Public Employees Retirement Association of New Mexico

The Public Employees Retirement Board

as Constituted on June 30, 1994

Ex-Officio Members

David W. King
State Treasurer

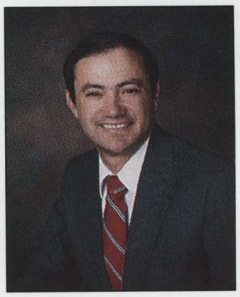
Stephanie Gonzales
Secretary of State

Judicial Liaison

Joseph E. Caldwell
District Judge
Eighth Judicial District
Taos, N.M.

Elected Members

Doug Crandall, Chair
City of Albuquerque
Municipal Member

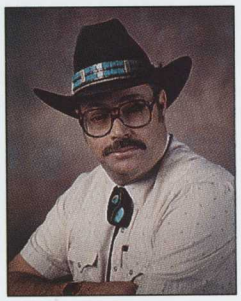


Jerry Rael, Vice Chair
State Personnel Office
State Member

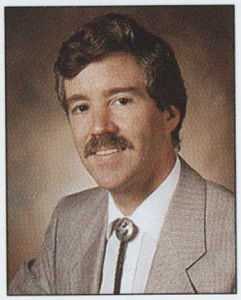
Ben J. Montoya
State Treasurer's Office
State Member

Julie Garcia
City of Albuquerque
Municipal Member

Fred Lopez
City of Santa Fe
Municipal Member



Larry Ward
Albuquerque, New Mexico
Retiree Member

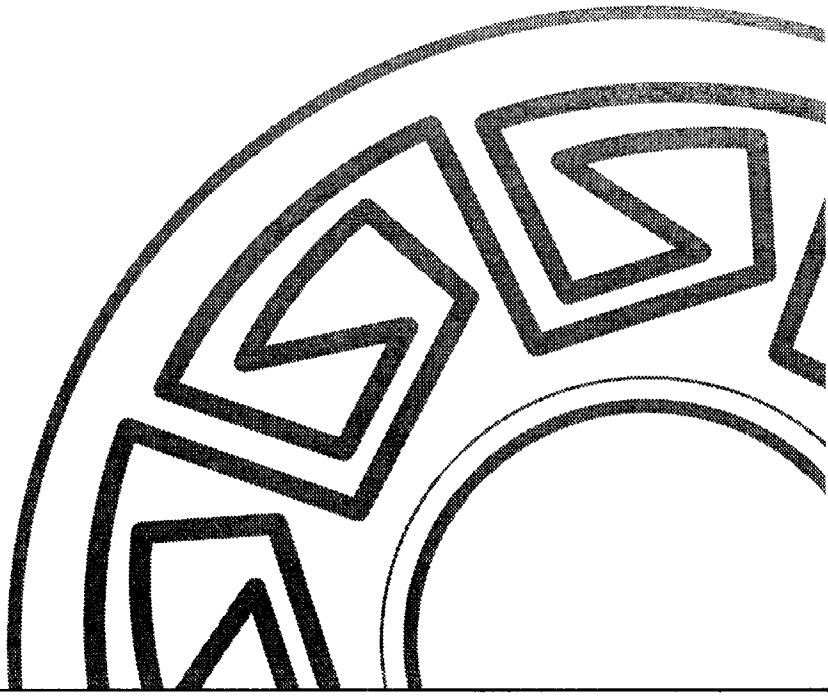


Jerry Richardson
Taxation and Revenue Dept.
State Member

Anita Hisenberg
Department of Finance
and Administration
State Member

Robert Mascareñas
County of Bernalillo
County Member

Administration



1994 Highlights

Participating employers	608
(State, County, Municipal, Judicial, Magistrate, Volunteer Fire Departments)	
Active members	44,752
Pensioners and beneficiaries	12,490
Retirement benefits	$135,157,772
Contribution refunds	$12,222,471
Contributions:	
Employer contributions	$128,530,352
Member contributions	$81,806,598
Assets	$3,122,402,381

Letter from the Board Chairman

Doug Crandall, Chair
City of Albuquerque

On behalf of the Public Employees Retirement Board, I am pleased to present the 1993-94 Annual Report. As indicated in this report, the PERA fund continues to grow and prosper. The total fund now exceeds three billion dollars; an increase of more than 30% in less than 10 years. In addition, the unfunded liabilities, in keeping with Board's policy, remained at 40 years.

Benefit enhancements approved by the legislature in 1993 and 1994 now provide for at least a 3% multiplier retirement formula available to all participating municipalities and all state employees. This benefit, which required an increase in employee contributions, ranks New Mexico as having one of the best retirement plans in the country. More importantly, however, these benefit enhancements have been reviewed by PERA's actuarial firm, and determined to be properly funded so as to be actuarially sound.

Investment income, though down from the recent double digit returns, remains in the top 30% of all public funds over the past three years. The investment plan originally adopted by the Board in 1989 and updated in 1994 should ensure that our fund continues to grow in the long term. In fact, our money managers did so well last year that each of them earned their maximum performance based fee for their work. Performance fees, which pay our money managers a premium for substantially outperforming their benchmark, are a measurement of the success of our investment return in recent years. When the money managers excel, they are paid for their good work. When they do not meet contractual expectations, their fees are considerably lower. Wilshire, Associates, PERA's investment consultants, estimate that this fee arrangement has saved us more than 4.7 million dollars in fees since its inception in 1989, while at the same time improving our investment performance substantially.

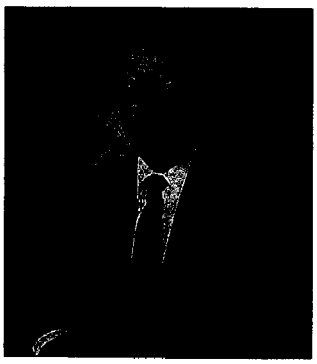
Another area of success about which the Board is extremely pleased is in the area of communication to PERA's membership. "La Voz" PERA's newsletter, is now published quarterly along with periodic special issues to deal with important topics of a timely nature. Also, a retiree newsletter is being sent to each of PERA's retirees or their beneficiaries. These newsletters are only a part of the promise of the PERA Board to continue to improve communication between the PERA Board, PERA staff and the entire PERA membership.

Other significant achievements over the past year include the initiation of an imaging system of PERA documents. This new system will allow PERA staff to call up a member's entire history as an association member almost as simply as pushing a button.

Finally, the role of the staff in the success of PERA cannot be overemphasized. Professionalism and dedication are the two words which most accurately describe PERA's staff. Without the quality, commitment and timeliness of their work, PERA would not be the unqualified success that it is. Speaking for the entire Board, I would like to offer the staff our sincere thanks for their excellent work on behalf of all the members of the Public Employees Retirement Association.

The entire PERA Board would like to take this opportunity to thank all PERA members, active and retired, for their continued interest and support of this, ***your*** retirement association. The security of your retirement fund isn't just the primary concern of the PERA Board, it is our ***only*** concern. Your input and your participation are critical to the future of PERA. I look forward to that future with great optimism and great expectations.

Letter from the Executive Secretary



Leo Griego
Executive Secretary

Dear Chairman and Members of the Board:

I am pleased to present the New Mexico Public Employee Retirement Association's Annual Report for the fiscal year ended June 30, 1994. I am proud of the achievements that were accomplished this year and will strive to continue improving service to our members and benefit recipients. Board Chairman Crandall's letter highlights some of these accomplishments. PERA's success is only made possible, however, through the efforts of a dedicated and professional staff. I, along with the PERA Board, sincerely appreciate the staff and professional consultants who worked so effectively this past year to ensure the successful operation of the Association.

Revenues, Expenses and Total Assets

The funds needed to finance retirement benefits are accumulated through contributions made by employees and employers and through investment income. Contributions and investment income for 1994 totaled $401,200,252.

The payment of retirement and survivor benefits encompasses the majority of PERA's expenses. These recurring benefit payments, along with refunds of contribution accounts to members who terminated employment and the cost of administering PERA constitute total expenses. In 1994, this totaled $155,016,374. Therefore, our total revenues exceeded expenses by $246,183,878 during 1994. Total assets increased $81,319,534 over the past year, to a balance at June 30, 1994 of $3,122,402,381.

Administrative expenses are controlled by an annual budget submitted by the Board for approval by the Legislature and represent only 0.2 percent of total assets.

Investments

PERA's investment portfolio income is a major contributor to total revenues. The PERA Board and its Investment Committee oversee the fund's investment policy, performance, and manager selection. They also approve potential investment opportunities, with advice from staff and consultants, and assess potential effects on the fund.

For the year ended June 30, 1994, the total fund had a rate of return of 0.4% on a market value basis. Additionally, the Association's annualized rate of return over the last five years was 9.06%.

Proper funding and stable investment returns are critical to the financial soundness of the Association. The favorable ratio of investment earnings to total revenue (47.1%) is an indication of the Association's continuing successful financial management.

Asset Allocation

A strategic asset allocation policy is the foundation of the Association's investment policy. 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. Examples of the fund's different asset classes include cash, bonds, domes-

tic stocks, international stocks, fixed income and mortgages. The asset allocation policy, which determines up to 90-95% of portfolio return and risk, is established by the PERA Board.

Funding - Actuarial Soundness

The most important factor for a 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 advantage of a well funded plan is that participants can see assets which are irrevocably committed to the payment of promised benefits. Although the historical level of funding for PERA is sound, we are committed to maintaining and improving this level. Funding levels for the Association's different plans are presented in the Actuarial Section of this report.

Accounting System and Internal Control

The accrual basis of accounting is used 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 date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. In developing the Association's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide ensure the safekeeping of assets and the reliability of financial records. Continual efforts are made by the Association to improve this level of assurance in order to guarantee a financially sound retirement system.

Professional Services

Independent consultants are retained by the PERA Board to perform professional services that are essential to the effective and efficient operation of the Association. The annual financial audit was performed by the accounting firm of Atkinson & Company, Ltd. under the direction of the New Mexico State Auditor and actuarial services are provided by Gabriel, Roeder, Smith & Company. Consultants are also retained to manage the fund's assets.

Acknowledgments and Comments

The production of this report reflects the combined efforts of the Association's staff and consultants under the policy direction of the PERA Board. It is intended to provide reliable information that can be used as a basis for making management decisions, as a means of determining compliance with legal provisions, and for determining responsible stewardship for the Association's assets. I also want to express my gratitude to our affiliated public employers who contribute significantly to the Association's success.

Respectfully submitted,

Leo Griego

LEO GRIEGO
Executive Secretary

PERA Staff

(As of January 1, 1995)

Officials of the Public Employees Retirement Board

Leo Griego, Executive Secretary
James H. Foley, Assistant Executive Secretary
R. Lowell Gilbert, Assistant Executive Secretary
Alice E. Herter, General Counsel
Margaret R. Phoenix, Comptroller
Jeffrey W. States, Investment Director

Francie D. Cordova, Special Assistant Attorney General

Administration
Antonia I. Armijo, Administrator III
Valerie Sandoval-Jones, Administrator III
Anna M. Martinez, Liaison Officer
Loretta E. Valencia, Financial Management Consultant

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

Benefits and Claims
Priscilla V. Kilkenny, Manager V
Marsha M. Delgado, Accounting Technician II
Vincent J. Jaramillo, Information Specialist II
Allison Kuper, Clerk Specialist
Dorothy Lynch-Sandoval, Manager IV
Beatrice Randolph, Manager IV
Nora E. Romero, Manager IV
Louis E. Scheier, Clerk Specialist
Claudine Serna, Clerk IV
Kathy A. Webb, Manager IV

Building and Grounds
Victor A. Montoya, Administrator V
Hildelisa Chavez, Custodial Worker I
Ramona Chavez, Custodial Worker I
Stella M. Garduno, Custodial Worker I
Gilbert Gurule, Custodial Worker II
Sam E. Leyba, Maintenance Worker II
David Lovato, Laborer
Jose F. Marquez, Custodial Worker I
Bobby K. Martinez, Maintenance Worker II
Joseph A. Martinez, Maintenance Worker I
Paul A. Montoya, Physical Plant Manager III
Loretta A. Noriega, Custodial Worker I
Mel Prada, Maintenance Worker II
Chris J. Romero, Maintenance Worker I
Marlene Romero, Custodial Worker I
Valentin Ulibarri, Maintenance Worker II
Pedro B. Valencia, Custodial Worker I

Contribution Accounting
Herbert Romero, Manager V
Joseph W. Maes, Financial Specialist III
Liz Montoya, Financial Specialist I
Frances A. Porterfield, Administrative Assistant
Joyce Rivera, Financial Specialist I

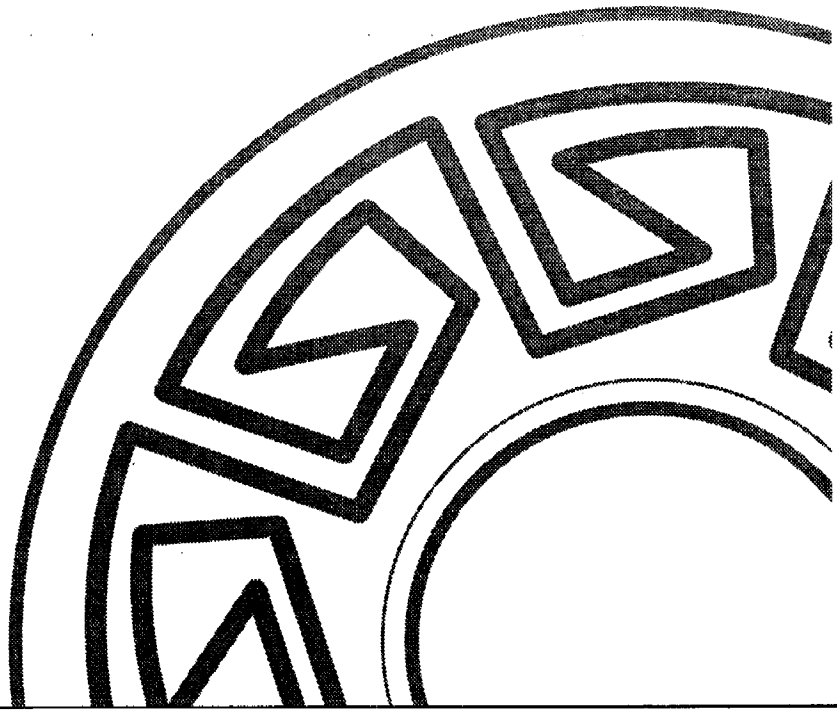
Information Systems
Fermin R. Montoya, Data Processing Manager I
Lynn P. Bower, Systems Analyst Manager
William N. Giesler, Financial Specialist II
Michael A. Gonzales, Programmer Analyst II
Raphael Gonzales, Systems Analyst
Kevin W. Payne, Systems Analyst Manager
James P. Risinger, Programmer Analyst II
Regina B. Sanchez, Programmer Analyst I
Jeremy C. Schofield, Computer Operator I
Robert G. Turner, Systems Analyst

Investments
Selma A. Arnold, Administrator II
Pete E. Roybal, Financial Specialist III
Judy F. Toomey, Investment Officer II
Lorraine B. Ward, Investment Officer Principle

Office of Legal Counsel
Laura C. Harper, Assistant General Counsel
Barbara Montoya, Secretary III
Judy A. Olson, Administrator III

Records
Mark Sanchez, Administrator III
Alex F. Coriz, Clerk II
Louis Melendez, Clerk II
Erlinda Roybal, Clerk Specialist
Robert C. Salazar, Clerk II
Denise Vialpando, Key Entry Operator II

Introduction



About PERA

A Historical Perspective

The Public Employees Retirement Act was established by the New Mexico Legislature on August 1, 1947. At that time, members were required to contribute 3.5% of their gross salary and their employer matched with an equal amount. The maximum annuity any member could expect to receive was $150 per month. There were no death-in-line-of-duty survivor benefits available.

In 1953, the law was repealed and reenacted. Contributions were increased to 5% of gross salary for employees and matching employer contributions. Police and firemen contributions were increased to 7%. The increase provided for an annuity of $200 maximum per month plus $50 for members with 30 or more years of service credit.

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

Today, PERA administers four cost-sharing multiple-employer public employee retirement systems providing pension benefits for employees of state government and covered governmental units. As of June 30, 1994, these retirement systems recorded 12,490 annuity recipients with an annual pension payroll of $135,157,772.

Summary of Plan Provisions

Membership

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

Contributions by Members and Employers

The contribution requirements by members and affiliated public employees are outlined on the following page.

Vested Membership

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

Cost-of-Living Adjustments

Pensions are increased 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.

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 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	7%	7%	2%	60%
Coverage Plan 1	9.15%	9.15%	2.5%	75%
Coverage Plan 2				
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

Normal Retirement Pension Amount

The amount of normal retirement pension is based on:

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

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

Post 7-1-80 Plan: 37.5% of final salary plus 3.75% of final salary for each year of service in excess of 5 years. Maximum is 75% of final salary with 15 or more years of service.

The Magistrate Retirement System

Normal Retirement Pension Amount

The amount of normal retirement pension is based on:

- Final salary, which is the judge's salary received during the last 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 Fire Fighters' Retirement System

Normal Retirement Pension Amount

The amount of normal retirement pension is $200 for a volunteer non-salaried fire fighter with 25 or more years of service, payable monthly during the remainder of his/her life; or $100 for a volunteer non-salaried fire fighter with 10 or more years of service, payable monthly during the remainder of his/her life.

Services

Retirement Legislation

After several years of advocating substantial legislative changes, PERA had a relatively light legislative package in 1994.

The PERA Board supported legislation allowing state employees to vote on an improved retirement pension. This legislation which was introduced and passed established two new coverage plans for state employees: one covering general members and the other for state hazardous duty members (correctional officers). The proposed new coverage plans improved the pension factor from 2.5 percent to 3 percent for both state general members and correctional officers. Under that legislation, additional contributions of 1.24% of a state general member's salary and .78% of a correctional officer's salary were required in order to assure that the proposed benefit was actuarially sound.

In September, an overwhelming majority of PERA members voted for the new coverage plans. With the increased pension factor, employees can reach a maximum pension of 80% at 26 years and 8 months of service. The maximum pension for correctional officers will remain at 100 percent of their final average salary. However, correctional officers will be eligible for the maximum pension with 33 years and 4 months of service credit.

PERA's policy over recent years has been that it will only sponsor and support pension benefit changes that are financially and actuarially sound. The Legislature continues to support PERA in this regard. This legislative support has been critical in ensuring that PERA's financial progress is not eroded and that our retirement system remains healthy and able to meet its future benefit obligations.

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 balances.

Individual Counseling: PERA representatives are available to counsel members at locations throughout the state.

Newsletters: Approximately 45,000 copies of the PERA newsletter, La Voz, are distributed to members each quarter. The La Voz Retiree Version is sent out to more than 12,000 retirees. La Voz is disseminated in order to inform members legislative updates, investments, counseling schedules and other important matters.

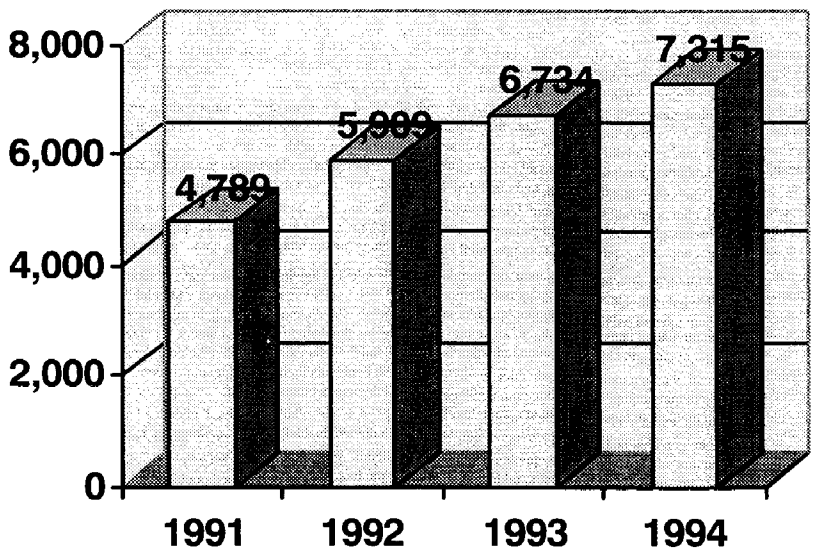
Deferred Compensation

The enactment of Section 10-7A-1, et seq., NMSA 1978, provided for the implementation of the PERA - Deferred Compensation Plan as described in Section 457 of the Internal Revenue Code.

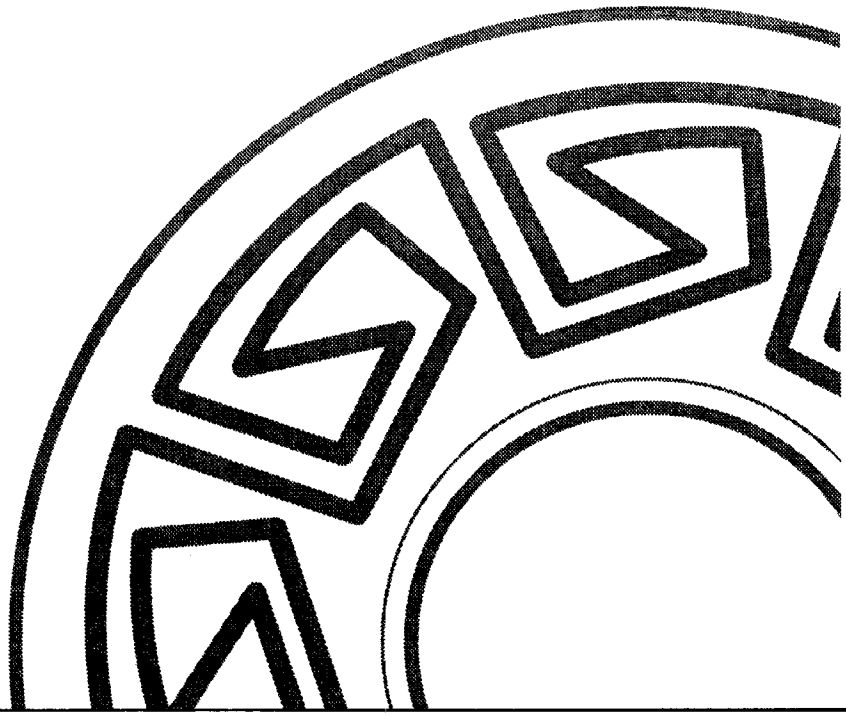
The PERA Deferred Compensation Plan allows members of the Retirement Systems and other eligible public employees to participate in this tax-deferred savings plan. As a general rule, an eligible employee may voluntarily defer up to the lesser of $7,500 or 25% of salary, with a $10 minimum per pay period.

There are currently 7,315 contributing participants, with a total deferral of $3,752,541. As of June 30, 1994, total assets were $90,860,232.

Deferred Compensation Enrollments



Investments



Investments

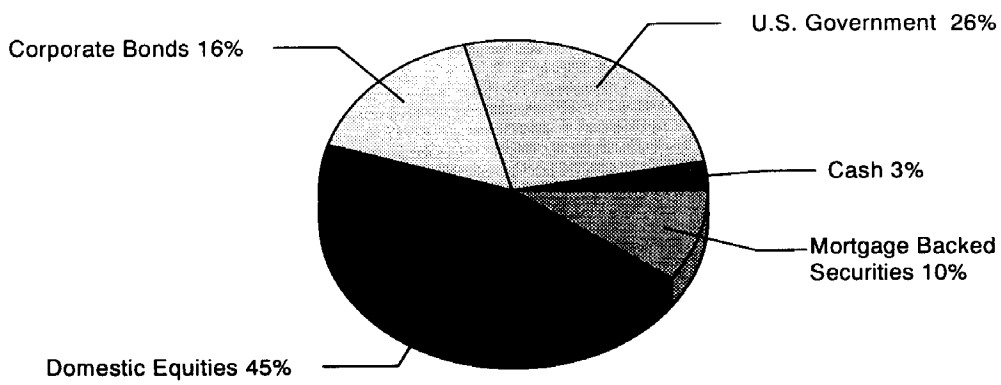
Under the direction of the Public Employees Retirement Board and the Executive Secretary, the Investment Division administers investment programs for each of the retirement programs. The PERA Retirement Fund, with assets having a market value exceeding 3 billion dollars, is the largest of the separate investment trusts. Investments are also administered for three additional separate trust funds: the Volunteer Fire Fighters Fund, with market value assets of 8.2 million dollars; the Judicial Fund, with market value assets of 24.8 million dollars; and the Magistrate Fund with market value assets of 8.8 million dollars.

The PERA Investment Asset Allocation as of June 30, 1994, is shown in the graph below. The Board has adopted a policy for the asset allocation for this fund which gradually shifts toward a 55% allocation to equities, including a 10% allocation to international equities.

The asset allocation for the other three funds as of June 30, 1994, is shown on the following pages.

PERA Retirement Fund

Asset Allocation - June 30, 1994



Investment Management - Other Trust Funds

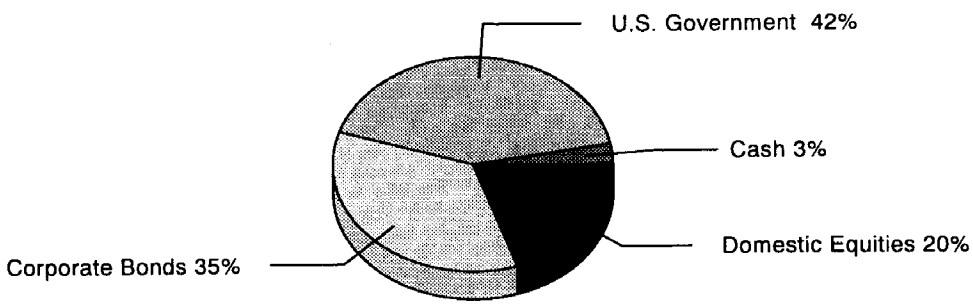
The investments in the Volunteer Fire Fighters, Judicial and Magistrate Funds are managed by PERA staff. The Funds are invested in fixed income securities with maturities generally less than ten years in a buy and hold strategy and in domestic stocks through participation in a S&P 500 index fund. The Funds performance is measured against the Lehman Intermediate Government Corporate Index.

PERA's total fund returned .4% for the fiscal year ending June 30, 1994 versus its policy benchmark return of .16%. This slightly better than policy performance can be attributed to the fixed income sector. Equity underperformed the market return of 1.4% with a return of 1.2%, while bonds outperformed the broad bond market with returns of -.5% when compared to the Lehman Aggregate Bond Index. For the three-year period ending June 30, 1994, PERA earned 9.1%, outperforming its policy benchmark return of 8.7%. The fund experienced market rate or better performance in all asset classes.

Relative to universe public retirement funds, the PERA total fund has done well by ranking in the top half of funds over most time periods and the 21st percentile over the past quarter.

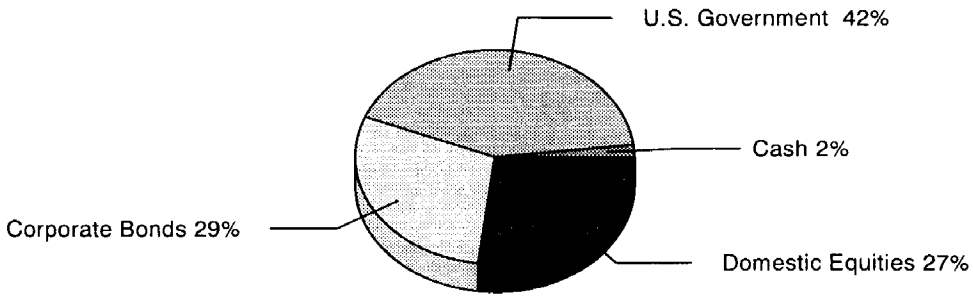
Judicial Retirement Fund

Asset Allocation - June 30, 1994



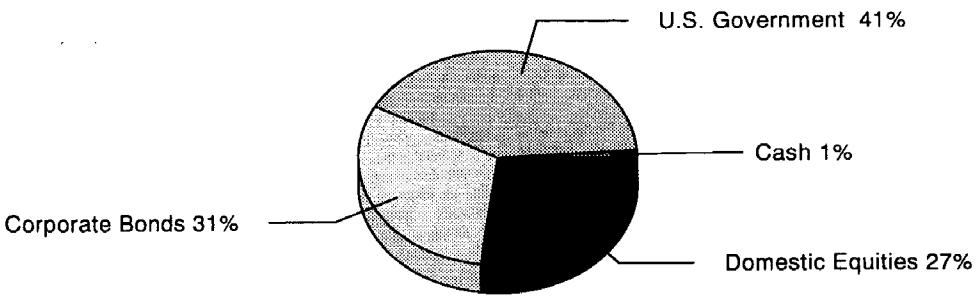
Magistrate Retirement Fund

Asset Allocation - June 30, 1994



Fire Fighters Retirement Fund

Asset Allocation - June 30, 1994



Financial Section

The following financial pages are excerpts from PERA's audited financial statements for the fiscal year ended June 30, 1994. A complete copy of the audited financial statements (upon which PERA received an unqualified opinion) is available in the Administrative Services Division.

COMBINING BALANCE SHEET - PENSION TRUST FUNDS

June 30, 1994

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
ASSETS					
Cash and cash equivalents	$ 91,687,772	$ 939,384	$ 202,402	$ 102,789	$ 92,932,347
Accrued investment income	22,829,431	293,337	104,665	104,464	23,331,897
Accounts receivable - brokers	71,203,410	-	-	-	71,203,410
Accounts receivable - other	136,132	4,716	542	332	141,722
Contributions receivable	9,758,385	26,133	693,490	-	10,478,008
Interfund receivable	9,691	126,485	54,745	51,998	242,919
Investments, at cost	2,881,133,628	23,047,941	8,023,927	7,418,853	2,919,624,349
Investment in building, net	2,723,033	-	-	-	2,723,033
Property and equipment, net	1,724,696	-	-	-	1,724,696
Total assets	3,081,206,178	24,437,996	9,079,771	7,678,436	3,122,402,381
LIABILITIES					
Accounts payable - brokers	249,659,552	-	-	-	249,659,552
Accounts payable - other	1,115,805	-	2,104	-	1,117,909
Accrued payroll	81,614	-	-	-	81,614
Accrued compensated absences	125,687	-	-	-	125,687
Interfund payable	233,228	6,257	2,965	469	242,919
Mortgage escrow deposits	80,134	-	-	-	80,134
Funds held for others	1,572,250	-	-	-	1,572,250
Total liabilities	252,868,270	6,257	5,069	469	252,880,065
NET ASSETS AVAILABLE FOR BENEFITS	$ 2,828,337,908	$ 24,431,739	$ 9,074,702	$ 7,677,967	$ 2,869,522,316
FUND BALANCE					
Total actuarial present value of credited projected benefits	$ 3,641,319,972	$ 36,730,736	$ 11,620,521	$ 7,228,704	$ 3,696,899,933
Reserved for encumbrances fiscal year 1994	515,027	-	-	-	515,027
State legislator member coverage plan assets	2,259,295	-	-	-	2,259,295
Net (unfunded) overfunded actuarial present value of credited projected benefits	(815,756,386)	(12,298,997)	(2,545,819)	449,263	(830,151,939)
TOTAL FUND BALANCE	$ 2,828,337,908	$ 24,431,739	$ 9,074,702	$ 7,677,967	$ 2,869,522,316

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

Year ended June 30, 1994

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
OPERATING REVENUES					
Employer contributions	$ 125,240,793	$ 1,724,505	$ 1,065,054	$ 500,000	$ 128,530,352
Member contributions	81,384,660	262,809	159,129	-	81,806,598
Interest income	110,634,438	1,376,530	442,924	413,762	112,867,654
Net gains from sale of investments	41,019,387	96,185	19,849	24,327	41,159,748
Dividend income	32,446,245	126,485	54,745	51,998	32,679,473
Service credits purchased	1,912,356	36,469	-	-	1,948,825
Rental income	1,896,421	-	-	-	1,896,421
Other	311,181	-	-	-	311,181
Total operating revenues	394,845,481	3,622,983	1,741,701	990,087	401,200,252
OPERATING EXPENSES					
Benefit payments	133,160,027	1,726,169	228,476	43,100	135,157,772
Contract adjustments	162,143	-	-	-	162,143
Refunds to terminated employees	12,222,471	-	-	-	12,222,471
Administrative expenses	7,440,026	13,346	12,158	8,458	7,473,988
Total operating expenses	152,984,667	1,739,515	240,634	51,558	155,016,374
Net increase in fund balance	241,860,814	1,883,468	1,501,067	938,529	246,183,878
Fund balance, June 30, 1993, as previously reported	2,581,942,961	22,526,241	7,560,621	6,739,438	2,618,769,261
Prior period adjustment	4,534,133	22,030	13,014	-	4,569,177
FUND BALANCE, JUNE 30, 1993, as restated	2,586,477,094	22,548,271	7,573,635	6,739,438	2,623,338,438
FUND BALANCE, JUNE 30, 1994	$ 2,828,337,908	$ 24,431,739	$ 9,074,702	$ 7,677,967	$ 2,869,522,316

COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS

Year ended June 30, 1994

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from operating activities:					
Net increase in fund balance	$ 241,860,814	$ 1,883,468	$ 1,501,067	$ 938,529	$ 246,183,878
Adjustments to reconcile net increase in fund balance to net cash provided by operating activities					
Depreciation	430,491	809	724	-	432,024
Depreciation allocation	1,533	(809)	(724)	-	-
Net gains from sale of investments	(41,019,387)	(96,185)	(19,849)	(24,327)	(41,159,748)
Net accretion on investments	(5,369,948)	-	-	-	(5,369,948)
(Increase) decrease in accrued investment income	(274,933)	(333)	(1,880)	9,347	(267,799)
Decrease in accounts receivable - broker	69,153,710	-	-	-	69,153,710
(Increase) in contributions receivable	(1,464,178)	(4,103)	(680,476)	-	(2,148,757)
(Increase) decrease in interfund receivable	1,217	(126,485)	16,871	(51,998)	(160,395)
(Increase) in accounts receivable - other	(136,132)	(4,716)	(542)	(332)	(141,722)
(Decrease) in accounts payable - brokers	(167,413,481)	-	-	-	(167,413,481)
Decrease in accounts payable - other	(1,635,134)	-	-	-	(1,635,134)
Increase in accrued payroll	12,107	-	-	-	12,107
Increase in accrued compensated absences	18,245	-	-	-	18,245
Increase (decrease) in interfund payable	233,228	(70,497)	(701)	469	162,499
Increase in mortgage escrow deposits	2,115	-	-	-	2,115
Decrease in funds held for others	(579,871)	-	-	-	(579,871)
Net cash provided by operating activities	93,820,396	1,581,149	814,490	871,688	97,087,723
Cash flows from investing activities:					
Sales of investments	4,811,038,551	8,095,886	2,155,554	2,136,635	4,823,426,626
Purchases of investments	(5,316,638,503)	(10,981,300)	(4,705,458)	(3,595,954)	(5,335,921,215)
Principal repayments on U.S. Government Agencies	126,624,965	1,208,565	864,922	387,914	129,086,366
Net cash used by investing activities	(378,974,987)	(1,676,849)	(1,684,982)	(1,071,405)	(383,408,223)

COMBINING STATEMENT OF CASH FLOWS - PENSION TRUST FUNDS - CONTINUED

Year ended June 30, 1994

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash flows from financing activities:					
Purchase of fixed assets	(314,017)	-	-	-	(314,017)
Net decrease in cash and cash equivalents	(285,468,608)	(95,700)	(870,492)	(199,717)	(286,634,517)
Cash and cash equivalents, June 30, 1993	377,156,380	1,035,084	1,072,894	302,506	379,566,864
Cash and cash equivalents, June 30, 1994	$ 91,687,772	$ 939,384	$ 202,402	$ 102,789	$ 92,932,347

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

Year ended June 30, 1994

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
OPERATING REVENUES					
Employer contributions	$ -	$ 125,240,793	$ -	$ -	$ 125,240,793
Member contributions	81,384,660	-	-	-	81,384,660
Interest income	-	-	-	110,634,438	110,634,438
Net gains from sale of investments	-	-	-	41,019,387	41,019,387
Dividend income	-	-	-	32,446,245	32,446,245
Service credits purchased	1,297,573	614,783	-	-	1,912,356
Rental income	-	-	-	1,896,421	1,896,421
Other	-	-	-	311,181	311,181
Total operating revenues	82,682,233	125,855,576	-	186,307,672	394,845,481
OPERATING EXPENSES					
Administrative expenses					
Contractual services	-	-	-	3,584,975	3,584,975
Personal services	-	-	-	1,758,811	1,758,811
Other operating costs	-	-	-	766,371	766,371
Employee benefits	-	-	-	560,567	560,567
Depreciation expense	-	-	-	430,491	430,491
Maintenance and repairs	-	-	-	260,109	260,109
Supplies	-	-	-	48,950	48,950
Travel	-	-	-	29,752	29,752
Total administrative expenses	-	-	-	7,440,026	7,440,026
Benefit payments	-	-	133,160,027	-	133,160,027
Contract adjustments	-	-	162,143	-	162,143
Refunds to terminated employees	12,222,471	-	-	-	12,222,471
Total operating expenses	12,222,471	-	133,322,170	7,440,026	152,984,667
Net operating income (loss)	70,459,762	125,855,576	(133,322,170)	178,867,646	241,860,814
OPERATING TRANSFERS IN (OUT)					
Income fund distributed	29,522,909	-	149,344,737	(178,867,646)	-
Other transfers	(31,871,746)	(216,170,368)	248,042,114	-	-
Total operating transfers	(2,348,837)	(216,170,368)	397,386,851	(178,867,646)	-
FUND BALANCE, JUNE 30, 1993, as restated	568,746,453	483,566,476	1,534,164,165	-	2,586,477,094
FUND BALANCE, JUNE 30, 1994	$ 636,857,378	$ 393,251,684	$ 1,798,228,846	$ -	$ 2,828,337,908

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

Year ended June 30, 1994

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
OPERATING REVENUES					
Employer contributions	$ -	$ 1,724,505	$ -	$ -	$ 1,724,505
Member contributions	262,809	-	-	-	262,809
Interest income	-	-	-	1,376,530	1,376,530
Net gains from sale of investments	-	-	-	96,185	96,185
Dividend income	-	-	-	126,485	126,485
Service credits purchased	14,133	22,336	-	-	36,469
Rental income	-	-	-	-	-
Other	-	-	-	-	-
Total operating revenues	276,942	1,746,841	-	1,599,200	3,622,983
OPERATING EXPENSES					
Administrative expenses					
Contractual services	-	-	-	8,410	8,410
Personal services	-	-	-	2,503	2,503
Other operating costs	-	-	-	696	696
Employee benefits	-	-	-	755	755
Depreciation expense	-	-	-	809	809
Maintenance and repairs	-	-	-	72	72
Supplies	-	-	-	57	57
Travel	-	-	-	44	44
Total administrative expenses	-	-	-	13,346	13,346
Benefit payments	-	-	1,726,169	-	1,726,169
Refunds to terminated employees	-	-	-	-	-
Total operating expenses	-	-	1,726,169	13,346	1,739,515
Net operating income (loss)	276,942	1,746,841	(1,726,169)	1,585,854	1,883,468
OPERATING TRANSFERS IN (OUT)					
Income fund distributed	92,631	-	1,493,223	(1,585,854)	-
Other transfers	(345,122)	(332,430)	677,552	-	-
Total operating transfers	(252,491)	(332,430)	2,170,775	(1,585,854)	-
FUND BALANCE, JUNE 30, 1993, as restated	1,960,471	1,930,450	18,657,350	-	22,548,271
FUND BALANCE, JUNE 30, 1994	$ 1,984,922	$ 3,344,861	$ 19,101,956	$ -	$ 24,431,739

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

Year ended June 30, 1994

	Member Contribution Fund	Employer Accumulation Fund	Retirement Reserve Fund	Income Fund	Total
OPERATING REVENUES					
Employer contributions	$ -	$ 1,065,054	$ -	$ -	$ 1,065,054
Member contributions	159,129	-	-	-	159,129
Interest income	-	-	-	442,924	442,924
Net gains from sale of investments		-	-	19,849	19,849
Dividend income	-	-	-	54,745	54,745
Service credits purchased	-	-	-	-	-
Rental income	-	-	-	-	-
Other	-	-	-	-	-
Total operating revenues	159,129	1,065,054	-	517,518	1,741,701
OPERATING EXPENSES					
Administrative expenses					
Contractual services	-	-	-	7,742	7,742
Personal services	-	-	-	2,239	2,239
Other operating costs	-	-	-	622	622
Employee benefits	-	-	-	676	676
Depreciation expense	-	-	-	724	724
Maintenance and repairs	-	-	-	65	65
Supplies	-	-	-	51	51
Travel	-	-	-	39	39
Total administrative expenses	-	-	-	12,158	12,158
Benefit payments	-	-	228,476	-	228,476
Refunds to terminated employees	-	-	-	-	-
Total operating expenses	-	-	228,476	12,158	240,634
Net operating income (loss)	159,129	1,065,054	(228,476)	505,360	1,501,067
OPERATING TRANSFERS IN (OUT)					
Income fund distributed	11,663	-	493,697	(505,360)	-
Other transfers	(7,860)	(1,084,945)	1,092,805	-	-
Total operating transfers	3,803	(1,084,945)	1,586,502	(505,360)	-
FUND BALANCE, JUNE 30, 1993, as restated	154,905	5,639,217	1,779,513	-	7,573,635
FUND BALANCE, JUNE 30, 1994	$ 317,837	$ 5,619,326	$ 3,137,539	$ -	$ 9,074,702

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

June 30, 1994

	June 30, 1993	Additions	Deletions	June 30, 1994
SOCIAL SECURITY FUND				
Assets				
Cash and cash equivalents	$ 302,077	$ 9,740	$ -	$ 311,817
Accrued investment income	753	1,060	753	1,060
Property and equipment, net	26,255	-	-	26,255
Total assets	$ 329,085	$ 10,800	$ 753	$ 339,132
Liabilities				
Due to State of New Mexico	$ 302,830	$ 10,800	$ 753	$ 312,877
Investment in fixed assets	26,255	-	-	26,255
Total liabilities	$ 329,085	$ 10,800	$ 753	$ 339,132
STATE OF NEW MEXICO PUBLIC EMPLOYEES DEFERRED COMPENSATION FUND				
Assets				
Cash and cash equivalents	$ 479,708	$ 13,211,861	$ 13,202,685	$ 488,884
Contributions receivable	39,589	13,119,571	13,144,924	14,236
Investments, at market	76,388,975	18,167,080	4,789,921	89,766,134
Policyholder account value of universal life insurance contracts	413,886	177,092	-	590,978
Total assets	$ 77,322,158	$ 44,675,604	$ 31,137,530	$ 90,860,232
Liabilities				
Accounts payable - other	$ 951	$ 1,731	$ 951	$ 1,731
Accrued payroll	1,017	1,137	1,017	1,137
Accrued compensated absences	1,060	-	-	1,060
Funds held for others	77,319,130	44,672,736	31,135,562	90,856,304
Total liabilities	$ 77,322,158	$ 44,675,604	$ 31,137,530	$ 90,860,232

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

June 30, 1994

	June 30, 1993	Additions	Deletions	June 30, 1994
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	$ 781,785	$ 13,221,601	$ 13,202,685	$ 800,701
Accrued investment income	753	1,060	753	1,060
Contributions receivable	39,589	13,119,571	13,144,924	14,236
Investments, at market	76,388,975	18,167,080	4,789,921	89,766,134
Property and equipment, net	26,255	-	-	26,255
Policyholder account value of universal life insurance contracts	413,886	177,092	-	590,978
Total assets	$ 77,651,243	$ 44,686,404	$ 31,138,283	$ 91,199,364
Liabilities				
Accounts payable - other	$ 951	$ 1,731	$ 951	$ 1,731
Accrued payroll	1,017	1,137	1,017	1,137
Accrued compensated absences	1,060	-	-	1,060
Due to State of New Mexico	302,830	10,800	753	312,877
Funds held for others	77,319,130	44,672,736	31,135,562	90,856,304
Investment in fixed assets	26,255	-	-	26,255
Total liabilities	$ 77,651,243	$ 44,686,404	$ 31,138,283	$ 91,199,364

Revenues by Source
Public Employees Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Member Contributions	$ 81,384,660	$ 71,814,306	$ 67,487,775	$ 62,780,037	$ 58,148,231	$ 53,769,793	$ 50,728,008	$ 40,738,342	$ 36,514,084	$ 36,582,060
Employer Contributions	125,240,793	117,424,895	111,127,910	102,529,079	96,224,188	89,317,498	87,172,940	76,393,672	68,587,191	58,912,491
Investment Income	184,100,070	248,727,714	194,575,516	142,688,089	150,974,446	146,073,719	113,641,429	157,306,320	132,692,635	91,173,353
Other Income	4,119,958	3,094,660	2,267,236	2,368,234	2,951,853	2,349,062	1,393,554	710,200	736,757	516,309
Total	**$394,845,481**	**$441,061,575**	**$375,458,437**	**$310,365,439**	**$308,298,718**	**291,510,072**	**$252,935,931**	**$275,148,534**	**$238,530,667**	**$187,184,213**

Expenses By Type
Public Employees Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Benefit Payments	$ 133,160,027	$ 120,159,284	$ 107,736,470	$ 97,661,350	$ 88,755,420	$ 83,020,533	$ 66,663,753	$ 53,860,576	$ 43,052,646	$ 35,712,616
Administrative Expenses	7,440,026	6,229,813	6,020,866	5,277,510	8,218,855	5,987,853	18,799,173	4,701,477	3,925,990	3,078,500
Refunds to Terminated Employees	12,222,471	14,911,184	14,015,395	13,935,785	14,166,265	12,337,706	11,546,800	11,021,771	10,858,681	11,115,243
Other Expenses	162,143									
Total	**$152,984,667**	**$141,300,281**	**$127,772,731**	**$116,874,645**	**$111,140,540**	**$101,346,092**	**$97,009,726**	**$69,583,824**	**$57,837,317**	**$49,906,359**

Revenues by Source
Judicial Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Member Contributions	$ 262,809	$251,860	$ 171,829	$ 168,831	$ 160,505	$ 148,115	$ 148,561	$ 166,870	$ 135,381	$ 123,180
Employer Contributions	1,724,505	1,736,373	1,329,265	1,364,026	2,156,855	1,347,115	1,306,171	906,727	893,580	749,014
Investment Income	1,599,200	1,633,693	1,665,623	1,526,347	1,429,103	1,280,891	1,185,326	1,149,483	1,131,318	1,044,918
Other Income	36,469	6,963	15,398	—	—	—	—	—	—	—
Total	**$3,622,983**	**$3,628,889**	**$3,182,115**	**$3,059,204**	**$3,746,463**	**$2,776,121**	**$2,640,058**	**$2,223,080**	**$2,160,279**	**$1,917,112**

Expenses By Type
Judicial Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Benefit Payments	$ 1,726,169	$ 1,692,594	$ 1,703,619	$ 1,527,861	$ 1,543,485	$ 1,294,161	$ 1,126,404	$ 1,019,206	$ 899,036	$ 800,812
Administrative Expenses	13,346	12,303	7,456	9,289	12,048	5,120	13,023	13,264	12,291	13,017
Refunds to Terminated Employees	—	3,145	—	—	—	14,888	7,422	1,997	24,216	13,813
Total	**$1,739,515**	**$1,708,042**	**$1,711,075**	**$1,537,150**	**$1,555,533**	**$1,314,169**	**$1,146,849**	**$1,034,467**	**$935,543**	**$827,642**

Revenues by Source
Magistrate Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Member Contributions	$ 159,129	$152,182	—	—	—	—	—	—	—	—
Employer Contributions	1,065,054	842,300	612,680	601,399	569,541	529,162	576,856	511,271	615,971	583,599
Investment Income	517,518	499,184	469,997	382,384	317,770	253,756	164,266	125,232	76,770	20,693
Total	**$1,741,701**	**$1,493,666**	**$1,082,677**	**$983,783**	**$887,311**	**$782,918**	**$741,122**	**$636,503**	**$692,741**	**$604,292**

Expenses By Type
Magistrate Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Benefit Payments	$ 228,476	$ 151,887	$ 78,209	$49,986	—	—	—	—	—	—
Administrative Expenses	12,158	13,510	9,406	8,650	10,705	1,900	1,500	500	4,000	—
Refunds to Terminated Employees	—	1,125	—	—	—	—	—	—	—	—
Total	**$240,634**	**$166,522**	**$87,615**	**$58,636**	**$10,705**	**$1,900**	**$1,500**	**$500**	**$4,000**	—

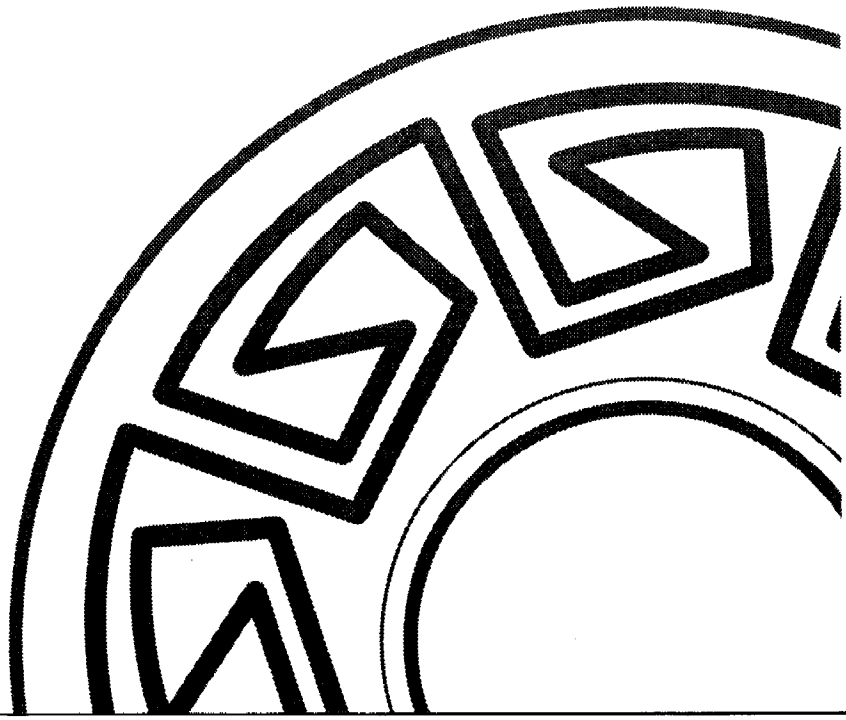
Revenues by Source
Volunteer Firefighters Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Member Contributions	—	—	—	—	—	—	—	—	—	—
Employer Contributions	500,000	500,000	500,000	500,000	500,000	527,930	500,000	500,000	500,000	500,000
Investment Income	490,087	480,070	454,038	382,557	281,243	250,756	195,924	121,094	84,429	47,697
Total	**$990,087**	**$980,070**	**$954,038**	**$882,557**	**$781,243**	**$778,686**	**$695,924**	**$621,094**	**$584,429**	**$547,697**

Expenses By Type
Volunteer Firefighters Retirement Fund

Fiscal Year Ended June 30	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
Benefit Payments	$ 43,100	$ 32,569	$ 18,400	$7,899	—	—	—	—	—	—
Administrative Expenses	8,458	8,165	10,064	1,748	3,555	1,900	1,500	500	—	—
Refunds to Terminated Employees	—	—	—	—	—	—	—	—	—	—
Total	**$51,558**	**$40,734**	**$28,464**	**$9,647**	**$3,555**	**$1,900**	**$1,500**	**$500**	—	—

Actuarial Section



GABRIEL, ROEDER, SMITH & COMPANY
Actuaries & Consultants

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

January 6, 1994

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

Attention: Leo Griego, Executive Secretary

We certify that the annual actuarial valuation as of June 30, 1994 of the Public Employees Retirement Association of New Mexico was made in accordance with recognized actuarial methods.

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

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

Respectfully submitted,

Sandra W. Rodwan Ronald J. W. Smith

SWR:ct

Actuarial Assumptions

Summary of Actuarial Assumptions for the Four PERA 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
- administrative and investment expenses incurred in the operation of PERA

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

- member contributions (fixed statutory rates)
- affiliated public employer contributions (fixed statutory rates)
- investments earnings on PERA assets

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

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

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

The actuarial valuation measures:

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

Fiscal Estimates

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

- 8% nominal rate of investment return
- 5% inflation
- 3% post retirement benefit increases
- 5% wage increases

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

Financing Periods

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:

Coverage Group	Funding Period *	Additional Funding for 40 years **
State General	52 years	0.62%
State Police/ Haz. Duty	0 years	0.00%
Municipal General	33 years	0.00%
Municipal Police	60 years	0.73%
Municipal Fire	99+ years	3.38%

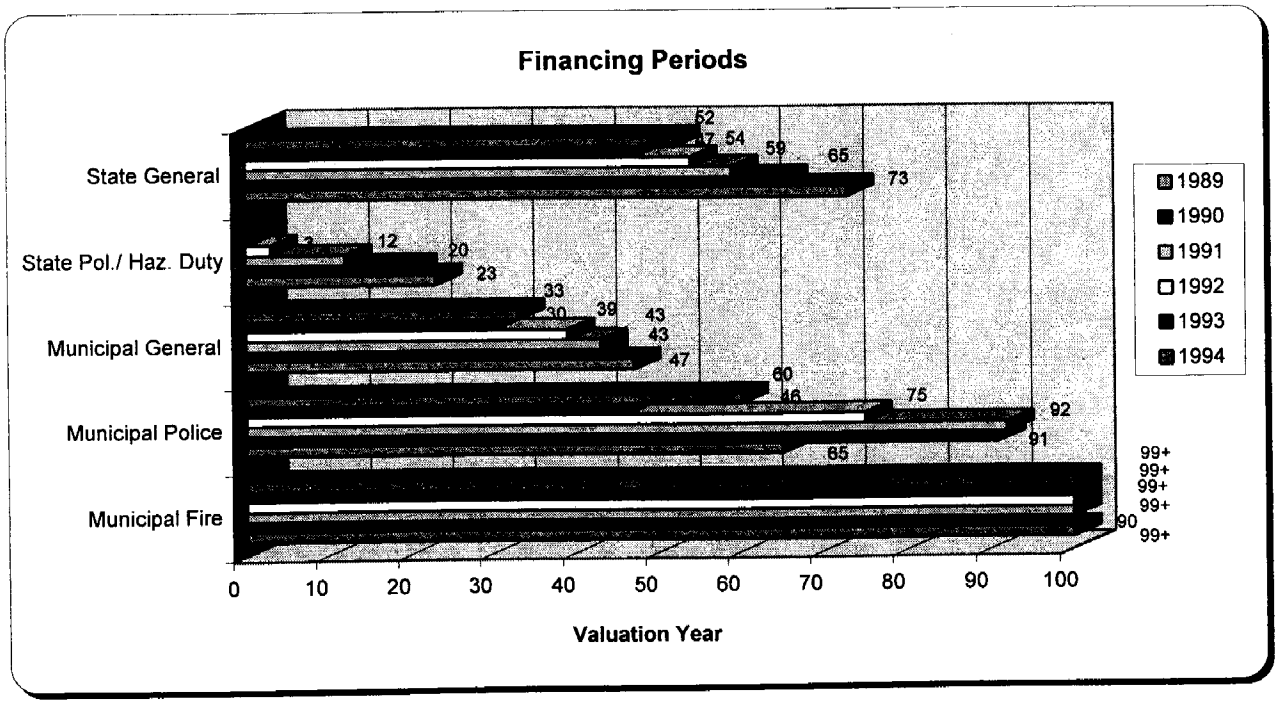
* The number of years needed to finance the unfunded actuarial accrued liability with current statutory contribution rates.

** The additional contributions (percents of payroll) needed to immediately reduce the funding period to forty years, to meet Board policy.

PERA Financing Periods

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

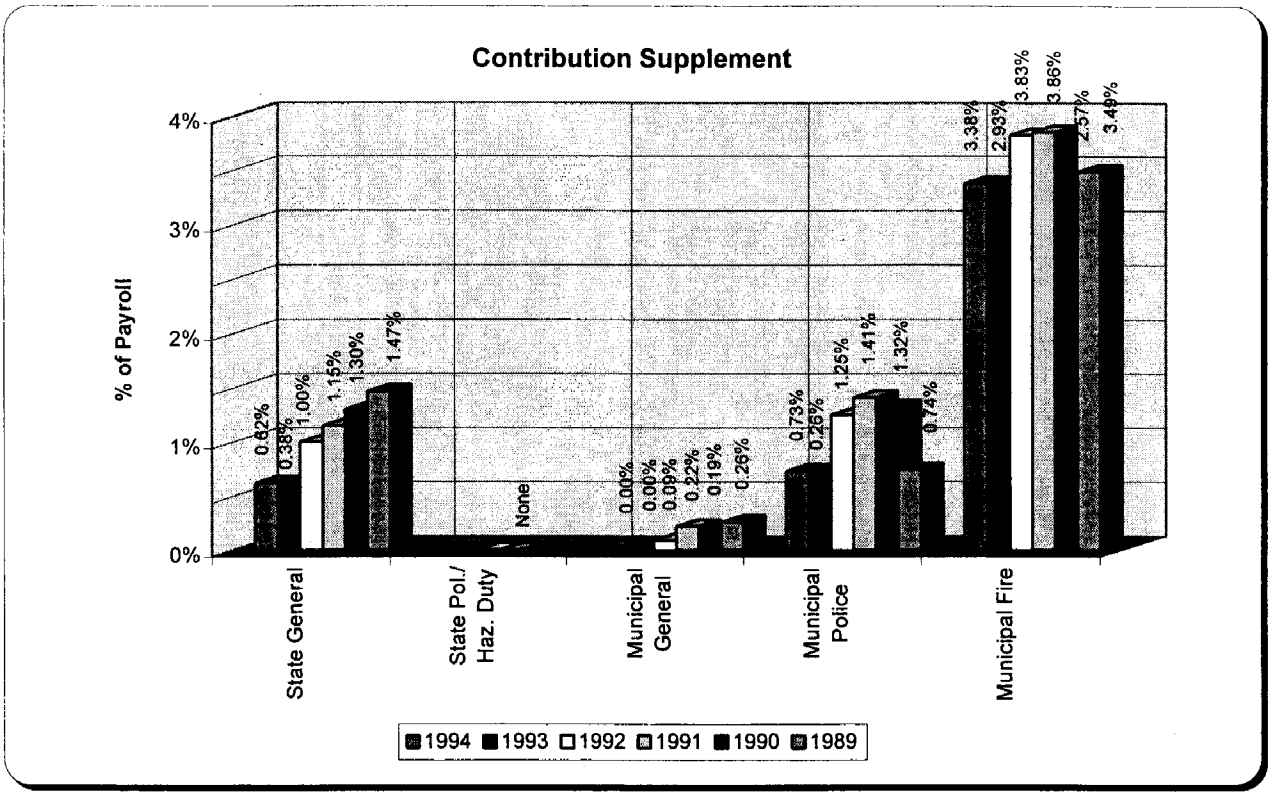
	6/30/94	6/30/93	6/30/92	6/30/91	6/30/90	6/30/89	6/30/88
PERA Aggregate	43	40	50	57	57	63	55
State General	52	47	54	59	65	73	62
State Hazardous Duty	0	0	3	12	20	23	31
Municipal General	33	30	39	43	43	47	44
Municipal Police	60	46	75	92	91	65	38
Municipal Fire	99+	99+	99+	99+	90	—	—



PERA Funding Policy

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

Division	6/30/94	6/30/93	6/30/92	6/30/91	6/30/90	6/30/89
State General	.62%	.38%	1.00%	1.15%	1.30%	1.47%
State Hazardous Duty	0.0%	0.0%	.00%	.00%	.00%	.00%
Municipal General	0.0%	0.0%	.09%	.22%	.19%	.26%
Municipal Police	.73%	.26%	1.25%	1.41%	1.32%	.74%
Municipal Fire	3.38%	2.93%	3.83%	3.86%	2.57%	3.49%



Conclusions

Conclusions From the Actuarial Report

The June 30, 1994 actuarial valuation indicates:

- PERA has an actuarial balance between resources and obligations.

- PERA experienced no funding progress during the year ended June 30, 1994.

- Future funding progress will be primarily determined by rates of investment earnings and compensation increases. Of lesser influence are mortality decreases, retirement rates and member withdrawals.

- The financing periods for all divisions, except the State Police - Hazardous Duty division and Municipal General, 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 renewed dilgence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns.

Judicial and Magistrate Retirement Funds

Computed Contribution Requirement vs. Statutory Contributions for FY 94/95

The following schedule indicates the contribution required during the 1994/95 fiscal year to finance the normal cost and amortize the unfunded actuarial accrued liability over the forty-year period adopted by the Retirement Board. The statutory contribution resources are also shown.

Type of Contributions	Judicial Payroll Percents	Dollars Based on $5,177,207 Valn. Payroll
Total Required Contributions	41.48%	$2,147,506
Total Statutory Contributions	38.19%	$1,977,111

Types of Contributions	Magistrate Payroll Percents	Dollars Based on $3,245,662 Valn. Payroll
Total Required Contributions	33.38%	$1,083,401
Total Statutory Contributions	37.97%	$1,232,534