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PERA

Public Employees
Retirement Association
of New Mexico

INVESTED IN TOMORROW.

**Legislative Division of the
Public Employees Retirement Association of New Mexico
Annual Actuarial Valuation
as of June 30, 2015**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 29, 2015

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

Members of the Board:

We have conducted the annual actuarial valuation of the Legislative Division of the Public Employees Retirement Association (PERA) of New Mexico as of June 30, 2015; the results of the valuation are contained in the following report. The annual valuation is used to determine the contribution requirement that is necessary to fund the annual normal cost and fully amortize the unfunded actuarial accrued liability with annual payments over a 30-year period. The results of this valuation apply to the fiscal year beginning July 1, 2015 and ending June 30, 2016 (FY 2016). Information contained in our report for plan years prior to June 30, 2010 is based upon valuations performed by the association's prior actuary.

In performing the valuation, we relied on data supplied by the Public Employees Retirement Association (PERA) and performed limited tests on the data for consistency and reasonableness. In determining the Plan's liabilities, future events, such as investment returns, deaths, retirements, etc., are anticipated based upon the set of actuarial assumptions as approved by the Board.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

This is to certify that the undersigned are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan.

Respectfully submitted,

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

Jonathan T. Craven, ASA, EA, FCA, MAAA
Senior Actuary



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Section I: Board Summary



The table below summarizes the results of the June 30, 2015 actuarial valuation as compared with the prior year.

Table I-1: Comparative Summary of Principal Results

| Valuation Date | June 30, 2015 | June 30, 2014 |
|--|----------------------|----------------------|
| Actuarial Accrued Liability (AAL) | | |
| Active Members | \$ 10,380,067 | \$ 11,230,872 |
| Deferred Vested Members | 163,169 | 454,207 |
| Retired Members and Survivors | <u>16,067,095</u> | <u>14,148,263</u> |
| Total | \$ 26,610,331 | \$ 25,833,342 |
| Actuarial Value of Assets | \$ 36,868,121 | \$ 33,392,919 |
| Funded Ratio | 138.5% | 129.3% |
| Unfunded Actuarial Accrued Liability (UAAL) (AAL - Actuarial Value of Assets) | \$ (10,257,790) | \$ (7,559,577) |
| Calculation of Required Contribution (Fiscal Year Ending) | June 30, 2016 | June 30, 2015 |
| Normal Cost | | |
| Retirement | \$ 773,824 | \$ 731,076 |
| Pre-Retirement Survivors | <u>12,295</u> | <u>12,099</u> |
| Total Normal Cost | \$ 786,119 | \$ 743,175 |
| Less Expected Member Contribution | <u>72,600</u> | <u>63,000</u> |
| Employer Normal Cost | \$ 713,519 | \$ 680,175 |
| Expected Administrative Expenses | 6,000 | 6,000 |
| UAAL Amortization Amount (30 Years) | <u>(857,172)</u> | <u>(631,701)</u> |
| Actuarially Determined Contribution (not less than \$0) | \$ - | \$ 54,474 |



Section I: Board Summary

Summary of Key Findings

The funding policy for the Plan determines the employer contribution required to fund the annual normal cost plus an amount to fully amortize the unfunded actuarial accrued liability (UAAL) over 30 years. The Plan has a significant surplus of assets over liabilities and the actuarially determined contribution for the Plan in the fiscal year ending June 30, 2016 (FY 2016) is \$0. This is a decrease from the employer contribution requirement of \$54,474 from the prior valuation.

The normal cost amount increased from \$743,175 to \$786,119. Beginning with the 6/30/2014 valuation, the annual expected administrative expenses of \$6,000 are included in the calculation of the actuarially determined contribution. The UAAL decreased from \$(7.6) million to \$(10.3) million and results in a decrease to the annual amortization amount from \$(631,701) to \$(863,638). The Plan's funded ratio has increased from 129.3% to 138.5%. We note the following key findings:

- The Plan experienced an actuarial gain on plan assets of \$26,667. This represents a 0.1% increase to the funded ratio. Table III-4 provides the calculation of the actuarial investment gain for this year.
- The Plan experienced a net gain of \$341,722 on plan liabilities due to non-investment related experience, which represents a 1.8% increase to the funded ratio.
- The Plan experienced a net loss of \$77,379 on plan liabilities due to the active legislators' assumed per diem rate increasing by more than the assumed rate. This represents a 0.5% decrease to the funded ratio.
- The Plan received \$2,435,896 more in contributions than the actuarially determined amount. This represents a 9.1% increase to the funded ratio.

Section II of the report provides summarized information on the membership data used in the valuation. Section III covers the Plan's assets and Section IV covers the Plan's liabilities. The results of the valuation are provided in Section V and the accounting information is in Section VI. The appendices provide additional information on: A) the Plan members, B) the actuarial assumptions and methods, and C) the summary of the benefit provisions of the plan. It is important to note that all information contained in this report for periods prior to June 30, 2010 were produced by a prior actuarial consulting firm.



Section II: Membership Data

Data regarding the membership of the Plan for use in the valuation were furnished by PERA. The following table summarizes the membership data as of June 30, 2015 and is compared with that reported for the prior year.

Table II-1: Summary of Membership Data as of June 30, 2015

| Group | June 30, 2015 | June 30, 2014 |
|-----------------------------|---------------|---------------|
| Total Active Members | 121 | 126 |
| Inactive Members* | 11 | 15 |
| Retirees | | |
| Service* | 155 | 146 |
| Disabled | 0 | 0 |
| Beneficiaries | <u>31</u> | <u>32</u> |
| Total Retirees | 186 | 178 |
| Totals | 318 | 319 |

* As of June 30, 2015, inactive members include 2 non-vested members and service retirees include 1 co-payee.

Table II-2: Deferred Members, Retired Members and Beneficiaries as of June 30, 2015

| Group | Number | Total Annual Benefits | Average Annual Benefits | Average Age |
|------------------------|------------|-----------------------|-------------------------|--------------|
| Deferred Vested | 9 | \$ 35,263 | \$ 3,918 | 59.91 |
| Retirees | | | | |
| Service | 155 | 1,469,598 | 9,481 | 74.36 |
| Disability | 0 | 0 | N/A | N/A |
| Survivors | <u>31</u> | <u>265,679</u> | 8,570 | 80.32 |
| Retiree Totals | 186 | \$1,735,277 | \$ 9,329 | 75.36 |
| Total | 195 | \$1,770,540 | \$ 9,080 | 74.64 |



Section III: Plan Assets

The following tables provide information on PERA's market value of assets and the development of the actuarial value of assets. The difference between the Fund's total market and actuarial value is allocated to each Division of PERA in relation to the percent of each Division's market value to the market value of the total Fund.

Table III-1: Total PERA Market Value Reconciliation

| | June 30, 2015 | June 30, 2014 |
|---|--------------------------|--------------------------|
| Beginning of Year Market Value | \$ 14,428,500,519 | \$ 12,707,740,926 |
| Audit Adjustment | (3,707,780) | 17,005,791 |
| Revised Beginning of Year Market Value | \$ 14,424,792,739 | \$ 12,724,746,717 |
| Revenues: | | |
| a. Member Contributions | 251,237,811 | 238,695,585 |
| b. Employer Contributions | 317,163,961 | 301,601,232 |
| c. Purchases of Service | 7,681,968 | 8,214,497 |
| d. Investment Income | | |
| 1. Interest, dividends, etc. | 486,126,268 | 297,102,152 |
| 2. Realized/Unrealized gains (losses) | (205,270,228) | 1,860,866,489 |
| 3. Security Lending | (1,264,042) | (8,645,811) |
| e. Other income | 610,766 | 384,312 |
| f. Settlement Award | 24,685,547 | - |
| g. Total Revenues | \$ 880,972,051 | \$ 2,698,218,456 |
| Expenditures: | | |
| a. Benefit Payments | 966,236,566 | 905,329,140 |
| b. Refunds of member contributions | 46,010,197 | 47,376,975 |
| c. Investment expenses | 28,103,719 | 31,422,215 |
| d. Administrative expenses | 9,885,765 | 10,336,324 |
| e. Total Expenditures | \$ 1,050,236,247 | \$ 994,464,654 |
| End of Year Market Value | \$ 14,255,528,543 | \$ 14,428,500,519 |

Section III: Plan Assets



The actuarial value of assets represents a "smoothed" value developed with the purpose of dampening the impact of market volatility on the assets used in determining valuation results. The actuarial value is first determined for the total PERA assets and is calculated by spreading the recognition of unexpected investment income over four years. The amount of unexpected investment income in each year is the difference between expected actuarial value investment income and actual market value investment income. Table III-2 provides the calculation of the actuarial value of assets for PERA.

**Table III-2: Development of Actuarial Value of Assets as of June 30, 2015
(Total PERA Fund Balance)**

| | | | |
|--|------------------|-----------|-----------------------|
| 1. Actuarial Value Beginning of Year | | \$ | 13,516,208,441 |
| 2. Market Value End of Year | | | 14,255,528,543 |
| 3. Revised Market Value Beginning of Year | | | 14,424,792,739 |
| 4. Cash Flow | | | |
| a. Contributions | | \$ | 568,401,772 |
| b. Service Purchases | | | 7,681,968 |
| c. Benefit Payments and Refunds | | | (1,012,246,763) |
| d. Administrative Expenses | | | (9,885,765) |
| e. Other | | | 25,296,313 |
| f. Net | | \$ | (420,752,475) |
| 5. Investment Income | | | |
| a. Market Total (2 - 3 - 4f) | | \$ | 251,488,279 |
| b. Assumed Rate | | | 7.75 % |
| c. Amount for Immediate Recognition | | | 1,031,201,996 |
| d. Amount for Phased-In Recognition | | | (779,713,717) |
| 6. Phased-In Recognition of Investment Income | | | |
| a. Current Year: 0.25 * 5d | | \$ | (194,928,429) |
| b. First Prior Year (2012/2013) | \$ 1,168,148,463 | x 25% | 292,037,116 |
| c. Second Prior Year (2011/2012) | 577,809,753 | x 25% | 144,452,438 |
| d. Third Prior Year (2010/2011) | (1,010,896,575) | x 25% | (252,724,144) |
| e. Total Recognized Investment Gain | | \$ | (11,163,019) |
| 7. Audit Adjustment | | \$ | (3,707,780) |
| 8. Actuarial Value End of Year | | \$ | 14,111,787,163 |
| (1 + 4f + 5c + 6e + 7) | | | |
| 9. Difference Between Market & Actuarial Values (2 - 8) | | \$ | 143,741,380 |
| 10. Rate of Return on Actuarial Value | | | 7.64 % |
| 11. Actuarial Value as a Percentage of Market Value | | | 98.99 % |



Section III: Plan Assets

The actuarial valuation adjustment is the difference between the actuarial value of assets, derived in Table III-2, and the total PERA fund balances at market value. The adjustment is allocated to each division of PERA in proportion to the total PERA fund balance at market value. The portion allocated to the Legislative Division was approximately 0.26% of the total PERA fund balance and is calculated in Table III-3.

Table III-3: Allocation of Actuarial Value of PERA Assets as of June 30, 2015

| | Legislative Division | PERA Totals |
|--|----------------------|--------------------------|
| Member Contribution Fund | \$ 744,611 | \$ 2,373,610,117 |
| Employer Contribution Fund | 31,812,696 | 4,009,036,763 |
| Retirement Reserve Fund | 4,686,349 | 7,872,881,663 |
| Total Fund Balances | \$ 37,243,656 | \$ 14,255,528,543 |
| Actuarial Valuation Adjustment | (375,535) | (143,741,380) |
| Total Actuarial Value of Assets | \$ 36,868,121 | \$ 14,111,787,163 |

The actuarial valuation assumes the rate of investment return on the assets of the Plan is 7.75% annually. This assumption is based upon the reasonable long-term expected return on the assets. In each year, the Plan will experience actuarial gains and losses due to the actual investment return of the assets. Table III-4 provides the calculation of the gain or loss due to the investment experience on the actuarial value of assets for the year ended June 30, 2015.

Table III-4: Actuarial Investment Gain (Loss) for the Year Ended June 30, 2015

| | |
|---|------------------|
| 1. Beginning of Year Actuarial Value of Assets (AVA) | \$ 33,392,919 |
| 2. Employee and Employer Contributions | 2,462,500 |
| 3. Benefit Payments | (1,674,087) |
| 4. Administrative Expenses | (25,703) |
| 5. Other | 65,770 |
| 6. Interest [1 x 7.75% + (2 + 3 + 4 + 5) x 7.75% x 0.5] | 2,620,055 |
| 7. Expected End of Year AVA | \$ 36,841,454 |
| 8. Actual End of Year AVA | 36,868,121 |
| 9. Actuarial Investment Gain (Loss) (8 - 7) | \$ 26,667 |



Section IV: Plan Liabilities

The total actuarial present value of benefits is the value of all future benefits expected to be paid to current members of the Plan as of the valuation date. An actuarial cost method allocates each individual's present value of benefits to past and future years of service. The actuarial accrued liability includes the portion of the active member present value of benefits allocated to past service as well as the entire present value of benefits for retirees, beneficiaries and inactive members. The portion of the actuarial present value allocated to the future service of active members is called the present value of future normal costs. Table IV-1 presents the calculation and allocation of the actuarial present value of benefits.

Table IV-1: Allocation of the Actuarial Present Value of Benefits as of June 30, 2015

| | Actuarial Accrued Liability | Present Value of Future Normal Cost | Actuarial Present Value of Benefits |
|--------------------------------------|--|--|--|
| Active Members | | | |
| Service Retirement | \$ 10,356,812 | \$ 3,824,970 | \$ 14,181,782 |
| Disability Retirement | - | - | - |
| Survivor Benefits | 23,255 | 60,710 | 83,965 |
| Total for Active Members | \$ 10,380,067 | \$ 3,885,680 | \$ 14,265,747 |
| Inactive Members | \$ 163,169 | | \$ 163,169 |
| Retirees and Beneficiaries | | | |
| Service Retirements | \$ 14,199,664 | | \$ 14,199,664 |
| Disability Retirements | - | | - |
| Beneficiaries | 1,867,431 | | 1,867,431 |
| Total for Retirees and Beneficiaries | \$ 16,067,095 | | \$ 16,067,095 |
| Total | \$26,610,331 | \$3,885,680 | \$30,496,011 |



Section IV: Plan Liabilities

Under the valuation funding method, an unfunded actuarial accrued liability (UAAL) exists to the extent that the actuarial accrued liability exceeds the actuarial value of assets as presented in Section III. The calculation of the UAAL as of the valuation date is shown in Table IV-2.

Table IV-2: Calculation of the Unfunded Actuarial Accrued Liability and Funded Ratio

| | June 30, 2015 | June 30, 2014 |
|---|-------------------|-------------------|
| 1. Actuarial Accrued Liability | \$ 26,610,331 | \$25,833,342 |
| 2. Actuarial Value of Assets | <u>36,868,121</u> | <u>33,392,919</u> |
| 3. Unfunded Actuarial Accrued Liability (1 - 2) | \$(10,257,790) | \$ (7,559,577) |
| Funded Ratio (2 / 1) | 138.5% | 129.3% |

Although the terminology used to describe the excess of the Plan's actuarial accrued liability over the Plan's actuarial value of assets is call the "unfunded" actuarial accrued liability, the actuarially determined contribution in the valuation includes an amortization payment amount sufficient to fully amortize the UAAL within 30 years.

The funded ratio of the Plan is the ratio of the actuarial value of assets to the actuarial accrued liability as of the valuation date. As of June 30, 2015, the funded ratio of the Plan is 138.5% as compared to a ratio of 129.3% as of June 30, 2014. The ratio is a commonly used measure of the funding progress and can be useful in reviewing the historical trend of a plan's funding progress. Such a review should also consider the impact to this measure over the historical period due to changes to plan benefits, changes to the actuarial assumptions and methods, and significant impact that investment experience can have on the ratio over short-term periods. We caution that no single "point in time" measure can provide a universal basis for comparing one plan's funded status to another.



Section IV: Plan Liabilities

The calculation of the Plan's actuarial assets and liabilities requires the use of several assumptions concerning the future experience of the Plan and its members. In each annual valuation, the latest year of actual experience is compared to that expected by the prior valuation. The differences are actuarial gains and losses which decrease or increase the UAAL. Table IV-3 provides the reconciliation of the UAAL.

Table IV-3: Reconciliation of the UAAL

| | UAAL | Funded Ratio |
|---|------------------------|----------------|
| 1. Beginning of Year | \$ (7,559,577) | 129.3 % |
| 2. Normal Cost + Expenses | 749,175 | |
| 3. Expected Contributions | (117,474) | |
| 4. Other income + Expenses | (40,067) | |
| 5. Interest [1 x 7.75% + (2 + 3 + 4) x 7.75% x 0.5] | (562,941) | |
| 6. Expected End of Year | \$ (7,530,884) | 128.0 % |
| 7. Actuarial Experience (Gain) / Loss | | |
| Additional Contributions (with interest) | \$ (2,435,896) | 9.1 % |
| Investment Experience | (26,667) | 0.1 % |
| Loss due to Per Diem rate increase greater than 3% | 77,379 | (0.5)% |
| Liability Experience | (341,722) | 1.8 % |
| Experience Study Assumption Changes | - | |
| Total Actuarial Experience (Gain) / Loss | \$ (2,726,906) | |
| 8. Actual End of Year (6 + 7) | \$ (10,257,790) | 138.5 % |



Section V: Actuarial Funding Calculation

Section IV of this report presented the Plan's actuarial accrued liability as the portion of the present value of benefits allocated to past years of service. The portion of the active members' present value of benefits allocated to future years of service is funded through annual normal cost contributions comprised of both active member and employer contributions. The portion of the total annual normal cost amount in excess of the expected amount of active member contributions is the employer portion of the Plan's normal cost. The normal cost amount was developed as of the valuation date and presented in Table V-1.

The employer's required contribution necessary to satisfy the funding policy is the dollar amount required to fund the annual normal cost of the Plan and fully amortize the UAAL over 30 years. The amortization amount calculated is expected to remain constant over the remaining amortization period. The calculation of the contribution requirement is provided in Table V-1.

**Table V-1: Calculation of Required Employer Contribution
for Fiscal Year Ending June 30, 2015**

| | |
|--|-----------------|
| 1. Present Value of Future Benefits | \$ 30,496,011 |
| 2. Present Value of Future Normal Costs | 3,885,680 |
| 3. Actuarial Accrued Liability (1 - 2) | \$ 26,610,331 |
| 4. Actuarial Value of Assets | 36,868,121 |
| 5. Unfunded Actuarial Accrued Liability (UAAL) (3 - 4) | \$ (10,257,790) |
| 6. UAAL Amortization Payment (30 years) | (857,172) |
| 7. Total Normal Cost | 786,119 |
| 8. Less: Expected Employee Contribution | 72,600 |
| 9. Employer Normal Cost (7-8) | 713,519 |
| 10. Expected Administrative Expenses | 6,000 |
| 11. Actuarially Determined Contribution (6 + 9 + 10) | \$ - |



Section VI: Accounting Information

The tables provided in this section present information relevant for the annual financial reporting of the Fund. GASB Statement No. 67 required disclosure information will be provided in a separate supplemental report. GASB Statement No. 25 information is provided below.

Table VI-1: GASB Statement No. 25 Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) |
|---------------------------------|---|--|--------------------------------------|-------------------------------|
| 6/30/2015 | \$ 36,868,121 | \$26,610,331 | \$(10,257,790) | 138.5 % |
| 6/30/2014 | 33,392,919 | 25,833,342 | (7,559,577) | 129.3 % |
| 6/30/2013 | 28,939,243 | 25,127,311 | (3,811,932) | 115.2 % |
| 6/30/2012 | 25,168,813 | 27,429,263 | 2,260,450 | 91.8 % |
| 6/30/2011 | 23,508,201 | 26,347,359 | 2,839,158 | 89.2 % |
| 6/30/2010 | 22,125,806 | 26,675,356 | 4,549,550 | 82.9 % |
| 6/30/2009 | 21,156,210 | 24,345,140 | 3,188,930 | 86.9 % |
| 6/30/2008 | 19,999,435 | 21,414,312 | 1,414,877 | 93.4 % |
| 6/30/2007 | 17,142,953 | 19,591,914 | 2,448,961 | 87.5 % |
| 6/30/2006 | 13,677,848 | 19,433,505 | 5,755,657 | 70.4 % |
| 6/30/2005 | 11,026,880 | 18,198,467 | 7,171,587 | 60.6 % |
| 6/30/2004 | 8,407,702 | 23,530,656 | 15,122,954 | 35.7 % |
| 6/30/2003 | 5,826,618 | 7,657,178 | 1,830,560 | 76.1 % |
| 6/30/2002 | 5,790,520 | 7,178,995 | 1,388,475 | 80.7 % |
| 6/30/2001 | 5,390,186 | 6,872,017 | 1,481,831 | 78.4 % |

Section VI: Accounting Information



Table VI-2: Solvency Test

| Valuation Date | Aggregate Accrued Liabilities For | | | | Portion of Accrued Liabilities Covered by Actuarial Value of Assets | | |
|----------------|-----------------------------------|--|--|---------------------------|---|---------|---------|
| | (1) Active Member Contributions | (2) Retirees, Survivors and Inactive Members | (3) Active Members (Employer Financed Portion) | Actuarial Value of Assets | (1) | (2) | (3) |
| 6/30/2015 | \$ 744,611 | \$ 16,230,264 | \$ 9,635,456 | \$ 36,868,121 | 100.00% | 100.00% | 100.00% |
| 6/30/2014 | 765,491 | 14,602,470 | 10,465,381 | 33,392,919 | 100.00 | 100.00 | 100.00 |
| 6/30/2013 | 704,324 | 15,121,069 | 9,301,918 | 28,939,243 | 100.00 | 100.00 | 100.00 |
| 6/30/2012 | 794,178 | 13,223,056 | 13,412,029 | 25,168,813 | 100.00 | 100.00 | 83.15 |
| 6/30/2011 | 730,297 | 13,241,429 | 12,375,633 | 23,508,201 | 100.00 | 100.00 | 77.06 |

Table VI-3: Schedule of Retirants Added to and Removed from Rolls

| Valuation Date | Added to Rolls | | Removed from Rolls | | Rolls End of Year | | % Increase in Annual Allowances | Average Annual Allowances |
|----------------|----------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------------------|---------------------------|
| | Number Added | Annual Allowances | Number Removed | Annual Allowances | Number | Annual Allowances | | |
| 6/30/2015 | 20 | \$ 281,735 | 12 | \$94,011 | 186 | \$ 1,735,277 | 12.13 % | \$ 9,329 |
| 6/30/2014 | 6 | 58,860 | 7 | 89,045 | 178 | 1,547,553 | (1.91)% | 8,694 |
| 6/30/2013 | 24 | 334,780 | 8 | 66,916 | 179 | 1,577,738 | 20.45 % | 8,814 |
| 6/30/2012 | 4 | 64,427 | 6 | 40,989 | 163 | 1,309,874 | 1.82 % | 8,036 |
| 6/30/2011 | 11 | 102,686 | 6 | 222,746 | 165 | 1,286,436 | (8.54)% | 7,797 |



Table VI-4: Summary of Actuarial Methods and Assumptions

| | |
|---|---------------------------|
| Valuation Date | June 30, 2015 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar, Open |
| Remaining amortization period | 30 years |
| Asset valuation method | 4-year Smoothed Market |
| Actuarial assumptions: | |
| Investment rate of return (includes 3.00% inflation) | 7.75% |
| Administrative Expenses | \$6,000 annually |
| Projected increase in per diem rate | 3.00% |
| Post-retirement benefit increases | 2.00% compounded annually |



Appendix A: Additional Membership Data

Table A-1: Schedule of Active Participant Data as of June 30, 2015

| Nearest Age | Completed Years of Service | | | | | | | Total |
|--------------|----------------------------|-----------|-----------|----------|-----------|----------|----------|------------|
| | Under 5 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30+ | |
| Under 30 | 1 | | | | | | | 1 |
| 30 to 34 | 1 | | | | | | | 1 |
| 35 to 39 | 4 | 1 | | | | | | 5 |
| 40 to 44 | 7 | 2 | | | | | | 9 |
| 45 to 49 | 9 | 3 | 1 | | | | | 13 |
| 50 to 54 | 11 | 1 | 4 | | 1 | | | 17 |
| 55 to 59 | 9 | 1 | 2 | 1 | 2 | | | 15 |
| 60 | 2 | | | | | | 1 | 3 |
| 61 | 3 | 2 | | | | | | 5 |
| 62 | 2 | | 2 | 1 | 1 | | | 6 |
| 63 | 2 | 3 | | | | | | 5 |
| 64 | | 1 | | 1 | 1 | | | 3 |
| 65 | 2 | 2 | 1 | | 2 | | 1 | 8 |
| 66 | | | 2 | | | | | 2 |
| 67 | | | | | 1 | 1 | | 2 |
| 68 | 2 | | 2 | | 1 | | 1 | 6 |
| 69 | | | | 2 | | | | 2 |
| 70 | 1 | | | | | | | 1 |
| 71 | | 1 | | 1 | | | | 2 |
| 72 | 3 | | | | | | | 3 |
| 73 | | 1 | | | | | | 1 |
| 74 | | | | | | 1 | | 1 |
| 75 | | | | | | | | |
| 76 | | | 1 | | | | | 1 |
| 77 | | | | | 1 | | | 1 |
| 78 | | | | | | | | |
| 79 | | | | 1 | | | | 1 |
| 80 & Over | 1 | | 1 | 2 | | 1 | 2 | 7 |
| Total | 60 | 18 | 16 | 9 | 10 | 3 | 5 | 121 |

Average Age: 58.50

Average Service: 8.58



Appendix A: Additional Membership Data

**Table A-2: Number of Annual Retirement Allowances of Benefit Recipients
as of June 30, 2015**

| Type of Pension | Number | Total Annual Benefits | Average Annual Pension |
|---|------------|-----------------------|------------------------|
| Normal Retirement Pensions | | | |
| Single Life Pension Terminating Upon Death | 113 | \$ 1,001,092 | \$ 8,859 |
| Two Life 100% Survivor Pension | | | |
| Retired Member Recipient | 40 | 433,527 | 10,838 |
| Survivor Recipient | 14 | 132,041 | 9,432 |
| Two Life 50% Survivor Pension | | | |
| Retired Member Recipient | 8 | 69,104 | 8,638 |
| Survivor Recipient | 3 | 15,188 | 5,063 |
| Total Normal Retirement Pensions | 178 | \$ 1,650,952 | \$ 9,275 |
| Pre-Retirement Survivor Pensions | | | |
| Spouse Recipient | 8 | \$ 84,325 | \$ 10,541 |
| Total Pre-Retirement Survivor Pensions | 8 | \$ 84,325 | \$ 10,541 |
| Total Pensions Being Paid | 186 | \$ 1,735,277 | \$ 9,329 |



Appendix A: Additional Membership Data

Table A-3: Distribution of Participants Receiving Benefits as of June 30, 2015

| Attained Age | Retired Member | | Survivor Beneficiaries | | Totals | |
|--------------|----------------|---------------------|------------------------|-------------------|------------|---------------------|
| | Number | Annual Pensions | Number | Annual Pensions | Number | Annual Pensions |
| Under 40 | | | | | | |
| 40 to 44 | 0 | \$ - | 0 | \$ - | 0 | \$ - |
| 45 to 49 | 3 | 40,947 | 0 | 0 | 3 | 40,947 |
| 50 to 54 | 2 | 25,489 | 1 | 6,871 | 3 | 32,360 |
| 55 to 59 | 4 | 38,436 | 0 | 0 | 4 | 38,436 |
| 60 to 64 | 17 | 194,695 | 0 | 0 | 17 | 194,695 |
| 65 to 69 | 28 | 299,475 | 4 | 24,576 | 32 | 324,051 |
| 70 to 74 | 25 | 220,629 | 2 | 10,066 | 27 | 230,695 |
| 75 to 79 | 28 | 258,551 | 6 | 59,861 | 34 | 318,412 |
| 80 to 84 | 27 | 208,087 | 8 | 96,882 | 35 | 304,969 |
| 85 to 89 | 14 | 115,207 | 7 | 51,579 | 21 | 166,786 |
| 90 to 94 | 6 | 61,778 | 3 | 15,844 | 9 | 77,622 |
| 95 to 99 | 1 | 6,304 | 0 | 0 | 1 | 6,304 |
| 100 & Over | | | | | | |
| Total | 155 | \$ 1,469,598 | 31 | \$ 265,679 | 186 | \$ 1,735,277 |

**Table A-4: Distribution of Retirees by Years of Service at Retirement
(not including Disabled Members, Beneficiaries, and Co-Payees)**

| | Years of Credited Service at Retirement | | | | | | | Total |
|------------------------------|---|--------|----------|----------|----------|----------|---------|-------|
| | Under 5 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30+ | |
| Average Monthly Benefit* | \$332 | \$443 | \$770 | \$896 | \$1,092 | \$582 | \$1,538 | \$800 |
| Average Final Average Salary | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Number of Retirees* | 8 | 38 | 42 | 24 | 18 | 4 | 16 | 150 |

* Does not include 4 retirees with missing years of service at retirement.



Appendix A: Additional Membership Data

**Table A-5: Distribution of Recent Retiree Ages at Retirement
(not including Disabled Members, Beneficiaries, and Co-Payees)**

| | 2010-11 Retirees | 2011-12 Retirees | 2012-13 Retirees | 2013-14 Retirees | 2014-15 Retirees | All Current Retirees & Beneficiaries |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
| Number | 5 | 3 | 18 | 3 | 18 | 154 |
| Average Monthly Benefit at Retirement | \$518 | \$430 | \$1,074 | \$417 | \$1,145 | \$598 |
| Average Attained Age at Retirement | 68.17 | 59.00 | 62.80 | 64.97 | 69.88 | 64.62 |

Table A-6: Status Reconciliation

| | Active Members | Terminated Members* | Pension Recipients | | | Total |
|----------------------------|----------------|------------------------|--------------------|--------------------|-------------------|------------|
| | | | Service Retired | Disability Retired | All Beneficiaries | |
| June 30, 2014 | 126 | 15 | 146 | 0 | 32 | 319 |
| Increase (Decrease) From: | | | | | | |
| Service Retirement | (13) | (5) | 18 | | | |
| Disability Retirement | | | | | | |
| Deaths | (2) | | (7) | | (2) | (11) |
| Survivors | | | | | 2 | 2 |
| Other Pension Terminations | | | (2) | | (1) | (3) |
| Vested Terminations | (1) | 1 | | | | |
| Non-Vested Terminations | (1) | | | | | (1) |
| New Entrants/Rehires | 12 | | | | | 12 |
| Data Adjustments | | | | | | |
| June 30, 2015 | 121 | 11 | 155 | 0 | 31 | 318 |

*Includes 9 deferred vested members and 2 inactive members at June 30, 2015



Appendix B: Summary of Actuarial Assumptions and Methods

Actuarial Cost Methods Used for the Valuation

An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for this valuation is known as the entry age normal level dollar cost method and has the following characteristics:

- i) The total present value of projected benefits of each individual is allocated on a level basis over service from entry age to retirement age. The portion of this present value allocated to the valuation year is the normal cost.
- ii) The actuarial liability is the accumulation of past normal costs on the valuation date.

Board Funding Policy: Amortize the unfunded actuarial accrued liability (the difference between the actuarial accrued liability and accrued assets) over an open 30-year period. This is done in accordance with PERA Board funding objectives adopted October 1996. As of June 30, 2015, funding value of assets exceeded accrued liabilities. The excess was amortized over 30 years and applied as a credit to the computed employer normal cost and expected administrative expenses.

The actuarial value of assets used for funding purposes is derived as follows: prior year total actuarial value of assets for each PERA division is increased by contributions and expected investment income and reduced by refunds, benefit payments and expenses. To this amount 25% of the difference between expected and actual investment income for each of the previous four years is added. The actuarial value of assets for each division is allocated in proportion to the total PERA Fund balance at market value.



Appendix B: Summary of Actuarial Assumptions and Methods

Actuarial Assumptions Used for the Valuation (effective June 30, 2014)

The rate of investment return: 7.75% per annum net of investment expenses.

Administrative expenses: \$6,000.

The rates of separation from active membership: None.

The rates of active member disability: None.

The rate of increase in the per diem was 3.0% per annum. This assumption was first used in the June 30, 2004 valuation and was based on an observed trend in the per diem rate prior to that valuation. The current assumed per diem rate is \$165.

The rate of retirement from active membership: Members were assumed to retire immediately upon satisfying age and service requirements.

It was assumed that any service rendered by a legislator prior to the valuation date and not already purchased would not be purchased.



Appendix B: Summary of Actuarial Assumptions and Methods

Mortality Assumption. The mortality assumptions are based on the RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.

Rates are shown for sample ages in the following schedule. Note that sex distinct mortality rates are used solely for determining the funded status and contribution rate adequacy. All benefit amounts are based on merged gender mortality rates.

| Sample Mortality Rates | | | | | | | | |
|------------------------|--------|--------|-----------------|--------|--------|----------|---|--------|
| Pre-Retirement | | | Post-Retirement | | | Disabled | | |
| Age | Male | Female | Age | Male | Female | Age | Male | Female |
| 25 | 0.0003 | 0.0002 | 45 | 0.0012 | 0.0008 | 45 | 0.0178 | 0.0056 |
| 30 | 0.0004 | 0.0002 | 50 | 0.0015 | 0.0012 | 50 | 0.0209 | 0.0085 |
| 35 | 0.0007 | 0.0004 | 55 | 0.0026 | 0.0024 | 55 | 0.0251 | 0.0143 |
| 40 | 0.0009 | 0.0005 | 60 | 0.0050 | 0.0046 | 60 | 0.0314 | 0.0200 |
| 45 | 0.0012 | 0.0008 | 65 | 0.0099 | 0.0089 | 65 | Uses healthy post-retirement rates upon surviving to normal retirement age. | |
| 50 | 0.0015 | 0.0012 | 70 | 0.0169 | 0.0153 | 70 | | |
| 55 | 0.0021 | 0.0022 | 75 | 0.0294 | 0.0243 | 75 | | |
| 60 | 0.0036 | 0.0036 | 80 | 0.0537 | 0.0404 | 80 | | |
| 65 | 0.0059 | 0.0053 | 85 | 0.0976 | 0.0695 | 85 | | |



Appendix B: Summary of Actuarial Assumptions and Methods

Miscellaneous and Technical Assumptions

| | |
|------------------------------------|--|
| Marriage Assumption: | 100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses. |
| Pay Increase Timing: | N/A. |
| Decrement Timing: | Decrements are assumed to occur at the beginning of the year. |
| Eligibility Testing: | Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur. |
| Decrement Relativity: | Decrement rates are used directly from the experience study without adjustment for multiple decrement table effects. |
| Incidence of Contributions: | Contributions are assumed to be received at the beginning of the year. |
| Normal Form of Benefit: | Straight life. |
| Credited Service: | Service nearest the whole year is used to determine the amount of benefit payable. |



Appendix B: Summary of Actuarial Assumptions and Methods

Definitions of Technical Terms

Actuarial Accrued Liability. The difference between the actuarial present value of future benefit payments and the actuarial present value of future normal costs.

Actuarial Cost Method. A mathematical procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liability.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.

Amortization. Paying off an amount with periodic payments of interest and principal – as opposed to paying off with a lump sum payment.

Experience Gain (Loss). The difference between actual actuarial costs and anticipated actuarial costs – during the period between two valuation dates.

Normal Cost. The actuarial cost allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and the actuarial value of assets. Sometimes referred to as “unfunded accrued liability.”



Appendix C: Summary of Plan Provisions

Voluntary Retirement

Plan 1 and Plan 1 Enhanced:

Age 65 with 5 or more years of credited service; age 64 with 8 or more years of credited service; age 63 with 11 or more years of credited service; age 60 with 12 or more years of credited service; or any age with 14 or more years of credited service.

Plan 2:

Age 65 with 5 or more years of credited service or any age with 10 or more years of credited service.

Superannuation Annuity

Plan 1: \$250 a year times credited service.

Plan 1 Enhanced: \$500 a year times credited service.

Plan 2: 11% of the per diem rate in effect, pursuant to Section 2-1-8 NMSA on the December 31 of the calendar year that the member retires multiplied by 60 and further multiplied by credited service.

Deferred Annuity

A Legislative member who terminates with 5 or more years of credited service may apply for a superannuation annuity upon reaching voluntary retirement date, provided accumulated contributions are not withdrawn. The annuity is based upon Legislative service credit at time of termination.

Survivor Pensions – Death in the Line of Duty

Pensions are paid to the eligible spouse and eligible children if survivor coverage has not been elected under the Elective Survivor Pension Beneficiary provision. The amount of pension payable for life to an eligible spouse is 80% of the accrued normal retirement pension.



Appendix C: Summary of Plan Provisions

Survivor Pensions – Death Not In the Line of Duty

Requires 5 years of credited service. Benefit applies to members and vested former members who have not elected coverage under the Elective Survivor Pension Beneficiary provision. Pensions are paid to an eligible spouse OR eligible children. The amount of pension payable for the life of an eligible spouse is up to 80% of accrued normal retirement pension. An eligible child pension is paid if there is not an eligible spouse or following the death of an eligible spouse. The amount of pension payable to each eligible child is an equal share of 50% of accrued normal retirement pension. An eligible child is an unmarried natural or adopted child who is under age 18. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.

Member's Contributions

Plan 1: \$100 for each year of credited service.
Plan 1 Enhanced: \$200 for each year of credited service
Plan 2: \$600 for each year of credited service.

Elective Survivor Beneficiary Pension

Applicable to members with 5 or more years of credited service and vested former members who have elected option B and designated a survivor pension beneficiary who has an insurable interest. The amount of pension is the amount of accrued normal retirement pension under optional form of payment B (100% continuation to beneficiary).

Disability Retirement

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

State's Contributions

Annual appropriations to finance portions of benefits not financed by members' contributions, determined by actuarial valuation.



Appendix C: Summary of Plan Provisions

Cost-of-Living Increases

Effective July 1, 2014, pensions are increased each July 1 by 2% subject to the following eligibility periods:

- If member retires prior to July 1, 2014, Cost-of-Living Adjustment (COLA) is payable after retirement has been in effect for at least 2 full calendar years.
- If member retires on or after July 1, 2014 but prior to July 1, 2015, COLA is payable after retirement has been in effect for at least 3 full calendar years.
- If member retires on or after July 1, 2015 but prior to July 1, 2016, COLA is payable after retirement has been in effect for at least 4 full calendar years.
- If member retires on or after July 1, 2016, COLA is payable after retirement has been in effect for at least 7 full calendar years.
- If retired on account of disability or if at least age 65, the waiting period is reduced to 1 full calendar year.