



INVESTED IN TOMORROW.

## PERA Board Meeting

PERA Building • Senator Fabian Chavez, Jr. Board Room  
33 Plaza La Prensa • Santa Fe, NM 87507

**Thursday, January 30, 2020**

9:00 a.m.

### AGENDA

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Approval of Agenda
5. Approval of Consent Agenda
6. New Business

**A. Election of 2020 Board Officers**

John Melia, Vice Chair

1. Board Chair Nominee Presentation of Goals & Priorities
2. Vice Chair Nominee Presentation of Goals & Priorities
3. Board Chair Election
4. Board Vice Chair Election

Action

Action

**B. Presentation of released FY19 Audit Reports**

1. FY19 Audit Report - CliftonLarsonAllen
2. FY19 457(b) Audit Report - Eide Bailey

Informational

Thomas Rey, CPA, Partner  
CliftonLarsonAllen

Informational

Brad Berls, Eide Bailly, LLC

**Board will Recess to Executive Session NMSA 1978, §10-15-1 (H) (3)**

Administrative Appeal - Final Review

Marah deMuel, NM Office of  
the Attorney General

1. Judanna A. Duran-Ortega

**Board will Convene to Regular Session**

**C. Final Decision on Administrative Appeal:**

Action

Board Chair

1. Judanna A. Duran-Ortega (PERA ID # 612065)

**D. Revised Resolution No. 20-04 Calling for Nominations of State, Municipal and Retired Member Positions for a Four-Year Term.**

Action

Susan Pittard, General  
Counsel; Greg Trujillo,  
Deputy Director

**E. Approval of General Investment Consultant RFP Committee Recommendations**

Action

Dominic Garcia, Chief  
Investment Officer;  
Kristin Varela, Deputy CIO

**F. Securities Litigation Update, Energy Transfer, Ltd.**

Informational

Cholla Khoury, Assistant  
Attorney General

**G. Executive Director's Report**

Informational

Wayne Propst,  
Executive Director

**7. Adjournment**

Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 505-476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



# PERA

Public Employees  
Retirement Association  
of New Mexico

**INVESTED IN TOMORROW.**



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2019

Public Employees Retirement Association

# Public Employees Retirement Association *of New Mexico*

## Comprehensive Annual Financial Report Year ended June 30, 2019

Pension Trust Funds of the State of New Mexico

Prepared by the Administrative Services and  
Investment Division Staff at NM PERA

### SANTA FE

*33 Plaza La Prensa, Santa Fe, NM 87507*

*Tel: 505-476-9300 Fax: 505-476-9401 Toll Free: 800-342-3422*

### ALBUQUERQUE

*2500 Louisiana Blvd. NE, Suite 400, Albuquerque, NM 87110*

*Tel: 505-383-6550 Fax: 505-883-4573*

[www.nmpera.org](http://www.nmpera.org)



# PERA

INVESTED IN TOMORROW.

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# INTRODUCTORY SECTION

Public Employees Retirement Association



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019



## MISSION AND VALUE STATEMENTS

### **Providing a Stable Lifetime Benefit to Members Through Leadership, Integrity and Quality Customer Service**

#### Stewardship

- Making sound decisions to achieve the retirement funds' objectives.
- Demonstrating the ability to meet our long-term obligations.
- Meeting financial performance measures.

#### Leadership

- Focusing on employees' strengths and capabilities while maintaining accountability.
- Communicating and implementing the agency's strategic plan.

#### Integrity

- Earning the confidence of others by being dependable, honest and trustworthy.

#### Customer Service

- Anticipating and meeting the needs of our customers.
- Delivering quality services with a commitment to continuous improvement.
- Communicating effectively with our customers.

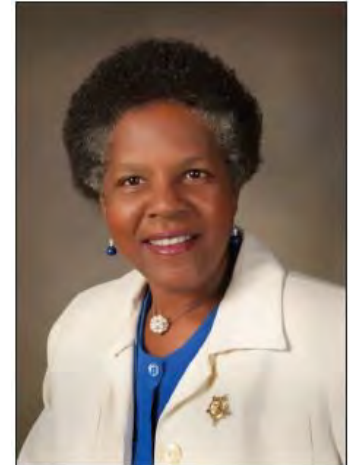


## PERA BOARD CHAIR LETTER

November 25, 2019

Dear PERA Members:

On behalf of the PERA Board of Trustees, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This report provides information about the financial and actuarial status of PERA along with information regarding our membership.



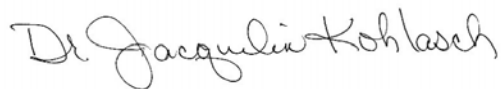
Approximately 91% of PERA's benefit payments are made to members that reside in New Mexico after retirement thereby providing an important source of economic activity in our state and our local communities. In 2019, PERA paid \$1.26 billion in benefits to PERA retirees and beneficiaries.

As you will discover upon review of the information contained within the following pages, PERA's defined benefit funds net position was \$15.7 billion for the year ended June 30, 2019, an increase of \$299 million from the prior fiscal year. PERA's investments generated a return of 6.38% net of fees for the year ending June 30, 2019. This investment return is below PERA's expected return assumption of 7.25%, however, this is not the only element required to keep a pension plan funded.

The PERA Board takes its fiduciary responsibility very seriously and will continue to work to preserve and protect the Fund and the benefits provided to our members. The Board is committed to the long-term sustainability of all of our plans and to providing a secure retirement for public employees throughout New Mexico.

We are honored to serve as your representatives and pledge our best efforts to continue to prudently manage the PERA Fund.

Sincerely,

A handwritten signature in cursive script that reads "Dr. Jacquelin Kohlash".

Jacquelin Kohlash, PhD  
PERA Board Chair

## PERA BOARD OF TRUSTEES



**Dr. Jackie Kohlasch**  
*Vice-Chair*  
*Taxation and Revenue*  
*Department*  
*State Member*



**Mr. John Melia**  
*Vice -Chair*  
*Albuquerque Fire*  
*Department*  
*Municipal Member*



**Ms. Maggie**  
**Toulouse-Oliver**  
*Secretary of State*  
*Ex-Officio Member*



**Mr. Tim Eichenberg**  
*State Treasurer*  
*Ex-Officio Member*



**Ms. Claudia Armijo**  
*Regulations*  
*& Licensing*  
*Department*  
*State Member*



**Mr. Steve Neel**  
*NM Educational*  
*Retirement Board*  
*State Member*



**Mr. David Roybal**  
*NM Office of*  
*Workforce Solutions*  
*State Member*



**Ms. Patricia French**  
*City of Albuquerque*  
*Municipal Member*



**Mr. Lawrence Davis**  
*City of Albuquerque*  
*Municipal Member*



**Ms. Shirley Ragin**  
*County of Bernalillo*  
*County Member*



**Ms. Loretta**  
**Naranjo Lopez**  
*Retiree Member*



**Mr. Daniel Mayfield**  
*Retiree Member*

## EXECUTIVE DIRECTOR'S LETTER



November 25, 2019

To: Board of Trustees and Members of the New Mexico Public Employees Retirement Association

The New Mexico Public Employees Retirement Association (PERA) is pleased to present this *Comprehensive Annual Financial Report* (CAFR) for the Fiscal Year ended June 30, 2019 (FY19).

At PERA our primary mission is to serve our members and provide a stable, secure retirement to current and future generations of public employees.



PERA staff worked together to compile this CAFR, and management is responsible for the accuracy of the data, the completeness and fairness of the report and the presentation contained in this report. To the best of our knowledge, the report is materially accurate and fairly presents the financial position and results of operations of PERA. The report includes all retirement plans administered by PERA: State, Municipal, Legislative, Judicial, Magistrate and Volunteer Firefighters and Deferred Compensation. This report is intended to provide complete and reliable information as a basis for making management decisions and complying with all federal and state laws and ensuring fiscal responsibility of PERA's assets.

PERA was established by statute in 1947. For further detail of the background of PERA, see the Notes to Financial Statements.

### CAFR Contents

The CAFR is presented in five sections: introduction, financial, investment, actuarial and statistical. The introduction includes this transmittal letter, a letter from the Board Chair, PERA's organizational chart, and member service communications.

PERA's transactions are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the fair presentation of the financial statements and supporting schedules.

The financial section was prepared in accordance with generally accepted accounting principles (GAAP), the reporting requirements described by the Governmental Accounting Standards Board (GASB) as well as requirements of the New Mexico State Auditor. The financial section features a Management's Discussion and Analysis (MD&A). GASB requires a narrative introduction, overview and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement, and not duplicate, the MD&A and should be read in conjunction with it. The MD&A can be found in the financial section immediately following the report from PERA's independent auditor.

## EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

The investment section provides a report on investment activities, policies, asset allocation, performance results and other yearly comparative portfolio information.

The actuarial section details the funding status and other actuarial information for all of the funds that PERA administers. The actuarial section does not include net pension liability information that is required to be presented in the financial section under GASB 67, rather the actuarial section focuses on information used for funding purposes.

The statistical section includes comparative financial and demographic information along with the Deferred Compensation information; providing the users of the CAFR with annual information for comparative analysis.

### Economic Outlook

During Fiscal Year 2019 PERA's defined benefit fund generated a time-weighted return of 6.38%, net of fees. Although, PERA's performance was below the actuarial return target of 7.25%, the portfolio tracked its policy benchmark closely, and outperformed its passive reference benchmark. On a risk adjusted basis, PERA outperformed its policy and reference benchmarks significantly, producing similar returns with substantially less volatility. Additionally, PERA's portfolio produced top quartile results, both on an absolute and risk-adjusted basis, when compared to its peers.

As PERA enters into the next fiscal year, the portfolio remains well-positioned to navigate through an uncertain market environment. The forward looking investment horizon is projected to be a low return environment, and in the short and long run, PERA continues to focus on building an investment portfolio that consistently meets its 7.25% expected return, while eliminating uncompensated risk and mitigating portfolio drawdowns.

### Summary of Financial Information

The following schedule is a summary of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and Volunteer Firefighters Retirement Fund, additions and deductions for the years ended June 30, 2019 and June 30, 2018 (excluding the Deferred Compensation Plan and Social Security Administration Program).

	June 30, 2019	June 30, 2018
Additions	\$ 1,579,770,322	\$ 1,630,302,396
Deductions	(1,280,024,595)	(1,213,450,682)
Net Change	\$ 299,745,727	\$ 416,851,714

Additions decreased from FY18 to FY19 by \$(50,532,074) primarily due to a decrease in net investment income. Deductions increased by \$66,573,913 primarily due to an increase in benefit payments for the year.

### Plan Financial Condition

PERA's funding objective is to meet long-term benefit payments through contributions that are statutorily fixed as a percent of member payroll, and achieving a 7.25% annual assumed actuarial investment return. The Public Employees Retirement Fund's funded ratio decreased in comparison to last fiscal year as we ended the fiscal year at 69.90%, a 1.2% decrease. Additional information regarding the financial condition of the funds administered by PERA can be found in the actuarial section of this report.



## EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

### Investment Activity

During Fiscal Year 2019 PERA had a positive investment year. PERA's investment portfolio produced a total return, net of fees, of 5.60% for the year ended June 30, 2019, less than the assumed actuarial investment return of 7.25% (see actuarial analysis below for further detail of change to discount rate). This resulted in net investment income of \$947 million for the PERA funds

PERA is a long-term investor and our portfolio is constructed to weather financial storms through diversification and constant attention to our process to make improvements as needed. Additional information regarding the investment results for the year is included in the investment section of this report.

### Actuarial Analysis

PERA's funding objective is to meet long-term benefit payments through contributions that are statutorily fixed as a percent of member payroll, and achieving the annual assumed actuarial investment return. The PERA Board adopted a change in new economic assumptions for the June 30, 2019 actuarial valuations. The rate of inflation changed to a 2.50% static rate. A rate of return assumption has been adopted for funding purposes, the rate is 7.25% continuously. The rate of payroll growth is changed to a 3.00% continuous and administrative expense changed to .50% of payroll. The actuarial reports are prepared by Cavanaugh Macdonald LLP based on data provided by PERA. They also serve as a technical advisor to staff on actuarial issues. More detailed information for all the plans can be found in the actuarial section of this report.

### GASB 67 Financial Reporting for Pension Plans

PERA implemented GASB 67 in FY 14. The Net Pension Liability (NPL) for the Public Employees Retirement Fund (multi-employer cost sharing fund) for FY 19 is \$6.4 billion, a \$200 million increase compared to FY 18 of approximately \$6.2 billion. The NPL for that fund will be allocated to the cost sharing employer participants that participate in that fund. More detailed information regarding the NPL for the PERA Fund, Judicial Fund, Magistrate Fund and Volunteer Firefighters Fund, can be found in the financial section of this report in Note 12 and in the Required Supplementary Information.

### Management Responsibility for Financial Reporting

PERA maintains a system of internal controls designed to provide reasonable assurance that assets are properly safeguarded, transactions are properly executed, and financial statements are reliable. In addition, PERA's internal audit firm provides a continuous review of the internal controls and operations of PERA, and the internal audit firm regularly reports to the PERA Board through its Audit and Budget Committee (Committee). The objective of internal control is to provide reasonable, not absolute, assurance that the financial statements are free of material misstatements; PERA maintains internal controls to provide reasonable assurance that control objectives are met. The Committee reviews the audit results and recommendations for improvements in internal control and operational efficiency and the actions of management to implement such recommendations.

The internal control system includes the organizational plan, the segregation of duties, sound accounting practices in the performance of duties and, knowledgeable personnel. PERA believes the internal controls during FY19 were appropriate and provide reasonable assurance regarding the proper recording of financial transactions.



## EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

### Recognition of Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERA for its CAFR for the year ended June 30, 2018. This is the 17th consecutive year that PERA has achieved this award.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. Whether directly or indirectly, every division of PERA contributed to the content of the CAFR report. The attainment of this Certificate of Achievement represents a significant accomplishment by PERA employees.

A Certificate of Achievement is valid for a period of one year only. We believe that this year's CAFR continues to meet this standard and will be submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA also awarded PERA an Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. This is the 2nd consecutive year that PERA has achieved this award.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

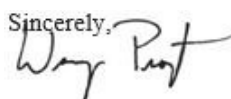
An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

### Independent Audit

An annual audit of PERA's Financial Statements has been performed this year by the independent accounting firm of CliftonLarsonAllen, LLP. The auditors' report on the financial statements is included in the financial section of this report. CliftonLarsonAllen, LLP incorporated the audit done by Eide Bailly, LLP in regard to the Deferred Compensation Plan, which PERA also administers.

### Conclusion

This report is a product of the combined efforts of the PERA staff functioning under the Board's direction. It is intended to provide complete and reliable information that will facilitate the management decision-making process, serve as a means for determining compliance with legal requirements, and allow for the evaluation of responsible stewardship of the PERA Fund.

Sincerely,  


Wayne Propst  
Executive Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Public Employees Retirement  
Association of New Mexico**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Administration  
2019***

Presented to

***Public Employees Retirement Association of  
New Mexico***

In recognition of meeting professional standards for  
plan administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator

## PUBLIC EMPLOYEES RETIREMENT ASSOCIATION EMPLOYEES

### EXECUTIVE OFFICE

Wayne Propst - *Executive Director Investments/Pensions*  
 Gregory M. Trujillo - *Executive Deputy Director*  
 Patricia B. Winter - *Administrative Assistant*

### INVESTMENTS BUREAU

Dominic J. Garcia - *Chief Investment Officer*  
 Kristin E. Varela - *Deputy Chief Investment Officer*  
 LeAnne Larrañaga-Ruffy - *Portfolio Manager*  
 Joaquin G. Lujan - *Portfolio Manager*  
 Frank Mihail - *Portfolio Manager*  
 Mark A. Montoya - *Financial Analyst*  
 Olasunkanmi I. Olaoye - *Investment Accountant*

### DEFERRED COMPENSATION BUREAU

Karyn D. Lujan - *Deferred Compensation Administrator*

### OFFICE OF GENERAL COUNSEL

Susan G. Pittard - *Chief of Staff/General Council*  
 Misty M. Schoeppner - *Deputy General Council*  
 Laura E. Archuleta - *Paralegal Assistant*  
 Anita C. Valdez - *Paralegal Assistant*

### ADMINISTRATIVE SERVICES BUREAU

Renada L. Peery-Galon - *ASD Director*  
 Anna E. Williams - *Chief Financial Officer*  
 Jessica Trujillo - *Human Resources Manager*  
 Samantha Olivas - *Human Resources*  
 Marlena S. Riggs - *Financial Manager*  
 Zarina Martinez - *Financial Coordinator*  
 Valerie R. Hayas - *Accountant Auditor*  
 Dawn M. Prada - *Accountant Auditor*  
 Heather Martinez - *Accountant Auditor*  
 Aji M. Lopez - *Contribution Accounting Manager*  
 Renee J. Baros - *Accountant Auditor Supervisor*  
 Nicole Tapia - *Accountant Auditor*  
 Shauna D. Rivera - *Accountant Auditor*  
 Rosemary Rodriguez - *Accountant Auditor*  
 Eric Martinez - *Building Services*

### INFORMATION SYSTEMS BUREAU

Ronald Gallegos - *Chief Information Officer*  
 Joel Sanchez - *IT Systems Administrator*  
 Miranda Montoya - *IT End User Support*  
 Leslie L. Miller - *IT End User Support*  
 Jessica A. Perea - *IT Business Analyst*  
 Anupama Kodali - *IT Business Analyst*  
 Gabriel Baca - *IT Technology Officer*  
 Amanda Ortiz - *Business Operations Specialist*  
 Sheila Martinez - *Records Clerk*

Jodi F. Trujillo - *Records Clerk*  
 Mariah Sedillo - *Records Clerk*  
 Alison Bradley - *Records Clerk*

### MEMBER SERVICES

Melinda E. Marquez - *Bureau Chief*

### CUSTOMER SERVICE

Greg D. Holmes - *Retirement Specialist Supervisor*  
 Theresa Marie Martinez - *Retirement Specialist*  
 Laurie Rael - *Retirement Specialist*  
 Selene Romero - *Retirement Specialist*  
 Jeremy Ortiz - *Retirement Specialist*  
 Mikiela F. Gallegos - *Customer Service Specialist*

### DEATH AND DISABILITIES

Consuelo R. Montoya - *Retirement Specialist Supervisor*  
 Arlene F. Coriz - *Retirement Specialist*  
 Nathan Sedillo - *Retirement Specialist*

### RETIREMENTS

Sandra Mirabal - *Retirement Specialist Supervisor*  
 Andrea Lucero - *Retirement Specialist*  
 Valarie E. Romero - *Retirement Specialist*  
 Sandi Nakai - *Retirement Specialist*  
 Camylle Barela - *Retirement Specialist*  
 Dennis Trujillo - *Retirement Specialist*

### PAYROLL/REFUNDS

Jesse Godfrey - *Supervisor*  
 Brenda Y. Cordova - *Business Operations Specialist*  
 Kimberly Griego - *Business Operations Specialist*  
 Micah Clokey - *Business Operations Specialist*  
 Christine B. Carillo - *Accountant Auditor*  
 Jessica V. Maldonado - *Accountant Auditor*

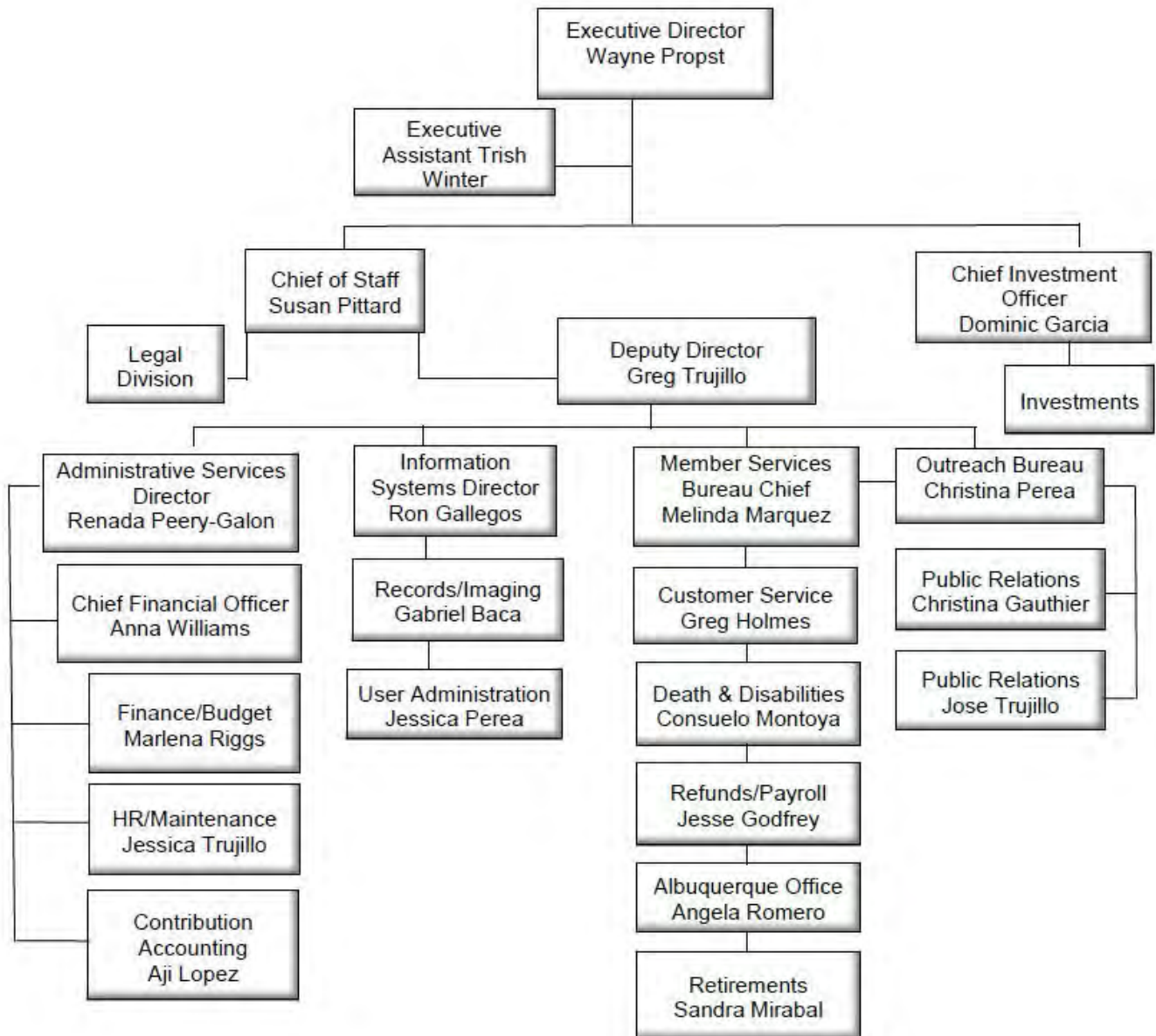
### OUTREACH

Christina I. Perea - *Public Relations Bureau Chief*  
 Christina A. Gauthier - *Public Relations Coordinator*  
 Jose Trujillo - *Public Relations Coordinator*

### ALBUQUERQUE OFFICE

Angela D. Romero - *Retirement Specialist Supervisor*  
 Victoria G. Chavez - *Retirement Specialist*  
 Melissa Sandoval - *Retirement Specialist*  
 Erika Chavez - *Retirement Specialist*  
 Angelique Atler - *Retirement Specialist*

## PUBLIC EMPLOYEES RETIREMENT ASSOCIATION ORGANIZATIONAL CHART





## PROFESSIONAL CONSULTANTS

### ACTUARY

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Cavanaugh Macdonald Consulting, LLC Consultants &  
Actuaries  
3550 Busbee Parkway, Suite 250  
Kennesaw, GA 30144  
Website: [www.CavMacConsulting.com](http://www.CavMacConsulting.com)

### AUDITORS

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CliftonLarsonAllen, LLP  
Business Consultants & Certified Public Accountants 500  
Marquette Ave. NW #800  
Albuquerque, NM 87105  
Website: [www.claconnect.com](http://www.claconnect.com)

REDW, LLC  
Certified Public Accountants | Business & Financial Advisors 7425  
Jefferson St. NE  
Albuquerque, NM 87109  
Website: [www.redw.com](http://www.redw.com)

Eide Bailly, LLP  
CPAs & Business Advisors  
4310 17th Ave S  
Fargo, ND 58103  
Website: [www.eidebailly.com](http://www.eidebailly.com)

### INVESTMENT PERFORMANCE CONSULTANTS

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Wilshire Associates Incorporated  
1299 Ocean Avenue, Suite 700  
Santa Monica, CA 90401-1085  
Website: [www.wilshire.com](http://www.wilshire.com)

### INVESTMENT - REAL ASSETS CONSULTANTS

---

Albourne America, LLC  
55 Montgomery Street, Suite 1910  
San Francisco, CA 4111  
Website: [www.albourne.com](http://www.albourne.com)

### INVESTMENT - PRIVATE EQUITY CONSULTANTS

---

TorreyCove Capital Partners, LLC  
101800 Barnes Canyon Road, Suite 200  
San Diego, CA 2121  
Website: [www.torreycove.com](http://www.torreycove.com)



# FINANCIAL SECTION

Public Employees Retirement Association



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019

## AUDITOR'S LETTER



CliftonLarsonAllen LLP  
CLAconnect.com

### INDEPENDENT AUDITORS' REPORT

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
Honorable Brian S. Colón  
New Mexico State Auditor

#### **Report on the Financial Statements**

We have audited the financial statements of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, Volunteer Firefighters Retirement Fund, State of New Mexico Public Employees' Deferred Compensation Plan, and Social Security Administration Program (collectively, the Funds) administered by the Public Employees Retirement Association of New Mexico (PERA), which comprise the Statement of Fiduciary Net Position as of June 30, 2019, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related Notes to the Financial Statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State of New Mexico Public Employees' Deferred Compensation Plan, which represents 100% of the total assets, fiduciary net position held in trust for deferred compensation benefits, and increase in fiduciary net position of the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the State of New Mexico Public Employees' Deferred Compensation Plan. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the State of New Mexico Public Employees' Deferred Compensation Plan, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.





## AUDITOR'S LETTER

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
Honorable Brian S. Colón  
New Mexico State Auditor

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of PERA as of June 30, 2019, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audit and the report of other auditors, the individual financial statements of each Fund referred to above present fairly, in all material respects, the fiduciary net position of each of the individual Funds administered by PERA as of June 30, 2019 and the respective changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of PERA are intended to present the fiduciary net position and changes in fiduciary net position of only that portion of the State of New Mexico which are attributable to the transactions of the Funds administered by PERA. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Changes in Net Pension Liability – PERA Fund, Changes in Net Pension Liability – Judicial Fund, Changes in Net Pension Liability – Magistrate Fund, Changes in Net Pension Liability – Volunteer Firefighters Fund, Net Pension Liability, Employer Contributions, and Investment Returns, and related Notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the



## AUDITOR'S LETTER

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
Honorable Brian S. Colón  
New Mexico State Auditor

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on PERA's financial statements. The accompanying Schedules of Revenues, Appropriation, and Expenses - Budget and Actual for the Public Employees Retirement Fund Only, Administrative Expenses, Investment Expenses for Defined Benefit Funds and Exit Conference (supplementary information) and the Introductory, Investment, Actuarial and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory, Investment, Actuarial, and Statistical Sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**AUDITOR'S LETTER**

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
Honorable Brian S. Colón  
New Mexico State Auditor

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of PERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PERA's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 25, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Public Employees Retirement Fund (PERA Fund), the Judicial Retirement Fund (Judicial Fund), the Magistrate Retirement Fund (Magistrate Fund), the Volunteer Firefighters Retirement Fund (Volunteer Firefighters Fund), and the State of New Mexico Public Employees' Deferred Compensation Plan (Deferred Comp Fund) (collectively, the "Funds") of the Public Employees Retirement Association of New Mexico for the years ended June 30, 2019 and 2018 provides a summary of the financial positions of the Funds, including highlights and comparisons.

PERA administers 31 different types of retirement coverage for affiliated public employers in the State of New Mexico. PERA is governed by a Board of Trustees consisting of two ex-officio members and ten members elected by the Association's membership. The Board serves as the trustee for the funds controlled by PERA and is authorized to invest the funds on behalf of PERA. The Board appoints an Executive Director to oversee daily operations of the agency.

PERA administers a qualified governmental plan under Section 401(a) of the Internal Revenue Code (IRC), which provides retirement, disability and survivor benefits pursuant to the Public Employees Retirement Act. The Public Employees Retirement Act, NMSA 1978 §§10-11-1 to 10-11-142, provides most of PERA's statutory authority. Additional statutory authority is contained in NMSA 1978 § 10-11A-1 et seq, NMSA 1978 § 10-12B-1 et seq, NMSA 1978 § 10-12C-1 et seq, and NMSA 1978 § 10-13A-1 et seq. Deferred compensation is governed by NMSA 1978 §§ 10-7A-1 to 10-7A-12 and the U.S. Internal Revenue Code § 457.

### DEFINED BENEFIT FUNDS

The Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (collectively the "defined benefit funds") are defined benefit plans which provide a benefit based on a fixed pre-established benefit for employees at retirement. Overall the retirement plans need to balance the money coming in through investment income and contributions with the benefit payments and operating expenses going out.

#### Basic Retirement Equation

$$\text{Investment Income} + \text{Contribution} = \text{Benefits Paid} + \text{Expense}$$

Change in Fiduciary Net Position (Last 5 - fiscal years)			
<b>I -</b>	Investment Income	\$	3,786,626,775
<b>C -</b>	Contributions		3,038,482,425
<b>C -</b>	Other Income		48,388,145
	Subtotal	\$	6,873,497,345
<b>B -</b>	Benefits		5,724,489,460
<b>E -</b>	Expenses		59,111,183
	Subtotal	\$	5,783,600,643
	<b>Change in fiduciary net position</b>	\$	1,089,896,702

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Comparative Summary Statements

The following tables for the year ended June 30, 2019 show the summary of the net change in fiduciary net position for the defined benefit funds. These tables show the net change in the contribution, investment income, benefit payments and administrative expense by fund.

#### PERA Fund

	2019	2018	Dollar Change	Percentage Change
<b>Additions:</b>				
Contributions and service credit purchases	\$ 621,319,197	\$ 602,346,955	\$ 18,972,242	3.15 %
Net Investment Income	935,560,895	1,004,226,606	(68,665,711)	(6.84)%
Other Income	2,046,688	2,109,772	(63,084)	(2.99)%
Total Additions	1,558,926,780	1,608,683,333	(49,756,553)	(3.09)%
<b>Deductions:</b>				
Benefit Payments	1,193,943,794	1,133,417,826	60,525,968	5.34 %
Refunds	54,336,708	50,288,373	4,048,335	8.05 %
Administrative Expenses	13,583,374	12,667,256	916,118	7.23 %
Total Deductions	1,261,863,876	1,196,373,455	65,490,421	5.47 %
<b>Change in fiduciary net position</b>	<b>\$ 297,062,904</b>	<b>\$ 412,309,878</b>	<b>\$ (115,246,974)</b>	<b>(27.95)%</b>

#### Judicial Fund

	2019	2018	Dollar Change	Percentage Change
<b>Additions:</b>				
Contributions and service credit purchases	\$ 6,422,329	\$ 6,355,087	\$ 67,242	1.06 %
Net Investment Income	5,527,664	6,019,595	(491,931)	(8.17)%
Other Income	10,280	—	10,280	100.00 %
Total Additions	11,960,273	12,374,682	(414,409)	(3.35)%
<b>Deductions:</b>				
Benefit Payments	11,351,841	10,585,110	766,731	7.24 %
Refunds	100,360	—	100,360	100.00 %
Administrative Expenses	79,364	75,127	4,237	5.64 %
Total Deductions	11,531,565	10,660,237	871,328	8.17 %
<b>Change in fiduciary net position</b>	<b>\$ 428,708</b>	<b>\$ 1,714,445</b>	<b>\$ (1,285,737)</b>	<b>(74.99)%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Magistrate Fund

	2019	2018	Dollar Change	Percentage Change
<b>Additions:</b>				
Contributions and service credit purchases	\$ 1,875,825	\$ 1,812,207	\$ 63,618	3.51 %
Net Investment Income	1,938,490	2,155,790	(217,300)	(10.08)%
Other Income	—	13,607	(13,607)	(100.00)%
Total Additions	3,814,315	3,981,604	(167,289)	(4.20)%
<b>Deductions:</b>				
Benefit Payments	4,026,067	3,951,032	75,035	1.90 %
Refunds	55,566	63,274	(7,708)	(12.18)%
Administrative Expenses	27,744	26,591	1,153	4.34 %
Total Deductions	4,109,377	4,040,897	68,480	1.69 %
<b>Change in fiduciary net position</b>	<b>\$ (295,062)</b>	<b>\$ (59,293)</b>	<b>\$ (235,769)</b>	<b>397.63 %</b>

### Volunteer Firefighters Fund

	2019	2018	Dollar Change	Percentage Change
<b>Additions:</b>				
Appropriations from State of NM	\$ 750,000	\$ 750,000	\$ —	— %
Net Investment Income	4,317,954	4,512,058	(194,104)	(4.30)%
Other Income	1,000	719	281	39.08 %
Total Additions	5,068,954	5,262,777	(193,823)	(3.68)%
<b>Deductions:</b>				
Benefit Payments	2,456,859	2,318,519	138,340	5.97 %
Administrative Expenses	62,918	57,574	5,344	9.28 %
Total Deductions	2,519,777	2,376,093	143,684	6.05 %
<b>Change in fiduciary net position</b>	<b>\$ 2,549,177</b>	<b>\$ 2,886,684</b>	<b>\$ (337,507)</b>	<b>(11.69)%</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### NET POSITION HELD IN TRUST FOR PENSION BENEFITS

The following tables display the fiduciary net position. This is the total assets, less the liabilities to end up with the net position held in trust for the defined benefit funds.

#### PERA Fund

	2019	2018	Dollar Change	Percentage Change
<b>Assets:</b>				
Cash & Short-term Investments	\$ 961,976,872	\$ 771,803,069	\$ 190,173,803	24.64 %
Receivables	1,238,978,575	597,437,665	641,540,910	107.38 %
Investments	15,270,273,466	15,283,292,470	(13,019,004)	(0.09)%
Capital Assets, Net	11,174,369	11,093,835	80,534	0.73 %
Total Assets	17,482,403,282	16,663,627,039	818,776,243	4.91 %
<b>Liabilities:</b>				
Accounts Payable	1,637,454,648	1,089,928,875	547,525,773	50.24 %
Other Liabilities	337,403,089	363,215,523	(25,812,434)	(7.11)%
Total Liabilities	1,974,857,737	1,453,144,398	521,713,339	35.90 %
<b>Fiduciary net position</b>	<b>\$ 15,507,545,545</b>	<b>\$ 15,210,482,641</b>	<b>\$ 297,062,904</b>	<b>1.95 %</b>

#### Judicial Fund

	2019	2018	Dollar Change	Percentage Change
<b>Assets:</b>				
Cash & Short-term Investments	\$ 5,612,414	\$ 4,577,409	\$ 1,035,005	22.61 %
Receivables	7,221,498	3,392,729	3,828,769	112.85 %
Investments	90,549,739	91,917,493	(1,367,754)	(1.49)%
Total Assets	103,383,651	99,887,631	3,496,020	3.50 %
<b>Liabilities:</b>				
Accounts Payable	9,655,804	6,408,115	3,247,689	50.68 %
Other Liabilities	1,968,497	2,148,874	(180,377)	(8.39)%
Total Liabilities	11,624,301	8,556,989	3,067,312	35.85 %
<b>Fiduciary net position</b>	<b>\$ 91,759,350</b>	<b>\$ 91,330,642</b>	<b>\$ 428,708</b>	<b>0.47 %</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Magistrate Fund

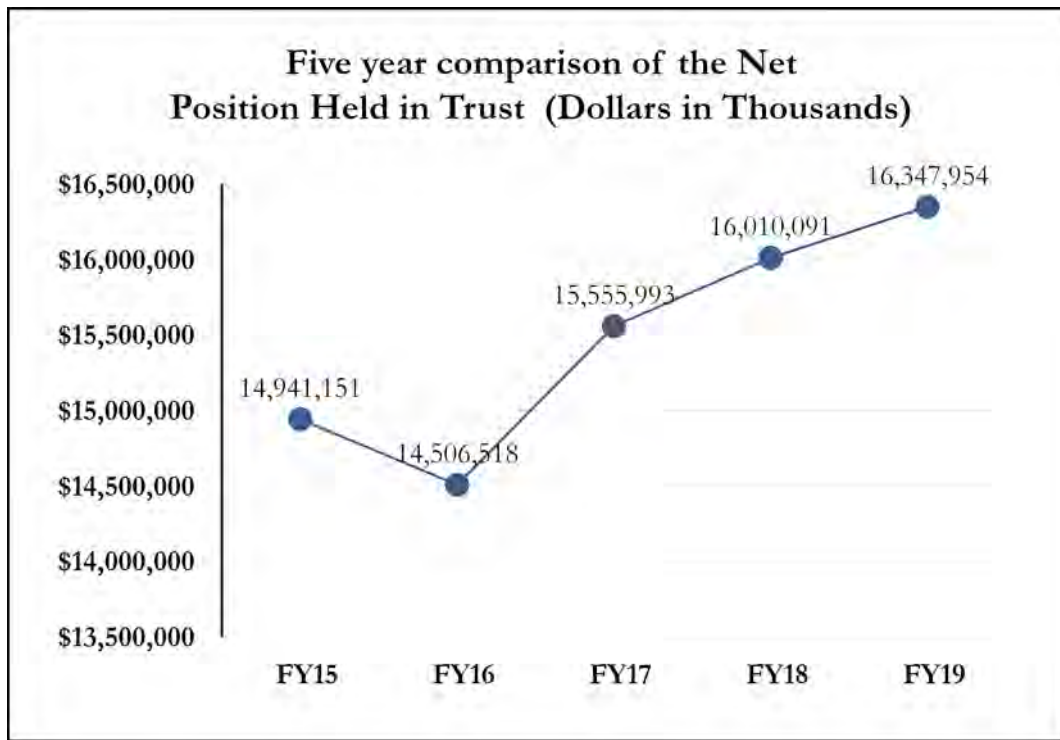
	2019	2018	Dollar Change	Percentage Change
<b>Assets:</b>				
Cash & Short-term Investments	\$ 1,961,967	\$ 1,620,186	\$ 341,781	21.10 %
Receivables	2,527,191	1,200,865	1,326,326	110.45 %
Investments	31,394,896	32,320,483	(925,587)	(2.86)%
Total Assets	35,884,054	35,141,534	742,520	2.11 %
<b>Liabilities:</b>				
Accounts Payable	3,398,524	2,288,482	1,110,042	48.51 %
Other Liabilities	688,140	760,600	(72,460)	(9.53)%
Total Liabilities	4,086,664	3,049,082	1,037,582	34.03 %
<b>Fiduciary net position</b>	<b>\$ 31,797,390</b>	<b>\$ 32,092,452</b>	<b>\$ (295,062)</b>	<b>(0.92)%</b>

### Volunteer Firefighters Fund

	2019	2018	Dollar Change	Percentage Change
<b>Assets:</b>				
Cash & Short-term Investments	\$ 4,449,428	\$ 3,507,932	\$ 941,496	26.84 %
Receivables	5,599,151	2,600,042	2,999,109	115.35 %
Investments	70,884,019	69,735,372	1,148,647	1.65 %
Total Assets	80,932,598	75,843,346	5,089,252	6.71 %
<b>Liabilities:</b>				
Accounts Payable	7,535,376	4,909,087	2,626,289	53.50 %
Other Liabilities	1,560,592	1,646,806	(86,214)	(5.24)%
Total Liabilities	9,095,968	6,555,893	2,540,075	38.74 %
<b>Fiduciary net position</b>	<b>\$ 71,836,630</b>	<b>\$ 69,287,453</b>	<b>\$ 2,549,177</b>	<b>3.68 %</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following chart represents the fiduciary net position for the Public Employees Retirement Association over the last 5 years. (This includes all the defined benefit funds and the Deferred Compensation fund.)



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### DEFERRED COMP FUND

In addition to the above defined benefit funds, the comparative summary of assets, liabilities, net position and the related change in net position of the Deferred Comp fund is presented below. The assets and liabilities of this plan are administered by a plan administrator through an executed contract with PERA.

Statement of Fiduciary Net Position as of June 30, 2019, as compared to June 30, 2018, is as follows:

#### Deferred Comp Fund

	2019	2018	Dollar Change	Percentage Change
<b>Assets:</b>				
Receivables	\$ 14,009,789	\$ 13,288,115	\$ 721,674	5.43%
Investments	631,016,361	593,620,440	37,395,921	6.30%
Total Assets	645,026,150	606,908,555	38,117,595	6.28%
Total Liabilities	10,704	10,491	213	2.03%
<b>Net Position Held in Trust</b>	<b>\$ 645,015,446</b>	<b>\$ 606,898,064</b>	<b>\$ 38,117,382</b>	<b>6.28%</b>

Statement of Changes in Fiduciary Net Position as of June 30, 2019, as compared to June 30, 2018, is as follows:

#### Deferred Comp Fund

	2019	2018	Dollar Change	Percentage Change
<b>Additions:</b>				
Contributions and service credit purchases	\$ 43,134,670	\$ 40,031,630	\$ 3,103,040	7.75 %
Net Investment Income	37,556,290	47,480,071	(9,923,781)	(20.90)%
Other Income	107,000	81,999	25,001	30.49 %
Total Additions	80,797,960	87,593,700	(6,795,740)	(7.76)%
<b>Deductions:</b>				
Benefit Payments	41,197,682	48,221,377	(7,023,695)	(14.57)%
Life Insurance Premiums	24,597	33,880	(9,283)	(27.40)%
Administrative Expenses	1,458,298	1,317,225	141,073	10.71 %
Total Deductions	42,680,577	49,572,482	(6,891,905)	(13.90)%
<b>Change in fiduciary net position</b>	<b>\$ 38,117,383</b>	<b>\$ 38,021,218</b>	<b>\$ 96,165</b>	<b>0.25 %</b>

### INVESTMENTS HIGHLIGHTS

The purpose of the defined benefit investments is to provide long-term growth, while also ensuring a reliable cash flow that meets the funding requirements of the current pension obligations. The investments are allocated to a variety of asset types and strategies in order to meet the current funding needs and future growth for their long-term return and growth characteristics, while fixed income and debt-related investments are included in the allocation for their ability to control investment risk and provide for a reliable cash flow that meets the funding requirement of current pension payments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following table shows the investment income for the defined benefit funds for the fiscal year 2019:

### Investment Income

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Interest	\$ 154,890,732	\$ 948,884	\$ 327,579	\$ 720,487	\$ 156,887,682
Dividends	151,500,408	893,256	313,976	694,431	153,402,071
Net Appreciation in Fair Value of Inv.	581,382,118	3,399,817	1,195,798	2,686,588	588,664,321
Other Investment Income	108,877,286	641,934	225,630	499,140	110,243,990
Other Investment Expenses	(64,440,773)	(375,965)	(131,428)	(298,058)	(65,246,224)
Securities Lending Income	3,351,124	19,738	6,935	15,366	3,393,163
<b>Net Investment Income</b>	<b>\$ 935,560,895</b>	<b>\$ 5,527,664</b>	<b>\$ 1,938,490</b>	<b>\$ 4,317,954</b>	<b>\$ 947,345,003</b>

The following table shows the defined benefit funds' invested assets as of June 30, 2019 compared to June 30, 2018:

### Invested Assets

Investment Category	June 30 2019	June 30 2018	Dollar Change	Percentage Change
Domestic Equity	\$ 2,722,512,815	\$ 2,967,741,968	\$ (245,229,153)	(8.26)%
International Equity	2,467,335,866	2,746,482,704	(279,146,838)	(10.16)%
Core Fixed Income	3,454,883,287	3,417,324,806	37,558,481	1.10 %
Global Fixed Income	682,525,694	851,131,952	(168,606,258)	(19.81)%
Public MLP	284,308,739	285,587,696	(1,278,957)	(0.45)%
Public REIT	581,020,928	710,859,856	(129,838,928)	(18.27)%
TIPS	501,258,271	565,944,504	(64,686,233)	(11.43)%
Derivatives	16,639,992	3,404,654	13,235,338	388.74 %
Absolute Return - Credit	462,337,684	444,616,694	17,720,990	3.99 %
Absolute Return - Equity	43,944,537	42,910,592	1,033,945	2.41 %
Absolute Return - Real Assets	3,140,615	4,467,816	(1,327,201)	(29.71)%
Absolute Return - Risk Parity	315,307,691	—	315,307,691	100.00 %
Private Equity Partnership	1,185,494,023	883,091,880	302,402,143	34.24 %
Private Debt Partnership	882,551,041	875,558,664	6,992,377	0.80 %
Real Estate Equity Partnership	554,859,320	435,478,972	119,380,348	27.41 %
Real Estate Debt Partnership	204,187,412	201,173,445	3,013,967	1.50 %
Real Asset Partnership	735,949,796	657,874,409	78,075,387	11.87 %
Securities Lending Collateral	341,650,662	367,257,511	(25,606,849)	(6.97)%
Investments In State General Fund Investment Pool	23,193,747	16,357,695	6,836,052	41.79 %
<b>Total Investments</b>	<b>\$ 15,463,102,120</b>	<b>\$ 15,477,265,818</b>	<b>\$ (14,163,698)</b>	<b>(0.09)%</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

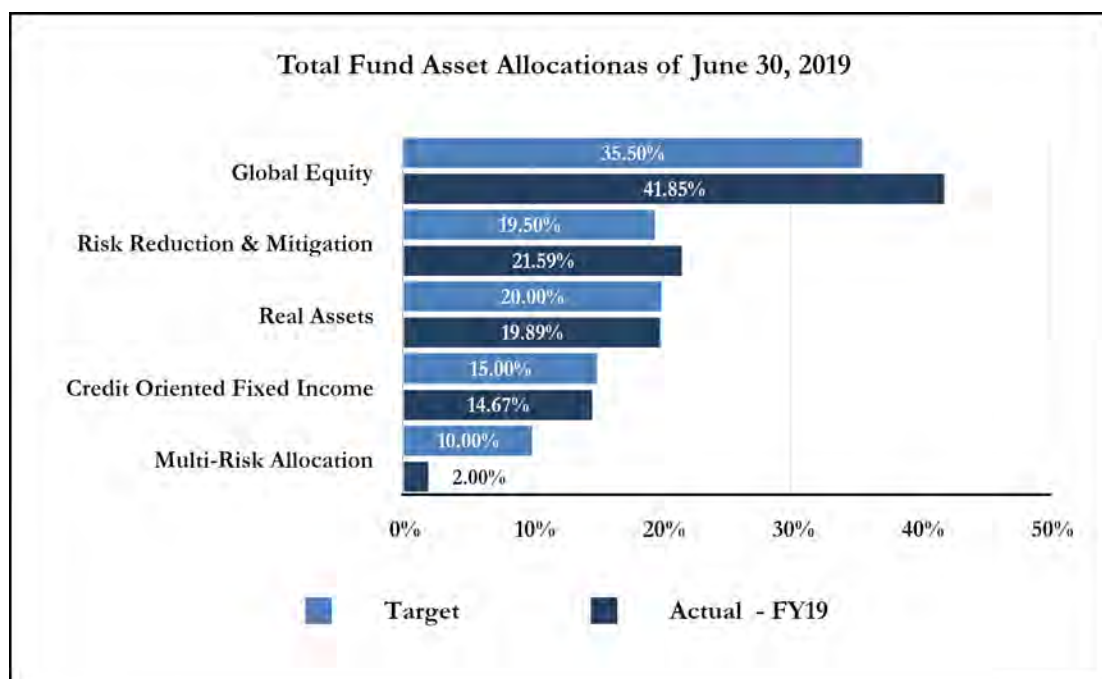
### TIME - WEIGHTED RETURNS VS BENCHMARKS

As of June 30, 2019, the investments in the defined benefit funds returned 6.38% and generated investment gains of approximately \$947 million net of investment fees and expenses. For further detail, please see the actuarial section on page 128. The defined benefit funds' Fiduciary Net Position held in trust for pension benefits at the close of the fiscal year was approximately \$15.7 billion. Although slightly underperforming the policy benchmark over shorter measurement periods, the defined benefit has produced outperformance over longer time horizons. Additionally, the fund outperformed the simple reference benchmark over all measurement periods; highlighting the benefit of diversification and complexity implemented through the fund's strategic asset allocation.

Time Period	PERA Return	Benchmark Return	Excess Return
One-year	6.38%	6.96%	(0.58)%
Three-year	8.11%	7.95%	0.16%
Five-year	5.29%	5.6%	(0.31)%
Ten-year	9.17%	8.72%	0.45%
Inception - Date	8.92%	8.84%	0.08%

### ASSET ALLOCATION

The strategic asset allocation focuses on the role of each major asset category through various market cycles and better diversifies capital and risks across these strategies. The new target mix apportions assets to capture diversified return streams while reducing the expected volatility of the defined benefit funds', as a whole. The chart below details the asset allocation for the defined benefit funds' investment portfolio and shows defined benefit funds' investment return compared to its policy benchmark.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### STATUTORY CONTRIBUTIONS

Contributions are one piece of the retirement equation. The member and employer contributions rates are set in statute. See notes to the financial statements for the detail schedule of the contribution rates. Employer and member contributions for the fiscal year increased from \$611,264,249 in 2018 to \$630,367,351 in 2019.

#### Total Contribution by Fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Employer Contributions	\$ 339,676,103	\$ 4,731,492	\$ 1,236,273	\$ —	\$ 345,643,868
Employee Contributions	274,026,282	1,649,240	639,552	—	276,315,074
Purchased Services	7,616,812	41,597	—	—	7,658,409
State Contributions	—	—	—	750,000	750,000
<b>Total Contributions</b>	<b>\$ 621,319,197</b>	<b>\$ 6,422,329</b>	<b>\$ 1,875,825</b>	<b>\$ 750,000</b>	<b>\$ 630,367,351</b>

### BENEFITS AND EXPENSES

Benefits are also another component of the retirement equation. At the end of the fiscal year 2019, PERA was paying benefits to more than 41,189 retired public employees and their beneficiaries. Benefits and expenses for the fiscal year increased from \$1,213,450,682 in 2018 to \$1,280,024,595 in 2019.

#### Total Deductions by Fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Benefit Payments	\$ 1,193,943,794	\$ 11,351,841	\$ 4,026,067	\$ 2,456,859	\$ 1,211,778,561
Refunds	54,336,708	100,360	55,566	—	54,492,634
Administrative Expense	13,583,374	79,364	27,744	62,918	13,753,400
<b>Total Deductions</b>	<b>\$ 1,261,863,876</b>	<b>\$ 11,531,565</b>	<b>\$ 4,109,377</b>	<b>\$ 2,519,777</b>	<b>\$ 1,280,024,595</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### ACTUARIAL VALUATIONS

In FY19 the PERA Fund reported an Unfunded Actuarial Accrued Liability (UAAL) of \$6.06 billion, approximately \$990 million higher than the previous year. For further detail, please see actuarial section on page 147. The increase in the UAAL was the result of an actuarial loss due to the investment experience and changes in inflation rates, payroll growth rates, and other non-investment related items. The return on the actuarial value of assets was 5.92% compared to an expected return of 7.25%.

Recent Governmental Accounting Standards Board (GASB) accounting changes (GASB 67) have changed how an unfunded liability is calculated for accounting purposes and how it is reported on the financial statements of PERA's participating entities.

The table in the MD&A includes the Net Pension Liability as required under GASB 67. For further detail, please see Note 12 and required supplementary information specific to GASB 67, by fund.

#### Net Pension Liability by Fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund
Total Pension liability	\$ 21,989,223,963	\$ 205,434,589	\$ 77,431,101	\$ 52,560,526
Plan Fiduciary Net Position held in trust for pension benefits	15,507,545,545	91,759,350	31,797,390	71,836,630
Net Pension Liability / (Asset)	\$ 6,481,678,418	\$ 113,675,239	\$ 45,633,711	\$ (19,276,104)
Ratio of plan net position of total pension liability	70.52%	44.67%	41.07%	136.67%

*Actuarial assumptions*—The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board for use in the June 30, 2019 actuarial valuation.

### STATE OF NEW MEXICO LEGISLATIVE CHANGES

During the State of New Mexico (53rd Legislature) in 2017, HB-002 was passed that reduced the State's distribution to the legislative retirement fund from \$75,000 a month to \$0 a month for fiscal years 2018 and 2019.

### REQUEST FOR INFORMATION

Any questions regarding the financial statements of PERA should be directed to the Executive Director, at (505) 476-9301; Chief Investment Officer at (505) 476-9338, ASD Director at (505) 476-9304 or Chief Financial Officer at (505) 476-9313. All can be reached by mail at 33 Plaza La Prensa, Santa Fe, NM 87504. Further contact information is also located on PERA's website at <http://www.nmpera.org/>.

# PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

## STATEMENTS OF FIDUCIARY NET POSITION

### As of June 30, 2019

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
<b>ASSETS</b>			
Cash and Short term investments	\$ 961,976,872	\$ 5,612,414	\$ 1,961,967
Receivables			
Accrued Investment Income	1,210,542,482	7,062,653	2,468,936
Contributions Receivable	28,436,093	158,845	58,255
Participant Loans Receivable	—	—	—
Accounts Receivable	—	—	—
<b>Total Short term Assets</b>	1,238,978,575	7,221,498	2,527,191
Investment in State Treasurer Investment Pool	20,967,785	1,581,153	293,587
Investments, at fair value			
Domestic Equity	2,688,903,919	15,687,794	5,484,081
International Equity	2,436,877,080	14,217,402	4,970,067
Core Fixed Income	3,412,233,419	19,907,895	6,959,329
Global Fixed Income	674,100,045	3,932,883	1,374,843
Public MLP	280,799,002	1,638,258	572,696
Public REIT	573,848,336	3,347,987	1,170,377
TIPS	495,070,334	2,888,375	1,009,707
Derivatives	16,434,575	95,884	33,519
Absolute Return - Credit	456,630,214	2,664,105	931,308
Absolute Return - Equity	43,402,051	253,219	88,519
Absolute Return - Real Assets	3,101,845	18,097	6,326
Absolute Return - Risk Parity	311,415,278	1,816,881	635,139
Private Equity Partnership	1,170,859,329	6,831,111	2,387,994
Private Debt Partnership	871,656,119	5,085,478	1,777,763
Real Estate Equity Partnership	548,009,689	3,197,237	1,117,678
Real Estate Debt Partnership	201,666,757	1,176,579	411,304
Real Asset Partnership	726,864,638	4,240,725	1,482,457
Variable Earning Investments	—	—	—
Stable Value Option & Other	—	—	—
Fixed annuity payout option	—	—	—
Self-directed option	—	—	—
	14,932,840,415	88,581,063	30,706,694
Securities Lending Collateral Investments	337,433,051	1,968,676	688,202
<b>Total Investments</b>	15,270,273,466	90,549,739	31,394,896
Capital Assets, Net	11,174,369	—	—
<b>Total Assets</b>	17,482,403,282	103,383,651	35,884,054
<b>LIABILITIES</b>			
Accounts Payable - Brokers	1,629,160,610	9,504,965	3,322,711
Accounts Payable - Other	7,732,094	150,839	75,813
Accrued Expenses	262,883	—	—
Compensated Absences	299,061	—	—
Securities Lending Liability	337,403,089	1,968,497	688,140
<b>Total Liabilities</b>	1,974,857,737	11,624,301	4,086,664
<b>FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND HELD IN TRUST FOR DEFERRED COMPENSATION BENEFITS</b>	<b>\$ 15,507,545,545</b>	<b>\$ 91,759,350</b>	<b>\$ 31,797,390</b>

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO**  
**STATEMENTS OF FIDUCIARY NET POSITION (CONTINUED)**  
**As of June 30, 2019**

	Volunteer Firefighters Retirement Fund	Deferred Compensation Plan	SSA Program	Total
<b>ASSETS</b>				
Cash and Short term investments	\$ 4,449,428	\$ —	\$ —	\$ 974,000,681
Receivables				
Accrued Investment Income	5,599,151	—	—	1,225,673,222
Contributions Receivable	—	—	—	28,653,193
Participant Loans Receivable	—	12,812,783	—	12,812,783
Accounts Receivable	—	1,197,006	—	1,197,006
<b>Total Short term Assets</b>	5,599,151	14,009,789	—	1,268,336,204
Investment in State Treasurer Investment Pool	351,222	28,020	—	23,221,767
Investments, at fair value				
Domestic Equity	12,437,021	—	—	2,722,512,815
International Equity	11,271,317	—	—	2,467,335,866
Core Fixed Income	15,782,644	—	—	3,454,883,287
Global Fixed Income	3,117,923	—	—	682,525,694
Public MLP	1,298,783	—	—	284,308,739
Public REIT	2,654,228	—	—	581,020,928
TIPS	2,289,855	—	—	501,258,271
Derivatives	76,014	—	—	16,639,992
Absolute Return - Credit	2,112,057	—	—	462,337,684
Absolute Return - Equity	200,748	—	—	43,944,537
Absolute Return - Real Assets	14,347	—	—	3,140,615
Absolute Return - Risk Parity	1,440,393	—	—	315,307,691
Private Equity Partnership	5,415,589	—	—	1,185,494,023
Private Debt Partnership	4,031,681	—	—	882,551,041
Real Estate Equity Partnership	2,534,716	—	—	554,859,320
Real Estate Debt Partnership	932,772	—	—	204,187,412
Real Asset Partnership	3,361,976	—	—	735,949,796
Variable Earning Investments	—	491,252,339	—	491,252,339
Stable Value Option & Other	—	133,640,620	—	133,640,620
Fixed annuity payout option	—	956,471	—	956,471
Self-directed option	—	5,138,911	—	5,138,911
	69,323,286	631,016,361	—	15,752,467,819
Securities Lending Collateral Investments	1,560,733	—	—	341,650,662
<b>Total Investments</b>	70,884,019	631,016,361	—	16,094,118,481
Capital Assets, Net	—	—	—	11,174,369
<b>Total Assets</b>	80,932,598	645,026,150	—	18,347,629,735
<b>LIABILITIES</b>				
Accounts Payable - Brokers	7,535,376	—	—	1,649,523,662
Accounts Payable - Other	—	—	—	7,958,746
Accrued Expenses	—	3,280	—	266,163
Compensated Absences	—	7,424	—	306,485
Securities Lending Liability	1,560,592	—	—	341,620,318
<b>Total Liabilities</b>	9,095,968	10,704	—	1,999,675,374
<b>FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND HELD IN TRUST FOR DEFERRED COMPENSATION BENEFITS</b>	<b>\$ 71,836,630</b>	<b>\$ 645,015,446</b>	<b>\$ —</b>	<b>\$ 16,347,954,361</b>



# PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

### For the Year Ended June 30, 2019

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 339,676,103	\$ 4,731,492	\$ 1,236,273
Member	274,026,282	1,649,240	639,552
Appropriations from State of New Mexico -			
Legislative Fund	—	—	—
Fire Protection Fund	—	—	—
Service Credits Purchased	7,616,812	41,597	—
<b>Total Contributions</b>	<u>621,319,197</u>	<u>6,422,329</u>	<u>1,875,825</u>
Investment Income			
Interest	154,890,732	948,884	327,579
Dividends	151,500,408	893,256	313,976
Net Appreciation (Depreciation) in Fair Value of Investments	581,382,118	3,399,817	1,195,798
Other Investment Income	108,877,286	641,934	225,630
Securities Lending Income	3,351,124	19,738	6,935
	<u>1,000,001,668</u>	<u>5,903,629</u>	<u>2,069,918</u>
Securities Lending Expenses	(497,360)	(2,902)	(1,014)
Other Investment Expenses	(63,943,413)	(373,063)	(130,414)
<b>Net Investment Income</b>	<u>935,560,895</u>	<u>5,527,664</u>	<u>1,938,490</u>
<b>OTHER</b>			
Other Income	2,046,688	10,280	—
Special fund appropriation	—	—	—
Reversion - FY 2019	—	—	—
<b>Total Additions</b>	<u>1,558,926,780</u>	<u>11,960,273</u>	<u>3,814,315</u>
<b>DEDUCTIONS</b>			
Benefit Payments	1,193,943,794	11,351,841	4,026,067
Refunds to Terminated Employees	54,336,708	100,360	55,566
Administrative Expenses	13,583,374	79,364	27,744
Life Insurance Premiums	—	—	—
<b>Total Deductions</b>	<u>1,261,863,876</u>	<u>11,531,565</u>	<u>4,109,377</u>
Change in Fiduciary Net Position	297,062,904	428,708	(295,062)
<b>FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND HELD IN TRUST FOR DEFERRED COMPENSATION BENEFITS</b>			
Beginning of Year	<u>15,210,482,641</u>	<u>91,330,642</u>	<u>32,092,452</u>
End of Year	<u>\$ 15,507,545,545</u>	<u>\$ 91,759,350</u>	<u>\$ 31,797,390</u>

# **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO (CONTINUED)** **STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION** **For the Year Ended June 30, 2019**

	Volunteer Firefighters Retirement Fund	Deferred Compensation Plan	SSA Program	Total
<b>ADDITIONS</b>				
Contributions				
Employer	\$ —	\$ —	\$ —	\$ 345,643,868
Member	—	43,134,670	—	319,449,744
Appropriations from State of New Mexico -				
Legislative Fund	—	—	—	—
Fire Protection Fund	750,000	—	—	750,000
Service Credits Purchased	—	—	—	7,658,409
<b>Total Contributions</b>	<b>750,000</b>	<b>43,134,670</b>	<b>—</b>	<b>673,502,021</b>
Investment Income				
Interest	720,487	3,750,627	—	160,638,309
Dividends	694,431	—	—	153,402,071
Net Appreciation (Depreciation) in Fair Value of Investments	2,686,588	33,805,663	—	622,469,984
Other Investment Income	499,140	—	—	110,243,990
Securities Lending Income	15,366	—	—	3,393,163
	4,616,012	37,556,290	—	1,050,147,517
Securities Lending Expenses	(2,300)	—	—	(503,576)
Other Investment Expenses	(295,758)	—	—	(64,742,648)
<b>Net Investment Income</b>	<b>4,317,954</b>	<b>37,556,290</b>	<b>—</b>	<b>984,901,293</b>
<b>OTHER</b>				
Other Income	1,000	107,000	—	2,164,968
Special fund appropriation	—	—	90,700	90,700
Reversions - FY 2019	—	—	(18,103)	(18,103)
<b>Total Additions</b>	<b>5,068,954</b>	<b>80,797,960</b>	<b>72,597</b>	<b>1,660,640,879</b>
<b>DEDUCTIONS</b>				
Benefit Payments	2,456,859	41,197,682	—	1,252,976,243
Refunds to Terminated Employees	—	—	—	54,492,634
Administrative Expenses	62,918	1,458,298	72,597	15,284,295
Life Insurance Premiums	—	24,597	—	24,597
<b>Total Deductions</b>	<b>2,519,777</b>	<b>42,680,577</b>	<b>72,597</b>	<b>1,322,777,769</b>
Change in Fiduciary Net Position	2,549,177	38,117,383	—	337,863,110
<b>FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS AND HELD IN TRUST FOR DEFERRED COMPENSATION BENEFITS</b>				
Beginning of Year	69,287,453	606,898,063	—	16,010,091,251
End of Year	<b>\$ 71,836,630</b>	<b>\$ 645,015,446</b>	<b>\$ —</b>	<b>\$ 16,347,954,361</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS

#### A. General

The Public Employee Retirement Association (“PERA”) was created by legislation enacted in 1947.

PERA is the administrator of four retirement funds, including the Public Employees Retirement Fund (PERA Fund), the Judicial Retirement Fund (Judicial Fund), the Magistrate Retirement Fund (Magistrate Fund), and the Volunteer Firefighters Retirement Fund (Volunteer Firefighters Fund), offering an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators. The laws governing the administration of these funds are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (“NMSA 1978”) and applicable Replacement Pamphlets. PERA also has limited administrative responsibilities with respect to the State of New Mexico Deferred Compensation Fund (Deferred Comp Fund), as more fully discussed in Note 1(C). PERA also administers the Social Security Administrative Program (SSA Program) for the State of New Mexico. Collectively, the four retirement funds and the Deferred Comp Fund are known as the “Funds”.

PERA is directed by the Public Employees Retirement Board (the “Board”) which consists of twelve members. Ten of the twelve Board members are elected by PERA active and retired members under state, municipal and county coverage plans. Two of the twelve Board members, the Secretary of State and the State Treasurer, are ex-officio members.

#### B. Reporting Entity

PERA is an agency of the State of New Mexico. The funds administered by PERA are considered part of the State of New Mexico financial reporting entity and are pension trust funds of the State of New Mexico. The State of New Mexico Deferred Compensation Plan is also presented in the financial statements. See further detail and information on the Deferred Compensation Fund and how to obtain separate financial statements of the Plan in Note 16.

PERA applied the criteria established by GAAP to determine whether other state agencies, boards or commissions which benefit the members of PERA should be included within its financial reporting entity. The criteria include, but are not limited to, whether PERA exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, management of PERA has determined that no other such entities should be included in its financial reporting entity. PERA does not have any component units.

The State of New Mexico, Department of Finance and Administration (DFA) codes for the funds are as follows:

Public Employees Retirement Fund SHARE fund #60600

Judicial Retirement Fund SHARE fund #60300

Magistrate Retirement Fund SHARE fund #60400

Volunteer Firefighters Retirement Fund SHARE fund #60700

Deferred Compensation Fund SHARE fund #75500

Social Security Administrative Program SHARE fund #35180

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERA does receive General Fund Appropriations from the State of New Mexico to fund the SSA Program. Otherwise, PERA is self-funded through investment income and therefore is a non-reverting fund except for the SSA Program. PERA received a general appropriation for fiscal year 2019 to administer the SSA Program for the state. Based on the general appropriation PERA has reverted \$18,103 back to the General Fund.

### C. Description of the Funds

**PERA Fund** is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correctional Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA Fund. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10- 11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

#### TIER I

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available. A blended pension benefit is equal to the sum of the pension attributable to the service credit the member has accrued under each coverage plan with different pension factors, for service credit earned after July 1, 2013.

#### **Cost-of-Living Adjustment (COLA)**

- Eligible retired members will receive a 2% COLA.
- Graduated COLA eligibility period for those who retire:
  - ✓ before June 30, 2014: no change to current 2 full-calendar years after retirement to receive a COLA;
  - ✓ between July 1, 2014 and June 30, 2015: 3 full-calendar year eligibility period to receive a COLA;
  - ✓ between July 1, 2015 and June 30, 2016: 4 full-calendar year eligibility period to receive a COLA; and
  - ✓ after July 1, 2016: 7 full-calendar year eligibility period to receive a COLA.
- No change in 1-year COLA eligibility for disability retirees or retirees age 65 or older.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%. The computation of final average salary increased as the average of salary for 60 consecutive months.

### CHANGES FOR RETIREES

#### **Cost-of-Living Adjustment (COLA)**

- Reduces the COLA from 3% to 2% except for:
- 2.5% COLA for members retired with 25 or more years of PERA service credit (not reciprocity) and disability retired members, whose annual pensions are less than \$20,000.

### CHANGES FOR RE-EMPLOYED RETIREES

#### **Cost-of-Living Adjustment (COLA)**

- Suspends the COLA for grandfathered return-to-work retirees during reemployment with PERA-affiliated employers or retirees employed by entities covered by the Educational Retirement Act.

**State Legislative Fund** is a defined benefit pension plan that is a division accounted for under the PERA Fund. Eligibility for membership in the State Legislative Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, Section 43 and 43.5, NMSA 1978). State Legislators and lieutenant governors must elect to be a member no later than 180 days after first taking office to be covered under the State Legislative Fund.

Member contributions are \$500 for each year of service credit prior to 2012 session and \$600 for each year of service credit beginning with the 2012 legislative session. Legislative service credit is earned each calendar year during which the member fulfills the obligations of the position of legislator for more than six months of the calendar year, including the legislative session. Legislators are not required to make a member contribution until after the legislative session has ended and after PERA verifies service credit. PERA invoices legislative members to cover member contributions for each legislative session after the session ends, which is normally July or August.

State funding for the State Legislative Fund is defined in Sections 10-11-43 and 10-11-43.5, NMSA 1978. The state is required to contribute sufficient amounts to finance the membership of members under state legislator coverage plan 2 on an actuarial reserve basis. The total actuarial determined amount for the State Legislative Fund for the fiscal year ended June 30, 2018 was determined by the actuary to be \$0. Actual funding/contributions historically have exceeded actuarial determined contributions. Regarding the source of funding, Section 7-1-6.43 of the Tax Administration Act states "A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the legislative retirement fund in an amount equal to two hundred thousand dollars (\$200,000) a month or, if larger, one-twelfth of the amount necessary



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

to pay out the retirement benefits due under state legislator member coverage plan 2 and Paragraph (2) of Subsection C of Section 10-11-42 NMSA 1978 for the calendar year.” During the State of New Mexico (53rd Legislature) in 2017, HB-002 was passed that reduced the State’s distribution to the Legislative Fund from \$75,000 a month to \$0 a month.

Age and service requirements for retirement are age 65 or older with 5 or more years of service credit or any age with 10 or more years of service credit. Legislative members who meet retirement eligibility requirements receive annual pensions equal in any calendar year to 11% of the per diem rate in effect, pursuant to Section 2-1-8, NMSA 1978, on the first day of the calendar year that the legislator or lieutenant governor retires multiplied by 60 and further multiplied by credited service as a legislator or lieutenant governor. The per diem rate starting January 1, 2018 is \$165.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following table (Tier I and Tier II) illustrate the various coverage options under the PERA Fund and the contribution rates effective during the year.

PERA Fund Contribution Rates and Pension Factors in effect during FY19						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
"Municipal Plan 1 (plan open to new employers)"	7.0%	8.5%	7.4%	2.0%	2.0%	90%
"Municipal Plan 2 (plan open to new employers)"	9.15%	10.65%	9.55%	2.5%	2.0%	90%
"Municipal Plan 3 (plan closedto new employers 6/95)"	13.15%	14.65%	9.55%	3.0%	2.5%	90%
"Municipal Plan 4 (plan closedto new employers 6/00)"	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.4%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.4%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.9%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.9%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.9%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.4%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.5%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**Judicial Fund** is a single employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in the Public Employees Retirement Act (10-12B-4 NMSA 1978). Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

has been appropriately filed or unless specifically excluded. All assets accumulated for the payment of benefits may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the Judicial Retirement plan.

For individuals that became a member of this plan prior to July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 2005, is determined as 75% of the salary received during the last year in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For individuals that become a member after July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 55 to anyone having served at least 16 years.

For those individuals who became a member of this plan subsequent to July 1, 2005, the annual pension amount is determined as 75% of salary received during the last year in office prior to retirement multiplied by 5% of the number of years in service, not exceeding fifteen years, plus five years or one-twelfth of the salary received during the last year in office prior to retirement multiplied by the product of three and seventy-five hundredths percent times the sum of the number of years of service; provided that a pension calculated shall not exceed 75% of one-twelfth of the salary received during the last year in office.

The retirement age and service credit requirements for normal retirement for judicial members who first take the bench on or after July 1, 2014 increased with the passage of House Bill 33 Substitute in the 2014 Legislative Session. Under the new requirements, judicial members are eligible to retire at age 65 with eight or more years of service or at age 60 with 15 or more years of service credit.

Effective July 1, 2014, judicial membership is mandatory, all judicial pension factors were reduced, employee and employer contributions increased 3% and the computation of final average salary increased as the average of salary for the 60 consecutive months. In addition, cost-of-living increases were suspended for two consecutive fiscal years and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. Members contribute at a rate of 10.5% of their salaries and the member's court contributes at a rate of 15% of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid in the district court, \$25 from each civil docket fee paid in metropolitan court and \$10 for each jury fee paid in metropolitan court. Contribution rates are established by state statute.

Certain changes took place under House Bill 33 and amends the Judicial Retirement Act (JRA) as follows:

### **Mandatory Membership**

- Eliminates the ability for judges to exempt themselves from membership as an elected official.
- Requires those judges who have previously retired from another state system or the educational retirement system ("working retiree") to make nonrefundable "working retiree contributions" during their terms of office as judges; working retirees will not be eligible to accrue a retirement benefit under the JRA.
- Judges who have previously retired from another state system or the educational retirement system will have their COLA suspended effective July 1, 2014 for the duration of their terms as magistrate.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Cost-of-Living Adjustment (COLA)

Establishes an independent COLA for judges and justices under the JRA, as follows:

- Suspends the COLA for all retired judges and justices for two years (July 1, 2014 and July 1, 2015).
- Beginning no later than May 1, 2016, PERA shall certify the projected funded ratio for the next succeeding year (based on the JRA Fund's prior year actuarial valuation).
- Effective July 1, 2016, provides all eligible retirees with a 2% compounding COLA if the Judicial Fund is at or greater than the 100% funded ratio threshold and projected to continue to be at or above 100% for the next successive year.
- Suspends the COLA for judges and magistrates if the Funds' funded ratios fall below 100%. COLA suspensions shall only be implemented for two consecutive fiscal years.

### Increased Employee Contributions

- Effective July 1, 2014, increases employee contributions 3% (from 7.5% to 10.5%);
- Effective July 1, 2014, increases employer contributions 3% (from 12% to 15%);
- Requires "non-member" contributions during employment for judges and justices that have filed an exemption from membership; non-members will receive a refund of contributions, with interest, upon termination of employment.

### New Benefit Structure

- Raises age and service for normal retirement for judges who initially became members:
  - Prior to July 1, 2005:
    - 60 years with 15 years of service credit; or
    - 65 years (from 64) with 5 years of service credit
    - (Early retirement and 18 years w/ actuarial discount)
  - July 1, 2005 through June 30, 2014:
    - 55 years with 16 years of service credit; or
    - 65 years (from 64) with 5 years of service credit
  - On or after July 1, 2014:
    - 60 years with 15 years of service credit; or
    - 65 years with 8 years of service credit
- Lowers the pension multiplier to 3.5% (from 3.75%) and prorates future service credit for active members for a "blended" pension benefit for active JRA members.
- Increases the pension maximum to 85%, (from 75%).
- Increases the vesting period for judges who first take office after July 1, 2014 to 8 years (from 5).
- Changes form of benefit payments for those judges retiring on or after July 1, 2014. Currently, a judge's surviving spouse or designated beneficiary receives 75% of the judge's retirement pension until death. HB 33 provides for Normal and Optional forms of payments, similar to all other PERA member coverage plans. The normal form of payment is for life (Option A). Optional contingent survivor beneficiary forms of payment (Options B, C and D) are available on an actuarial equivalent basis. Total pension payments can never be less than the judge's accumulated contributions.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Magistrate Fund** is a single employer defined benefit pension plan as the State of New Mexico assumes sole responsibility for the fund and discloses its liability annually in the statewide CAFR. Eligibility for membership in the Magistrate Fund is set forth in the Public Employees Retirement Act (10-12C-4 NMSA 1978). All assets accumulated for the payment of benefits may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the Magistrate Retirement plan.

Every magistrate becomes a member in the Magistrate Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Retirement is available at age 60 to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75% of the salary received during the last year in office prior to retirement by 5% of the number of years of service, not exceeding 15 years, plus 5 years.

The retirement age and service credit requirements for normal retirement for magistrate members who first take the bench on or after July 1, 2014 increased with the passage of House Bill 216 Substitute in the 2014 Legislative Session. Under the new requirements, magistrates are eligible to retire at age 65 with eight or more years of service, at age 60 with 15 or more years of service credit or at any age with 24 years of service credit.

Effective July 1, 2014, membership is mandatory, all magistrate pension factors were reduced, employee contributions increased 3% and the computation of final average salary increased as the average of salary for the 60 consecutive months. Employer contribution rates increased by 4 percent effective July 1, 2015. In addition, cost-of-living increases were suspended for two consecutive fiscal years and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Member contributions are based on 10.5% of salaries and the State of New Mexico, through the administrative office of the courts, contributes at a rate of 11% of the member's salary. Beginning July 1, 2015, the employer contribution will increase to 15% of a member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid in magistrate court. Contribution rates are established by state statute.

Certain changes took place under House Bill 216 and amends the Magistrate Retirement Act (MRA) as follows:

### **Cost-of-Living Adjustment (COLA)**

Establishes an independent COLA for magistrates under the MRA, as follows:

- Suspends the COLA for all retired magistrates for two years (July 1, 2014 and July 1, 2015).
- Beginning no later than May 1, 2016, PERA shall certify the projected funded ratio for the next succeeding year (based on the MRA Fund's prior year actuarial valuation).
- Effective July 1, 2016, provides all eligible retirees with a 2% compounding COLA if the Magistrate Fund is at or greater than the 80% funded ratio threshold and projected to continue to be at or above 80% for the next successive year.
- Suspends the COLA for magistrates if the Funds' funded ratios fall below 80%. COLA suspensions shall only be implemented for two consecutive fiscal years.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Increased Employee Contributions**

- Effective July 1, 2014, increases employee contributions 3% (from 7.5% to 10.5%);
- Effective July 1, 2014, increases employer contributions 4% (from 11% to 15%);
- Requires “non-member” contributions during employment for magistrates that have filed an exemption from membership; non-members will receive a refund of contributions, with interest, upon termination of employment.

### **New Benefit Structure**

- Raises age and service for normal retirement for magistrates who initially became members:
  - Before July 1, 2014:
    - Any age and 24 years of service credit;
    - 60 years with 15 years of service credit; or
    - 65 years (from 64) with 5 years of service credit
  - On or after July 1, 2014:
    - Any age and 24 years of service credit;
    - 60 years with 15 years of service credit; or
    - 65 years with 8 years of service credit
- Lowers the pension multiplier to 3.5% (from 5.0%) and prorates future service credit for active members for a “blended” pension benefit for active MRA members.
- Increases the pension maximum to 85%, (from 75%).
- Increases the vesting period for magistrates who first take office after July 1, 2014 to 8 years (from 5).
- Changes form of benefit payments for those magistrates retiring on or after July 1, 2014. Currently, a magistrate's surviving spouse or designated beneficiary receives 75% of the magistrate's retirement pension until death. HB 216 provides for Normal and Optional forms of payments, similar to all other PERA member coverage plans. The normal form of payment is for life (Option A). Optional contingent survivor beneficiary forms of payment (Options B, C and D) are available on an actuarial equivalent basis. Total pension payments can never be less than the magistrate's accumulated contributions.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Volunteer Firefighters Fund** is a single employer defined benefit pension plan. Eligibility for membership in the Volunteer Firefighters Fund is set forth in the Public Employees Retirement Act (NMSA 1978 10-11A-2). Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements is eligible for membership in the Volunteer Firefighters Fund. Benefits are available at age 55 or older to any member having served as a volunteer fire fighter for a minimum of 10 years. Benefits are \$100 per month (\$125 per month as of July 1, 2013) with at least 10 but less than 25 years of service or \$200 per month (\$250 per month as of July 1, 2013) with 25 or more years of service. Benefits for post-retirement surviving spouse annuities are also available. Members of the Volunteer Firefighters Fund do not make contributions to the plan. State statute required that the State Treasurer transfer \$750,000 during the 2019 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Fund for purposes of contributing to the plan.

### D. Membership of the Plans

At June 30, 2019, the number of participating government employers were as follows:

<b>Public Employees Retirement Fund</b>	
State Agencies	121
Cities	37
Towns	19
Villages	37
Counties	33
Housing Authorities	15
Other Local Public Bodies	64
<b>Total PERA</b>	<b>326</b>
<b>Judicial Retirement Fund*</b>	<b>15</b>
<b>Magistrate Retirement Fund*</b>	<b>12</b>
<b>Volunteer Firefighters Retirement Fund*</b>	<b>364</b>

\*Plans have multiple employers for reporting purposes, but are defined as single employer plans.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2019, membership in the plans was as follows:

	PERA* Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Totals
Retirees and beneficiaries receiving benefits	39,557	174	104	1,354	41,189
Terminated plan members not yet receiving benefits	17,953	22	14	374	18,363
Active plan members	48,730	125	65	7,939	56,859

\*Note PERA Retirement Fund includes the Legislative Fund

Note counts are based on the 2018 Valuation Report since they support the 2019 GASB 67 amounts

### E. Cost of Living Adjustment (COLA)

The Cost-of-Living Adjustments (COLA) are made to eligible retirees and beneficiaries. Retirees of the PERA, Legislative, Magistrate and Judicial fund receive a COLA yearly after retirement of two full-calendar years (January 1<sup>st</sup> through December 31<sup>st</sup>), subject to certain conditions. The 2% COLA will be effective July 1 of the following year after the two full calendar years and will be compounded for each fiscal year thereafter. The COLA for disabled retired members making less than \$20,000 and members that make less than \$20,000 and have 25 years of service credit will be 2.5%. COLA recipients receive a notification letter each July advising them of the increase in their pension payments. The total annual COLA payments for FY 19 were \$258,409,742, an average of \$21,534,145 per month.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting and Measurement Focus.** The financial statements of the Funds presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service due through June 30 are accrued (based on pay period end date, which drives pay period reporting to PERA). These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in NMSA 1978. The Funds are accounted for on the flow of economic resources measurement focus.

**Cash and Cash Equivalents.** Cash and Cash Equivalents include demand deposit accounts and all short-term instruments with maturities at purchase of 90 days or less. Cash and short-term investments are stated at fair value.

**Receivables due to PERA.** Per Article IV, Section 32 of the New Mexico Constitution, no obligation or liability will be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury or by proper proceeding in court. Per 2.80.800.8 NMAC, the Board directs the Executive Director to make all reasonable efforts to collect any pension or refund overpayment made for any reason.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### General Fund Appropriation

SSA Program	
General Fund. Appropriation	\$ 90,700
Reversion	(18,103)
<b>TOTAL</b>	<b>\$ 72,597</b>

**Investments.** The PERA Board of Trustees has the sole authority to make changes to PERA's investment policies. The Board-approved strategic asset allocation (SAA) is as follows:

Strategic Asset Allocation	
Asset Class	Target
Global Equity	35.50%
Risk Reduction & Mitigation	19.50%
Credit Oriented Fixed Income	15.00%
Real Assets to include Real Estate Equity	20.00%
Multi-Risk Allocation	10.00%

Detail of the asset classes are below:

- Global Equity
  - Public equity securities (domestic & international equities)
  - Private equity partnerships – buyouts and venture capital
  - Hedged Equity and Event-Driven Equity strategies (absolute return)
- Risk Reduction & Mitigation
  - Core and Global Core Fixed Income
  - Cash
  - Market Neutral/Risk Premia strategies (absolute returns - credit)
- Credit Oriented Fixed Income
  - High Yield/Bank Loans
  - Emerging Market Debt – USD and Local Currency
  - Distressed, Special Situation, and Event-Driven Debt, Private Debt Partnerships
  - Mezzanine Debt
- Real Assets
  - Global public real estate securities (REITs)
  - Private real estate – core, value add, and opportunistic (RE equity)
  - Inflation protected bonds
  - Commodities/Timber/Farmland
  - Master Limited Partnership
  - Real asset limited partnerships
  - Infrastructure

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Multi-Risk Allocation
  - Absolute Risk Parity

The allocation of the subclasses are as follows:

- 1) Global Equity: Global Equity includes asset subclasses of Global Public Stock (19.50%), Global Low Volatility Equity (5.00%), Hedged Equity (2.00%) and Private Equity (9.00%) for a total allocation to Global Equity of 35.50%.
- 2) Risk Reduction & Mitigation: Risk Reduction & Mitigation includes asset subclasses of Core Domestic Fixed Income (17.00%), and Global Core Fixed Income (2.50%), for a total allocation to Risk Reduction of 19.50%
- 3) Credit Oriented Fixed Income: The Credit Oriented Fixed Income Asset Class consists of the subclasses: Liquid Credit (3.00%), Emerging Market Debt (3.00%), Illiquid Credit (6.00%), and Credit Oriented Hedge Funds (3%) for a total allocation to Credit Oriented Fixed Income of 15.00%.
- 4) Real Assets: Real Assets includes Liquid Real Estate (2.00%), Illiquid Real Estate (5.00%), Liquid Real Assets (8.00%) and Illiquid Real Assets (5.00%) for a total allocation to Real Assets of 20.00%.
- 5) Multi-Risk Allocation includes Absolute Risk Parity (10.00%)

All investment securities are reported at fair value. Fair value is defined as, according to the Governmental Accounting Standards Board (GASB) Statement No. 72, “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported. The determination of fair values includes, among other things, published market prices, prices obtained from pricing services, and prices quoted by independent brokers at current exchange rates.

Stocks traded on national or international exchanges are reported at current quoted market values.

Bonds are primarily reported at fair values obtained from independent pricing services.

Fair value of real estate and real asset partnerships are reported at values provided by general partners based on the most recent financial information available. The valuation assumptions are based upon both market and property specific inputs which involve expert judgment.

Fair value of private equity partnerships and absolute return strategy investments are reported as determined by the general partners based on the most recent financial information available. The valuation assumptions are based on the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income, rental income, and investment expenses, which include investment management and custodial fees, securities lending expense, and all other significant investment related costs.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In an effort to maximize the benefits of investment diversification and investment earnings, the Judicial, Magistrate, and Volunteer Firefighters Funds participate with the Public Employee Retirement Fund in an investment pool. Each fund's equity percentage, or allocation, in the pool is based on the Daily Balance Method, also known as daily weighted average. Using the Daily Balance Method, each participant account's percentage of ownership in the investment pool is calculated on a daily basis. A daily earnings figure is calculated by taking the total monthly earnings in the pool, divided by the number of days in the period. This daily earnings figure is then applied to each participant's ownership percentage, day-by-day. A participant's monthly earnings allocation is the summation of the daily calculation. With the Daily Balance Method, earnings are distributed by a unit distribution. Ownership percentages (rounded to the nearest hundredth of a percent) in the investment pool at June 30, 2019, are as follows:

PERA Fund	98.76%
Judicial Fund	0.58%
Magistrate Fund	0.21%
Volunteer Firefighters Fund	0.45%
<b>Total</b>	<b>100.00%</b>

**Capital Assets.** Capital assets costing \$5,000 or more (12-1-10 NMSA 1978) that are used in PERA's operations are capitalized. Intangible assets such as internally generated computer software used to maintain a membership data base also are capitalized. These are recorded at historical cost less accumulated depreciation or amortization. The building is depreciated over 50 years. All remaining capital assets are depreciated over five to ten years, depending on the nature of the asset, using the straight-line method of depreciation. See Note 6 for a more detailed summary of PERA's capital assets.

**Accrued Compensated Absences.** Accumulated vacation, compensation time and sick leave balances that meet the criteria to be paid to employees upon termination are recorded as a liability and expense of the Public Employees Retirement Fund measured at June 30, 2019.

**Interfund Receivables and Payables.** During the course of operations, transactions occur between the Funds for goods provided and services rendered. These receivables and payables are expected to be repaid in the subsequent fiscal year and are not eliminated in the financial statements.

**Deferred Compensation Plan.** At June 30, 2019, PERA had \$28,020 in an operating account maintained for the sole purpose of paying administrative expenses associated with the Deferred Compensation Fund. This cash account is maintained by the State Treasurer. Accrued expenses and other liabilities associated with administrative operations are included in the financial statements of the Public Employees Retirement Fund.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net position during the reported period.

Actual results could differ from those estimates. The Funds utilize various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position.

**Federal Income Tax Status.** The four retirement funds (PERA (inclusive of Legislative), Judicial Magistrate and Volunteer Fire Fighter) are qualified plans under Section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a). The Deferred Compensation (IRC 457) Fund is an eligible deferred compensation plan as defined by Section 457 to the Internal Revenue Code. Accordingly, any compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

### NOTE 3. DEPOSIT AND INVESTMENT RISK

**Securities Lending Collateral.** Securities held as a result of the reinvestment of cash collateral in the securities lending program are excluded from the investment disclosures below. Risk disclosures associated with the securities lending program can be found in NOTE 5a. SECURITIES LENDING.

#### **Objective & Risk**

The Primary Objective of the PERA Investment Policy states that “The Board will manage the Fund in a manner that reflects the Fund’s unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence.”

The Primary Objective also states the following principles related to risk that the Board has adopted:

- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.

In evaluating risk, the PERA Investment Policy states, “In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major assets classes utilized by the Fund.”

The following areas of risk are disclosed in accordance with GASB Statement 40 on Deposit and Investment Risk.

#### **A. DEPOSITS**

For cash management, the Board may utilize the services of the State Treasurer for overnight investment of short-term assets and/or a separate or commingled short-term investment fund (“STIF”) approved by the Board or administered by the Custody Bank, providing the STIF account only invests in those securities authorized by PERA’s investment policy and investment guidelines. Investment managers also invest all cash in PERA’s approved STIF funds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERA's investments in short-term investment pools are measured at amortized cost which approximates fair value of the underlying investments the same as the value of the pool shares. All investments in the short-term investment pool are either SEC registered or are exempt from SEC registration under exemption 3a3 or 4(2) of SEC regulations.

Investment balances reported in the Statements of Fiduciary Net Position include an interest in the State General Fund Investment Pool maintained by the State Treasurer's Office. All deposit accounts maintained at the State Treasurer's Office participate in an overnight repurchase agreement program administered by the State Treasurer.

The Plan's interest in the State General Fund Investment Pool are pooled with other state funds on deposit in the State Treasurer's name at commercial banking and other financial institutions. Information regarding the adequacy of collateralization of deposits is not known to individual agencies and is the responsibility of the State Treasurer. To obtain information about pledged collateral, investment risk, and insurance coverage information for the Department's State Treasurer deposits, a copy of separately issued financial statements can be obtained from the State Treasurer's Office.

### Investments in State Treasurer Investment Pool

PERA Fund	\$	20,967,785
Judicial Fund		1,581,153
Magistrate Fund		293,587
Volunteer Firefighters Fund		351,222
Deferred Comp Fund		28,020
SSA Program		—
<b>Total</b>	<b>\$</b>	<b>23,221,767</b>

In addition to the Plan's interest in the State General Fund Investment Pool, the Plan also invests in the Short-Term Investment Fund (STIF), held by the investment custodian, the Bank of New York Mellon (BNYM). STIF investments are reported as cash and short term investments in the Statement of Fiduciary Net Position. STIF investments are used to facilitate more efficient trade procedures with the Plan's external investment managers. STIF investments held by BNYM are invested in the Government Short Term Investment Fund (GSTIF) whose objective is to obtain a reasonable rate of return while investing principally or entirely in securities or other obligations issued by or guaranteed by the United States Government or its agencies and repurchase agreements collateralized by securities or other obligations issued by or guaranteed by the United States Government or its agencies. In addition, BNY Mellon has been instructed to make deposits to BNY Mellon Cash Reserve, which is a bank deposit product designed to accommodate investment of residual cash balances, when uninvested cash cannot be invested in the GSTIF, such as when cash balances occur after the GSTIF sweep deadline. The Plan's investment in STIF accounts, US Treasury and swap collateral which totaled \$964,037,615 and uninvested cash totaled \$9,963,066 for total Cash and Short-term Investment of \$974,000,681 as of June 30, 2019.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### B. INVESTMENT RISK

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, PERA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mutual funds, external investment pools, and securities underlying reverse repurchase agreements are not exposed to custodial credit risk.

PERA's securities are held by a third-party custodian, independent of any counterparty; therefore, management believes there is minimal risk that PERA will not be able to recover the value of its investments or collateral securities held by a counterparty.

The Custodian holds assets directly, through its agents, its sub-custodians, or designated clearing systems. The Custodian is accountable for registration of those designated assets in good delivery form, collection of income generated by those assets, and any corporate action notification. The Custodian is responsible for delivery and receipt of securities of the aforementioned transactions. The Custodian is responsible for the ongoing pricing and valuation of all assets; investment managers must reconcile their values to those of the Custodian. The Custodian is to cooperate with, and provide assistance to, PERA and its investment managers in the reconciliation process. The Custodian is required to provide online records and reports, performance reporting, accounting reports and other services included in the agreement. The Board may opt to designate other duties to the Custodian as stipulated in the agreement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A summary of PERA's investments at June 30, 2019, and its exposure to custodial credit risk are as follows:

Asset Type	Held in the Name of the Fund by the Fund's Custodian Bank	Custody Arrangements Contracted by Fund Manager	Total
US Government Bonds	\$ 712,761,207	\$ —	\$ 712,761,207
Non-US Government Bonds	255,557,235	—	255,557,235
Municipal Bonds	14,859,820	—	14,859,820
Corporate Bonds	1,318,506,386	—	1,318,506,386
Mortgage Backed Securities	988,957,406	—	988,957,406
Asset Backed Securities	333,399,056	—	333,399,056
Commercial Mortgage Backed Securities	116,071,724	—	116,071,724
CMO/REMIC	59,146,945	—	59,146,945
TIPS	501,258,270	—	501,258,270
Fixed Income Derivatives	14,630,402	—	14,630,402
Commingled Debt Funds	—	338,149,203	338,149,203
Absolute Return - Credit	—	462,337,684	462,337,684
Absolute Return Risk Parity	—	315,307,691	315,307,691
Limited Partnerships - Debt	—	1,086,738,452	1,086,738,452
<b>Total Fixed Income</b>	<b>\$ 4,315,148,451</b>	<b>\$ 2,202,533,030</b>	<b>\$ 6,517,681,481</b>
Common Stock	4,472,351,766	—	4,472,351,766
Preferred Stock	20,931,776	—	20,931,776
MLP	284,308,739	—	284,308,739
REIT	581,020,927	—	581,020,927
Currency Futures	160,892	—	160,892
Equity Derivatives	1,848,698	—	1,848,698
Commingled Equity Funds	—	696,565,139	696,565,139
Absolute Return - Equity & Real Assets	—	47,085,153	47,085,153
Limited Partnerships - Equity & Real Assets	—	2,476,303,140	2,476,303,140
<b>Total Equities</b>	<b>5,360,622,798</b>	<b>3,219,953,432</b>	<b>8,580,576,230</b>
Subtotal Equities and Fixed Income	<b>\$ 9,675,771,249</b>	<b>\$ 5,422,486,462</b>	<b>\$ 15,098,257,711</b>
Securities Lending Collateral Investments	—	341,650,662	341,650,662
<b>Total Investments as Presented Above</b>			<b>15,439,908,373</b>
Investments Directed by Participants (Deferred Comp Fund)			630,988,341
Investments In State General Fund Investment Pool			23,221,767
<b>Total Investments per the Statement of Fiduciary Net Position</b>			<b>\$ 16,094,118,481</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PERA is required to disclose credit ratings of its investments in order to assess credit risk. Each fixed income manager is required to abide by investment guidelines detailed within their contract with PERA to include credit quality minimums.

A summary of PERA's investments at June 30, 2019, and its exposure to credit risk are as follows:

S & P Ratings	Fair Value	% of Fixed Income Portfolio
US GOVERNMENT BONDS	\$ 712,761,207	16.52%
AA+	118,462,657	2.75%
NR	594,298,550	13.77%
NON-US GOVERNMENT BONDS	\$ 255,557,235	5.92%
AAA	12,566,196	0.29%
AA+	5,732,529	0.13%
AA	7,599,783	0.18%
AA-	6,100,417	0.14%
A+	14,039,052	0.33%
A-	1,521,876	0.04%
A	795,071	0.02%
BBB+	7,111,606	0.16%
BBB-	3,187,929	0.07%
BBB	2,704,027	0.06%
BB-	939,859	0.02%
BB	925,704	0.02%
B+	1,792,380	0.04%
B-	1,861,482	0.04%
B	4,615,382	0.11%
NR	184,063,942	4.27%
MUNICIPAL BONDS	\$ 14,859,820	0.34%
AAA	803,838	0.02%
AA+	892,375	0.02%
AA	3,333,306	0.08%
AA-	6,108,589	0.14%
A+	2,679,107	0.06%
A	410,757	0.01%
BBB-	631,848	0.01%

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

S & P Ratings	Fair Value	% of Fixed Income Portfolio
<b>CORPORATE BONDS</b>	<b>\$ 1,318,506,386</b>	<b>30.56%</b>
AAA	51,011,073	1.18%
AA+	15,720,520	0.36%
AA	11,490,718	0.27%
AA-	46,594,742	1.08%
A+	61,543,771	1.43%
A	122,142,602	2.83%
A-	175,030,347	4.06%
BBB+	246,070,467	5.70%
BBB	220,102,384	5.10%
BBB-	181,268,776	4.20%
BB+	15,659,824	0.36%
BB	30,506,636	0.71%
BB-	38,188,432	0.88%
B+	23,055,029	0.53%
B	22,977,379	0.53%
B-	12,870,418	0.30%
CCC+	4,262,367	0.10%
CCC	3,989,990	0.09%
NR	36,020,911	0.83%
<b>ASSET BACKED SECURITIES</b>	<b>\$ 333,399,056</b>	<b>7.73%</b>
AAA	36,370,711	0.84%
AA+	2,760,662	0.06%
AA	59,463,207	1.38%
AA-	4,806,047	0.11%
A+	7,664,484	0.18%
A	53,264,627	1.23%
A-	8,489,056	0.20%
BBB+	8,471,993	0.20%
BBB	21,086,456	0.49%
BBB-	3,728,592	0.09%
BB+	1,277,608	0.03%
CCC	2,559,076	0.06%
CC	1,090,967	0.03%
D	1,995,985	0.05%
NR	120,369,585	2.79%



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

S & P Ratings	Fair Value	% of Fixed Income Portfolio
CMO/REMIC	\$ 59,146,945	1.37%
AA+	53,400,134	1.24%
A+	486,635	0.01%
CCC	579,554	0.01%
NR	4,680,622	0.11%
COMMERCIAL MORTGAGE BACKED	\$ 116,071,724	2.69%
AAA	19,961,561	0.46%
AA+	1,323,131	0.03%
NR	94,787,032	2.20%
MORTGAGE BACKED SECURITIES	\$ 988,957,406	22.92%
AAA	10,208,766	0.24%
AA+	772,319,804	17.90%
A	78,819	0.00%
NR	206,350,016	4.78%
TIPS	\$ 501,258,270	11.62%
AA+	21,554,708	0.50%
NR	479,703,562	11.12%
DERIVATIVES	\$ 14,630,402	0.34%
NR	14,630,402	0.34%
	<u>\$ 4,315,148,451</u>	<u>100.00%</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Concentration of Credit Risk.** Concentration Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of all total investments including component unit investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. PERA's policy over concentration of credit risks are contained in each investment managers' Investment Guidelines.

At June 30, 2019, PERA had no investments with a concentration of greater than 5% of total investments.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income manager which are attached to each investment manager's contract, or Professional Services Agreement (PSA), with PERA. Duration is loosely defined as the dollar weighted average time to recover all principal in a fixed-income investment. For example, a "duration" of four years suggests a 1% increase in corresponding interest rates could cause a 4% decline in the market value of the portfolio. PERA's fixed income managers are typically limited to a duration of plus or minus two years or 20% of the duration of the applicable portfolio benchmark. Such limitations are contained in the Plan's investment guidelines for fixed income managers.

A summary of PERA's investments and its respective maturities at June 30, 2019 and its exposure to interest rate risk are as follows:

Bond Category	Weighted Average Maturity in Years	Fair Value	Percent of Fixed Income Portfolio
U.S. Government Bonds	8.93	\$ 712,761,207	16.52%
Non-U.S. Government Bonds	9.58	255,557,235	5.92%
Municipal Bonds	22.63	14,859,820	0.34%
Corporate Bonds	7.80	1,318,506,386	30.56%
Asset Backed	4.45	333,399,056	7.73%
CMO/REMIC	18.43	59,146,945	1.37%
Commercial Mortgage Backed	28.93	116,071,724	2.69%
TIPS	8.74	501,258,270	11.62%
Mortgage Backed	19.63	988,957,406	22.91%
Derivatives (Swaps)	6.78	14,630,402	0.34%
Subtotal Fixed Income Investments		4,315,148,451	100.00%
Short-term investments subject to interest rate risk (STIF)	0.05	737,815,790	
<b>Total Investments Subject to Interest Rate Risk</b>		<b>\$ 5,052,964,241</b>	

Note: Commingled fixed income products are not included in this report

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERA has risk exposure through direct investments in international equities, international fixed income and international private equity investments.

PERA's exposure to non-U.S. investments across the fund is less than 25%. Since the fund is broadly diversified among many countries, the effect of a decline in the market value of a single local (non-U.S.) currency or of several local currencies versus the U.S. dollar mitigates the impact of such decline on PERA's total assets.

The following table presents a summary of the PERA's investments exposed to foreign currency risk by currency and the respective values at June 30, 2019:

### Fair Value (included in investments)

Currency	Deposits	Equity	Fixed Income	Limited Partnership	Total
UAE Dirham	\$ 139,908	\$ 4,830,167	\$ —	\$ —	\$ 4,970,075
Australian Dollar	479,630	119,092,223	10,208,599	—	129,780,452
Brazilian Real	65,636	16,566,330	—	—	16,631,966
Botswanan Pula	—	11,528	—	—	11,528
Canadian Dollar	6,575,465	170,042,545	10,814,888	—	187,432,898
Swiss Franc	71,019	177,235,824	1,140,293	—	178,447,136
Chilean Peso	1,525	6,196,897	—	—	6,198,422
Chinese Yuan Renminbi	70,708	1,342,943	—	—	1,413,651
Colombian Peso	9	968,242	—	—	968,251
Czech Koruna	103,234	1,120,482	279,170	—	1,502,886
Danish Krone	218,042	34,008,668	34,602,722	—	68,829,432
Egyptian Pound	18,117	661,194	—	—	679,311
Euro	7,093,888	533,227,982	131,384,730	246,489,432	918,196,032
British Pound	2,561,254	258,760,420	49,488,176	53,424,392	364,234,242
Ghanaian Cedi	—	159,382	—	—	159,382
Hong Kong Dollar	666,409	160,522,344	—	—	161,188,753
Croatian Kuna	—	2,986	—	—	2,986
Hungarian Forint	40,572	1,977,101	190,087	—	2,207,760
Indonesian Rupiah	664,708	13,658,376	1,124,771	—	15,447,855
Israeli New Sheqel	79,145	16,027,664	435,771	—	16,542,580
Indian Rupee	292,250	61,392,774	307	—	61,685,331
Japanese Yen	3,494,264	494,135,618	66,564,514	—	564,194,396
Kenyan Shilling	—	5,517	—	—	5,517
South Korean Won	47,679	47,433,434	—	—	47,481,113
Kuwaiti Dinar	—	—	—	—	—
Mexican Peso	248,344	9,329,594	1,014,383	—	10,592,321

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Fair Value (included in investments)

Currency	Deposits	Equity	Fixed Income	Limited Partnership	Total
Malaysian Ringgit	\$ 98,858	\$ 15,727,416	\$ 712,607	\$ —	\$ 16,538,881
Norwegian Krone	78,557	18,290,200	246,566	—	18,615,323
New Zealand Dollar	926,103	10,048,981	860,760	—	11,835,844
Philippine Peso	7,219	8,323,283	—	—	8,330,502
Polish Zloty	533,059	3,573,554	525,533	—	4,632,146
Qatari Rial	216,038	6,320,323	—	—	6,536,361
Russian Ruble	146,758	1,562,929	—	—	1,709,687
Swedish Krona	245,138	48,482,017	962,649	—	49,689,804
Singapore Dollar	1,175,243	42,383,026	865,728	—	44,423,997
Thai Baht	(583)	20,199,637	1,246,130	—	21,445,184
Tunisian Dinar	—	2,377	—	—	2,377
Turkish Lira	25,420	2,058,303	—	—	2,083,723
New Taiwan Dollar	47,069	77,447,110	—	—	77,494,179
Vietnamese Dong	182	5	—	—	187
South African Rand	107,867	21,227,302	—	—	21,335,169
	<u>\$ 26,538,734</u>	<u>\$ 2,404,356,698</u>	<u>\$ 312,668,384</u>	<u>\$ 299,913,824</u>	<u>\$ 3,043,477,640</u>

## NOTE 4. DERIVATIVES

Derivatives are generally defined as contracts whose value depend on, or derive from, the value of an underlying asset, reference rate or financial index. The Board's investment policies allow for certain portfolio managers to utilize derivatives subject to a manager's investment management guidelines.

The notional or contractual amounts of derivatives indicate the extent of PERA's involvement in the various types and uses of derivative financial instruments, they do not measure PERA's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and other terms of the derivative. Investments in limited partnerships and commingled funds include derivative instruments that are not reported in the following disclosure.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value over the fiscal year of such derivative instruments are as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FUTURES CONTRACTS

As of June 30, 2019

Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
Currency Futures	\$ 183,892	\$ 160,892	\$ 37,820,213	\$ 37,981,105
Equity Index Futures	1,961,640	1,848,698	213,380,026	215,228,724
Bond Index Futures	6,180,532	6,493,758	612,744,908	619,238,666
Commodity Futures	2,278,054	2,278,054	53,807,398	56,085,453

### OPTIONS

As of June 30, 2019

Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
Fixed Income Options	\$ (127,645)	\$ (264,839)	—	\$ (264,839)

### SWAP CONTRACTS

As of June 30, 2019

Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
Cleared Credit Default Swaps	\$ 7,700,775	\$ 8,740,837	—	\$ 361
Inflation Swaps	—	—	—	—
Cleared Inflation Swaps	(542,708)	(205,693)	—	(205,693)
Interest Rate Swaps	39,314	42,609	—	50,774
Credit Default Swaps	(947)	(947)	—	361
Cleared Interest Rate Swaps	(3,978,861)	(1,978,540)	—	(1,974,231)
Cleared Zero Coupon Swaps	(458,710)	(474,839)	—	(525,007)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5. FAIR VALUE MEASUREMENT

PERA's investments measured and reported at fair value are classified according to the following hierarchy, in accordance with GASB Statement 72 – Fair Value Measurement and Application:

Level 1 – Investments reflect market value where prices are observable, unadjusted, and quoted in an active market.

Level 2 – Investments reflect market value where prices are observable using inputs from other than quoted prices.

Level 3 – Investments reflect market value based upon unobservable inputs.

It is important for the user of these financial statements to understand the link between PERA's investments as of June 30, 2019 and the current investment policy's strategic asset allocation. See detail in Note 2 on page 49.

The Public Employees Retirement Association utilizes its custody bank, The Bank of New York Mellon (BNYM), to assist with leveling of its investment assets per GASB 72's fair value hierarchy. Currency futures and equity securities and debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets.

Swap collateral, reserve deposits, equity securities (preferred stock) and debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. BNYM's fair value hierarchy level matrix is based on discussions with pricing vendors, broker dealers, investment managers, industry groups and independent accounting firms.

Term loans within Corporate Bonds are classified by BNYM as Level 3 of the fair value hierarchy due to the fact that the pricing coverage for bank loans is not 100% and therefore a conservative approach is taken in leveling these assets.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Investments measured at Fair Value of the defined benefit funds as of June 30, 2019 are as follows:

<b>Investments by Fair Value Level</b>	<b>June 30, 2019</b>	<b>Observable Unadjusted Quoted Prices in an Active Market (Level 1)</b>	<b>Observable Inputs Other than Quoted Prices (Level 2)</b>	<b>Unobservable Inputs used to determine Fair Value (Level 3)</b>
<b>Short-term Investments</b>				
Short-term Securities	\$ 226,221,826	\$ 27,216,517	\$ 199,005,309	\$ —
Securities Lending Collateral Investments	341,650,662	—	341,650,662	—
Currency Derivatives	160,892	160,892	—	—
Total Short-term Investments	568,033,380	27,377,409	540,655,971	—
<b>Equity Securities</b>				
Domestic Equity	2,271,766,730	2,270,537,311	1,229,420	—
International Equity	2,221,516,811	2,221,516,783	—	28
Equity Derivatives	1,848,698	1,848,698	—	—
Public MLP	284,308,739	284,308,739	—	—
Public REIT	581,020,927	555,316,842	25,704,086	—
Total Equity Securities	5,360,461,905	5,333,528,373	26,933,506	28
<b>Debt Securities</b>				
Core Fixed Income	3,454,883,287	683,773,461	2,768,269,597	2,840,230
Global Fixed Income	344,376,491	—	342,881,374	1,495,117
TIPS	501,258,271	501,258,271	—	—
Fixed Income Derivatives	14,630,402	8,511,259	6,119,143	—
Total Debt Securities	4,315,148,451	1,193,542,991	3,117,270,114	4,335,347
<b>Total Investments by Fair Value Level</b>	<b>\$ 10,243,643,736</b>	<b>\$ 6,554,448,773</b>	<b>\$ 3,684,859,591</b>	<b>\$ 4,335,375</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investments measured at the net asset value (NAV) are those whose underlying positions are not evident and thus the market value of the investment is priced at a price per share in a fund or by another pricing methodology. Investments that are priced at NAV include commingled funds, hedge funds, and private partnerships. Investments measured at the NAV at June 30, 2019 are as follows:

<b>Investments measured at the Net Asset Value (NAV)</b>	
Commingled Domestic Equity	\$ 443,471,643
Portable Alpha Hedge Funds	7,274,441
Commingled International Equity	245,819,055
Commingled Emerging Market Debt Fund	338,149,203
Absolute Return (Hedge) Funds	824,730,528
Private Equity Partnerships	1,185,494,023
Private Debt Partnerships	882,551,041
Real Estate Equity Partnerships	554,859,320
Real Estate Debt Partnerships	204,187,412
Real Asset Partnerships	735,949,796
Total Investments Measured at the NAV	<u>\$ 5,422,486,462</u>
<b>Total Investments</b>	<b><u>\$ 15,666,130,198</u></b>

Total market value of investments reported as leveled or at the NAV does not include uninvested cash, accrued income, or broker receivables and payables. Reconciliation to the Statement of Fiduciary Net Position is as follows:

Total Investments reported at fair value	\$ 15,666,130,198
Commingled Cash Equivalent Funds	737,815,790
Uninvested cash	9,963,066
Investment in State Treasurer Investment Pool	23,221,767
Deferred Comp Fund Investments leveled in Note 15	630,988,341
Less Cash & Short-term investments	<u>(974,000,681)</u>
<b>Total Investments per Statement of Fiduciary Net Position</b>	<b><u>\$ 16,094,118,481</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation and liquidity information for investments measured at the net asset value (NAV) per share, or equivalent, is presented below:

Investment Type	NAV at 06/30/19	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Domestic Equity (1)	\$ 443,471,643	\$ —	Monthly	15 Days
Portable Alpha Hedge Funds:				
Credit Oriented (2a)	4,280,271	—	Redeeming	n/a
Event-Driven (2c)	—	—	Redeeming	n/a
Market Neutral (2e)	—	—	Redeeming	n/a
Multi-Strategy (2f)	2,994,170	—	Redeeming	n/a
Commingled International Equity (3)	245,819,055	—	Monthly	30 Days
Commingled Emerging Market Debt Fund (4)	338,149,203	—	Daily	10 - 12 Days
Absolute Return (Hedge) Funds:				
Credit Oriented (2a)	462,337,684	—	Monthly, Annually	30 - 90 Days
Equity Long-Short (2b)	771,468	—	Redeeming	n/a
Event-Driven (2c)	43,173,070	—	Redeeming	n/a
Global Macro (2d)	—	—	Redeeming	n/a
Market Neutral (2e)	3,140,615	—	Redeeming	n/a
Multi-Strategy (2f)	—	—	Redeeming	n/a
Multi-Risk (2g)	315,307,691	—	Redeeming	n/a
Private Equity Partnerships (5)	1,185,494,023	1,076,890,473	not eligible	n/a
Private Debt Partnerships (6)	882,551,041	231,745,165	not eligible	n/a
Real Estate Equity Partnerships (5)	554,859,320	585,469,102	not eligible	n/a
Real Estate Debt Partnerships (6)	204,187,412	—	not eligible	n/a
Real Asset Partnerships (5)	735,949,796	511,602,997	not eligible	n/a
<b>Total Investments Measured at the NAV</b>	<b>\$ 5,422,486,462</b>	<b>\$ 2,405,707,737</b>		

- (1) *Commingled Domestic Equity* - Consisting of a domestic equity limited partnership, this fund is valued based on the percentage of PERA's investment to total value of the fund applied to the total fair value of the underlying investments.
- (2) *Portable Alpha and Absolute Return Hedge Funds* - The Portable Alpha Hedge Funds span the strategies, overlap the funds within the Absolute Return category, and are in the process of being redeemed. Of the 14 funds included in Absolute Return, eight are separately invested in the Portable Alpha portfolio.
  - (a) *Credit Oriented* - Consisting of seven funds, hedged credit seeks to generate income comparable to the high yield bond market but with less volatility and less downside performance during periods of market stress. Of the seven funds, two are also invested within Portable Alpha. Five are limited partnerships that report fair value based on the fair value of the underlying investments whereas two report fair value based on NAV per share.
  - (b) *Equity Long-Short* - Consisting of three funds, this strategy invests both long and short in US and global equity securities with a goal of adding growth and minimizing market exposure.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As limited partnerships, these investments report fair value based on the fair value of the underlying investments.

- (c) *Event-Driven* - The goal of the four funds making up this group is to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. All four are limited partnerships, one of which is also invested separately in Portable Alpha. These investments are valued based on the fair value of the underlying investments.
- (d) *Global Macro* - Consisting of two funds, this strategy invests, often long and short, in several different asset classes in markets around the globe to take advantage of structural macroeconomic imbalances and market trends. Both funds fall within the Absolute Return portfolio; all are included in the Portable Alpha portfolio. One fund is a limited partnership, reporting valuation based on the fair value of the underlying investments while the other fund is valued at NAV per share.
- (e) *Market Neutral* - The single fund within this group executes an arbitrage strategy focused on relative value trades in fixed income and currency instruments of developed market countries. PERA is invested in this fund in both the Portable Alpha and Absolute Return portfolios. The fund is a limited partnership and is valued based on the fair value of the underlying investments of the partnership.
- (f) *Multi-Strategy* - The five funds within this strategy opportunistically pursue multiple hedge fund investment strategies, looking to allocate capital to the most attractive strategies for a given market environment. Four of the five funds are invested separately in Portable Alpha. Four of the funds are limited partnerships and report fair value based on that of the underlying investments while the remaining fund is valued at NAV per share.
- (g) *Multi-Risk* - consists of liquid, passive risk parity.
- (3) *Commingled International Equity* - The two funds comprising this category are commingled funds, one is an emerging markets equity fund and the other fund is an international equity fund within a separately-managed global equity account. Both funds are valued at net asset value based on the fair value of the underlying investments.
- (4) *Commingled Emerging Market Debt Fund* - The aim of the emerging markets debt fund is to invest in dollar-denominated and local currency-denominated sovereign and corporate debt. The goal of the strategy is to earn more yield relative to developed market debt while limiting country and currency risk. The fund is a commingled global fixed income limited partnership that is valued, based on the fair value of the underlying investments.
- (5) *Private Equity Partnerships, Real Estate Equity Partnerships, and Real Assets Partnership* - PERA's Private Equity portfolio consists of 43 partnerships, investing primarily in buyout funds, with some exposure to secondary and venture capital funds. Also included in this category are 19 private real estate equity partnerships, investing in the US and 30 private real asset partnerships, invested in energy, infrastructure and agriculture funds, primarily in the US. The fair values of these partnerships have been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are illiquid in nature and distributions are received as underlying investments within the funds are liquidated, either as cash or in-kind distributions of stock of the underlying investments, typically over a 5 – 10-year timeframe.
- (6) *Private Debt Partnerships and Real Estate Debt Partnerships* - Private debt partnerships consist of 15 private debt funds, which are opportunistic in nature and are invested in the US, and 5 private real estate debt funds, one invested globally and the remaining funds invested in the US. The Fair values of these partnerships has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are illiquid in nature and cash distributions are received as underlying investments within the funds are liquidated, typically over a 5 – 10-year timeframe.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5a. SECURITIES LENDING

PERA's Investment Policy Statement, Section VI (A) permits the use of the Fund's investment holdings to enter into securities lending transactions - that is, lending securities to broker-dealers and other entities (borrowers) in exchange for acceptable collateral generating incremental earnings via the creation of a spread or collection of a fee. PERA participates in a securities lending program managed by BNY Mellon (BNYM). The agreement between PERA and BNYM details approved borrowers, approved investments, fee charged by BNYM, and acceptable collateral. All cash collateralized loans can be terminated, which shall be effected according to the standard settlement time for trades in the particular loaned security, by either PERA, BNYM, or the borrower. PERA does not have the ability to pledge or sell noncash collateral securities unless the borrower defaults.

In the event the borrower fails to return loaned securities or securities equivalent to the loaned securities, and the noncash collateral held in respect of the loaned securities (including the proceeds realized upon the sale of such noncash collateral) is insufficient to satisfy the obligation of the loan, the bank shall be responsible for, and shall contribute the amount of, such noncash collateral as necessary to satisfy the obligations.

The securities lending agent is restricted to a maximum loan value of \$600,000,000 inclusive of all loaned securities. The types of securities loaned as of June 30, 2019 included U.S. and non-U.S. equities, U.S. and Non-U.S. corporate bonds, non-U.S. government bonds and U.S. government securities. At June 30, 2019, the fair value of securities on loan was \$554,491,796; of which \$332,481,976 were cash collateralized loans.

The fee is negotiated for each separate transaction and split 85%/15% between PERA and BNYM. The collateral requirement is an amount equal to 102% of the then-current market value if securities lent are and collateral are denominated in like currency and 105% if in unlike currency providing a margin for market fluctuations. Approved collateral accepted against loaned securities are held by PERA's custodial agent and marked to market daily. If the collateralization level falls below the above requirements, BNYM reaches out to the borrower to securing collateral. Cash, U.S. and non-U.S. equities, U.S. corporate bonds, non-U.S. fixed, and U.S. government securities are received as collateral for these loans. Cash collateral is invested or reinvested on behalf of PERA by BNYM in a cash collateral account consisting of one or more of the approved investments; a comprehensive investment guideline is set forth in the securities lending agreement to include approved instruments, credit quality, and concentration and maturity requirements. As of June 30, 2019, cash collateral was reinvested in repos, floating rate notes, commercial paper, certificates of deposit and time deposits. The interest rate sensitivity of the investments made with cash collateral generally track the maturities of their securities loans. The fair value of investments made with cash collateral is reported as an asset; the fair value of collateral received is recorded as a liability as PERA must return the cash collateral to the borrower upon the expiration of the loan. The fair value of the securities lending collateral investments was \$341,650,662 and securities lending obligations were \$341,620,318 at June 30, 2019 as reported on the Statement of Fiduciary Net Position. Total cash and noncash collateral was \$587,598,847 at June 30, 2019, 105.1% of the fair value of the securities on loan.

At June 30, 2019, there had been no losses resulting from borrower defaults and PERA had no credit risk exposure to borrowers because the amounts PERA owed to borrowers did not exceed the amounts the borrowers owed to PERA. Net earnings from the securities lending program totaled \$2,889,587 for the fiscal year. An executive summary report of the securities lending activity for the fiscal year is available upon request from PERA's Records Department.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. A summary of the securities lending collateral assets at June 30, 2019, and its exposure to credit risk are as follows:

S & P Ratings	Fair Value	% of Collateral Investments
<b>CERTIFICATE OF DEPOSIT</b>	<b>\$ 4,450,543</b>	<b>1.30%</b>
A-	4,450,543	1.30%
<b>COMMERCIAL PAPER</b>	<b>8,150,301</b>	<b>2.39%</b>
A-	8,150,301	2.39%
<b>FLOATING RATE NOTES</b>	<b>178,588,750</b>	<b>52.27%</b>
AA	59,684,476	17.47%
A	102,060,640	29.87%
NR	16,843,634	4.93%
<b>REPO</b>	<b>150,461,068</b>	<b>44.04%</b>
NR	150,461,068	44.04%
<b>FAIR VALUE OF SECURITIES LENDING COLLATERAL</b>	<b>\$ 341,650,662</b>	<b>100%</b>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. See further explanation of Interest Rate Risk in Note 3.

A summary of the securities lending collateral investments and respective maturities at June 30, 2019 and their exposure to interest rate risk are as follows:

Investment Category	Weighted Average Maturity	Fair Value	% of Collateral Investments
Certificate of Deposit	Less than 1 year	\$ 4,450,543	1.30%
Commercial Paper	Less than 1 year	8,150,301	2.39%
Floating Rate Notes	Less than 1 year	178,588,750	52.27%
Repo	Less than 1 year	150,461,068	44.04%
<b>Fair Value of Securities Lending Collateral</b>		<b>\$ 341,650,662</b>	<b>100%</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets at cost:				
Land	\$ 1,548,990	\$ —	\$ —	\$ 1,548,990
Building	12,646,204	—	—	12,646,204
Property and equipment	36,016	—	—	36,016
Computer equipment and software	15,014,815	789,161	—	15,803,976
Automobile	57,433	—	—	57,433
	<u>\$ 29,303,458</u>	<u>\$ 789,161</u>	<u>—</u>	<u>\$ 30,092,619</u>
Accumulated depreciation:				
Building	\$ (3,407,448)	\$ (421,540)	\$ —	\$ (3,828,988)
Property and equipment	(34,572)	—	—	(34,572)
Computer equipment and software	(14,710,170)	(287,087)	—	(14,997,257)
Automobile	(57,433)	—	—	(57,433)
	<u>\$ (18,209,623)</u>	<u>\$ (708,627)</u>	<u>\$ —</u>	<u>\$ (18,918,250)</u>
<b>Total</b>	<u><b>\$ 11,093,835</b></u>	<u><b>\$ 80,534</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 11,174,369</b></u>

The following are included in the above schedule.

- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$(708,627).
- PERA added \$789,161 in capital assets in FY 19, consisting of computer software and equipment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7. CHANGES IN COMPENSATED ABSENCES

The changes in short-term liabilities for PERA are as follows:

During the year ended June 30, 2019, the following changes occurred in the compensated absences liabilities:

	Balance July 1, 2018	Increase	Decrease	Balance June 30, 2019
Compensated Absences	\$ (291,020)	(1,032,985)	1,017,520	\$ (306,485)

The portion of compensated absences due after one year is not material, and therefore not separately presented. Substantially, all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay at year-end plus applicable taxes.

### NOTE 8. CONTINGENCIES

PERA has been named as a defendant in various administrative appeals and lawsuits arising in the normal course of business primarily related to disability and retirement benefits. Management of PERA intends to vigorously defend the actions, and it is their opinion as well as the opinion of legal counsel that the resolution of these matters will not have a material effect on these financial statements.

PERA is exposed to various risks of loss for which PERA carries insurance (Auto; Employee Fidelity Bond; General Liability; Civil Rights and Foreign Jurisdiction; Money and Securities; Property; and Worker's Compensation) with the State of New Mexico Risk Insurance Program. The Plan's insurance coverages are designed to satisfy the requirements of the State tort claims. Also, any claims are processed through the Risk Management Division of the State of New Mexico.

### NOTE 9. RETIREMENT PLANS - PERA EMPLOYEES

**Plan Description.** PERA's full-time employees participate in the public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, 33 Plaza La Prensa, Santa Fe, NM 87507. The report is also available on PERA's website at [www.nmpera.org](http://www.nmpera.org)

**Funding Policy.** For fiscal year 2019, plan members are required to contribute 7.42% (less than \$20,000 in salary) or 8.92% (greater than \$20,000 in salary) of their salary. For fiscal year 2019, PERA employers were required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and PERA are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

PERA's contributions to the PERA retirement plan for PERA employees for the years ending June 30, 2019, 2018, and 2017 were \$869,907, \$814,214, and \$799,547, respectively, equal to the amount of the required contributions from the employer for each year. In addition, the employees contributed an additional \$456,715, \$427,474, and \$419,774, respectively, equal to the amount of the required contributions from employees for each year.

### **GASB 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers**

According to the Department of Finance and Administration (DFA), compliant with the requirements of GASB No. 68, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. PERA, as part of the primary government (fiduciary fund) of the State of New Mexico, is a contributing employer to the cost-sharing multiple employer PERA fund. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR, and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

### **NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – PERA EMPLOYEES**

**Plan Description.** PERA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employee's effective date, and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or a former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer as of July 1, 2012 to contribute 2.00% of each participating employee's annual salary; each participating employee is required to contribute 1.00% of their salary. Employers joining the program after 1/1/1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

PERA's contributions to the RHCA for the years ending June 30, 2019, 2018, and 2017 were \$102,399, \$93,667, and \$90,955, for employer contributions and \$51,200, \$46,835, and \$45,478 in employee contributions, respectively, which equal the required contributions for each year.

### **GASB 75 – Postemployment Benefits – State Retiree Health Care Plan**

Compliant with the requirements of Government Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

PERA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from GASB 75 – Postemployment Benefits – State Retiree Health Care Plan certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State Of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 11. INVESTMENT PLACEMENT AGENTS

PERA fully complies with the statutory disclosure requirement of NMSA 1978, Section 10-11-133.1, which mandates the disclosure of the identity and fees paid, if any, to any third-party marketer or placement agent involved in PERA's investment in private funds. PERA has no direct relationships with third-party marketers or placement agents. PERA's investment consultants do not receive any form of compensation other than client advisory fees and do not accept compensation from investment management organizations or their marketers. The consultants only recommend an investment management firm to PERA once they have extensively performed due diligence with the firm's portfolio management professionals.

### NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP

The components of the net pension liability of the plan's membership at June 30, 2019, by fund, were as follows:

	Net Pension Liability by Fund			
	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund
Total Pension liability	\$ 21,989,223,963	\$ 205,434,589	\$ 77,431,101	\$ 52,560,526
Plan Net Position	15,507,545,545	91,759,350	31,797,390	71,836,630
Net Pension Liability / (Asset)	\$ 6,481,678,418	\$ 113,675,239	\$ 45,633,711	\$ (19,276,104)
Ratio of plan net position of total pension liability	70.52%	44.67%	41.07%	136.67%

#### *Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Summary of Actuarial Methods and Assumptions, by fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level % of Pay	Level % of Pay, Open	Level % of Pay, Open	Level Dollar, Open
Amortization period	Solved for based on statutory rates	30 Years	30 Years	30 Years
Investment rate of return, net of investment expense	7.25% annual rate	5.12% SEIR rate	4.56% SEIR rate	7.25% annual rate
Projected Benefit Payment	100 years	89 years	86 years	100 years
Payroll Growth	3.00%	3.00%	3.00%	N/A
Projected Salary Increases	3.25% -13.50%	4.00%	3.50%	N/A
Includes Inflation At	2.50%	2.50%	2.50%	2.50%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table

### Annual Money-Weighted Rate of Return, Net of Investment Expense

The annual money-weighted rate of return, net of investment expense for FY 2019 was 5.60%.

### Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	1.30%	



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Discount rate for the PERA and Volunteer Firefighter Funds.* Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2019 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of PERA and Volunteer Firefighter funds, calculated using the discount rate of 7.25 %, as well as what PERA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 %) or 1-percentage-point higher (8.25 %) than the current rate (\$ thousands):

#### PERA FUND

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	9,231,606,618	6,481,678,418	4,209,584,476

#### VOLUNTEER FIREFIGHTERS FUND

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability / (Asset)	(13,083,498)	(19,276,104)	(24,415,211)

*Discount rate for Judicial and Magistrate Funds.* Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2019 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 5.12% for Judicial and 4.56% for Magistrate. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are not sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, a 5.12% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This rate is a blend of the 7.25% rate and the 20-year tax-exempt municipal bond rate of 3.50% as of the measurement date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following presents the net pension liability of the Judicial and Magistrate Funds, calculated using the discount rate of 5.12% and 4.56%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

### JUDICIAL FUND

	1% Decrease 4.12%	Current Discount Rate 5.12 %	1% Increase 6.12%
Net Pension Liability	137,185,161	113,675,239	93,913,798

### MAGISTRATE FUND

	1% Decrease 3.56%	Current Discount Rate 4.56%	1% Increase 5.56%
Net Pension Liability	55,090,916	45,633,711	37,796,121

June 30, 2018 is the actuarial valuation date upon which the total pension liability is based (paragraph 31(c)). Standard update procedures were used to roll forward the liabilities to the June 30, 2019 Measurement Data.

## NOTE 13. CASH RECONCILIATION

### General Fund Investment Pool Not Reconciled.

In a communication by DFA via a memo, dated September 17, 2019, issued by the State's Controller, Donna Montoya Trujillo, the following was stated "The comprehensive cash reconciliation model which compares aggregated agency claims to the State General Fund Investment Pool the associated resources held by the State Treasurer's Office is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process."

For FY 2019 the following assertions are provided,

1. As of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 14. FUND RESERVES

Reserves. New Mexico Statutes Annotated 1978, Subsections 10-11-123, 10-12B-3, and 10-12C-3 set forth required reserves to be maintained for benefits for the Public Employees Retirement Fund, The Judicial Retirement Fund, and the Magistrate Retirement Fund, respectively. State statutes do not specifically require separate accounting for the Volunteer Firefighters Retirement Fund. The reserves to be maintained are as follows:

**Retirement Reserve Fund** represents the accumulated balance available to pay pension benefits to retired members and eligible survivors of deceased members of retirees and to pay residual refunds due to eligible beneficiaries and survivors as provided for in the statute.

**Members Contribution Reserve** represents the accumulated contributions deducted from members' compensation, less refunds and transfers of contributions as provided for in the statute. Annually on June 30, the members' accounts are credited with interest on member contributions and previously earned interest at a rate determined by the Board. The rate for 2019 fiscal year was 2.00%.

**Employers Accumulation Reserve** represents the accumulated contributions made by affiliated public employers. Each year following receipt of the report of the annual actuarial valuation, the excess, if any, of the reported actuarial present value of benefits to be paid over the balance in the Retirement Reserve Fund is transferred to the Retirement Reserve Fund from the Employers Accumulation Fund.

**Income Reserve** represents the accumulation of interest, dividends, rents, and other income of PERA, less administrative expense paid out of this fund. At least annually, the balance in this fund is transferred to the Retirement Reserve Fund in a manner determined by the Board. The distribution rate of interest as determined by the Board for fiscal year 2019 was 2.00% of member account balances to the Member Contribution Fund. The remaining balance of the Income Fund was distributed to the Retirement Reserve Fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Position balance as of June 30, 2019 are as follows:

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Members Contribution Reserve	\$ 2,645,995,601	\$ 11,618,040	\$ 4,992,710	\$ —	\$ 2,662,606,351
Employers Accumulation Reserve	4,170,961,911	68,549,103	27,146,086	6,000,000	4,272,657,100
Retirement Reserve Fund	8,690,588,033	11,592,207	(341,406)	65,836,630	8,767,675,464
<b>Total</b>	<b>\$ 15,507,545,545</b>	<b>\$ 91,759,350</b>	<b>\$ 31,797,390</b>	<b>\$ 71,836,630</b>	<b>\$ 15,702,938,915</b>

### NOTE 15. Deferred Comp Plan

#### GENERAL

The State of New Mexico also offers employees a deferred compensation plan under NMSA 1978, Sections 10-7A-1 through 10-7A-12, the “Deferred Compensation Act,” in conformity with Internal Revenue Code Section 457. The plan provides eligible employees a voluntary, supplemental, tax-deferred retirement program as an additional method to save a portion of their income for future years.

PERA is the trustee of the Deferred Compensation Plan (the “Plan”); however, the Plan is administered by a third party administrator (the “Administrator”) acting under contract with PERA. The Administrator has authority to perform recordkeeping, enrollment education services and other administrative duties for the Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Plan, and has certain discretionary authority to decide all matters under the Plan. As Plan trustee, PERA’s primary responsibility is to select investment options that provide a prudent rate of return and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

The Plan was amended in October 2004 to allow participants to take loans from their account balances. The maximum term permitted on a loan is five years or 15 years if the loan is for the purchase of a principal residence. The minimum loan amount permitted is \$1,000 and the maximum amount of any loan under the Plan is the lesser of 50% of the participant’s vested account balance or \$50,000. The total balance of loans outstanding to participants was \$12,812,783 at June 30, 2019. Interest rates range between 4.25% and 9.25% for all loans outstanding. These rates are based on the rate approved by the Plan at the time of the loan.

Participants of this plan are required to take distributions at the age of 70½ years old if not already done so. Participants of this plan also may take distributions under certain circumstances such as the participant’s death, separation-from-service, retirement, severe financial emergency, or if a participant’s account balance does not exceed \$5,000 and no amount was deferred during a 2-year period and there was no prior distribution. Participants may select various payout options, including lump sum payments or periodic payments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### INVESTMENT INCOME FOR DEFERRED COMP

Investments in the fixed annuity payout option are valued based upon the fixed earnings rates as reported by the investment carriers or manager, which approximate fair value. Investments in the Stable Value Option are valued based upon the daily net asset value reported daily by Galliard Capital Management, which approximates fair value. The investment valuation includes contributions received, plus investment income earned to date less applicable charges and amounts withdrawn.

Variable earnings investments in publicly-traded mutual funds are presented at fair value based upon published quotations. All purchases and sales of investments are recorded on a trade-date basis.

Assets held in fixed and variable annuity payout investments are for discontinued annuity payout options in the Plan. The Plan held \$956,471 at June 30, 2019, which represents assets transferred to a product provider for investment in fixed and variable group annuity contracts. Periodic payments are made to retired participants of the Plan as provided by these purchased annuity contracts. The contract valuation of these assets is based upon an actuarial valuation of the present value of future retirement benefits to be paid under the contracts, which approximates fair value. Annuity payout investments are no longer available as options in the Plan.

### INVESTMENTS AND DEPOSITS

The State of New Mexico Public Employees' Deferred Compensation Plan categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Mutual Funds:** Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.

**Self-directed investments:** Valued at the daily closing price as reported by the fund and reported as Level 1. These represent investments that are actively traded on an open market.

**Lifecycle funds:** Valued at carrying value based on the NAV of the observable market prices of the underlying assets within that account less liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	June 30, 2019	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value:				
Mutual Funds	\$ 318,442,353	\$ 318,442,353	\$ —	\$ —
Self-directed investments	5,138,911	5,138,911	—	—
Total Investments at Fair Value	323,581,264	\$ 323,581,264	\$ —	\$ —
Investments at Net Asset Value:				
Lifecycle Funds	172,686,872			
Investments at Contract Value:				
Stable value option	133,640,620			
Annuities, net of payments in transit	1,079,585			
<b>Total Investments***</b>	<b>\$ 630,988,341</b>			

\*\*\* Total investments does not include amount held at State Treasurer's Office of \$28,020.

Investments measured at the net asset value (NAV):

Investments measured at the net asset value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
June 30, 2019				
LifeCycle Funds	\$ 172,686,872	\$ —	Daily	None

***Lifecycle Funds:*** This asset class is generally comprised of a combination of fixed income and equity investment options. These investment options may include balanced, asset allocation, target-date, and target – risk investment options. Although typically lower risk than investment options that invest solely in equities, all investment options in this category have the potential to lose value.

Stable value option and annuities: The plan invests in annuities that represent guaranteed investment contracts that represent a fixed-income security portfolio of fixed-income securities and a value guarantee (wrapper) provided by a third party and are reported at contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses.

At June 30, 2019 and 2018, investments were as follows. Investments marked with an asterisk (\*) represent investments exceeding 5% or more of net position available for Plan benefits as of June 30, 2019 and 2018. Investments marked with two asterisks (\*\*) represent international mutual funds.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

<b>Investments:</b>	<b>2019</b>	
Aberdeen Emerging Markets Fund - Institutional Class	\$ 2,451,957	**
EuroPacific Growth Fund - Class R6	10,096,661	**
Dodge & Cox Stock Fund	32,146,579	*
DFA U.S. Small Cap Portfolio	11,822,950	
The SEI Stable Asset Fund	133,640,620	*
Fidelity Low-Priced Fund-Class K	8,315,448	
Fidelity Diversified International Fund - Class K	11,126,546	**
Invesco Global Real Estate -Institutional Class	1,835,043	**
Life Cycle 2045 Portfolio	18,740,789	
Life Cycle 2035 Portfolio	32,565,931	*
Life Cycle 2025 Portfolio	53,204,298	*
Conservative Portfolio	41,333,547	*
Life Cycle 2055 Portfolio	10,185,063	
Life Cycle 2020 Portfolio	3,775,006	
Life Cycle 2030 Portfolio	5,350,236	
Life Cycle 2040 Portfolio	4,518,411	
Life Cycle 2050 Portfolio	3,013,591	
Vanguard Inflation Protected Securities Fund - Institutional Shares	4,423,547	
Oakmark Equity and Income Fund	20,615,172	
Principal Investors Fund, Inc Mid Cap Blended Fund - Institutional Class	14,836,577	
Principal Diversified Real Asset Fund - Institutional Class	384,344	
Templeton Global Bond Fund - Class R6	3,093,416	
Fidelity Contrafund - Class K	52,866,291	*
T.Rowe Price Institutional Mid-Cap Equity Growth Fund	34,609,052	*
Vanguard Institutional Index Fund - Institutional Plus Shares	88,873,500	*
Vanguard Institutional Index Fund - Institutional Shares	-	
Vanguard Total Bond Market Index Fund		
Shares	17,516,247	
Institutional Shares	3,429,023	**
	<u>624,769,845</u>	
<b>Suspense:</b>		
Monies held pending investment	94,143	
<b>Payouts</b>		
Nationwide Fixed Annuity Payout Option (at contract value)	956,471	
Nationwide Variable Annuity Payout Option	28,971	
<b>Self Directed Option:</b>		
Investments Held at Charles Schwab	5,138,911	
<b>Total investments at fair value***</b>	<b>\$ 630,988,341</b>	

\*\*\* Total investments does not include amount held at State Treasurer's Office of \$28,020.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Plan has a formal investment policy that allows the Plan to select investment options that offer the best prospects to meet the participant's financial goals. The Policies allow for different tiers of investments that provide options for the participant to choose from. These are participant directed accounts, thus there are no limitations on concentration, credit and interest rate risk aside from the Plan's evaluation of the appropriate investment options to offer. The policy and investment offerings are reviewed and evaluated to ensure appropriate funds are available to the participant.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

Investments in the stable value option are held in the Plan's name by Galliard Capital Management, Inc., agent of the Plan. The remaining investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Committee.

As of June 30, 2019, the Plan had the following investments and maturities in its fixed earnings investments, stable asset investments and its mutual funds, which include investments in bonds. Weighted average maturities will vary annually based on the underlying investments of funds.

	Fair Value	Weighted Average Maturity
Stable Value Option:		
Stable Value Fund	\$ 133,640,620	3.75
Variable Earnings Investments:		
Life Cycle 2025 Portfolio	53,204,298	2.11
Life Cycle 2035 Portfolio	32,565,931	1.07
Life Cycle 2045 Portfolio	18,740,789	0.58
Life Cycle 2055 Portfolio	10,185,063	0.38
Life Cycle 2020 Portfolio	3,775,006	2.60
Life Cycle 2030 Portfolio	5,350,236	1.61
Life Cycle 2040 Portfolio	4,518,411	0.70
Life Cycle 2050 Portfolio	3,013,591	0.47
Oakmark Equity and Income Fund (The) - Class I	20,615,172	-
Vanguard Total Bond Market Index Shares	17,516,247	8.20
Life Cycle Conservative Portfolio	41,333,547	2.79
Templeton Global Bond Fund - Class R6	3,093,416	1.20

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY - PERA FUND

For the Years Ended June 30

	2014	2015	2016
<b>Total pension liability</b>			
Service Cost	\$ 418,995,891	\$ 389,052,473	\$ 390,220,766
Interest	1,286,996,350	1,335,949,923	1,393,557,454
Benefit changes	—	—	—
Difference between expected and actual experience	—	59,112,343	330,750,820
Changes of assumptions	(91,856,820)	—	424,791,570
Benefit payments	(905,329,141)	(966,236,566)	(1,024,399,237)
Refunds of contributions	(47,376,975)	(46,010,197)	(44,937,505)
<b>Net change in total pension liability</b>	<b>661,429,305</b>	<b>771,867,976</b>	<b>1,469,983,868</b>
<b>Total pension liability - beginning</b>	<b>17,082,757,593</b>	<b>17,744,186,898</b>	<b>18,516,054,874</b>
<b>Total pension liability - ending (a)</b>	<b>17,744,186,898</b>	<b>18,516,054,874</b>	<b>19,986,038,742</b>
<b>Plan net position</b>			
Contributions - employer	370,766,329	317,163,961	324,751,997
Contributions - member	174,037,205	258,919,779	265,529,178
Net investment income	2,118,284,928	251,488,279	47,444,548
Benefit payments	(905,329,141)	(966,236,566)	(1,024,399,237)
Administrative expense	(10,336,324)	(9,885,765)	(10,753,722)
Refunds of contributions	(47,376,975)	(46,010,197)	(44,937,505)
Other	17,005,791	25,296,313	12,317,520
<b>Net change in plan net position</b>	<b>1,717,051,813</b>	<b>(169,264,196)</b>	<b>(430,047,221)</b>
Plan net position - beginning	12,707,740,926	14,424,792,739	14,255,528,543
Prior period adjustment	—	—	1,177,045
Plan net position - beginning, Restated	12,707,740,926	14,424,792,739	14,256,705,588
<b>Plan net position - ending (b)</b>	<b>14,424,792,739</b>	<b>14,255,528,543</b>	<b>13,826,658,367</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 3,319,394,159</b>	<b>\$ 4,260,526,331</b>	<b>\$ 6,159,380,375</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY - PERA FUND

For the Years Ended June 30

	2017	2018	2019
<b>Total pension liability</b>			
Service Cost	\$ 405,560,569	\$ 376,310,442	\$ 403,879,063
Interest	1,452,723,072	1,462,669,395	1,504,991,169
Benefit changes	—	—	—
Difference between expected and actual experience	(584,186,354)	113,712,339	(54,004,886)
Changes of assumptions	(62,778,144)	545,509,838	—
Benefit payments	(1,084,818,276)	(1,133,417,826)	(1,193,943,794)
Refunds of contributions	(44,396,305)	(50,288,373)	(54,336,708)
<b>Net change in total pension liability</b>	82,104,562	1,314,495,815	606,584,844
<b>Total pension liability - beginning</b>	19,986,038,742	20,068,143,304	21,382,639,119
<b>Total pension liability - ending (a)</b>	20,068,143,304	21,382,639,119	21,989,223,963
<b>Plan net position</b>			
Contributions - employer	332,473,332	319,499,468	339,676,103
Contributions - member	272,829,112	282,847,487	281,643,094
Net investment income	1,500,758,585	1,004,226,606	935,560,895
Benefit payments	(1,084,818,276)	(1,133,417,826)	(1,193,943,794)
Administrative expense	(11,505,774)	(12,667,256)	(13,583,374)
Refunds of contributions	(44,396,305)	(50,288,373)	(54,336,708)
Other	471,465	2,109,772	2,046,688
<b>Net change in plan net position</b>	965,812,139	412,309,878	297,062,904
Plan net position - beginning	13,826,658,367	14,798,917,909	15,210,482,641
Prior period adjustment	6,447,403	(745,146)	—
Plan net position - beginning, Restated	13,833,105,770	14,798,172,763	15,210,482,641
<b>Plan net position - ending (b)</b>	14,798,917,909	15,210,482,641	15,507,545,545
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 5,269,225,395</b>	<b>\$ 6,172,156,478</b>	<b>\$ 6,481,678,418</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET PENSION LIABILITY - JUDICIAL FUND****For the Years Ended June 30**

	2014	2015	2016
<b>Total pension liability</b>			
Service Cost	\$ 3,792,564	\$ 3,344,275	\$ 3,244,941
Interest	10,798,432	9,900,234	10,238,436
Benefit changes	(16,058,954)	—	—
Difference between expected and actual experience	—	755,126	4,736,999
Changes of assumptions	(1,003,702)	—	46,154,938
Benefit payments	(8,770,177)	(9,373,041)	(9,812,803)
Refunds of contributions	(52,562)	(40,197)	(45,432)
<b>Net change in total pension liability</b>	<b>(11,294,399)</b>	<b>4,586,397</b>	<b>54,517,079</b>
<b>Total pension liability - beginning</b>	<b>143,745,972</b>	<b>132,451,573</b>	<b>137,037,970</b>
<b>Total pension liability - ending (a)</b>	<b>132,451,573</b>	<b>137,037,970</b>	<b>191,555,049</b>
<b>Plan net position</b>			
Contributions - employer	3,740,786	4,196,276	4,237,424
Contributions - member	1,085,631	1,579,180	1,581,685
Net investment income	13,196,711	1,511,658	232,211
Benefit payments	(8,770,177)	(9,373,041)	(9,812,803)
Administrative expense	(63,610)	(60,019)	(64,326)
Refunds of contributions	(52,562)	(40,197)	(45,432)
Other	485,893	33,095	71,532
<b>Net change in plan net position</b>	<b>9,622,672</b>	<b>(2,153,048)</b>	<b>(3,799,709)</b>
Plan net position - beginning	81,518,628	91,141,300	88,988,252
Prior period adjustment	—	—	(256,522)
Plan net position - beginning, Restated	81,518,628	91,141,300	88,731,730
<b>Plan net position - ending (b)</b>	<b>91,141,300</b>	<b>88,988,252</b>	<b>84,932,021</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 41,310,273</b>	<b>\$ 48,049,718</b>	<b>\$ 106,623,028</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY - JUDICIAL FUND

For the Years Ended June 30

	2017	2018	2019
<b>Total pension liability</b>			
Service Cost	\$ 5,491,704	\$ 4,488,035	\$ 4,282,426
Interest	9,065,846	9,866,593	10,341,109
Benefit changes	—	—	—
Difference between expected and actual experience	(2,473,653)	(1,358,467)	7,420,163
Changes of assumptions	(17,241,480)	(2,891,617)	19,032,967
Benefit payments	(10,096,096)	(10,585,112)	(11,351,841)
Refunds of contributions	(10,677)	—	(100,360)
<b>Net change in total pension liability</b>	<b>(15,264,356)</b>	<b>(480,568)</b>	<b>29,624,464</b>
<b>Total pension liability - beginning</b>	<b>191,555,049</b>	<b>176,290,693</b>	<b>175,810,125</b>
<b>Total pension liability - ending (a)</b>	<b>176,290,693</b>	<b>175,810,125</b>	<b>205,434,589</b>
<b>Plan net position</b>			
Contributions - employer	4,524,201	4,723,239	4,731,492
Contributions - member	1,635,643	1,631,848	1,690,837
Net investment income	9,012,198	6,019,600	5,527,664
Benefit payments	(10,096,096)	(10,585,112)	(11,351,841)
Administrative expense	(69,102)	(75,127)	(79,364)
Refunds of contributions	(10,677)	—	(100,360)
Other	38	—	10,280
<b>Net change in plan net position</b>	<b>4,996,205</b>	<b>1,714,448</b>	<b>428,708</b>
Plan net position - beginning	84,932,021	89,616,194	91,330,642
Prior period adjustment	(312,032)	—	—
Plan net position - beginning, Restated	84,619,989	89,616,194	91,330,642
<b>Plan net position - ending (b)</b>	<b>89,616,194</b>	<b>91,330,642</b>	<b>91,759,350</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 86,674,499</b>	<b>\$ 84,479,483</b>	<b>\$ 113,675,239</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.



**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET PENSION LIABILITY - MAGISTRATE FUND****For the Years Ended June 30**

	2014	2015	2016
<b>Total pension liability</b>			
Service Cost	\$ 1,428,353	\$ 947,730	\$ 1,117,925
Interest	3,688,653	3,444,833	3,452,435
Benefit changes	(7,527,733)	—	—
Difference between expected and actual experience	—	6,703,398	1,571,377
Changes of assumptions	(7,643,920)	—	8,831,831
Benefit payments	(3,689,881)	(3,955,687)	(3,976,586)
Refunds of contributions	(15,477)	(4,918)	(14,805)
<b>Net change in total pension liability</b>	(13,760,005)	7,135,356	10,982,177
<b>Total pension liability - beginning</b>	70,161,064	56,401,059	63,536,415
<b>Total pension liability - ending (a)</b>	56,401,059	63,536,415	74,518,592
<b>Plan net position</b>			
Contributions - employer	793,044	936,602	1,280,104
Contributions - member	266,120	489,642	586,992
Net investment income	5,199,209	579,091	69,508
Benefit payments	(3,689,881)	(3,955,687)	(3,976,586)
Administrative expense	(24,275)	(22,660)	(23,735)
Refunds of contributions	(15,477)	(4,918)	(14,805)
Other	216,853	(19,486)	26,885
<b>Net change in plan net position</b>	2,745,593	(1,997,416)	(2,051,637)
Plan net position - beginning	32,439,317	35,184,910	33,187,494
Prior period adjustment	—	—	(97,809)
Plan net position - beginning, Restated	32,439,317	35,184,910	33,089,685
<b>Plan net position - ending (b)</b>	35,184,910	33,187,494	31,038,048
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 21,216,149</b>	<b>\$ 30,348,921</b>	<b>\$ 43,480,544</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY - MAGISTRATE FUND

For the Years Ended June 30

	2017	2018	2019
<b>Total pension liability</b>			
Service Cost	\$ 1,536,910	\$ 1,353,643	\$ 1,465,584
Interest	3,191,559	3,486,404	3,493,260
Benefit changes	—	—	—
Difference between expected and actual experience	(1,538,854)	(237,450)	2,208,900
Changes of assumptions	(8,114,224)	2,874,007	5,255,023
Benefit payments	(3,966,314)	(3,951,032)	(4,026,067)
Refunds of contributions	—	(63,274)	(55,566)
<b>Net change in total pension liability</b>	<b>(8,890,923)</b>	<b>3,462,298</b>	<b>8,341,134</b>
<b>Total pension liability - beginning</b>	<b>74,518,592</b>	<b>65,627,669</b>	<b>69,089,967</b>
<b>Total pension liability - ending (a)</b>	<b>65,627,669</b>	<b>69,089,967</b>	<b>77,431,101</b>
<b>Plan net position</b>			
Contributions - employer	1,282,356	1,231,917	1,236,273
Contributions - member	603,362	580,290	639,552
Net investment income	3,289,637	2,155,789	1,938,490
Benefit payments	(3,966,314)	(3,951,032)	(4,026,067)
Administrative expense	(25,004)	(26,591)	(27,744)
Refunds of contributions	—	(63,274)	(55,566)
Other	3,037	13,607	—
<b>Net change in plan net position</b>	<b>1,187,074</b>	<b>(59,294)</b>	<b>(295,062)</b>
Plan net position - beginning	31,038,048	32,225,122	32,092,452
Prior period adjustment	—	(73,376)	—
Plan net position - beginning, Restated	31,038,048	32,151,746	32,092,452
<b>Plan net position - ending (b)</b>	<b>32,225,122</b>	<b>32,092,452</b>	<b>31,797,390</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 33,402,547</b>	<b>\$ 36,997,515</b>	<b>\$ 45,633,711</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - VOLUNTEER**  
**FIREFIGHTERS FUND**  
**For the Years Ended June 30**

	2014	2015	2016
<b>Total pension liability</b>			
Service Cost	\$ 1,253,736	\$ 1,250,564	\$ 1,439,931
Interest	2,871,904	3,104,991	3,375,898
Benefit changes	—	—	—
Difference between expected and actual experience	—	874,372	(498,350)
Changes of assumptions	408,092	—	1,975,872
Benefit payments	(1,418,943)	(1,633,388)	(1,835,318)
Refunds of contributions	—	—	—
<b>Net change in total pension liability</b>	<b>3,114,789</b>	<b>3,596,539</b>	<b>4,458,033</b>
<b>Total pension liability - beginning</b>	<b>37,766,301</b>	<b>40,881,090</b>	<b>44,477,629</b>
<b>Total pension liability - ending (a)</b>	<b>40,881,090</b>	<b>44,477,629</b>	<b>48,935,662</b>
<b>Plan net position</b>			
Contributions - employer	750,000	750,000	750,000
Contributions - member	—	—	—
Net investment income	8,919,556	1,093,757	206,024
Benefit payments	(1,418,943)	(1,633,388)	(1,835,318)
Administrative expense	(44,316)	(42,596)	(46,902)
Refunds of contributions	—	—	—
Other	404,492	12,201	51,385
<b>Net change in plan net position</b>	<b>8,610,789</b>	<b>179,974</b>	<b>(874,811)</b>
Plan net position - beginning	53,312,473	61,923,262	62,103,236
Prior period adjustment	—	—	(178,737)
Plan net position - beginning, Restated	53,312,473	61,923,262	61,924,499
<b>Plan net position - ending (b)</b>	<b>61,923,262</b>	<b>62,103,236</b>	<b>61,049,688</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ (21,042,172)</b>	<b>\$ (17,625,607)</b>	<b>\$ (12,114,026)</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY - VOLUNTEER FIREFIGHTERS FUND

For the Years Ended June 30

	2017	2018	2019
<b>Total pension liability</b>			
Service Cost	\$ 2,336,574	\$ 2,203,655	\$ 2,193,612
Interest	3,584,437	3,555,496	3,594,117
Benefit changes	—	—	—
Difference between expected and actual experience	(4,101,311)	(2,503,558)	(1,572,798)
Changes of assumptions	(221,833)	1,362,635	—
Benefit payments	(2,030,784)	(2,318,519)	(2,456,859)
Refunds of contributions	—	—	—
<b>Net change in total pension liability</b>	<b>(432,917)</b>	<b>2,299,709</b>	<b>1,758,072</b>
<b>Total pension liability - beginning</b>	<b>48,935,662</b>	<b>48,502,745</b>	<b>50,802,454</b>
<b>Total pension liability - ending (a)</b>	<b>48,502,745</b>	<b>50,802,454</b>	<b>52,560,526</b>
<b>Plan net position</b>			
Contributions - employer	750,000	750,000	750,000
Contributions - member	—	—	—
Net investment income	6,682,231	4,512,059	4,317,954
Benefit payments	(2,030,784)	(2,318,519)	(2,456,859)
Administrative expense	(51,792)	(57,574)	(62,918)
Refunds of contributions	—	—	—
Other	1,425	719	1,000
<b>Net change in plan net position</b>	<b>5,351,080</b>	<b>2,886,685</b>	<b>2,549,177</b>
Plan net position - beginning	61,049,688	66,400,768	69,287,453
Prior period adjustment	—	—	—
Plan net position - beginning, Restated	61,049,688	66,400,768	69,287,453
<b>Plan net position - ending (b)</b>	<b>66,400,768</b>	<b>69,287,453</b>	<b>71,836,630</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ (17,898,023)</b>	<b>\$ (18,484,999)</b>	<b>\$ (19,276,104)</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY

For the Years Ended June 30,

PERA FUND	2014	2015	2016
Total Pension Liability	\$ 17,744,186,898	\$ 18,516,054,874	\$ 19,986,038,742
Plan Net Position	14,424,792,739	14,255,528,543	13,826,658,367
Net Pension Liability	\$ 3,319,394,159	\$ 4,260,526,331	\$ 6,159,380,375
Ratio of plan net pension to total pension liability	81.29%	76.99%	69.18%
Covered payroll	\$ 2,102,265,325	\$ 2,248,254,276	\$ 2,326,943,176
Net Pension liability as a percentage of covered Employee payroll	157.90%	189.50%	264.70%

PERA FUND	2017	2018	2019
Total Pension Liability	\$ 20,068,143,304	\$ 21,382,639,119	\$ 21,989,223,963
Plan Net Position	14,798,917,909	15,210,482,641	15,507,545,545
Net Pension Liability	\$ 5,269,225,395	\$ 6,172,156,478	\$ 6,481,678,418
Ratio of plan net pension to total pension liability	73.74%	71.13%	70.52%
Covered payroll	\$ 2,193,888,677	\$ 2,265,036,299	\$ 2,287,711,652
Net Pension liability as a percentage of covered Employee payroll	240.18%	272.50%	283.33%

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY (CONTINUED)

For the Years Ended June 30

<b>JUDICIAL FUND</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Pension Liability	\$ 132,451,573	\$ 137,037,970	\$ 191,555,049
Plan Net Position	91,141,300	88,988,252	84,932,021
Net Pension Liability	\$ 41,310,273	\$ 48,049,718	\$ 106,623,028
Ratio of plan net pension to total pension liability	68.81%	64.94%	44.34%
Covered payroll	\$ 13,163,305	\$ 15,084,263	\$ 15,612,212
Net Pension liability as a percentage of covered Employee payroll	313.83%	318.54%	682.95%

<b>JUDICIAL FUND</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total Pension Liability	\$ 176,290,693	\$ 175,810,125	\$ 205,434,589
Plan Net Position	89,616,194	91,330,642	91,759,350
Net Pension Liability	\$ 86,674,499	\$ 84,479,483	\$ 113,675,239
Ratio of plan net pension to total pension liability	50.83%	51.95%	44.67%
Covered payroll	\$ 15,492,927	\$ 15,126,140	\$ 16,291,947
Net Pension liability as a percentage of covered Employee payroll	559.45%	558.50%	697.74%



**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET PENSION LIABILITY (CONTINUED)****For the Years Ended June 30**

<b>MAGISTRATE FUND</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Pension Liability	\$ 56,401,059	\$ 63,536,415	\$ 74,518,592
Plan Net Position	35,184,910	33,187,494	31,038,048
Net Pension Liability	\$ 21,216,149	\$ 30,348,921	\$ 43,480,544
Ratio of plan net pension to total pension liability	62.38%	52.23%	41.65%
Covered payroll	\$ 3,515,567	\$ 5,065,798	\$ 5,243,101
Net Pension liability as a percentage of covered Employee payroll	603.49%	599.09%	829.29%

<b>MAGISTRATE FUND</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total Pension Liability	\$ 65,627,669	\$ 69,089,967	\$ 77,431,101
Plan Net Position	32,225,122	32,092,452	31,797,390
Net Pension Liability	\$ 33,402,547	\$ 36,997,515	\$ 45,633,711
Ratio of plan net pension to total pension liability	49.10%	46.45%	41.07%
Covered payroll	\$ 5,633,125	\$ 5,638,423	\$ 6,025,309
Net Pension liability as a percentage of covered Employee payroll	592.97%	656.17%	757.37%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PESION LIABILITY (CONTINUED)**  
**For the Years Ended June 30**

<b>VOLUNTEER FIREFIGHTERS FUND</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Pension Liability	\$ 40,881,090	\$ 44,477,629	\$ 48,935,662
Plan Net Position	61,923,262	62,103,236	61,049,688
Net Pension Liability	\$ (21,042,172)	\$ (17,625,607)	\$ (12,114,026)
Ratio of plan net pension to total pension liability	151.47%	139.63%	124.76%
Covered payroll	N/A	N/A	N/A
Net Pension liability as a percentage of covered Employee payroll	N/A	N/A	N/A

<b>VOLUNTEER FIREFIGHTERS FUND</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total Pension Liability	\$ 48,502,745	\$ 50,802,454	\$ 52,560,526
Plan Net Position	66,400,768	69,287,453	71,836,630
Net Pension Liability	\$ (17,898,023)	\$ (18,484,999)	\$ (19,276,104)
Ratio of plan net pension to total pension liability	136.90%	136.39%	136.67%
Covered payroll	N/A	N/A	N/A
Net Pension liability as a percentage of covered Employee payroll	N/A	N/A	N/A

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Years Ended June 30

### PERA Fund\*

	2019	2018	2017	2016	2015
Contractually Required contributions*	\$ 339,676,103	\$ 319,499,468	\$ 332,473,332	\$ 324,751,997	\$ 317,163,961
Actual employer contributions*	339,676,103	319,499,468	332,473,332	324,751,997	317,163,961
Annual contributions deficiency (excess)	—	—	—	—	—
Covered payroll	\$ 2,287,711,652	\$ 2,265,036,299	\$ 2,193,888,677	\$ 2,326,943,176	\$ 2,248,254,276
Actual contributions as a percentage of covered payroll	14.85%	14.11%	15.15%	13.96%	14.11%

\*Includes \$74,357,341 of employer paid plan member contributions for 2014 (in accordance with Question 40 in the GASB 67 Implementation Guide). The 2017 amount has been revised to align with GASB 68 reporting.

	2014	2013	2012	2011	2010
Contractually Required contributions*	\$ 370,766,329	\$ 285,560,291	\$ 274,905,978	\$ 283,376,830	\$ 291,683,000
Actual employer contributions*	370,766,329	285,560,291	274,905,978	283,376,830	291,683,000
Annual contributions deficiency (excess)	—	—	—	—	—
Covered payroll	\$ 2,102,265,325	\$ 2,049,737,510	\$ 1,994,280,107	\$ 1,935,013,761	\$ 1,993,516,921
Actual contributions as a percentage of covered payroll	17.64%	13.93%	13.78%	14.64%	14.63%

### JUDICIAL FUND

	2019	2018	2017	2016	2015
Contractually Required contributions	\$ 5,881,393	\$ 4,908,432	\$ 4,974,779	\$ 4,816,367	\$ 4,918,978
Actual employer contributions	4,731,492	4,723,239	4,524,201	4,237,424	4,196,276
Annual contributions deficiency (excess)	1,149,901	185,193	450,578	578,943	722,702
Covered payroll	\$ 16,291,947	\$ 15,126,140	\$ 15,492,927	\$ 15,612,212	\$ 15,084,263
Actual contributions as a percentage of covered-employee payroll	29.04%	31.23%	29.20%	27.14%	27.82%

	2014	2013	2012	2011	2010
Contractually Required contributions	\$ 6,412,805	\$ 7,235,448	\$ 5,834,621	\$ 5,784,453	\$ 5,658,174
Actual employer contributions	3,740,786	3,527,270	3,266,203	3,823,546	3,698,949
Annual contributions deficiency (excess)	2,672,019	3,708,178	2,568,418	1,960,907	1,959,225
Covered payroll	\$ 13,163,305	\$ 13,226,142	\$ 12,690,503	\$ 12,266,852	\$ 13,041,980
Actual contributions as a percentage of covered payroll	28.42%	26.67%	25.74%	31.17%	28.36%

# **REQUIRED SUPPLEMENTARY INFORMATION** **SCHEDULE OF EMPLOYER CONTRIBUTIONS (CONTINUED)** **For the Years Ended June 30**

## **MAGISTRATE FUND**

	2019	2018	2017	2016	2015
Contractually Required contributions	\$ 1,861,820	\$ 1,587,780	\$ 1,576,148	\$ 1,462,825	\$ 1,966,543
Actual employer contributions	1,236,273	1,231,917	1,282,356	1,280,104	936,602
Annual contributions deficiency (excess)	625,547	355,863	293,792	182,721	1,029,941
Covered payroll	\$ 6,025,309	\$ 5,638,423	\$ 5,633,125	\$ 5,243,101	\$ 5,065,798
Actual contributions as a percentage of covered payroll	20.52%	21.85%	22.76%	24.42%	18.49%

	2014	2013	2012	2011	2010
Contractually Required contributions	\$ 1,992,392	\$ 2,286,413	\$ 1,793,261	\$ 2,013,684	\$ 1,698,108
Actual employer contributions	793,044	805,337	676,073	894,644	825,317
Annual contributions deficiency (excess)	1,199,348	1,481,076	1,117,188	1,119,040	872,791
Covered payroll	\$ 3,515,567	\$ 3,136,834	\$ 3,213,712	\$ 3,405,121	\$ 3,519,570
Actual contributions as a percentage of covered payroll	22.56%	25.67%	21.04%	26.27%	23.45%

## **VOLUNTEER FIREFIGHTERS FUND**

	2019	2018	2017	2016	2015
Contractually Required contributions	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Actual employer contributions	750,000	750,000	750,000	750,000	750,000
Annual contributions deficiency (excess)	—	—	—	—	—
Covered payroll	N/A	N/A	N/A	N/A	N/A
Actual contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

	2014	2013	2012	2011	2010
Contractually Required contributions	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Actual employer contributions	750,000	750,000	750,000	750,000	750,000
Annual contributions deficiency (excess)	—	—	—	—	—
Covered payroll	N/A	N/A	N/A	N/A	N/A
Actual contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

## SCHEDULE OF INVESTMENT RETURNS

For the Years Ended June 30

Annual money-weighted rate of return for the defined benefit funds, net of investment expense:

2014	2015	2016	2017	2018	2019
17.40%	1.70%	0.70%	10.60%	6.50%	5.60%

Note: The above schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Summary of Actuarial Methods and Assumptions

<b>PERA FUND</b>	
<b>Actuarial valuation date</b>	June 30, 2018
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay
<b>Amortization period</b>	Solved for based on statutory rates
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

## Summary of Actuarial Methods and Assumptions

<b>JUDICIAL FUND</b>	
<b>Actuarial valuation date</b>	June 30, 2018
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay, Open
<b>Amortization period</b>	30 years
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.25% annual rate, net of investment expense, SEIR 5.12%
Projected benefit payment	89 years
Municipal bond rate	3.50%
Discount rate	5.12%
Payroll Growth	3.00%
Projected salary increases	4.00%
Includes inflation at	2.50%
Mortality Assumption	RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally
Experience Study Dates	July 1, 2013 to June 30, 2017

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

### Summary of Actuarial Methods and Assumptions

<b>MAGISTRATE FUND</b>	
<b>Actuarial date</b>	June 30, 2018
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percent of Payroll, Open
<b>Amortization period</b>	30 years
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.25% annual rate, net of investment expense, SEIR 4.56%
Projected benefit payment	86 years
Municipal bond rate	4.56%
Discount rate	5.21%
Payroll Growth	3.00%
Projected salary increases	3.50%
Mortality Assumption	RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally.
Experience Study Dates	July 1, 2013 to June 30, 2017

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

## Summary of Actuarial Methods and Assumptions

<b>VOLUNTEER FIREFIGHTERS FUND</b>	
<b>Actuarial valuation date</b>	June 30, 2018
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Dollar, Open
<b>Amortization period</b>	30 Years
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	N/A
Projected salary increases	N/A
Mortality Assumptions	RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally.
Experience Study Dates	July 1, 2013 to June 30, 2017

# **SCHEDULE OF REVENUES, APPROPRIATION, AND EXPENSES-** **BUDGET AND ACTUAL PUBLIC EMPLOYEES RETIREMENT FUND ONLY** **For the Year Ended June 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues and Appropriations				
Other state funds:				
General Fund Appropriation	\$ 90,700	\$ 90,700	\$ 90,700	—
Other income	36,298,300	36,959,780	36,959,780	—
<b>Total Revenue</b>	<b>36,389,000</b>	<b>37,050,480</b>	<b>37,050,480</b>	<b>—</b>
Expenditures				
Administration				
Contractual services	28,179,100	28,235,780	22,437,833	5,797,947
Personnel services and benefits	6,844,100	7,416,000	7,110,198	305,802
Other operating costs	1,365,800	1,398,700	1,342,733	55,967
<b>Total Expenditures</b>	<b>36,389,000</b>	<b>37,050,480</b>	<b>30,890,764</b>	<b>6,159,716</b>
<b>Change in net position, budget items</b>			<b>\$ 6,159,716</b>	
<b>Non-budget revenues and expenses:</b>				
Contributions from members and employers (plus service credit purchase)			621,319,197	
Net Appreciation in Fair Value of Plan Investments			581,382,118	
Interest & Dividends			306,391,140	
Other Investment Income			75,268,630	
Other Income			2,046,688	
Benefit payments to retirees and beneficiaries			(1,193,934,794)	
Refunds to terminated employees			(54,336,706)	
Depreciation Expense			(708,627)	
Compensated Absences			15,318	
Accounts Payable - FY 18			831,378	
Administrative Expense Allocated			404,396	
Non- budgeted Investment Expense			(45,690,288)	
Special Appropriation			(2,168,188)	
Social Security and Deferred Comp Program			101,029	
Reversion			(18,103)	
<b>Increase (Decrease) in plan net assets</b>			<b>297,062,904</b>	
<b>Net Position held in trust for pension benefits</b>				
Balance - beginning of year			15,210,482,641	
<b>Balance - end of year</b>			<b>\$ 15,507,545,545</b>	

## OTHER SUPPLEMENTAL SCHEDULES

### SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2019

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	SSA Program	Deferred Comp (1)
<b>Personnel Services and Benefits</b>						
Salaries	\$ 4,991,101	\$ 29,119	\$ 10,179	\$ 23,085	\$ 53,847	\$ 68,442
Employee Insurance	572,191	3,338	1,167	2,647	3,470	10,923
Retirement	839,310	4,897	1,712	3,882	9,149	4,717
Other Personnel Expenses	480,146	2,801	979	2,221	5,046	1,295
<b>Total Personnel Services and Benefits</b>	<b>6,882,748</b>	<b>40,155</b>	<b>14,037</b>	<b>31,835</b>	<b>71,512</b>	<b>85,377</b>
<b>Other Contractual Services:</b>						
Information Technology Services	2,797,064	16,319	5,705	12,937	—	—
Legal Fees	789,241	4,605	1,610	3,650	—	7,040
Audit Fees	126,223	736	257	584	—	—
Medical Services	96,193	561	196	445	—	—
Other Professional Services	338,121	1,973	690	1,564	—	—
<b>Total Other Contractual Services</b>	<b>4,146,842</b>	<b>24,194</b>	<b>8,458</b>	<b>19,180</b>	<b>—</b>	<b>7,040</b>
<b>Education, Meeting and Travel</b>						
Professional Development	29,843	174	61	138	—	550
Travel	81,224	474	166	376	660	4,810
<b>Total Education, Meeting and Travel</b>	<b>111,067</b>	<b>648</b>	<b>227</b>	<b>514</b>	<b>660</b>	<b>5,360</b>
<b>General Administrative expense</b>						
Subscriptions/Dues/License Fee	100,206	585	204	463	425	600
Equipment	124,771	843	295	668	—	—
DOIT Telecommunications	136,103	794	278	630	—	—
Postage	93,045	543	190	430	—	—
Printing & Photo Services	78,917	460	161	365	—	2,600
Board Member Expenses	43,898	256	90	203	—	—
Other General Administrative Expense	1,865,777	10,886	3,804	8,630	—	50
<b>Total General Administrative expense</b>	<b>2,442,717</b>	<b>14,367</b>	<b>5,022</b>	<b>11,389</b>	<b>425</b>	<b>3,250</b>
<b>Total Administrative Expenses</b>	<b>\$ 13,583,374</b>	<b>\$ 79,364</b>	<b>\$ 27,744</b>	<b>\$ 62,918</b>	<b>\$ 72,597</b>	<b>\$ 101,027</b>

(1) This just reflects internal administrative expense and excludes the external administrative expense.

## OTHER SUPPLEMENTAL SCHEDULES

### SCHEDULE OF INVESTMENT EXPENSES FOR DEFINED BENEFIT FUNDS

For the Year Ended June 30, 2019

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	TOTAL
<b>External Investment Expenses:</b>					
Investment Advisory Fees	\$ 35,570,386	\$ 207,527	\$ 72,547	\$ 164,524	\$ 36,014,984
Investment Manager Fees	15,338,001	89,486	31,282	70,943	15,529,712
Consultant Fees	2,253,735	13,149	4,597	10,424	2,281,905
Custody Bank	1,145,118	6,681	2,335	5,297	1,159,431
Security Lending Expenses	497,360	2,902	1,014	2,300	503,576
Legal Fees	416,755	2,431	850	1,928	421,964
Other Fees	9,219,418	53,789	18,803	42,642	9,334,652
<b>Total External Investment Expenses</b>	<b>64,440,773</b>	<b>375,965</b>	<b>131,428</b>	<b>298,058</b>	<b>65,246,224</b>
<b>Internal Investment Expenses*</b>					
<i>Personnel Services and Benefits</i>					
Salaries	986,207	5,754	2,011	4,562	998,534
Fringe Benefits	323,282	1,886	659	1,495	327,322
<b>Total Personnel Services and Benefits</b>	<b>1,309,489</b>	<b>7,640</b>	<b>2,670</b>	<b>6,057</b>	<b>1,325,856</b>
<i>Education, Meeting and Travel</i>					
Professional Development	8,474	49	17	39	8,579
Travel	57,883	338	118	268	58,607
<b>Total Education, Meeting and Travel</b>	<b>66,357</b>	<b>387</b>	<b>135</b>	<b>307</b>	<b>67,186</b>
<i>General Administrative expense</i>					
Subscriptions/Dues/License Fee	68,381	399	139	316	69,235
Other General Administrative Expense	20,411	119	42	94	20,666
<b>Total General Administrative expense</b>	<b>88,792</b>	<b>518</b>	<b>181</b>	<b>410</b>	<b>89,901</b>
<b>Total Internal Investment Activity Expense*</b>	<b>1,464,638</b>	<b>8,545</b>	<b>2,986</b>	<b>6,774</b>	<b>1,482,943</b>
<b>Total Investment Activity Expenses</b>	<b>\$ 65,905,411</b>	<b>\$ 384,510</b>	<b>\$ 134,414</b>	<b>\$ 304,832</b>	<b>\$ 66,729,167</b>

Note 1: Securities lending expense and other investment expense are combined into the total external investment expense.

\*Internal Investment Expense is also included in the total administrative expenses presented on page 105 and presented on the Statement of Changes of Fiduciary Net Position on page 37







CliftonLarsonAllen LLP  
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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico

Honorable Brian S. Colón  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, Volunteer Firefighters Retirement Fund, State of New Mexico Public Employees' Deferred Compensation Plan and Social Security Administration Program (collectively, the Funds) administered by the Public Employees Retirement Association of New Mexico (PERA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise PERA's basic financial statements, and have issued our report thereon dated November 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the New Mexico Public Employees' Deferred Compensation Plan, as described in our report on PERA's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PERA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PERA's internal control. Accordingly, we do not express an opinion on the effectiveness of PERA's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
Honorable Brian S. Colón  
New Mexico State Auditor

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2019-001.

### **PERA's Response to Findings**

PERA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. PERA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

### **CliftonLarsonAllen LLP**



Albuquerque, New Mexico  
November 25, 2019

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year ended June 30, 2019**

**NONE**

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **For the Year Ended June 30, 2019**

#### **Section I - Summary of Auditors' Results**

##### **Financial Statements**

Type of auditor's report issued	Unmodified	
Internal Control over financial reporting:		
Material Weakness(es) identified?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
Noncompliance material to financial statements noted?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO

#### **Section II - Financial Statement Findings**

##### **A. OTHER MATTERS AS REQUIRED BY THE NEW MEXICO STATE AUDIT RULE**

##### **2019-001 Submission of Annual Operating Budget (Compliance and Other Matters)**

**Condition:** The Board did not approve and submit its Operating Budget for FY2020 by the statutory deadline of May 1, 2019.

**Criteria:** As indicated in NMSA 1978 §6-3-7, each state agency shall annually on or before May 1 submit to the state budget division a budget for the ensuing fiscal year, in such form as may be prescribed by the division and containing such information concerning the anticipated receipts, expenditures and balances on hand as may be prescribed by law or by the state budget division. Such budget shall be subject to the approval of the state budget division and no expenditures shall be made by any state agency for the fiscal year covered by said budget until the budget shall have been approved by the state budget division, provided that any action by the division shall be subject to review and modification by the governor.

**Context:** This was brought to our attention by the Office of the State Auditor, as well as identified during budget compliance testing.

**Cause:** The Board failed to approve and submit the budget in accordance with the Statute.

**Effect:** Noncompliance with New Mexico Statute - NMSA 1978 §6-3-7.

**Recommendation:** We recommend the Board prioritize the annual budgeting process to ensure adherence to statutory deadlines.

**Management's Response:** PERA agrees with the finding that the agency did not submit its Operating Budget by the statutory deadline.

The PERA Board Chair will ensure that Board fully understands the significance of approving and submitting an operating budget by the statutory deadline. In addition, PERA's management will work with the PERA Board to ensure that the annual budget is prioritized at the Board meeting.

## EXIT CONFERENCE

We discussed the financial statements and recommendations contained in this letter during the exit conference held November 21, 2019. The exit conference was attended by the following individuals.

### **PERA EMPLOYEES RETIREMENT ASSOCIATION**

#### **Members of the Board**

Dr. Jackie Kohlash, Board Chair

#### **PERA Management**

Wayne Propst, Executive Director

Greg Trujillo, Deputy Director

Anna Williams, CPA, CFO

Olasynkanmi Olaoye, Investment Accountant

#### **CliftonLarsonAllen**

Matthew Bone, CPA, CLA Partner





Public Employees Retirement Association

## INVESTMENT SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019

## CHIEF INVESTMENT OFFICER'S LETTER

Dear PERA Members,

It is a pleasure to serve as your Chief Investment Officer. As a native New Mexican, I understand the impact PERA has on the State of New Mexico and on the state's economy-paying out over \$1.26 billion annually in retirement benefits. The Investment Section of the Comprehensive Annual Financial Report for the year ending June 30, 2019 provides an overview of the key strategic challenges ahead, the investment portfolio results, and accomplishments that occurred during the last fiscal year.

### Goals Review

PERA's 5-year Strategic Plan (2018-2022) sets forth the high level goals for all of PERA, which, combined with Investment Policy set by the Board, determines the Investment Team's focus. These goals also correspond with the investment-related performance measures that are monitored by PERA's regulatory and legislative bodies. The following scorecard matrix identifies the three key, investment-related, objectives and the actual results we have achieved.

PERA Investment Objectives	Actual Results
Maintain appropriate strategic asset allocation to meet the actuarial discount rate assumption over the long run.	Exceeded actuarial rate for 3 years, 10 years, 30 years and since data inception (1985)
Meet 10-Year annualized returns to equal or exceed benchmarks.	Exceeded Passive "Reference" Portfolio & Internal Benchmarks for 3, 10, 20, 30 years and since data inception (1985).  For 10 years, PERA produced approximately \$1.5 billion in value add over Passive "Reference" Portfolio
Achieve a total investment cost at or below a benchmark cost relative to peers adjusted for fund size and asset mix.	Compared to 317 Global funds (162 U.S. Pension funds, 74 Canadian funds, 70 European funds, 8 Asia-Pacific funds), PERA is low cost and saved approximately \$1.7 million in fees and costs.

### PERA Fund Performance

PERA ended the fiscal year 2019 with approximately \$15.7 billion in assets. This was an all-time high for a fiscal year end. Total absolute performance for the fiscal year was 6.38% net of fees, which was slightly below the actuarial hurdle of 7.25% but proved to be in the top 23% of all public plan peers (78 funds). Importantly, this was also ahead of a key benchmark, the Passive Reference Benchmark.

The over-arching goal of the investment portfolio is to generate returns that meet the actuarial return hurdle and meet benefit payment demographics over long periods of time, such as 10-year and 30-year periods. Due to the amount of volatility or risk the investment portfolio takes to generate the long-run actuarial rate of return of 7.25%, it is expected with 95% confidence that in any given 1-year period the portfolio can produce anywhere between + 17.25% or lose -3.25%. However, over longer periods of time the range of outcomes shrinks closer to the median expected outcome of 7.25%. For the 1 year period ended June 30, 2019, the portfolio returned just shy of the median expected outcome.

In addition to the actuarial return hurdle of 7.25%, the PERA Board has adopted two additional key benchmarks to evaluate investment performance: the Passive Reference Benchmark and the Internal Policy Benchmark. The Passive Reference Benchmark is the key evaluation mechanism for monitoring the value add of adopting a more complex and

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

diversified asset allocation. The Reference Benchmark is a simple 2-asset class (stocks and bonds), liquid index portfolio that is set to match the expected 10.5% volatility of the PERA portfolio. This benchmark is a 58% global stocks and 42% bond allocation. Second, the Internal Policy benchmark is a more sophisticated benchmark meant to replicate the more diversified Board adopted strategic asset allocation. This is used to help better evaluate active decisions.

The following table provides more detailed short term and long term performance relative to key evaluation metrics described above. While PERA fell just short of the actuarial hurdle and the Internal Policy Benchmark for 1-year, PERA has met or exceeded its benchmarks for all other periods. Most importantly, for long run 10 year and 30 year periods, PERA has exceeded all benchmarks including the average actuarial hurdle of 7.71% during these periods. Moreover, the PERA portfolio has produced significant value add over a simple indexed Reference Benchmark.

Time Period	PERA Return (net of fees)	Average Actuarial Hurdle	Passive "Reference" Benchmark	Internal "Policy" Benchmark
One-year	6.38%	7.25%	6.33%	6.96%
Three-year	8.11%	7.71%	7.69%	7.94%
Ten-year	9.17%	7.71%	7.84%	8.72%
Thirty-year	8.29%	7.71%	7.14%	8.12%
Inception to Date (1985)	8.92%	7.71%	8.07%	8.84%

\*Reference Benchmark = 58% global stocks/42% bonds passive portfolio. This is equivalent to the risk of PERA portfolio.

Finally, PERA continues to be prudent and efficient in the amount of risk or volatility it takes in the portfolio to generate returns. For instance, in the fiscal year, PERA experienced significantly less volatility as measured by standard deviation than both the Passive Reference Benchmark and the Internal Policy Benchmark. As a result, PERA's return-to-risk ratio or Sharpe Ratio was very attractive, which also ranked in the top tier of all public plan peers. In short, this demonstrates PERA is effective in its use of allotted risk.

	Total Return	Standard Deviation	Sharpe Ratio: Return-to- Risk Ratio
Total Fund	6.38%	6.99%	0.58%
Passive Reference Benchmark	6.33%	10.27%	0.38%
Internal Policy Benchmark	6.96%	9.68%	0.48%

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

### Asset Allocation

In July 2018, the PERA Board adopted an enhanced strategic asset allocation, in order to better balance risk exposures, and position the PERA Fund for global economic uncertainties. This allocation continues to optimize the risk-adjusted return prospects for the Fund, while maintaining PERA's focus on liquidity. The fund distributed more than \$1.26 billion in retiree benefits for fiscal year 2019, and the ability to convert PERA's investment assets into cash, at fair value, continues to be of paramount importance to our mission.

The PERA Fund's asset allocation targets and ranges as of June 30, 2019, are:

Asset Class	Lower Range	Target	Upper Range
Global Equity	30.50%	35.50%	40.50%
Risk Reduction & Mitigation	16.50%	19.50%	22.50%
Credit Oriented Fixed Income	11.00%	15.00%	19.00%
Real Assets	16.00%	20.00%	24.00%
Multi-Risk Allocation	6.00%	10.00%	14.00%
<b>TOTAL</b>		<b>100.00%</b>	

Global Equity: global equity continues to be PERA's largest asset class with approximately \$6.5 billion (41.8%) in liquid and illiquid securities. The global equity composite is comprised of Global Public Stock, Global Low Volatility Equity, Hedged Equity, and Private Equity, and returned 6.77%, outperforming its policy benchmark by 0.54% for the year.

Risk Reduction & Mitigation: PERA invested approximately \$3.4 billion (21.6%) in risk reduction and mitigation ("RRM") strategies, focused solely on liquid securities. The RRM composite is comprised of Domestic Core Fixed Income, Global Core Fixed Income, and Cash, and returned 7.93%, outperforming its policy benchmark by 0.08% for the year.

Credit-Oriented Fixed Income: PERA maintains approximately \$2.3 billion (14.7%) in credit oriented fixed income, across liquid and illiquid securities. The credit composite is comprised of Liquid Credit, Emerging Markets Debt, Illiquid Credit, and Credit Oriented Hedge Funds, and returned 4.78%, underperforming its policy benchmark by 3.6% for the year. Underperformance was attributable to allocation results within the portfolio, such as the lagging valuation effect between illiquid assets and their liquid market indexes, as well as the portfolio's structural tilts away from its designated policy index. Selection results closely tracked the portfolio's selection benchmarks, indicating continued manager skill within the portfolio.

Real Assets: The \$3.1 billion (19.9%) real assets composite includes liquid and illiquid securities. The real assets composite is comprised of Liquid and Illiquid Real Estate and Liquid and Illiquid Real Assets. The portfolio returned 4.61% for the year, and underperformed its policy benchmark by 0.28%. Underperformance was attributable to manager selection results, while positive allocation results offset the overall portfolio return slightly.



## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

Multi-Risk Allocation: PERA began its implementation of this newly approved asset class during the second quarter of 2019. The current \$315 million (2%) multi-risk composite includes liquid, passive risk parity exposure. Since its inception, beginning May 2019, the portfolio has returned 7.64%, slightly underperforming its policy benchmark by 0.33%. Return dispersion during implementation was anticipated, and is expected to improve as the strategy continues to gain scale.

### Strategic Challenges Ahead

PERA remains in a solid position to pay benefits, but continues to face headwinds that create uncertainty for long-run sustainability from market forces and its unfunded liability profile. There are big challenges ahead that we must face to ensure the sustainability for PERA. The first challenge is based on the profile of our unfunded liabilities. Over the next 15 years or so, we will see a demographic and liability increase that we project will increase our cash outflow of our earnings from roughly 4.0% currently to nearly 5.5%. This is a negative cash outflow growth rate that is outside of our comfort zone. Moreover, the probability of recession in the near term is increasing and with it the risk of portfolio drawdowns. Given PERA's cash flow profile, this near-term risk is significant, which can put additional pressures on the cash flow profile.

The second major challenge ahead is the expected low returning investment environment. The job of a Chief Investment Officer, at any institution, is much harder today than it has been at any point over the last 30 years. For instance, from calendar year 1988 to 2018, a simple, indexed portfolio of 58% global stocks and 42% bonds produced a return of 7.5%, which roughly met required returns and discount rates. However, when looking ahead over the next 10 years, forecasted returns from PERA's investment consultant for the same portfolio is at best 5.6%. Obviously, this is short of discount rates and nearly 2% less than the last 30-years for a simple, indexed portfolio. This is a big return gap.

Why does the gap exist? Two basic reasons. First, the return from cash and the risk free rate is significantly different. Over the past 30 years, the return on holding cash was 3.2%, and many times well above. Today, everyone knows that holding cash pays little, just look at the interest rate in your savings account. Moreover, as of June 30, 2019 the yield on a 10 year U.S. Treasury bond is 2.01%. Second, over the past 30 years PERA earned on average a 3% risk premium and in good times a 3.5% risk premium over the return of the 10-year U.S. Treasury bond. Assuming PERA can continue to earn the same 3% to 3.5% risk premium into the future and you add the return or yield on the 10 year U.S. Treasury as the risk free asset, the total return is 5% to 5.5%.

Thus, what worked in the past, a simple allocation to markets, will no longer get the job done. Creativity, innovation, and skill are required to bridge the gap. It will require different approaches to asset allocation and embracing the use of private markets and active management to help fill the gap.

### Solutions to Bridging the Return Gap

As discussed, the road ahead is undoubtedly challenging to meet actuarial hurdles. We have identified the following three key strategies as solutions going forward to help meet the future return gap. In total, we believe over the next 10 years the quality execution of the below strategies will help bridge the gap from 5.6% to roughly 7.0%; providing 1.4% in value add over the Passive Reference Benchmark.

1. *Risk Balance: Improved Strategic Asset Allocation (Beta)*

This strategy employs better risk balanced diversification across the portfolio. By doing so, we improve our return/risk ratio and improve return expectations above the Passive Reference Benchmark.



CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

2. *Private Assets: Improving Effectiveness of Private Active Management (Allocation)*

We have worked hard to be more deliberate in our allocations to private partnerships and more scrupulous in examining the fees we pay. The analytic and process enhancements we have made here will help us be better private allocators as we expand the strategy and integrate co-investing and other interesting partnership structures to extract more value add.

3. *Active: More Robust Public Active Management (Selection)*

Similar to our private active management, we have made great strides emphasizing our idiosyncratic risk and public active management. We've seen this in our analytic and process enhancements and re-shaping of public active exposures in equity and credit. Expanding this exposure to include more innovative strategies will be further value adding in the future.



## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

### Accomplishments and Initiatives

Over the course of the two past fiscal years we have made numerous strides to improve outcomes in the investment portfolio. The following provides highlights of these accomplishments.

#### Enhanced Governance Structure

Back in fiscal year 2018, PERA and the PERA Board made significant enhancements to the governance structure and strengthened evaluating and oversight mechanisms on the portfolio. First, the PERA Board made the strategic decision to delegate implementation authority to its internal investment professionals, in order to best focus on strategic initiatives, strengthen governance structures, and long-term sustainability of the PERA plan. This governance change has been substantive and reflective of prudence and best practice across U.S. pension plans. The value of these changes to the portfolio will be seen over the course of the next 10 years, but this alone set the foundation for making better investment decisions for our members.

In addition, PERA continued to strengthen the Board's oversight authority through enhanced measurement mechanisms, such as establishing a Risk Budget. Fiscal year 2019 is the second year PERA adopted and monitored the portfolio via the risk budget process. The risk budget is a quantitative framework that provides a mechanism for monitoring and evaluating implementation within the Fund, strengthening accountability for results relative to the Board approved strategic asset allocation and active management.

#### Risk Balance

In 2019, PERA moved to implement its own construct of what's commonly called a risk parity portfolio. Still on its glide path into a 10% allocation, the Multi-Risk, or risk parity, allocation is meant to better balance PERA's portfolio away from growth equity risk. Better balanced portfolios have a higher return per unit of risk profile that results in a smoother experience that over long periods of time compound better and maximize terminal wealth.

#### Total Fund Overlay

During 2019, PERA also moved to implement a total fund overlay program. Small at inception but with plans to grow, the overlay program is designed to reduce PERA's unintended risk relative to benchmarks, which will enable the portfolio to more consistently profit from value add that is derived from pure asset selection activities versus simply taking more or less systematic risk versus the benchmark.

#### Monitoring and Alpha measurement

Lastly, PERA has moved toward a more systematized and robust approach to monitoring and measuring our excess returns and excess risk (tracking error) in all strategies. We believe that over 10 years we can produce about \$1.5 billion in excess return, or value add over market returns. In order to best achieve something of that magnitude, it must be measured well. PERA has thus moved toward measuring every increment of value add along every strategy such that the exercise itself informs our discipline, process, and awareness around hitting our \$1.5 billion goal within the next ten years.

### PERA SmartSave

In addition to the defined benefit pension assets, PERA also oversees the voluntary deferred compensation program for public employees. The PERA SmartSave Deferred Compensation Plan ended the fiscal year with a fund balance of \$645 million and 22,865 participants. During the year, the Plan mainly focused on the launch of the RFP for Third

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

Party Administrative Services (TPA) as the current TPA contract would expire in September 2019. The RFP was scored on: innovation and creativity in marketing and communication outreach efforts and incorporation of the PERA SmartSave brand; the participant experience through the website or other available technology; automation with transactions for participants and employers; thought leadership; and cost. As such, the PERA Board awarded Voya Financial the new contract for the PERA SmartSave Plan.

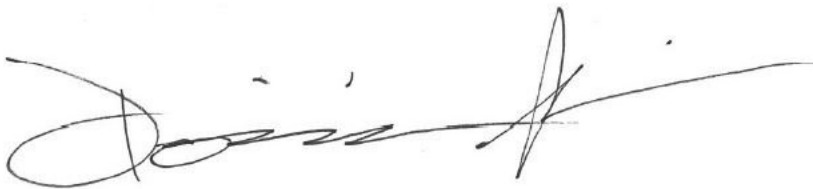
Also in fiscal year 2019, the PERA Board approved the adoption of a Roth feature to the PERA SmartSave Plan. The addition of a Roth feature will enhance the Plan's offerings and reach a cohort of individuals who might not otherwise have access to a Roth retirement plan and for those wanting a different option to optimize their individual tax planning.

These enhancements are significant to the evolution of the Plan and will enable an increase in participation.

### Conclusion

The PERA Board and staff have made significant strides to improve the plan and its results in order to ensure a secure retirement benefit for all generations of public employees. We will continue to strive toward excellence, and drive favorable results that best meet our liability needs. In closing, I would like to reaffirm that we remain committed to preserving and growing the Fund by ensuring accountability through strong governance, transparency and meaningful results.

Sincerely,



Dominic Garcia  
Chief Investment Officer

# INVESTMENT OBJECTIVES AND POLICIES

## Introduction

The PERA Board is charged with the responsibility of administering the PERA Fund for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. In accordance with the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, the Board is required to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. This standard of care encourages diversifying investments across various asset classes to minimize the risk of large losses.

The Board approves the Investment Policy which governs the investment of assets for PERA and establishes parameters to ensure prudence and care in the execution of the investment program. The Investment Policy serves as the touchstone for prudent management of the Fund and describes the Board's investment objectives and tolerance for investment risk. The Investment Policy outlines objectives, benchmarks, restrictions and responsibilities necessary for members of the Board, staff, investment managers, consultants, and PERA stakeholders to clearly understand the policies, goals and objectives, and risks connected with the PERA investment program.

The Chief Investment Officer, with the assistance of PERA staff, has the responsibility and authority to assist the Board in establishing investment and administrative policy, and to implement the policies and programs established by the Board. The Chief Investment Officer has primary responsibility for the implementation authority of the investment decisions, as governed by the Board approved Strategic Asset Allocation and Active Risk Budget.

## General Objectives

PERA's primary objective is to prudently invest assets in order to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board has adopted the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term, and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

## Third Party Service Providers

- Investment Consultants: To accomplish its mission, PERA relies on third-party investment management consultants to properly administer the Fund and implement the investment strategies it adopts. PERA

## INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

currently utilizes the services of one Board consultant, Wilshire Associates, and two manager selection consultants, Albourne Partners and TorreyCove Capital Partners. These consultants provide performance review, asset allocation studies, manager screening, and topical studies. The comments and recommendations of the consultants are considered by PERA in conjunction with other available information to make informed and prudent decisions.

- **Investment Managers:** PERA believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Professional investment managers are retained by PERA to assist in managing PERA's assets. Investments are sufficiently diversified, both by asset class and investment manager, to minimize concentration and market risks. Each investment manager functions under a formal contract that delineates the manager's responsibilities and appropriate performance expectations, including a formal set of investment guidelines and administrative requirements for the management of each portfolio. PERA's external managers are subject to compliance with PERA's Investment Policy and all applicable State and federal laws.
- **Custodian Bank:** The custodian bank, Bank of New York Mellon, serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The custodian bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The custodian bank cooperates with and assists staff and investment managers in the reconciliation process.

### Prohibitions

In accordance with UPIA guidelines, the PERA Board, staff, investment consultants, and investment managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

- Investments precluded by law or regulation.
- Transactions that involve a broker acting as a "principal" where such broker is also the investment manager who is making the transaction are prohibited unless otherwise approved in each manager's respective professional services agreement.
- Any other investments as specified in each investment manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

### Asset Allocation

Asset allocation is the single largest contributor to the PERA Fund's return and risk. Based on the factors identified in the Investment Policy, PERA has established strategic asset allocation targets and ranges for global equity, risk reduction and mitigation, credit-oriented fixed income, and real assets on a fair value basis. Ranges for each asset class are included in the asset allocation investment policy to provide the Fund with the flexibility to take advantage of market opportunities.

## INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

Long-term asset class targets and ranges as of June 30, 2019

Asset Class	Lower Range	Target	Upper Range
Global Equity	30.50%	35.50%	40.50%
Risk Reduction & Mitigation	16.50%	19.50%	22.50%
Credit Oriented Fixed Income	11.00%	15.00%	19.00%
Real Assets to include Real Estate Equity	16.00%	20.00%	24.00%
Multi-Risk Allocation	6.00%	10.00%	14.00%
<b>TOTAL</b>		<b>100.00%</b>	

The Board approves the allocation of assets among various asset classes. Generally, in determining the asset allocation, PERA considers: (1) the historical performance of capital markets adjusted for the perception of the future short and long-term market performance; (2) the correlation of returns among the relevant asset classes; (3) the projected liability stream of benefits and the costs of funding to both covered employees and employers; and, (4) the relationship between the current and projected assets and the projected actuarial liability stream.

The Investment Policy describes the target allocation for investable asset types and the allowable ranges. An appropriate asset allocation facilitates diversification of assets necessary to maximize the investment return to PERA consistent with prudent market and economic risk. PERA assets are fully invested at all times with only small balances in cash equivalents to cover benefits and operational expenses.

### Rebalancing

PERA's rebalancing procedure is governed by allocation ranges rather than time periods. Upper and lower allocation limits have been established for each asset class. The ranges, specified in the table above, are a function of the volatility of each asset class and the proportion of the total fund allocated to the asset class. PERA rebalances the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal in implementing the rebalancing procedure is to minimize transaction costs, market impact, and opportunity costs.

When the allocation to all asset classes remains within established limits, cash flows are used to maintain the overall allocation as closely as possible to the target. In the event that a liquid strategy within an asset class breaches an upper or lower limit, the asset class is rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day period, it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category. Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

## INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

### Performance

PERA relies on the following long-term objectives to measure investment performance:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. PERA seeks to realize long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

The performance of each asset class is measured against a benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain illiquid asset classes, the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. These benchmarks are referred to as the "Policy Index." PERA may use the Policy Index to compare the Fund's actual performance to its Total Fund Benchmark and to measure the contributions of active investment management and policy adherence.

Mandate-level benchmarks relevant to an investment shall be used as standards to measure the performance of investment managers. These benchmarks are referred to as the "Selection Index." Acceptable benchmarks include but are not limited to:

- The appropriate market indices on a nominal and risk-adjusted basis;
- The performance of peers within their style group;
- Adherence of the investment manager to the stated investment philosophy and style; and
- Adherence to the Investment Policy and the guidelines established in the investment contract.

Appropriateness of benchmarks are reviewed and approved by the PERA Board, annually.



## 2019 Equity Performance

### For the Fiscal Year ending June 30, 2019

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date
		1 Year	3 Years	5 Years	10 Years		
Global Equity	\$ 6,548,165	6.77%	12.36%	6.97%	—	9.17%	
Russell 3000 Index		6.23%	11.46%	7.36%	—	9.82%	
Global Public Stock	4,419,391	4.01%	11.76%	6.06%	10.82%	7.63%	10/1/2004
Policy Index		4.56%	11.42%	6.84%	11.56%	7.70%	
Global Low Volatility Equity	1,055,828	13.62%	—	—	—	11.91%	11/1/2016
MSCI ACWI Min Vol Net Index		13.00%	—	—	—	11.28%	
Hedged Equity	43,966	2.94%	8.25%	3.65%	—	5.51%	4/1/2013
MSCI ACWI Min Vol Net Index		13.00%	9.94%	5.34%	—	6.23%	
Private Equity	1,028,981	15.35%	15.13%	15.17%	14.03%	5.76%	12/1/2006
Russell 3000 Index		6.56%	13.09%	11.37%	14.44%		

## 2019 Risk Reduction & Mitigation Performance

### For the Fiscal Year ending June 30, 2019

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date
		1 Year	3 Years	5 Years	10 Years		
Risk Reduction & Mitigation	\$ 3,378,219	7.93%	2.61%	3.10%	—	2.92%	
Policy Index		7.85%	2.41%	3.03%	—	2.76%	
Domestic Core Fixed Income	2,937,689	8.14%	2.53%	3.07%	4.54%	7.07%	6/1/1985
Bloomberg Barclays Aggregate Bond Index		7.87%	2.31%	2.95%	3.90%	6.62%	
Global Core Fixed Income	394,760	6.14%	2.49%	2.39%	—	4.27%	5/1/2011
Bloomberg Barclays Global Aggregate (USDH)		7.80%	2.95%	3.82%	—	4.09%	
Cash	45,770	5.31%	3.60%	2.27%	3.14%	4.68%	3/1/1989
ICE BofAML 3 Month US Treasury Bill G0O1		2.31%	1.38%	0.87%	0.49%	3.11%	

## 2019 Credit Oriented Fixed Income Performance

For the Fiscal Year ending June 30, 2019

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date
		1 Year	3 Years	5 Years	10 Years		
Credit Oriented Fixed Income	\$ 2,294,885	4.78%	5.82%	3.32%	—	4.74%	
Policy Benchmark		8.38%	6.87%	4.19%	—	5.21%	
Liquid Credit	812,071	3.25%	5.85%	4.35%	—	3.04%	4/1/2013
		7.76%	6.83%	3.99%	—	5.11%	
Emerging Market Debt	338,149	7.08%	2.92%	—	—	3.15%	8/1/2015
JPM EM SOV50 LM50 Bond Index		10.77%	4.91%	—	—	5.57%	
Illiquid Credit	681,807	5.65%	8.85%	6.73%	13.01%	7.65%	12/1/2006
Bloomberg Barclays Global High Yield		7.76%	8.52%	5.10%	—		
Credit Oriented Hedge Funds	462,858	4.62%	6.30%	3.30%	7.77%	5.51%	2/1/2007
Bloomberg Barclays Global High Yield		7.76%	5.60%	3.38%	—		

## 2019 Real Assets Performance

For the Fiscal Year ending June 30, 2019

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date
		1 Year	3 Years	5 Years	10 Years		
Real Assets	\$ 3,111,831	4.61 %	5.86 %	3.87 %	—	4.99 %	
Policy Benchmark		4.89 %	6.57 %	3.44 %	—	4.93 %	
Liquid Real Estate	361,232	11.24 %	5.93 %	7.17 %	13.52%	11.68 %	12/1/2008
Wilshire Global REIT Total Return Index		10.05 %	4.79 %	6.76 %	13.99%	13.71 %	
Illiquid Real Estate	711,373	8.64 %	9.35 %	11.89 %	9.58%	6.73 %	5/1/2007
Wilshire Global REIT Total Return Index		10.05 %	8.18 %	10.69 %	—		
Liquid Real Assets	1,300,136	1.58 %	0.24 %	(5.55)%	—	(0.74)%	9/1/2009
Policy Benchmark		4.04 %	0.08 %	(6.93)%	—		
Illiquid Real Assets	735,950	3.77 %	8.93 %	1.85 %	8.68%	(11.04)%	1/1/2007
Policy Benchmark		(0.96)%	6.83 %	(1.46)%	—	—	
Market Neutral Hedge Fund	3,141	6.92 %	1.83 %	2.12 %	—	2.39 %	4/1/2013
Libor + 2% 1 MA		4.53 %	3.69 %	3.15 %	—	2.97 %	

## 2019 Real Assets Performance (continued)

For the Fiscal Year ending June 30, 2019

### Benchmark Information:

**Total Fund Benchmark** consists of 35% Russell 3000 Index, 25% MSCI ACW Ex US Blended Index (Gross), 25% LB Aggregate Bond Index, 5% 3 Mo LIBOR Index + 4%, 5% Venture Economics All Private Equity Index (lagged one quarter), 2.5% NCREIF Property Index, and 2.5% CPI +5% from 6/30/2007 until 10/31/2009; 35% Russell 3000 Index, 25% MSCI ACW Ex US Blended Index (Gross), 25% Barclays Global Aggregate Blended Index, 5% 3 Mo LIBOR Index + 4%, 5% Venture Economics All Private Equity Index (lagged one quarter), 2.5% NCREIF Property Index, 1% Barclays US TIPS Index, 1% S&P GSCI Light Energy Index, and 0.5% CPI +5% until 06/30/2010; 27% Russell 3000 Index, 27% MSCI ACW Ex US Blended Index (Gross), 26% Barclays Global Aggregate Blended Index, 9% HFRI Fund of Funds Composite Index, 5% Private Equity Custom Index, 3% Real Estate Custom Index, and 3% Real Assets Custom Index until 11/30/2012; 29% Russell 3000 Index, 20% Int'l Equity Custom Index, 26% Fixed Income Custom Index, 5% Liquid Alpha Index, 7% HFRI Fund of Funds Composite Index, 5% Private Equity Custom Index, 3% Real Estate Custom Index, and 5% Real Assets Custom Index until 8/31/2014; 21.1% Russell 3000 Index, 24.8% International Equity Custom Index, 26.1% Core and Global Fixed Income Custom Index, 5% Fixed Income Plus Sectors Custom Index, 4% HFRI Fund of Funds Composite Index, 7% Private Equity Custom Index, 5% Real Estate Custom Index, and 7% Real Assets Custom Index until 04/30/2016; 43.5% Global Equity, 21.5% Risk Reduction & Mitigation, 15% Credit Oriented Fixed Income, and 20% Real Assets until 4/30/2019; 42.8% Global Equity, 21.5% Risk Reduction & Mitigation, 15% Credit Oriented Fixed Income, 20% Real Assets and 0.7% Multi-Risk Custom Index until 5/31/2019 and 42.3% Global Equity, 21.4% Risk Reduction & Mitigation, 15% Credit Oriented Fixed Income, 20% Real Assets custom index and 1.3% Multi-Risk Custom Index until 6/30/2019.

**Global Equity Benchmark** consists of 75% MSCI ACWI IMI (\$N), 20% Russell 3000 1QA +3%, and 5% HRFI Equity Hedge (Total) Index from 4/30/2013 until 6/30/2015; 20% Russell 3000 1QA +3%, 5% HRFI Equity Hedge (Total) Index, 65% MSCI ACWI IMI (\$N), and 10% MSCI ACWI Minimum Volatility (\$N) until 12/31/2017; and 65% MSCI ACWI IMI (\$N), 20% Russell 3000, and 15% MSCI ACWI Minimum Volatility (\$N) until 12/31/2018; 84% MSCI ACWI IMI (\$N), and 16% MSCI ACWI Minimum Volatility (\$N) until 5/31/2019 and 83% MSCI ACWI IMI (\$N), and 17% MSCI ACWI Minimum Volatility (\$N) until current.

**Risk Reduction & Mitigation Benchmark** consists of 86% Bloomberg Barclays U.S. Aggregate Bond Index, 2% ICE BofAML 3 Month US Treasury Bill, and 12% Bloomberg Barclays Global Aggregate Hedged until 12/31/2018 and 88% Bloomberg Barclays U.S. Aggregate Bond Index and 12% Bloomberg Barclays Global Aggregate bond Index until current.

**Credit Oriented Fixed Income Benchmark** consists of 80% Bloomberg Barclays Global High Yield and 20% HFRI Credit Index 1 MA from Treasury Bill, and 12% Bloomberg Barclays Global Aggregate Hedged.

**Credit Oriented Fixed Income** consists of 80% Bloomberg Barclays Global High Yield and 20% HFRI Credit Index 1 MA from 4/30/2013 until 6/30/2015; 20% Bloomberg Barclays Global High Yield, 20% HFRI Credit Index 1MA, 40% Bloomberg Barclays Global High Yield + 1% 1QA, and 20% JP Morgan Emerging Markets Bond until 12/31/2017; 80% Bloomberg Global High Yield and 20% JP Morgan Emerging Markets Bond (50% JP Morgan EMBI Global Diversified (\$) / 50% JP Morgan GBI (\$)) and 80% Bloomberg Global High Yield and 10% JP Morgan EMBI Global Diversified (\$) and 10% JP Morgan GBI (\$) until current.

**Real Assets Benchmark** consists of 42% Cambridge Associates Natural Resource Index 1QA, 38% NCREIF ODCE +1% 1QA, 10% Alerian MLP, 5% LIBOR + 2% 1MA, and 5% Wilshire Global REIT Total Return Index from 4/30/2013 until 12/31/2017; 35% Wilshire Global Real Estate Securities Index, 25% Bloomberg Commodity Index Total Return, 15% Bloomberg Barclays U.S. TIPS, 15% Dow Jones Brookfield Global Infrastructure, and 10% Alerian MLP until 12/31/2018 and 35% Wilshire Global REIT Index, 25% Bloomberg Commodity Index Total Return, 15% Bloomberg Barclays U.S. TIPS, 15% Dow Jones Brookfield Global Infrastructure, and 10% Alerian MLP Index until current.

**Multi Risk Allocation** consist of 100% Wilshire Risk Parity Index 15%.

## 2019 Illiquid Investment Program

### For the Fiscal Year ending June 30, 2019

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the Illiquid Investment Consultants and was calculated using internal rate of return.

Private Equity ( <i>in thousands</i> )	Number of Partnerships	Capital Committed	Capital Contrib	Fair Value	Cumulative Distrib	Total Value	Net IRR
Buyout	38	\$ 1,641,026	\$ 1,030,668	\$ 695,855	\$ 815,161	\$ 1,511,016	12.60 %
Funds of One	3	250,000	126,413	105,423	36,308	141,731	6.70 %
Venture Capital	13	485,962	277,116	259,144	225,719	484,862	15.70 %
Total	54	\$ 2,376,988	\$ 1,434,196	\$ 1,060,422	\$ 1,077,188	\$ 2,137,609	13.10 %

#### Real Assets (*in thousands*)

Agriculture	3	\$ 160,000	\$ 7,680	\$ 63,070	\$ 8,947	\$ 72,017	2.40 %
Energy	23	762,000	44,311	308,440	33,788	342,228	4.10 %
Infrastructure	6	636,324	36,044	397,664	181,211	578,875	8.10 %
MLP	1	323,761	1,935	294,384	—	294,384	(2.50)%
Non-US Infrastructure	3	210,581	50,095	101,084	11,910	112,994	11.70 %
Inflation Linked	2	770,992	1,015	478,974	105,053	584,027	5.00 %
Commodities	2	496,794	1,250	206,149	92,453	298,602	1.50 %
Total	40	\$ 3,360,452	\$ 142,330	\$ 1,849,765	\$ 433,362	\$ 2,283,127	3.60 %

#### Real Estate (*in thousands*)

Domestic REIT	5	\$ 697,377	\$ 422	\$ 141,198	\$167,680	\$ 308,878	12.60 %
Global REIT	3	635,145	302	219,843	118,000	337,843	8.60 %
Core	3	285,000	31,694	174,714	(11,302)	163,412	19.60 %
Core Plus	2	250,000	212,694	171,486	48,754	220,240	5.70 %
Opportunistic	14	624,507	67,063	263,894	62,756	326,650	12.40 %
Value Added	5	148,890	18,818	57,162	12,355	69,517	9.50 %
Non-US	3	155,924	14,659	60,364	1,799	62,163	12.90 %
Total	35	\$ 2,796,843	\$ 345,652	\$ 1,088,661	\$ 400,042	\$ 1,488,703	11.20 %

#### Private Debt (*in thousands*)

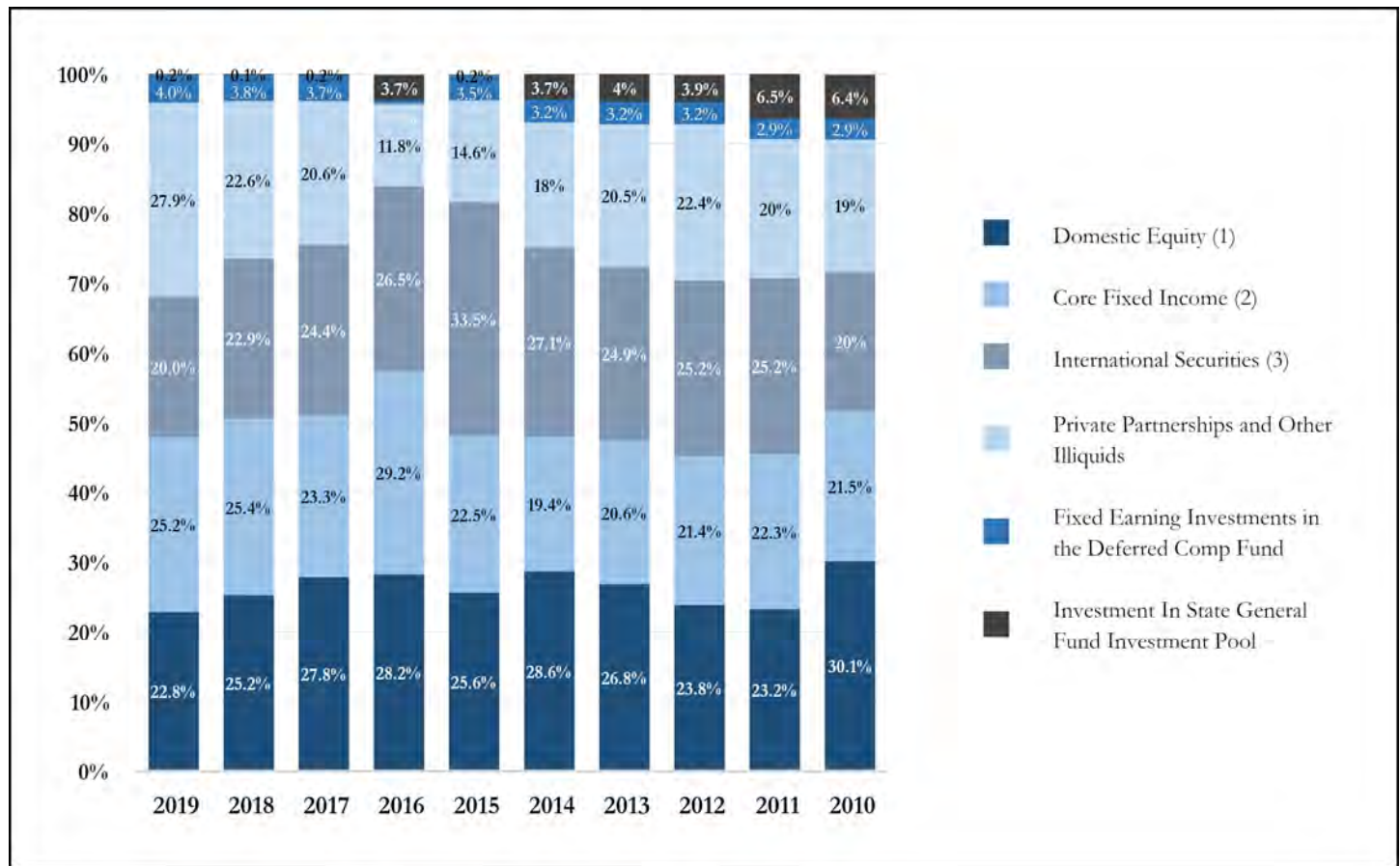
Distressed Debt	13	\$ 620,000	\$ 137,832	\$ 411,583	\$ 81,521	\$ 493,104	9.70 %
Private Debt	7	462,736	155,861	275,287	71,189	346,476	10.40 %
Total	20	\$ 1,082,736	\$ 293,693	\$ 686,870	\$ 152,710	\$ 839,580	9.90 %

#### Absolute Return (*in thousands*)

							Inception Date
Credit Oriented	12	\$ 447,195	6.74%	4.78%	4.63%	5.85%	2/1/2007
Equity Oriented	15	54,660	7.99%	5.23%	5.60%	5.80%	3/1/2007
Real Assets	12	4,466	0.30%	0.59%	2.28%	3.60%	2/1/2007
Total	39	\$ 506,321	6.56%	4.23%	4.69%	5.42%	2/1/2007

## TEN-YEAR COMPARATIVE ASSET ALLOCATIONS

### FISCAL YEARS ENDED JUNE 30, 2010-2019



	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Domestic Equity (1)	22.78%	25.20%	27.80%	28.20%	25.60%	28.60%	26.80%	23.80%	23.20%	30.10%
Core Fixed Income (2)	25.22%	25.40%	23.30%	29.20%	22.50%	19.40%	20.60%	21.40%	22.30%	21.60%
International Securities (3)	20.00%	22.90%	24.40%	26.56%	33.60%	27.10%	24.90%	25.30%	25.10%	20.00%
Private Partnerships and Other Illiquids	27.85%	22.60%	20.60%	11.80%	14.60%	18.00%	20.50%	22.40%	20.00%	19.00%
Fixed Earning Investments in the Deferred Comp Fund	4.01%	3.80%	3.70%	0.50%	3.50%	3.20%	3.20%	3.20%	2.90%	2.90%
Investment In State General Fund Investment Pool	0.15%	0.10%	0.20%	3.70%	0.20%	3.70%	4.00%	3.90%	6.50%	6.40%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) Includes public MLPs, REITs and Equity Derivatives

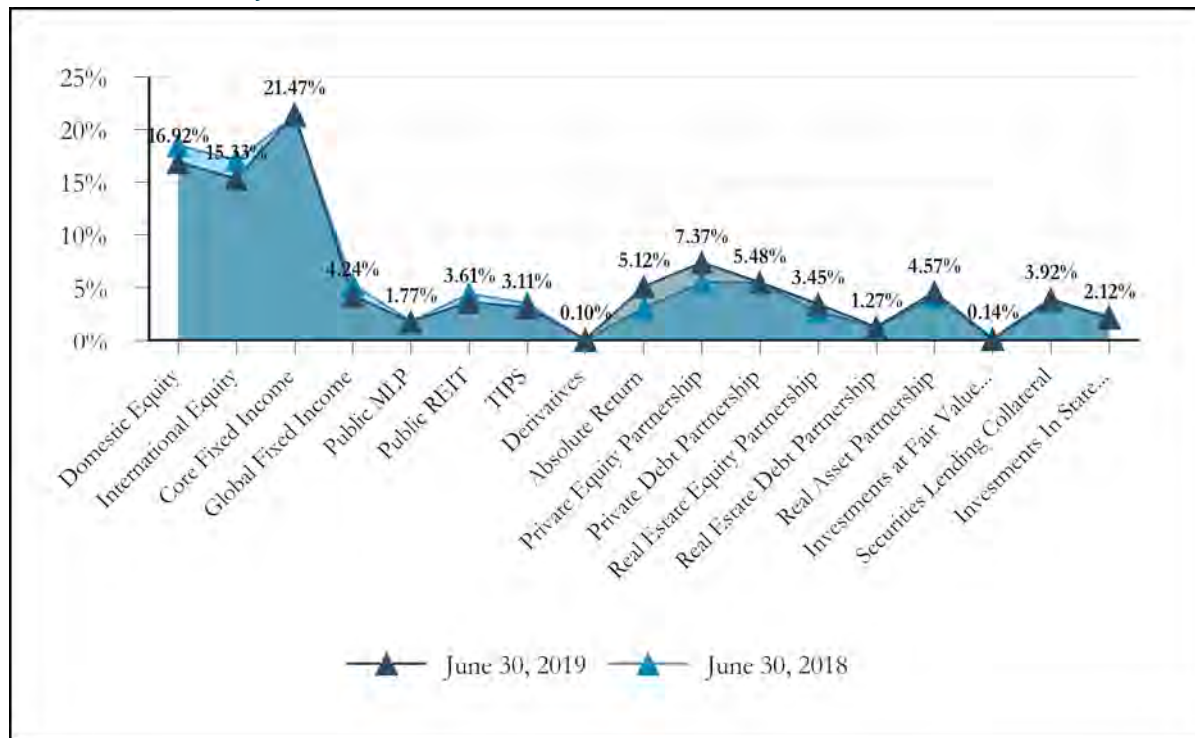
(2) Includes corporate obligation, US government bonds, municipal bonds, TIPS and Fixed Income Derivatives

(3) Includes international equity and global fixed income



## COMPARATIVE INVESTMENT SUMMARY AT FAIR VALUE

### FISCAL YEARS ENDED JUNE 30, 2018 & 2019



	FAIR VALUE June 30, 2019	% OF TOTAL FAIR VALUE	FAIR VALUE JUNE 30, 2018	% OF TOTAL FAIR VALUE
Domestic Equity	\$2,722,512,815	16.92%	\$2,967,741,968	18.47%
International Equity	2,467,335,866	15.33%	2,746,482,704	17.09%
Core Fixed Income	3,454,883,287	21.47%	3,417,324,806	21.26%
Global Fixed Income	682,525,694	4.24%	851,131,952	5.30%
Public MLP	284,308,739	1.77%	285,587,696	1.78%
Public REIT	581,020,928	3.61%	710,859,856	4.42%
TIPS	501,258,271	3.11%	565,944,504	3.52%
Derivatives	16,639,992	0.10%	3,404,654	0.02%
Absolute Return	824,730,527	5.12%	491,995,102	3.06%
Private Equity Partnership	1,185,494,023	7.37%	883,091,880	5.49%
Private Debt Partnership	882,551,041	5.48%	875,558,664	5.45%
Real Estate Equity Partnership	554,859,320	3.45%	435,478,973	2.71%
Real Estate Debt Partnership	204,187,412	1.27%	201,173,445	1.25%
Real Asset Partnership	735,949,796	4.57%	657,874,408	4.09%
	15,098,257,711		15,093,650,612	
Investments In State General Fund Investment Pool	23,221,767	0.14%	16,403,301	0.10%
Investments at Fair Value in Deferred Comp Fund	630,988,341	3.92%	593,574,834	3.69%
Securities Lending Collateral	341,650,662	2.12%	367,257,511	2.29%
<b>Total Investments</b>	<b>\$16,094,118,481</b>	<b>100.00%</b>	<b>\$16,070,886,258</b>	<b>100.00%</b>

## COMPARATIVE INVESTMENTS AT FAIR VALUE

### FISCAL YEARS ENDED JUNE 30, 2018 & 2019

Asset Type	Fair Value June 30, 2019	Fair Value June 30, 2018	Change in Fair Value
Government Bonds	\$ 968,318,442	\$ 909,113,143	\$ 59,205,299
Municipal Bonds	14,859,820	25,903,614	(11,043,794)
Corporate Bonds	1,318,506,386	1,479,437,581	(160,931,195)
Mortgage Backed Securities	988,957,406	990,982,275	(2,024,869)
Asset Backed Securities	333,399,056	262,273,046	71,126,010
Commercial Mortgage Backed Securities	116,071,724	75,509,427	40,562,297
CMO/REMIC	59,146,945	19,359,835	39,787,110
TIPS	501,258,270	565,944,504	(64,686,234)
Derivatives	14,630,402	3,540,596	11,089,806
Commingled Debt Products	338,149,203	505,877,838	(167,728,635)
Absolute Return - Credit	462,337,684	444,616,694	17,720,990
Absolute Return - Risk Parity	315,307,691	—	315,307,691
Limited Partnerships - Credit	1,086,738,452	1,076,732,109	10,006,343
<b>Total Fixed Income</b>	<b>6,517,681,481</b>	<b>6,359,290,662</b>	<b>158,390,819</b>
Common Stock	\$ 4,416,242,473	\$ 4,849,826,709	\$ (433,584,236)
Preferred Stock	20,931,776	40,077,935	(19,146,159)
ADR	56,109,293	54,195,587	1,913,706
MLP	284,308,739	285,587,695	(1,278,956)
REIT	581,020,927	710,859,856	(129,838,929)
Currency & Equity Derivatives	2,009,590	(135,942)	2,145,532
Commingled Equity Products	696,565,139	770,124,442	(73,559,303)
Absolute Return - Equity	47,085,153	47,378,406	(293,253)
Limited Partnerships - Equity	2,476,303,140	1,976,445,262	499,857,878
<b>Total Equities</b>	<b>8,580,576,230</b>	<b>8,734,359,950</b>	<b>(153,783,720)</b>
Subtotal Equities and Fixed Income	\$ 15,098,257,711	\$ 15,093,650,612	\$ 4,607,099
Securities Lending Collateral Investments	341,650,662	367,257,511	(25,606,849)
<b>Total Investments as Presented Above</b>	<b>\$ 15,439,908,373</b>	<b>\$ 15,460,908,123</b>	<b>\$ (20,999,750)</b>
Deferred Comp Fund Investments Directed by Participants	630,988,341	593,574,834	37,413,507
Investments In State General Fund	23,221,767	16,403,301	6,818,466
<b>Total Investments per the Statement of Plan Net Position</b>	<b>\$ 16,094,118,481</b>	<b>\$ 16,070,886,258</b>	<b>\$ 23,232,223</b>



## LIST OF LARGEST ASSETS HELD

As of June 30, 2019

Ten Largest Stock Holdings	Shares	Cost	Fair Value
MICROSOFT CORP	344,251	\$ 21,662,163	\$ 46,115,837
ENERGY TRANSFER LP	3,259,447	54,855,227	45,893,012
APPLE INC	221,324	26,896,181	43,804,446
ENTERPRISE PRODUCTS PARTNERS L	1,490,435	38,870,150	43,028,858
NESTLE	368,903	26,847,767	38,081,177
AMAZON.COM INC	19,300	16,748,558	36,547,059
WILLIAMS COS INC/THE	1,246,323	37,613,803	34,946,897
ALPHABET INC-CL C	28,300	23,329,734	30,615,835
JOHNSON & JOHNSON	103,702	24,793,135	28,887,229
PLAINS ALL AMERICAN PIPELINE L	1,164,611	28,264,197	28,358,278
<b>TOTAL EQUITIES</b>		<b>\$ 299,880,915</b>	<b>\$ 376,278,628</b>

Ten Largest Stock Holdings	Shares	Cost	Fair Value
U S TREASURY NOTE	500,559,000	\$ 500,184,366	\$ 507,743,724
US TREAS-CPI INFLAT (U.S. TIPS)	471,636,507	492,851,642	501,258,270
FNMA POOLS	377,015,667	387,031,421	393,280,686
FHLMC POOLS	183,286,336	187,249,280	191,190,760
U S TREASURY BOND	154,570,000	165,254,999	176,029,737
COMMIT TO PUR FNMA SF MTG	137,610,805	140,752,443	140,990,578
BNP PARIBAS REV REPO	139,700,000	139,700,000	139,700,000
GNMA II POOLS	122,773,400	126,828,174	127,969,155
DRIVE AUTO RECEIVABLES	81,170,148	81,454,738	82,351,030
FHLMC MULTICLASS MGT	44,271,931	44,409,075	46,109,832
<b>TOTAL FIXED INCOME</b>		<b>\$ 2,265,716,138</b>	<b>\$ 2,306,623,772</b>
<b>GRAND TOTAL</b>		<b>\$ 2,565,597,053</b>	<b>\$ 2,682,902,400</b>

## SCHEDULE OF INVESTMENT FEES

For Year Ended June 30, 2019

	Investment Fees	Trade Commissions	Trade Fees	Carried * Interest Fee	Other Fees	Total (a)
Domestic Equities	\$ 1,039,220	\$ 253,898	\$ 1,757	—	—	\$ 1,294,875
International Equities	3,700,152	845,974	700,368	—	—	5,246,494
Fixed Income	4,310,123	130,150	4570	—	—	4,444,843
Illiquids	35,730,132	—	—	33,836,333	6,738,453	76,304,918
Security Lending	—	—	—	—	503,576	503,576
Liquid Real Assets	6,860,700	492,787	71,064	—	—	7,424,551
<b>Subtotal</b>	<b>51,640,327</b>	<b>1,722,809</b>	<b>777,759</b>	<b>33,836,333</b>	<b>7,242,029</b>	<b>95,219,257</b>
Custodian Bank Fees	—	—	—	—	1,159,431	1,159,431
Consultant Fees	—	—	—	—	2,281,905	2,281,905
Legal Fees	—	—	—	—	421,964	421,964
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,863,300</b>	<b>3,863,300</b>
<b>TOTAL</b>	<b>\$ 51,640,327</b>	<b>\$ 1,722,809</b>	<b>\$ 777,759</b>	<b>\$ 33,836,333</b>	<b>\$ 11,105,329</b>	<b>\$ 99,082,557</b>

\*Represents share of profits of an investment to the investment manager based on investment returns exceeding agreed-upon hurdle. Investment managers' carried interest varies year-to-year based on investment types and the magnitude of gains.

(a) This totals less carried interest agrees to the combined total of securities lending expenses and other investment expense per the Statement of Changes of Fiduciary Net Position.



Public Employees Retirement Association  
**ACTUARIAL SECTION**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019



## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

November 6, 2019  
Board of Trustees Public Employees Retirement Association  
of New Mexico  
33 Plaza La Prensa Santa Fe,  
New Mexico 87507  
Attention: Mr. Wayne Propst, Executive Director

### **Re: Certification and Statement Regarding the Actuarial Valuations as of June 30, 2019**

Dear Members of the Board:

The basic funding objective of the Public Employees Retirement Association of New Mexico (PERA) is to establish and receive contributions which, when expressed as a percentage of active member payroll, will remain approximately level over time and, together with present assets and future investment return, will be sufficient to meet the future obligations of PERA.

In order to measure progress toward this objective, PERA has an actuarial valuation performed each year. The valuation measures the present financial position and determines the sufficiency of the current statutory contribution rates to meet the Board's established objective to fund the current normal cost plus an amount necessary to amortize the unfunded actuarial accrued liability over a period not to exceed 30 years. The current statutory combined employer and employee contribution rates are:

State General Division	26.16%
State Police/Corrections Division	34.32
Municipal General Division	23.51
Municipal Police Division	36.15
Municipal Fire Division	39.36

If it is determined that the current employer contribution rate is not sufficient to amortize the unfunded actuarial accrued liability within 30 years, the valuation determines the additional contribution rate necessary to satisfy this objective.

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In preparing the valuations, we, as the actuary, relied on data provided by PERA. As part of our work, we performed a limited review of the data for consistency and reasonableness. The economic assumptions (rates of price inflation, wage inflation, payroll growth and investment return) were adopted by the Board pursuant to an economic experience study adopted July 26, 2018. The demographic assumptions were adopted by the Board of Trustees pursuant to an experience study for the five-year period ending June 30, 2017. The demographic assumptions for the Judicial, Magistrate, and Volunteer Firefighter plans were adopted by the Board pursuant to demographic experience studies for the four-year period (five-year period for Volunteer Firefighters) ending June 30, 2015. Assets are valued according to a method that fully recognizes expected investment return and averages unanticipated market return over a four-year period. The assumptions and methods utilized in this valuation, in our opinion, are reasonable both individually as well as in aggregate.

We have performed the necessary calculations in accordance with the guidance provided in Statement No. 67 which is the basis for the disclosure information contained in the actuarial section of the CAFR. Historical information provided in this section for periods beginning June 30, 2010 and after were performed by our firm.

We are qualified actuaries with Cavanaugh Macdonald Consulting, LLC and are experienced with performing actuarial valuations of public sector benefit plans. We are Members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. On the basis of the foregoing, we certify that, to the best of our knowledge, the valuation reports are complete and accurate and have been prepared in accordance with New Mexico's statutes and generally recognized and accepted actuarial principles.

We further certify that our reports are prepared using practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

Respectfully submitted,



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



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

## SUMMARY OF ASSUMPTIONS AND METHODS

The method used for the PERA, Judicial, and Magistrate valuations is called the individual entry-age actuarial cost method and has the following characteristics:

- The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement.
- Each annual normal cost is a constant percentage of the member's year by year projected pensionable compensation.

The method used for the Volunteer Firefighters and Legislative valuations is called the entry age normal level dollar cost method and has the following characteristics:

- 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 is the normal cost.
- The actuarial accrued liability is accumulation of past normal costs on the valuation date.

The individual entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the pattern of projected exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability (UAAL).

**PERA:** The period of time needed to finance the unfunded actuarial accrued liability with current statutory contribution rates is determined using a level percent of payroll amortization technique.

**Judicial:** Unfunded actuarial accrued liability was amortized as a level percent of payroll over 30 years to determine the computed contribution for fiscal integrity. This period is consistent with the policy established by the Retirement Board as of October 1996.

**Magistrate:** Unfunded actuarial accrued liability was amortized as a level percent of payroll over 30 years to determine the computed contribution for fiscal integrity. This period is consistent with the policy established by the Retirement Board as of October 1996.

**Volunteer Firefighters:** Unfunded actuarial accrued liability is amortized over a 30 year period. As of June 30, 2019 the funding value of assets exceeded accrued liabilities. The excess was amortized over 30 years and applied as a credit to the computed normal cost.

**Legislative:** Unfunded actuarial accrued liability is amortized over a 30 year period. As of June 30, 2019 the funding value of assets exceeded accrued liabilities. The excess was amortized over 30 years and applied as a credit to the computed normal cost.



## SUMMARY OF ASSUMPTIONS AND METHODS (CONTINUED)

The valuation assets used for funding purposes is derived as follows: prior year actuarial value of assets are 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 (net of investment expenses) for each of the previous four years is added. The funding value of assets for each division is allocated in proportion to the total fund balances.

Demographic assumptions used by the professional actuaries in valuing PERA's actuarial position were adopted by the PERA Board based on recommendations from the actuary for actuarial valuations effective beginning June 30, 2019. Demographic assumptions used for the Judicial, Magistrate, and Volunteer Firefighter plans were adopted by the PERA Board for actuarial valuations beginning June 30, 2019. Plan assets are valued on a market related basis for purposes of the actuarial valuation. Mortality uses the RPH-2014 Blue Collar Mortality Table (combined table for healthy post-retirement lives, employee table for active members, and the disabled table for disabled retirees before reaching retirement age). In addition, the following assumptions were used in calculating the actuarial liability (effective beginning with the June 30, 2019 valuation):

- Active member payroll
  - **PERA** — payroll was projected to increase 3.00% per year continuously. Other projected salary increases of up to 11.25% per year are attributed to seniority and merit.
  - **Judicial** — payroll was projected to increase 3.00% per year continuously.
  - **Magistrate** — payroll was projected to increase 3.00% per year continuously.
- Benefit payments are increased by cost of living adjustments of 2% per year for retirees (2.5% for certain retirees) with varying lengths of deferral depending on retirement date (from 2 to 7 years).
- Rate of return on the investment of present and future assets of 7.25% continuously (net of investment expenses) per year compounded annually is made up of an assumed inflation rate of 2.50% continuously and a 5.00% assumed real rate of return.
- Administrative expenses are assumed to be 0.50% of payroll for PERA, Judges, and Magistrates; \$45,000 for Volunteer Firefighters; and \$6,000 for the Legislative Division.
- Other assumptions are in the following tables and schedules (see following pages): Rates of Retirement
  - Rate of Separation of Active Membership
  - Rates of Disability
  - Member and Employer Contribution Rates

## RATES OF RETIREMENT AT FIRST ELIGIBILITY

These rates are used to measure the probability of members retiring in the first year eligible for retirement at the indicated ages.

**Percents Retiring at Indicated Ages (by Coverage Plan)**

Retirement Age	State General		State Police		State Corrections	Municipal General		Municipal Police	Municipal Fire
	Male	Female	Tier 1	Tier 2		Male	Female		
<b>40</b>	25%	25%	25%	40%	40%	20%	25%	30%	30%
<b>45</b>	25%	25%	25%	40%	40%	20%	25%	30%	25%
<b>50</b>	25%	25%	25%	40%	40%	20%	25%	30%	20%
<b>55</b>	25%	25%	25%	40%	40%	20%	25%	30%	25%
<b>60</b>	30%	25%	50%	40%	35%	15%	25%	30%	20%
<b>65</b>	25%	25%	100%	100%	35%	15%	25%	30%	20%
<b>70</b>	25%	20%			100%	20%	15%	100%	100%
<b>75</b>	25%	20%				20%	15%		
<b>80</b>	100%	100%				100%	100%		

## RATES OF RETIREMENT SUBSEQUENT TO FIRST ELIGIBILITY

These rates are used to measure the probability of members retiring after the first year eligible for retirement at the indicated ages.

**Percents Retiring at Indicated Ages (by Coverage Plan)**

Retirement Age	State General		State Police**		State Corrections	Municipal General		Municipal Police ***		Municipal Fire
	Male	Female	Tier 1	Tier 2		Male	Female	Tier 1	Tier 2	
<b>40</b>	25%	25%	35%	20%	20%	20%	25%	35%	40%	30%
<b>45</b>	25%	25%	35%	20%	20%	20%	25%	35%	40%	25%
<b>50</b>	25%	25%	35%	20%	20%	20%	25%	35%	40%	20%
<b>55</b>	25%	25%	35%	20%	20%	20%	25%	35%	40%	25%
<b>60</b>	20%	35%	50%	20%	20%	15%	15%	35%	30%	20%
<b>65</b>	30%	35%	100%	100%	20%	15%	10%	30%	30%	20%
<b>70</b>	25%	20%			100%	20%	15%	100%	100%	100%
<b>75</b>	25%	20%				20%	15%			
<b>80</b>	100%	100%				100%	100%			

\*Rates are 70% at 30 years of service for all ages except State General and Municipal General Tier 2 uses 75% at 36 years of service and Municipal Police Tier 1 uses 75% at 26 years of service.

\*\* Rates for State Police Tier 1 are 45% at 27 years of service, 55% at 28 years of service, and 65% at 29 years of service.

\*\*\* Rates for Municipal Police Tier 1 are 35% at 21 years of service, 40% at 22 years of service, and 45% at 23 years of service, 55% at 24 years of service, and 65% at 25 years of service.

\*\*\* Rates for Municipal Police Tier 2 are 35% at 25 years of service, 40% at 26 years of service, and 45% at 27 years of service, 55% at 28 years of service, and 65% at 29 years of service.

## RATES OF DISABILITY

These rates are used to measure the probabilities of active members becoming disabled. Rates for sample ages follow. For non-public safety groups, 25% disabilities are assumed to be duty related and 35% are assumed to be duty- related for public safety groups.

**Percents Retiring at Indicated Ages (by Coverage Plan)**

Sample Ages	State General		State Police	State Corrections	Municipal General		Municipal Detention	Municipal Police	Municipal Fire
	Male	Female			Male	Female			
<b>25</b>	0.02%	0.02%	0.03%	0.14%	0.03%	0.04%	0.06%	0.01%	0.02%
<b>30</b>	0.04%	0.03%	0.06%	0.16%	0.06%	0.04%	0.1%	0.01%	0.02%
<b>35</b>	0.08%	0.06%	0.08%	0.21%	0.09%	0.04%	0.15%	0.05%	0.02%
<b>40</b>	0.13%	0.12%	0.21%	0.27%	0.13%	0.06%	0.22%	0.11%	0.08%
<b>45</b>	0.24%	0.2%	0.25%	0.46%	0.18%	0.14%	0.32%	0.18%	0.08%
<b>50</b>	0.41%	0.39%	0.41%	0.9%	0.3%	0.25%	0.51%	0.28%	0.33%
<b>55</b>	0.57%	0.61%	0.95%	1.4%	0.49%	0.39%	0.85%	0.46%	0.33%
<b>60</b>	0.74%	0.73%	1.39%	1.88%	0.6%	0.51%	1.04%	0.74%	1.17%
<b>65</b>	0.75%	0.73%	1.39%	1.88%	0.62%	0.59%	1.07%	1.08%	1.17%

## RATES OF SEPARATION FROM ACTIVE MEMBERSHIP

These rates are used to measure probabilities of active members terminating that status for a reason other than disability or death.

The rates do not apply to members who are within the retirement rate range.

Separation rates are service and age related for the State General and Municipal General divisions.

### Percent of Active Members Terminating During Year

Sample Age	Years of Service	State General		Municipal General	
		Males	Females	Males	Females
ALL	2	13.26% - 18.76%	13.37% - 18.13%	12.18% - 21.70%	14.01% - 24.40%
	4	8.37% - 10.86%	8.50% - 11.95%	8.01% - 14.59%	9.14% - 17.77%
	6	6.49% - 8.21%	6.45% - 8.22%	6.79% - 11.29%	6.50% - 14.41%
	8	5.40% - 7.78%	4.70% - 6.05%	5.58% - 8.93%	5.30% - 11.94%

### Percent of Active Members Terminating During Year

Sample Age	Years of Service	State General		Municipal General	
		Males	Females	Males	Females
20	10+	5.11%	4.83%	8.54%	7.51%
25	10+	4.65%	4.25%	7.32%	6.38%
30	10+	4.13%	3.55%	5.69%	4.94%
35	10+	3.89%	3.46%	4.61%	4.09%
40	10+	3.86%	3.46%	3.92%	3.67%
45	10+	3.86%	3.46%	3.65%	3.62%
50	10+	3.86%	3.46%	3.65%	3.62%
55	10+	3.86%	3.46%	3.65%	3.62%
60	10+	3.86%	3.46%	3.65%	3.62%

Separation rates are service related only for the other divisions of PERA.

### Percent of Active Members Terminating During Year

Sample Age	Years of Service	State Police	State Corrections	Municipal Detention	Municipal Police	Municipal Fire
ALL	1	8.00%	20.00%	22.00%	14.00%	10.00%
	3	7.00%	16.00%	16.00%	9.50%	7.50%
	5	4.00%	9.00%	10.00%	6.80%	5.00%
	7	4.00%	8.00%	10.00%	5.15%	3.30%
	10+	4.00%	5.75%	6.00%	3.30%	2.75%

## MEMBER AND EMPLOYER CONTRIBUTION RATES

Div/Plan	Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
		Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
State General	2010 (1)					8.92%	15.09%				
	2011 (1)					8.92%	15.09%				
	2012 (2)					10.67%	13.34%				
	2013 (1)					8.92%	15.09%				
	2014					8.92%	16.59%				
	2015					8.92%	16.99%				
	2016					8.92%	16.99%				
	2017					8.92%	16.99%				
	2018					8.92%	16.99%				
	2019					8.92%	16.99%				
State Police and Adult Corrections Plan 1	2010 (1)	9.10%	23.60%								
	2011 (1)	9.10%	23.60%								
	2012 (2)	10.85%	21.85%								
	2013 (1)	9.10%	23.60%								
	2014	9.10%	25.10%								
	2015	9.10%	25.50%								
	2016	9.10%	25.50%								
	2017	9.10%	25.50%								
	2018	9.10%	25.50%								
	9	9.10%	25.50%								
Juvenile Corrections (Plan 2)	2010 (1)			6.28%	24.22%						
	2011 (1)			6.28%	24.22%						
	2012 (2)			8.03%	22.47%						
	2013 (1)			6.28%	24.22%						
	2014			6.28%	25.72%						
	2015			6.28%	26.12%						
	2016			6.28%	26.12%						
	2017			6.28%	26.12%						
	2018			6.28%	26.12%						
	2019			6.28%	26.12%						
Municipal General	2010	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2011	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2012	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2013	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2014	8.50%	7.00%	10.65%	9.15%	14.65%	9.15%	17.15%	11.65%		
	2015	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
	2016	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		

## MEMBER AND EMPLOYER CONTRIBUTION RATES (CONTINUED)

Div/Plan	Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
		Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
Municipal	2017	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
General	2018	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
(Cont)	2019	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
Detention	2010	16.65%	16.65%								
Officers	2011	16.65%	16.65%								
(Plan 1)	2012	16.65%	16.65%								
	2013	16.65%	16.65%								
	2014	18.15%	16.65%								
	2015	18.15%	17.05%								
	2016	18.15%	17.05%								
	2017	18.15%	17.05%								
	2018	18.15%	17.05%								
	2019	18.15%	17.05%								
Municipal	2010	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
Police	2011	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2012	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2013	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2014	8.50%	10.00%	8.50%	15.00%	8.50%	18.50%	13.85%	18.50%	17.80%	18.50%
	2015	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
	2016	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
	2017	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
	2018	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
	2019	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
Municipal	2010	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
Fire	2011	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2012	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2013	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2014	9.50%	11.00%	9.50%	17.50%	9.50%	21.25%	14.30%	21.25%	17.70%	21.25%
	2015	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
	2016	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
	2017	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
	2018	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
	2019	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
Judicial	2010 (1)	9.00%	10.50%	*							
	2011 (1)	9.00%	10.50%	*							
	2012 (2)	10.75%	8.75%	*							
	2013 (1)	9.00%	10.50%	*							
	2014	7.50%	12.00%	*							
	2015	10.50%	15.00%	*							

## MEMBER AND EMPLOYER CONTRIBUTION RATES (CONTINUED)

Div/Plan	Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
		Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
Judicial (Cont')	2016	10.50%	15.00%	*							
	2017	10.50%	15.00%	*							
	2018	10.50%	15.00%	*							
	2019	10.50%	15.00%	*							
Magistrate	2010 (1)	9.00%	9.50%	*							
	2011 (1)	9.00%	9.50%	*							
	2012 (2)	10.75%	7.75%	*							
	2013 (1)	9.00%	9.50%	*							
	2014	7.50%	11.00%	*							
	2015	10.50%	11.00%	*							
	2016	10.50%	15.00%	*							
	2017	10.50%	15.00%	*							
	2018	10.50%	15.00%	*							
	2019	10.50%	15.00%	*							

NOTE: Legislative member contribution for the Legislative Division is \$100, \$200 or \$500 for every year of credited service

\*Employers are also required to remit a portion of docket fees

(1) Includes a temporary 1.5% of pay shift from the employer statutory rate effective July 1, 2009. This contribution shift was effective for 4 fiscal years

(2) Includes Note #1 plus also includes a temporary 1.75% of pay shift from the employer statutory rate effective July 1, 2011. This contribution shift was effective for 1 fiscal year



## ACTIVE MEMBER VALUATION

AS OF June 30, 2019

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
State General	2010	124	20,867	\$ 866,094,897	\$ 41,505	(0.31)%
	2011	123	19,614	818,428,532	41,727	0.53 %
	2012	123	19,325	803,873,875	41,598	(0.31)%
	2013	123	19,980	835,817,618	41,833	0.57 %
	2014	123	20,015	863,797,166	43,157	3.17 %
	2015	129	20,253	938,168,776	46,322	7.33 %
	2016	122	19,655	904,829,688	46,036	(0.62)%
	2017	121	19,213	928,864,843	48,346	5.02 %
	2018	121	19,114	900,513,193	47,113	(2.55)%
	2019	122	18,923	935,478,450	49,436	4.93 %
State Police/ Hazardous Duty	2010	3	2,001	87,783,090	43,870	(3.83)%
	2011	3	1,881	83,759,230	44,529	1.50 %
	2012	3	1,916	87,137,037	45,479	2.13 %
	2013	3	1,956	90,225,253	46,127	1.43 %
	2014	3	1,951	91,551,934	46,926	1.73 %
	2015	3	1,880	97,352,917	51,783	10.35 %
	2016	3	1,866	78,225,782	41,922	(19.04)%
	2017	3	1,907	87,941,130	46,115	10.00 %
	2018	3	1,928	84,845,998	44,007	(4.57)%
	2019	3	1,863	88,220,403	47,354	7.60 %
Municipal General	2010	169	20,584	747,207,121	36,300	11.61 %
	2011	169	20,848	736,339,828	35,319	(2.70)%
	2012	169	21,434	791,529,406	36,929	4.56 %
	2013	169	22,123	803,398,205	36,315	(1.66)%
	2014	187	21,480	814,827,128	37,934	4.46 %
	2015	190	21,217	857,243,239	40,404	6.51 %
	2016	190	21,274	845,735,646	39,754	(1.61)%
	2017	192	21,673	871,633,574	40,217	1.16 %
	2018	193	21,511	901,617,649	41,914	4.22 %
	2019	195	21,198	901,598,748	42,532	1.47 %
Municipal Police	2010	98	3,581	186,026,978	51,948	3.65 %
	2011	98	3,603	188,010,463	52,182	0.45 %
	2012	98	3,660	196,453,568	53,676	2.86 %
	2013	98	3,744	201,525,064	53,826	0.28 %
	2014	102	3,685	209,092,483	56,742	5.42 %
	2015	102	3,647	222,085,818	60,895	7.32 %
	2016	102	3,708	192,670,656	51,961	(14.67)%
	2017	102	3,726	196,767,735	52,809	1.63 %

## ACTIVE MEMBER VALUATION (CONTINUED)

AS OF JUNE 30, 2018

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
Municipal Fire	2018	102	3,748	\$ 206,898,932	\$ 55,202	4.53 %
	2019	102	3,687	214,508,600	58,180	5.39 %
	2010	35	2,064	106,404,835	51,553	3.39 %
	2011	35	2,111	108,475,708	51,386	(0.32)%
	2012	35	2,148	115,286,221	53,671	4.45 %
	2013	35	2,209	118,771,370	53,767	0.18 %
	2014	43	2,157	122,996,614	57,022	6.05 %
	2015	43	2,176	133,403,526	61,307	7.51 %
	2016	44	2,190	113,709,690	51,922	(15.31)%
	2017	44	2,232	119,207,608	53,408	2.86 %
	2018	44	2,309	127,203,502	55,090	3.15 %
	2019	45	2,389	131,964,078	55,238	0.27 %
Legislative	2010	1	105	N/A	N/A	N/A
	2011	1	106	N/A	N/A	N/A
	2012	1	111	N/A	N/A	N/A
	2013	1	119	N/A	N/A	N/A
	2014	1	126	N/A	N/A	N/A
	2015	1	121	N/A	N/A	N/A
	2016	1	122	N/A	N/A	N/A
	2017	1	111	N/A	N/A	N/A
	2018	1	120	N/A	N/A	N/A
	2019	1	99	N/A	N/A	N/A
Judicial	2010	16	121	13,041,980	107,785	3.55 %
	2011	16	114	12,266,852	107,604	(0.17)%
	2012	16	118	12,690,503	107,547	(0.05)%
	2013	16	123	13,226,142	107,530	(0.02)%
	2014	16	121	13,163,305	108,788	1.17 %
	2015	16	127	15,084,263	118,774	9.18 %
	2016	16	127	15,078,274	118,727	(0.04)%
	2017	16	124	14,721,304	118,720	(0.01)%
	2018	16	125	15,817,424	126,539	6.59 %
	2019	16	124	15,621,802	125,982	(0.44)%
Magistrate	2010	9	46	3,519,570	76,512	0.07 %
	2011	9	45	3,405,121	75,669	(1.10)%
	2012	9	42	3,213,712	76,517	1.12 %
	2013	9	41	3,136,834	76,508	(0.01)%
	2014	1	45	3,515,567	78,124	2.11 %

**ACTIVE MEMBER VALUATION (CONTINUED)****AS OF JUNE 30, 2018**

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
	2015	1	60	\$ 5,065,798	\$ 84,430	8.07 %
	2016	1	65	5,482,360	84,344	(0.10)%
	2017	1	65	5,487,517	84,423	0.09 %
	2018	1	65	5,849,815	89,997	6.60 %
	2019	1	65	5,849,795	89,997	— %
Volunteer	2010	363	5,422	N/A	N/A	N/A
Firefighter	2011	363	5,867	N/A	N/A	N/A
	2012	363	5,065	N/A	N/A	N/A
	2013	363	6,461	N/A	N/A	N/A
	2014	365	7,499	N/A	N/A	N/A
	2015	365	8,136	N/A	N/A	N/A
	2016	368	7,823	N/A	N/A	N/A
	2017	402	7,491	N/A	N/A	N/A
	2018	364	7,939	N/A	N/A	N/A
	2019	364	8,182	N/A	N/A	N/A

\* Actual payroll is projected to a full-year salary for actuarial calculations

## SCHEDULE OF RETIREES AND BENEFICIARIES

AS OF June 30, 2019

Schedule of retirees added to and removed from payroll by division

Year	Number Added	Increased Annual Allowance	Number Removed	Decreased Annual Allowance	Net Change Annual Allowances	Total Retirees & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
State General										
2010	858	\$ 30,142,074	319	\$ 5,583,947	\$ 24,558,127	12,981	\$ 313,408,678	8.50%	\$ 24,144	4.00 %
2011	1,005	34,914,890	347	6,179,881	28,735,009	13,639	342,143,687	9.17%	25,086	3.90 %
2012	1,075	35,697,983	323	5,911,795	29,786,188	14,391	371,929,875	8.71%	25,845	3.03 %
2013	1,285	43,656,998	358	7,006,726	36,650,272	15,318	408,580,147	9.85%	26,673	3.21 %
2014	1,150	37,217,020	379	7,574,003	29,643,017	16,089	438,223,164	7.26%	27,237	2.12 %
2015	1,499	32,859,803	418	8,741,632	24,118,171	17,170	462,341,335	13.16%	26,927	(1.14)%
2016	1,105	30,796,909	440	9,067,427	21,729,482	17,835	484,070,817	10.46%	27,142	0.80 %
2017	912	31,124,051	536	11,387,703	19,736,348	18,211	503,807,165	8.97%	27,665	1.93 %
2018	986	35,111,580	427	9,977,306	25,134,274	18,770	528,941,439	4.99%	28,180	1.86 %
2019	1,017	38,014,119	537	12,503,719	25,510,400	19,250	554,451,839	4.82%	28,803	2.21 %
State Police/Hazardous Duty										
2010	67	2,521,381	18	337,044	2,184,337	1,157	31,922,986	7.35%	27,591	2.80 %
2011	90	3,480,618	20	507,415	2,973,203	1,227	34,896,189	9.31%	28,440	3.08 %
2012	83	3,323,294	21	561,598	2,761,696	1,289	37,657,885	7.91%	29,215	2.72 %
2013	60	2,706,075	23	725,085	1,980,990	1,326	39,638,875	5.26%	29,894	2.32 %
2014	110	4,049,560	34	937,729	3,111,831	1,402	42,750,706	7.85%	30,493	2.00 %
2015	108	3,301,453	40	1,047,237	2,254,216	1,470	45,004,922	5.27%	30,616	0.40 %
2016	65	2,479,773	26	578,925	1,900,848	1,509	46,905,770	4.22%	31,084	1.53 %
2017	51	2,309,111	38	882,314	1,426,797	1,522	48,332,567	3.04%	31,756	2.16 %
2018	62	2,532,699	31	992,132	1,540,567	1,553	49,873,134	3.19%	32,114	1.13 %
2019	58	2,826,753	44	1,195,773	1,630,980	1,567	51,504,114	3.27%	32,868	2.35 %
Municipal General										
2010	741	22,219,130	234	3,359,126	18,860,000	9,040	197,107,505	10.58%	21,804	4.38 %
2011	767	23,981,216	269	3,952,559	20,028,657	9,538	217,136,162	10.16%	22,765	4.41 %
2012	761	23,166,131	240	3,984,904	19,181,227	10,059	236,317,389	8.83%	23,493	3.20 %
2013	933	29,438,538	281	4,828,481	24,610,057	10,711	260,927,446	10.41%	24,361	3.69 %
2014	849	24,476,772	268	4,923,518	19,553,254	11,292	280,480,700	7.49%	24,839	1.96 %
2015	1066	24,563,648	331	6,177,685	18,385,963	12,027	298,866,663	6.56%	24,850	0.04 %
2016	933	24,135,156	342	6,564,419	17,570,737	12,618	316,437,400	5.88%	25,078	0.92 %
2017	717	21,257,836	418	7,607,253	13,650,583	12,917	330,087,983	4.31%	25,555	1.90 %
2018	911	27,278,930	313	6,346,069	20,932,861	13,515	351,020,844	6.34%	25,973	1.64 %
2019	946	29,052,180	426	8,634,982	20,417,198	14,035	371,438,042	5.82%	26,465	1.90 %
Municipal Police										
2010	166	7,192,629	30	676,460	5,321,543	2,438	79,915,934	8.88%	32,779	2.63 %
2011	166	8,033,315	30	821,737	7,211,578	2,574	87,127,512	9.02%	33,849	3.26 %
2012	183	8,670,002	33	967,953	7,702,049	2,724	94,829,561	8.84%	34,813	2.85 %
2013	177	8,276,701	46	1,276,954	6,999,747	2,855	101,829,308	7.38%	35,667	2.45 %

**SCHEDULE OF RETIREES AND BENEFICIARIES (CONTINUED)****AS OF June 30, 2019**

Schedule of retirees added to and removed from payroll by division

Year	Number Added	Increased Annual Allowance	Number Removed	Decreased Annual Allowance	Net Change Annual Allowances	Total Retirees & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
<b>Municipal Police (Cont)</b>										
2014	222	\$ 10,277,993	34	\$ 988,805	\$ 9,289,188	3,043	\$ 111,118,496	9.12 %	\$ 36,516	2.38 %
2015	204	8,516,186	37	994,098	7,522,088	3,210	118,640,584	6.77 %	36,960	1.21 %
2016	211	9,918,243	49	1,493,127	8,425,116	3,372	127,065,700	7.10 %	37,683	1.96 %
2017	166	8,150,488	61	1,633,073	6,517,415	3,477	133,583,115	5.13 %	38,419	1.95 %
2018	165	8,523,713	44	1,491,360	7,032,353	3,598	140,615,468	5.26 %	39,082	1.72 %
2019	177	9,107,704	70	2,029,823	7,077,881	3,705	147,693,349	5.03 %	39,863	2.00 %
<b>Municipal Fire</b>										
2010	77	4,123,767	16	542,892	3,580,875	1,473	49,262,916	7.84 %	33,444	3.37 %
2011	98	5,203,080	23	617,946	4,585,134	1,548	53,848,050	9.31 %	34,786	4.01 %
2012	86	4,861,646	31	901,384	3,960,262	1,603	57,808,312	7.35 %	36,063	3.67 %
2013	70	4,239,651	20	590,379	3,649,272	1,653	61,457,584	6.31 %	37,179	3.10 %
2014	112	5,738,384	29	946,274	4,792,110	1,736	66,249,694	7.80 %	38,162	2.64 %
2015	93	4,762,883	34	1,134,858	3,628,025	1,795	69,877,719	5.48 %	38,929	2.01 %
2016	110	5,799,234	33	1,012,932	4,786,302	1,872	74,664,021	6.85 %	39,885	2.45 %
2017	34	2,496,048	22	816,881	1,679,167	1,884	76,343,188	2.25 %	40,522	1.60 %
2018	81	4,982,102	27	1,063,296	3,918,806	1,938	80,261,994	5.13 %	41,415	2.20 %
2019	95	5,867,307	40	1,447,080	4,420,227	1,993	84,682,221	5.51 %	42,490	2.60 %
<b>Legislative</b>										
2010	5	71,552	2	12,533	59,019	160	1,406,496	4.38 %	8,791	2.42 %
2011	11	102,686	6	222,746	(120,060)	165	1,286,436	(8.54)%	7,797	(11.31)%
2012	4	64,427	6	40,989	23,438	163	1,309,874	1.82 %	8,036	3.07 %
2013	24	334,780	8	66,916	267,864	179	1,577,738	20.45 %	8,814	9.68 %
2014	6	58,860	7	89,045	(30,185)	178	1,547,553	(1.91)%	8,694	(1.36)%
2015	20	281,735	12	94,011	187,724	186	1,735,277	12.13 %	9,329	7.31 %
2016	3	59,052	7	44,779	14,273	182	1,749,550	0.82 %	9,613	3.04 %
2017	14	218,597	10	83,281	135,316	186	1,884,866	7.73 %	10,134	5.42 %
2018	5	95,699	8	112,239	(16,540)	183	1,868,326	(0.88)%	10,209	0.75 %
2019	17	255,728	6	48,710	207,018	194	2,075,344	11.08 %	10,698	4.78 %
<b>Judicial</b>										
2010	9	790,371	8	479,628	461,620	110	6,619,390	4.93 %	60,176	3.97 %
2011	14	962,927	6	362,843	600,084	118	7,219,474	9.07 %	61,182	1.67 %
2012	12	774,812	3	234,997	539,815	127	7,759,289	7.48 %	61,097	(0.14)%
2013	12	935,944	6	396,548	539,396	133	8,298,685	6.95 %	62,396	2.13 %
2014	10	687,978	2	108,230	579,748	141	8,878,433	6.99 %	62,968	0.92 %
2015	14	759,235	3	136,169	623,066	152	9,501,499	7.02 %	62,510	(0.73)%
2016	14	768,805	6	390,090	378,715	160	9,880,214	3.99 %	61,751	(1.21)%
2017	7	504,314	4	242,548	261,766	163	10,141,980	2.65 %	62,221	0.76 %

## SCHEDULE OF RETIREES AND BENEFICIARIES (CONTINUED)

AS OF June 30, 2019

Schedule of retirees added to and removed from payroll by division

Year	Number Added	Increased Annual Allowance	Number Removed	Decreased Annual Allowance	Net Change Annual Allowances	Total Retirees & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
Judicial (Cont)										
2018	14	\$ 890,836	3	\$ 261,534	\$ 629,302	174	\$ 10,771,282	6.20 %	\$61,904	(0.51)%
2019	24	1,758,836	12	814,665	944,171	186	11,715,453	8.77 %	62,986	1.75 %
Magistrate										
2010	9	444,623	1	35,735	81,882	69	2,955,443	16.06 %	42,833	2.60 %
2011	11	395,293	2	295,966	99,327	78	3,054,770	3.36 %	39,164	(8.57)%
2012	10	411,841	3	187,934	223,908	85	3,278,678	7.33 %	38,573	(1.51)%
2013	4	240,678	3	89,904	150,774	86	3,429,452	4.60 %	39,877	3.38 %
2014	9	543,699	1	59,234	484,466	94	3,913,918	14.13 %	41,637	4.41 %
2015	9	132,776	1	34,707	98,069	102	4,011,987	2.51 %	39,333	(5.53)%
2016	4	93,126	6	211,449	(118,323)	100	3,893,664	(2.95)%	38,937	(1.01)%
2017	8	188,602	6	191,813	(3,211)	102	3,890,453	(0.08)%	38,142	(2.04)%
2018	4	127,328	2	117,673	9,655	104	3,900,108	0.25 %	37,501	(1.68)%
2019	6	255,565	5	146,339	109,226	105	4,009,334	2.80 %	38,184	1.82 %
Volunteer Firefighter										
2010	76	116,001	2	3,600	112,400	544	729,545	18.21 %	1,341	2.13 %
2011	72	100,800	7	8,400	92,400	609	821,945	12.67 %	1,350	0.64 %
2012	72	92,400	14	17,592	74,810	667	896,753	9.10 %	1,344	(0.39)%
2013	109	399,400	14	17,600	381,800	762	1,278,553	42.58 %	1,678	24.80 %
2014	139	262,048	8	11,300	250,750	893	1,529,301	19.61 %	1,713	2.07 %
2015	127	226,500	16	28,300	198,200	1,004	1,727,501	12.96 %	1,721	0.47 %
2016	126	238,500	17	26,300	212,200	1,113	1,939,701	12.28 %	1,743	1.29 %
2017	123	231,999	25	41,300	190,699	1,211	2,130,400	9.83 %	1,759	0.94 %
2018	164	290,000	21	33,100	256,900	1,354	2,387,300	12.06 %	1,763	0.22 %
2019	103	166,999	28	45,300	121,699	1,429	2,508,999	5.10 %	1,756	(0.42)%

## SOLVENCY TEST

June 30, 2019

DIVISION/ PLAN	Year	<-----Aggregate Accrued Liabilities----->					Portion of Accrued Liabilities Covered by Reported Assets			
		Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)	Reported Assets	(1)	(2)	(3)	(4)
State General	2010	\$ 801,399,015	\$ 4,253,964,884	\$ 1,931,877,225	\$ 6,987,241,124	\$ 5,053,620,284	100%	100%	—%	72%
	2011	796,011,595	4,725,622,520	1,961,725,462	7,483,359,577	4,883,299,367	100%	86%	—%	65%
	2012	787,435,758	5,117,428,346	1,914,051,334	7,818,915,438	4,724,562,943	100%	77%	—%	60%
	2013	841,174,061	5,064,595,209	1,617,991,066	7,523,760,336	4,996,425,681	100%	82%	—%	66%
	2014	826,785,813	5,390,816,297	1,568,388,787	7,785,990,897	5,334,025,804	100%	84%	—%	69%
	2015	849,806,169	5,646,053,464	1,705,146,120	8,201,005,753	5,549,137,149	100%	83%	—%	68%
	2016	853,069,949	6,055,630,306	1,620,222,312	8,528,922,567	5,720,834,981	100%	80%	—%	67%
	2017	878,994,137	6,218,179,179	1,714,643,642	8,811,816,958	5,831,916,099	100%	80%	—%	66%
	2018	892,279,750	6,620,228,801	1,682,936,866	9,195,445,417	5,799,854,720	100%	74%	—%	63%
	2019	896,762,967	6,893,274,726	1,746,565,214	9,536,602,907	5,805,041,751	100%	71%	—%	61%
State Police/ Hazardous Duty	2010	54,011,741	468,885,120	260,549,805	783,446,666	889,169,394	100%	100%	100%	113%
	2011	53,270,846	522,073,854	271,764,015	847,108,715	862,058,143	100%	100%	100%	102%
	2012	54,156,044	561,452,471	278,404,119	894,012,634	851,976,386	100%	100%	85%	95%
	2013	58,260,570	525,211,454	246,248,914	829,720,938	926,108,695	100%	100%	100%	112%
	2014	57,705,918	569,659,307	222,557,567	849,922,792	1,016,533,008	100%	100%	100%	120%
	2015	58,543,902	595,623,306	236,967,557	891,134,765	1,075,204,637	100%	100%	100%	121%
	2016	59,921,229	635,036,352	180,402,152	875,359,733	1,136,076,589	100%	100%	100%	130%
	2017	64,332,242	645,636,929	199,904,014	909,873,185	1,196,338,715	100%	100%	100%	131%
	2018	67,111,945	677,224,121	201,630,652	945,966,718	1,231,975,474	100%	100%	100%	130%
	2019	69,799,978	695,901,232	219,280,926	984,982,136	1,282,058,570	100%	100%	100%	130%
Municipal General	2010	925,603,163	2,755,080,040	1,057,656,417	4,738,339,620	3,960,653,469	100%	100%	26%	84%
	2011	926,331,337	3,086,715,812	1,107,402,880	5,120,450,029	3,845,662,093	100%	95%	—%	75%
	2012	949,311,379	3,336,286,064	1,192,111,747	5,477,709,190	3,808,143,673	100%	86%	—%	70%
	2013	1,000,561,795	3,309,385,678	1,005,890,251	5,315,837,724	4,108,957,408	100%	94%	—%	77%
	2014	1,023,202,668	3,548,792,552	965,182,192	5,537,177,412	4,515,120,417	100%	98%	—%	82%
	2015	1,033,953,619	3,756,083,836	1,069,558,300	5,859,595,755	4,696,871,223	100%	98%	—%	80%
	2016	1,053,649,176	4,071,034,047	1,035,772,981	6,160,456,204	4,916,985,846	100%	95%	—%	80%
	2017	1,104,575,618	4,191,453,200	1,099,006,703	6,395,035,521	5,106,489,938	100%	95%	—%	80%
	2018	1,137,899,276	4,528,287,174	1,131,956,929	6,798,143,379	5,184,797,302	100%	89%	—%	76%
	2019	1,161,061,009	4,771,658,727	1,124,215,032	7,056,934,768	5,301,086,178	100%	87%	—%	75%
Municipal Police	2010	229,843,016	1,233,854,770	503,208,106	1,966,905,892	1,575,381,241	100%	100%	22%	80%
	2011	231,902,509	1,374,649,843	540,837,909	2,147,390,261	1,527,062,745	100%	94%	—%	71%
	2012	231,924,646	1,488,001,979	566,994,541	2,286,921,166	1,504,516,513	100%	86%	—%	66%
	2013	247,882,167	1,413,249,313	485,163,146	2,146,294,626	1,627,455,783	100%	98%	—%	76%
	2014	249,816,375	1,551,716,281	462,032,152	2,263,564,808	1,772,210,104	100%	98%	—%	78%
	2015	258,992,011	1,649,950,363	493,438,566	2,402,380,940	1,865,190,859	100%	97%	—%	78%
	2016	260,474,657	1,810,426,144	382,129,648	2,453,030,449	1,952,310,191	100%	93%	—%	80%
	2017	275,702,207	1,882,156,157	404,904,171	2,562,762,535	2,027,593,334	100%	93%	—%	79%



# SOLVENCY TEST (CONTINUED)

June 30, 2019

<-----Aggregate Accrued Liabilities----->										Portion of Accrued Liabilities Covered by Reported Assets			
DIVISION/ PLAN	Year	Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)	Reported Assets	(1)	(2)	(3)	(4)			
Municipal	2018	\$ 289,967,593	\$ 2,011,087,857	\$ 449,322,578	\$ 2,750,378,028	\$ 2,058,403,842	100%	88%	—%	75%			
Police (Cont')	2019	303,167,527	2,095,697,284	485,333,068	2,884,197,879	2,109,268,722	100%	86%	—%	73%			
Municipal	2010	146,535,083	730,613,903	248,379,172	1,125,528,158	764,888,462	100%	85%	—%	68%			
Fire	2011	146,327,512	816,875,672	264,880,643	1,228,083,827	737,135,025	100%	72%	—%	60%			
	2012	147,973,606	875,612,944	286,898,869	1,310,485,419	722,847,504	100%	66%	—%	55%			
	2013	163,287,521	822,738,793	255,740,084	1,241,766,398	779,204,098	100%	75%	—%	63%			
	2014	162,999,130	893,055,155	291,666,492	1,347,720,777	844,926,189	100%	76%	—%	63%			
	2015	171,569,805	934,914,512	325,885,020	1,432,369,337	888,515,174	100%	77%	—%	62%			
	2016	175,510,949	1,026,377,371	254,584,111	1,456,472,431	928,606,766	100%	73%	—%	64%			
	2017	194,507,068	1,033,070,516	287,632,507	1,515,210,091	961,829,211	100%	74%	—%	63%			
	2018	205,989,875	1,099,223,887	318,303,879	1,623,517,641	977,829,334	100%	70%	—%	60%			
	2019	214,452,786	1,158,090,653	327,737,219	1,700,280,658	1,002,875,446	100%	68%	—%	59%			
Legislative	2010	711,286	14,821,946	11,142,125	26,675,357	22,125,806	100%	100%	59%	83%			
	2011	730,297	13,241,429	12,375,633	26,347,359	23,508,201	100%	100%	77%	89%			
	2012	794,178	13,223,056	13,412,029	27,429,263	25,168,813	100%	100%	83%	92%			
	2013	704,324	15,121,069	9,301,918	25,127,311	28,939,243	100%	100%	100%	115%			
	2014	765,491	14,602,470	10,465,381	25,833,342	33,392,919	100%	100%	100%	129%			
	2015	744,611	16,230,264	9,635,456	26,610,331	36,868,121	100%	100%	100%	139%			
	2016	808,856	16,858,156	10,275,939	27,942,951	40,450,852	100%	100%	100%	145%			
	2017	753,758	18,105,164	9,197,764	28,056,686	42,479,371	100%	100%	100%	151%			
	2018	808,527	18,493,679	11,637,539	30,939,745	42,602,900	100%	100%	100%	138%			
	2019	751,334	21,102,594	9,666,906	31,520,834	43,139,113	100%	100%	100%	137%			
Judicial	2010	8,642,308	83,801,948	37,691,642	130,135,898	79,644,583	100%	85%	—%	61%			
	2011	9,046,618	95,520,784	35,142,086	139,709,488	78,199,003	100%	72%	—%	56%			
	2012	9,430,314	102,121,251	36,371,278	147,922,843	75,506,702	100%	65%	—%	51%			
	2013	10,484,159	99,609,628	33,652,184	143,745,971	80,007,287	100%	70%	—%	56%			
	2014	10,878,347	93,176,816	29,291,252	133,346,415	85,577,431	100%	80%	—%	64%			
	2015	11,063,301	97,761,695	32,456,159	141,281,155	88,249,418	100%	79%	—%	62%			
	2016	11,641,376	103,610,547	31,682,987	146,934,910	90,471,110	100%	76%	—%	62%			
	2017	12,589,634	106,164,363	30,658,789	149,412,786	92,137,316	100%	75%	—%	62%			
	2018	12,916,868	116,119,124	34,347,300	163,383,292	92,022,272	100%	68%	—%	56%			
	2019	11,618,040	125,839,968	29,740,527	167,198,535	92,081,178	100%	64%	—%	55%			
Magistrate	2010	3,051,400	37,809,620	11,815,796	52,676,816	34,651,696	100%	84%	—%	66%			
	2011	3,002,793	41,665,824	10,760,548	55,429,165	33,121,149	100%	72%	—%	60%			
	2012	3,014,932	43,497,240	11,524,903	58,037,075	30,878,948	100%	64%	—%	53%			
	2013	3,309,456	41,374,066	9,815,124	54,498,646	31,813,605	100%	69%	—%	58%			
	2014	2,913,700	40,865,470	7,361,245	51,140,415	32,970,978	100%	74%	—%	64%			

**SOLVENCY TEST (CONTINUED)****June 30, 2019**

DIVISION/ PLAN	Year	<-----Aggregate Accrued Liabilities----->					Portion of Accrued Liabilities Covered by Reported Assets			
		Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)	Reported Assets	(1)	(2)	(3)	(4)
	2017	\$ 4,156,427	\$ 40,691,805	\$ 9,238,834	\$ 54,087,066	\$ 33,162,734	100%	71%	—%	61%
	2018	4,681,462	41,973,554	11,444,465	58,099,481	32,331,750	100%	66%	—%	56%
	2019	4,992,710	45,004,313	8,726,054	58,723,077	31,882,687	100%	60%	—%	54%
Volunteer Firefighter	2010	—	13,093,663	7,372,257	20,465,920	47,346,417	N/A	100%	100%	231%
	2011	—	16,196,108	10,912,740	27,108,848	47,004,974	N/A	100%	100%	173%
	2012	—	18,133,190	10,086,158	28,219,348	47,382,330	N/A	100%	100%	168%
	2013	—	23,246,567	14,519,733	37,766,300	52,179,180	N/A	100%	100%	138%
	2014	—	25,218,910	14,519,733	39,738,643	52,179,180	N/A	100%	100%	131%
	2015	—	26,280,594	17,635,798	43,916,392	61,575,304	N/A	100%	100%	140%
	2016	—	27,259,993	17,996,285	45,256,278	64,899,802	N/A	100%	100%	143%
	2017	—	28,060,938	18,327,515	46,388,453	67,985,320	N/A	100%	100%	147%
	2018	—	30,285,764	18,950,008	49,235,772	69,674,334	N/A	100%	100%	142%
	2019	—	31,110,078	19,408,782	50,518,860	72,011,279	N/A	100%	100%	143%

## ANALYSIS OF FINANCIAL EXPERIENCE

This table is a reconciliation of the Unfunded Actuarial Accrued Liability

### Experience Gain (or Loss) for Year (in Thousands)

PERA FUND	2019	2018	2017	2016	2015	2014	2013	2012	2011
UAAL at Beginning of Year	\$ 6,060,500	\$ 5,070,600	\$ 4,819,500	\$ 4,711,600	\$ 4,301,700	\$ 4,619,200	\$ 6,176,000	\$ 4,971,200	\$ 3,357,700
Normal Cost for Year	379,400	358,000	352,500	385,700	372,500	403,300	431,900	419,700	430,200
Contributions (net of Refunds)	(621,200)	(602,200)	(604,200)	(587,900)	(573,600)	(544,300)	(516,900)	(528,000)	(509,700)
Interest Accrual and other income/exp	442,400	369,600	351,500	355,800	309,600	352,700	475,200	381,000	265,400
Expected UAAL before Non-Recurring Adjust	6,261,100	5,196,000	4,919,300	4,865,200	4,410,200	4,830,900	6,566,200	5,243,900	3,543,600
Effect of Assumption Changes	—	564,000	—	468,000	—	(30,800)	—	—	391,400
Effect of New Employers, Benefit Changes & Plan Coverage Shifts	—	—	—	(373,300)	—	—	(1,690,100)	(1,800)	100
Expected UAAL after Audit Adjustment	6,261,100	5,760,000	4,919,300	4,959,900	4,410,200	4,800,100	4,876,100	5,242,100	3,935,100
Actual UAAL	6,662,600	6,060,500	5,070,600	4,819,500	4,711,600	4,301,700	4,619,200	6,176,000	4,971,200
Gain (Loss)	\$ (401,500)	\$ (300,500)	\$ (151,300)	\$ 140,400	\$ (301,400)	\$ 498,400	\$ 256,900	\$ (933,900)	\$ (1,036,100)

### Experience Gain (or Loss) for Year (in Thousands)

LEGISLATIVE FUND	2019	2018	2017	2016	2015	2014	2013	2012	2011
UAAL at Beginning of Year	\$ (11,663,155)	\$ (14,422,685)	\$ (12,507,901)	\$ (10,257,790)	\$ (7,559,577)	\$ (3,811,932)	\$ 2,260,450	\$ 2,839,158	\$ 4,549,550
Normal Cost for Year	931,257	739,695	802,336	786,119	749,175	661,821	548,797	591,322	521,264
Contributions (net of Refunds)	(72,000)	(66,600)	(73,200)	(72,600)	(117,474)	(343,284)	(737,687)	(828,571)	(910,133)
Interest Accrual and other Income/exp	(780,959)	(990,613)	(848,376)	(771,879)	(603,008)	(283,081)	167,865	210,841	348,409
Expected UAAL before Non-Recurring Adjust	(11,584,857)	(14,740,203)	(12,627,141)	(10,316,150)	(7,530,884)	(3,776,476)	2,239,425	2,812,750	4,509,090
Effect of Assumption Changes	—	—	—	—	—	—	—	—	556,348
Expected UAAL after Audit Adjustment	(11,584,857)	(14,740,203)	(12,627,141)	(10,316,150)	(7,530,884)	(3,776,476)	2,239,425	2,812,750	5,065,438
Actual UAAL	(11,618,279)	(11,663,155)	(14,422,685)	(12,507,901)	(10,257,790)	(7,559,577)	(3,811,932)	2,260,450	2,839,158
Gain (Loss)	\$ 33,422	\$ (3,077,048)	\$ 1,795,544	\$ 2,191,751	\$ 2,726,906	\$ 3,783,101	\$ 6,051,357	\$ 552,300	\$ 2,226,280

**ANALYSIS OF FINANCIAL EXPERIENCE (CONTINUED)**

This table is a reconciliation of the Unfunded Actuarial Accrued Liability

**Experience Gain (or Loss) for Year (in Thousands)**

<b>JUDICIAL FUND</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
UAAL at Beginning of Year	\$ 71,361,020	\$ 57,275,470	\$ 56,463,800	\$ 53,031,737	\$ 47,768,984	\$ 63,738,684	\$ 72,416,141	\$ 61,510,485	\$ 50,491,315
Normal Cost for Year	3,339,293	2,991,527	3,139,091	3,287,278	3,083,765	3,656,173	3,907,766	3,840,620	4,350,654
Contributions (net of Refunds)	(7,590,872)	(6,495,531)	(6,601,548)	(6,455,003)	(5,873,849)	(7,174,481)	(7,905,061)	(7,235,934)	(7,059,294)
Interest Accrual and other Income/exp	5,091,143	4,103,302	4,039,679	3,979,726	3,621,948	4,803,414	5,457,356	4,635,494	3,930,960
Expected UAAL before Non-Recurring Adjust	72,200,584	57,874,768	57,041,022	53,843,738	48,600,848	65,023,790	73,876,202	62,750,665	51,713,635
Effect of Assumption Changes	—	5,072,854	—	3,423,578	—	(18,732,751)	(14,130,428)	143,056	2,826,721
Expected UAAL after Audit Adjustment	72,200,584	62,947,622	57,041,022	57,267,316	48,600,848	46,291,039	59,745,774	62,893,721	54,540,356
Actual UAAL	75,117,357	71,361,020	57,275,470	56,463,800	53,031,737	47,768,984	63,738,684	72,416,141	61,510,485
Gain (Loss)	\$ (2,916,773)	\$ (8,413,398)	\$ (234,448)	\$ 803,516	\$ (4,430,889)	\$ (1,477,945)	\$ (3,992,910)	\$ (9,522,420)	\$ (6,970,129)

**Experience Gain (or Loss) for Year (in Thousands)**

<b>MAGISTRATE FUND</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
UAAL at Beginning of Year	\$ 25,767,731	\$ 20,924,332	\$ 20,486,996	\$ 19,777,047	\$ 18,169,437	\$ 22,685,041	\$ 27,158,127	\$ 22,308,016	\$ 18,025,120
Normal Cost for Year	958,605	899,592	911,388	834,750	733,255	883,328	983,930	1,100,747	1,199,121
Contributions (net of Refunds)	(2,494,519)	(2,180,208)	(2,167,739)	(2,013,479)	(1,794,493)	(2,135,518)	(2,483,030)	(2,332,126)	(2,166,091)
Interest Accrual and other Income/exp	1,841,233	1,484,046	1,462,528	1,483,773	1,410,788	1,709,568	2,046,665	1,681,155	1,403,331
Expected UAAL before Non-Recurring Adjust	26,073,050	21,127,762	20,693,173	20,082,091	18,518,987	23,142,419	27,705,692	22,757,792	18,461,481
Effect of Assumption Changes	—	1,689,577	—	1,454,465	—	(7,960,815)	(5,286,884)	832,806	1,156,056
Expected UAAL after Audit Adjustment	26,073,050	22,817,339	20,693,173	21,536,556	18,518,987	15,181,604	22,418,808	23,590,598	19,617,537
Actual UAAL	26,840,390	25,767,731	20,924,332	20,486,996	19,777,047	18,169,437	22,685,041	27,158,127	22,308,016
Gain (Loss)	\$ (767,340)	\$ (2,950,392)	\$ (231,159)	\$ 1,049,560	\$ (1,258,060)	\$ (2,987,833)	\$ (266,233)	\$ (3,567,529)	\$ (2,690,479)

## ANALYSIS OF FINANCIAL EXPERIENCE (CONTINUED)

This table is a reconciliation of the Unfunded Actuarial Accrued Liability

### Experience Gain (or Loss) for Year (in Thousands)

<b>VOLUNTEER FIREFIGHTERS FUND</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
UAALat Beginning of Year	\$ (20,438,562)	\$ (21,596,867)	\$ (19,643,524)	\$ (17,658,912)	\$ (16,480,497)	\$ (14,412,880)	\$ (19,162,982)	\$ (19,896,126)	\$ (26,880,497)
Normal Cost for Year	2,159,827	2,022,277	2,111,322	1,490,704	1,433,147	1,208,648	785,758	891,551	1,066,535
Contributions (net of Refunds)	(573,276)	(289,024)	(565,979)	(60,072)	(55,987)	(4,264)	—	—	—
Interest Accrual and other Income/exp	(1,360,121)	(1,444,026)	(1,315,944)	(1,317,787)	(1,192,301)	(1,070,328)	(1,454,683)	(1,507,402)	(2,107,778)
Expected UAAL before Non-Recurring Adjust	(20,212,132)	(21,307,640)	(19,414,125)	(17,546,067)	(16,295,638)	(14,278,824)	(19,831,907)	(20,511,977)	(27,921,740)
Effect of Assumption Changes	—	1,330,595	—	1,201,717	—	405,028	7,495,792	—	4,645,933
Expected UAAL after Audit Adjustment	(20,212,132)	(19,977,045)	(19,414,125)	(16,344,350)	(16,295,638)	(13,873,796)	(12,336,115)	(20,511,977)	(23,275,807)
Actual UAAL	(21,492,419)	(20,438,562)	(21,596,867)	(19,643,524)	(17,658,912)	(16,480,497)	(14,412,880)	(19,162,982)	(19,896,126)
Gain (Loss)	\$ 1,280,287	\$ 461,517	\$ 2,182,742	\$ 3,299,174	\$ 1,363,274	\$ 2,606,701	\$ 2,076,765	\$ 1,348,995	\$ 3,379,681

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

All PERA Divisions	2019	2018	2017
Total Annual Payroll	\$ 2,271,770,279	\$ 2,221,079,274	\$ 2,204,414,890
Total Valuation Payroll	2,339,923,387	2,287,711,652	2,265,036,299
Actuarial Accrued Liability			
Active and Deferred Vested Members	7,073,283,818	6,850,306,745	6,640,876,002
Retired Members and Survivors	15,089,714,530	14,463,144,438	13,553,822,288
Total	\$ 22,162,998,348	\$ 21,313,451,183	\$ 20,194,698,290
Actuarial Value of Assets	\$ 15,500,330,667	\$ 15,252,860,672	\$ 15,124,167,297
Funded Ratio	69.90%	71.60%	74.90 %
Unfunded Actuarial Accrued Liability	\$ 6,662,667,681	\$ 6,060,590,511	\$ 5,070,530,993

### Calculation of Required Contribution

Statutory Contribution Rate			
Employer Contribution Rate	14.88%	14.81%	14.86 %
Member Contribution Rate	12.01%	12.03%	11.90 %
Total	26.89%	26.84%	26.76 %
Less Normal Cost:			
Retirement	10.74%	10.73%	10.60 %
Termination	3.82%	3.81%	3.68 %
Pre-Retirement Survivors	0.84%	1.10%	0.56 %
Disability	0.86%	0.95%	0.97 %
Total Normal Cost	16.26%	16.59%	15.81 %
Less Administrative Expenses	0.50%	0.50%	0.45 %
Amount Remaining to Amortize UAAL	10.13%	9.75%	10.50 %
Amortization Period	Infinite	Infinite	55 years
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	6.51%	5.73%	2.93 %

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

PERA Division - State General	2019		2018		2017
Total Annual Payroll	\$	935,478,450	\$	900,513,193	\$ 928,864,843
Total Valuation Payroll		963,542,804		927,528,589	954,408,626
Actuarial Accrued Liability					
Active and Deferred Vested Members		2,932,732,812		2,846,188,979	2,838,047,375
Retired Members and Survivors		6,603,870,095		6,349,256,438	5,973,769,583
Total	\$	9,536,602,907	\$	9,195,445,417	\$ 8,811,816,958
Actuarial Value of Assets	\$	5,805,041,751	\$	5,799,854,720	\$ 5,831,916,099
Funded Ratio		60.90%		63.10%	66.20%
Unfunded Actuarial Accrued Liability	\$	3,731,561,156	\$	3,395,590,697	\$ 2,979,900,859
Calculation of Required Contribution					
Statutory Contribution Rate					
Employer Contribution Rate		16.99%		16.99%	16.99%
Member Contribution Rate		8.92%		8.92%	8.92%
Total		25.91%		25.91%	25.91%
Less Normal Cost:					
Retirement		9.75%		9.74%	9.89%
Termination		3.68%		3.68%	3.52%
Pre-Retirement Survivors		0.82%		1.16%	0.59%
Disability		1.05%		1.15%	1.05%
Total Normal Cost		15.30%		15.73%	15.05%
Less Administrative Expenses		0.50 %		0.50 %	0.45 %
Amount Remaining to Amortize UAAL		10.11%		9.68%	10.41%
Amortization Period		Infinite		Infinite	Infinite
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years		12.52%		11.71%	8.32%



**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - State Police/Corrections</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Annual Payroll	\$ 88,220,403	\$ 84,845,998	\$ 87,941,130
Total Valuation Payroll	90,867,015	87,391,378	90,359,511
Actuarial Accrued Liability			
Active and Deferred Vested Members	299,347,891	275,833,201	270,894,903
Retired Members and Survivors	685,634,245	670,133,517	638,978,282
Total	\$ 984,982,136	\$ 945,966,718	\$ 909,873,185
Actuarial Value of Assets	\$ 1,282,058,570	\$ 1,123,975,474	\$ 1,136,076,589
Funded Ratio	130.20%	130.20%	131.50%
Unfunded Actuarial Accrued Liability	\$ (297,076,434)	\$ (286,008,756)	\$ (286,465,530)

#### Calculation of Required Contribution

Statutory Contribution Rate			
Employer Contribution Rate	25.58%	25.58%	25.58%
Member Contribution Rate	8.74%	8.75%	8.73%
Total	34.32%	34.33%	34.31%
Less Normal Cost:			
Retirement	15.98%	16.09%	14.75%
Termination	4.08%	4.12%	3.75%
Pre-Retirement Survivors	0.71%	0.75%	0.50%
Disability	1.60%	1.79%	1.81%
Total Normal Cost	22.37%	22.75%	20.81%
Less Administrative Expenses	0.50 %	0.50 %	0.45 %
Amount Remaining to Amortize UAAL	11.45%	11.08%	13.05%
Amortization Period	—	—	—
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	N/A	N/A	N/A

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Municipal General</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Annual Payroll	\$ 901,598,748	\$ 901,617,649	\$ 871,633,574
Total Valuation Payroll	928,646,710	928,666,178	895,603,497
Actuarial Accrued Liability			
Active and Deferred Vested Members	2,477,879,338	2,437,854,958	2,347,545,739
Retired Members and Survivors	4,579,055,430	4,360,288,421	4,047,489,782
Total	\$ 7,056,934,768	\$ 6,798,143,379	\$ 6,395,035,521
Actuarial Value of Assets	\$ 5,301,086,178	\$ 5,184,797,302	\$ 5,106,489,938
Funded Ratio	75.10%	76.30%	79.90%
Unfunded Actuarial Accrued Liability	\$ 1,755,848,590	\$ 1,613,346,077	\$ 1,288,545,583

### Calculation of Required Contribution

Statutory Contribution Rate			
Employer Contribution Rate	9.77%	9.78%	9.73%
Member Contribution Rate	13.49%	13.47%	13.41%
Total	23.26%	23.25%	23.14%
Less Normal Cost:			
Retirement	8.13%	8.11%	8.07%
Termination	4.08%	4.05%	3.93%
Pre-Retirement Survivors	0.91%	1.20%	0.56%
Disability	0.73%	0.80%	0.86%
Total Normal Cost	13.85%	14.16%	13.42%
Less Administrative Expenses	0.50 %	0.50 %	0.45 %
Amount Remaining to Amortize UAAL	8.91%	8.59%	9.27%
Amortization Period	49 years	43 years	26 years
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	2.14%	1.56%	N/A

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Municipal Police</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Annual Payroll	\$ 214,508,600	\$ 206,898,932	\$ 196,767,735
Total Valuation Payroll	220,943,858	213,105,900	202,178,848
Actuarial Accrued Liability			
Active and Deferred Vested Members	808,317,496	760,169,317	696,153,419
Retired Members and Survivors	2,075,880,383	1,990,208,711	1,866,609,116
Total	\$ 2,884,197,879	\$ 2,750,378,028	\$ 2,562,762,535
Actuarial Value of Assets	\$ 2,109,268,722	\$ 2,058,403,842	\$ 2,027,593,334
Funded Ratio	73.10%	74.80%	79.10%
Unfunded Actuarial Accrued Liability	\$ 774,929,157	\$ 691,974,186	\$ 535,169,201
<b>Calculation of Required Contribution</b>			
Statutory Contribution Rate			
Employer Contribution Rate	18.66%	18.66%	18.66%
Member Contribution Rate	17.24%	17.21%	17.22%
Total	35.90%	35.87%	35.88%
Less Normal Cost:			
Retirement	17.55%	17.74%	16.85%
Termination	3.77%	3.77%	3.74%
Pre-Retirement Survivors	0.68%	0.71%	0.51%
Disability	0.53%	0.58%	0.92%
Total Normal Cost	22.53%	22.80%	22.02%
Less Administrative Expenses	0.50 %	0.50 %	0.45 %
Amount Remaining to Amortize UAAL	12.87%	12.57%	13.41%
Amortization Period	Infinite	Infinite	42 years
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	7.63%	6.41%	2.47%

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Municipal Fire</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Annual Payroll	\$ 131,964,078	\$ 127,203,502	\$ 119,207,608
Total Valuation Payroll	135,923,000	131,019,607	122,485,817
Actuarial Accrued Liability			
Active and Deferred Vested Members	555,006,281	530,260,290	488,234,566
Retired Members and Survivors	1,145,274,377	1,093,257,351	1,026,975,525
Total	\$ 1,700,280,658	\$ 1,623,517,641	\$ 1,515,210,091
Actuarial Value of Assets	\$ 1,002,875,446	\$ 977,829,334	\$ 961,829,211
Funded Ratio	59.00%	60.20%	63.50%
Unfunded Actuarial Accrued Liability	\$ 697,405,212	\$ 645,688,307	\$ 553,380,880
<b>Calculation of Required Contribution</b>			
Statutory Contribution Rate			
Employer Contribution Rate	21.55%	21.55%	21.57%
Member Contribution Rate	17.56%	17.55%	17.58%
Total	39.11%	39.10%	39.15%
Less Normal Cost:			
Retirement	21.06%	21.37%	21.22%
Termination	2.92%	2.90%	2.92%
Pre-Retirement Survivors	0.75%	0.76%	0.55%
Disability	0.52%	0.56%	0.50%
Total Normal Cost	25.25%	25.59%	25.19%
Less Administrative Expenses	0.50 %	0.50 %	0.45 %
Amount Remaining to Amortize UAAL	13.36%	13.01%	13.51%
Amortization Period	Infinite	Infinite	Infinite
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	16.62%	15.79%	13.59%

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Legislative</b>	<b>2019</b>		<b>2018</b>		<b>2017</b>	
Total Annual Payroll	\$	—	\$	—	\$	—
Total Valuation Payroll		—		—		—
Actuarial Accrued Liability						
Active and Deferred Vested Members		11,322,019		12,748,308		10,235,731
Retired Members and Survivors		20,198,815		18,191,437		17,820,955
Total	\$	31,520,834	\$	30,939,745	\$	28,056,686
Actuarial Value of Assets	\$	43,139,113	\$	42,602,900	\$	42,479,371
Funded Ratio		136.90%		137.70%		151.40%
Unfunded Actuarial Accrued Liability	\$	(11,618,279)	\$	(11,663,155)	\$	(14,422,685)
<b>Calculation of Required Contribution</b>						
Statutory Contribution Rate						
Employer Contribution Rate		0.00%		0.00%		0.00%
Member Contribution Rate		0.00%		0.00%		0.00%
Total		0.00%		0.00%		0.00%
Less Normal Cost:						
Retirement	\$	903,878	\$	728,503	\$	728,503
Pre-Retirement Survivors		27,379		11,192		11,192
Disability						
Total Normal Cost	\$	815,910	\$	931,257	\$	739,695
Less Expected Member Contribution		67,200		72,000		66,600
Employer Normal Cost	\$	728,503	\$	728,503	\$	728,503
Expected Administrative Expenses		6,000		6,000		6,000
UAAL Amortization Amount (30 Years)	\$	(927,454)	\$	(931,036)	\$	(1,187,541)
Total Employer Contribution	\$	—	\$	—	\$	—

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

Judicial Fund	2019	2018	2017
Total Annual Payroll	\$ 15,621,802	\$ 15,817,424	\$ 14,721,304
Total Valuation Payroll	16,090,456	16,291,947	15,126,140
Actuarial Accrued Liability			
Active and Deferred Vested Members	47,413,874	52,890,230	48,086,756
Retired Members and Survivors	119,784,661	110,493,062	101,326,030
Total	\$ 167,198,535	\$ 163,383,292	\$ 149,412,786
Actuarial Value of Assets	\$ 92,081,178	\$ 92,022,272	\$ 92,137,316
Funded Ratio	55.10%	56.30%	61.70%
Unfunded Actuarial Accrued Liability	\$ 75,117,357	\$ 71,361,020	\$ 57,275,470
Calculation of Required Contribution			
Statutory Contribution Rate			
Employer Contribution Rate	15.00%	15.00%	15.00%
Expected Docket Fees	15.14%	15.14%	14.46%
Member Contribution Rate	10.50%	10.50%	10.50%
Total	40.64%	40.64%	39.96%
Less Normal Cost:			
Retirement	15.99%	16.00%	15.99%
Termination	3.25%	3.19%	3.15%
Pre-Retirement Survivors	1.05%	1.31%	0.64%
Disability	0.00%	0.00%	0.00%
Total Normal Cost	20.29%	20.50%	19.78%
Administrative Expenses	0.50%	0.50%	0.45%
UAAL 30 Year Amortization Rate	27.28%	25.60%	22.72%
Total Required Contribution Rate	48.07%	46.60%	42.95%
Total Required Contribution Amount	\$ 7,734,474	\$ 7,590,872	\$ 6,495,531
Expected Statutory Amount	\$ 6,478,018	\$ 6,621,047	\$ 6,044,406
Deficiency in Statutory Rate	7.81%	5.96%	2.99%
Deficiency in Expected Statutory Amount	\$ 1,256,456	\$ 969,825	\$ 451,125

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>Magistrate Fund</b>	<b>2019</b>		<b>2018</b>		<b>2017</b>
Total Annual Payroll	\$	5,849,795	\$	5,849,815	\$ 5,487,517
Total Valuation Payroll		6,025,289		6,025,309	5,638,423
Actuarial Accrued Liability					
Active and Deferred Vested Members		18,745,945		18,596,411	15,680,716
Retired Members and Survivors		39,977,132		39,503,070	38,406,350
Total	\$	58,723,077	\$	58,099,481	\$ 54,087,066
Actuarial Value of Assets	\$	31,882,687	\$	32,331,750	\$ 33,162,734
Funded Ratio		54.30%		55.60%	61.30%
Unfunded Actuarial Accrued Liability	\$	26,840,390	\$	25,767,731	\$ 20,924,332
<b>Calculation of Required Contribution</b>					
<b>Statutory Contribution Rate</b>					
Employer Contribution Rate		15.00%		15.00%	15.00%
Expected Docket Fees		5.77%		6.69%	7.46%
Member Contribution Rate		10.50%		10.50%	10.50%
Total		31.27%		32.19%	32.96%
Less Normal Cost:					
Retirement		10.97%		10.63%	11.02%
Termination		4.28%		4.54%	4.54%
Pre-Retirement Survivors		0.63%		0.74%	0.39%
Disability		0.00%		0.00%	0.00%
Total Normal Cost		15.88%		15.91%	15.95%
Administrative Expenses		0.50%		0.50%	0.45%
UAAL 30 Year Amortization Rate		26.03%		24.99%	22.26%
Total Required Contribution Rate		42.41%		41.40%	38.66%
Total Required Contribution Amount	\$	2,555,302	\$	2,494,519	\$ 2,180,208
Expected Statutory Amount	\$	1,884,108	\$	1,939,547	\$ 1,858,425
Deficiency in Statutory Rate		11.14%		9.21%	5.70%
Deficiency in Expected Statutory Amount	\$	671,194	\$	554,972	\$ 321,783



## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>Volunteer Firefighters Fund</b>	<b>2019</b>		<b>2018</b>		<b>2017</b>	
Total Annual Payroll	\$	—	\$	—	\$	—
Total Valuation Payroll		—		—		—
Actuarial Accrued Liability						
Active and Deferred Vested Members	\$	24,226,222	\$	24,007,091	\$	24,175,796
Non-Vested Inactive Members *		627,940		562,389		532,928
Retired Members and Survivors		25,664,698		24,666,292		21,679,729
Total	\$	50,518,860	\$	49,235,772	\$	46,388,453
Actuarial Value of Assets	\$	72,011,279	\$	69,674,334	\$	67,985,320
Funded Ratio		142.5%		141.50%		146.6%
Unfunded Actuarial Accrued Liability	\$	(21,492,419)	\$	(20,438,562)	\$	(21,596,867)
<b>Calculation of Required Contribution</b>						
Statutory Contribution Rate						
Employer Contribution Rate		0.00%		0.00%		0.00%
Member Contribution Rate		0.00%		0.00%		0.00%
Total		0.00%		0.00%		0.00%
Less Normal Cost:						
Retirement	\$	1,703,488	\$	1,657,097	\$	1,587,745
Termination		480,885		463,436		411,526
Pre-Retirement Survivors		35,855		39,294		23,006
Disability						
Total Normal Cost	\$	2,220,228	\$	2,159,827	\$	2,022,277
Less Expected Member Contribution						
Employer Normal Cost	\$	2,220,228	\$	2,159,827	\$	2,022,277
Expected Administrative Expenses		45,000		45,000		45,000
UAAL Amortization Amount (30 Years)		(1,715,678)		(1,631,551)		(1,778,253)
Total Employer Contribution	\$	549,550	\$	573,276	\$	289,024

\* Members with at least 5 years of service and a last reported date within the last 5 years are valued similarly to deferred vested members in order to recognize potential liability these members hold.

## SUMMARY OF PERA PLAN PROVISIONS

### Membership Eligibility

The Public Employees Retirement Association of New Mexico includes employees of the State of New Mexico and employees of affiliated public employers. Effective July 1, 2013, legislation established two benefit tiers under each PERA coverage plan. A member is in Tier 1 if they were hired for the first time on or before June 30, 2013; had member contributions on account as of June 30, 2013 or was retired as of June 30, 2013. A member is in Tier 2 if they were hired for the first time on or after July 1, 2013; or refunded their employee contributions on or before June 30, 2013, and returned to work for a PERA affiliate on or after July 1, 2013. Employees excluded from PERA membership include: seasonal employees; student employees; part-time employees who work less than 20 hours per week; independent contractors; and retirees of the Educational (ERA), Judicial (JRA) or Magistrate (MRA) Retirement Systems. Elected officials become members unless they submit a written application for exemption from membership.

### Vesting

Retirement benefits become vested upon member's completion of the following years of qualifying service with accumulated member contributions remaining on deposit with the Association: five years for Tier 1 members, eight years for Tier 2 general members (non-public safety employees), and six years for Tier 2 public safety members.

#### Retirement Eligibility - Tier 1 Members

Age	Years of Credited Service
Any	25 or more
60+	20 or more
61+	17 or more
62+	14 or more
63+	11 or more
64+	8 or more
65+	5 or more

#### Retirement Eligibility - Tier 2 Members

Rule of 85 – members must have eight or more years of service credit and age at time of retirement and years of service credit must equal 85

Age 65 with 8 or more years of service credit.

The municipal police and fire coverage plans 3, 4, and 5 require any age with 20 or more years of credited service for Tier 1 members and any age with 25 or more years of credited service for Tier 2 members.

The service credit for Tier 1 members of State Police and Adult Correctional Officer Member Coverage Plan 1 shall be increased by twenty percent for service credit earned while under the plan. To qualify for retirement under the plan, adult correctional officers were required to contribute 18 months under the plan beginning July 1, 2004 and ending December 31, 2005 for those first eligible.

The service credit for Tier 1 members of Municipal Detention Officer Member Coverage Plan 1 shall be increased by twenty percent for service credit earned while under the plan. To qualify for retirement under the plan, municipal detention officers are required to contribute a minimum of 18 months under the plan. Members employed by municipalities which adopted the plan effective July 1, 2004 were first eligible after December 31, 2005.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Service Benefit Formula

For Tier 1 members, the final average salary is calculated with highest 36 consecutive month's salary, multiplied by years of service, multiplied by the applicable plan pension factor, up to the maximum allowable pension. For Tier 2 members the final average salary is calculated with the highest 60 consecutive month's salary, multiplied by years of service, multiplied by the applicable plan pension factor, up to the maximum allowable pension.

### Cost of Living Adjustment

Effective July 1, 2013, PERA provides a COLA as follows:

- Retirees under normal retirement will receive a 2% annual compounding COLA.
- Retirees with 25 or more years of PERA serviced credit (not including reciprocity) with an annual pension of \$20,000 or less will receive a 2.5 percent annual compounding COLA.
- Retirees under disability retirement with an annual pension of \$20,000 or less will receive a 2.5 percent annual compounding COLA.

There is a graduated COLA eligibility period for members who retire under normal retirement:

- Retirement dates through June 1, 2014; two full calendar year eligibility period to receive a COLA;
- Retirement dates of July 1, 2014 through June 1, 2015: three full calendar year eligibility period to receive a COLA.
- Retirement dates of July 1, 2015 through June 1, 2016: four full calendar year eligibility period to receive a COLA; and
- Retirement dates on or after July 1, 2016: seven full calendar year eligibility period to receive a COLA.

### Death Benefits

PERA death benefits depend on whether or not the death occurred in the line of duty.

*Death in the Line-of-Duty*—A survivor pension is paid to the eligible spouse and children if the member has not designated a different survivor beneficiary under the “Elective Survivor Pension Beneficiary” provision. The amount of pension payable for life to an eligible spouse is the greater of 1) 50% of final average salary, or 2) the accrued normal retirement pension reduced for option B election. The amount of pension payable to each eligible child is an equal share of 25% of final average salary. If there is not an eligible spouse or the eligible spouse dies, and if there are 2 or more eligible children, the amount of pension payable to each eligible child is an equal share of 50% of final average salary.

*Death NOT in the Line-of-Duty*—Member must be vested for eligibility. A survivor pension is paid to the eligible spouse or children if the member has not designated a different survivor beneficiary under the “Elective Survivor Pension Beneficiary” provision. The amount of pension payable for life of an eligible spouse is the greater of 1) 30% of final average salary, or 2) accrued normal retirement pension reduced for option B election. 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 25% of final average salary or if greater, 50% of accrued normal retirement pension.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Disability Retirement

Applicable to vested members and vested former members. The vesting 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.

### Refunds

A terminated member is eligible for a 100% refund of member contributions plus interest after being unemployed by an affiliated public employer for 30 days or more. There is a 30 to 45 day refund processing period after the completed application is received by PERA.

### Purchase of Service Credit

A PERA member or current contributing member of ERA, JRA, or MRA may purchase previously refunded service credit by paying a lump sum amount plus interest.

### Contribution Rates

Applicable member and employer contribution rates are dependent on the plan adopted by the affiliated public employer.

## JUDICIAL PLAN

### Membership Eligibility

The Judicial Retirement Plan of New Mexico includes all justices of the Supreme Court and judges of district courts, metropolitan courts and the Court of Appeals.

### Retirement Eligibility

A judge or justice may retire at: 1) Age 64 with five or more years of service, or 2) Age 60 with fifteen or more years of service. For judges or justices hired after July 1, 2005: 1) Age 64 with five or more years of service, or 2) Age 55 with sixteen or more years of service.

### Service Benefit Formula

Final average salary (calculated using the last 12 months of salary received in office prior to retirement) multiplied by a minimum of 37.50% up to a maximum of 75%, depending on years of service.

### Early Retirement Pension

Applicable to judges or justices between the ages of 50 and 60, with 18 or more years of service. The pension is 70% of final average salary (received during the last year in office prior to retirement) plus 0.5% of final average salary multiplied by the number of complete years the age at retirement exceeds age 50. Members hired after July 1, 2005 are not eligible for early retirement.

### Cost of Living Adjustment

Pensions are increased each July 1 by 2% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two calendar year waiting period is reduced to one full calendar year.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Death Benefits

The surviving beneficiary of an active or retired member would receive 75% of the member's vested pension until death. The pension is payable to the deceased member's minor and dependent children if there is no eligible surviving spouse or designated survivor beneficiary.

### Refunds

A terminated member is eligible for a 100% refund of member contributions plus interest. There is a 30 to 45 day refund processing period after the completed application is received by PERA.

### Purchase of Service Credit

A JRA member or current contributing member of PERA, ERA, or MRA may purchase previously refunded service credit by paying a lump sum amount plus interest.

### Other Service

PERA, MRS and ERA service may be combined with Judicial service for purposes of satisfying age and service requirements once a member has attained one month of Judicial service. When combining service, members may retire under the JRA after satisfying either the JRA or PERA age and service requirements for immediate benefits.

### Contribution Rates

The contribution rate for judges and justices from July 1, 2005 is 7.5% of salary. For fiscal years 2010 and 2011, the member contribution rate is 9%. For fiscal years 2012 and 2013, the member contribution rate is 10.75%. From July 1, 2005, the employer contributes 12% plus \$38 from each civil case docket fee paid in district court, \$25 from each civil case docket fee paid in metropolitan court and \$10 from each jury fee paid in metropolitan court. For fiscal years 2010 and 2011, the employer contribution was 10.5% and thereafter the rate is 12% with the docket fees charges remaining the same.

## MAGISTRATE PLAN

### Membership Eligibility

The Magistrate Retirement Plan of New Mexico includes all magistrate court judges.

### Retirement Eligibility

A judge may retire at: 1) Age 64 with five or more years of service, or 2) Age 60 with fifteen or more years of service, or 3) Any age with twenty-four or more years of service. Magistrates with one or more years of service in PERA, ERA or JRA may combine service credits to satisfy these voluntary retirement conditions.

### Service Benefit Formula

Final average salary (calculated using the last 12 months of salary received in office prior to retirement) multiplied by a minimum of 37.5% up to a maximum of 75%, depending on years of service.

### Cost of Living Adjustment

Pensions are increased each July 1, 2% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two calendar year waiting period is reduced to one full calendar year.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Death Benefits

The surviving beneficiary of an active or retired member would receive 75% of the member's vested pension until death. The pension is payable to the deceased member's minor and dependent children if there is no eligible surviving spouse or designated survivor beneficiary.

### Disability Retirement

Applicable if magistrate has five or more years of magistrate service and becomes incapacitated to perform duties of office. Magistrate would receive vested pension. Five year service requirement is waived if the disability is duty-related.

### Refunds

A terminated member is eligible for a 100% refund of member contributions plus interest. There is a 30 to 45 day refund processing period after the completed application is received by PERA.

### Purchase of Service Credit

A MRA member or current contributing member of PERA, ERA, or JRA may purchase previously refunded service credit if employed by an affiliated public employer at the time of purchase by paying a lump sum amount plus interest.

### Contribution Rates

The contribution rate for judges and justices from July 1, 2005 is 7.5% of salary. For fiscal years 2010 and 2011, the member contribution rate is 9.0%. For fiscal years 2012 and 2013, the member contribution rate is 10.75%. From July 1, 2005, the employer contributes 11% plus \$25 from each civil case docket fee paid and \$10 from each jury fee paid in magistrate or metropolitan court. For fiscal years 2010 and 2011, the employer contribution was 9.5% and thereafter the rate is 11% with the docket fees charges remaining the same.

## VOLUNTEER FIREFIGHTERS PLAN

### Membership Eligibility

The Volunteer Firefighter Retirement Plan of New Mexico includes any active volunteer non-salaried firefighter whose first year of service credit was earned during or after the year turning age 16.

### Retirement Eligibility

A member may retire at: 1) a full retirement annuity at age 55 with 25 or more years of service, or 2) with a reduced retirement annuity at age 55 with at least 10 but less than 25 years of service credit.

### Service Credit

A year of service credit may be granted upon required certification for each year the member: 1) attended 50% of all scheduled fire drills; 2) attended 50% of all scheduled business meetings; and 3) participated in at least 50% of all emergency response calls which the fire department held him/her responsible to attend.

### Service Benefit Formula

The full retirement annuity is \$250 per month. The reduced retirement annuity is \$150 per month.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Vested Retirement Annuity

Any member with at least 10 years of service credit who ceases to be a volunteer non-salaried firefighter is eligible for a deferred retirement annuity commencing at age 55. The monthly amount is \$250 if the member has at least 25 years of service credit and \$125 if the member has between 10 and 25 years of service credit.

### Cost of Living Adjustment

Retired volunteer firefighters are not eligible for a Cost of Living Adjustment.

### Death Benefits

- 1) The surviving spouse of a deceased annuitant receives a pension equal to two-thirds of the retirement annuity being paid at the time of death. The annuity ceases upon the surviving spouse's marriage or death.
- 2) If there is no surviving spouse, then a surviving depended child will receive an annuity equal to two-thirds of the retirement annuity being paid at the time of the member's death. The annuity will cease upon the earlier of the dependent child's 18th birthday or death.

### Contribution Rates

Funding from the New Mexico State's Fire Protection Fund is transferred annually to the Volunteer Firefighter Retirement Fund. The amount transferred in FY2014 was \$750,000.

## LEGISLATIVE PLAN

### Membership Eligibility

The New Mexico Legislative Retirement Plan includes any state legislators and lieutenant governors.

#### State Legislator Member Coverage Plan 1 and Plan 1 Enhanced

Age	Years of Credited Service
Any	14 or more
60+	12 or more
63+	11 or more
64+	8 or more
65+	5 or more

#### State Legislator Member Coverage Plan 2

- Any age with 10 or more years of service credit; or
- Age 65 with 5 or more years of service credit.

### Service Benefit Formula

The annual pension for State Legislator Member Coverage Plan 1 is \$250 multiplied by the years of credited service.

The annual pension for State Legislator Member Coverage Plan 1 Enhanced is \$500 multiplied by the years of credited service.

The annual pension for State Legislator Member Coverage Plan 2 is 11% of the per diem rate in effect multiplied by 60 and further multiplied by the member's service credit.



## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Cost of Living Adjustment

Pensions are increased each July 1 by 2% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two calendar year waiting period is reduced to one full calendar year.

### Death Benefits

Legislative death benefits depend on whether or not the death occurred in the line of duty.

*Death in the Line-of-Duty* – A survivor pension is paid to the eligible spouse and children if the member has not designated a different survivor beneficiary under the “Designated Survivor Pension Beneficiary” provision. The pension payable for life to an eligible beneficiary is 80% of the accrued normal retirement pension.

*Death NOT in the Line-of-Duty* – Requires five years of credited service for eligibility. A survivor pension is paid to the eligible spouse or children if the member has not designated a different survivor beneficiary under the “Designated Survivor Pension Beneficiary” provision. The pension payable for life to an eligible spouse is 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, with each other child, of 50% of accrued normal retirement pension. An eligible child is an unmarried natural or adopted child who is under age 18 years. 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.

### Disability Retirement

Applicable to members and vested former members with five or more years of credited service. The five 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.

### Contribution Rates

Members contribute \$100 for each year of credited service under State Legislator Member Coverage Plan 1, \$200 for each year of credited service under State Legislator Member Coverage Plan 1 Enhanced and \$500 for each year of credited service prior to 2012 and \$600 for each year of service beginning with the 2012 legislative session for the State Legislator Member Coverage Plan 2. An additional annual appropriation to the Legislative Retirement Fund is determined by the actuarial valuation.



Public Employees Retirement Association  
**STATISTICAL SECTION**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2019**

## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS

(in thousands of dollars)

Ten-year comparison showing changes in net position.

This includes the additions, deductions and the end of the year net position held in trust

PERA FUND	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Additions:</b>										
Contributions:										
Employers	\$ 291,683	\$ 283,377	\$ 274,906	\$ 285,561	\$ 296,409	\$ 314,764	\$ 322,352	\$ 332,473	\$ 319,499	\$ 339,676
Members	224,330	216,941	248,070	226,165	240,180	253,637	260,025	264,939	273,680	271,489
Purchased service credits by members	6,186	15,526	10,150	9,133	8,214	7,682	7,904	7,890	9,167	7,617
Total contributions	522,199	515,844	533,126	520,859	544,803	576,083	590,281	605,302	602,346	618,782
Investment income:										
Interest	133,218	100,244	112,835	118,160	122,474	294,214	115,151	121,571	137,920	154,891
Dividends	117,814	135,203	135,833	175,225	174,628	191,912	170,644	162,384	161,066	151,500
Net change in fair value of investments	1,160,259	1,963,257	(341,657)	1,222,052	1,860,874	(205,270)	(249,588)	1,240,714	694,887	581,382
Securities lending income (loss)	3,259	5,990	3,392	(13,764)	(8,311)	(1,264)	2,551	3,965	68,554	3,351
Other investment income (loss)	—	4,925	(4,925)	—	—	—	30,586	29,145	3,462	108,877
	1,414,550	2,209,619	(94,522)	1,501,673	2,149,665	279,592	69,344	1,557,779	1,065,891	1,000,002
Less investment expenses										
Securities lending expenses	(517)	(185)	(350)	(357)	(335)	(368)	(353)	(633)	(530)	(497)
Brokerage fees and other investment expenses	(19,323)	(23,318)	(24,619)	(27,743)	(31,422)	(27,735)	(21,547)	(56,387)	(61,134)	(63,943)
Net investment income	1,394,710	2,186,116	(119,491)	1,473,573	2,117,908	251,489	47,444	1,500,759	1,004,227	935,561
Other income(loss) and special item	1,225	46,316	27,691	9,795	17,390	25,296	12,318	451	2,110	2,047
Total additions	1,918,134	2,748,276	441,326	2,004,227	2,680,101	852,868	650,043	2,106,512	1,608,683	1,556,390
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	592,470	648,398	708,187	760,632	905,329	966,236	1,024,399	1,084,818	1,133,418	1,193,944
Death Benefits/Survivors	50,868	56,292	59,531	67,102	—	—	—	—	—	—
Disability	10,390	11,990	12,427	14,977	—	—	—	—	—	—
Refunds to terminated employees	32,735	43,108	45,771	45,114	47,377	46,010	44,937	44,396	50,288	54,337
Administrative expenses	10,999	10,524	9,841	8,612	10,417	9,886	10,754	11,486	12,667	13,583
Total deductions	697,462	770,312	835,757	896,437	963,123	1,022,132	1,080,090	1,140,700	1,196,373	1,261,864
Net increase(decrease) in plan net position	1,220,672	1,977,964	(394,431)	1,107,790	1,716,978	(169,264)	(430,047)	965,812	412,310	297,063
<b>Net position held in trust for pension benefits</b>										
Beginning of year	8,795,819	10,016,491	11,994,455	11,600,024	12,707,814	14,424,792	14,255,528	13,826,658	14,798,918	15,210,483
Prior Period Adjustment								6,447	(745)	—
End of year	\$10,016,491	\$11,994,455	\$11,600,024	\$ 12,707,814	\$14,424,792	\$14,255,528	\$13,826,658	\$14,798,918	\$15,210,482	\$15,507,546

**CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)**

(in thousands of dollars)

Ten-year comparison showing changes in net position.

This includes the additions, deductions and the end of the year net position held in trust

<b>JUDICIAL FUND</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Additions:</b>										
Contributions:										
Employers	\$ 3,699	\$ 3,824	\$ 3,266	\$ 3,527	\$ 3,741	\$ 4,196	\$ 4,237	\$ 4,524	\$ 4,723	\$ 4,731
Members	1,145	1,216	1,348	1,424	1,085	1,546	1,582	1,636	1,580	1,649
Purchased service credits by members	3	102	16	15	—	—	—	—	—	42
Total contributions	4,847	5,142	4,630	4,966	4,826	5,775	5,819	6,160	6,355	6,422
Investment income:										
Interest	878	687	954	752	757	1,825	705	738	841	949
Dividends	782	876	861	1,110	1,081	1,178	1,037	975	958	893
Net change in fair value of investments	5,705	12,730	(2,266)	7,723	11,605	(1,312)	(1,580)	7,450	4,159	3,400
Securities lending income (loss)	21	39	22	(82)	(51)	(7)	16	24	407	20
Other investment income (loss)	—	—	—	—	—	—	186	175	21	642
	7,386	14,332	(429)	9503	13,392	1,684	364	9363	6,386	5,904
less investment expenses										
Securities lending expenses	(3)	(1)	(2)	(2)	(2)	(2)	(2)	(4)	(3)	(3)
Brokerage fees and other investment expenses	(125)	(153)	(160)	(177)	(193)	(170)	(130)	(347)	(363)	(373)
Net investment income	7,258	14,178	(591)	9324	13,197	1,512	232	9012	6,020	5,528
Other income and special item	—	300	184	171	486	33	72	—	—	10
<b>Total additions</b>	<b>12,105</b>	<b>19,620</b>	<b>4,223</b>	<b>14,461</b>	<b>18,509</b>	<b>7,320</b>	<b>6,123</b>	<b>15,172</b>	<b>12,375</b>	<b>11,960</b>
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	5,306	6,003	6,401	6,787	8,770	9,373	9,813	10,096	10,585	11,352
Death Benefits/Survivors	1,347	1,109	1,225	1,407	—	—	—	11	—	—
Disability	29	29	30	31	—	—	—	—	—	—
Refunds to terminated employees	2	—	10	52	52	40	45	—	—	100
Administrative expenses	19	23	23	26	64	60	64	69	75	79
<b>Total deductions</b>	<b>6,703</b>	<b>7,164</b>	<b>7,689</b>	<b>8,303</b>	<b>8,886</b>	<b>9,473</b>	<b>9,922</b>	<b>10,176</b>	<b>10,660</b>	<b>11,532</b>
Net increase (decrease) in plan net position	5,402	12,456	(3,466)	6,158	9,623	(2,153)	(3,799)	4,996	1,714	429
<b>Net position held in trust for pension benefits</b>										
Beginning of year	60,968	66,370	78,826	75,360	81,518	91,141	88,988	84,932	89,616	91,331
Prior Period Adjustment	—	—	—	—	—	—	(257)	(312)	—	—
<b>End of year</b>	<b>\$ 66,370</b>	<b>\$ 78,826</b>	<b>\$ 75,360</b>	<b>\$ 81,518</b>	<b>\$ 91,141</b>	<b>\$ 88,988</b>	<b>\$ 84,932</b>	<b>\$ 89,616</b>	<b>\$ 91,331</b>	<b>\$ 91,759</b>

## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS

(in thousands of dollars)

Ten-year comparison showing changes in net position.

This includes the additions, deductions and the end of the year net position held in trust

MAGISTRATES FUND	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Additions:</b>										
Contributions:										
Employers	\$ 825	\$ 895	\$ 676	\$ 805	\$ 793	\$ 936	\$ 1280	\$ 1,282	\$ 1,232	\$ 1,236
Members	330	363	350	353	266	490	587	603	580	640
Purchased service credits by members	—	—	—	—	—	—	—	—	—	—
Total contributions	1,155	1,258	1,026	1,158	1,059	1,426	1,867	1,886	1,812	1,876
Investment income:										
Interest	386	277	400	298	296	675	262	268	297	328
Dividends	344	357	360	441	423	443	386	356	342	314
Net change in fair value of investments	3,452	5,369	(920)	3,173	4,574	(471)	(605)	2,721	1,495	1,196
Securities lending income (loss)	9	17	9	(34)	(19)	(3)	6	9	146	7
Other investment income (loss)	—	—	—	—	—	—	69	64	7	226
	4,191	6,020	(151)	3,878	5,274	644	118	3,417	2,287	2,070
less investment expenses										
Securities lending expenses	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Brokerage fees and other investment expenses	(54)	(62)	(65)	(67)	(74)	(64)	(48)	(126)	(130)	(130)
Net investment income	4,136	5,957	(217)	3810	5,199	579	69	3290	2,156	1,938
Other income (loss) and special item	—	130	75	67	217	(19)	27	3	14	—
<b>Total additions</b>	<b>5,291</b>	<b>7,345</b>	<b>884</b>	<b>5035</b>	<b>6,475</b>	<b>1,986</b>	<b>1,963</b>	<b>5,178</b>	<b>3,982</b>	<b>3,814</b>
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	2,380	2,652	2,753	2,886	3,690	3,956	3,976	3,966	3,951	4,026
Death Benefits/Survivors	219	226	386	413	—	—	—	—	—	—
Disability	76	77	79	81	—	—	—	—	—	—
Refunds to terminated employees	—	56	—	54	16	5	14	—	63	56
Administrative expenses	10	12	12	14	24	23	24	25	27	28
<b>Total deductions</b>	<b>2,685</b>	<b>3,023</b>	<b>3,230</b>	<b>3,448</b>	<b>3,730</b>	<b>3,984</b>	<b>4,014</b>	<b>3,991</b>	<b>4,041</b>	<b>4,109</b>
Net increase (decrease) in plan net position	2,606	4,322	(2,346)	1,587	2,745	(1,998)	(2,051)	1,187	(59)	(295)
<b>Net position held in trust for pension benefits</b>										
Beginning of year	26,270	28,876	33,198	30,852	32,439	35,184	33,186	31,038	32,225	32,092
Prior Period Adjustment	—	—	—	—	—	—	—	—	(73)	—
<b>End of year</b>	<b>\$ 28,876</b>	<b>\$ 33,198</b>	<b>\$ 30,852</b>	<b>\$ 32,439</b>	<b>\$ 35,184</b>	<b>\$ 33,186</b>	<b>\$ 31,038</b>	<b>\$ 32,225</b>	<b>\$ 32,092</b>	<b>\$ 31,797</b>



**CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)**

(in thousands of dollars)

Ten-year comparison showing changes in net position.

This includes the additions, deductions and the end of the year net position held in trust

**VOLUNTEER  
FIREFIGHTER  
FUND**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Additions:</b>										
Contributions:										
Employers	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Members	—	—	—	—	—	—	—	—	—	—
Appr from the State of NM	750	750	750	750	750	750	750	750	750	750
Purchased service credits	—	—	—	—	—	—	—	—	—	—
Total contributions	750	750	750	750	750	750	750	750	750	750
Investment income:										
Interest	514	392	603	494	519	1278	507	544	628	720
Dividends	454	538	547	730	738	831	750	724	727	694
Net change in fair value of investments	3,914	7,692	(1,343)	5,024	7,834	(888)	(1,099)	5,528	3,111	2,687
Securities lending income (loss)	13	24	14	(62)	(36)	(5)	11	18	310	15
Other investment income (loss)	—	—	—	—	—	—	134	130	16	499
	4,895	8,646	(179)	6,186	9,055	1,216	303	6,943	4,790	4,616
less investment expenses										
Securities lending expenses	(2)	—	(1)	(2)	(1)	(2)	(1)	(3)	(2)	(2)
Brokerage fees and other investment expenses	(75)	(93)	(100)	(118)	(135)	(120)	(95)	(258)	(276)	(296)
Net investment income	4,818	8,553	(280)	6,066	8,919	1,094	207	6,682	4,512	4,318
Other income (loss) and special item	—	181	109	102	405	12	51	1	1	1
<b>Total additions</b>	<b>5,568</b>	<b>9,484</b>	<b>579</b>	<b>6,918</b>	<b>10,074</b>	<b>1,856</b>	<b>1,008</b>	<b>7,434</b>	<b>5,263</b>	<b>5,069</b>
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	646	760	829	935	1,419	1,633	1,835	2,031	2,319	2,457
Death Benefits/Survivors	19	22	28	34	0	0	—	—	—	—
Disability	—	—	—	—	—	—	—	—	—	—
Administrative expenses	—	—	—	—	44	43	47	52	58	63
<b>Total deductions</b>	<b>665</b>	<b>782</b>	<b>857</b>	<b>969</b>	<b>1,463</b>	<b>1,676</b>	<b>1,882</b>	<b>2,083</b>	<b>2,377</b>	<b>2,520</b>
Net increase (decrease) in plan net position	4,903	8,702	(278)	5,949	8,611	180	(874)	5,351	2,886	2,549
<b>Net position held in trust for pension benefits</b>										
Beginning of year	34,036	38,939	47,641	47,363	53,312	61,923	62,103	61,050	66,401	69,287
<b>End of year</b>	<b>\$ 38,939</b>	<b>\$ 47,641</b>	<b>\$ 47,363</b>	<b>\$ 53,312</b>	<b>\$ 61,923</b>	<b>\$ 62,103</b>	<b>\$ 61,050</b>	<b>\$ 66,401</b>	<b>\$ 69,287</b>	<b>\$ 71,836</b>



## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)

(in thousands of dollars)

Ten-year comparison showing changes in net position.

This includes the additions, deductions and the end of the year net position held in trust

DEFERRED COMP FUND	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Additions:</b>										
Contributions:										
Employers	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Members	36,665	35,818	33,869	35,921	35,911	34,628	35,261	47,753	40,032	43,135
Purchased service credits by members	—	—	—	—	—	—	—	—	—	—
Total contributions	36,665	35,818	33,869	35,921	35,911	34,628	35,261	47,753	40,032	43,135
Investment income:										
Interest	2,457	2,735	2,497	2,597	427	450	502	58,957	3,055	3,077
Dividends	—	—	—	—	—	—	—	—	—	—
Net change in fair value of investments	18,905	50,273	(11)	37,604	59,543	18,933	994	—	44,426	34,479
Securities lending income (loss)	—	—	—	—	—	—	—	—	—	—
Other investment income (loss)	—	—	(1,040)	(11)	—	—	—	—	—	—
	21,362	53,008	1,446	40,190	59,970	19,383	1,496	58,957	47,481	37,556
less investment expenses										
Securities lending expenses	—	—	—	—	—	—	—	—	—	—
Brokerage fees and other investment expenses	—	—	—	—	—	—	—	—	—	—
Net investment income	21,362	53,008	1,446	40,190	59,970	19,383	1,496	58,957	47,481	37,556
Other income	—	—	—	—	—	—	—	—	82	107
Total additions	58,027	88,826	35,315	76,111	95,881	54,011	36,757	106,710	87,595	80,798
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	23,167	28,583	29,960	36,194	37,303	38,954	34,153	39,511	48,221	41,198
Life insurance premiums	136	123	112	92	76	62	55	42	34	25
Administrative expenses	1,058	987	956	918	930	996	1,055	1,165	1,317	1,458
Total deductions	24,361	29,693	31,028	37,204	38,309	40,012	35,263	40,718	49,572	42,681
Net increase (decrease) in plan net position	33,666	59,133	4,287	38,907	57,572	13,999	1,494	65,993	38,023	38,117
<b>Net position held in trust for pension benefits</b>										
Beginning of year	295,735	329,401	388,534	392,821	429,775	487,347	501,346	502,840	568,833	606,898
Prior Period Adjustment	—	—	—	—	—	—	—	—	44,603	—
End of year	\$ 329,401	\$ 388,534	\$ 392,821	\$ 431,728	\$ 487,347	\$ 501,346	\$ 502,840	\$ 568,833	\$ 606,898	\$ 645,015

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

PERA FUND		2015			2016		
Benefit Option	Number	Pension	Average	Number	Pension	Average	
<b>NORMAL RETIREMENT PENSIONS:</b>							
Single life pension terminating on death	13,185	\$ 381,744,341	\$ 28,953	13,881	\$ 403,515,797	\$ 28,953	
Two Life 100% survivor pension							
Retired member recipient	12,238	366,050,578	29,911	12,634	382,969,455	30,313	
Survivor member recipient	2,161	46,382,478	21,463	2,257	49,696,593	22,019	
Two life 50% survivor pension							
Retired member recipient	4,512	141,380,112	31,334	4,711	149,963,318	31,833	
Survivor member recipient	848	10,619,586	12,523	879	11,220,862	12,765	
Single Life with temporary child survivor pension							
Retired member recipient	225	8,547,358	37,988	229	8,771,533	38,304	
Child recipient	4	123,956	30,989	3	88,412	29,471	
Total Normal Retirement Pensions	<b>33,173</b>	<b>\$ 954,848,409</b>	<b>\$ 28,784</b>	<b>34,594</b>	<b>\$ 1,006,225,970</b>	<b>\$ 29,087</b>	
<b>DISABILITY RETIREMENT PENSIONS:</b>							
Single life pension terminating on death	350	\$ 5,704,449	\$ 16,298	379	\$ 6,324,090	\$16,686	
Two Life 100% survivor pension							
Retired member recipient	669	10,794,391	16,135	720	11,926,212	16,564	
Survivor member recipient	181	2,689,461	14,859	190	2,890,866	15,215	
Two life 50% survivor pension							
Retired member recipient	136	2,424,552	17,828	147	2,714,216	18,464	
Survivor member recipient	21	176,171	8,389	22	190,295	8,650	
Single Life with temporary child survivor pension							
Retired member recipient	10	163,592	16,359	8	119,679	14,960	
Child recipient	3	54,193	18,064	1	6,238	6,238	
Total Disability Retirement Pensions	<b>1,370</b>	<b>\$ 22,006,809</b>	<b>\$ 16,063</b>	<b>1,467</b>	<b>\$ 24,171,596</b>	<b>\$ 16,477</b>	
<b>PRE-RETIREMENT SURVIVOR PENSIONS:</b>							
Pre-retirement survivor pension							
Spouse recipient	1080	\$17,400,214	\$16,111	1,096	\$18,259,199	\$16,660	
Child recipient	49	475,791	9,710	49	486,943	9,938	
Total Pre-Retirement Survivor Pensions	<b>1,129</b>	<b>\$ 17,876,005</b>	<b>\$15,833</b>	<b>1,145</b>	<b>\$ 18,746,142</b>	<b>\$16,372</b>	
<b>LEGISLATIVE RETIREMENT PENSIONS:</b>							
Legislative retirement							
Retired member recipient	161	\$1,503,723	\$9,340	152	1483015	\$9,757	
Survivor member recipient	25	231,554	9,262	30	266,535	8,885	
Total Legislative Retirement Pensions	<b>186</b>	<b>\$ 1,735,277</b>	<b>\$9,329</b>	<b>182</b>	<b>\$ 1,749,550</b>	<b>9,613</b>	
<b>TOTAL PENSIONS BEING PAID</b>	<b>35,858</b>	<b>\$ 996,466,500</b>	<b>\$27,789</b>	<b>37,388</b>	<b>\$ 1,050,893,258</b>	<b>\$28,108</b>	

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

2017			2018			2019		
Number	Pension	Average	Number	Pension	Average	Number	Pension	Average
14404	\$ 426,262,930	\$ 29,593	15,042	\$ 451,190,431	29,995	15,571	\$ 475,991,087	\$ 30,569
12,742	393,244,230	30,862	13,214	415,937,183	31,477	13,562	434,725,915	32,055
2,293	52,370,761	22,839	2,409	56,816,564	23,585	2,476	60,647,476	24,494
4,711	149,963,318	31,833	4,751	154,216,776	32,460	4,771	157,631,492	33,040
879	11,220,862	12,765	905	11,973,711	13,231	932	12,664,539	13,589
215	8,498,507	39,528	193	7,919,309	41,033	189	7,870,229	41,641
6	147,907	24,651	7	157,186	22,455	6	152,792	25,465
<b>35,316</b>	<b>\$ 1,046,714,822</b>	<b>\$ 29,639</b>	<b>36,568</b>	<b>\$ 1,102,316,704</b>	<b>\$ 30,144</b>	<b>37,685</b>	<b>\$ 1,159,123,318</b>	<b>\$ 30,758</b>
407	\$ 7,081,485	\$ 17,399	464	\$ 8,258,856	\$ 17,799	487	\$ 8,882,199	\$ 18,239
751	12,681,154	16,886	771	13,408,112	17,391	774	13,787,766	17,814
195	3,016,340	15,468	202	3,168,006	15,683	205	3,295,869	16,077
162	3,077,199	18,995	170	3,280,877	19,299	186	3,719,808	19,999
23	200,451	8,715	25	212,726	8,509	27	226,014	8,371
8	115,407	14,426	8	123,712	15,464	9	143,358	15,929
1	6,363	6,363	1	6,490	6,490	—	—	N/A
<b>1,547</b>	<b>\$ 26,178,399</b>	<b>\$ 16,922</b>	<b>1,641</b>	<b>\$ 28,458,779</b>	<b>\$ 17,342</b>	<b>1,688</b>	<b>\$ 30,055,014</b>	<b>\$ 17,805</b>
1,103	18,806,996	\$ 17,051	1,122	\$19,496,306	\$17,376	1,137	\$20,173,213	\$ 17,742
45	453,801	10,084	43	441,090	10,258	40	418,020	10,451
<b>1,148</b>	<b>\$ 19,260,797</b>	<b>\$ 16,778</b>	<b>1,165</b>	<b>\$ 19,937,396</b>	<b>\$ 17,114</b>	<b>1,177</b>	<b>\$ 20,591,233</b>	<b>\$ 17,495</b>
156	\$1,615,853	\$10,358	150	1,559,216	\$30,083	185	1,966,525	\$ 10,630
30	269,013	8,967	33	309,110	25,511	9	108,819	12,091
<b>186</b>	<b>\$ 1,884,866</b>	<b>\$ 10,134</b>	<b>183</b>	<b>\$ 1,868,326</b>	<b>\$ 10,209</b>	<b>194</b>	<b>\$ 2,075,344</b>	<b>\$ 10,698</b>
<b>38,197</b>	<b>\$ 1,094,038,884</b>	<b>\$ 28,642</b>	<b>39,557</b>	<b>\$ 1,152,581,205</b>	<b>\$ 29,137</b>	<b>40,744</b>	<b>\$ 1,211,844,909</b>	<b>\$ 29,743</b>

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)**

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

JUDICIAL FUND		2015		2016		
Benefit Option	Number	Pension	Average	Number	Pension	Average
NORMAL RETIREMENT PENSIONS:						
Regular Benefit - 75% joint and survivor	111	\$ 7,734,725	\$ 69,682	116	\$ 7,972,538	\$ 68,729
Survivor/co-payee beneficiary recipient	33	1,407,355	42,647	36	1,548,257	43,007
Total Normal Retirement Pensions	144	\$ 9,142,080	\$ 63,487	152	\$ 9,520,795	\$ 62,637
DISABILITY RETIREMENT PENSIONS:						
Duty Disability	1	\$ 31,797	\$ 31,797	1	\$ 31,797	\$ 31,797
Survivor/co-payee Recipient	—	—	n/a	—	—	n/a
Non-Duty Disability	1	41,398	41,398	1	41,398	41,398
Total Disability Retirement Pensions	2	\$ 73,195	\$36,598	2	\$ 73,195	\$ 36,598
PRE-RETIREMENT SURVIVOR PENSIONS:						
Pre-retirement survivor pension						
Spouse recipient	6	\$286,224	\$ 47,704	6	\$286,224	\$47,704
Child recipient	—	—	n/a	—	—	n/a
Total Pre-Retirement Survivor Pensions	6	\$ 286,224	\$ 47,704	6	\$ 286,224	\$ 47,704
TOTAL PENSIONS BEING PAID	152	\$ 9,501,499	\$ 62,510	160	\$ 9,880,214	\$ 61,751

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

2017			2018			2019		
Number	Pension	Average	Number	Pension	Average	Number	Pension	Average
119	\$ 8,220,174	\$ 69,077	125	\$ 8,604,718	\$ 68,838	133	\$ 9,402,971	\$ 70,699
36	1,562,387	43,400	41	1,807,145	44,077	45	1,945,874	43,242
<b>155</b>	<b>\$ 9,782,561</b>	<b>\$ 63,113</b>	<b>166</b>	<b>\$ 10,411,863</b>	<b>\$ 62,722</b>	<b>178</b>	<b>\$ 11,348,845</b>	<b>\$ 63,758</b>
1	\$ 31,797	\$ 31,797	1	\$ 31,797	\$ 31,797	1	\$ 32,433	\$ 32,433
	—	n/a	-	-	n/a	—	—	n/a
1	41,398	\$ 41,398	1	41,398	\$ 41,398	1	\$42,226	\$ 42,226
<b>2</b>	<b>\$ 73,195</b>	<b>\$ 36,598</b>	<b>2</b>	<b>\$ 73,195</b>	<b>\$ 36,598</b>	<b>2</b>	<b>\$ 74,659</b>	<b>\$ 37,330</b>
6	286,224	47,704	6	286,224	\$ 47,704	6	291,949	\$ 48,658
-	—	n/a	-	-	n/a	—	—	n/a
<b>6</b>	<b>\$ 286,224</b>	<b>\$ 47,704</b>	<b>6</b>	<b>\$ 286,224</b>	<b>\$ 47,704</b>	<b>6</b>	<b>\$ 291,949</b>	<b>\$ 48,658</b>
<b>163</b>	<b>\$ 10,141,980</b>	<b>\$ 62,221</b>	<b>174</b>	<b>\$ 10,771,282</b>	<b>\$61,904</b>	<b>186</b>	<b>\$ 11,715,453</b>	<b>\$ 62,986</b>

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)**

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

MAGISTRATE FUND				2016			
Benefit Option	Number	Pension	Average	Number	Pension	Average	
NORMAL RETIREMENT PENSIONS:							
Regular Benefit - 75% joint and survivor	81	\$ 3,340,941	\$ 41,246	80	\$ 3,224,107	\$ 40,301	
Survivor/co-payee beneficiary recipient	17	483,170	28,422	16	481,681	30,105	
Total Normal Retirement Pensions	98	\$ 3,824,111	\$ 39,022	96	\$ 3,705,788	\$ 38,602	
DISABILITY RETIREMENT PENSIONS:							
Duty Disability	1	\$ 46,177	\$ 46,177	1	\$ 46,177	\$ 46,177	
Survivor/co-payee Recipient	—	—	n/a	—	—	n/a	
Non-Duty Disability	2	95,362	47,681	2	95,362	47,681	
Total Disability Retirement Pensions	3	\$ 141,539	\$ 47,180	3	\$ 141,539	\$ 47,180	
PRE-RETIREMENT SURVIVOR PENSIONS:							
Pre-retirement survivor pension							
Spouse recipient	1	\$ 46,337	\$ 46,337	1	\$ 46,337	\$ 46,337	
Child recipient	—	—	n/a	—	—	n/a	
Total Pre-Retirement Survivor Pensions	1	\$ 46,337	\$ 46,337	1	\$ 46,337	\$ 46,337	
TOTAL PENSIONS BEING PAID	102	\$ 4,011,987	\$ 39,333	100	\$ 3,893,664	\$ 38,937	

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

2017			2018			2019		
Number	Pension	Average	Number	Pension	Average	Number	Pension	Average
78	\$ 3,104,997	\$ 39,808	78	\$ 3,032,173	\$ 38,874	77	\$ 3,067,438	\$ 39,837
20	597,580	29,879	22	680,059	49,238	24	750,262	49,685
<b>98</b>	<b>\$ 3,702,577</b>	<b>\$ 37,781</b>	<b>100</b>	<b>\$ 3,712,232</b>	<b>\$ 37,122</b>	<b>101</b>	<b>\$ 3,817,700</b>	<b>\$ 37,799</b>
1	\$ 46,177	\$ 46,177	1	\$ 46,177	\$ 46,177	1	\$ 47,100	\$ 47,100
—	—	n/a	-	-	n/a	—	0	n/a
2	95,362	\$ 47,681	2	95,362	47,681	2	97,270	48,635
<b>3</b>	<b>\$ 141,539</b>	<b>\$ 47,180</b>	<b>3</b>	<b>\$ 141,539</b>	<b>\$ 47,180</b>	<b>3</b>	<b>\$ 144,370</b>	<b>\$ 48,123</b>
1	\$ 46,337	\$ 46,337	1	\$ 46,337	\$ 46,337	1	\$ 47,264	\$ 47,264
—	—	n/a	—	—	n/a	—	0	n/a
<b>1</b>	<b>\$ 46,337</b>	<b>\$ 46,337</b>	<b>1</b>	<b>\$ 46,337</b>	<b>\$ 46,337</b>	<b>1</b>	<b>\$ 47,264</b>	<b>\$ 47,264</b>
<b>102</b>	<b>\$ 3,890,453</b>	<b>\$ 38,142</b>	<b>104</b>	<b>\$ 3,900,108</b>	<b>\$ 37,501</b>	<b>105</b>	<b>\$ 4,009,334</b>	<b>\$ 38,184</b>



**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)**

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

Volunteer Firefighters Fund		2015		2016		
Benefit Option	Number	Pension	Average	Number	Pension	Average
NORMAL RETIREMENT PENSIONS:						
Regular Benefit - 66 2/3% joint and survivor	952	\$ 1,683,750	\$ 1,769	1053	\$ 1,887,750	\$ 1,793
Survivor/co-payee Recipient	52	43,751	841	60	51,951	866
Total Normal Retirement Pensions	1004	\$ 1,727,501	\$ 1,721	1,113	\$ 1,939,701	\$ 1,743
TOTAL PENSIONS BEING PAID	1004	\$ 1,727,501	\$ 1,721	1,113	\$ 1,939,701	\$ 1,743

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

2017			2018			2019		
Number	Pension	Average	Number	Pension	Average	Number	Pension	Average
1139	\$ 2,063,250	\$ 1,811	1,274	\$ 2,310,750	\$ 1,814	1,330	\$ 2,411,250	\$ 1,813
72	67,150	933	80	76,550	957	80	76,550	957
1,211	\$ 2,130,400	\$ 1,759	1,354	\$ 2,387,300	\$ 1,763	1,429	\$ 2,508,999	\$ 1,756
1,211	\$ 2,130,400	\$ 1,759	1,354	\$ 2,387,300	\$ 1,763	1,429	\$ 2,508,999	\$ 1,756

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS

### FISCAL YEAR ENDED JUNE 30, 2019

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>STATE GENERAL</b>									
2010	Average Monthly Benefit	\$ 1,348	\$ 741	\$ 1,095	\$ 1,559	\$ 2,158	\$ 2,668	\$ 2,443	\$ 2,012
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	137	1,249	1,559	1,573	1,927	4,780	942	12,167
2011	Average Monthly Benefit	\$ 1,338	\$ 774	\$ 1,144	\$ 1,644	\$ 2,287	\$ 2,773	\$ 2,518	\$ 2,097
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	147	1,338	1,615	1,671	2,079	5,018	936	12,804
2012	Average Monthly Benefit	\$ 1,475	\$ 802	\$ 1,189	\$ 1,706	\$ 2,361	\$ 2,862	\$ 2,608	\$ 2,161
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	176	1,453	1,700	1,759	2,179	5,283	918	13,468
2013	Average Monthly Benefit	\$ 1,622	\$ 822	\$ 1,242	\$ 1,784	\$ 2,471	\$ 2,954	\$ 2,692	\$ 2,231
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	187	1,617	1,826	1,863	2,321	5,611	903	14,328
2014	Average Monthly Benefit	\$ 1,730	\$ 848	\$ 1,280	\$ 1,822	\$ 2,534	\$ 3,021	\$ 2,784	\$ 2,277
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	233	1,774	1,989	1,953	2,482	5,962	904	15,297
2015	Average Monthly Benefit	\$ 605	\$ 899	\$ 1,420	\$ 2,012	\$ 2,738	\$ 3,194	\$ 3,132	\$ 2,431
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	520	1,484	1,605	1,593	2,147	5,734	677	13,760
2016	Average Monthly Benefit	\$ 475	\$ 831	\$ 1,390	\$ 2,005	\$ 2,776	\$ 3,261	\$ 3,203	\$ 2,449
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	539	1,577	1,686	1,658	2,222	6,057	660	14,399
2017	Average Monthly Benefit	\$ 443	\$ 842	\$ 1,431	\$ 2,075	\$ 2,824	\$ 3,326	\$ 3,282	\$ 2,483
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	597	1,680	1,755	1,718	2,212	6,235	644	14,841
2018	Average Monthly Benefit	\$ 495	\$ 858	\$ 1,455	\$ 2,114	\$ 2,880	\$ 3,392	\$ 3,364	\$ 2,529
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	628	1,760	1,853	1,767	2,301	6,499	619	15,427
2019	Average Monthly Benefit	\$ 843	\$ 885	\$ 1,492	\$ 2,163	\$ 2,943	\$ 3,465	\$ 3,514	\$ 2,583
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	748	1,825	1,922	1,818	2,294	6,661	595	15,863

\*Information not available from PERA's actuarial in breakdown of years of service.

(a) Excludes 814 members who did not have service reported

(b) Excludes 835 members who did not have service reported

(c) Excludes 923 members who did not have service reported

(d) Excludes 990 members who did not have service reported

(e) Excludes 792 members who did not have service reported

(f) Excludes 488 members who did not have service reported

(g) Excludes 403 members who did not have service reported

(h) Excludes 278 members who did not have service reported

(i) Excludes 113 members who did not have service reported

(j) Excludes 93 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2019

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>STATE POLICE</b>									
2010	Average Monthly Benefit	\$ 1,383	\$ 1,383	\$ 1,425	\$ 1,950	\$ 2,611	\$ 3,072	\$ 3,231	\$ 2,354
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	55	94	98	103	197	233	68	848
2011	Average Monthly Benefit	\$ 1,428	\$ 1,433	\$ 1,435	\$ 1,941	\$ 2,670	\$ 3,113	\$ 3,374	\$ 2,434
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	52	93	105	110	214	279	69	922
2012	Average Monthly Benefit	\$ 1,422	\$ 1,435	\$ 1,439	\$ 1,990	\$ 2,701	\$ 3,148	\$ 3,443	\$ 2,495
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	48	96	108	115	212	327	72	978
2013	Average Monthly Benefit	\$ 1,454	\$ 1,430	\$ 1,475	\$ 2,034	\$ 2,704	\$ 3,171	\$ 3,502	\$ 2,542
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	45	98	108	121	242	357	74	1,045
2014	Average Monthly Benefit	\$ 1,482	\$ 1,404	\$ 1,411	\$ 2,038	\$ 2,771	\$ 3,217	\$ 3,559	\$ 2,601
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	44	104	110	124	258	413	79	1,132
2015	Average Monthly Benefit	\$ 1,205	\$ 1,717	\$ 1,579	\$ 2,251	\$ 2,845	\$ 3,305	\$ 3,822	\$ 2,855
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	33	59	64	83	226	434	62	961
2016	Average Monthly Benefit	\$ 1,339	\$ 1,701	\$ 1,556	\$ 2,255	\$ 2,857	\$ 3,315	\$ 3,816	\$ 2,885
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	35	54	66	86	252	476	67	1,036
2017	Average Monthly Benefit	\$ 1,433	\$ 1,720	\$ 1,606	\$ 2,281	\$ 2,912	\$ 3,352	\$ 3,925	\$ 2,952
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	31	55	63	84	237	500	67	1,037
2018	Average Monthly Benefit	\$ 1,465	\$ 1,610	\$ 1,626	\$ 2,276	\$ 2,858	\$ 3,406	\$ 3,913	\$ 2,954
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	31	59	63	85	348	528	64	1,178
2019	Average Monthly Benefit	\$ 1,774	\$ 1,606	\$ 1,738	\$ 2,352	\$ 2,891	\$ 3,459	\$ 4,002	\$ 3,023
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	36	58	61	81	348	557	64	1,205

\*Information not available from PERA's actuarial in breakdown of years of service.

- (a) Includes 309 members who did not have service reported
- (b) Excludes 305 members who did not have service reported
- (c) Excludes 311 members who did not have service reported
- (d) Excludes 281 members who did not have service reported
- (e) Excludes 270 members who did not have service reported

- (f) Excludes 202 members who did not have service reported
- (g) Excludes 160 members who did not have service reported
- (h) Excludes 158 members who did not have service reported
- (i) Excludes 34 members who did not have service reported
- (j) Excludes 13 members who did not have service reported

**SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)****FISCAL YEAR ENDED JUNE 30, 2019**

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MUNICIPAL GENERAL</b>									
2010	Average Monthly Benefit	\$ 1,288	\$ 627	\$ 970	\$ 1,517	\$ 2,143	\$ 2,591	\$ 2,408	\$ 1,825
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	182	1,113	1,223	1,228	1,319	2,891	370	8,326
2011	Average Monthly Benefit	\$ 1,289	\$ 646	\$ 1,014	\$ 1,575	\$ 2,264	\$ 2,686	\$ 2,525	\$ 1,909
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	188	1,153	1,277	1,286	1,440	3,087	384	8,815
2012	Average Monthly Benefit	\$ 1,398	\$ 664	\$ 1,053	\$ 1,624	\$ 2,302	\$ 2,771	\$ 2,582	\$ 1,970
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	198	1,217	1,332	1,330	1,496	3,305	393	9,271
2013	Average Monthly Benefit	\$ 1,538	\$ 680	\$ 1,086	\$ 1,698	\$ 2,382	\$ 2,864	\$ 2,677	\$ 2,040
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	207	1,323	1,415	1,431	1,607	3,557	415	9,955
2014	Average Monthly Benefit	\$ 1,466	\$ 687	\$ 1,104	\$ 1,720	\$ 2,429	\$ 2,924	\$ 2,815	\$ 2,078
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	226	1,429	1,531	1,508	1,736	3,823	430	10,683
2015	Average Monthly Benefit	\$ 854	\$ 736	\$ 1,189	\$ 1,839	\$ 2,619	\$ 3,078	\$ 3,145	\$ 2,270
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	278	1,078	1,189	1,195	1,485	3,724	363	9,312
2016	Average Monthly Benefit	\$ 714	\$ 723	\$ 1,171	\$ 1,837	\$ 2,630	\$ 3,147	\$ 3,261	\$ 2,289
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	296	1,148	1,282	1,253	1,514	3,945	377	9,815
2017	Average Monthly Benefit	\$ 654	\$ 725	\$ 1,202	\$ 1,878	\$ 2,672	\$ 3,204	\$ 3,365	\$ 2,322
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	332	1,191	1,322	1,282	1,523	4,052	388	10,090
2018	Average Monthly Benefit	\$ 710	\$ 727	\$ 1,230	\$ 1,898	\$ 2,725	\$ 3,259	\$ 3,447	\$ 2,360
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	355	1,267	1,404	1,340	1,619	4,256	410	10,651
2019	Average Monthly Benefit	\$ 1,192	\$ 751	\$ 1,258	\$ 1,957	\$ 2,767	\$ 3,306	\$ 3,528	\$ 2,400
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	462	1,329	1,473	1,396	1,643	4,380	428	11,111

\*Information not available from PERA's actuarial in breakdown of years of service.

(a) Excludes 714 members who did not have service reported

(b) Excludes 723 members who did not have service reported

(c) Excludes 788 members who did not have service reported

(d) Excludes 756 members who did not have service reported

(e) Excludes 609 members who did not have service reported

(f) Excludes 319 members who did not have service reported

(g) Excludes 269 members who did not have service reported

(h) Excludes 226 members who did not have service reported

(i) Excludes 134 members who did not have service reported

(j) Excludes 106 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2019

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MUNICIPAL POLICE</b>									
2010	Average Monthly Benefit	\$ 1,600	\$ 1,424	\$ 1,636	\$ 2,628	\$ 3,043	\$ 2,937	\$ 3,138	\$ 2,779
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	52	75	119	482	1,274	134	39	2,175
2011	Average Monthly Benefit	\$ 1,696	\$ 1,434	\$ 1,641	\$ 2,706	\$ 3,151	\$ 3,045	\$ 3,224	\$ 2,875
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	52	77	126	515	1,366	136	39	2,311
2012	Average Monthly Benefit	\$ 1,716	\$ 1,425	\$ 1,719	\$ 2,774	\$ 3,227	\$ 3,199	\$ 3,391	\$ 2,964
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	51	80	126	514	1,483	142	41	2,437
2013	Average Monthly Benefit	\$ 1,869	\$ 1,470	\$ 1,747	\$ 2,822	\$ 3,310	\$ 3,293	\$ 3,375	\$ 3,043
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	60	78	130	525	1,596	147	43	2,579
2014	Average Monthly Benefit	\$ 1,918	\$ 1,481	\$ 1,789	\$ 2,878	\$ 3,370	\$ 3,511	\$ 3,456	\$ 3,119
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	58	82	139	547	1,771	155	44	2,796
2015	Average Monthly Benefit	\$ 2,054	\$ 1,589	\$ 2,080	\$ 3,167	\$ 3,584	\$ 3,925	\$ 3,657	\$ 3,413
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	42	49	81	467	1,702	133	35	2,509
2016	Average Monthly Benefit	\$ 2,020	\$ 1,573	\$ 2,125	\$ 3,190	\$ 3,635	\$ 4,081	\$ 3,781	\$ 3,475
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	42	50	81	462	1,869	143	36	2,683
2017	Average Monthly Benefit	\$ 1,851	\$ 1,404	\$ 2,136	\$ 3,253	\$ 3,680	\$ 4,157	\$ 3,848	\$ 3,531
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	36	47	81	443	1,968	148	38	2,761
2018	Average Monthly Benefit	\$ 2,090	\$ 1,433	\$ 2,167	\$ 3,277	\$ 3,731	\$ 4,344	\$ 4,181	\$ 3,595
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	36	49	83	450	2,063	155	41	2,877
2019	Average Monthly Benefit	\$ 2,610	\$ 1,597	\$ 2,148	\$ 3,313	\$ 3,796	\$ 4,457	\$ 4,364	\$ 3,647
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	62	59	88	457	2,137	153	40	2,996

\*Information not available from PERA's actuarial in breakdown of years of service.

- (a) Includes 263 members who did not have service reported
- (b) Excludes 287 members who did not have service reported
- (c) Excludes 276 members who did not have service reported
- (d) Excludes 247 members who did not have service reported
- (e) Excludes 136 members who did not have service reported

- (f) Excludes 136 members who did not have service reported
- (g) Excludes 88 members who did not have service reported
- (h) Excludes 87 members who did not have service reported
- (i) Excludes 53 members who did not have service reported
- (j) Excludes 36 members who did not have service reported

**SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)****FISCAL YEAR ENDED JUNE 30, 2019**

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MUNICIPAL FIRE</b>									
2010	Average Monthly Benefit	\$ 1,747	\$ 1,658	\$ 2,053	\$ 2,651	\$ 3,043	\$ 2,591	\$ 2,450	\$ 2,821
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	11	29	83	277	854	71	46	1,371
2011	Average Monthly Benefit	\$ 1,893	\$ 1,723	\$ 2,086	\$ 2,749	\$ 3,168	\$ 2,716	\$ 2,531	\$ 2,939
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	10	30	85	288	913	71	47	1,444
2012	Average Monthly Benefit	\$ 1,950	\$ 1,683	\$ 2,187	\$ 2,843	\$ 3,269	\$ 2,886	\$ 2,594	\$ 3,045
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	10	32	85	279	963	73	45	1,487
2013	Average Monthly Benefit	\$ 1,760	\$ 1,746	\$ 2,278	\$ 2,915	\$ 3,366	\$ 3,031	\$ 2,705	\$ 3,143
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	11	34	84	281	1,014	71	44	1,539
2014	Average Monthly Benefit	\$ 1,883	\$ 1,776	\$ 2,358	\$ 2,976	\$ 3,441	\$ 3,315	\$ 2,835	\$ 3,232
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	12	34	84	292	1,083	74	46	1,625
2015	Average Monthly Benefit	\$ 2,229	\$ 2,032	\$ 2,767	\$ 3,247	\$ 3,692	\$ 3,694	\$ 3,400	\$ 3,547
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	10	23	48	220	1,027	57	35	1,420
2016	Average Monthly Benefit	\$ 2,308	\$ 2,116	\$ 2,760	\$ 3,341	\$ 3,756	\$ 3,981	\$ 3,419	\$ 3,625
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	11	24	50	225	1,089	62	36	1,497
2017	Average Monthly Benefit	\$ 2,346	\$ 2,170	\$ 2,750	\$ 3,380	\$ 3,821	\$ 4,070	\$ 3,440	\$ 3,689
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	11	25	50	205	1,127	62	36	1,516
2018	Average Monthly Benefit	\$ 2,381	\$ 2,206	\$ 2,822	\$ 3,427	\$ 3,892	\$ 4,317	\$ 3,580	\$ 3,765
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	10	25	54	212	1,169	60	38	1,568
2019	Average Monthly Benefit	\$ 3,473	\$ 2,411	\$ 2,883	\$ 3,526	\$ 3,962	\$ 4,721	\$ 3,724	\$ 3,865
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	26	27	53	200	1,206	67	38	1,617

\*Information not available from PERA's actuarial in breakdown of years of service.

(a) Excludes 102 members who did not have service reported

(b) Excludes 104 members who did not have service reported

(c) Excludes 116 members who did not have service reported

(d) Excludes 114 members who did not have service reported

(e) Excludes 111 members who did not have service reported

(f) Excludes 54 members who did not have service reported

(g) Excludes 44 members who did not have service reported

(h) Excludes 32 members who did not have service reported

(i) Excludes 18 members who did not have service reported

(j) Excludes 13 members who did not have service reported



## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2019

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>LEGISLATURE</b>									
2010	Average Monthly Benefit	\$ 518	\$ 386	\$ 559	\$ 767	\$ 456	\$ 450	\$ 1,069	\$ 634
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	3	27	24	22	16	7	23	122
2011	Average Monthly Benefit	\$ 534	\$ 396	\$ 591	\$ 653	\$ 470	\$ 463	\$ 1,098	\$ 626
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	3	27	24	23	16	7	22	122
2012	Average Monthly Benefit	\$ 445	\$ 415	\$ 600	\$ 687	\$ 493	\$ 449	\$ 1,110	\$ 635
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	4	29	24	24	15	6	21	123
2013	Average Monthly Benefit	\$ 763	\$ 410	\$ 771	\$ 820	\$ 748	\$ 462	\$ 1,254	\$ 762
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	4	30	40	26	22	6	22	150
2014	Average Monthly Benefit	\$ 772	\$ 422	\$ 760	\$ 800	\$ 759	\$ 471	\$ 1,231	\$ 750
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	4	30	41	24	22	6	20	147
2015	Average Monthly Benefit	\$ 332	\$ 422	\$ 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 Active Retired (f)	8	38	42	24	18	4	16	150
2016	Average Monthly Benefit	\$ 337	\$ 420	\$ 782	\$ 904	\$ 1,195	\$ 610	\$ 1,614	\$ 819
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	8	36	42	25	18	5	15	149
2017	Average Monthly Benefit	\$ 185	\$ 441	\$ 797	\$ 1,023	\$ 1,250	\$ 622	\$ 1,701	\$ 876
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	6	35	41	28	20	5	15	150
2018	Average Monthly Benefit	\$ 188	\$ 449	\$ 802	\$ 1,024	\$ 1,271	\$ 635	\$ 1,659	\$ 866
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	6	34	43	26	19	5	13	146
2019	Average Monthly Benefit	\$ 256	\$ 462	\$ 816	\$ 1,052	\$ 1,345	\$ 886	\$ 1,747	\$ 903
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	7	36	44	28	19	6	14	154

\*Information not available from PERA's actuarial in breakdown of years of service.

- (a) Excludes 38 members who did not have service reported
- (b) Excludes 43 members who did not have service reported
- (c) Excludes 40 members who did not have service reported
- (d) Excludes 29 members who did not have service reported
- (e) Excludes 31 members who did not have service reported

- (f) Excludes 4 members who did not have service reported
- (g) Excludes 2 members who did not have service reported
- (h) Excludes 3 members who did not have service reported
- (i) Excludes 3 members who did not have service reported
- (j) Excludes 3 members who did not have service reported

**SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)****FISCAL YEAR ENDED JUNE 30, 2019**

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>JUDICIAL</b>									
2010	Average Monthly Benefit	\$ 5,515	\$ 3,135	\$ 4,889	\$ 5,962	\$ 6,123	\$ 3,137	\$ 5,048	\$ 5,094
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	1	10	13	26	4	2	20	76
2011	Average Monthly Benefit	\$ 5,681	\$ 3,237	\$ 4,671	\$ 6,060	\$ 4,379	\$ 3,231	\$ 5,406	\$ 5,143
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	1	9	16	29	4	2	17	78
2012	Average Monthly Benefit	\$ 5,851	\$ 2,987	\$ 4,464	\$ 6,333	\$ 5,293	\$ 5,091	\$ 5,587	\$ 5,152
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	1	17	20	35	8	7	18	106
2013	Average Monthly Benefit	\$ 6,026	\$ 3,075	\$ 4,537	\$ 6,375	\$ 5,204	\$ 5,686	\$ 5,898	\$ 5,280
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	1	19	20	39	11	9	17	116
2014	Average Monthly Benefit	\$ 6,147	\$ 3,127	\$ 4,834	\$ 6,615	\$ 5,528	\$ 5,225	\$ 6,016	\$ 5,406
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	1	19	25	39	10	10	17	121
2015	Average Monthly Benefit	\$ 5,945	\$ 3,287	\$ 5,185	\$ 6,847	\$ 5,528	\$ 5,320	\$ 6,988	\$ 5,823
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	1	12	24	37	8	10	13	105
2016	Average Monthly Benefit	\$ 3,285	\$ 3,148	\$ 5,140	\$ 6,745	\$ 5,897	\$ 5,556	\$ 6,988	\$ 5,733
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	2	14	24	39	9	11	13	112
2017	Average Monthly Benefit	\$ 3,285	\$ 3,157	\$ 5,213	\$ 6,793	\$ 6,187	\$ 5,519	\$ 6,988	\$ 5,769
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	2	15	25	40	10	12	13	117
2018	Average Monthly Benefit	\$ 3,285	\$ 3,206	\$ 5,329	\$ 6,828	\$ 6,573	\$ 5,519	\$ 6,975	\$ 5,803
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	2	17	27	41	12	12	12	123
2019	Average Monthly Benefit	\$ 2,566	\$ 3,299	\$ 5,594	\$ 6,977	\$ 7,085	\$ 5,965	\$ 7,267	\$ 5,929
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	6	18	29	44	15	10	10	132

\*Information not available from PERA's actuarial in breakdown of years of service.

(a) Excludes 34 members who did not have service reported

(b) Excludes 40 members who did not have service reported

(c) Excludes 21 members who did not have service reported

(d) Excludes 17 members who did not have service reported

(e) Excludes 20 members who did not have service reported

(f) Excludes 6 members who did not have service reported

(g) Excludes 4 members who did not have service reported

(h) Excludes 2 members who did not have service reported

(i) Excludes 2 members who did not have service reported

(j) Excludes 1 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2019

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service							
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MAGISTRATE</b>									
2010	Average Monthly Benefit	\$ 3,537	\$ 3,519	\$ 3,491	\$ 3,478	\$ 4,269	\$ 5,871	\$ 4,638	\$ 3,622
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	7	20	13	6	3	1	1	51
2011	Average Monthly Benefit	\$ 3,215	\$ 3,210	\$ 3,897	\$ 2,968	\$ 3,978	\$ 3,527	\$ 4,777	\$ 3,470
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	8	22	16	6	5	2	1	60
2012	Average Monthly Benefit	\$ 3,019	\$ 2,976	\$ 3,607	\$ 3,434	\$ 3,031	\$ 3,275	\$ 4,604	\$ 3,255
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	8	28	18	13	8	5	2	82
2013	Average Monthly Benefit	\$ 3,288	\$ 3,056	\$ 3,616	\$ 3,600	\$ 3,121	\$ 3,205	\$ 4,320	\$ 3,359
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	7	28	18	14	8	6	4	85
2014	Average Monthly Benefit	\$ 3,354	\$ 3,117	\$ 3,769	\$ 3,872	\$ 3,183	\$ 3,352	\$ 4,321	\$ 3,504
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	7	28	20	19	8	7	4	93
2015	Average Monthly Benefit	\$ 3,359	\$ 2,936	\$ 4,011	\$ 4,046	\$ 3,665	\$ 3,016	\$ 2,898	\$ 3,477
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	5	24	15	18	6	7	5	80
2016	Average Monthly Benefit	\$ 3,165	\$ 2,954	\$ 3,868	\$ 3,849	\$ 3,665	\$ 3,016	\$ 2,898	\$ 3,398
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	4	24	14	19	6	7	5	79
2017	Average Monthly Benefit	\$ 1,768	\$ 3,313	\$ 4,175	\$ 3,478	\$ 3,182	\$ 3,904	\$ 2,898	\$ 3,331
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	8	20	13	19	7	4	5	76
2018	Average Monthly Benefit	\$ 1,680	\$ 3,283	\$ 4,087	\$ 3,857	\$ 2,825	\$ 3,463	\$ 2,228	\$ 3,255
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	12	21	16	17	6	2	3	77
2019	Average Monthly Benefit	\$ 1,187	\$ 3,335	\$ 4,189	\$ 3,977	\$ 2,882	\$ 4,072	\$ 2,272	\$ 3,358
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (j)	9	22	17	16	6	3	3	76

\*Information not available from PERA's actuarial in breakdown of years of service.

(a) Excludes 18 members who did not have service reported

(b) Excludes 14 members who did not have service reported

(c) Excludes 1 member who did not have service reported

(d) Excludes 1 member who did not have service reported

(e) Excludes 1 member who did not have service reported

(f) Excludes 1 member who did not have service reported

(g) Excludes 1 member who did not have service reported

(h) Excludes 1 member who did not have service reported

(i) Excludes 1 member who did not have service reported

(j) Excludes 1 member who did not have service reported

**SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)****FISCAL YEAR ENDED JUNE 30, 2019**

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

		Years of Credited Service									
Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total		
<b>VOLUNTEER FIREFIGHTER</b>											
2010	Average Monthly Benefit	\$ 100	\$ 110	\$ 100	\$ 99	\$ 123	\$ 163	\$ 89	\$ 107		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (a)	3	20	151	93	42	26	9	344		
2011	Average Monthly Benefit	\$ 100	\$ 106	\$ 100	\$ 98	\$ 130	\$ 172	\$ 100	\$ 110		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (b)	6	33	159	103	46	35	10	392		
2012	Average Monthly Benefit	\$ 110	\$ 100	\$ 99	\$ 98	\$ 106	\$ 188	\$ 120	\$ 111		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (c)	10	31	226	124	40	66	10	507		
2013	Average Monthly Benefit	\$ 167	\$ 125	\$ 122	\$ 122	\$ 129	\$ 238	\$ 185	\$ 141		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (d)	3	16	348	157	49	95	17	685		
2014	Average Monthly Benefit	\$ 125	\$ 125	\$ 123	\$ 122	\$ 118	\$ 247	\$ 215	\$ 143		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (f)	1	8	450	210	57	125	31	882		
2015	Average Monthly Benefit	\$ 188	\$ 125	\$ 125	\$ 125	\$ 128	\$ 242	\$ 250	\$ 148		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (g)	6	2	505	201	56	147	29	946		
2016	Average Monthly Benefit	\$ 125	\$ 125	\$ 125	\$ 125	\$ 124	\$ 250	\$ 250	\$ 150		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (h)	1	3	566	208	63	167	39	1,047		
2017	Average Monthly Benefit	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 250	\$ 250	\$ 151		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (i)	2	6	605	217	64	194	43	1,131		
2018	Average Monthly Benefit	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 250	\$ 250	\$ 151		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (j)	2	7	682	238	67	222	46	1,264		
2019	Average Monthly Benefit	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 250	\$ 250	\$ 151		
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
	Number of Active Retired (j)	3	11	716	240	71	233	46	1,320		

\*Information not available from PERA's actuarial in breakdown of years of service.

- (a) Includes 200 members who did not have service reported
- (b) Excludes 217 members who did not have service reported
- (c) Excludes 160 members who did not have service reported
- (d) Excludes 77 members who did not have service reported
- (e) Excludes 11 members who did not have service reported

- (f) Excludes 6 members who did not have service reported
- (g) Excludes 6 members who did not have service reported
- (h) Excludes 6 members who did not have service reported
- (i) Excludes 10 members who did not have service reported
- (j) Excludes 10 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2019

As of June 30 - Nine Year Comparison of the Number of Retired Member, Disabled Benefit and Survivor Benefit receiving pensions and the total Annual Pension (including COLA) for the fiscal year.

		Retired Members		Disabled Benefit		Survivor Pension Benefit		Total		Annual Pension
		Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Percentage Change
2019	PERA	34,267	\$1,085,266,649	1,441	26,438,746	4,842	\$ 98,064,170	40,550	\$ 1,209,769,565	4.88 %
	Legislative	159	1,718,266	—	—	35	357,078	194	2,075,344	9.98 %
	Judicial	143	9,640,040	2	74,659	41	2,000,754	186	11,715,453	8.06 %
	Magistrate	80	3,116,294	3	144,370	22	748,670	105	4,009,334	2.72 %
	VFF	1,331	2,412,000	—	—	98	96,999	1,429	2,508,999	4.85 %
2018	PERA	33,237	1,032,780,770	1,396	24,969,203	4,741	92,962,906	39,374	1,150,712,879	5.09 %
	Legislative	150	1,559,216	—	—	33	309,110	183	1,868,326	(0.89)%
	Judicial	135	8,838,825	2	73,195	37	1,859,262	174	10,771,282	5.84 %
	Magistrate	81	3,080,071	3	141,539	20	678,498	104	3,900,108	0.25 %
	VFF	1,274	2,310,750	—	—	80	76,550	1,354	2,387,300	10.76 %
2017	PERA	32,123	982,322,863	1,310	22,854,825	4,571	86,976,330	38,004	1,092,154,018	3.94 %
	Legislative	156	1,615,854	—	—	30	269,012	186	1,884,866	7.18 %
	Judicial	127	8,405,673	2	73,195	34	1,663,112	163	10,141,980	2.58 %
	Magistrate	81	3,132,996	3	141,539	18	615,918	102	3,890,453	(0.08)%
	VFF	1,139	2,063,250	—	—	72	67,150	1,211	2,130,400	8.95 %
2016	PERA	31,473	945,331,280	1,236	20,973,020	4,497	82,839,408	37,206	1,049,143,708	5.19 %
	Legislative	174	1,663,539	—	—	8	86,011	182	1,749,550	0.82 %
	Judicial	152	9,520,795	2	73,195	6	286,224	160	9,880,214	3.83 %
	Magistrate	96	3,705,788	3	141,539	1	46,337	100	3,893,664	(3.04)%
	VFF	1,053	1,887,750	—	—	60	51,951	1,113	1,939,701	10.94 %
2015	PERA	30,183	897,846,722	1,142	18,962,651	4,347	77,921,850	35,672	994,731,223	5.62 %
	Legislative	178	1,650,952	—	—	8	84,325	186	1,735,277	10.82 %
	Judicial	144	9,142,080	2	73,195	6	286,224	152	9,501,499	6.56 %
	Magistrate	98	3,824,111	3	141,539	1	46,337	102	4,011,987	2.44 %
	VFF	953	1,684,500	—	—	51	43,001	1,004	1,727,501	11.47 %
2014	PERA	28,390	849,916,611	1,072	17,208,549	4,100	71,697,600	33,562	938,822,760	7.07 %
	Legislative	146	1,300,073	—	—	32	247,480	178	1,547,553	(1.95)%
	Judicial	112	7,445,795	1	31,797	28	1,400,841	141	8,878,433	6.53 %
	Magistrate	78	3,293,401	3	141,539	13	478,978	94	3,913,918	12.38 %
	VFF	846	1,489,500	—	—	47	39,801	893	1,529,301	16.40 %
2013	PERA	26,949	790,582,225	958	14,976,974	3,956	66,874,161	31,863	872,433,360	8.47 %
	Legislative	149	1,350,169	—	—	30	227,569	179	1,577,738	16.98 %
	Judicial	104	6,860,436	1	31,173	28	1,407,076	133	8,298,685	6.50 %
	Magistrate	72	2,935,827	2	81,193	12	412,432	86	3,429,452	4.40 %
	VFF	721	1,245,000	—	—	41	33,553	762	1,278,553	29.86 %

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30 - Nine Year Comparison of the Number of Retired Member, Disabled Benefit and Survivor Benefit receiving pensions and the total Annual Pension (including COLA) for the fiscal year.

		Retired Members		Disabled Benefit		Survivor Pension Benefit		Total		Annual Pension
		Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Percentage Change
2012	PERA	25,433	\$ 724,950,245	856	12,741,219	3,777	\$ 60,851,558	30,066	\$ 798,543,022	7.94 %
	Legislative	136	1,126,978	—	—	27	182,896	163	1,309,874	1.79 %
	Judicial	101	6,515,919	1	30,265	25	1,213,105	127	7,759,289	6.96 %
	Magistrate	71	2,797,478	2	78,828	12	402,372	85	3,278,678	6.83 %
	VFF	633	868,800	—	—	34	27,953	667	896,753	8.34 %
2011	PERA	24,046	666,870,346	820	11,989,648	3,660	56,291,606	28,526	735,151,600	8.64 %
	Legislative	136	1,110,816	—	—	29	175,620	165	1,286,436	(9.33)%
	Judicial	94	6,081,239	1	29,384	23	1,108,851	118	7,219,474	8.31 %
	Magistrate	68	2,752,653	2	76,532	8	225,585	78	3,054,770	3.25 %
	VFF	583	800,400	—	—	26	21,545	609	821,945	11.24 %
2010	PERA	22,736	608,687,723	772	10,696,980	3,581	52,233,317	27,089	671,618,020	7.27 %
	Legislative	135	1,270,496	—	—	25	136,000	160	1,406,496	0.00 %
	Judicial	81	5,250,445	1	28,528	28	1,340,417	110	6,619,390	7.32 %
	Magistrate	59	2,660,870	2	75,545	8	219,027	69	2,955,442	11.40 %
	VFF	521	710,400	—	—	23	19,145	544	729,545	8.56 %

## DISTRIBUTION OF RECENT RETIREE AGES AT RETIREMENT

### FISCAL YEAR ENDED JUNE 30, 2019

Five year comparison showing the number of added retirees per fiscal year, their average monthly benefit and the average age the year of retirement.

	2015			2016			2017		
	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Retirees Added	Average Monthly Benefit	Average Age At Retirement
State General	765	\$ 2,264	60.00	856	\$ 2,379	59.77	690	\$ 2,179	61.20
State Police/ Corrections	57	2,743	50.25	46	2,638	51.62	28	3,063	51.44
Municipal General	606	2,129	59.88	681	2,116	60.69	504	1,920	61.95
Municipal Police	136	3,408	48.88	163	3,676	48.97	115	3,459	49.09
Municipal Fire	58	4,229	50.18	90	3,913	49.13	18	3,570	51.16
Legislative	16	1,229	69.22	1	1,430	60.67	11	1,117	67.70
Judicial	11	6,200	65.50	7	6,175	65.58	4	8,285	65.65
Magistrate	6	2,875	60.47	2	1,115	63.08	2	5,029	60.04
Volunteer Firefighter	116	156	62.88	122	159	62.35	115	162	62.44



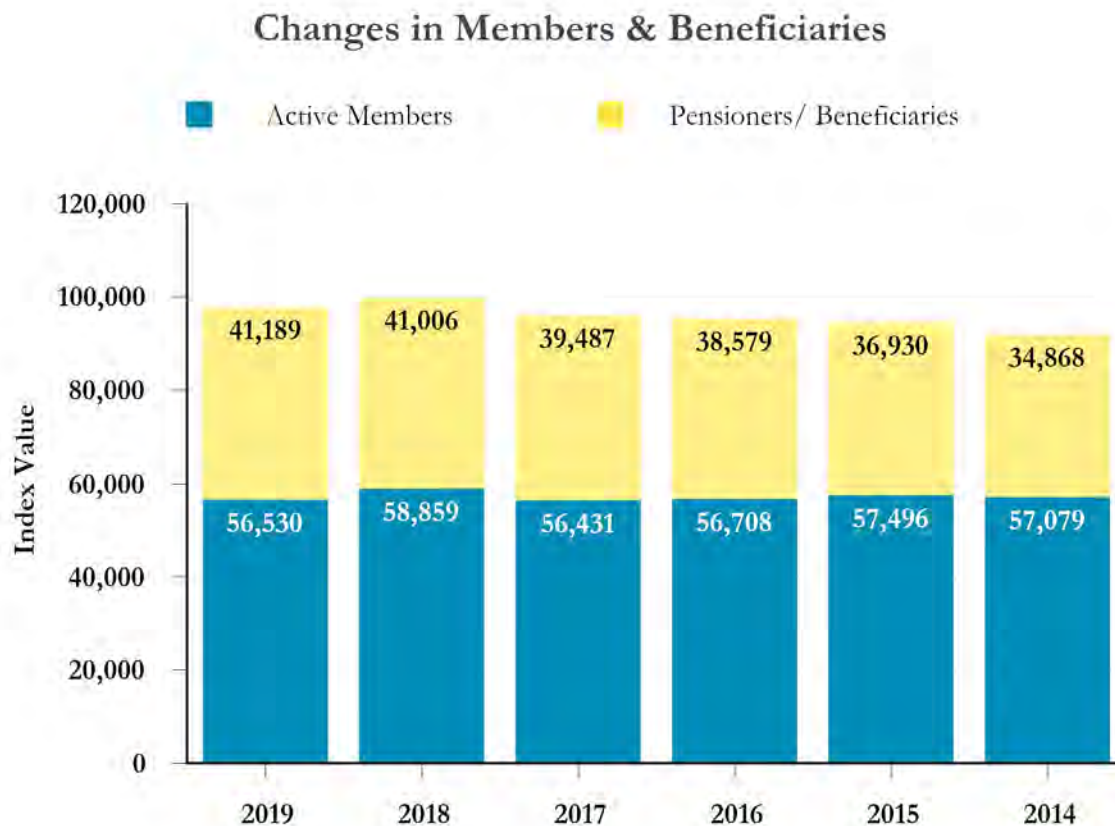
## DISTRIBUTION OF RECENT RETIREE AGES AT RETIREMENT

### FISCAL YEAR ENDED JUNE 30, 2019

Five year comparison showing the number of added retirees per fiscal year, their average monthly benefit and the average age the year of retirement.

	2018			2019			All Current Retirees & Beneficiaries		
	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Total Retirees	Average Monthly Benefit	Average Age At Retirement
State General	747	\$ 2,406	60.74	807	\$ 2,566	60.56	15,956	\$ 2,070	57.69
State Police/ Corrections	44	2,776	54.01	37	3,489	51.47	1,218	2,433	51.07
Municipal General	673	2,172	60.69	720	2,159	61.42	11,217	1,976	58.15
Municipal Police	122	3,890	50.45	136	3,705	49.57	3,032	2,963	47.72
Municipal Fire	61	4,137	49.27	73	4,438	49.99	1,630	3,047	47.94
Legislative	3	1,435	68.33	13	1,698	66.81	157	961	64.58
Judicial	9	7,254	65.87	17	6,137	65.62	133	5,711	62.69
Magistrate	1	1,859	54.50	3	3,677	63.64	77	3,068	60.62
Volunteer Firefighter	148	160	62.01	79	215	62.83	1,330	144	61.14

## COMBINED SYSTEM PARTICIPANTS FOR THE LAST FIVE YEARS



Five Year Comparison of change in members and pensioners as of June 30th.

Fiscal Year	Active Members (1)	% Changed	Pensioners/ Beneficiaries	% Changed	Total Participants	% Changed
2019	56,530	(4.12)%	41,189	3.43%	97,719	1.14%
2018	58,859	4.13 %	41,006	3.70%	97,865	1.99%
2017	56,431	(0.49)%	39,487	2.30%	95,918	0.66%
2016	56,708	(1.39)%	38,579	4.27%	95,287	0.90%
2015	57,496	0.73 %	36,930	5.58%	94,426	2.63%
2014	57,079	1.00 %	34,868	6.00%	91,947	2.00%

(1) Excludes Inactive Members

## MEMBERSHIP BY AGE AND YEARS OF SERVICE PER DIVISION

Comparison at June 30, 2019 of Age Breakdown in 5 year increments to the Years of Service

PERA								
Completed Years of Service								
Nearest Age	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	Total
Under 20	364	—	—	—	—	—	—	364
20 to 24	2,244	25	—	—	—	—	—	2,269
25 to 29	3,995	873	52	—	—	—	—	4,920
30 to 34	3,208	1,777	973	56	—	—	—	6,014
35 to 39	2,387	1,540	1,760	663	62	1	—	6,413
40 to 44	1,902	1,096	1,436	1,208	451	26	—	6,119
45 to 49	1,684	1,052	1,229	1,182	1,036	148	3	6,334
50 to 54	1,505	871	1,047	951	820	221	20	5,435
55 to 59	1,303	902	1,116	962	798	245	43	5,369
60 & Over	1,366	1,020	1,229	831	577	256	94	5,373
Total	19,958	9,156	8,842	5,853	3,744	897	160	48,610

Nearest Age	LEGISLATIVE							Total
	Completed Years of Service							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 30	—	—	—	—	—	—	—	0
30 to 34	2	—	—	—	—	—	—	2
35 to 39	2	—	—	—	—	—	—	2
40 to 44	4	5	—	—	—	—	—	9
45 to 49	3	7	—	—	—	—	—	10
50 to 54	10	6	2	—	—	—	—	18
55 to 59	7	2	1	3	—	1	—	14
60 & Over	22	12	7	6	9	4	5	65
Total	50	32	10	9	9	5	5	120

## MEMBERSHIP BY AGE AND YEARS OF SERVICE PER DIVISION (CONTINUED)

Comparison at June 30, 2019 of Age Breakdown in 5 year increments to the Years of Service

JUDICIAL								
Completed Years of Service								
Nearest Age	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	Total
Under 20	—	—	—	—	—	—	—	—
20 to 24	—	—	—	—	—	—	—	—
25 to 29	—	—	—	—	—	—	—	—
30 to 34	—	—	—	—	—	—	—	—
35 to 39	2	1	—	—	—	—	—	3
40 to 44	7	3	3	—	—	—	—	13
45 to 49	9	4	2	1	1	—	—	17
50 to 54	4	5	3	4	2	1	—	19
55 to 59	2	2	8	5	3	1	—	21
60 & Over	5	11	20	9	4	2	1	52
Total	29	26	36	19	10	4	1	125

MAGISTRATE								
Completed Years of Service								
Nearest Age	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	Total
Under 20	—	—	—	—	—	—	—	—
20 to 24	—	—	—	—	—	—	—	—
25 to 29	—	—	—	—	—	—	—	—
30 to 34	—	—	—	—	—	—	—	—
35 to 39	1	—	1	—	—	—	—	2
40 to 44	0	1	3	1	—	1	—	6
45 to 49	2	1	1	1	2	1	—	8
50 to 54	3	2	—	1	3	2	—	11
55 to 59	6	1	1	4	1	—	—	13
60 & Over	13	4	4	2	2	—	—	25
Total	25	9	10	9	8	4	—	65

**MEMBERSHIP BY AGE AND YEARS OF SERVICE PER DIVISION (CONTINUED)**

Comparison at June 30, 2019 of Age Breakdown in 5 year increments to the Years of Service

<b>VOLUNTEER FIREFIGHTER</b>								
<b>Completed Years of Service</b>								
<b>Nearest Age</b>	<b>Under 5</b>	<b>5 to 9</b>	<b>10 to 14</b>	<b>15 to 19</b>	<b>20 to 24</b>	<b>25 to 29</b>	<b>30+</b>	<b>Total</b>
Under 30	2,126	188	15	—	—	—	—	2,329
30 to 34	678	178	39	5	—	—	—	900
35 to 39	713	165	69	16	5	—	—	968
40 to 44	410	148	58	25	14	2	—	657
45 to 49	362	110	47	35	20	7	—	581
50 to 54	337	150	82	37	19	22	7	654
55 to 59	280	158	49	32	23	6	2	550
60 & Over	724	391	98	35	36	14	2	1,300
Total	5,630	1,488	457	185	117	51	11	7,939

## MEMBERSHIP BY STATUS PER DIVISION

Six Year Comparison of active and inactive members per division.

### Division

<b>PERA</b>		<b>Active</b>	<b>Inactive</b>	<b>Total</b>
	2019	48,060	19,623	67,683
	2018	48,610	17,941	66,551
	2017	48,751	16,368	65,119
	2016	48,693	15,075	63,768
	2015	49,173	11,634	60,807
	2014	49,288	9,882	59,170

<b>Legislative</b>		<b>Active</b>	<b>Inactive</b>	<b>Total</b>
	2019	99	29	128
	2018	120	12	127
	2017	111	16	127
	2016	122	16	138
	2015	121	11	132
	2014	126	15	141

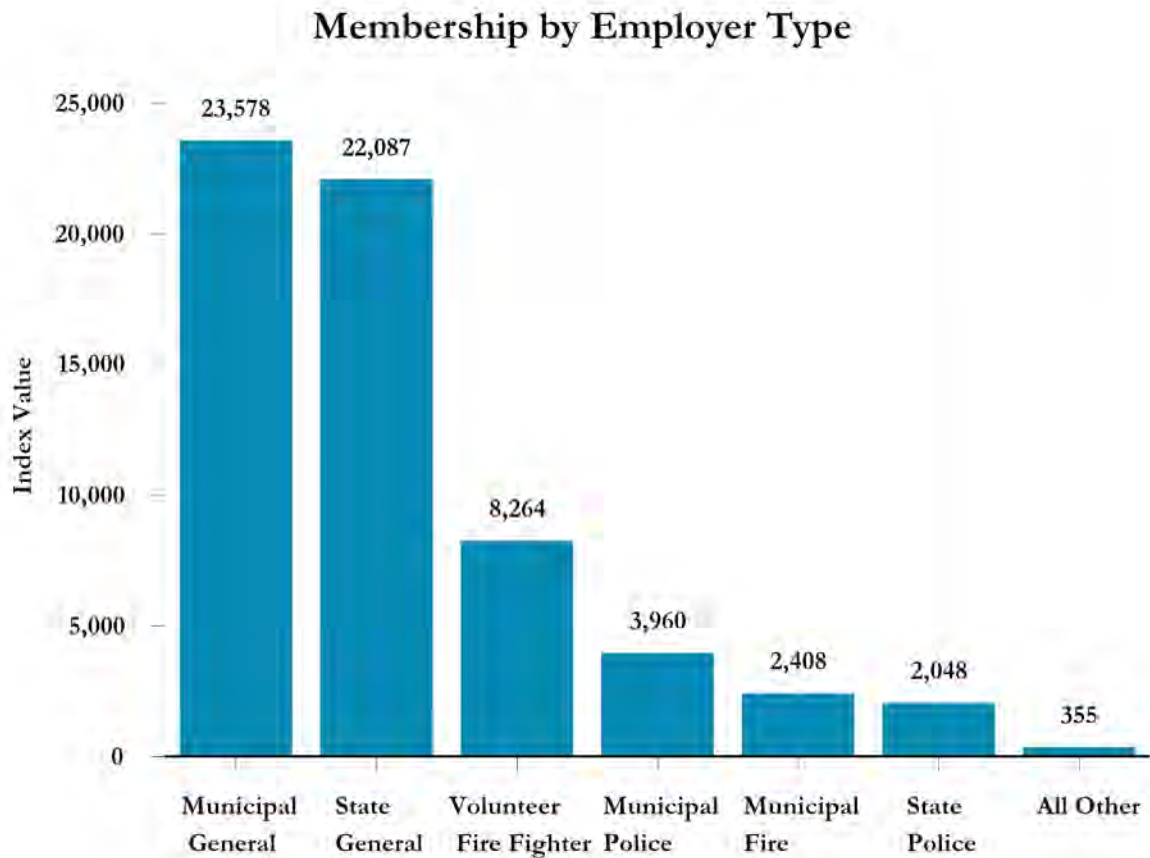
<b>Judicial</b>		<b>Active</b>	<b>Inactive</b>	<b>Total</b>
	2019	124	26	150
	2018	125	22	146
	2017	124	22	146
	2016	127	20	147
	2015	127	23	150
	2014	121	23	144

<b>Magistrate</b>		<b>Active</b>	<b>Inactive</b>	<b>Total</b>
	2019	65	21	86
	2018	65	14	79
	2017	65	13	78
	2016	65	14	79
	2015	60	16	76
	2014	45	12	57

<b>VFF</b>		<b>Active</b>	<b>Inactive</b>	<b>Total</b>
	2019	8,182	360	8,542
	2018	7,939	374	8,313
	2017	7,491	430	7,921
	2016	7,823	482	8,305
	2015	8,136	657	8,793
	2014	7,499	737	8,236

## MEMBERSHIP BY EMPLOYER TYPE

### AS OF JUNE 30, 2019

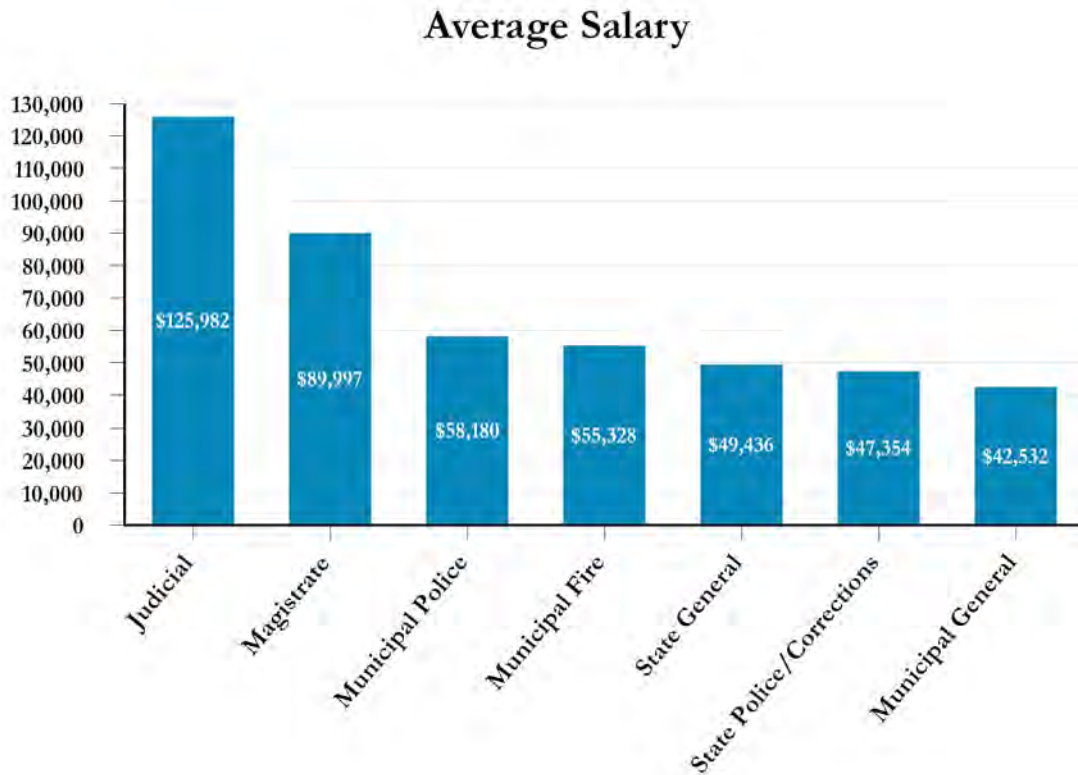


A summarized listing of members by employer type as of June 30, 2019

	Total	Active	Inactive
State General	22,087	19,114	2,973
State Police	2,048	1,928	120
Municipal General	23,578	21,511	2,067
Municipal Police	3,960	3,748	212
Municipal Fire	2,408	2,309	99
Judicial	145	125	20
Magistrate	78	65	13
Volunteer Fire Fighter	8,264	7,939	325
Legislative	132	120	12



## AVERAGE SALARY BY EMPLOYER TYPE AS OF JUNE 30, 2019



Average salary by employer type as of June 30, 2019.

	Average Salary	Members *	Total Salaries
State General	\$49,436	18,923	\$935,478,450
State Police/Corrections	47,354	1,863	88,220,403
Municipal General	42,532	21,198	901,598,748
Municipal Police	58,180	3,687	214,508,600
Municipal Fire	55,238	2,389	131,964,078
Judicial	125,982	124	15,621,802
Magistrate	89,997	65	5,849,795
Volunteer Fire Fighter	N/A **	7,939	N/A **
Legislative	N/A **	120	N/A **

## PARTICIPATING EMPLOYERS

### CURRENT YEAR AND TEN YEARS AGO

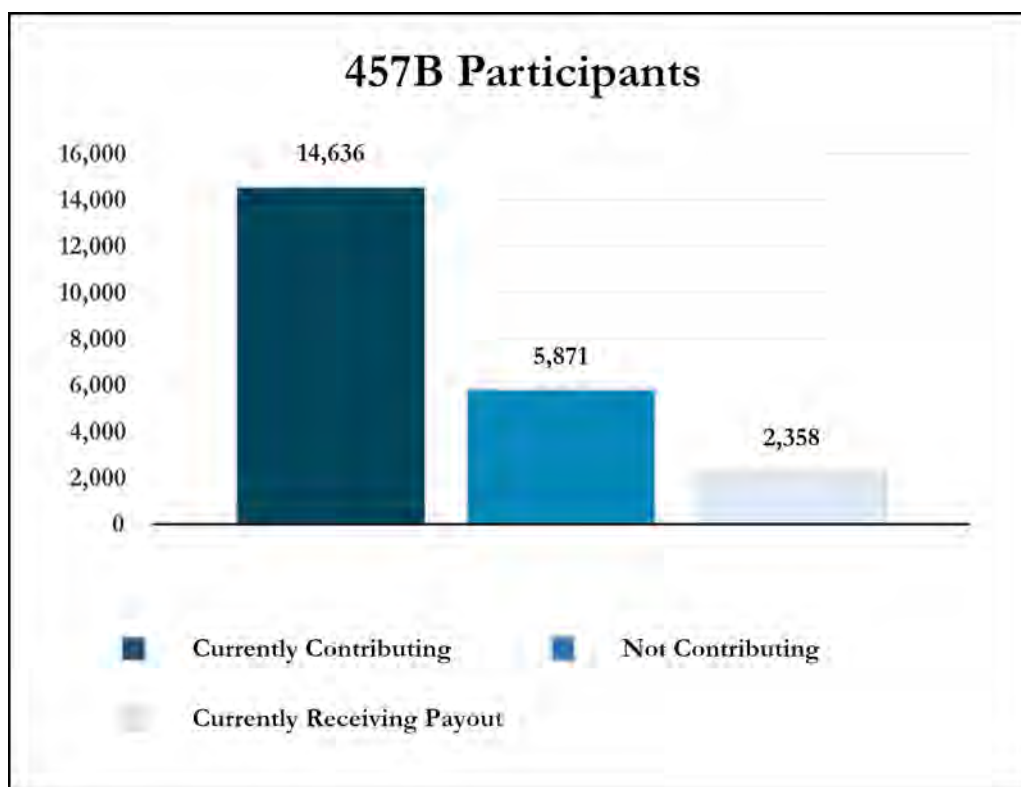
Ten year direct comparison of employers, active employees, and percentage of employees per division type.

	2019			2010		
	Employers	Active Employees	Percentage of Employees	Employers	Active Employees	Percentage of Employees
<b>Public Employees Retirement Fund:</b>						
State Agencies	121			126		
Subtotal State Division	121	20,786	36.83%	126	25,227	43.63%
Municipalities	93			86		
Counties	33			33		
Other local public bodies	64			46		
Housing Authorities	15			16		
Subtotal Municipal Division	205	27,274	48.33%	181	28,119	48.64%
<b>Judicial Retirement Fund</b>	16	124	0.22%	16	125	0.22%
<b>Magistrate Retirement Fund</b>	12	65	0.12%	9	54	0.09%
<b>Volunteer Firefighters Fund</b>	364	8,182	14.50%	363	4,283	7.41%
<b>TOTAL</b>	718	56,431	100.00%	695	57,808	100.00%

#### Principal employers:

State of New Mexico  
City of Albuquerque, NM  
County of Bernalillo in NM

## NEW MEXICO PERA SMART SAVE DEFERRED COMPENSATION PLAN



### Participants at June 30, 2019

Total Plan Participants	22,865
Currently Contributing	14,636
Not Contributing	5,871
Currently Receiving Payout	2,358

## NEW MEXICO PERA SMART SAVE DEFERRED COMPENSATION PLAN

### Asset Allocation by Asset Class for June 30 ,2019

	Assets as of June 30, 2019	% of Total Assets
Domestic Equity Funds:		
Large Cap Funds	\$ 173,886,371	22.55%
Mid Cap Funds	57,761,077	7.49%
Small Cap Funds	11,822,950	1.53%
International Equity Funds	27,104,187	3.52%
Global Real Estate Funds	2,219,386	0.29%
Balanced Funds	20,615,172	2.67%
Fixed Income Funds	151,156,867	19.60%
Asset Allocation	172,686,872	22.39%
Suspense	94,142	0.01%
Recordkeeper Variable Payout Assets	28,971	0.00%
Recordkeeper Fixed Payout Assets	956,471	0.12%
Stable Value	133,640,620	17.33%
Self-Directed Option	5,138,911	0.67%
Contributions Receivable	1,172,006	0.15%
Loans Receivable	12,812,783	1.66%
<b>TOTAL</b>	<b>\$ 771,096,786</b>	<b>100.00%</b>

## DEFERRED COMPENSATION PROGRAM COMPARATIVE INVESTMENT RESULTS

### FISCAL YEAR ENDED JUNE 30, 2019

Manager	1-year 2018	3-year 2015-2018	5-year 2013-2018
<b>Large Cap Funds</b>			
Dodge & Cox Stock Fund	4.10 %	14.40%	8.30 %
Vanguard Institutional Index	10.40 %	14.20%	10.70 %
Fidelity Contrafund	8.00 %	17.90%	12.60 %
<b>Mid Cap Funds</b>			
Principal MidCap Blend Fund	18.10 %	17.30%	12.60 %
Fidelity Low-Priced Stock Fund	(0.80)%	9.40%	6.10 %
T. Rowe Price Mid Cap Growth	16.70 %	17.50%	13.60 %
<b>Small Cap Funds</b>			
DFA US Small Cap Portfolio	(5.50)%	9.80%	6.10 %
<b>International Funds</b>			
Fidelity Diversified Int'l	2.60 %	8.80%	3.50 %
American EuroPacific Growth Fund	1.90 %	10.80%	4.50 %
Aberdeen Emerging Markets	10.20 %	8.20%	2.30 %
Vanguard Total International Stock Index	0.60 %	9.00%	2.30 %
<b>Fixed Income Funds</b>			
Vanguard Inflation Protected Securities Fund	4.70 %	1.90%	1.70 %
Vanguard Total Bond Market Index Fund	7.90 %	2.20%	2.90 %
Templeton Global Bond Fund	5.70 %	4.70%	1.60 %
<b>Real Estate</b>			
Principal Diversified Real Asset Fund	0.60 %	4.10%	(0.60)%
INVESCO Global Real Estate Fund	8.80 %	5.60%	5.00 %
<b>Balanced Funds</b>			
Oakmark Equity & Income Fund	4.60 %	9.30%	4.90 %
Stable Value Fund			
New Mexico Stable Value Fund	2.40 %	2.00%	1.80 %
<b>Asset Allocation</b>			
Conservative Portfolio	5.70 %	5.00%	3.50 %
LifeCycle 2020 Portfolio	5.80 %	6.10%	n/a
LifeCycle 2025 Portfolio	6.30 %	7.50%	4.90 %
LifeCycle 2030 Portfolio	6.60 %	8.40%	n/a
LifeCycle 2035 Portfolio	6.60 %	9.00%	5.60 %
LifeCycle 2040 Portfolio	6.60 %	9.40%	n/a
LifeCycle 2045 Portfolio	6.60 %	9.70%	5.90 %
LifeCycle 2050 Portfolio	6.60 %	9.90%	n/a
LifeCycle 2055 Portfolio	6.50 %	10.00%	6.00 %

## SYSTEM AND PLANS STATISTICAL HIGHLIGHTS

### FISCAL YEAR ENDED JUNE 30, 2019

Provides summarized information regarding the pension plans in regards to membership, financial, and actuarial

	PERA	Legislative	Judicial	Magistrate	VFF
<b>Membership Information</b>					
Total Membership	108,233	322	336	191	9,971
Active	48,060	99	124	65	8,182
Inactive	19,623	29	26	21	360
Retired	40,550	194	186	105	1,429
Active Members	48,060	99	124	65	8,182
Average Age	45.07	58.99	54.69	54.40	41.93
Average Years of Service	9.14	8.92	9.80	9.23	3.73
Average Annual Salary	\$ 47,269	N/A (1)	\$ 125,982	\$ 89,997	N/A (1)
Retirees	40,550	194	186	105	1,429
Average Age	67.81	74.52	70.68	71.91	69.24
Average Annual Benefit	\$ 29,834	\$ 10,464	\$ 62,986	\$ 38,184	\$ 1,756
<b>Financial Information</b>					
Change in Net Position	\$ 297,062,904	(2)	\$ 428,708	\$ (295,062)	\$ 2,549,177
Net Assets at Market Value	17,482,403,282	(2)	103,383,651	35,884,054	80,932,598
Liabilities	1,974,857,737	(2)	11,624,301	4,086,664	9,095,968
Totals for:					
Contributions	621,319,197	(2)	6,422,329	1,875,825	750,000
Investment Income	937,607,583	(2)	5,537,944	1,938,490	4,317,954
Pension Benefits	1,193,943,794	(2)	11,351,841	4,026,067	2,456,859
Refunds	54,336,708	(2)	100,360	55,566	—
Administrative Expenses	13,583,374	(2)	79,364	27,744	62,918

(1) Legislative and Volunteer Firefighters are not based on payroll contributions.

(2) Legislative Statutory Contribution is \$1 Million and is included in the PERA fund.

**SYSTEM AND PLANS STATISTICAL HIGHLIGHTS (CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2019

**DEFERRED CONTRIBUTION FUND****Membership Information**

Total Membership	22,865
Currently Contributing	14,636
Not Contributing	5,871
Currently Receiving Payout	2,358

**Financial Information**

Change in Net Position	\$	38,117,383
Net Assets at Market Value		645,015,446
Totals for:		
Contributions		43,134,670
Investment Income		37,556,290
Other Income		107,000
Pension Benefits		41,197,682
Life Insurance Benefits		24,597
Administrative Expenses		1,458,298



**Schedule of Asset Management Costs-Unaudited FY 2019**  
**Name of Agency: Public Employees Retirement Association of New Mexico**

**2.2.2.12(G)(1)**

**For all asset classes except private asset classes and alternative investment classes:**

<b>Consultant</b>	<b>Location</b>	<b>Description of Investments Subject to the Agreement</b>	<b>Fees</b>	
Wilshire	Santa Monica, CA	General Consultant (fixed fee)	\$ 737,273.58	
<b>Third-party marketers</b>	<b>Location</b>	<b>Description of Investments Subject to the Agreement</b>	<b>Fees, Commissions or Retainers</b>	
N/A	N/A	N/A	—	
<b>Name of Investment</b>	<b>Asset Class *</b>	<b>Value of the Investment at 06/30/18</b>	<b>Management Fees</b>	<b>Performance Fees</b>
STO	Cash	\$ 27,708,885	\$—	\$—
Cash and Suspense Account	Cash	45,770,206	—	—
AQR Alphaport	Domestic Equity	443,471,643	2,595,225	—
DFA Small Cap	Domestic Equity	—	153,716.35	—
Kayne Anderson SCC	Domestic Equity	224,291,142.06	578,795.25	—
TimesSquare	Domestic Equity	160,855,791	219,887.97	—
Aberdeen	Global & International Equity	—	259,234.19	—
Acadian Intl Equity	Global & International Equity	273,912,330.56	485,973	—
AXIOM INVESTORS	Global & International Equity	245,819,054.51	—	—
Blackrock Equity Transition	Global & International Equity	110,434.01	—	—
Blackrock Low Vol Intl Equity	Global & International Equity	1,055,827,778.32	324,335.72	—
Equity Cash Overlay	Global & International Equity	108,140,362.78	87,271.51	—
KBI	Global & International Equity	1,450,039.49	—	—
MFS	Global & International Equity	188,308,849.33	336,859.81	271,176.55
NTGI ACWI X US	Global & International Equity	3,206,004	—	—
Parametric EM	Global & International Equity	—	289,438.42	—
Principal	Global & International Equity	139,760,000	339,043.15	140,321.62
Russell Transition	Global & International Equity	334,638	90,000	—
Schroder	Global & International Equity	130,911,170	464,801.24	21,883.68
SSGA ACWI IMI	Global & International Equity	2,491,058,403	398,645.53	—
Black Rock Core	Domestic Fixed Income	1,161,419,324	1,207,314.66	—
MACKAY SHIELDS	Domestic Fixed Income	892,915,647	1,073,426.34	—
Prudential	Domestic Fixed Income	842,525,611	649,073.36	—
Blackrock Glb Fixed Income	Global & International Fixed Income	394,704,859	58,217.78	—
Manulife	Global & International Fixed Income	55,007	452,411.65	—
Parametric Risk Mitigation O/L	Global & International Fixed Income	40,828,078	89,285.89	—
GUGGENHEIM GLOBAL HY	Liquid Credit	(36.8)	297,315.92	—
Parametric Credit Cash Ovrly	Liquid Credit	222,712,182.07	23,019.15	—
PINEBRIDGE HY	Liquid Credit	184,427,645.66	540,207.87	—
DFA REIT	Real Estate Investment Trusts (REITs)	220,003,494.57	395,907.41	—
Security Capital REIT	Real Estate Investment Trusts (REITs)	141,228,792.1	1,340,903	—
Deutsche Listed Infrastructure	Listed Infrastructure	136,967,290.31	998,655.66	—
PIMCO Commodities	Commodities	206,040,270.67	1,153,702.21	—
PIMCO TIPS	TIPS	478,289,460.9	1,010,588.05	—
Para RL AS CSH OVRLY	Real Asset Cash Overlay	184,454,575.49	27,882.17	—
Harvest MLP	MLP	294,383,936.77	1,933,134.49	—

Schedule of Asset Management Costs-Unaudited FY 2019  
Name of Agency: Public Employees Retirement Association of New Mexico (continued)

2.2.2.12(G) (2)  
For private asset classes and alternative investment classes:

Consultant	Location	Description of Investments Subject to the Agreement by Asset Class	Fees
Albourne	San Francisco, CA	Illiquid Investment Consultant (fixed fee)	\$ 870,000
Torrey Cove	San Diego, CA	Illiquid Investment Consultant (fixed fee)	600,000

Third-party marketers	Location	Description of Investments Subject to the Agreement	Fees, Commissions or Retainers
N/A	N/A	N/A	—

Asset Class *	Brief Description of Investments	Management Fees	Carried Interest
Hedge Funds/ Fund of Funds	Includes Domestic and Global HF: Credit Oriented, Long/Short, Market Neutral	\$ 5,858,101.45	\$ 362,535.26
Illiquid Credit & Structured	Includes Global and Domestic: Private Debt, High Return Seeking Opportunities	17,262,160.59	3,574,364.23
Private Equity	Includes Domestic and Global: Buyout, Growth, Venture, and Secondary Strategies	14,409,673.39	19,088,431.60
Real Return/Real Assets	Includes Global and Domestic: Energy and Natural Resources, Infrastructure and Agriculture	14,054,226.00	1,516,162.68
Real Estate	Includes Global and Domestic: Core, Opportunistic and Value Add RE	10,706,765.50	2,146,814.52
Risk Parity	Risk Parity	44,702.54	—

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Public Employees  
Retirement Association  
of New Mexico

January 30, 2020

Audit Results Presentation to:

# Public Employees Retirement Association of New Mexico (PERA) – Board of Trustees



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# Agenda

- Introductions
- Overview of Audit Approach
- June 30, 2019 Audit Results
  - PERA Defined Benefit Funds
    - ◇ PERA, Judicial, Magistrate & Volunteer Firefighters
  - Deferred Compensation Plan
    - ◇ Audited by other auditors
- Required Communications
- Defined Benefit Funds' Financial Highlights



# Overview of Audit Approach

- Auditor's responsibility
  - Express an opinion on the financial statements. This requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- Planning the audit
  - Walkthroughs/Process documentation
  - Inquiries
  - Develop understanding of the entity
  - Determine materiality
  - Perform risk assessment to identify critical audit areas



# Critical Audit Areas

- Investments
- Contributions
- Benefit payments
- Actuarial information



# Critical Audit Areas - Investments

- Investments
  - Understanding of internal controls
    - ◇ Walkthroughs
      - Reconciliation procedures
      - Initial due diligence and on-going monitoring
      - Compliance monitoring
    - ◇ Review custodial bank's SSAE 18/SOC 1 report
  - Substantive procedures
    - ◇ Confirmation of custodial and non-custodial investments
    - ◇ Price testing of equity and fixed income securities
    - ◇ Review of audited financial statements and roll-forwards of non-custodial (alternative) investments



# Critical Audit Areas - Contributions

- Understanding of internal controls
  - Review of internal audit procedures and reports
  - Walkthroughs of contribution and purchase of service processes
  - Test of controls over the contributions process
- Substantive procedures
  - Reconciliation of contributions from G/L to Subsidiary
  - Confirmation of contributions with employers
  - Analytical procedures including Data Analytics



# Critical Audit Areas – Benefit Payments

- Understanding of internal controls
  - Review of internal audit procedures and reports
  - Walkthroughs of benefit payments processes; separate walkthroughs for disability, survivor, regular retirement and refund processes
  - Test of controls over the benefit payment processes
- Substantive Procedures
  - Reconciliation of benefit payments from G/L to Subsidiary
  - Analytical procedures including Data Analytics



## Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
  - Evaluate the competence, capabilities and objectivity of the specialist
    - ◇ Confirm actuaries independence and accreditation
    - ◇ Prior experience with the actuaries
  - Obtain an understanding of the work of the specialist
    - ◇ Review the nature, scope and objectives of the work of the specialist
  - Evaluate the appropriateness of the work of the specialist
    - ◇ Review of the actuary report and compare key assumptions to pension and actuarial industry standards
    - ◇ Review of independent actuarial studies
  - Additional testing specific to GASB 67/68

## Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
  - Census Data
    - ◇ Leverage data analytics performed over contributions and benefit payments to test the active and retiree census data for completeness and accuracy.
- Utilize an independent actuary to evaluate the sufficiency and appropriateness of PEBA's actuarial valuations in accordance with AU-C 620 – Using the Work of an Auditor's Specialist.



# 2019 Audit Results

- Independent Auditors' Report - Unmodified "clean" opinions that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Limited procedures were performed, and no opinion was rendered on management's discussion and analysis, required supplemental information, and the Introductory, Investment, Actuarial, and Statistical sections.
- Limited procedures were performed, and an in relation to opinion was rendered on the supplemental schedules.
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
  - No material weaknesses or significant deficiencies were identified.
  - No significant deficiencies were identified
  - One (1) Finding Noted regarding 'Compliance & Other Matters'
    - ◇ The Board did not approve and submit its Operating Budget for FY2020 by the statutory deadline of May 1, 2019.

# Required Governing Body Communications

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
  - No new accounting policies adopted in 2019 nor any other transactions lacking authoritative guidance.
- Management judgments and accounting estimates
  - Valuation of alternative investments
  - Actuarial assumptions and methods used for Pension Liabilities
- Financial statement disclosures
- No audit adjustments or passed adjustments

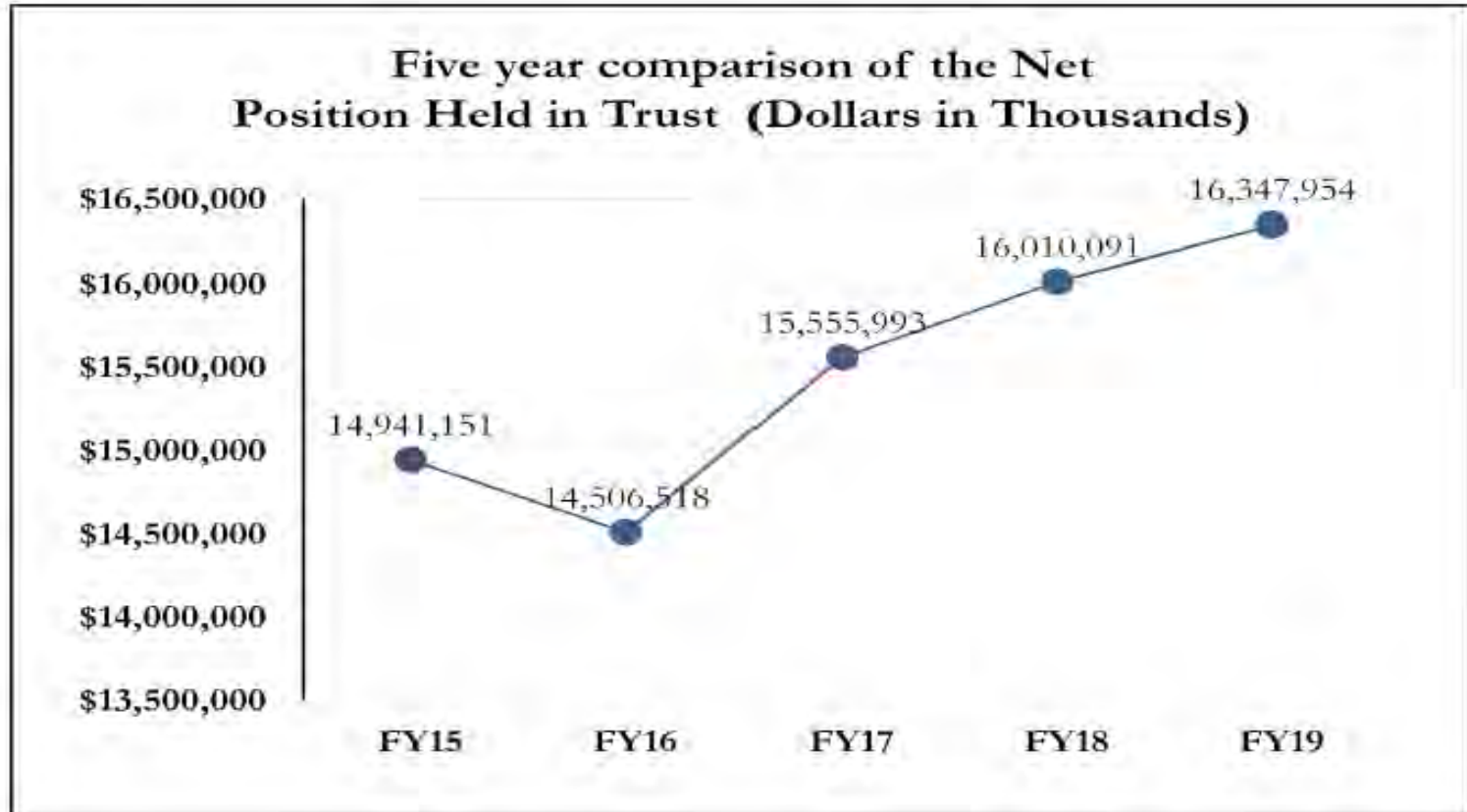


## Other Communications

- Management was very cooperative and professional during the audit process
- No disagreements with management
- Management did not consult with other accountants on the application of GAAP or GAAS
- No major issues were discussed with management prior to retention
- Management Representations



# Financial Highlights – Fiduciary Net Position



# PERA Financial Highlights – Investment Income

The following table shows the investment income for the defined benefit funds for the fiscal year 2019:

## Investment Income

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Interest	\$ 154,890,732	\$ 948,884	\$ 327,579	\$ 720,487	\$ 156,887,682
Dividends	151,500,408	893,256	313,976	694,431	153,402,071
Net Appreciation in Fair Value of Inv.	581,382,118	3,399,817	1,195,798	2,686,588	588,664,321
Other Investment Income	108,877,286	641,934	225,630	499,140	110,243,990
Other Investment Expenses	(64,440,773)	(375,965)	(131,428)	(298,058)	(65,246,224)
Securities Lending Income	3,351,124	19,738	6,935	15,366	3,393,163
<b>Net Investment Income</b>	<b>\$ 935,560,895</b>	<b>\$ 5,527,664</b>	<b>\$ 1,938,490</b>	<b>\$ 4,317,954</b>	<b>\$ 947,345,003</b>



# PERA Financial Highlights - Contributions

Contributions are one piece of the retirement equation. The member and employer contributions rates are set in statute. See notes to the financial statements for the detail schedule of the contribution rates. Employer and member contributions for the fiscal year increased from \$611,264,249 in 2018 to \$630,367,351 in 2019.

## Total Contribution by Fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund	Total
Employer Contributions	\$ 339,676,103	\$ 4,731,492	\$ 1,236,273	\$ —	\$ 345,643,868
Employee Contributions	274,026,282	1,649,240	639,552	—	276,315,074
Purchased Services	7,616,812	41,597	—	—	7,658,409
State Contributions	—	—	—	750,000	750,000
<b>Total Contributions</b>	<b>\$ 621,319,197</b>	<b>\$ 6,422,329</b>	<b>\$ 1,875,825</b>	<b>\$ 750,000</b>	<b>\$ 630,367,351</b>

# PERA Financial Highlights - NPL

## Net Pension Liability by Fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund
Total Pension liability	\$ 21,989,223,963	\$ 205,434,589	\$ 77,431,101	\$ 52,560,526
Plan Fiduciary Net Position held in trust for pension benefits	15,507,545,545	91,759,350	31,797,390	71,836,630
Net Pension Liability / (Asset)	\$ 6,481,678,418	\$ 113,675,239	\$ 45,633,711	\$ (19,276,104)
Ratio of plan net position of total pension liability	70.52%	44.67%	41.07%	136.67%

# PERA Financial Highlights – NPL Sensitivity

## PERA FUND

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	9,231,606,618	6,481,678,418	4,209,584,476

## VOLUNTEER FIREFIGHTERS FUND

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability / (Asset)	(13,083,498)	(19,276,104)	(24,415,211)

## JUDICIAL FUND

	1% Decrease 4.12%	Current Discount Rate 5.12 %	1% Increase 6.12%
Net Pension Liability	137,185,161	113,675,239	93,913,798

## MAGISTRATE FUND

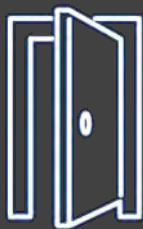
	1% Decrease 3.56%	Current Discount Rate 4.56%	1% Increase 5.56%
Net Pension Liability	55,090,916	45,633,711	37,796,121



# Questions







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**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**Santa Fe, New Mexico**

**FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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## Independent Auditor's Report

To the State Auditor, Board of Directors and PERA  
The State of New Mexico Public Employees' Deferred Compensation Plan  
Santa Fe, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the State of New Mexico Public Employees' Deferred Compensation Plan (the Plan) which comprise the statements of net position held in trust for plan benefits as of June 30, 2019 and 2018, and the related statements of changes in net position held in trust for plan benefits for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 2019 and 2018, and the results of operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Memorandums of Understanding, Officials Roster, Exit Conference and Summary of Audit Results are presented for purposes of additional analysis and is not a required part of the financial statements. Such additional information has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2019 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Boise, Idaho  
October 24, 2019

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

This discussion and analysis of the State of New Mexico Deferred Compensation Plan’s (“the Plan”) financial performance provides an overview of the Plan’s financial activities for the fiscal years ended June 30, 2019, 2018 and 2017. This section should be read in conjunction with the Plan’s financial statements.

**Using This Annual Financial Report**

This annual financial report consists of two parts: (1) management’s discussion and analysis (this section) and (2) the Plan’s basic financial statements. The financial statements also include notes that explain information in the financial statements and provide more detailed data.

**Condensed Financial Information**

The table below compares key financial information in a condensed format between the current and prior years:

	Fiscal Years Ended June 30		
	2019	2018	2017
<b>Plan Net Position Held in Trust for Plan Participants</b>	<u>\$ 644,973,130</u>	<u>\$ 606,862,949</u>	<u>\$ 568,832,783</u>
Employee Contributions	\$ 43,134,670	\$ 40,031,630	\$ 47,752,984
Net increase in fair value of investments	33,805,663	44,425,527	56,218,055
Interest Income	3,749,398	3,054,074	2,739,314
Benefits Paid	(41,197,682)	(48,221,377)	(39,510,967)
Administrative Expenses	(1,357,271)	(1,225,808)	(1,164,518)
Life Insurance Premiums	<u>(24,597)</u>	<u>(33,880)</u>	<u>(42,094)</u>
<b>Net Increase in Plan Net Position</b>	<u>\$ 38,110,181</u>	<u>\$ 38,030,166</u>	<u>\$ 65,992,774</u>

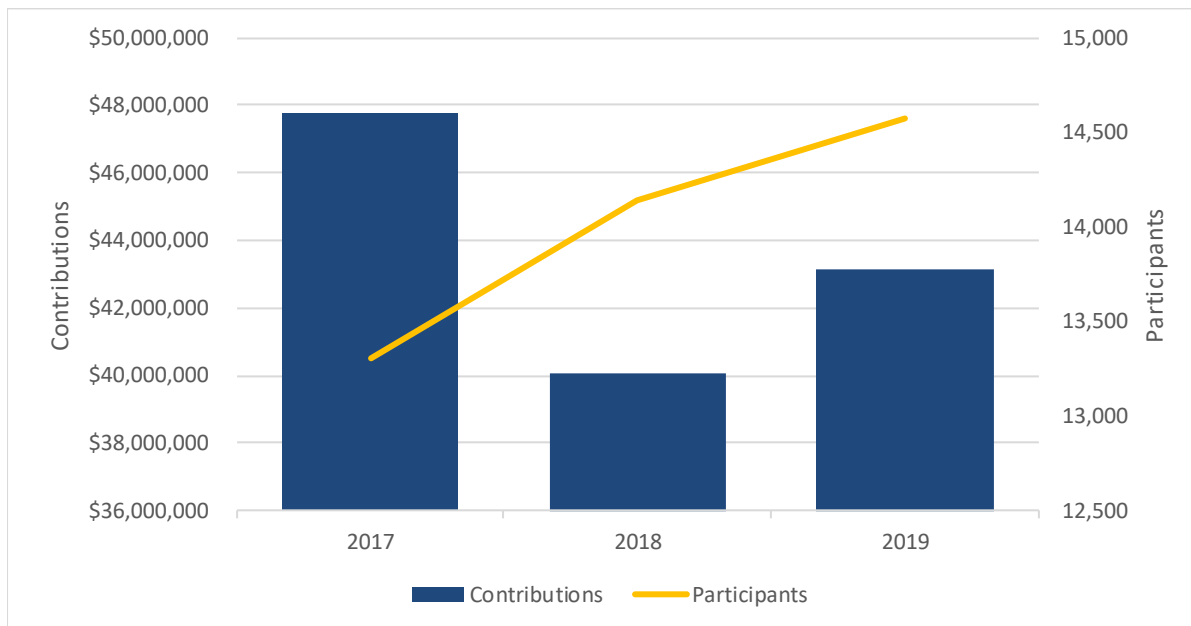
**Financial Highlights**

The net position held in trust for plan benefits increased by approximately \$38 million during the current period from \$606.8 million at June 30, 2018, to \$644.9 million at June 30, 2019. This increase is primarily due to investment income earned during the current year, interest income from the Stable Value Option, as well as an increase in participants. The net position held in trust for plan benefits increased by approximately \$38 million from \$568.8 million at June 30, 2017 to \$606.8 million at June 30, 2018. This increase was primarily due to investment income earned during the year and interest income from the Stable Value Option.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
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*Contributions to the Plan*

Employee contributions were \$43.1, \$40.0, and \$47.8 million for the years ending June 30, 2019, 2018 and 2017, respectively. Employee contributions increased by \$3.1 million from June 30, 2018 to June 30, 2019 and decreased by \$7.7 million from June 30, 2017 to June 30, 2018. Fluctuations in employee contributions are primarily due to differences in the number of actively contributing participants from year to year as well as changes in the average contributions per participant. The average contribution per participant was \$2,959, \$2,828, and \$3,590 for the years ended June 30, 2019, 2018 and 2017, respectively. There were 14,577, 14,144, and 13,300 actively contributing participants at June 30, 2019, 2018 and 2017, respectively. In accordance with the Internal Revenue Code, employees could voluntarily contribute up to a maximum amount of \$18,500 in 2018 and \$19,000 in 2019 unless over age 50, which allows an additional \$6,000. However, participants' contributions are not always at maximum, causing uneven annual contribution changes in relation to participant changes.

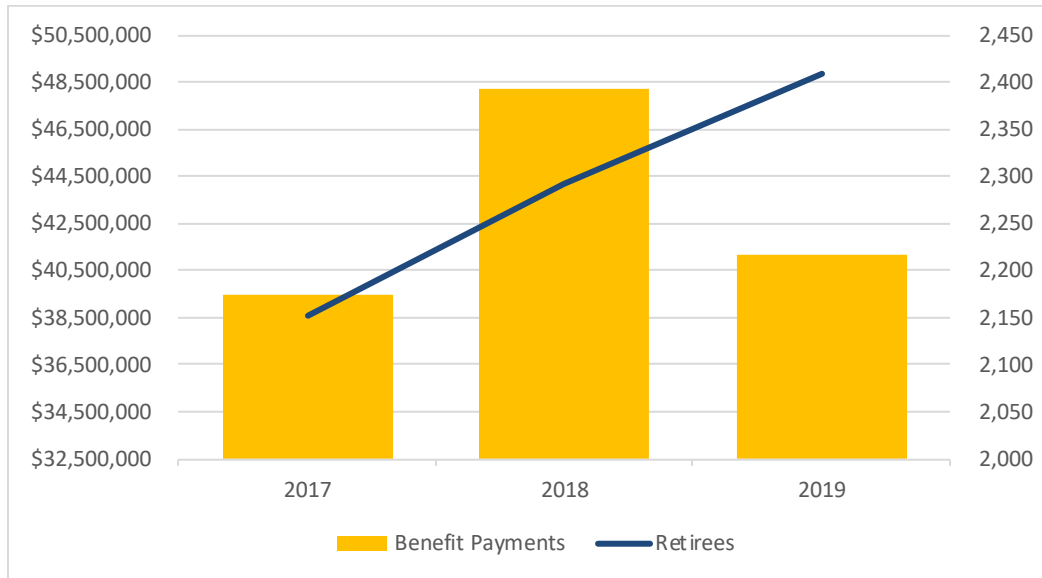


*Beneficiaries of the Plan*

Benefits paid to participants decreased from \$48.2 million for the year ended June 30, 2018 to \$41.2 million for year ended June 30, 2019. This was due to a decrease in the dollar amount of assets being requested, coupled with a slight increase in the number of retiree requests from 2,293 in 2018 to 2,408 in 2019. During the previous period, Benefits paid to participants increased from \$39.5 million for the year ended June 30, 2017 to \$48.2 million for year ended June 30, 2018. There was a minimal change in the number of retirees, 2,192 in 2017 to 2,293 in 2018, but an increase in average distribution. The average distribution per participant was \$17,172, \$21,020, and \$18,369 for the years ended 2019, 2018 and 2017, respectively. The number of participants who withdraw funds from the Plan due to termination of employment on an annual basis fluctuates. The number of participants who withdraw funds has risen from 1,305 in 2017, to 1,459 in 2018, to 1,462 in 2019.



**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
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### Overall Fund Structure and Objectives

The Plan was established in accordance with the provisions of the State of New Mexico Deferred Compensation Act, NMSA 1978, Section 10-7A-1 through 10-7A-12 (2017). The Plan complies with the requirements of Internal Revenue Code Section 457, as amended. The Plan provides a voluntary, supplemental tax-deferred retirement program, which provides employees a convenient means to save for retirement. The Public Employees Retirement Association (“PERA”) of New Mexico is the Trustee of the Plan. PERA is directed by the Public Employees Retirement Board (the “Board”) which consists of twelve members.

After an employer has adopted the Plan and the PERA Board has approved the adoption, an employee is eligible to participate in the Plan as of the first day of employment and may voluntarily contribute a portion of their compensation up to the annually established Internal Revenue Service limits. Under Plan provisions, employees of the State, its cities and counties, special districts and educational institutions are eligible to contribute to the Plan through payroll deductions. An employee participating in the Plan may discontinue, or temporarily suspend, contributions at any time. Employees can increase or decrease contribution amounts at any time. If the participant elects to contribute, the minimum amount that may be contributed for any Plan year is \$260 and shall not exceed the amount permitted pursuant to Section 457 of the Internal Revenue Code.

### Costs of the Plan

The Plan seeks to maintain low costs for employees that elect to participate. In 2018-2019, the cost of providing recordkeeping, enrollment, education, and other administrative services to participants in the Plan was \$7.50 plus .135% of assets, not to exceed \$26 per quarter, per participant. Investment consulting services were provided at an average cost of \$0.98 per quarter, per participant. PERA operating fees averaged \$1.01 per quarter, per participant. Additional fees and other charges may be assessed for various options available in the Plan. In addition, the Plan seeks to provide the best possible investment vehicles at the lowest cost.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
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**Asset Allocation**

All participants have the ability to direct the investments of their accounts under the Plan, in accordance with the investment choices as are made available and those policies or procedures as are determined by the Board and the administration from time to time. The Plan has no control over investment decisions made by the participants. Plan assets may be invested and reinvested in various instruments as deemed appropriate by the Board and Plan management. Several investment tiers have been developed and made available to participants. A summary of the types of investments is listed in Note 3 in the notes to the financial statements.

**Market Environment Overview**

While the early start of 2019 may have been characterized by worries of rising interest rates globally, this quickly shifted throughout the year as increasing concerns of a slowing global growth – made worse by trade tensions between the U.S. and China – prompted major central banks to consider more accommodative policies. In the US, the Federal Reserve held federal funds rate steady at its June meeting, while signaling the potential for future interest rate cuts. The European Central Bank (ECB) for its part also held rates steady with a potential for further reduction, and the Bank of Japan showed no signs of pulling back from its unprecedented monetary stimulus. Of all the central banks, the US has the most room to lower rates, while Japan and Europe are already in negative territory. With growth revisions for 2019 and 2020 (IMF forecast of 3.2% and 3.5% respectively) down by 0.1%, key risks to monitor will not only be continued trade tensions between US and China, but the declining growth in China, political uncertainty in Europe, and risks related to Brexit dealings.

While global equities rebounded significantly from December lows to close out fiscal year 2019, the past twelve months certainly saw heightened volatility, with the VIX reaching 36 in December before retracing to 25 and further retreating to more muted levels by the June 30 fiscal year end. Nonetheless, for much of the fiscal year, most markets embraced a “risk on” appetite.

U.S. equities, as represented by the Russell 3000 Index, closed out the fiscal year with a 8.98% return. Non-US equity markets, however, did not fare as well. Emerging markets delivered negative returns in the first half of the year, to close out the fiscal year with a 1.21% return. Trade tensions and a strong U.S. dollar strength continued to weigh down on results. The MSCI EAFE Index, representing foreign developed markets, followed closely behind returning 1.08%. Overall growth has declined in Europe given the slowdown in Germany, uncertainties related to Brexit, and trade tensions.

The trend of U.S. growth stocks outperforming value stocks persisted throughout the year, with growth holding a 3.26% lead over value, as the Russell 3000 Growth closed out the year with a 10.6% return, versus -7.37% for the Russell 3000 Value.

Within fixed income, investment grade markets closed out the year on a strong note. Throughout the first half of FY 2019, concerns over rising interest rates and inflation created headwinds. In the U.S., the Federal Reserve increased short-term interest rates to a range of 2.25% to 2.50% by December, but this hawkish stance turned dovish in the second half as central banks abruptly shifted to a more accommodative policy by early January. Investment grade credit and high yield rebounded alongside the equity markets as a result, with the high yield market posting one of the strongest returns in nearly 10 years (7.26% for the quarter ending March 31, 2019). Despite this, the deterioration of US and Chinese

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trade talk in May prompted a temporary drop in global equity prices and US Treasury yields. The 3mo-10yr segment of the yield curve inverted for the second time in 2019, causing investors to question whether this might be a sign of worse things to come. Historically, the yield curve has been relied on as a barometer of economic strength and potential recession indicator. Inversions in the yield curve have historically preceded recessions, with a few exceptions.

Over the trailing year, the broad U.S. bond market, represented by the Bloomberg Barclays Aggregate Index, returned 7.78%, high yield bonds returned 7.48% and TIPS returned 4.84% while emerging market bonds (as represented by JPM GBI-EM Global Diversified Index) posted a 8.99% return for the year.

Within other asset classes, natural resource stocks (S&P Global Natural Resources Index) returned -4.02%, commodities (Bloomberg Commodity Index) lost -6.75%, and REITs (MSCI U.S. REIT Index) gained 11.06%. U.S. crude settled at \$58.52/ barrel, down roughly 10% from prior fiscal year end levels, but well above the December 31 value of \$47.84. OPEC-led production cuts along with sanctions on Iran and Venezuela drove the higher prices though tempered by the slowing global economy.

*Looking Forward*

Looking forward, there are several issues that we will continue to monitor. First is the slowing global growth. After increasing rates over the last several years from record lows, major central banks have shifted to a more accommodative stance. With little room for a reduction in rates outside the U.S., there is speculation of other policy measures being implemented such as negative rates and/or further quantitative easing implemented. Outside of the U.S., European economic conditions appear bleak as we continue to witness political uncertainty and ongoing structural issues. Brexit negotiations remain a concern. Within emerging markets, and China specifically, growth has slowed. Second, in the U.S., equity markets remain extended despite the volatility spike in the fourth quarter, and the current economic cycle has been one of the longest on record now going into the tenth year. Also in the U.S., trade policy remains a key issue. We also see declining growth in China and the impact of trade tensions with the U.S.

Given slowing global growth, compounded by trade tensions, major central banks have pivoted to a more dovish tone. The U.S. and ECB are expected to start cutting rates and could move back to quantitative easing, while the BOJ maintains its massive monetary support. These policies have been a major boost to the markets and could support global growth. The key questions remain whether or not they are pivoting too early and if this rally in risk assets is short-lived or more sustainable. *Note: following the close of fiscal year 2019, the Federal Reserve did cut rates by 25 basis points.*

The U.S. economy and equity markets have experienced a long period of growth since the Global Financial Crisis due in part to central bank support. Late cycle dynamics of low unemployment and rising inflation are in place, and valuations are stretched for equities, despite the recent pullback witnessed in December 2018. With the long economic and market expansions, and the many unresolved political and trade issues, we could see heightened volatility in the remainder of 2019. Other key issues in the U.S. will be policy uncertainty related to tariffs, immigration, and strategic alliances.

China has the second largest economy behind the U.S. After a long period of growth driven by government investment and exports, it continues to manage a repositioning of its economy to one based increasingly on domestic consumption. This rebalancing process has led to a slowing of the

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
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economy which has hurt countries that have become reliant on its trade. The recent focus on tariffs between the U.S. and China is another key issue that could have a disproportionately negative impact on China, as the U.S. is one of their largest export destinations (18% of exports). Another core issue in China remains its high debt levels, particularly in the corporate sector.

Europe continues to have the structural problem of maintaining a single currency and central bank, while fiscal policy rests with each individual country. Consequently, countries that are experiencing financial difficulties are unable to use the traditional tools of lowering interest rates and devaluing their currency to stimulate growth. This has caused tensions within the Eurozone, as highlighted by the recent elections in Italy and the prior elections in Germany, as well as the on-going issues in Greece. Given the size of Italy’s bond market and economy within the euro area, an Italian sovereign debt crisis or its departure from the euro would have significant consequences. Further, Brexit uncertainty continues to affect the Eurozone. In March 2019, Theresa May’s withdrawal proposal was rejected by Members of Parliament for a third time, increasing the likelihood of a no-deal Brexit when the current extension expires in October 2019. *Note: following the close of fiscal year 2019, Boris Johnson became UK Prime Minister in July, increasing the likelihood of a no-deal Brexit.*

We will continue to monitor these issues and others.

**Contacting Management**

This report is designed to provide the Board, Plan participants, investors and creditors with a general overview of the Plan’s finances and to demonstrate the Plan’s accountability for the Plan’s funds. For additional information, contact the NM PERA Deferred Compensation Plan Manager at 33 Plaza La Prensa, Santa Fe, New Mexico 87507 or 1-800-342-3422.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**STATEMENTS OF NET POSITION HELD IN TRUST FOR PLAN BENEFITS**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>INVESTMENTS</b>		
Annuities	\$ 956,471	\$ 1,062,992
Stable value option	133,640,620	129,567,328
Variable earnings investments	491,252,339	457,990,195
Self-directed option	<u>5,138,911</u>	<u>4,954,319</u>
 Total investments	 630,988,341	 593,574,834
 <b>RECEIVABLES</b>		
Participant contributions receivable	1,172,006	993,246
Participant loans receivable	<u>12,812,783</u>	<u>12,294,869</u>
 <b>NET POSITION HELD IN TRUST FOR PLAN BENEFITS</b>	 <u><u>\$ 644,973,130</u></u>	 <u><u>\$ 606,862,949</u></u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**STATEMENTS OF CHANGES IN NET POSITION HELD IN TRUST FOR PLAN BENEFITS**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO</b>		
Employee contributions	\$ 43,134,670	\$ 40,031,630
Investment income:		
Net increase in fair value of investments	33,805,663	44,425,527
Interest income on stable value option	3,077,301	2,495,178
Interest income on fixed annuity payout	34,068	19,467
Interest income on participant loans	<u>638,029</u>	<u>539,429</u>
 Total additions	 <u>80,689,731</u>	 <u>87,511,231</u>
 <b>DEDUCTIONS FROM NET POSITION ATTRIBUTED TO</b>		
Benefits paid to participants	41,197,682	48,221,377
Administrative expenses	1,357,271	1,225,808
Life insurance premiums	<u>24,597</u>	<u>33,880</u>
 Total deductions	 <u>42,579,550</u>	 <u>49,481,065</u>
 <b>NET INCREASE</b>	 38,110,181	 38,030,166
 <b>NET POSITION HELD IN TRUST FOR PLAN BENEFITS, BEGINNING OF YEAR</b>	 <u>606,862,949</u>	 <u>568,832,783</u>
 <b>NET POSITION HELD IN TRUST FOR PLAN BENEFITS, END OF YEAR</b>	 <u><u>\$ 644,973,130</u></u>	 <u><u>\$ 606,862,949</u></u>

The accompanying notes are an integral part of the financial statements.



**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 1 – DESCRIPTION OF PLAN**

**General**

The State of New Mexico (the State) Public Employees’ Deferred Compensation Plan (the Plan), a defined contribution plan, was established pursuant to the Deferred Compensation Act of New Mexico, which was passed on April 6, 1981. The Plan was approved by the State Department of Finance and Administration on January 6, 1982, and is sponsored by the State. The Plan is administered by the New Mexico Public Employees’ Retirement Association (NMPERA).

**Contributions**

Under Plan provisions, employees of the State, its cities and counties, special districts and educational institutions that have completed the Plan adoption process, are eligible to contribute into the Plan through payroll deductions. There were approximately 82,000 and 81,500 employees eligible to participate in the Plan as of June 30, 2019 and 2018, respectively. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual’s annual contribution to 100% of annual gross includable compensation, not to exceed \$19,000 for calendar year 2019 and \$18,500 for calendar year 2018. Additionally, in each of the two Retirement Catch-up years, a participant’s Retirement Catch-up contribution is limited to the lesser of (a) the maximum amount for that year, \$19,000 in 2019 and \$18,500 in 2018 or (b) the amount by which contributions to the Plan in previous years were less than the maximum that the participant was eligible to contribute. An additional \$6,000 in 2019 and in 2018 can apply to a participant reaching the age 50 and each year thereafter. This catch-up provision is referred to as the Age 50 and Over Catch-up contribution. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. Participant employers do not make any contributions to the Plan.

Although this is no longer offered as an option for new participants, at retirement or termination of employment, employees already investing in universal life insurance contracts may continue to make premium payments directly to the insurance carrier or they may receive the cash surrender value of the policies. In the case of the death of an employee, the face value of the insurance contract is payable to the policy beneficiary.

**Investment Options**

Employees electing to participate in the Plan may contribute to any of the following options:

- Variable earnings investments consisting of various publicly-traded mutual funds;
- Stable value option managed by Galliard Capital Management; and
- Self-directed brokerage account option administered by Charles Schwab.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)**

**Participant Loans**

The Plan allows participants to take loans from their account balances. Any participant is eligible to receive a loan. Each participant is entitled to one outstanding loan at a time. Participants are charged a nonrefundable loan set-up fee of \$50. An additional annual fee of \$50 is assessed on the anniversary date of the loan while the loan is outstanding. Repayments of loans are to be made automatically from a participant-specified account with a financial institution. The maximum term permitted on a loan is five years or 15 years if the loan is for the purchase of a principal residence. The minimum loan amount permitted is \$1,000 and the maximum amount of any loan under the Plan is the lesser of 50% of the participant’s vested account balance or \$50,000. The total balance of loans outstanding to participants was \$12,812,783 and \$12,294,869 at June 30, 2019 and 2018, respectively and is listed as participant loans receivable on the Statements of Net Position Held in Trust for Plan Benefits. Interest rates range between 3.75% and 9.25%. The interest rate is based on market conditions at the time the loan is processed. Generally, the rate is the “Prime Rate” + 1%.

**Payment of Benefits**

A Plan distribution can become available only after the participant reaches the age of 70½ years old, the participant’s death, separation-from-service, retirement, upon the participant’s severe financial emergency, or if a participant’s account balance does not exceed \$5,000 and no amount was deferred during a 2-year period and there was no prior distribution. Participants may select various payout options, including lump sum payments or payments over various periods.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies followed by the Plan are as follows:

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Valuation and Income Recognition**

Investments in the fixed annuity payout option are valued based upon the fixed earnings rates as reported by the investment carriers or manager, which approximate fair value. Investments in the Stable Value Option are valued based upon the daily net asset value reported daily by Galliard Capital Management, which approximates fair value. The investment valuation includes contributions received, plus investment income earned to date less applicable charges and amounts withdrawn.

Variable earnings investments in publicly-traded mutual funds are presented at fair value based upon published quotations. All purchases and sales of investments are recorded on a trade-date basis.

Assets held in fixed and variable annuity payout investments represent discontinued annuity payout options in the Plan. The Plan held \$956,471 and \$1,062,992 at June 30, 2019 and 2018, respectively, which represents assets transferred to a product provider for investment in fixed and variable group annuity contracts. Periodic payments are made to retired participants of the Plan as provided by these purchased annuity contracts. The contract valuation of these assets is based upon an actuarial valuation of the present value of future retirement benefits to be paid under the contracts, which approximates fair value. Annuity payout investments are no longer available as options in the Plan.

**Contributions and Contributions Receivable**

Contributions are recognized when amounts are withheld from employees. Contributions receivable represents amounts withheld from employees, but not remitted to the investment carriers at June 30, 2019 and 2018. The Plan requires that contributions received “in good order” by the Plan Administrator from the various Plan payroll centers be applied to the respective participant account within one business day following the date of receipt.

**Interest Income**

Interest income for the fixed annuity payout option and participant loans is recorded as earned on the accrual basis.

The annual crediting interest rate for the stable value investment option, net of fees, ranged from 0.59% to 2.14% for the year ended June 30, 2019, and 1.74 % to 1.92% for the year ended June 30, 2018. Interest income for the stable value investment option is recorded as earned on the accrual basis.

**Variable Earnings Investment Income**

Variable earnings investment income consists of dividends earned and realized and unrealized gains and losses attributed to the mutual funds supporting the variable earnings investments. Dividends are recorded on the ex-dividend date.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 3 – INVESTMENTS**

The State of New Mexico Public Employees' Deferred Compensation Plan categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statements of net position at the end of each reporting period.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Self-directed investments: Valued at the daily closing price as reported by the fund and reported as Level 1. These represent investments that are actively traded on an open market.

Lifecycle funds: Valued at carrying value based on the NAV of the observable market prices of the underlying assets within that account less liabilities.

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2019			
Investments at Fair Value:				
Mutual Funds	\$ 318,442,353	\$ 318,442,353	\$ -	\$ -
Self-directed investments	5,138,911	5,138,911	-	-
Total Investments at Fair Value	323,581,264	\$ 323,581,264	\$ -	\$ -
Investments at Net Asset Value:				
Lifecycle Funds	172,686,872			
Investments at Contract Value:				
Stable value option	133,640,620			
Annuities, net of payments in transit	1,079,585			
Total Investments	<u>\$ 630,988,341</u>			

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 3 – INVESTMENTS (CONTINUED)**

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2018			
Investments at Fair Value:				
Mutual Funds	\$ 304,582,371	\$ 304,582,371	\$ -	\$ -
Self-directed investments	4,954,319	4,954,319	-	-
Total Investments at Fair Value	309,536,690	\$ 309,536,690	\$ -	\$ -
Investments at Net Asset Value:				
Lifecycle Funds	153,377,900			
Investments at Contract Value:				
Stable value option	129,567,328			
Annuities, net of payments in transit	1,092,916			
Total Investments	<u>\$ 593,574,834</u>			
Investments measured at the net asset value (NAV):	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
June 30, 2019				
Lifecycle Funds	\$ 172,686,872	\$ -	Daily	None
June 30, 2018				
Lifecycle Funds	\$ 153,377,900	\$ -	Daily	None

Lifecycle Funds: This asset class is generally comprised of a combination of fixed income and equity investment options. These investment options may include balanced, asset allocation, target-date, and target-risk investment options. Although typically lower risk than investment options that invest solely in equities, all investment options in this category have the potential to lose value.

Stable value option and annuities: The Plan invests in annuities that represent guaranteed investment contracts that represent a fixed-income security portfolio of fixed-income securities and a value guarantee (wrapper) provided by a third party and are reported at contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Under the contract, a crediting interest rate is established that provides a minimum guaranteed annual interest rate. Participant initiated transactions are at contract value. However, certain events initiated at the Plan level, specifically termination of the contract, might limit the ability of the Plan to transact at contract value.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 3 – INVESTMENTS (CONTINUED)**

At June 30, 2019 and 2018, investments were as follows. Investments marked with an asterisk (\*) represent investments exceeding 5% or more of net position available for Plan benefits as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
<b>Investments:</b>		
Aberdeen Emerging Markets Fund - Institutional Class	\$ 2,451,957	\$ 2,616,747
EuroPacific Growth Fund® - Class R6	10,096,661	10,681,994
Dodge & Cox Stock Fund	32,146,579	31,872,924 *
DFA U.S. Small Cap Portfolio	11,822,950	12,702,876
The SEI Stable Asset Fund	133,640,620 *	129,567,328 *
Fidelity® Low-Priced Stock Fund - Class K	8,315,448	8,280,812
Fidelity® Diversified International Fund - Class K	11,126,546	11,085,416
Invesco Global Real Estate - Institutional Class	1,835,043	1,608,850
Life Cycle 2045 Portfolio	18,740,789	16,405,046
Life Cycle 2035 Portfolio	32,565,931 *	28,593,392
Life Cycle 2025 Portfolio	53,204,298 *	49,346,137 *
Conservative Portfolio	41,333,547 *	39,979,984 *
Life Cycle 2055 Portfolio	10,185,063	8,026,436
Life Cycle 2020 Portfolio	3,775,006	2,909,595
Life Cycle 2030 Portfolio	5,350,236	3,087,360
Life Cycle 2040 Portfolio	4,518,411	3,391,977
Life Cycle 2050 Portfolio	3,013,591	1,637,973
Vanguard Inflation Protected Securities Fund-Institutional Shares	4,423,547	4,310,152
Oakmark Equity and Income Fund (The) - Class I	20,615,172	20,893,841
Principal Investors Fund, Inc. - MidCap Blend Fund - Institutional Class	14,836,577	12,898,415
Principal Diversified Real Asset Fund - Institutional Class	384,344	452,591
Templeton Global Bond Fund - Class R6	3,093,416	2,972,907
Fidelity® Contrafund - Class K	52,866,291 *	49,201,339 *
T. Rowe Price Institutional Mid-Cap Equity Growth Fund	34,609,052 *	30,451,249 *
Vanguard Institutional Index Fund - Institutional Plus Shares	88,873,500 *	85,059,659 *
Vanguard Total Bond Market Index Fund - Institutional Shares	17,516,247	16,031,820
Vanguard Total International Stock Fund - Institutional Shares	3,429,023	3,460,779
	<u>624,769,845</u>	<u>587,527,599</u>

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 3 – INVESTMENTS (CONTINUED)**

	<u>2019</u>	<u>2018</u>
<b>Suspense:</b>		
Monies held pending investment	94,143	1,150
<b>Payouts:</b>		
Nationwide Fixed Annuity Payout Option (at contract value)	956,471	1,062,992
Nationwide Variable Annuity Payout Option	28,971	28,774
<b>Self Directed Option:</b>		
Investments Held at Charles Schwab	<u>5,138,911</u>	<u>4,954,319</u>
<b>Total investments at fair value</b>	<u><u>\$ 630,988,341</u></u>	<u><u>\$ 593,574,834</u></u>

The Plan has a formal investment policy that allows the Plan to select investment options that offer the best prospects to meet the participant's financial goals. The Policies allow for different tiers of investments that provide options for the participant to choose from. These are participant directed accounts, thus there are no limitations on concentration, credit and interest rate risk aside from the Plan's evaluation of the appropriate investment options to offer. The policy and investment offerings are reviewed and evaluated to ensure appropriate funds are available to the participant.

**Custodial credit risk** is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

Investments in the stable value option are held in the Plan's name by Galliard Capital Management, Inc., agent of the Plan. The remaining investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

**Credit risk** is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Committee. The investments that exceed 5% are indicated in the previous table.

**Interest rate risk** is the risk that changes in interest rates that will adversely affect the value of an investment.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 3 – INVESTMENTS (CONTINUED)**

As of June 30, 2019 and 2018, the Plan had the following investments and maturities in its fixed earnings investments, stable asset investments and its mutual funds, which include investments in bonds. Weighted average maturities will vary annually based on the underlying investments of funds.

	<b>2019</b>		<b>2018</b>	
	<b>Fair Value</b>	<b>Weighted Average Maturity</b>	<b>Fair Value</b>	<b>Weighted Average Maturity</b>
<b>Stable Value Option:</b>				
Stable Value Fund	\$ 133,640,620	3.75	\$ 129,567,328	3.45
<b>Variable Earnings Investments:</b>				
Life Cycle 2025 Portfolio	53,204,298	2.11	49,346,137	1.94
Life Cycle 2035 Portfolio	32,565,931	1.07	28,593,392	1.06
Life Cycle 2045 Portfolio	18,740,789	0.58	16,405,046	0.68
Life Cycle 2055 Portfolio	10,185,063	0.38	8,026,436	1.71
Life Cycle 2020 Portfolio	3,775,006	2.60	2,909,595	2.71
Life Cycle 2030 Portfolio	5,350,236	1.61	3,087,360	1.56
Life Cycle 2040 Portfolio	4,518,411	0.70	3,391,977	0.78
Life Cycle 2050 Portfolio	3,013,591	0.47	1,637,973	1.25
Oakmark Equity and Income Fund (The) - Class I	20,615,172	-	20,893,841	-
Vanguard Total Bond Market Index Instl	17,516,247	8.20	16,031,820	8.40
Life Cycle Conservative Portfolio	41,333,547	2.79	39,979,984	2.24
Templeton Global Bond Fund - Class R6	3,093,416	1.20	2,972,907	3.08

Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

**NOTE 4 – ALLOCATED LIFE INSURANCE CONTRACTS**

Generally accepted accounting principles require that contracts in a participant's name be excluded from the face of the financial statements. This product was closed to new participants in 2001. The values of insurance contracts change daily due to premiums paid, investment return and settlements of cash surrender value. Due to the actual cash surrender value being significantly less than the policyholder account value in the early years of universal life insurance contracts, a participant may receive substantially less than the value of their account upon the withdrawal of funds from their universal life insurance contract. The total amount of life insurance in force at June 30, 2019 and 2018, was \$10,616,498 and \$11,609,992 respectively. The cash surrender value of policies in force as of June 30, 2019 and 2018, was \$1,335,847 and \$1,457,469, respectively.



**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

**NOTE 5 – PLAN ADMINISTRATOR AND ADMINISTRATIVE EXPENSES**

The Plan’s third-party administrator is Nationwide Retirement Solutions, Inc. (NRS). For services performed, NRS receives an annual per participant account administrative fee; this fee is charged at an average cost of \$8.50 per quarter plus .135% of assets, not to exceed \$26 per quarter, per participant. NRS and Nationwide are subsidiaries of Nationwide Financial Services, Inc. In fiscal year 2018 NRS charged at an average cost of \$7.50 per quarter plus .135% of assets, not to exceed \$26 per quarter, per participant.

The Plan’s independent investment consultant is Meketa Investment Group (MIG). For services performed by MIG an annual fee is charged at an average cost of \$0.96 per quarter per participant. In fiscal year 2018 the annual fee was at an average cost of \$1.02 per quarter per participant.

The New Mexico Public Employees Retirement Association (PERA) receives an annual per participant fee to cover the direct expenses of administering the Plan; this fee is charged at an average cost of \$1.03 per quarter per participant. In fiscal year 2018 the fee was at an average cost of \$1.00 per quarter per participant.

NRS charges an initial set-up fee of \$50 and an annual maintenance fee of \$50 on each participant self-directed brokerage account. Charles Schwab may assess a charge on transfers related to participant self-directed brokerage accounts. NRS charges an annual loan maintenance fee of \$50. There is also the possibility of an annual loan default fee of \$50 and an insufficient funds fee of \$25. Another optional service available to Plan participants is Morningstar Advice Online. A \$45 annual fee is charged to participant’s using this service.

**NOTE 6 – TAX STATUS**

In the opinion of the legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 to the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

**NOTE 7 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the Statements of Plan Net Position.

**NOTE 8 – RELATED PARTIES**

Certain Board members of the Public Employees’ Retirement Association are active participants in the Plan.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 9 – SUBSEQUENT EVENTS**

Subsequent to year end, the Plan's third-party administrator (TPA) changed from Nationwide Retirement Solutions (NRS) to Voya Financial (Voya). The change was effective October 2019. Investment options for the Plan did not change as a result of the change in TPA.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
SCHEDULE OF MEMORANDUMS OF UNDERSTANDING  
June 30, 2019**

<b><i>Participants</i></b>	<b><i>Party Responsible for Operations</i></b>	<b><i>Beginning and Ending Dates</i></b>	<b><i>Total Estimated Amount of Project</i></b>	<b><i>Portion Applicable to the Agency</i></b>	<b><i>Amount Agency Contributed in the Current Fiscal Year</i></b>	<b><i>Audit Responsibility</i></b>	<b><i>Fiscal Agent</i></b>	<b><i>Government Agency Where Revenues and Expenditures are Reported</i></b>
Nationwide Retirement Solutions, Inc. Public Employees Retirement Board	Nationwide Retirement Solutions, Inc.	October 1, 2011 through September 30, 2019	Annual fee assessed quarterly \$45-\$52 per participant account	\$ -	\$ -	Nationwide Retirement Solutions, Inc.	N/A	State of New Mexico Deferred Compensation Plan



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the State Auditor, Board of Directors and PERA  
The State of New Mexico Public Employees' Deferred Compensation Plan  
Santa Fe, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of New Mexico Public Employees' Deferred Compensation Plan (the Plan), as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated October 24, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 24, 2019

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**SCHEDULE OF OFFICIALS ROSTER**  
**June 30, 2019**

Ms. Jackie Kohlasch	Chair	State Member
Mr. John Melia	Vice-Chair	Municipal Member
Ms. Claudia Armijo		State Member
Mr. Stephen Neel		State Member
Mr. David Roybal		State Member
Ms. Patricia French		Municipal Member
Mr. Lawrence Davis		Municipal Member
Ms. Shirley Ragin		County Member
Mr. Daniel Mayfield		Retiree Member
Ms. Loretta Naranjo-Lopez		Retiree Member
Ms. Maggie Toulouse Oliver	Ex-Officio	Secretary of State
Mr. Tim Eichenberg	Ex-Officio	State Treasurer

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
SCHEDULE OF EXIT CONFERENCE ATTENDEES  
June 30, 2019**

The exit conference was held on October 24, 2019 and was attended by the following individuals:

**Board Members Present:**

Ms. Jackie Kohlasch	Board Chair	State Member
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**Management Present:**

Mr. Wayne Propst	Executive Director
Mr. Dominic Garcia	Chief Investment Officer
Ms. Anna Williams	Chief Financial Officer
Ms. Karyn Lujan	Deferred Compensation Plan Manager

**Eide Bailly, LLP.:**

Brad Berls	Partner
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In accordance with 2.2.2.10(M)(1) NMAC, the exit conference was held with representatives of the governing authority and top management.

In accordance with 2.2.2.10(M)(3) NMAC, the audit report is not to be released to the public until released by the State Auditor's Office and is public record.

In accordance with 2.2.2.10(M)(4) NMAC, the audit report will be presented, after the required five day waiting period, to a quorum of the Board of Trustees.



**STATE OF NEW MEXICO PUBLIC EMPLOYEES'**  
**DEFERRED COMPENSATION PLAN**  
**SUMMARY OF AUDIT RESULTS**  
**June 30, 2019**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

# STATE OF NEW MEXICO PUBLIC EMPLOYEES' DEFERRED COMPENSATION PLAN

**PERA** *SMARTSAVE*



**CPAs & BUSINESS ADVISORS**

Executive Briefing as to the Results of the Audit  
For the Fiscal Year Ended June 30, 2019 and 2018  
October 2019  
Brad Berls, CPA, Partner

# AGENDA

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## Recap of the Results of the Audit

Analysis of Plan Net Position

Required Communications

Looking Forward to 2020 and Beyond

## Questions

These materials are intended to provide the participants with guidance in accounting and financial reporting matters. The materials do not constitute, and should not be treated as professional advice regarding the use of any particular accounting or financial reporting technique. Every effort has been made to assure the accuracy of these materials. Eide Bailly LLP and the author do not assume responsibility for any individual's reliance upon the written or oral information provided during the seminar. Seminar participants should independently verify all statements made before applying them to a particular fact situation, and should independently determine consequences of any particular technique before recommending the technique to a client or implementing it on the client's behalf.

# RECAP OF THE RESULTS OF THE AUDIT

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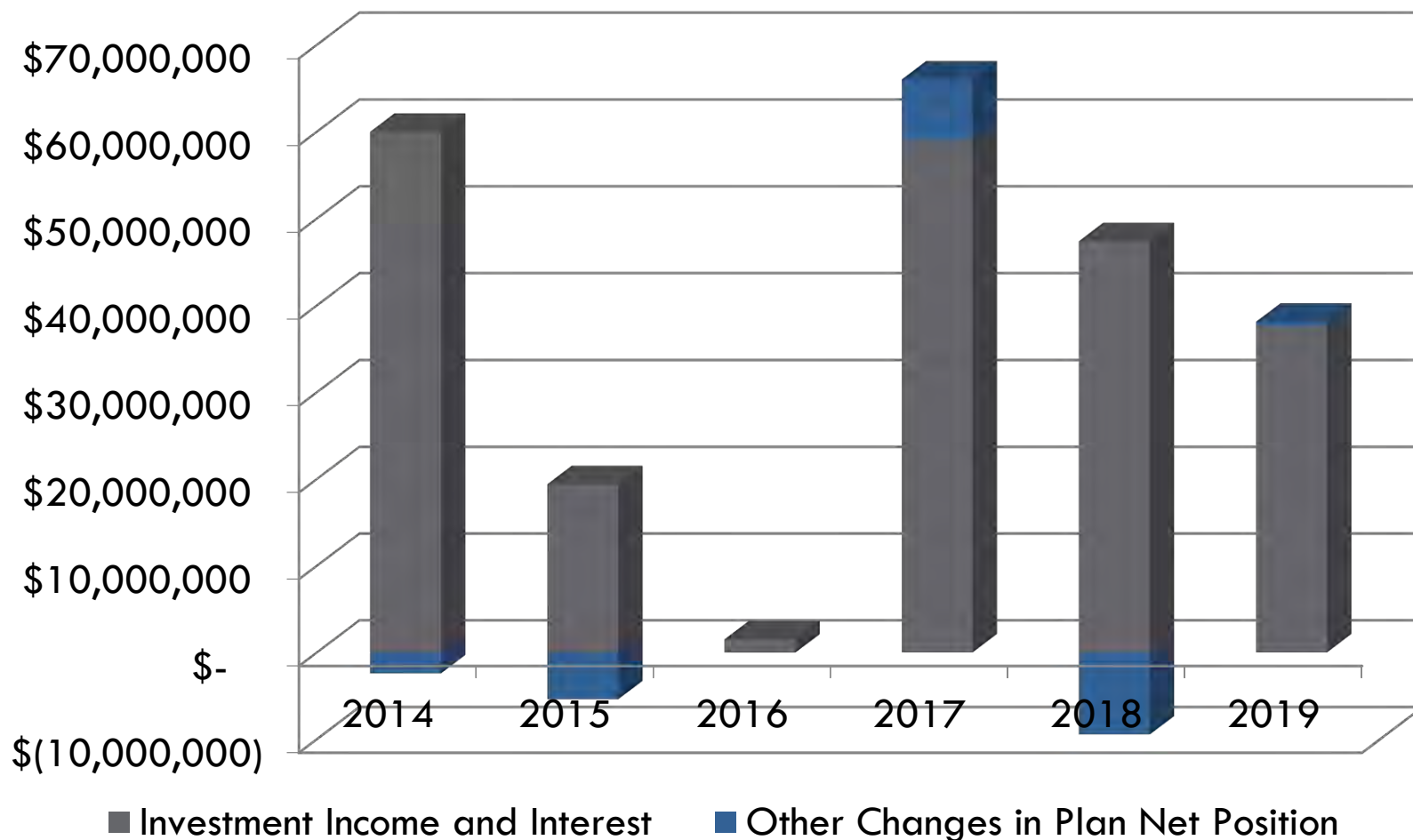
Audit was successful

Audit opinion is **unmodified** with additional notes on:

- Required supplementary information (RSI)

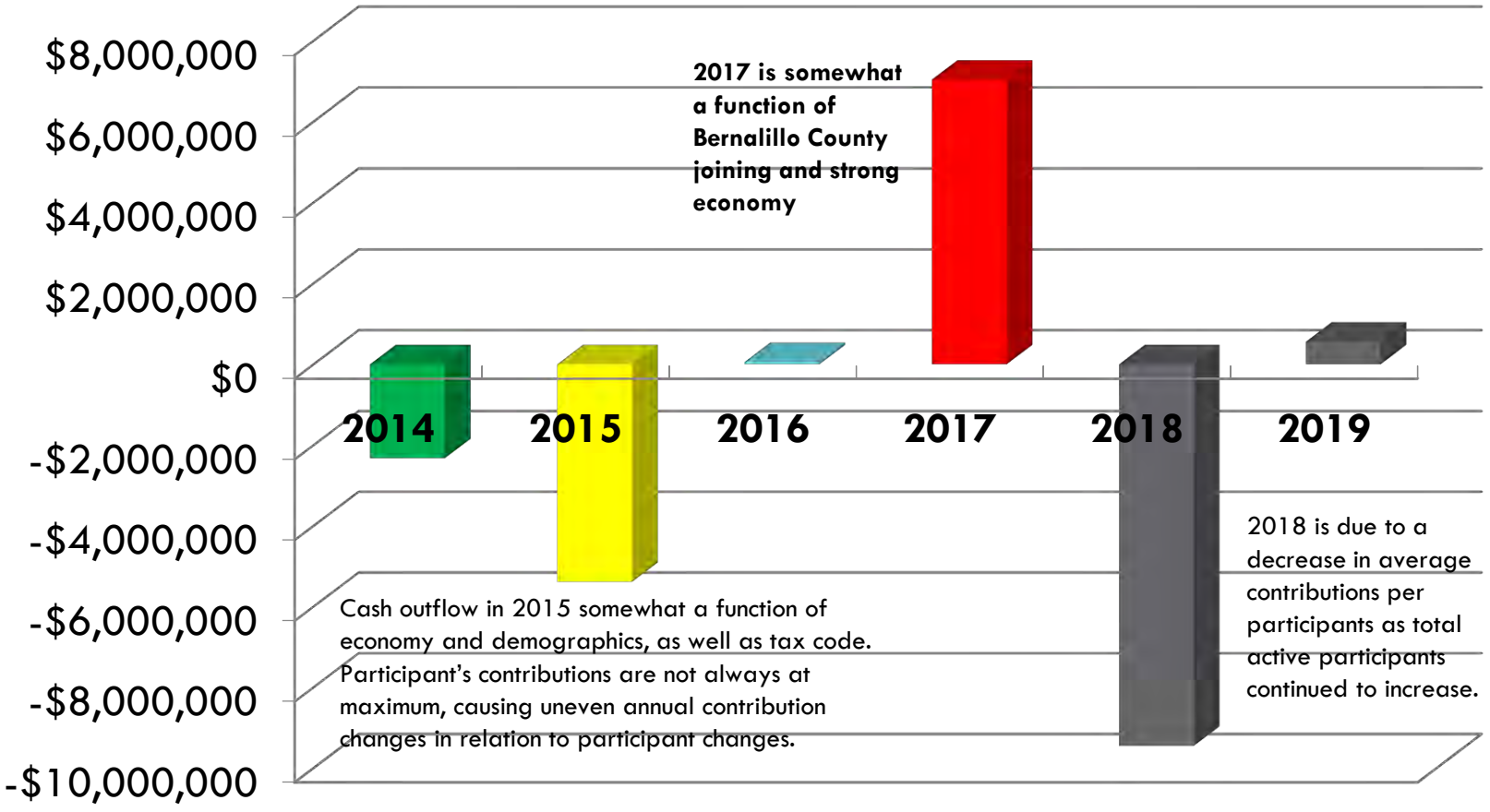
- Financial statements taken as a whole are fairly stated

# ANALYSIS OF CHANGE IN PLAN NET POSITION

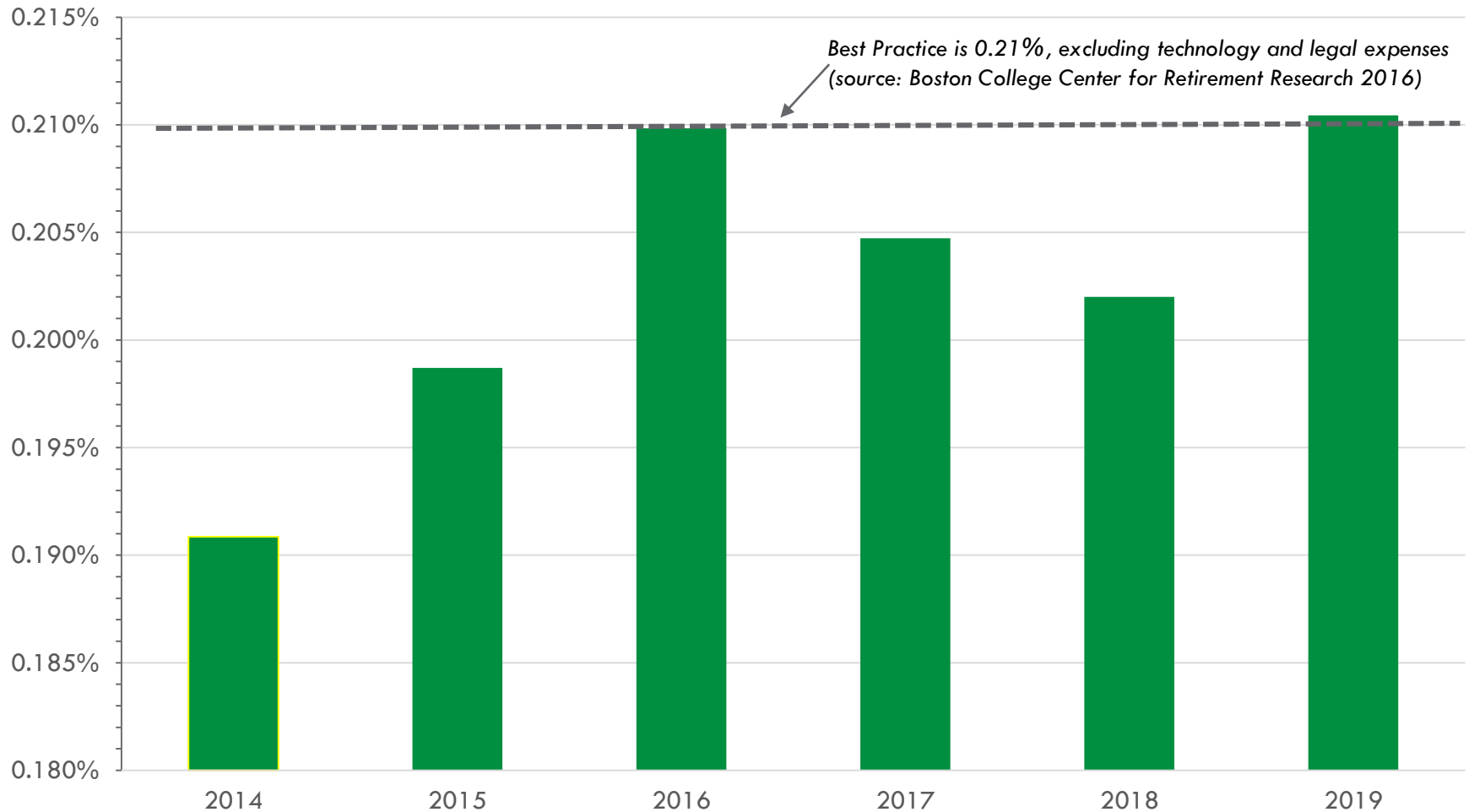


# ANALYSIS OF PLAN NET POSITION

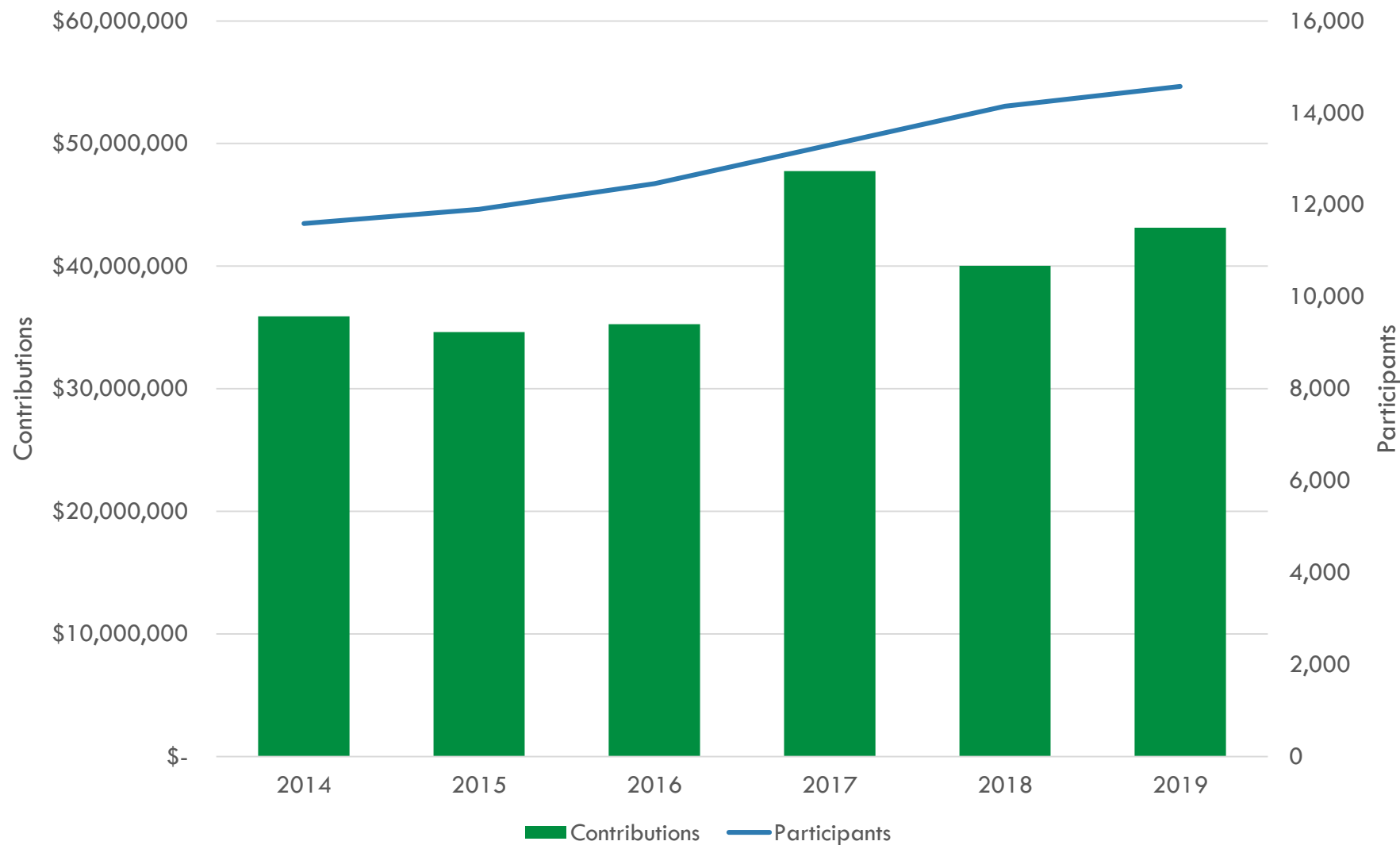
Contributions Less Benefits Paid and Administrative Expenses



# THE PLAN RUNS EFFICIENTLY – ADMINISTRATIVE EXPENSES ARE LOW COMPARED TO FIDUCIARY NET POSITION

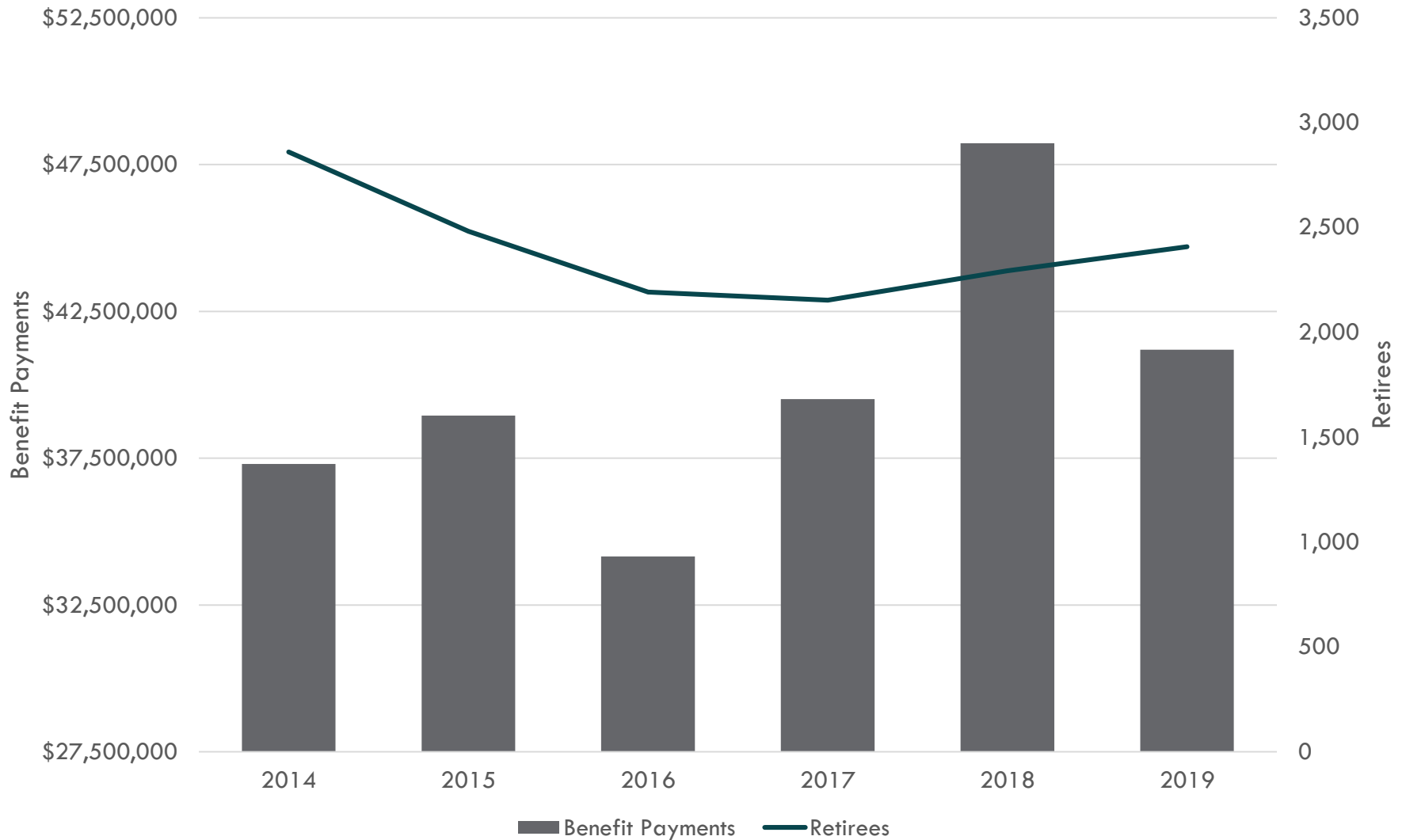


# CONTRIBUTIONS AND PARTICIPANTS



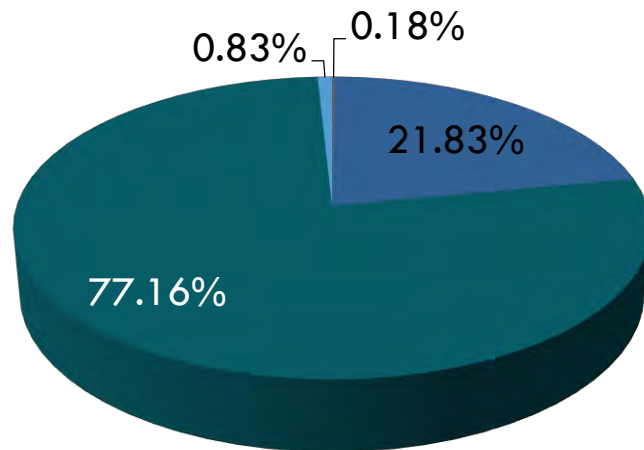


# BENEFIT PAYMENTS AND RETIREES



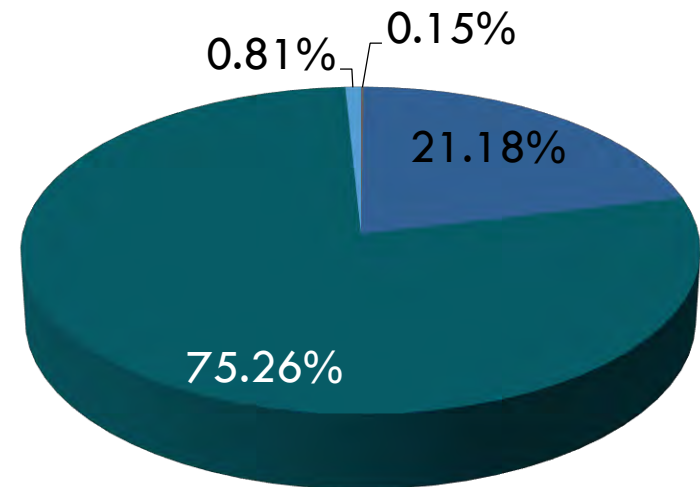
# INVESTMENT ALLOCATION CHOSEN BY PARTICIPANTS

2018



- Annuities
- Stable Value Option
- Variable Earnings Investments
- Self-directed Option

2019



Investment decisions are driven by personal risk assessment

# REQUIRED COMMUNICATIONS

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Internal Control Over Financial Reporting Report included at the back of the financial statements as required by *Government Auditing Standards*

No internal control issues noted that would rise to the level of a modification to the opinion

Separate Communication to the Investment Committee and PERA Board Members included in your briefing package

# LOOKING FORWARD TO 2019 AND BEYOND

Statement / Project	Effective Date / Projected	Focus Areas for New Mexico 457 Plan
GASB Statement No. 84 – <i>Fiduciary Activities</i>	<ul style="list-style-type: none"> <li>Periods beginning after December 15, 2018</li> </ul>	<ul style="list-style-type: none"> <li>457 Plan Reporting Standard (GASB-32) absorbed into GASB-84</li> </ul>
GASB Statement No. 87 – <i>Leases</i>	<ul style="list-style-type: none"> <li>Periods beginning after December 15, 2019</li> </ul>	<ul style="list-style-type: none"> <li>Lease model completely changing for all entities –most resulting in reporting similar to capital leases</li> </ul>
<i>GASB Financial Reporting Model Reexamination</i>	<ul style="list-style-type: none"> <li>Due process currently expected through Mid-2021. Exposure draft comment period summer of 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Massive project including fiduciary reporting model reexamination</li> </ul>



**Brad Berls, CPA,  
Partner**

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**CPAs & BUSINESS ADVISORS**



**PERA**

Public Employees  
Retirement Association  
of New Mexico

**PERA SmartSave**

Deferred Compensation Plan 

# QUESTIONS AND THANK YOU!



# PERA

Public Employees  
Retirement Association  
of New Mexico

INVESTED IN TOMORROW.

## RESOLUTION NO. 20-04- Amended

### RESOLUTION CALLING FOR NOMINATIONS FOR ONE STATE MEMBER FOR A FOUR-YEAR TERM, ONE MUNICIPAL MEMBER FOR A FOUR-YEAR TERM, AND ONE RETIRED MEMBER FOR A FOUR-YEAR TERM

**WHEREAS** NMSA 1978, Section 10-11-130(C), provides that the elections of elected members of the retirement board shall be certified at the time of the annual meeting of the association and conducted according to the rules and regulations of the retirement board; and

**WHEREAS**, pursuant to NMSA 1978, Section 10-11-130(D), the regular term of office of the elected members of the retirement board is four years, the term of one retirement board member under a state coverage plan shall expire annually on December 31, and the term of county retirement board members under a municipal coverage plan shall expire on December 31 of non-coinciding years in the pattern set by the retirement board, and the term of one retirement board member under a retired coverage plan shall expire on December 31 of non-coinciding years in the pattern set by the retirement board; and

**WHEREAS**, the New Mexico Public Employees Retirement Board has adopted rules and regulations establishing procedures for nominating and electing members of the Public Employees Retirement Association for positions on the Public Employees Retirement Board; and

**WHEREAS**, the New Mexico Public Employees Retirement Board, by Resolution ~~19-0320-03~~, fixed the date of the annual meeting to be on Thursday, ~~September 24~~ October 29, 2020; and

**WHEREAS**, PERA Rule 2.80.200.70(A) NMAC requires the Public Employees Retirement Board to adopt a resolution during its January meeting specifying when nominating petitions are due to be returned for the non-retired member positions, which shall be not earlier than six months prior and not later than one month prior to the election for the position; and

**WHEREAS**, PERA Rule 2.80.200.70(A)(1) NMAC requires that candidates nominated for any non-retired board member position shall be vested members under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act;

**WHEREAS**, PERA Rule 2.80.200.60(A) NMAC requires the Public Employees Retirement Board to adopt a resolution during its January meeting specifying when nominating petitions are due to be returned to PERA for the retired board member position, which shall be no earlier than six months prior and not later than one month prior to the election for the position; and



**WHEREAS**, PERA Rule 2.80.200.60(B) NMAC requires that candidates nominated for any retired board member position shall be “receiving a disability or normal retirement pension under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act”;

**NOW, THEREFORE; BE IT RESOLVED BY THE PUBLIC EMPLOYEES RETIREMENT BOARD** as follows:

The 2019 PERA Board election shall be held in accordance with PERA Rule 2.80.200 NMAC and the results shall be certified at the PERA annual meeting on Thursday, ~~September 24~~October 29, 2020.

Nominating petitions for one (1) state member position for a four-year term, for one (1) municipal board member position for a four-year term and for one (1) retired board member position for a four-year term on the Public Employees Retirement Board shall be available from Automated Election Services (1-800-833-5568 ext. 6534) beginning on Wednesday, January 15, 2020. Nominating petitions with original signatures must be received at Automated Election Services, 7000 Zenith Ct., Rio Rancho, New Mexico 87144-6467 by 5 p.m. on Monday, ~~April 13~~May 4, 2020 to be counted.

The method of voting for the 2019 PERA Board election shall be mailed paper ballots.

The Executive Director of the Public Employees Retirement Association is authorized and directed to take any and all steps necessary for the proper conduct of the nominating and election process, including retaining Automated Election Services, an independent contractor firm, for the ~~2019-2020~~ Board election.

**ADOPTED AND APPROVED THIS ~~14TH~~30TH DAY OF JANUARY, 2020.**

**RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO**

**BY: \_\_\_\_\_**  
**PERA Board Chair**

**ATTEST: \_\_\_\_\_**  
**Wayne Propst, Executive Director**





# PERA

Public Employees  
Retirement Association  
of New Mexico

INVESTED IN TOMORROW.

## **RESOLUTION NO. 20-04- Amended**

### **RESOLUTION CALLING FOR NOMINATIONS FOR ONE STATE MEMBER FOR A FOUR-YEAR TERM, ONE MUNICIPAL MEMBER FOR A FOUR-YEAR TERM, AND ONE RETIRED MEMBER FOR A FOUR-YEAR TERM**

**WHEREAS** NMSA 1978, Section 10-11-130(C), provides that the elections of elected members of the retirement board shall be certified at the time of the annual meeting of the association and conducted according to the rules and regulations of the retirement board; and

**WHEREAS**, pursuant to NMSA 1978, Section 10-11-130(D), the regular term of office of the elected members of the retirement board is four years, the term of one retirement board member under a state coverage plan shall expire annually on December 31, and the term of county retirement board members under a municipal coverage plan shall expire on December 31 of non-coinciding years in the pattern set by the retirement board, and the term of one retirement board member under a retired coverage plan shall expire on December 31 of non-coinciding years in the pattern set by the retirement board; and

**WHEREAS**, the New Mexico Public Employees Retirement Board has adopted rules and regulations establishing procedures for nominating and electing members of the Public Employees Retirement Association for positions on the Public Employees Retirement Board; and

**WHEREAS**, the New Mexico Public Employees Retirement Board, by Resolution 20-03, fixed the date of the annual meeting to be on Thursday, October 29, 2020; and

**WHEREAS**, PERA Rule 2.80.200.70(A) NMAC requires the Public Employees Retirement Board to adopt a resolution during its January meeting specifying when nominating petitions are due to be returned for the non-retired member positions, which shall be not earlier than six months prior and not later than one month prior to the election for the position; and

**WHEREAS**, PERA Rule 2.80.200.70(A)(1) NMAC requires that candidates nominated for any non-retired board member position shall be vested members under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act;

**WHEREAS**, PERA Rule 2.80.200.60(A) NMAC requires the Public Employees Retirement Board to adopt a resolution during its January meeting specifying when nominating petitions are due to be returned to PERA for the retired board member position, which shall be no earlier than six months prior and not later than one month prior to the election for the position; and





**WHEREAS**, PERA Rule 2.80.200.60(B) NMAC requires that candidates nominated for any retired board member position shall be “receiving a disability or normal retirement pension under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act”;

**NOW, THEREFORE; BE IT RESOLVED BY THE PUBLIC EMPLOYEES RETIREMENT BOARD** as follows:

The 2019 PERA Board election shall be held in accordance with PERA Rule 2.80.200 NMAC and the results shall be certified at the PERA annual meeting on Thursday, October 29, 2020.

Nominating petitions for one (1) state member position for a four-year term, for one (1) municipal board member position for a four-year term and for one (1) retired board member position for a four-year term on the Public Employees Retirement Board shall be available from Automated Election Services (1-800-833-5568 ext. 6534) beginning on Wednesday, January 15, 2020. Nominating petitions with original signatures must be received at Automated Election Services, 7000 Zenith Ct., Rio Rancho, New Mexico 87144-6467 by 5 p.m. on Monday, May 4, 2020 to be counted.

The method of voting for the 2019 PERA Board election shall be mailed paper ballots.

The Executive Director of the Public Employees Retirement Association is authorized and directed to take any and all steps necessary for the proper conduct of the nominating and election process, including retaining Automated Election Services, an independent contractor firm, for the 2020 Board election.

**ADOPTED AND APPROVED THIS 30TH DAY OF JANUARY, 2020.**

**RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO**

**BY:** \_\_\_\_\_  
**PERA Board Chair**

**ATTEST:** \_\_\_\_\_  
**Wayne Propst, Executive Director**





**PERA**

**General Investment Consultant  
Recommendation:  
RFP NO. NM INV-003-FY20**

NM PERA RFP  
Evaluation Committee

January 30, 2020

# Recommendation

The PERA General Investment Consultant Evaluation Committee unanimously recommends approval of the following recommendation:

- Award Wilshire Associates an 8-year contract for general consulting services, beginning on July 1, 2020.

# Request for Proposal Process

# RFP Evaluation Committee

## PERA Board Members

- John Melia, Municipal Member
- Patricia (Patty) French, Municipal Member
- Shirley Ragin, County Member
- Steve Neel, State Member

## PERA Staff Members

- Wayne Propst, Executive Director
- Dominic Garcia, Chief Investment Officer
- Kristin Varela, Deputy Chief Investment Officer

# RFP Evaluation Timeline

Board Approval of Scope of  
Work, Minimum Qualifications  
and Procurement Timeline  
September 26, 2019

Issuance of RFP  
September 27, 2019

Submission Deadline:  
6 Respondents  
October 23, 2019

Evaluation Committee Meeting:  
2 Respondents Selected for Semi-  
Finalist Consideration  
November 12, 2019

Semi-Finalist Interviews:  
Wilshire Associates  
Verus Advisory, Inc.  
December 18, 2019

Finalist Onsite Interview:  
Wilshire Associates  
January 21, 2020

# Selection of Semi-Finalists:

## Overview

- The Evaluation Committee met on November 12, 2019 at the Santa Fe PERA offices
- Trustee attendees included: John Melia, Patricia (Patty) French, Shirley Ragin, Steve Neel, and Loretta Naranjo- Lopez
- Staff attendees included: Wayne Propst, Dominic Garcia, Kristin Varela, and LeAnne Larrañaga-Ruffy
- The Committee reviewed all proposals for compliance with PERA's Minimum Qualifications
  - One respondent did not meet PERA's procurement timeline requirements
  - One respondent withdrew their acknowledgement, due to time requirements
  - remaining four respondents met required MQs with no exceptions
- The Committee performed a review of Scope of Work certification – based on the following areas of service:
  - Total Fund Policy and Asset Allocation Review
  - Liquid Investment Manager Search/Selection
  - Performance Reporting and Monitoring
  - Consultant Relations

# Selection of Semi-Finalists:

## Conclusion

- The Evaluation Committee narrowed the candidate pool as follows
  - Eliminated two respondents based on initial qualitative screening review:
    - One respondent due to inability to provide comprehensive risk management services
    - One respondent due to additional fee for comprehensive risk management services
  - Invited the following two respondents for further evaluation through semi-finalist interviews with the Evaluation Committee
    - Verus Advisory, Inc.
    - Wilshire Associates



# Semi-Finalist Interviews:

## Overview

- The Evaluation Committee conducted semi-finalist interviews on December 18, 2019 at the Albuquerque PERA offices
- Trustee attendees included: John Melia, Patricia (Patty) French, Shirley Ragin, Steve Neel, and Loretta Naranjo- Lopez
- Staff attendees included: Wayne Propst, Dominic Garcia, Kristin Varela, and LeAnne Larrañaga-Ruffy
- Respondents were instructed to provide analysis on the following questions and reactions to New Mexico PERA's strategic investment direction:
  - Provide forward investment environment outlook and forecasted asset returns over the next 3 years, 5 years, and 10 years as of June 30, 2019. Provide firm's updated risk and return assumptions on PERA's target (beta) portfolio and for active return/risk as described in PERA's framework for the next 10 years as of June 30, 2019.
  - Given investment environment outlook, PERA's funding status challenge, and PERA's 7.25% actuarial return assumption, propose a prudent enhancement to PERA's investment strategy. More specifically, please present any SAA and risk budget constructs that would:

# Semi-Finalist Interviews: Overview (Continued)

- A. Effectuate a better risk balance to the portfolio through a macro factor and economic environment lens.
  - B. Increase our projected 10 year returns, and
  - C. Increase our risk/return ratio while maintaining a similar ex ante total risk profile of the Reference Portfolio.
- Provide an overview of firm's view and framework for allocating and assessing long-only liquid active risk.
- The Committee engaged the firms to better understand their capabilities, and ultimately selected one) firm to conduct final on-site due diligence interviews:
  - Wilshire Associates

# Finalist Interviews:

## Overview

- The Committee attended an on-site due diligence visit on January 21, 2020 at the headquarters of the selected finalist:
  - Wilshire Associates, Santa Monica, CA
- Trustee attendees included: John Melia, Patricia (Patty) French, and Steve Neel
- Staff attendees included: Dominic Garcia and Kristin Varela
- Topics discussed included
  - (i) in-depth review of risk budgeting; current modeling, enhanced modeling, scenario testing and optimization of active risk
  - (ii) review of leverage; considerations and scenario testing and risk management
  - (iii) review liquidity; considerations and risk management
  - (iv) Overview of technology capabilities
  - (v) Administration; organization structure, compensation and fee proposal
- The finalist due diligence visit confirmed the Committee's assessments of the firm, identifying Wilshire as highly capable and well-suited to continue to be the PERA Board's general consultant

# Recommended Consultant Summary

# Wilshire Overview

## GLOBAL REACH

Wilshire is a 100% employee-owned firm

### A Diversified Investment Advisory Firm

Wilshire® is a diversified global financial services firm with over \$1 trillion in assets under advisement and \$68 billion in assets under management. An independent firm since 1972, Wilshire serves more than 500 institutional and intermediary clients worldwide from 10 offices around the globe.



**261 employees**  
Worldwide, 10 offices

**47 years**  
Institutional Expertise

**~500 clients**  
Globally, 20 Countries

**\$1 trillion+**  
Assets Under Advisement

**\$68+ billion**  
Assets Under Management

# Wilshire Overview

## WILSHIRE IS A GLOBAL INVESTMENT ORGANIZATION

- 47 years of institutional experience
- Our heritage is developing innovative technology
- Dedicated private markets team started in 1996
- Global resources with a boutique service model

## THOUGHTFUL & PRACTICAL RESEARCH

- 70+ professionals contributing to research globally
- Thought-leader in innovative investment solutions
- Pro-active ideas and white papers focus on practical, cost effective solutions
- Extensive proprietary investment manager databases
- Differentiated managers investing in inefficient markets
- Uncover actual drivers of risk and return through analytical software

## CUSTOMIZED CLIENT DRIVEN SOLUTIONS

- Collaborative, transparent and high-touch relationship; assist clients to maintain market best practices
- Focus on institutional clients and serve many large public plans
- Bespoke client service support and reporting
- Access to senior personnel and research sharing



# Wilshire Overview



Bridging the return gap requires creative approaches to meet PERA's long-term objectives.

Focus On:

- Innovative use of portfolio construction techniques to drive Total Fund returns
  - Leverage and Liquidity Management
- Enhancing active portfolio implementation to improve the probability of meeting PERA's 7.25% actuarial return hurdle
  - Active Risk Optimization and Portable Alpha
- Aim for a Sharpe Ratio of 0.5 over time

# Wilshire Relationship Team



## **Andrew Junkin, CFA, CAIA, President of Wilshire Consulting**

Andrew Junkin is President of Wilshire Consulting and a member of Wilshire's Board of Directors. Mr. Junkin provides strategic leadership to Wilshire Consulting and Wilshire Associates overall as it relates to the full spectrum of non-discretionary and discretionary portfolio management services available to the institutional investment community. He was selected as a Top Knowledge Broker within the institutional consulting industry by CIO Magazine for six years in a row. Mr. Junkin is considered a thought-leader among his peers and has received high marks for his work to expand diversity and inclusiveness throughout the industry. Mr. Junkin joined Wilshire in 2005. Throughout his tenure at Wilshire, he has worked directly with large institutional investors of all types: public and corporate defined benefit plans, foundations, endowments and insurance companies. He has 26 years of investment experience with the last 24 years in the consulting industry. Prior to joining Wilshire, he was director of research and senior consultant at Asset Services Company where he provided advice to institutional investors. Mr. Junkin began his career as a financial consultant with Merrill Lynch in Oklahoma City. Mr. Junkin earned a BS from Oklahoma City University, attended business school at the Price College of Business at the University of Oklahoma, and earned his MBA from The Wharton School of the University of Pennsylvania. He currently serves on the Board of Directors of the Board of Pensions of the Presbyterian Church (USA).



## **Thomas Toth, CFA, Managing Director**

Tom Toth is a Managing Director of Wilshire Associates and a member of Wilshire Consulting. He has 18 years of investment experience providing client service for a variety of pension, endowment, and foundation clients. Mr. Toth is a member of Wilshire's Investment Strategy Committee and currently sits on both the Hedge Fund of Funds and Private Equity/Credit Asset Class Committees, where he is responsible for the evaluation and monitoring of a variety of products in the alternative investment arena. Mr. Toth joined Wilshire in 2004 and initially worked in Wilshire Consulting's Investment Research Group, where he was responsible for writing white papers on topics such as hedge funds, private equity, and infrastructure. Prior to joining Wilshire, Mr. Toth worked in New York for fixed income asset manager Fischer Francis Trees and Watts. Mr. Toth earned his BA from the University of California, San Diego, and an MBA with a concentration in finance / capital markets from the USC Marshall School of Business. Mr. Toth also holds the Chartered Financial Analyst designation.



## **Rose Dean, CFA, Managing Director**

Rose Dean is a Managing Director of Wilshire Associates and a member of Wilshire Consulting. Ms. Dean joined Wilshire in 2015 and conducts investment research and provides consulting services to corporate and public pension funds, endowments, and foundations. She also currently serves on the Fixed Income/LDI and Private Equity/Credit Asset Class Committees. Ms. Dean has 17 years of industry experience. Prior to joining Wilshire, Ms. Dean spent four years running a start-up alternative investments consulting business, advising on opportunities focused on private credit and asset-based loan portfolios. Ms. Dean spent seven years trading fixed income at Citigroup in New York, both as a market-maker and as a bank treasury portfolio manager. Subsequently, she was a Director at Harcourt Alternative Investments, a Swiss fund of hedge funds. She was in charge of hedge fund investment due diligence for multiple strategies, including fixed income arbitrage, global macro and emerging markets. Ms. Dean has a BA in chemistry from the University of Chicago, and two MBA degrees, one in finance from the University of Chicago Booth School of Business, and one in International Brand Management from ESSEC (École Supérieure des Sciences Économiques et Commerciales) in France. She is fluent in Korean and conversant in Mandarin Chinese and French. She holds the Chartered Financial Analyst designation and is a member of the CFA Society Orange County.



## **Ali Kazemi, Managing Director**

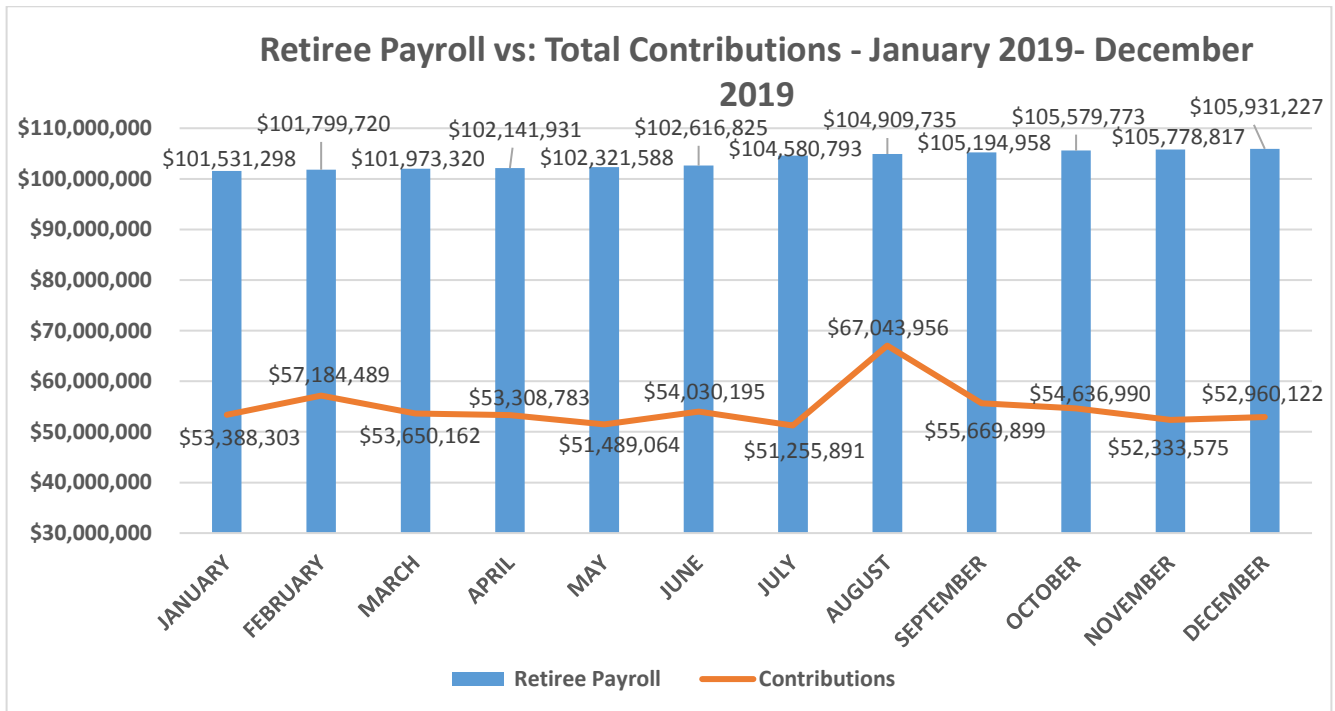
Ali Kazemi is a Managing Director with Wilshire Associates and a member of Wilshire Consulting where he is the head of Risk Management. Mr. Kazemi works in Wilshire's Santa Monica, Calif., office and has provided investment and risk management consulting services to public and corporate pension plans, foundations and endowments, and insurance companies since 2009. He is also a member of Wilshire Consulting's Multi-Asset/Risk Parity Asset Class Committee. Mr. Kazemi joined Wilshire in 2001 and worked in product development and client service with Wilshire Analytics' Total Fund Analytic products, Wilshire Spectrum<sup>SM</sup> and Wilshire iQuantum<sup>SM</sup>. His responsibilities included the design and development of multi-asset class risk models and the supporting reporting framework. In 2006, he worked in the Wilshire London office for three years where he coordinated the client servicing support for a combination of Asset Management and Institutional Investing clients using Wilshire Analytics to help manage risk and performance. Mr. Kazemi earned a BS from the University of California, San Diego.



# Wilshire Operational Review



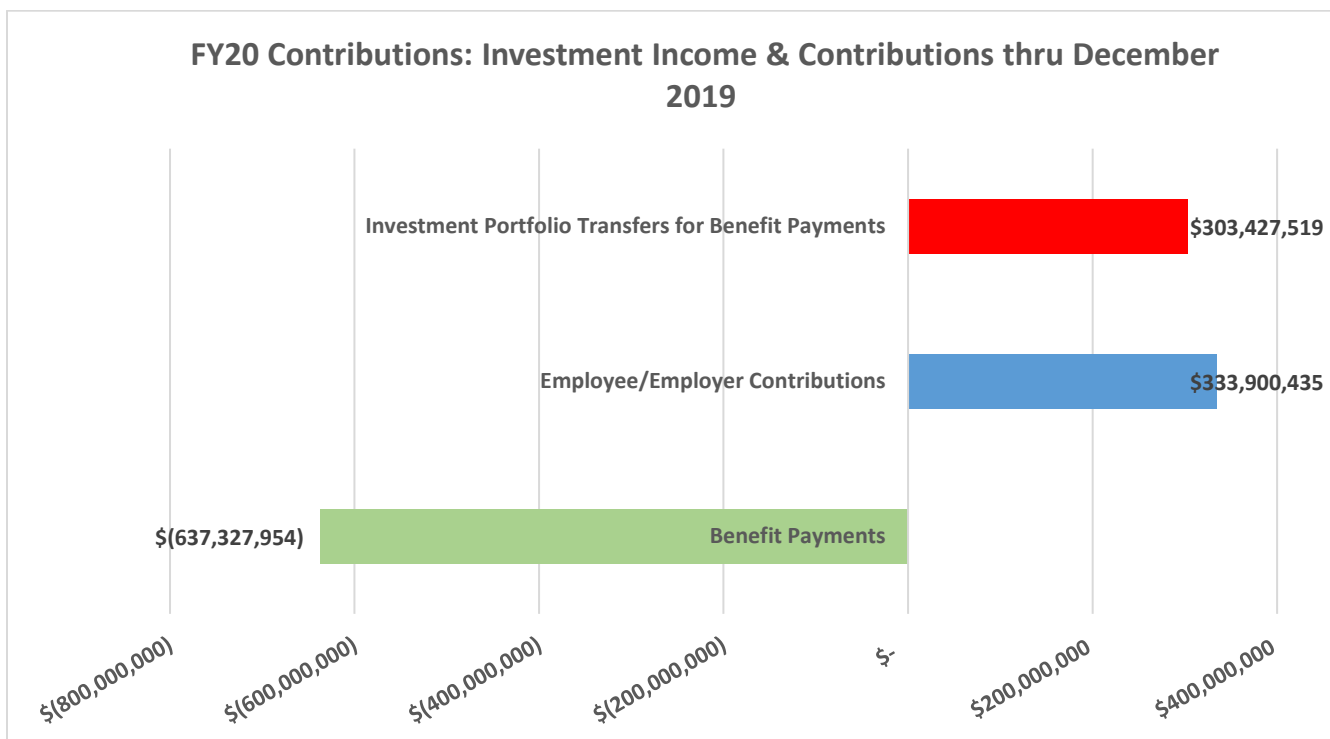
## EXECUTIVE DIRECTOR'S REPORT PERA BOARD MEETING – January 30, 2020

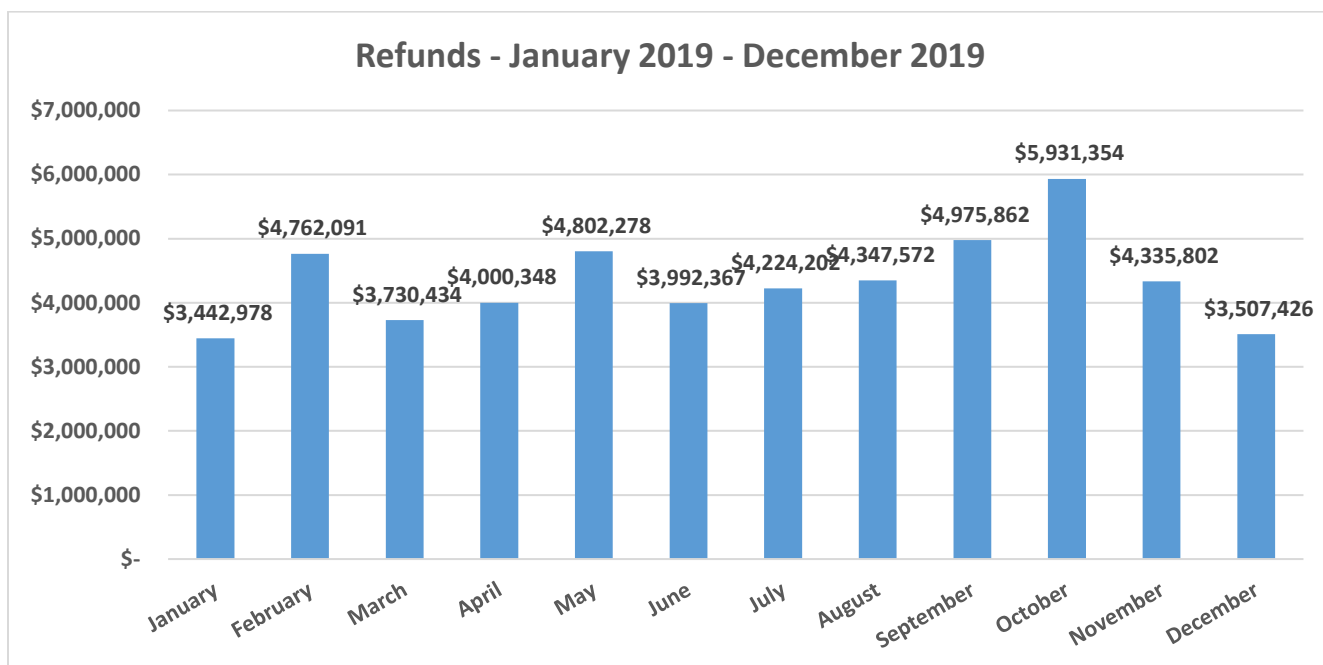


**Total Retiree Payroll = \$1,244,359,985**

**Total Contributions: \$ 656,951,429**

**\*\* Due to adjustments to Employer reports contributions amounts are subject to change**





**\*\* Total Refunds Paid during this period was \$52,052,714**

VACANCY REPORT			
Position	Division	Date Vacated	Status
Accountant & Auditor – O	Contribution Accounting	12/15/2018	On Hold
Attorney	Legal Division	4/30/2019	On Hold
Financial Analyst Advanced	Investments	6/29/2019	Pending Reclassification
Investment Associate	Investments	7/1/2019	Pending Interviews
Investment Associate	Investments	7/1/2019	Pending Interviews
Paralegal Assistant A	Legal Division	12/25/2019	Pending Offer
IT End User Support II	Information Technology	1/11/2020	Interviews Underway
Business Operations Advanced	Member Svcs/Payroll	1/25/2020	Interviews Underway
Retirement Specialist I	Member Services	1/25/2020	Pending Offer
Business Operations Spec. O	Information Technology	1/25/2020	Pending Interviews

**PERA has 87 authorized FTE and currently has 10 vacancies**

ADDITIONS/DEPARTURES/PROMOTIONS			
Employee	Position/Division	Date Started/Vacated	Status
Annette Trujillo	Retirement Specialist/Abq	12/28/2019	New Hire
Anita Valdez	Paralegal Assistant	12/31/2019	Retirement
Luca Rassenti	Investment Associate	1/11/2020	New Hire
Laurie Rael	IT End User Support II	1/11/2020	Departure
Marshall Romero	Retirement Specialist II	1/11/2020	Promotion
Valerie Romero	Member Svcs/Payroll	1/25/2020	Departure
Jeremy Ortiz	Business Operations Specialist	1/25/2020	Departure

MEMBER OUTREACH			
Date	Outreach Officer	Location/Employers	Type
1/3/2020	Christina Perea	Webinar	VF Annual Reporting Webinar
1/6/2020	Jose Trujillo	City of Santa Fe	New Employee Orientation
1/7/2020	Jose Trujillo	Cuba VFD	Volunteer Fire Dept. Seminar
1/8/2020	Jose Trujillo	PERA – Santa Fe	Informational Seminar
1/9/2020	Christina Gauthier	PERA – Abq	Informational Seminar
1/23/2020	Christina Perea Jose Trujillo	Santa Fe	Fire & Emergency Conference
1/27/2020	Jose Trujillo	City of Santa Fe	New Employee Orientation
1/29/2020	Christina Perea Jose Trujillo	Mora County VFD	Volunteer Fire Dept. Seminar

January 2020 AIR TIME PURCHASES	
Plan Type	No. of Purchases
State Plan 3	5
Municipal Plan 2	0
Municipal Plan 3	7
Municipal Plan 4	0
Municipal Fire Plan 5	0
Municipal Police Plan 4	0
Municipal Police Plan 5	3
State Police/Corrections Plan	0
<b>TOTAL:</b>	<b>15</b>

January 2020 AIR TIME PURCHASES	
No. of Months	No. of Purchases
1	2
2	2
3	0
4	1
5	1
6	1
7	0
8	1
9	0
10	0
11	1
12	6
<b>TOTAL:</b>	<b>15</b>

PERA SmartSave Items of Interest – January 2020			
County by Region <i>North</i>	Group Presentations	Individual Meetings	Benefits Fairs
<b>Colfax</b>	13	18	
<b>San Miguel</b>	2	8	
<b>Santa Fe</b>	14	21	
<b>Taos</b>	6	13	
County by Region <i>Central - Paul Lium</i>			
<b>Bernalillo</b>	16	31	
<b>Cibola</b>	4	0	
County by Region <i>South - Linda Miller</i>			
<b>Catron</b>	11	48	
<b>Chaves</b>	5	14	
<b>Dona Ana</b>	5	16	
<b>Lea</b>	3	8	
<b>Lincoln</b>	3	18	
<b>Luna</b>	2	4	
<b>SmartSave Assets as of 12/31/2019 - \$660,658,933</b>			
<b>SmartSave Participants as of 12/31/2019 - 23,231</b>			



INVESTED IN TOMORROW.

**PERA Board Meeting**  
**January 30, 2020**  
**CONSENT AGENDA**

- 1. Approval of Minutes:** December 10, 2019
- 2. Ratification of Retirements - Benefits processed through: 12/1/2019 and 1/1/2020**
  - a. Normal
  - b. Deferred
  - c. Reciprocity to ERA
  - d. Non-Duty Death
  - e. Non-Duty Disability
  - f. Reciprocity to PERA
- 3. Duty & Non Duty Deaths**
  - a.
- 4. Affidavits for Free Military Service:**
  - a. Ramon Roybal - 9 months
  - b. Michael Lawrence - 2 months
- 5. Setting of Meetings: February 2020 Meetings**

a. Disability Review Committee	February 11, 2020	11:00 a.m.
b. Board Meeting	February 27, 2020	9:00 a.m.

Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 505-476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**BOARD MEETING**  
**December 10, 2019**

1. This monthly meeting of the Public Employees Retirement Board was called to order by John Melia, Vice Chair, at approximately 10:20 a.m. on the above-cited date in the Senator Fabian Chavez, Jr. Board Room, at the PERA Building, 33 Plaza la Prensa, Santa Fe, New Mexico.

2. Roll call indicated a quorum with the following members present:

**Members Present:**

John Melia - Municipal, Vice Chair  
Lawrence Davis - Municipal  
Dan Mayfield - Retiree  
Steve Neel - State  
Loretta Naranjo Lopez - Retiree [departs at 10:30]  
Shirley Ragin - County  
David Roybal - State  
Maggie Toulouse Oliver - *Ex-officio* [arrives after 10:50]

**Member(s) Excused:**

Jackie Kohlasch - State, Chair  
Claudia Armijo - State  
Tim Eichenberg - *Ex-officio*  
Patricia French - Municipal

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Dominic Garcia, Chief Investment Officer  
Greg Trujillo, Deputy Director/Chief Information Officer  
Renada Peery-Galon, Administrator Services Director  
Trish Winter, Executive Assistant  
Karyn Lujan, SmartSave Plan Manager  
Anna Williams, Chief Financial Officer  
Misty Schoeppner, Deputy General Counsel  
Geraldine Garduño, Assistant General Counsel

**Others Present:**

Harvey Leiderman, Reed Smith  
Lenora Chavez, Retiree  
Tom Toth, Wilshire  
Joseph E. Montoya, Retired  
Jake Salazar, Retired  
Ernest Marquez, AES

3. **Approval of Agenda**

Ms. Naranjo Lopez requested the removal of agenda items 5. A. “Approval of Revised Board Policies and Procedures” and 5.B. “Approval of Election Process Recommendations.”

Ms. Naranjo Lopez made a statement that she said was “covered by the State Whistleblowers law” and protected by the state’s Anti-Retaliation law. [A copy of the statement was not provided for the record]. She provided information under the following points: crimes attributable to Reed Smith, IPRA request violations, Board violence, violence against women, avoidable costs, and state law regarding IPRA.

She said the Board cannot take action on items 5A and B because they have abetted and aided in crimes.

Following her statement and without support on her agenda amendments, Ms. Naranjo Lopez stood and said that, “I will not be allowing a quorum” because voting on 5A and B would be a violation of state law and she left the meeting.

Board business was temporarily suspended. Ms. Toulouse Oliver arrived at 10:50 and a quorum was established.

The motion to approve the agenda passed by unanimous voice vote.

In response to Ms. Naranjo Lopez’s allegation regarding Board violence, Mr. Neel was given an opportunity to speak. He provided the police report [*Exhibit 1*] that she referenced in her statement. The police report states that “no crime was committed and no need for police involvement.”

Mr. Neel said he received five sworn notarized statements from Board members [*Exhibit 2*] attesting that there was neither an assault nor an attempt of robbery.

Harvey Leiderman, Reed Smith law firm, said, “lest silence be deemed to be assent” to the statements that were made about himself and his law firm, they were materially false and misleading and if the Board requires a line by line refutation of Ms. Naranjo Lopez’ statement he offered to do so.

Vice Chair Melia said Ms. Naranjo Lopez’s reference to crimes against women struck a chord with him as a father. He was present during the closed session, and never saw a physical threat. Further, it is wrong for people to make false allegations, and mentioned that Ms. Naranjo Lopez filed similar allegations against former Board member James Maxon. He noted that he had provided a signed statement on Mr. Neel’s behalf.

Mr. Davis said he too signed an affidavit, and there was neither assault nor robbery. These false allegations will hinder the Board and its ability to function. Mr. Mayfield said he also signed an affidavit and apologized to Mr. Neel for this unfortunate occurrence. He mentioned that Mr. Maxon was deeply disturbed by the false allegations.

Ms. Ragin said she was present during the closed session referred to by Ms. Naranjo Lopez and did not witness the incident as she described it. She said that she provided a sworn



affidavit in support of Mr. Neel. These allegations do a disservice to the members, state Ms. Ragin.

Mr. Roybal said he too was in support of Mr. Neel.

**4. Approval of Consent Agenda** [*Exhibit 3: Consent Agenda*]

Mr. Mayfield moved to approve the Consent Agenda. Mr. Davis seconded and the motion passed without opposition.

**5. Unfinished Business**

**A. Approval of Revised Board Policies and Procedures**

[*Exhibit 4: A table of comments with reference to the page; Exhibit 5: Redline line copy*]

Rules & Administration Committee Chair Davis said the Board has had the revised policies and procedures to review for over six months. The State Auditor and Attorney General have both expressed concern that the PERA Board revise and approve the policies and procedures. The intention of the changes are to bring the Board into alignment with the state's recommendations and Board best practices.

Ms. Toulouse Oliver recommended changing the date at the bottom of the document to reflect 2019 and its adoption date.

Mr. Leiderman said a clean current redline version of the policies was posted on the BoardPortal. At the previous meeting, Board members were invited to send comments to him in advance of today's meeting. Member French forwarded comments and they talked on the phone. She was unable to attend today's meeting, and he brought forward her comments.

Mr. Leiderman reminded the Board of three changes, although not voted on last time, appeared to have consensus and were incorporated into the red lined copy. He reviewed Ms. French's concerns and invited other comments.

Regarding the election of Board Chair and Vice Chair, General Counsel Pittard pointed out that in February 2019, the Board modified the Policies & Procedures regarding nominations for Board Officers, which provided for a two-prong process, where nominations will be made at the first meeting of the Board for the calendar year, and then the vote taken at the first regular meeting. The provision also allows for additional nominations to be made from the floor on the day of the election.

Ms. Toulouse Oliver supported the policy as outlined by Ms. Pittard.

There was consensus to retain the language as outlined by Ms. Pittard. There was also agreement to remove the reference to "different groups" on page 12.

Regarding the executive director's compensation or authority Mr. Leiderman said there

were comments regarding “appearance of impropriety” and “education and travel” approvals. Currently, the Board chair provides approval of travel. Mr. Leiderman said a number of other state fund boards rely on the executive director and staff to gather information and make approvals. The director is considered the top administrator position, and administrative acts are completed by the director and reported back to the board. Ms. French has suggested the Board chair retain that authority, not the director.

Mr. Davis recommended focusing on the three concerns raised by Ms. French regarding the executive director’s authority versus the Board chair. Other issues may be more appropriate for discussion in January with new members and a new chair.

The policies and procedures will not be perfect, but can be implemented and then tweaked throughout the year.

Mr. Leiderman requested clerical approval to ensure the NM statute references are correct and to renumber the document.

Vice Chair Melia expressed concern that it is unrealistic that the Board schedule emergency meetings, and it would be difficult to call if it were not the Chair’s call. Ms. Pittard said the section referring to modifying meeting dates requires tightening. As per the Open Meeting’s Resolution, which the Board approves the first meeting in January, Board meetings are established as the last Thursday of the month.

There was consensus to retain the language that the Board Chair could change the published adopted schedule, and to schedule special and emergency meetings without approval of the full Board.

Mr. Roybal asked whether there were any conflicting sections within the policies, and Mr. Leiderman responded that he was unaware of any.

Mr. Davis moved to adopt the Board Policies & Procedures [numbered 136756128.6, redlined] as presented with the following changes:

- Page 11, removal of “balancing the views”
- Page 15, Chair can remove “non-Board”
- Retain the current nomination process
- Retain the ED’s authority
- Authorize staff to renumber, verify NM statutes and fix any typos and the date.

Ms. Toulouse Oliver seconded and the motion passed by unanimous [7-0] voice vote.

## **B. Approval of Election Process Recommendations**

Ernie Marquez, Automated Election Services, offered that, in the event the Board continues to be elected, a few suggestions to the election process:

- Certification with a signature on return envelope
- A signature line on all ballots

- Consider implementation of electronic voting or telephonic. Only one ballot whether electronic, hard copy or telephonic will be accepted.
- Send candidate correspondence (notices, calendars, expenditure reports, etc.) by certified mail requiring the candidate's signature, as well as email. This suggestion was made in light of a candidate's allegation that the bio as shown on the ballot was not candidate produced, which Mr. Marquez said is not true.

Mr. Marquez explained that AES converts the PERA ID and assigns an ID number that is on the return envelope. If the Board is interested in electronic voting he would have AES's IT expert attend a meeting.

Ms. Toulouse Oliver said the big concern is to make sure votes are not hacked or tampered. If online voting is implemented, she recommended an audit of it to ensure votes were correctly cast. In addition to the unique ID (which is not the PERA ID) require the last four digits of the individual's social security to further validate the voter.

Ms. Pittard said that currently, each ballot requires certification that the voter is eligible to vote in the election. The elections are conducted by regulation, not statute, and can be changed.

Ms. Toulouse Oliver said it was important that online voters understand that their ballot is not secret. Essentially, there would be two classes of voters: those with ballot secrecy and those without. Adding a signature would create an additional validation that would be beneficial.

Stating that she was not opposed to online voting, Ms. Ragin said additional research and a greater understanding of the process was needed. Mr. Marquez invited the Board to visit his business.

Deputy Director Trujillo confirmed that there was an issue in the past when a printer mailed the ballots a week before they were scheduled to be sent. It resulted in no voting repercussions but since then, the voting process has been outsourced.

Mr. Davis moved to accept the suggestion to include a signature and print name lines on the return-envelope. Ms. Ragin seconded and the motion passed by unanimous voice vote.

Ms. Toulouse Oliver recommended adopting the certified mail/return receipt requested and email for candidates' packets and so moved. Mr. Davis seconded and the motion passed by unanimous [7-0] voice vote.

On the Board's behalf, Vice Chair Melia thanked Mr. Marquez for his services to PERA.

### **C. Trustees Report on Educational Travel**

1. Tim Eichenberg – Absent

2. **Lawrence Davis – CAPPP Part II**

Mr. Davis said that this training is really valuable and provides an in-depth dive over financial transitions, analyses, terminology, etc. He encouraged the other Board members to attend the CAPPP trainings.

3. Loretta Naranjo Lopez – Absent
4. Patricia French – Absent
5. Claudia Armijo – Absent

**Board will recess to Executive Session NMSA 1978 Section 10-15-1 (H)(7)**

- A. Discussion with Counsel regarding pending litigation: *The Retired Public Employees of New Mexico, Inc. v. The Public Employees Retirement Association of New Mexico Board; Wayne Propst, in his individual capacity, and Susan Pittard, in her individual capacity*, United States District Court for the District of New Mexico, Case No. 1:19-cv-00891**

Roll call vote the Board recessed to executive session:

Jackie Kohlasch	Absent
Claudia Armijo	Absent
John Melia	Yes
Lawrence Davis	Yes
Patricia French	Absent
Dan Mayfield	Yes
Steve Neel	Yes
Loretta Naranjo Lopez	Absent
Shirley Ragin	Yes
David Roybal	Yes
Tim Eichenberg	Absent
Maggie Toulouse Oliver	Yes

[The Board met in executive session from 12:09 to 12:25]

Mr. Mayfield moved to return to open session and Ms. Ragin seconded. Vice Chair Melia announced that the only items discussed were those listed in the agenda and requested a roll call vote:

Jackie Kohlasch	Absent
Claudia Armijo	Absent
John Melia	Yes
Lawrence Davis	Yes
Patricia French	Absent
Dan Mayfield	Yes
Steve Neel	Yes
Loretta Naranjo Lopez	Absent
Shirley Ragin	Yes
David Roybal	Yes
Tim Eichenberg	Absent
Maggie Toulouse Oliver	Yes

At this point, the Board lost its quorum and the remaining items were offered for information.

**6. New Business**

**A. Executive Director's Report** - report was included on the BoardPortal

**B. Update on IPOC Sponsored Legislation**

Regarding IPOC, Mr. Propst said the December 4<sup>th</sup> meeting was the last for the interim. IPOC considered and endorsed a number of PERA-related bills. The bills and any other legislation related to PERA will be brought back to the Board at its January 14<sup>th</sup> meeting to determine a position. The pre-filing period begins December 16<sup>th</sup> and runs until January 17<sup>th</sup>.

Mr. Propst said that he expected the bills which were endorsed by IPOC will be pre-filed. The bills include the PERA Solvency legislation which is an outgrowth of the Governor's task force, and provides for a number of carve-outs for those receiving less than \$25,000 in pension and/or salary, and protects retirees 75 or over from any changes to their COLA – which is approximately one-third of PERA's retirees' population; another significant change is a delay in the 4 percent contribution increases (2 percent for employee and 2 percent for employer) in order to address concerns regarding the need to budget for the increases and address the disparities between state general division and some of the municipal divisions. Another change restores the 5-year vesting period for Tier 2 members. The legislation also removes the earnings cap of 90 percent.

The BoardPortal includes a report on the asset liability and cash flow impact of the Governor's legislation and Mr. Propst provided a review highlighting the COLA adjustments that occur with different returns. Regardless of returns, there is a floor of 0.5 percent COLA and it could be as high as 3 percent until there is 100 percent funding.

Mr. Propst reported that as of June 30, 2019, there were 40,550 retirees and 11,229 will be 75 or older as of July 1, 2020, and there are also 1,344 retirees who are under the exemption of disability or pensions less than \$25,000.

The legislation also includes a one-time \$76 million general fund appropriation to the PERA fund to pay for the three years of 2 percent non-compounding 13<sup>th</sup> check.

Mr. Propst highlighted the bill number which designates it as being on the Governor's call. There was other PERA-related legislation lacking that designation which may or may not be included and considered during the session.

A few bills were developed to address the solvency of the Judicial and Magistrate plans. One of the bills includes a five year diversion of the annual distribution to the Legislative retirement fund – which is currently funded at over 100 percent – to the Judicial and Magistrate plans. Another was a cash infusion from the general fund. IPOC also endorsed putting the docket fees directly into the general fund and then using these to fund the employer contribution as a statutory percent of salary for both the Judicial and Magistrate plans.

Mr. Propst said IPOC also endorsed a bill to restructure the PERA Board and make it an appointed board. The appointments consist of appointments from the State Personnel Board, NM Association of Counties, the Municipal League, a couple of appointed retirees, two non-PERA people with pension plan design experience appointed by the Speaker of the House and President pro-tem, and the Secretary of DFA would serve as a member. The terms would be four-years and no member could serve more than two terms. The membership would have geographically diversity around the state.

The Governor's call includes a bill making some overtime pay included as salary for pensionable wages for municipal police and fire. The employee and employer would pay contributions on those wages.

Mr. Propst thanked Ms. Lujan for her attention to the transition to Voya.

## **7. Adjournment**

Having completed the agenda, Vice Chair Melia wished all a Happy New Year and declared this meeting adjourned at 12:50 p.m.

Approved by:

John Melia  
Vice Chair, PERA Board

ATTEST:

Wayne Propst, Executive Director

### Attached Exhibits:

*Exhibit 1: Police Report provided by Mr. Neel*

*Exhibit 2: Six Affidavits from witnesses of the October 8<sup>th</sup> executive session*

*Exhibit 3: Consent Agenda*

*Exhibit 4: Table of comments regarding the Policies & Procedures*

*Exhibit 5: Policies & Procedures redline copy*