991 - \$55.4 million  
1992 - \$64.2 million  
1993 - \$78.0 million  
1994 - \$92.8 million  
1995 - \$113.6 million  
1996 - \$137.2 million  
1997 - \$149.8 million

\* Copeland began administering New Mexico DCP November 1991.  
\*\* Information as of June 30, 1997

# Investments

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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, 1997, the PERA Retirement Fund, the largest of PERA's separate investment funds, had a market value of \$5,311,692,341. Besides the PERA Fund there are four additional and separate investment funds: the Volunteer Firefighters Retirement Fund, with a market value of \$14,267,563, the Judicial Retirement Fund, with a market value of \$35,857,353, the Magistrate Retirement Fund with a market value of \$17,346,239 and the Legislative Retirement Fund, with a market value of \$3,013,960.

### *I*nvestment 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.

The Volunteer Firefighters, Judicial and Magistrate Retirement funds participate in equity investments through the purchase of unitized shares in PERA's indexed equity account managed by one of the professional investment services measured against the S&P 500. Fixed-income investments for these three funds have been managed internally measured against the Lehman Intermediate Government/Corporate Index. A buy and hold strategy is used and no internally managed fixed-income securities have maturities in excess of ten years.

### *A*sset 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, 1997, for the PERA Trust is graphically displayed in the following chart. It includes a highly diversified portfolio of equity, fixed-income and short-term cash investments. The Board's asset allocation targets for the Fund are 60% equity, of which up to 15% may be international equity securities, and 40% fixed-income securities. The actual asset allocation as of June 30, 1997, to domestic equities is 49.7% domestic equities, 9.7% international equities and 40.6% domestic fixed-income.

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

### Investment Performance - PERA Retirement Funds

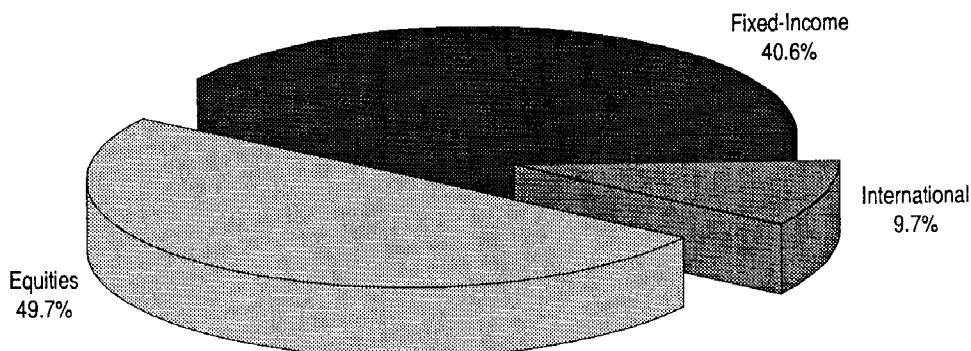
Investment performance for the 97th Fiscal Year was 19.31% for the total fund, net of manager fees and administrative expenses compared to 16.7% last year. The Fund grew from a market value of \$4.364 billion on June 30, 1996 to \$5.312 billion on June 30, 1997. High domestic equity returns of 28.77%, compared to 34.57% for the S&P 500 and 29.31% for the Wilshire 5000 benchmarks, international equity returns of 29.36%, compared to 12.84% for the EAFE Index, and domestic fixed-income returns of 8.32%, compared to 8.16% for the Lehman Aggregate Index, balanced the portfolio enabling PERA to earn the

highest total return on the Fund in its history, which was 19.31%, compared to 9.07% for the Salomon Large Pension Fund Index. These returns for PERA compare to domestic equity returns of 29.69%, international equity returns of 18.97% and domestic fixed-income returns of 4.75% for the previous fiscal year.

While PERA's domestic equity returns were less than the S&P 500 for the year by 5.8%, over all this was offset by the superior performance of PERA's international equity account that exceeded the EAFE Index by 13.52%. This, together with PERA's allocation of a high percentage of its assets to domestic and international equities, 59.3%, caused PERA's return on the total Fund to exceed the median for similar funds.

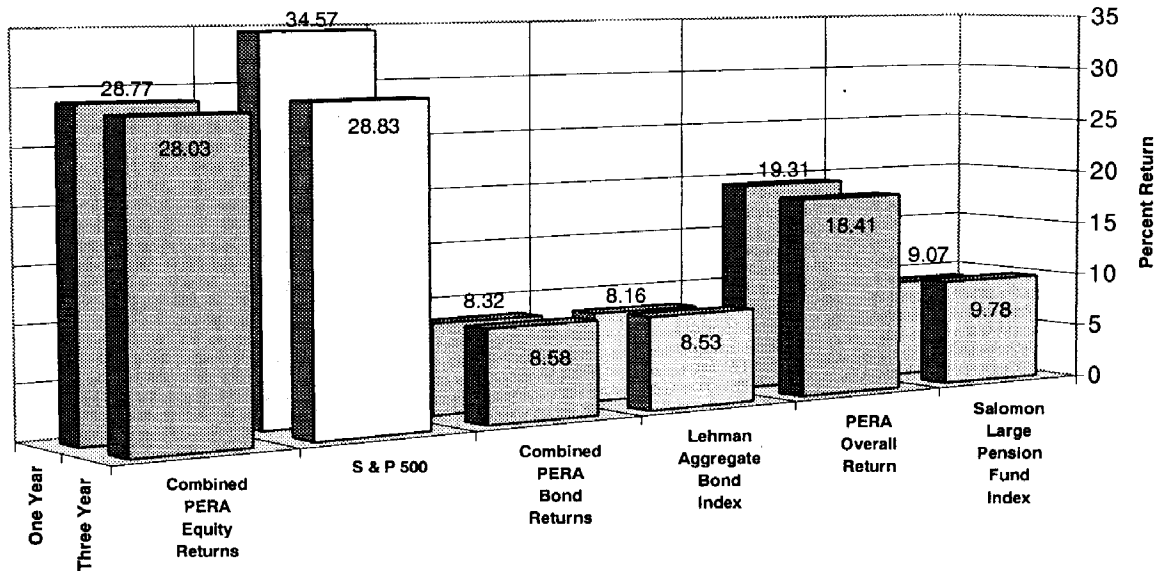
Consistent long-term performance is the goal of PERA's investment program. In addition to achieving this goal during the fiscal year ending June 30, 1997, PERA's annualized return on the total fund was 18.41% for the last three years, 13.58% for the last five years and 13.07% since December 31, 1988.

### Current Asset Allocation



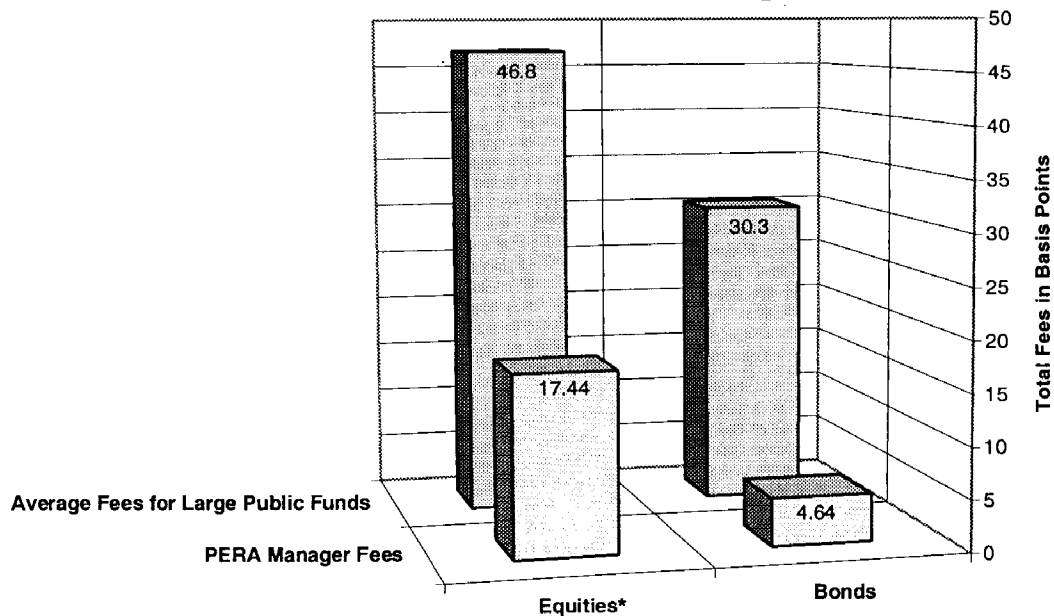
## PERA Return on Investments

Net of Investment Fees  
as of June 30, 1997



## Average Fees Paid to Outside Investment Managers

PERA vs. National Average



\* Includes International

*Financial*

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

June 30, 1997

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 390,908,869	\$ 3,731,118	\$ 755,306	\$ 793,381	\$ 396,188,674
Accrued investment income	31,915,999	231,871	124,929	88,444	32,361,243
Accounts receivable - brokers	326,725,388	—	—	—	326,725,388
Accounts receivable - other	570,444	21,407	14,146	1,194	607,191
Contributions receivable	13,124,618	91,177	196,710	—	13,412,505
Interfund receivable	123,080	69,589	34,550	—	227,219
Investments, at market	5,098,383,042	35,857,353	17,346,239	14,267,563	5,165,854,197
Investment in building, net	3,146,842	—	—	—	3,146,842
Property and equipment, net	1,454,382	—	—	—	1,454,382
Total assets	<u>5,866,352,664</u>	<u>40,002,515</u>	<u>18,471,880</u>	<u>15,150,582</u>	<u>5,939,977,641</u>
<b>LIABILITIES</b>					
Accounts payable - brokers	556,085,397	—	—	—	556,085,397
Accounts payable - other	3,911,553	—	—	—	3,911,553
Accrued payroll	111,847	—	—	—	111,847
Accrued compensated absences	120,119	—	—	—	120,119
Interfund payable	—	50,393	79,143	97,683	227,219
Mortgage escrow deposits	73,860	—	—	—	73,860
Funds held for others	284,150	—	—	—	284,150
Total liabilities	<u>560,586,926</u>	<u>50,393</u>	<u>79,143</u>	<u>97,683</u>	<u>560,814,145</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 5,305,765,738</u>	<u>\$ 39,952,122</u>	<u>\$ 18,392,737</u>	<u>\$ 15,052,899</u>	<u>\$ 5,379,163,496</u>

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS**  
Year ended June 30, 1997

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ 162,495,955	\$ 2,285,626	\$ 1,086,071	\$ 750,000	\$ 166,617,652
Member contributions	109,623,818	309,851	166,568	—	110,100,237
Net investment income	871,875,359	6,827,177	3,323,900	2,792,829	884,819,265
Service credits purchased	8,890,429	—	—	—	8,890,429
Rental income	1,770,876	—	—	—	1,770,876
Other	259,096	—	—	—	502,018
Total additions	<u>1,154,915,533</u>	<u>9,665,576</u>	<u>4,576,539</u>	<u>3,542,829</u>	<u>1,172,700,477</u>
<b>DEDUCTIONS</b>					
Benefit payments	182,216,991	2,461,266	653,661	118,685	185,450,603
Refunds to terminated employees	21,486,814	—	—	—	21,486,814
Administrative expenses	12,610,900	12,026	7,634	1,153	12,631,713
Total deductions	<u>216,314,705</u>	<u>2,473,292</u>	<u>661,295</u>	<u>119,838</u>	<u>219,569,130</u>
Net increase in net assets held in trust for pension benefits	938,600,828	7,192,284	3,915,244	3,422,991	953,131,347
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996, as restated</b>	<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, June 30, 1997</b>	<u>\$ 5,305,765,738</u>	<u>\$ 39,952,122</u>	<u>\$ 18,392,737</u>	<u>\$ 15,052,899</u>	<u>\$ 5,379,163,496</u>



## COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS

Year ended June 30, 1997

	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	\$ 938,600,828	\$ 7,192,284	\$ 3,915,244	\$ 3,422,991	\$ 953,131,347
Adjustments to reconcile net increase in net assets to net cash provided by operating activities					
Depreciation	583,989	1,215	820	—	586,024
Depreciation allocation	2,035	(1,215)	(820)	—	—
Net realized and unrealized gains on investments	(684,412,749)	(5,304,200)	(2,683,136)	(2,246,194)	(694,646,279)
(Increase) decrease in accrued investment income	(2,283,533)	16,947	(24,780)	(918)	(2,292,284)
Decrease in accounts receivable - brokers	(263,444,870)	—	—	—	(263,444,870)
(Increase) decrease in contributions receivable	(542,238)	30,117	(96,787)	—	(608,908)
(Increase) decrease in interfund receivable	28,917	(65,680)	(34,550)	—	(71,313)
(Increase) decrease in accounts receivable - other	(116,841)	(21,407)	(3,618)	(1,166)	(143,032)
Increase in accounts payable - brokers	208,532,940	—	—	—	208,532,940
Increase in accounts payable - other	143,429	—	—	—	143,429
Increase in accrued payroll	(2,239)	—	—	—	(2,239)
Increase in accrued compensated absences	(32,301)	—	—	—	(32,301)
Increase (decrease) in interfund payable	(3,909)	7,278	66,791	1,153	71,313
(Decrease) in mortgage escrow deposits	(6,355)	—	—	—	(6,355)
(Decrease) in funds held for others	(507,411)	—	—	—	(507,411)
Net cash provided by operating activities	196,539,692	1,855,339	1,139,164	1,175,866	200,710,061
Cash flows from investing activities:					
Sales of investments	4,699,083,579	8,008,396	2,498,999	3,051,649	4,712,642,623
Purchases of investments	(5,030,998,769)	(8,045,937)	(3,992,095)	(3,741,989)	(5,046,778,790)
Principal repayments on U.S. Government Agencies	88,455,272	177,291	22,372	91,122	88,746,057
Net cash used by investing activities	(243,459,918)	139,750	(1,470,724)	(599,218)	(245,390,110)

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

Year ended June 30, 1997

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from financing activities:					
Purchase of fixed assets	(750,363)	—	—	—	(750,363)
Net increase in cash and cash equivalents	(47,670,589)	1,995,089	(331,560)	576,648	(45,430,412)
Cash and cash equivalents, June 30, 1996	438,579,458	1,736,029	1,086,866	216,733	441,619,086
Cash and cash equivalents, June 30, 1997	\$ 390,908,869	\$ 3,731,118	\$ 755,306	\$ 739,381	\$ 396,188,674

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

Year ended June 30, 1997

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ —	\$ 162,495,955	\$ —	\$ —	\$ 162,495,955
Member contributions	109,623,818	—	—	—	109,623,818
Net investment income	—	—	—	871,875,359	871,875,359
Service credits purchased	1,764,000	7,126,429	—	—	8,890,429
Rental income	—	—	—	1,770,876	1,770,876
Other	—	—	—	259,096	259,096
Total additions	<u>111,387,818</u>	<u>169,622,384</u>	<u>—</u>	<u>873,905,331</u>	<u>1,154,915,533</u>
<b>DEDUCTIONS</b>					
Administrative expenses					
Contractual services	—	—	—	7,394,559	7,394,559
Personal services	—	—	—	2,153,241	2,153,241
Other operating costs	—	—	—	1,569,558	1,569,558
Employee benefits	—	—	—	734,794	734,794
Depreciation expense	—	—	—	583,989	583,989
Maintenance and repairs	—	—	—	70,696	70,696
Supplies	—	—	—	64,464	64,464
Travel	—	—	—	39,599	39,599
Total administrative expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,610,900</u>	<u>12,610,900</u>
Benefit payments	—	—	182,216,991	—	182,216,991
Refunds to terminated employees	21,486,814	—	—	—	21,486,814
Total deductions	<u>21,486,814</u>	<u>—</u>	<u>182,216,991</u>	<u>12,610,900</u>	<u>216,314,705</u>
Net increase (decrease) in net assets held in trust for pension benefits	<u>89,901,004</u>	<u>169,622,384</u>	<u>(182,216,991)</u>	<u>861,294,431</u>	<u>938,600,828</u>
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	40,667,979	—	820,626,452	(861,294,431)	—
Other transfers	(66,585,638)	(239,140)	66,824,778	—	—
Total operating transfers	<u>(25,917,659)</u>	<u>(239,140)</u>	<u>887,451,230</u>	<u>(861,294,431)</u>	<u>—</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996, as restated	<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>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1997	<u>\$ 876,634,832</u>	<u>\$ 1,607,078,956</u>	<u>\$ 2,822,051,950</u>	<u>—</u>	<u>\$ 5,305,765,738</u>

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

Year ended June 30, 1997

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ —	\$ 2,285,626	\$ —	\$ —	\$ 2,285,626
Member contributions	309,851	—	—	—	309,851
Net investment income	—	—	—	6,827,177	6,827,177
Service credits purchased	—	—	—	—	—
Rental income	—	—	—	—	—
Other	—	—	—	242,922	242,922
Total additions	309,851	2,285,626	—	7,070,099	9,665,576
<b>DEDUCTIONS</b>					
Administrative expenses	—	—	—	4,302	4,302
Contractual services	—	—	—	3,966	3,966
Personal services	—	—	—	1,185	1,185
Employee benefits	—	—	—	1,216	1,216
Depreciation expense	—	—	—	1,050	1,050
Other operating costs	—	—	—	116	116
Supplies	—	—	—	115	115
Maintenance and repairs	—	—	—	76	76
Travel	—	—	—	—	—
Total administrative expenses	—	—	—	12,026	12,026
Benefit payments	—	—	2,461,266	—	2,461,266
Refunds to terminated employees	—	—	—	—	—
Total deductions	—	—	2,461,266	12,026	2,473,292
Net increase (decrease) in net assets held in trust for pension benefits	309,851	2,285,626	(2,461,266)	7,058,073	7,192,284
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	123,814	—	6,934,259	(7,058,073)	—
Other transfers	(390,314)	(7,337)	397,651	—	—
Total operating transfers	(266,500)	(7,337)	7,331,910	(7,058,073)	—
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996, as restated</b>	2,568,243	6,976,218	23,215,377	—	32,759,838
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1997</b>	\$ 2,611,594	\$ 9,254,507	\$ 28,086,021	\$ —	\$ 39,952,122

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

Year ended June 30, 1997

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
<b>ADDITIONS</b>					
Employer contributions	\$ —	\$ 1,086,071	\$ —	\$ —	\$ 1,086,071
Member contributions	166,568	—	—	—	166,568
Net investment income	—	—	—	3,323,900	3,323,900
Service credits purchased	—	—	—	—	—
Rental income	—	—	—	—	—
Total additions	166,568	1,086,071	—	3,323,900	4,576,539
<b>DEDUCTIONS</b>					
Administrative expenses	—	—	—	2,425	2,425
Contractual services	—	—	—	2,675	2,675
Personal services	—	—	—	799	799
Employee benefits	—	—	—	820	820
Depreciation expense	—	—	—	708	708
Other operating costs	—	—	—	78	78
Supplies	—	—	—	78	78
Maintenance and repairs	—	—	—	51	51
Travel	—	—	—	—	—
Total administrative expenses	—	—	—	7,634	7,634
Benefit payments	—	—	653,661	—	653,661
Refunds to terminated employees	—	—	—	—	—
Total deductions	—	—	653,661	7,634	661,295
Net increase (decrease) in net assets held in trust for pension benefits	166,568	1,086,071	(653,661)	3,316,266	3,915,244
<b>OPERATING TRANSFERS IN (OUT)</b>					
Income fund distributed	34,657	—	3,281,609	(3,316,266)	—
Other transfers	(41,998)	—	41,998	—	—
Total operating transfers	(7,341)	—	3,323,607	(3,316,266)	—
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1996, as restated</b>					
	625,430	7,579,339	6,272,724	—	14,477,493
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, June 30, 1997</b>					
	\$ 784,657	\$ 8,665,410	\$ 8,942,670	\$ —	\$ 18,392,737

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS**  
June 30, 1997

	June 30, 1996	Additions	Deletions	June 30, 1997
<b>SOCIAL SECURITY FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 345,017	\$ 18,544	\$ —	\$ 363,561
Accrued investment income	3,006	3,309	3,006	3,309
Property and equipment, net	26,255	—	—	26,255
<b>Total assets</b>	<b>374,278</b>	<b>21,853</b>	<b>3,006</b>	<b>393,125</b>
<b>Liabilities</b>				
Due to State of New Mexico	348,023	21,853	3,006	366,870
Investment in fixed assets	26,255	—	—	26,255
<b>Total liabilities</b>	<b>374,278</b>	<b>21,853</b>	<b>3,006</b>	<b>393,125</b>
<b>STATE OF NEW MEXICO PUBLIC EMPLOYEES DEFERRED COMPENSATION FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	586,625	18,856,967	18,244,399	1,199,193
Contributions receivable	691,449	19,347,863	19,323,881	715,431
Accrued investment income	1,867	122	1,867	122
Investments, at market	130,171,337	36,033,332	10,663,320	155,541,349
Policyholder account value of universal life insurance contracts	1,047,183	221,546	—	1,268,729
Interfund transfers in transit	115,255	—	115,255	—
<b>Total assets</b>	<b>\$ 132,613,716</b>	<b>\$ 74,459,830</b>	<b>\$ 48,348,722</b>	<b>\$ 158,724,824</b>
<b>Liabilities</b>				
Accounts payable - other	95	968	95	968
Accrued compensated absences	1,060	—	1,060	—
Funds held for others	132,612,561	74,458,862	48,347,567	158,723,856
<b>Total liabilities</b>	<b>\$ 132,613,716</b>	<b>\$ 74,459,830</b>	<b>\$ 48,348,722</b>	<b>\$ 158,724,824</b>

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

June 30, 1997

	June 30, 1996	Additions	Deletions	June 30, 1997
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 931,642	\$ 18,875,511	\$ 18,244,399	\$ 1,562,754
Accrued investment income	4,873	3,431	4,873	3,431
Contributions receivable	691,449	19,347,863	19,323,881	715,431
Investments, at market	130,171,337	36,033,332	10,663,320	155,541,349
Property and equipment, net	26,255		—	26,255
Policyholder account value of universal life insurance contracts	1,047,183	221,546	—	1,268,729
Interfund transfers in transit	115,255	—	115,255	—
<b>Total assets</b>	<b>\$ 132,987,994</b>	<b>\$ 74,481,683</b>	<b>\$ 48,351,728</b>	<b>\$ 159,117,949</b>
<b>Liabilities</b>				
Accounts payable - other	95	968	\$ 95	\$ 968
Accrued compensated absences	1,060	—	1,060	—
Due to State of New Mexico	348,023	21,853	3,006	366,870
Funds held for others	132,612,561	74,458,862	48,347,567	158,723,856
Investment in fixed assets	26,255	—	—	26,255
<b>Total liabilities</b>	<b>\$ 132,987,994</b>	<b>\$ 74,481,683</b>	<b>\$ 48,351,728</b>	<b>\$ 159,117,949</b>

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

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Member Contributions	\$ 109,623,818	\$ 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
Employer Contributions	162,495,955	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
Net Investment Income	871,875,359	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
Other Income	10,920,401	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
<b>Total</b>	<b>\$1,154,915,533</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>

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

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Benefit Payments	\$ 182,216,991	\$ 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
Administrative Expenses	12,610,900	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
Refunds to Terminated Employees	21,486,814	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
Other Expenses	—	—	—	162,143	—	—	—	—	—	—
<b>Total</b>	<b>\$ 216,314,705</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>



**REVENUES BY SOURCE -  
JUDICIAL RETIREMENT FUND**

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Member Contributions	\$ 309,851	\$ 301,406	\$ 275,718	\$ 262,809	\$ 251,860	\$ 171,829	\$ 168,831	\$ 160,505	\$ 148,115	\$ 148,561
Employer Contributions	2,285,626	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
Net Investment Income	6,827,177	4,369,421	1,648,799	1,599,200	1,633,693	1,665,623	1,526,347	1,429,103	1,280,891	1,185,326
Other Income	242,922	5,252	58,770	36,469	6,963	15,398	—	—	—	—
<b>Total</b>	<b>\$ 9,665,576</b>	<b>\$ 6,595,238</b>	<b>\$ 3,866,463</b>	<b>\$ 3,622,983</b>	<b>\$ 3,623,889</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>

**EXPENSES BY TYPE -  
JUDICIAL RETIREMENT FUND**

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Benefit Payments	\$ 2,461,266	\$ 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
Administrative Expenses	12,026	13,817	16,126	13,346	12,303	7,456	9,289	12,048	5,120	13,023
Refunds to Terminated Employees	—	38,645	2,363	—	3,145	—	—	—	14,888	7,422
<b>Total</b>	<b>\$ 2,473,292</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>

**REVENUES BY SOURCE -  
MAGISTRATE RETIREMENT FUND**

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Member Contributions	\$ 166,568	\$ 164,331	\$ 174,288	\$ 159,129	\$ 152,182	\$ —	\$ —	\$ —	\$ —	\$ —
Employer Contributions	1,086,071	1,219,066	1,175,579	1,065,054	842,300	612,680	601,399	569,541	529,162	576,856
Net Investment Income	3,323,900	2,026,393	592,445	517,518	499,184	469,997	382,384	317,770	253,756	164,266
Other Income	—	—	155	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 4,576,539</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>

**EXPENSES BY TYPE -  
MAGISTRATE RETIREMENT FUND**

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Benefit Payments	\$ 653,661	\$ 550,958	\$ 392,246	\$ 228,476	\$ 151,887	\$ 78,209	\$ 49,986	\$ —	\$ —	\$ —
Administrative Expenses	7,634	10,209	13,684	12,158	13,510	9,406	8,650	10,705	1,900	1,500
Refunds to Terminated Employees	—	—	19,356	—	1,125	—	—	—	—	—
<b>Total</b>	<b>\$ 661,295</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>

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

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Employer Contributions	\$ 750,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 527,930	\$ 500,000
Net Investment Income	2,792,829	1,719,794	549,167	490,087	480,070	454,038	382,557	281,243	250,756	195,924
<b>Total</b>	<b>\$ 3,542,829</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>

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

Fiscal Year Ended June 30	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Benefit Payments	\$ 118,685	\$ 78,400	\$ 50,400	\$ 43,100	\$ 32,569	\$ 18,400	\$ 7,899	\$ —	\$ —	\$ —
Administrative Expenses	1,153	6,045	7,890	8,458	8,165	10,064	1,748	3,555	1,900	1,500
<b>Total</b>	<b>\$ 119,838</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>

*Section B*

*50<sup>th</sup>  
anniversary*

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**GABRIEL, ROEDER, SMITH & COMPANY**

**Consultants & Actuaries**

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January 27, 1998

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

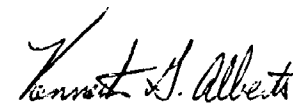

Attention: Alice Herter, Executive Director

We certify that the annual actuarial valuation as of June 30, 1997 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/alv

## 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 transfers of 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 attributable to service rendered by PERA members in the current year (normal cost); and
- Costs allocated to prior years attributable 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 30 years. This policy was adopted by the Board in October, 1996.

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 30-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 (actuarial assumptions) to the benefit provisions and member demographic information of PERA.

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. The fiscal estimates are used in combination with demographic estimates to determine the present value of amounts expected to be paid 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 by investing a pool of assets 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 30 years are outlined below:

Financing Periods		
Coverage Group	Funding Period *	Additional Funding for 30 years **
State General	40 years	1.06%
State Police/Haz. Duty	0 years	0.00%
Municipal General	30 years	0.00%
Municipal Police	10 years	0.00%
Municipal Fire	81 years	4.21%
<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 thirty 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:

	6/30/97	6/30/96	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91
PERA Aggregate	31	40	38	43	40	50	57
State General	40	44	43	52	47	54	59
State Hazardous Duty	0	0	0	0	0	3	12
Municipal General	30	41	29	33	30	39	43
Municipal Police	10	34	46	60	46	75	92
Municipal Fire	81	109	#	99+	99+	99+	99+

## PERA Funding Policy

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

Division	6/30/97	6/30/96	6/30/95	6/30/94	6/30/93	6/30/92
State General	1.06%	.30%	.24%	.62%	.38%	1.00%
State Hazardous Duty	.00%	.00%	.00%	0.0%	0.0%	.00%
Municipal General	.00%	.02%	.00%	0.0%	0.0%	.09%
Municipal Police	.00%	.00%	.26%	.73%	.26%	1.25%
Municipal Fire	4.21%	3.14%	3.65%	3.38%	2.93%	3.83%



The June 30, 1997, actuarial valuation indicates the following:

- PERA has an actuarial balance between resources and obligations;
- PERA experienced funding progress during the year ended June 30, 1997, with the funding rates increasing to 88% from 82%
- The funding progress was primarily the result of favorable fiscal experience (investment return and salary increases).
- Rates of retirement in the State General and Municipal Fire divisions partially offset the favorable fiscal experience.
- Future funding progress will be primarily determined by rates of investment earnings and salary increases. Retirement rates are expected to have a continued significant impact in all Divisions. Of lesser but important influence are mortality decreases and member withdrawals.
- The financing periods for State General and Municipal Fire are in excess of the period targeted under the Retirement Board's funding policy.
- PERA has no margin with which to absorb the obligation associated with any benefit improvement.
- Future ability to properly monitor PERA's actuarial balance is dependent upon diligence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns.