STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2010

The Educational Retirement Board is a Pension Trust Fund of the State of New Mexico

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD

A Pension Trust Fund of the State of New Mexico

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2010

Prepared by Staff of the ERB Finance and Investments Divisions

Educational Retirement Board

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EDUCATIONAL RETIREMENT BOARD

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Certificate of
Achievement
for Excellence
in Financial
Reporting
Presented to
New Mexico
Educational Retirement Board
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009
A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.
President
Executive Director

STATE OF NEW MEXICO
Educational Retirement Board
701 CAMINO DE LOS MARQUEZ
P.O. Box 26129
SANTA FE, NEW MEXICO 87502-0129
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Letter of Transmittal
December 15, 2010

TO THE BOARD OF TRUSTEES AND PLAN MEMBERS OF THE EDUCATIONAL RETIREMENT BOARD

We are pleased to present this Comprehensive Annual Financial Report of the New Mexico Educational Retirement Board for the fiscal year ended June 30, 2010. This report is a demonstration of the commitment of our Board and staff to timely, complete and accurate reporting of the activities and soundness of our membership's retirement plan.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Educational Retirement Board for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the first year the Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The content, accuracy, and presentation of this report are the responsibility of agency management. To the best of our knowledge and judgment this report represents an accurate presentation in all material respects of the financial and actuarial position and the results of operations of the plan.

The State of New Mexico Educational Retirement Board ("Board") was created by the Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees' Retirement Plan (the "Plan"). The Plan is a cost-sharing, multiple-employer plan established and administered by the Board to provide retirement, disability, and death benefits for all certified teachers and other employees of the State of New Mexico educational institutions, junior colleges, and technical-vocational institutions. Please see note two to the financial statements on page 36 for further discussion of the background, membership, and provisions of the plan.

SUMMARY OF FINANCIAL INFORMATION

The following table shows plan additions and deductions for the fiscal years ended June 30, 2010, 2009, and 2008.

	June 30, 2010	June 30, 2009	June 30, 2008
Total Additions <Decreases>	$ 1,815,371,982	$(1,000,328,799)	$ (71,412,523)
Total Deductions	696,500,248	656,063,540	614,339,291
Net Change	$ 1,118,871,734	$(1,656,392,339)	$ (685,751,814)

Additions decreased by $928,916,276 from FY2008 to FY2009. This was due primarily to a significant decrease in the fair value of investments caused by unprecedented turmoil in financial markets beginning in 2008 and continuing through most of FY2009. Additions increased by $2,815,700,781 from FY2009 to FY2010 due in part to increased contributions, but mostly to significant recovery in financial markets and good investment returns. Deductions increased by $41,724,249 from FY2008 to FY2009 and by $40,436,708 from FY2009 to FY2010, due mostly to increased benefit payments to retirees caused by an increase in the number of retirees each year and higher benefit amounts caused by increasing salaries of retiring members.

Additional financial highlights can be found in the Management's Discussion and Analysis immediately preceding the Audited Financial Statements.

ACTUARIAL PLAN STATUS

The funding objective of the Educational Retirement Board is to meet long term benefit promises to current and future members through member and employer contributions and investment earnings. Information relating to progress in meeting this objective is presented on page 68. The unfunded actuarial accrued liability (UAAL) is a measure of the currently unfunded part of future benefit obligations. The UAAL increased from $4,517,001,770 in FY2009 to $4,922,187,834 in FY2010. This is primarily caused by the significant investment losses incurred in fiscal years 2008 and 2009. To smooth the effects of short term investment results they are figured into the UAAL calculation on a rolling five year basis, so the investment losses recorded during fiscal years 2008 and 2009 continue to have a negative impact on the change from year to year.

The funding period is an estimate of the time it will take to amortize the UAAL and achieve full funding, based on actuarial assumptions which are described in detail in the actuarial section of this report. The funding period increased from 45.0 years at June 30, 2009 to 62.5 years at June 30 2010. The Board has been working to address the funding status for several years. In 2005 the State Legislature passed Senate Bill 181, which gradually increased both employer and employee contribution rates over a period of time. Originally scheduled for full implementation in 2012, the scheduled FY 2011 increase in employer contributions was postponed by the legislature. When fully implemented the total combined contribution rate will be 21.8% of payroll. In the 2009 Legislative session, several changes to plan design were adopted that have significantly reduced the Normal Cost Percentage. These included changing retirement eligibility from either 25 years of service, age plus years of service equaling 75 (rule of 75), or age 65 with 5 years of service; to 30 years of service, age plus years of service equaling 80 (rule of 80), or age 67 with five years of service. A lower Normal Cost Percentage means less of the contributions received will be needed to fund current Normal Costs and more will work toward reducing the UAAL. A change affecting funding was also implemented, requiring employers of ERB retirees working under the Return to Work program to contribute to the fund an amount equal to the combined contribution rate for both employers and employees. Previously employers of such employees only remitted an amount equal to the employer's share. This change will also help improve our funding. Further, a Retirement System Solvency Task Force was established by the 2009 Legislature and the Board has developed recommendations for consideration by the 2011 Legislature with the objective of achieving 80% funding within 30 years. While all of these efforts are projected to significantly improve the funding status of the plan, ERB management and staff believes and has advised the Board and the legislature that reducing the funding period to the GASB limit of 30 years is a goal that our most reasonable projections and estimates indicate will not be achieved for several years in the future.

INVESTMENT ACTIVITY

Recognizing the perpetual nature of the Fund and the fiduciary responsibilities of the Board, the primary goal in investing the assets is to provide significant real returns adjusted for inflation over long periods of time with acceptable risk. In light of these dual goals, the Investment Division seeks to diversify the Fund's assets for purposes of both controlling risk and enhancing return. Over the long term, the fund's objective is to earn the actuarial rate of return, currently set at 8%.

ERB's investment portfolio produced a total gross return of 18.2% for the year ended June 30, 2010. The policy benchmark return for the same period was 12.7%. The portfolio outperformed its benchmark by 5.5%. The investment staff believes that ERB's diversified portfolio in a robust range of assets is poised to continue to outperform its benchmark indices as the financial markets recover.

ERB investments are tracked daily by ERB Investments Division staff. The Board receives formal reports on an ongoing basis and the Board's Investment Committee meets monthly to review performance. External investment managers who are underperforming are expected to explain to the Board remedial actions they plan to take and are placed on a "watch list", with contract termination an option if performance does not improve.

Additional information regarding investment results for the year is included in the investments section of this report.

LEGISLATIVE ACTION IN FY2010

Several pieces of legislation affecting ERB were enacted during the 2010 legislative session. These are described below.

Chapter 81 Laws of 2010-HB239 ensures there will not be a decrease in our retirees' monthly benefits. Previously Section 22-11-31 (B) of the New Mexico Educational Retirement Act required that decreases in the Consumer Price Index will cause retiree benefits to decrease. Since the Consumer Price Index showed a decrease from 2008 to 2009 the result would have been a 0.4% reduction in a retiree's monthly benefit. HB239 changed the language to state "Annuities shall not be decreased in the event that there is a decrease in the Consumer Price Index between the next preceding calendar year and the preceding calendar year." While it is unfortunate that our members will not be receiving a cost of living adjustment increase this year they will not suffer a decrease this year or in the future.

Chapter 60 Laws of 2010-HB 231 provides that the only information maintained by the Educational Retirement Board regarding a member or retired member which is open to public inspection is the name of the member, where the member was employed, dates of retirement and reported death, service credit, reported salary, amount of contributions and pension or disability benefit amount. Other information may only be disclosed to the member, the member's spouse or authorized representative, or persons specifically identified by the member in a written consent form.

Chapter 67 Laws of 2010-SB 91 delays the 0.75 percent increase scheduled for FY11 in the employer contributions to the ERB by one year. The employer contribution rate for FY11 will remain at 10.90% for employees making $20,000.00 or more and 12.40 percent for employees making less than $20,000.00.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND FRAUD PREVENTION

ERB management has established and maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded, and financial reports are materially accurate and timely. Internal control over financial reporting cannot provide absolute assurance of achieving these financial reporting objectives because of its inherent limitations in internal control. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Our Internal Audit staff provides an ongoing fraud risk assessment and review of internal controls and operating procedures and regularly reports to the Audit Committee of the Board of Trustees. The committee reviews audit findings and recommendations and management's actions to implement recommendations and reports to the full board any concerns they may have.

INDEPENDENT AUDIT

The annual audit of ERB's financial statements was performed by Moss Adams LLP. ERB received an unqualified audit opinion. The auditor's report is included in the financial section of this report.

We would like to acknowledge and thank the staff of ERB's accounting and investment divisions, our actuaries Gabriel, Roeder & Smith, our independent auditors Moss Adams LLP, and our Investments consultant NEPC for their contributions to and hard work on this report.

Sincerely,

Jan Goodwin
ERB Executive Director

Mary Lou Cameron
ERB Board Chairman

Mission of the Educational Retirement Board

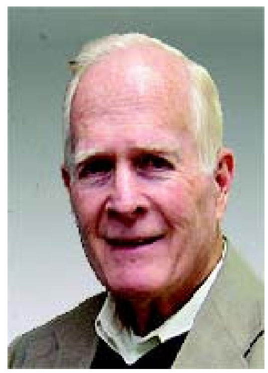
The New Mexico Educational Retirement Board is a statutory entity that provides secure retirement benefits for our active and retired members from school districts, higher education, and educational agencies.

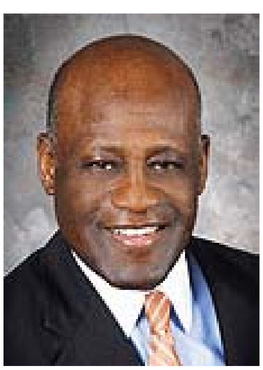
We strive to make our member's retirement experience optimal by:

- Prudently managing the financial assets of the fund;
- Providing prompt, courteous, and accurate responses to members' inquiries;
- Counseling members on an individual basis related to retirement issues;
- Educating members about both the financial and personal aspects of retirement;
- Educating members about ways to advocate for improving benefits; and
- Soliciting member input for improving services.

We are constantly building the skills capacities and competencies of our employees in order to provide our members caring and quality service.

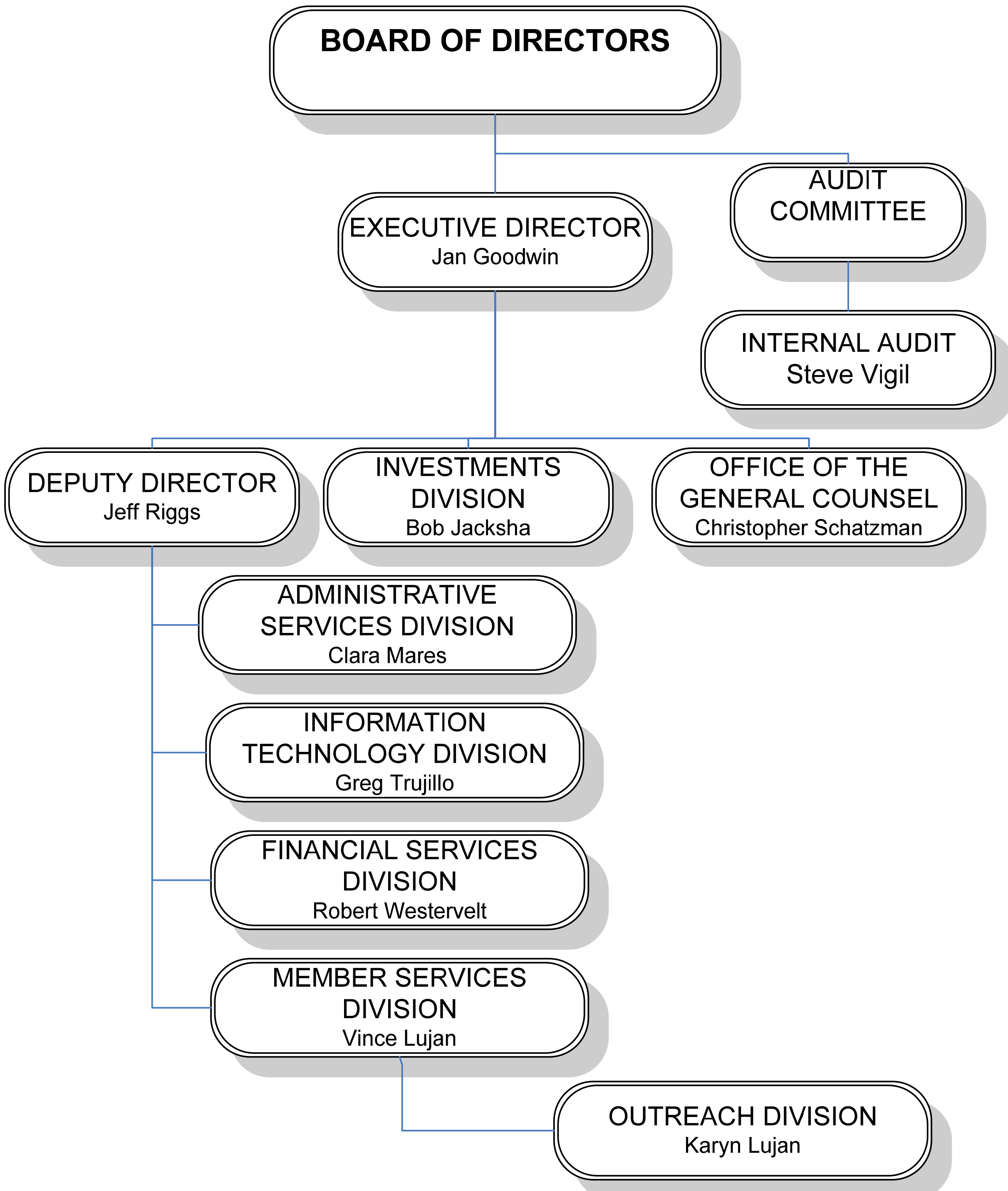
NM EDUCATIONAL RETIREMENT BOARD OF TRUSTEES
As of June 30, 2010





NM EDUCATIONAL RETIREMENT BOARD ORGANIZATION CHART

As of June 30, 2010



ERB STAFF as of Dec. 15, 2010

Administration

Jan Goodwin, Executive Director
(Vacant) Deputy Director
Steve Vigil, Internal Auditor
Linda Kissko, Executive Assistant

Program Support

Clara Mares, Administrative Services Manager
Marie Fitzpatrick, HR Payroll and Benefits
(Vacant) Records Clerk
Darlene Gibbs, Imaging Clerk
Mary Olague, Data Entry Clerk
Kevin Long, Plant/Systems Operator

Office of the General Counsel

Christopher Schatzman, General Counsel
Robert Shulman, Attorney
Anita Tellez, Attorney
Margo Salazar, Paralegal Assistant
Amanda Olsen, Paralegal Assistant

Information Technology

Gregory Trujillo, Information Systems Manager
Jonas Aylward, IT Business Analyst
David Peterson, IT Generalist
Robert Hampton, IT Generalist
(Vacant) Database Administrator
Matthew Martinez, Network Administrator
Harold Sexton, Accountant & Auditor
(Vacant) Personal Financial Advisor

Investments

Bob Jacksha, Chief Investment Officer
Steve Neel, Deputy Chief Investment Officer
Mark Canavan, Investment Officer
Kelley Koehler, Financial Analyst
Jude Perez, Investment Officer
Christine Ortega, Financial Analyst
LeAnne Larranaga-Ruffy, Investment Officer

Financial Services

Bob Westervelt, Chief Financial Officer
Robert Cardon, Accountant and Auditor
Bea Pacheco, IT Business Analyst
Angelina Romero, Accountant and Auditor
Debbi Lucero, Purchasing & Fixed Assets
Jeremy Bangs, Financial Specialist
Veronica Chavez, Financial Specialist
Rita Sanchez, Financial Specialist
Stephanie Ortiz, Financial Specialist
Sandy Vigil, Financial Specialist

Member Services

Vincent Lujan, Member Services Manager
Karyn Lujan, Outreach Coordinator
Karla Leyba, Financial Advisor
Melinda Marquez, Financial Advisor
Rose Tapia, Financial Advisor
Michelle Duran, Financial Advisor
(Vacant) Financial Advisor
Anders Engstrom, Financial Advisor

Pension/Refund Section

Raul Duran, Payroll Administrator
Rosa Weese, Benefit Specialist
Ester Ortiz, Bookkeeper
Nicole Jaramillo, Refund Administrator
Elizabeth Fischer, Refund Specialist

Customer Service Section

Kathy Webb, Bureau Chief, Customer Services
Cordelia Anaya, Customer Service Rep.
Cynthia Martinez, Customer Service Rep.
(Vacant) Customer Service Rep
Jerome Lopez, Customer Service Rep.

CONSULTANTS AND PROFESSIONAL SERVICES

To assist the Board and administration in carrying out its fiduciary duty regarding the prudent investment of the fund's assets, the Board has hired an actuarial firm three investment consultants, and several legal consultants.

Gabriel, Roeder, Smith & Co. is the actuarial firm chosen by the Board and is responsible for:

- Certifying the adequacy of the contribution rate used by the System;
- Measuring and reporting the assets and liabilities of the System; and
- Reviewing and analyzing trends in the System's contributions.

NEPC provides general investment consulting services and advises on private equity and hedge funds.

Courtland Partners provides consulting services related to infrastructure investments.

ORG provides consulting services related to investments in real estate and natural resources.

To assist the Board in carrying out its duty regarding disability benefits, the Board has engaged the services of three physicians as the Medical Review Board.

The Medical Review Board is responsible for:

- Reviewing all disability examination reports; and
- Advising the ERB of the nature and extent of the disability.

Legal services are provided to the board by the following firms.

New Mexico Attorney General's Office – principally in the areas of administrative law and litigation.

Groom Law Group – principally in the areas of tax, pension and fiduciary law.

Foster Pepper PLLC – principally in the area of alternative investments

Freedman Boyd Hollander Goldberg & Ives PA – principally in the area of investment litigation

Pomerantz Haudek Grossman & Gross, LLP – principally in the area of investment litigation

Canepa & Vidal, P.A. – principally in the areas of litigation and administrative law

Cuddy McCarthy LLP – principally in the areas of employment, education, litigation and administrative law

Sutin Thayer & Browne - principally in the area of administrative law

Randall W. Childress, P.C. – administrative hearing officer

Actuary

Gabriel, Roeder, Smith & Co.
1000 Town Center, Suite 1000
Southfield, Michigan 58075

Auditor

Moss Adams LLP
6100 Uptown Blvd. NE, Suite 400
Albuquerque, New Mexico 87110

General Investment Consultant

NEPC
One Main Street
Cambridge, MA 02142

A schedule of fees paid to investment professionals who provide services to the Board is included on page 83 in the Investments section of this report. A schedule of fees paid for other professional services is located on page 73 in the Financial section of this report.

FINANCIAL SECTION

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MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

Independent Auditors' Report

To the Members of the State of New Mexico
Educational Retirement Board
Santa Fe, New Mexico

We have audited the accompanying Statements of Plan Net Assets and Statements of Changes in Plan Net Assets of the State of New Mexico Educational Retirement Board (the "ERB"), as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. We have also audited the Statement of Revenues and Expenses – Budget and Actual (Non-GAAP) shown as supplemental information for the year ended June 30, 2010, as listed in the table of contents. These financial statements and statement are the responsibility of ERB's management. Our responsibility is to express an opinion on these financial statements and statement based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ERB's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of ERB are intended to present the net assets and changes in net assets of only that portion of the State of New Mexico which are attributable to the transactions of the Fund administered by ERB. They do not purport to, and do not present fairly, the financial position of the State of New Mexico as of June 30, 2010 and 2009, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the plan net assets of ERB as of June 30, 2010 and 2009, and the respective changes in financial position of its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Statement of Revenues and Expenses - Budget and Actual, (Non-GAAP Basis) presents fairly the revenues and expenses on the basis of accounting as described in Note 1, for the year ended June 30, 2010.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Members of the State of New Mexico
Educational Retirement Board
Santa Fe, New Mexico

The Management's Discussion and Analysis and Required Supplementary Schedules of Funding Progress and of Employer Contributions are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of ERB taken as a whole. The Schedules of Cash Accounts, Fees Paid for Professional Services Other Than Investment Professionals, and Administrative Expenses, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Introductory, Investment, Actuarial and Statistical Sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Albuquerque, New Mexico
December 13, 2010

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010, 2009 and 2008

Agency management prepared this Management's Discussion and Analysis ("MD&A") of the financial position of the State of New Mexico Educational Retirement Board ("Board") for the fiscal years ended June 30, 2010 ("FY10"), 2009 ("FY09") and 2008 ("FY08"). For more detailed information of the Board's FY10 and FY09 financial activities, the reader should review the financial statements, including the notes and required supplementary information.

FINANCIAL REPORTING REQUIREMENTS

The financial statements include the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets. The financial statements also include notes, which explain the history and purpose of the Board, significant accounting policies, investment details, statutory disclosures, and other required supplementary information. These financial statements have been prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board ("GASB").

FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits increased $1.1 billion, or 15.7%, in FY10 compared to a decrease of $1.7 billion, or 18.9%, in FY09 and a decrease of $686 million, or 7.25%, in FY08. A significant downward trend in financial markets in FY08 and the early part of FY09 reversed toward the end of FY09 and the Board experienced strong returns on its investment portfolio in FY10.

- Investment advisor and custodial fees increased $15.0 million, or 89.6 %, in FY10 compared to a decrease of $3.6 million, or 17.8% in FY09 and a decrease of $0.5 million, or 2.1%, in FY08. These fees are based on investment returns and portfolio balance, so strong returns and an increasing portfolio balance naturally leads to increasing advisor and custody fees.

Total cash and cash equivalents increased $49.5 million in FY10 compared to a $44 million decrease in FY09 and a $23 million increase in FY08. It is normal for the cash balance as of a specific date to fluctuate somewhat as the Board adjusts holdings. Total cash and cash equivalents equaled $357 million, or 4.4% of investments, at the end of FY10 compared to $307 million, or 4.1% of investments, at the end of FY09, and $351 million, or 3.7% of investments at the end of FY08. All three years were within the Board's investment policy that limits cash holdings to 5% or less.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008

- Investment holdings increased $602 million, or 8.0%, in FY10 compared to a decrease of $2.05 billion, or 21.4%, in FY09 and a decrease of $723 million, or 7.0% in FY08, primarily due to the weak performance of domestic and foreign equity markets at the end of FY08 and continuing through FY09, then turning around and strengthening through FY10.

- Receivables decreased by just over $30 million in FY10 compared to a decrease of $161 million in FY09, and a decrease of $594 million in FY08, with the majority of the changes showing in investment broker sales proceeds. A decrease indicates a smaller volume of investments were sold at or near fiscal year end, and remained outstanding on June 30. Securities sales and purchases are usually based on "trade date + 3 days," meaning that the transaction will settle three business days after it is initiated.

- Capital assets decreased by $2.0 million, or 24.4%, in FY10 compared to a decrease of $1.9 million, or 18.7%, in FY09 and an increase in FY08 of $2.6 million, or 34.4%. The big increase in FY08 was due primarily to capitalization of development costs on the new pension administration system and the addition to the Santa Fe office building. The big decreases in FY10 and FY09 were mainly the result of large depreciation costs, mostly on the pension administration system capitalized in FY08 with a relatively short depreciation period, combined with minimal new asset additions during the year. See Notes two and seven for additional information on capital asset activity and depreciable life expectancies. The Board does not have any debt activity.

- Accounts payable increased $5.3 million, or 127%, in FY10 compared to a decrease of $1.3 million, or 24.1%, in FY09 and an increase of $537 thousand, or 10.8% in FY08, primarily due to changes in the amount of investment advisor fees due at each respective year-end.

- Investment purchases payable-brokers decreased by $27.9 million in FY10 compared to a decrease of $143 million in FY09 and a decrease of $419 million in FY08. A decrease is indicating that a smaller volume of investments were purchased at or near fiscal year end and remained outstanding on June 30. Securities sales and purchases are usually based on "trade date + 3 days," meaning that the transaction will settle three business days after it is initiated.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008

- Securities lending collateral decreased $477 million, or 70.4%, in FY10 compared to a decrease of $458 million, or 40.3%, in FY09, and a decrease of $199 million, or 15.1% in FY08. This indicates a smaller amount from the Board's portfolio was being lent at the end of each year. Securities lending net income decreased $3.1 million, or 64.2%, in FY10 compared to a decrease of $1.1 million, or 18.6%, in FY09 and an increase of $3.5, or 152%, in FY08. The decrease from FY08 to FY09 was due to a significant drop in interest rates. The decrease from FY09 to FY 10 was due to a significant decrease in activity as a result of a more conservative approach to securities lending.

- Employer and member contributions increased $28.2 million, or 5.3%, in FY10 compared to an increase of $42.9 million, or 8.7%, in FY09 and an increase of $47.5 million, or 10.7% in FY08, due to an increase in active member contribution rates and salary increases. Benefit payments to retirees increased $38.5 million, or 6.2%, in FY10 compared to an increase of $38.9 million, or 6.7%, in FY09 and an increase of $38.6 million, or 7.15% in FY08, due to the increase in the number of retirees each year, as well as the cost of living adjustments paid to retirees. Refunds and interest to terminated members decreased $907 thousand, or 3.1%, in FY10 compared to an increase of $211 thousand or 0.7%, in FY09 and an increase of $1.9 million, or 7.1% in FY08. The Board's total membership increased by 1,988, or 1.6%, to 128,883 members in FY10 compared to an increase of 2,023, or 1.6%, to 126,895 members in FY09 and an increase of 2,274, or 1.8%, to 124,872 members in FY08.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008

CONDENSED FINANCIAL INFORMATION

Statements of Plan Net Assets

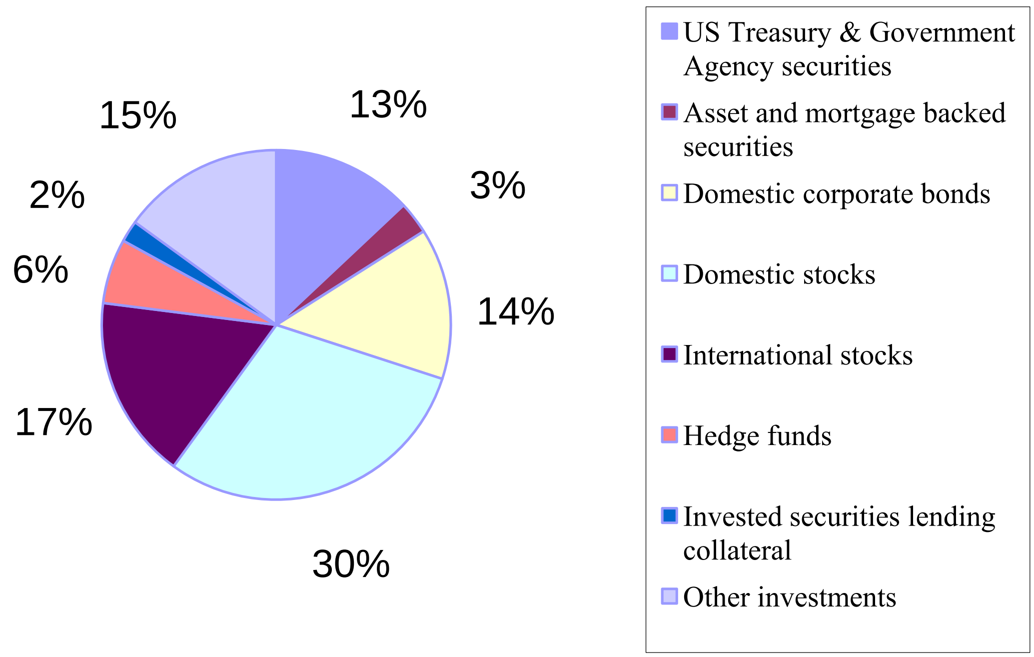
	FY10	FY09	FY08
Cash and short-term investments	$ 344,561,297	$ 289,479,681	$ 346,040,280
Receivables	193,577,375	223,723,966	384,628,705
Investment in State General Fund Investment Pool	12,081,842	17,627,763	4,990,356
Investments—at fair value	8,125,244,790	7,523,202,286	9,575,761,825
Capital assets (net of accumulated depreciation)	6,217,017	8,226,741	10,121,468
Total assets	8,681,682,321	8,062,260,437	10,321,542,634
Current liabilities	448,957,805	948,409,876	1,551,286,681
Long-term liabilities (compensated absences)	201,082	198,861	211,914
Total liabilities	449,158,887	948,608,737	1,551,498,595
Net assets held in trust for pension benefits	$8,232,523,434	$7,113,651,700	$8,770,044,039

Statements of Changes in Plan Net Assets

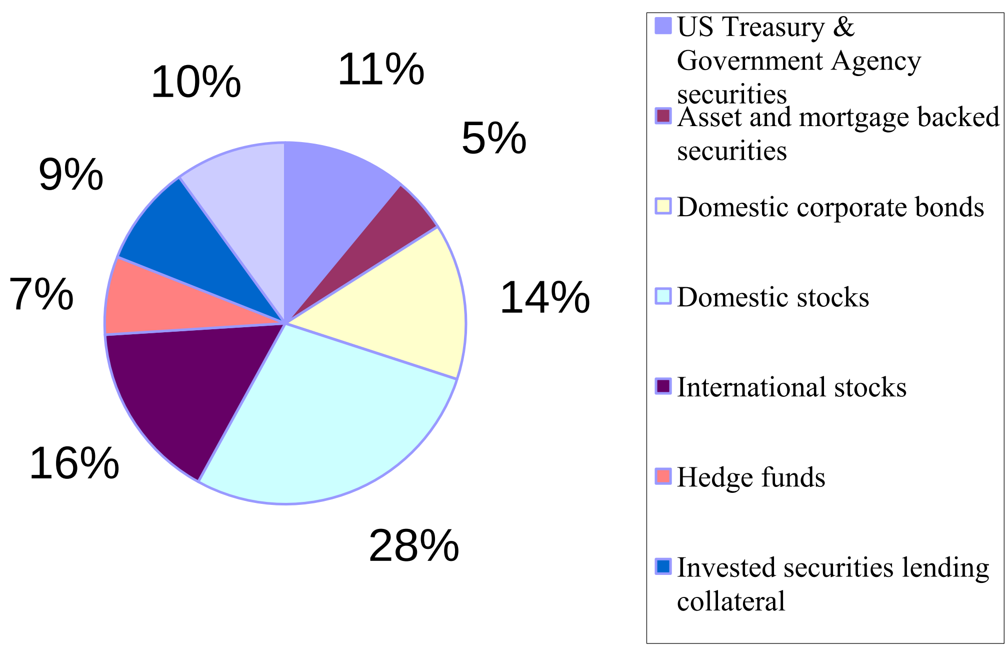
	FY10	FY09	FY08
Contributions	$ 563,942,946	$ 535,699,520	$ 492,762,295
Investment income less investment expenses	153,062,596	185,177,492	217,647,920
Net appreciation (depreciation) in the fair value of investments	1,095,257,890	(1,724,901,896)	(785,485,191)
Other income	3,108,550	3,696,085	3,662,453
Total additions (deductions)	1,815,371,982	(1,000,328,799)	(71,412,523)
Benefit payments	656,232,670	617,705,038	578,775,611
Refunds	28,779,655	29,686,510	29,475,171
Administrative expenses	11,487,923	8,671,992	6,088,509
Total deductions	696,500,248	656,063,540	614,339,291
Increase (Decrease) in net assets	1,118,871,734	(1,656,392,339)	(685,751,814)
Net assets held in trust for pension benefits:			
Beginning of year	7,113,651,700	8,770,044,039	9,455,795,853
End of year	$ 8,232,523,434	$ 7,113,651,700	$8,770,044,039

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008

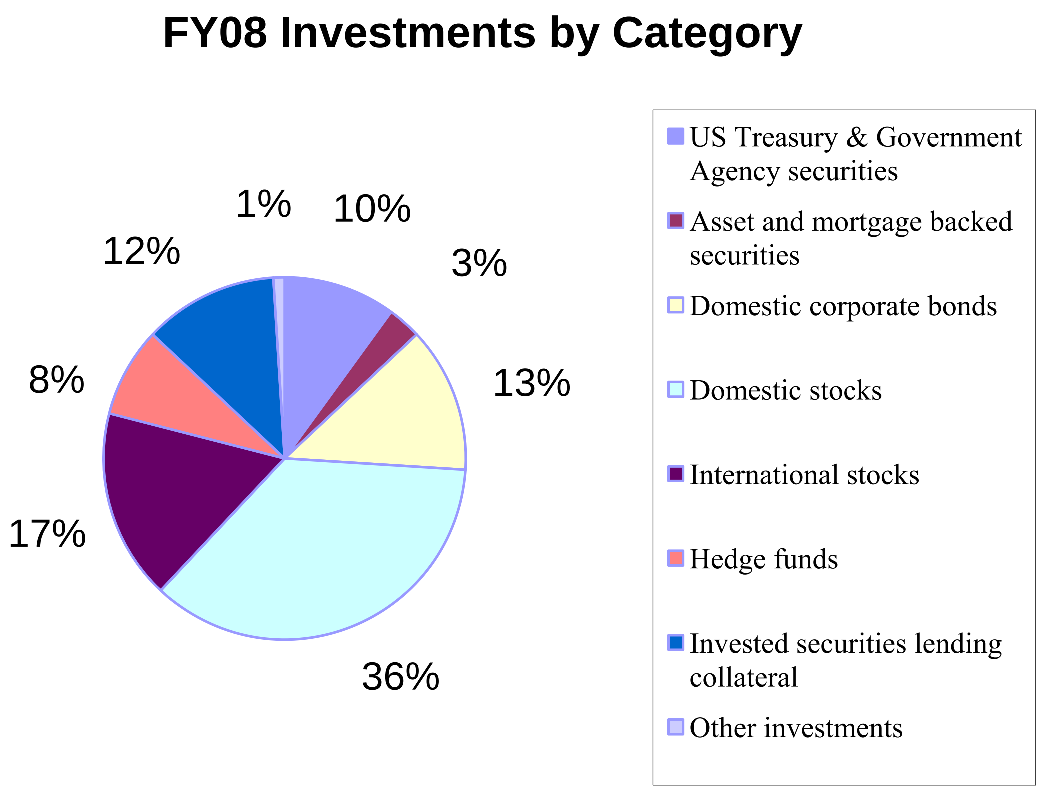
FY10 Investments by Category



FY09 Investments by Category



STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008



BUDGETARY HIGHLIGHTS

A major portion of the Board's contractual services are based on market performance, and the budget is established to absorb all expenses that may be incurred during the period. These initial budget estimates may be adjusted throughout the year, based on market performance, to arrive at a final budget. In FY10, the budget was increased by $20.5 million from $28.6 million to $49.1 million. In FY09, the Board's initial budget was increased by $530 thousand from $32.4 million to $32.9 million. In FY08 the budget was not changed from the original $30.1 million. Changes in the corpus of the fund generally drive changes in income and expenses. The Board had savings over budgeted amounts in the three expense categories totaling $7.9 million during the 2010 fiscal year compared with savings of $9.6 million in fiscal year 2009 and savings of $3.9 million in fiscal year 2008.

LONG-TERM DEBT

The only long-term liability activity relates to compensated absences reported in Note 9.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008

INFRASTRUCTURE

ERB has no infrastructure assets to report.

CAPITAL ASSETS

The net investment in Capital Assets at June 30, 2010, 2009 and 2008, is as follows:

Description	Cost	Accumulated Depreciation	Book Value
2010			
Land	$ 248,172	$ -	248,172
Depreciable land improvements	19,361	(3,623)	15,738
Integrated Retirement Information System	9,156,963	(5,617,473)	3,539,490
Building and building improvements	3,365,714	(1,264,065)	2,101,649
Furniture and equipment	1,134,761	(822,793)	311,968
Total	$ 13,924,971	$ (7,707,954)	$ 6,217,017
2009			
Land	$ 248,172	$ -	248,172
Depreciable land improvements	19,361	(3,111)	16,250
Integrated Retirement Information System	9,156,963	(3,786,081)	5,370,882
Building and building improvements	3,365,714	(1,126,826)	2,238,888
Furniture and equipment	1,139,019	(786,470)	352,549
Total	$ 13,929,229	$ (5,702,488)	$ 8,226,741
2008			
Land	$ 248,172	$ -	$ 248,172
Depreciable land improvements	19,361	(2,412)	16,949
Capital assets in progress	1,176,211	-	1,176,211
Integrated Retirement Information System	9,156,963	(1,954,689)	7,202,274
Building and building improvements	2,151,067	(1,011,482)	1,139,585
Furniture and equipment	1,078,738	(740,461)	338,277
Total	$ 13,830,512	$ (3,709,044)	$ 10,121,468

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2010, 2009 and 2008

FINANCIAL CONTACT

Any questions regarding the financial statements of ERB should be directed to the ERB Chief Financial Officer at (505) 476-6132 or by mail at 701 Camino de los Marquez Santa Fe, New Mexico 87505.

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
STATEMENTS OF PLAN NET ASSETS
June 30, 2010 and 2009

	2010	2009
Assets		
Cash	$ 6,092	$ 907
Short term investments	344,555,205	289,478,774
Receivables		
Contributions	68,233,170	66,650,037
Investment sales proceeds-brokers	94,497,269	129,477,330
Interest and dividends	30,371,094	27,528,119
Other	475,842	68,480
Total receivables	193,577,375	223,723,966
Interest in State General Fund Investment Pool	12,081,842	17,627,763
Investments, at fair value		
U. S. Treasury securities	554,294,917	230,027,482
Government agency securities	510,939,793	614,167,396
Asset and mortgage backed securities	242,937,602	350,555,573
Domestic corporate bonds	1,099,340,868	1,044,370,430
Domestic stocks	2,423,224,608	2,080,792,320
International stocks	1,367,105,988	1,238,816,417
Private equity	241,336,795	138,357,638
Hedge funds	499,102,188	537,791,270
Private real estate	80,872,114	77,902,570
Other investments	914,462,725	545,166,380
Invested securities lending collateral	191,627,192	665,254,810
Total investments	8,125,244,790	7,523,202,286
Capital assets, at cost, net of accumulated depreciation of $7,707,954 and $5,702,488, respectively	6,217,017	8,226,741
Total assets	$ 8,681,682,321	$ 8,062,260,437
Liabilities		
Accounts payable	$ 9,470,796	$ 4,167,084
Accounts payable school contributions	14,463	101,310
Accrued payroll and employee benefits	179,210	154,292
Accrued compensated absences	201,082	198,861
Refunds payable	1,213,339	943,130
Investment purchases payable	236,142,568	263,999,480
Funds held for others	848,955	850,156
Securities lending collateral	201,088,474	678,194,424
Total liabilities	449,158,887	948,608,737
Net assets held in trust for pension benefits	$ 8,232,523,434	$ 7,113,651,700

See Accompanying Notes to Financial Statements.

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
STATEMENTS OF CHANGES IN PLAN NET ASSETS
Years Ended June 30, 2010 and 2009

	2010	2009
Additions		
Contributions		
Employer	$ 313,276,296	$ 323,685,497
Member	250,666,650	212,014,023
Total contributions	563,942,946	535,699,520
Investment income from investing activities		
Net change in fair value of investments	1,095,257,890	(1,724,901,896)
Interest income	109,220,628	114,363,735
Dividend income	73,935,003	82,815,387
Total investing activity (loss)	1,278,413,521	(1,527,722,774)
Investing activity expenses:		
Investment advisor fees	(30,555,537)	(16,103,831)
Custody fees	(1,246,558)	(670,671)
Total investing activity expenses	(31,802,095)	(16,774,502)
Net gain (loss) from investing activities	1,246,611,426	(1,544,497,276)
From securities lending activities		
Securities lending income	1,798,532	19,017,334
Securities lending expenses:		
Borrower rebates	(154,676)	13,564,740
Agent fees	244,148	679,722
Total securities lending expenses	89,472	14,244,462
Net income from securities lending activities	1,709,060	4,772,872
Total net investment gain (loss)	1,248,320,486	(1,539,724,404)
Miscellaneous income		
Penalties	5,673	3,568
Interest on restoration of service	2,900,360	3,093,720
Other	202,517	598,797
Total miscellaneous income	3,108,550	3,696,085
Total additions (decrease)	1,815,371,982	(1,000,328,799)
Deductions		
Refunds to terminated members	24,573,831	24,051,878
Interest on refunds	4,205,824	5,634,632
Administrative expenses	11,487,923	8,671,992
Age and service benefit payments	648,962,031	610,664,371
Disability benefit payments	7,270,639	7,040,667
Total deductions	696,500,248	656,063,540
Net increase (decrease)	1,118,871,734	(1,656,392,339)
Net assets held in trust for pension benefits		
Beginning of the year	7,113,651,700	8,770,044,039
End of the year	$ 8,232,523,434	$ 7,113,651,700

See Accompanying Notes to Financial Statements.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Board's financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. The New Mexico General Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis for the State. Prior-year encumbrances are not carried forward for single-year appropriations. Employer and member contributions are recognized as revenue in the period in which the member's services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Budgets and Budgetary Accounting—Formal budgetary integration is used as a management control device by the Board in administering the Plan. The budget for this State Agency is adopted on the modified accrual basis of accounting, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 10-6-4 NMSA 1978), that must be paid out of the next year's budget.

Only administrative expenses and a small portion of interest income are budgeted, while significant revenues and non-administrative expenses are not. The budget is prepared on a non-GAAP basis, as it recognizes encumbrances and capital expenses as current expenses, excludes depreciation expense, and recognizes revenue when cash is received. Budgetary comparisons for the Plan are presented in the schedule of revenues and expenses—budget and actual (non-GAAP basis).

The Accountability in Government Act, Chapter 15, Laws of 1999, provides a general process for implementation of performance-based budgeting over a four-year period. The Board was included in performance-based budgeting for the first time in FY 2002. The Board developed performance measures which were approved by the State Budget Division ("SBD") and the Legislative Finance Committee ("LFC") and included in the General Appropriations Act. The Board is required to periodically report to the SBD and the LFC on these performance measures.

The original budget was amended during the fiscal year. One Budget Adjustment Request (BAR) was submitted and approved for the addition of $19 million in the contractual services expense item. A second BAR was submitted and approved for the addition of $1.5 million in other administrative expenses. The additional expenses were approved to be funded from earnings on invested fund balance.

The Board follows these procedures in establishing the annual budget:

(1) By August 31, the Board prepares a Budget Appropriation Request to be presented to the next legislature. The Request includes proposed expenses and the means of financing them.

(2) On September 1, the Budget Appropriation Request is submitted to the Department of Finance and Administration ("DFA") and the LFC.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) The DFA makes recommendations and adjustments to the Board's Budget Appropriation Request, which becomes the Governor's proposal to the Legislature.

(2) The LFC holds hearings on the Budget Appropriation Request. Recommendations and adjustments are made prior to presenting the Budget Appropriation Request to the Legislature.

(5) Both the DFA's and the LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget.

(6) On May 1, the Board submits its Annual Operating Budget to the DFA and the LFC based on the final appropriation from the Legislature.

(7) Budgetary control is exercised at the appropriation unit level (revenue source and expenditure category), and any changes between budget categories must be approved by the DFA and the LFC.

Investments— Investments are recorded at fair value. The estimated fair value of investments is based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on the most recent valuations provided by the external investment managers, adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2010. The Board believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

There are certain market risks, credit risks, foreign exchange currency risks, or events that may subject the Plan's investment portfolio to economic changes occurring in certain industries, sectors, or geographies.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Board's investments in limited partnerships are valued at estimated fair value based on their proportionate share of the partnerships' fair value as recorded in the partnerships' audited financial statements. The limited partnerships allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreements. At June 30, 2010, the Board had commitments for additional future contributions to the limited partnerships totaling $600.2 million.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other investments, as presented in the Statements of Plan Net Assets, include investments in swap agreements, distressed debt, option agreements, real estate investment trusts, and timber partnerships.

Capital Assets—Capital assets represent the cost of assets, net of accumulated depreciation, used for the administration of the Plan. Capital assets include the Board’s administration building located in Santa Fe, New Mexico. The Board’s capitalization policy, based on the requirements from Section 12-6-10 NMSA 1978, is to include all assets with a useful life of more than one year and costing $5,000 and greater. Assets less than $5,000 but categorized as sensitive, primarily IT equipment, are also capitalized for tracking and control purposes. All additions are capitalized at historical cost as of the date of acquisition, and depreciation is calculated on a straight-line basis over the asset’s estimated useful life with no salvage value.

Estimated useful lives are as follows:

Building and building improvements	25 years
Depreciable land improvements	10 years
Furniture and equipment	10 years
Data processing equipment (including software)	5 years

Funds Held for Others—Payments from members pursuant to agreements to purchase service credits are recorded as funds held for others until the purchase agreements have been completed. Upon receipt of all payments necessary to complete the purchase agreement service credit is recorded in the member’s individual account and revenue is recognized in the appropriate revenue accounts for contributions, return of interest previously withdrawn, or interest charged on restoration of service.

Refunds Payable—Refunds payable represents amounts due to terminated members who have submitted a valid claim for refund, but who have not been paid on or before the end of the fiscal year.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funding Policy—Funding of the retirement plan is accomplished through member and employer contributions and the investment earnings on these contributions. The contribution rate is set by statute for both members and for the employers. The funding period is determined, as described below, using the Entry Age Normal actuarial cost method.

The Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs for future years. Each year's contribution is composed of (i) that year's normal cost, plus (ii) a payment used to reduce the unfunded actuarial accrued liability.

The normal cost is the level (as a percentage of pay) contribution required to fund the benefits for a new member. This is determined based upon a hypothetical group of new entrants. This group is based on the age-pay-sex distribution at hire for members joining ERB during the five-year period ending June 30, 2004. Part of the normal cost is paid from the employees' own contributions. The employers pay the balance from their contributions. In the calculation of the normal cost, the benefit provisions applicable to future new members were used.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of the assets.

The balance of the employers' contribution - the remainder after paying their share of the normal cost - is used to reduce the unfunded actuarial accrued liability. The funding period is the length of time required for the unfunded actuarial accrued liability to be completely amortized, assuming that the portion used to reduce the unfunded remains level as a percentage of total payroll, which is assumed to grow 3.75% per year. The 3.00% contribution made by employers to ERB on behalf of employees who elected to participate in the Alternative Retirement Plan is also used to amortize the unfunded actuarial accrued liability.

It is assumed that all contributions are made monthly at the end of the month.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Active member payroll was projected to increase 3.75% a year for the purpose of determining the funding period. This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values.

The valuation assets used for funding purposes is derived as follows: The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of or (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). Returns are measured net of all investment and administrative expenses.

As required under GASB Statement Number 50, *Pension Disclosures (an amendment of GASB 25 and 27)*, the following is a Schedule of Funding Progress using the entry age normal funding method to illustrate the funding status of the retirement plan.

The funded status of the ERB plan at June 30, 2010 is as follows (dollar amounts in millions):

Actuarial Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
(a)	(b)	(b) - (a)	(a)/(b)	(c)	((b-a)/c)
$9,431.3	$14,353.5	$4,922.2	65.7%	$2,575.8	191.1%

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 2. EDUCATIONAL RETIREMENT BOARD OVERVIEW

Plan Description—The State of New Mexico Educational Retirement Board ("Board") ("ERB") was created by the Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees' Retirement Plan (the "Plan"). The Plan is a cost-sharing, multiple-employer plan established and administered by the Board to provide retirement, disability, and death benefits for all certified teachers and other employees of the State of New Mexico (the "State") educational institutions, junior colleges, and technical-vocational institutions.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 2. EDUCATIONAL RETIREMENT BOARD OVERVIEW (CONTINUED)

Contributing employers to the Plan include the following:

Public schools	89
Universities and colleges	15
Charter schools	72
Special schools	4
State agencies	11
	191

Reporting Entity—The Board is an agency of the State. The Plan administered by the Board is considered part of the State financial reporting entity and is a pension trust fund of the State.

The Board has developed criteria to determine whether other state agencies, boards, or commissions that benefit the members of the Board should be included within its financial reporting entity as component units. The criteria include, but are not limited to, whether the Board exercises oversight responsibility; 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 the Board has determined that there are no component units that should be included in its financial reporting entity.

Participation—Membership in the Plan is a condition of employment. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan.

The Board serves 191 employers in the State and has an active and inactive membership of 128,883 and 126,895 at June 30, 2010 and 2009, respectively. The status and number of all participants at June 30, 2010 and 2009 consisted of the following:

	2010	**2009**
(1) Retirees and beneficiaries of deceased retirees currently receiving benefits	33,749	32,497
(2) Inactive members	31,837	30,576
(3) Current active members	63,297	63,822
	128,883	126,895

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 2. EDUCATIONAL RETIREMENT BOARD OVERVIEW (CONTINUED)

Benefit Provisions - A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary ("FAS"), the number of years of service credit, and a 0.0235 constant factor. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more.
- The member is at least sixty-five years of age and has five or more years of earned service credit.
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then becomes reemployed after that date is as follows:

- The member's age and earned service credit add up to the sum of 80 or more.
- The member is at least sixty-seven years of age and has five or more years of earned service credit.
- The member has service credit totaling 30 years or more.

(1) A further requirement to be eligible to retire is that a member must have at least one year of employment after July 1, 1957, and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five years of contributory employment, may contribute to the fund for each year needed. The cost of such contributions is a sum equal to the prevailing combined contributions of the member and the local administrative unit in effect at the time the contributory employment is acquired, which was 20.3% as of June 30, 2010, times the average annual salary of the last five years, for each year of contributory employment needed, plus 3% compounded interest from July 1, 1957, to the date of payment.

(2) Forms of Payment - The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 2. EDUCATIONAL RETIREMENT BOARD OVERVIEW (CONTINUED)

(3) *Normal Benefit* - There are no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.

(4) *Optional Forms of Payment* - There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor’s benefit are irrevocable. Details of Options B and C are as follows:

Option B - The normal monthly benefit is reduced to provide for a 100% survivor’s benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member’s benefit is adjusted by adding back the amount by which the benefit was reduced at retirement due to the election of Option B retroactively to the time of retirement.

Option C - The normal monthly benefit is reduced to provide for a 50% survivor’s benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member’s benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C retroactively to the time of retirement.

(5) *Cost of Living Adjustment* - Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (“COLA”) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member’s retirement date, whichever is later. The adjustment is equal to one-half the change in the Consumer Price Index (“CPI”), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in CPI, but never less than zero. Members retired prior to July 1, 1984, are also entitled to an increase of the lesser of 3% or the increase in CPI for years prior to the attainment of age 65.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 2. EDUCATIONAL RETIREMENT BOARD OVERVIEW (CONTINUED)

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

(6) *Disability Retirement*:

Eligibility - A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by the Board.

Monthly Benefit - The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times years of service projected to age 60.

Form of Payment - The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are available.

(7) *Deferred Retirement* - A member with five or more years of earned service credit on deferred status may retire when eligible under the Rule of 75 or when the member attains age 65.

(8) The Educational Retirement Act, Section 22-11-1 to 22-11-53, NMSA 1978, assigns the authority to establish and amend benefit provisions to the Board.

Refund of Contributions - Members may withdraw their contributions only when they terminate covered employment in the State and certification of termination has been provided by their former employers. Interest paid to members when they withdraw their contributions following termination of employment is at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or those on deposit for less than one year.

Alternative Retirement Plan - The New Mexico legislature established the Alternative Retirement Plan ("ARP") through the enactment of NMSA 1978, Sections 22-11- 47 through 52. In contrast to the regular defined benefit plan administered by the Educational Retirement Board ("ERB"), the ARP is a defined contribution plan. Beginning on July 1, 1991 at the State's six institutions of higher education, and July 1, 1999 at the State's eight community colleges (the colleges and universities are referred to as the "qualifying state

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 2. EDUCATIONAL RETIREMENT BOARD OVERVIEW (CONTINUED)

educational institutions"), certain faculty and professional employees in eligible positions have the option of electing to participate in the ARP in lieu of participating in the regular defined benefit plan. Information about the ARP is provided to eligible employees by their employers. Employees must make the election to participate in the ARP within 90 days of employment; those who do not elect to participate in the plan become members of the regular defined benefit plan. Pursuant to statute, ARP retirement benefits may be only in the form of a lifetime annuity, except in the case of death, when single sum cash payments are allowed.

Two carriers have been approved to offer annuities to the participants: Teachers Insurance and Annuity Association/College Retirement Equities Fund ("TIAA-CREF"), and Variable Annuity Life Insurance Company ("VALIC" or "AIG VALIC," now known as "AIG Retirement"). Employees are allowed to transfer between carriers once each year.

For the year ended June 30, 2010, employees under the ARP contribute 7.90% of their gross salaries. The colleges and universities are required to contribute 9.4% to the carrier on behalf of the participant and 3% to the regular defined benefit plan to help fund the unfunded accrued actuarial liability. The 3% fee remitted to ERB for the years ended June 30, 2010 and 2009 was $4,252,523 and $4,726,836, respectively.

The 3% fee does not provide retirement benefits. The colleges and universities are responsible for submitting the employers' and the employees' contributions directly to the annuity carriers. Vesting is immediate for all contributions.

As noted above, the ARP is a defined contribution plan; benefits are determined strictly by contributions made and earnings on contributions. Participating employees are responsible for, and accept the risks of, selecting investments from those offered by the carriers and for managing their investments. Retirement benefits are computed and paid by the annuity carriers; the ERB does not compute or pay the retirement benefits. If a participant seeks to retire due to disability, the annuity carrier determines the disability and computes the lifetime annuity.

Chapter 9 Laws of 2009 established certain changes to the Alternative Retirement Plan, including authorizing additional carriers, allowing plan members to take withdrawals for rollover to other qualified plans, and allowing a one time option for members with seven years of contributory service to switch to the defined benefit plan going forward, but the member's previous contributions to the ARP plan remain in that plan and the five year service requirement and benefit calculation in the regular ERB Defined Benefit plan are effective as of the first day of the month following the month in which a valid election to switch is made.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 3. INTEREST IN STATE GENERAL FUND INVESTMENT POOL AND CASH DEPOSITS

Investment in State General Fund Investment Pool

The Board is required by statute to remit any money received for or on behalf of the Plan into its own account at the New Mexico State Treasury. Excess money at the end of the day in the Board's account at the New Mexico State Treasury is pooled and invested by the Office of the New Mexico State Treasurer in overnight repurchase agreements. Accordingly, the investments of the Department consist of an interest in the investment pools managed by the New Mexico State Treasurer's Office. All repurchase agreements are collateralized by the U.S. Treasury securities held by the New Mexico State Treasurer's custodian bank. The amount deposited as of June 30, 2010 and 2009 with the New Mexico State Treasurer's Office was $12,081,842 and $17,627,763, respectively.

Interest Rate Risk - The State Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2010.

Cash Deposits

In addition to the overnight investment at the New Mexico State Treasury, the Board invests in the Short-Term Investment Fund ("STIF"), held by Northern Trust. The STIF is used to facilitate more efficient trade procedures with the Board's external money managers. Net cash balances in each internal and external investment manager's portfolio are swept into the STIF at the end of each day. STIF investments and cash of $344,561,297 and $289,479,681 as of June 30, 2010 and 2009, respectively, are considered cash equivalents and are reported as cash and short term investments balances in the statements of plan net assets.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Board will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board does not have a deposit policy for custodial credit risk. As of June 30, 2010 and 2009, there were no cash balances exposed to custodial credit risk. All cash is invested in a mutual fund consisting of 100% U.S. Treasury securities.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS

The Board is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act (45-7-601 NMSA 1978).

The Uniform Prudent Investor Act does the following:

A. Sets a higher standard of care and prudence for investments, above and beyond the previous standard and guiding principles of law

B. Applies to the trust as a whole, rather than individual investments

C. Requires investment strategy to be based on suitable risk and reward strategies

D. Requires diversification unless the trustees reasonably determine it is not in the best interest of the fund/trustees

Investments of the Board as of June 30, is as follows:

Investment Description	**2010**	**2009**
Investments:		
(held by the Board's agent in the Board's name)		
U.S. government and agency securities	$ 1,055,613,784	$ 582,853,782
Asset- and mortgage-backed securities	242,937,602	350,555,573
Domestic corporate bonds	1,098,504,281	1,035,469,814
Domestic stocks	2,241,803,445	1,702,981,085
International stocks	1,365,737,297	1,236,942,856
Hedge fund of funds	499,102,188	537,791,270
Private equity	241,336,795	138,357,638
Private real estate	80,872,114	77,902,570
Infrastructure	49,560,584	-
Timber	11,793,471	-
Distressed senior credit	412,386,606	-
Other investments	440,722,064	545,166,380
Total	$ 7,740,370,231	$ 6,208,020,968
Investments held by broker/dealers under securities loans with cash collateral:		
U.S. government and agencies securities	$ 9,620,926	$ 261,341,096
Domestic corporate bonds	836,587	8,900,616
Domestic stocks	181,421,163	377,811,235
International equities	1,368,691	1,873,561
Securities lending collateral investments	191,627,192	665,254,810
Total	384,874,559	1,315,181,318
Total Investments	$ 8,125,244,790	$ 7,523,202,286

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Foreign Currency Risk—Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. Foreign currency risk is present in the Board's investment in foreign equity securities. Managers of these assets are given discretion to hedge this risk. The Board's exposure to foreign currency risk as of June 30, 2010 was $1,431,175,890. The Board's exposure to foreign currency risk as June 30, 2009 was $945,421,720.

Exposure to foreign currency risk as of June 30, 2010 is as follows:

Currency	Equity Securities	Cash (overdraft)
Australian Dollar	$ 27,034,136	$ 20,149
Brazilian Real	82,138,510	(188,975)
British Pound Sterling	119,497,770	242,078
Canadian Dollar	7,753,122	30,785
Czech Koruna	-	96,832
Denmark Krone	6,623,703	148,131
Egyptian Pound	6,796,161	(299,458)
Euro	133,563,733	(381,224)
Hong Kong Dollar	187,888,163	(440,499)
Hungarian Forint	1,076,936	25,815
Indian Rupee	38,606,488	226,385
Indonesian Rupiah	25,143,767	(280,740)
Japanese Yen	102,454,646	78,643
Malaysian Ringgit	12,399,003	-
Mexican Peso	8,486,046	892,061
New Israeli Sheket	4,628,130	124,488
New Taiwan Dollar	52,138,107	52,049
Norwegian Krone	5,239,514	19,968
Polish Zloty	6,424,761	113,618
Singapore Dollar	12,849,717	95,458
South African Rand	55,575,920	(630,135)
South Korean Won	147,140,198	475,714
Swedish Krona	3,807,732	23,164
Swiss Franc	27,866,177	45,328
Thai Baht	10,655,188	7
Turkish Lira USD	26,937,749	960,586
US Dollar	295,602,254	21,398,031
Total foreign exposure	$ 1,408,327,631	$ 22,848,259
Investments not subject to foreign currency risk	6,716,917,159	321,706,946
Total Investments	$ 8,125,244,790	$ 344,555,205

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Exposure to foreign currency risk as of June 30, 2009 is as follows:

Currency	Equity Securities	Cash (overdraft)
Australian Dollar	$ 21,084,409	$ 14,044
Brazilian Real	73,186,580	(741,683)
British Pound Sterling	107,685,900	3,851,363
Canadian Dollar	5,387,970	141,321
Czech Koruna	4,368,479	28,868
Denmark Krone	4,045,715	-
Egyptian Pound	4,470,278	-
Euro	221,052,583	(21,143,183)
Hong Kong Dollar	128,699,369	5,480,351
Hungarian Forint	2,525,284	29,975
Indonesian Rupiah	8,147,300	117,280
Japanese Yen	89,208,170	10,793
Malaysian Ringgit	6,824,706	-
Mexican Peso	8,033,724	105,401
New Israeli Sheket	16,694,192	100,854
Norwegian Krone	8,288,339	89,184
Philippine Peso	717,997	29,668
Polish Zloty	1,030,639	425
Singapore Dollar	5,621,811	35,929
South African Rand	58,268,382	442,357
South Korean Won	107,219,675	(75,302)
Swedish Krona	4,744,644	10,805
Swiss Franc	27,716,692	41,515
Thai Baht	12,185,324	(62,273)
Turkish Lira USD	29,954,917	(249,051)
Total foreign exposure	957,163,079	(11,741,359)
Investments not subject to foreign currency risk	6,566,039,207	301,220,133
Total Investments	$ 7,523,202,286	$ 289,478,774

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Custodial Credit Risk—Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board's investment policy limits holding of securities by counterparties to those involved with securities lending.

In the event of the failure of the counterparty to deliver back the borrowed securities, the Board will sell the collateral securities and offset any gains or losses with the counterparty. All securities except securities lending collateral are held by Northern Trust (Chicago, Illinois). Investments in securities lending collateral are held by Wachovia Bank (Los Angeles, California).

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have a policy for interest rate risk management. However, interest rate risk is managed through duration, by operating within defined risk parameters versus a benchmark index.

As of June 30, the Board's exposure to interest rate risk is summarized as:

Investment Type	Amount 2010	Amount 2009	Duration (In Years) 2010	Duration (In Years) 2009
U.S. Treasury Securities	$ 457,392,402	$ 230,027,482	6.91	5.67
U.S. Government & Agency Obligations	402,735,873	611,162,262	3.58	3.66
Corporate Obligations	823,419,995	788,727,916	4.07	4.76
Asset & Mortgage-Backed Securities	224,248,227	187,690,938	3.01	3.16
Guaranteed Fixed Income	5,823,295	8,866,119	1.96	2.45
Short-Term Investments	344,561,296	289,479,681	0.45	0.45
Overall	$ 2,258,181,088	$ 2,115,954,398	4.53	4.37

The Board uses the weighted average method to determine the duration of its investments.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policies of the Board require that noncash, interest-paying securities in the high-yield bond portfolios may not exceed 5% of the market value of the portfolio and that investments in cash may represent no more than 5% of each individual fund. Credit risk is managed through diversification and by operating within defined parameters versus a benchmark index. Excluding those investments issued by or explicitly guaranteed by the U.S. government, which are not considered to have credit risk, the Board's credit quality distribution for investments with credit risk exposure at of June 30, 2010 and 2009, is summarized below. The investments were rated and categorized according to Standard & Poor's rating standards.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Summary of Investment by Rating - Credit Risk as of 06/30/10

Investment Type	Rating	Fair Market Value
Short Term Investment Funds	A	$ 4,752,608
	N/R	156,471,219
Total Short Term Investment Funds		161,223,827
Asset Backed Securities	A	238,643
	A-	68,599
	AA-	1,162,339
	AAA	2,683,142
	AAA	10,310,584
	B-	662,931
	B+	415,144
	BB	991,120
	BB-	884,985
	BBB	85,524
	BBB-	594,472
	BBB+	2,814,367
	CC	13,515
	CCC	217,500
	CCC	3,779,800
	CCC+	117,141
Commercial Mortgage-Backed	A	1,713,996
	A	4,740,384
	A-	8,303,594
	A+	7,943,475
	AA	1,083,706
	AA-	6,592,879
	AA+	257,057
	AAA	16,500,382
	AAA	74,086,802
	B-	452,653
	B+	143,227
	BB-	1,062,411
	BBB	861,236
	BBB-	2,634,898
	BBB+	4,165,049
	D	1,537,890
Non-Government Backed C.M.O.s	A	2,899,910
	A-	339,455
	A+	433,147
	AA	781,700
	AA	631,401
	AA+	97,718
	AAA	6,082,775
	B	349,438
	B-	1,667,298
	BB	437,723
	BBB	98,608
	BBB+	3,672,363
	CC	935,408
	CC	5,658,433
	CCC	136,049
	CCC	14,407,957
	D	537,588
	N/R	1,463,564
Total Asset & Mortgage Backed Securities		197,749,980

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Summary of Investment by Rating - Credit Risk as of 06/30/10 (continued)

Investment Type	Rating	Fair Market Value
Collateralized Debt/Loan Obligations	A	2,093,091
	A-	5,055,773
	A+	3,106,389
	AA	2,143,820
	AA-	3,437,454
	B-	577,013
	B+	612,915
	BB	1,505,500
	BB-	227,030
	BB+	9,814,855
	BBB	82,681
	BBB-	62,384
	BBB	792,515
	BBB-	6,771,020
	BBB+	8,434,429
	CCC-	225,000
	D	245,757
Collateralized Bonds	BBB+	790,629
Total Collateralized Debt Obligations		45,978,255
Bank Loans	B	18,045,783
	B-	3,325,000
	B	40,581,842
	B-	18,250,438
	B+	13,203,418
	B+	24,624,461
	BB	307,485
	BB+	638,675
	BB+	275,115
	BBB-	2,947,457
	BBB-	2,928,251
	C	5,526,418
	CCC+	1,095,875
	CCC+	18,656,366
	D	1,411,850
	D	10,057,393
	N/R	20,628,380
Total Bank Loans		182,504,207
Government Agencies	A	748,046
	AA	2,549,142
	AAA	7,370,673
	AAA	42,134,032
	BBB	4,114,228
Government Mortgage Backed Securities	AAA	351,063,282
Municipal/Provincial Bonds	A-	3,012,945
	A+	1,009,758
	AAA	3,272,188
	AAA	1,808,550
Total Government Agencies		417,082,844

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Summary of Investment by Rating - Credit Risk as of 06/30/10 (continued)

Investment Type	Rating	Fair Market Value
Corporate Bonds	A	95,935,953
	A-	53,249,505
	A+	23,750,793
	AA	12,365,267
	AA-	18,884,797
	AA+	18,437,957
	AAA	2,074,647
	B	73,301,298
	B-	30,897,572
	B+	55,727,679
	Ba3	1,659,561
	BB	22,308,134
	BB-	28,309,654
	BB+	10,244,369
	BBB	1,264,360
	BBB	82,362,403
	BBB-	68,065,982
	BBB+	77,092,551
	C	880,884
	C	5,590,700
	C2	64,839
	Caa1	580,500
	CC	185,625
	CCC	8,203,175
	CCC	9,490,425
	CCC+	2,801,750
	CCC+	29,456,196
	D	2,911,078
	D	8,264,518
	N/R	22,813,126
Corporate Convertible Bonds	N/R	4,168,688
Guaranteed Fixed Income	AAA	5,823,295
Common Stock	B+	3,305,281
Preferred Stock	BB-	798,431
	C	39,890
Other Fixed Income	Not Rated	59,610
Total Domestic Corporate Securities		781,370,493
Government Bonds	AAA	430,307,061
	BBB	3,885,907
Index Linked Government Bonds	AAA	23,199,434
Total US Government Securities		457,392,402
Other Investments Not Rated		183,042,568
Other Investments Not Subject to Credit Risk		5,698,900,214
TOTAL		$ 8,125,244,790

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Summary of Investment by Rating - Credit Risk as of 06/30/09

Investment Type	Rating	Fair Market Value
Asset Backed Securities	A	$ 1,532,447
	AA	1,461,451
	AAA	12,739,412
	B	70,520
	B-	2,435,661
	B+	105,403
	B2	218,750
	B3	483,087
	BB	657,323
	BBB	2,713,896
	BBB-	1,195,171
	BBB+	1,103,773
	CCC	1,754,719
Commercial Mortgage-Backed	A	81,810
	A-	1,525,767
	A+	907,741
	A3	1,315,938
	AA	566,654
	AA-	2,985,161
	AAA	106,786,241
	BB-	301,148
	BB+	1,014,843
	BBB-	392,948
	BBB+	1,853,807
Non-Government Backed C.M.O.s	A	95,400
	A-	395,775
	A+	352,488
	AA	3,879,887
	AA-	118,355
	AAA	14,469,377
	B-	743,436
	B+	54,117
	B1	381,277
	BB	449,432
	BBB	171,404
	Caa1	1,288,910
	Caa2	521,701
	CCC	17,565,708
Total Asset and Mortgage Backed Securities		184,690,938
Bank Loans	B	13,964,391
	B-	23,031,044
	B+	28,586,372
	BB	8,821,880
	BB-	23,140,331
	CC	5,270,168
	CCC	1,244,532
	CCC+	26,276,555
	D	21,971,458
	Not Rated	13,557,904
Total Bank Loans		165,864,635

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Summary of Investment by Rating - Credit Risk as of 06/30/09 (continued)

Investment Type	Rating	Fair Market Value
Corporate Bonds	A	$ 125,070,298
	A-	66,108,140
	A+	35,254,266
	AA	3,652,752
	AA-	16,485,177
	AA+	15,941,605
	AAA	3,784,391
	B	37,882,614
	B-	25,808,384
	B+	35,549,425
	B1	2,095,200
	Ba3	1,580,033
	Baa1	1,161,000
	Baa2	638,995
	BB	18,437,098
	BB-	35,888,395
	BB+	28,290,263
	BBB	106,228,185
	BBB-	61,814,215
	BBB+	86,531,730
	C	4,853,393
	CC	3,616,895
	CCC	15,411,339
	CCC-	4,032,520
	CCC+	18,464,994
	D	14,420,911
	Not Rated	13,350,934
Corporate Convertible Bonds	B-	5,023,788
	CCC	518,788
	CCC-	668,188
	Not Rated	164,000
Guaranteed Fixed Income	AAA	8,866,120
Common Stock	B+	2,317,290
Preferred Stock	C	535,411
Other Fixed Income	Not Rated	243,923,693
Total Domestic Corporate Securities		1,044,370,430
Government Agencies	A	3,024,252
	AAA	147,498,046
	BBB+	3,677,402
Government Mortgage Backed Securities	AAA	456,962,561
Municipal/Provincial Bonds	A	2,543,884
	AA	461,251
Total Government Agencies		614,167,396
U.S. Treasury Bonds	AAA	155,046,599
	BBB+	3,807,000
Index Linked Government Bonds	AAA	71,173,883
Total U.S. Treasury Securities		230,027,482
Other Investments Not Subject to Credit Risk		5,284,081,405
TOTAL		$ 7,523,202,286

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 4. INVESTMENTS (CONTINUED)

Cash Balances —The Board earns interest on all monies held at the custodial agent bank. When a security purchase transaction fails to be completed due to the broker not delivering the purchased security on settlement date the cash remains with custodial agent bank. When this occurs, the Board's money is invested overnight in a Short-Term Investment Fund (STIF).

Concentration Risk—Concentration risk is identified by the amount of investment in any one issuer that represents 2% or more of plan net assets. As of June 30 2010 and 2009, with the exception of U.S. Government and Agency securities, the Board was not exposed to any concentration risk greater than 2%.

NOTE 5. DERIVATIVE INSTRUMENTS

Derivatives are generally defined as contracts or securities whose value depend on, or derive from, the value of an underlying asset, reference rate, or index.

The Board has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of derivative instruments. This note describes the Board's investment derivative instruments measured at fair value in the Statements of Net Assets and Statements of Changes in Net Assets.

The Board's investment policies do allow for certain portfolio managers to trade in certain derivatives for hedging purposes. Only Golden Tree Asset Management did so in fiscal year 2010. The amounts held in hedging derivatives were not material during the year and at year end.

The notional or contractual amounts of derivatives indicate the extent of the Board's involvement in the various types and uses of derivative financial instruments and do not measure the Board'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 derivatives.

The following table summarizes the aggregate notional or contractual amounts for the Board's derivative financial instruments as of June 30, 2010 and 2009.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 5. DERIVATIVE INSTRUMENTS (CONTINUED)

	(Dollar amounts in Thousands)	
	2010	2009
Futures Contracts - long:	32,039	231,561
Futures contracts-short:	(44,287)	(5,918)
Foreign exchange forward and spot contracts, net	(17,738)	-
Options - call purchased	187	-
Options - calls sold	(169)	(137)
Options - puts sold	(3)	(133)
Swaps - Credit Default Swap	8,514	36,015
Swaps - Interst Rate Swap	19,285	-

The fair values of derivative instruments outstanding as of June 30, 2010 and 2009 are classified by type and by the changes in fair value of the derivative instrument in the following table.

Dollar Amounts in Thousands

	Change in Fair Value FY2010		Fair Value at June 30, 2010	
Derivative Type	Classification	(Gain)/Loss	Classification	Amount
Futures	Investment Income	$(1,512,994)	Investment	$ (1,512,994)
Total return type swaps	Investment Income	575,542	Investment	575,542
Swaps - Credit Default Swap Index	Investment Income	57,667	Investment	57,667
Swaps - Loan Default Swap Index	Investment Income	(10,133)	Investment	(10,133)
Options	Investment Income	67,226	Investment	67,226
Foreign exchange contracts	Investment Income	(214,722)	Investment	(214,722)

	Change in Fair Value FY2009		Fair Value at June 30, 2009	
	Classification	(Gain)/Loss	Classification	Amount
Futures	Investment Income	$ 884,846	Investment	$ 884,846
Total return type swaps	Investment Income	(718,920)	Investment	(718,920)
Swaptions	Investment Income	(8,458)	Investment	(8,458)
Options	Investment Income	(18,881)	Investment	(18,881)

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 5. DERIVATIVE INSTRUMENTS (CONTINUED)

***Risks* —** There are certain risks inherent in investments in derivatives. The Board is exposed to credit risk in the event of non performance by counterparties to financial instruments. The fund managers that are authorized to invest in derivatives are given specific parameters as to the types of derivatives invested in and ratings of the counterparties they are allowed to enter into contracts with to ensure transactions are entered into with only high quality institutions. The board is exposed to market risk; the risk that changes in market conditions may make an investment less valuable. Exposure to market risk is managed within risk limits set by management through buying and selling of specific instruments or by entering into offsetting positions. As discussed in note 4, foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. Managers of these assets are given discretion to hedge this risk.

The Plan invests in the following types of Derivative Instruments.

Asset Backed Securities—In accordance with investment policy and fiduciary principles, the Plan invests in various forms of asset backed securities that fit the previous definition of derivative securities. These securities are held for investment purposes. The assets are as follows:

	2010	2009
Asset Backed Securities	$ 25,039,803	26,471,613
CMO's	46,900,978	65,952,539
Commercial Mortgage Backed securities	132,079,638	117,732,059
Collateralized Debt/Loan Obligations	45,978,255	-

Foreign Currency Exchange Contracts—The Board may enter into forward contracts to purchase and sell foreign currencies in the normal course of its investing activities to manage the currency exposure associated with the Board's foreign equity and fixed income investments. The terms of these contracts generally do not exceed one year. The credit risk associated with these contracts is minimal as they are entered into with a limited number of highly rated counterparties.

The following tables summarize the System's foreign exchange contracts by currency as of June 30, 2010. The Board held no Foreign Currency Exchange Contracts as of June 30, 2009.

(Dollar Amounts in Thousands)
Fiscal Year Ending 6/30/2010

Currency	Buys	Unrealized Gain/(Loss)	Sells	Unrealized Gain/(Loss)
British pound sterling	2,923	1	(4,355)	(31)
Euro	32,854	(18)	(49,159)	(166)
Total	35,777	(17)	(53,514)	(197)

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 5. DERIVATIVE INSTRUMENTS (CONTINUED)

Futures Contracts—The Board enters into futures contracts in the normal course of its investing activities to manage market risk associated with the Plan's equity and fixed income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the Statements of Plan Net Assets. The credit risk associated with these contracts is minimal as they are traded on organized exchanges and settled daily.

During 2010, the Board was a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90 day Euro dollar fixed income futures. Upon entering into a futures contract, the Board is required to deposit either in cash or securities an amount ("initial margin") equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by the Board, depending on the daily fluctuation in the value of the underlying contracts. U.S. Treasury Securities owned and included in the investments of the Board, with a value of approximately $564,000 as of June 30, 2010 were held by the Plan's broker as performance security on futures contracts. FNMA Discount Notes in the amount of $1,399,387 were owned by the Plan at June 30, 2009 for the same purpose.

FY 10
Summary of Outstanding Futures Contracts

	No. of Contracts		Notional Amount
Futures Contracts - Long	129	$	129,000,000
Futures Contracts - Short	358	$	44,287,461
			Fair Value
Margin Deposit		$	564,000

FY 09
Summary of Outstanding Futures Contracts

	No. of Contracts		Notional Amount
Futures Contracts - Long	1115	$	762,413,750
Futures Contracts - Short	-	$	-
			Fair Value
Margin Deposit		$	1,339,387

Options **–** An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from ("call option"), or sell to ("put option"), the writer a designated instrument at a specified price within a specified period of time. Both written and purchased options were used by the Board during 2010. When the Board purchases or writes an option, an amount equal to the premium paid or received by the plan is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract expires or is

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 5. DERIVATIVE INSTRUMENTS (CONTINUED)

closed. As of June 30, 2010, the value of open written and purchased options was approximately $172,306 and $187,109, respectively. As of June 30, 2009, the value of open written and purchased options was approximately $136,000, and $132,825, respectively.

Swap Contracts — Swap contracts are executed on a number of different bases. The two types employed by the Board on June 30, 2010, were interest rate swap contracts and credit default swap contracts. An interest rate swap contract is an agreement between two parties to exchange periodic interest payments. One party agrees to make payments to the other based on a fixed rate of interest in exchange for payments based on a variable rate. The Board employs interest rate swap contracts to adjust fixed income portfolio durations. A credit default swap contract is similar to an insurance policy, with the credit risk of an individual issuer or a basket of issuers (the "reference asset") the insured factor. Under such a contract, two parties enter into an agreement whereby the first party pays the second party a fixed periodic payment for the specified life of the contract (analogous to an insurance premium). The other party makes no payment unless a credit event related to the reference asset occurs. If such an event takes place, the second party is obligated to make a payment to the first party. The size of the payment is linked to the decline in the reference asset's market value following determination of the occurrence of a credit event.

Hedge Funds — The use of other derivatives is allowed under the Hedge Fund Investment Policy. These investments are under the management of the Hedge Fund managers and are included in the classification "Hedge Funds" on the Statements of Plan Net Assets.

NOTE 6. SECURITIES LENDING

The Board or its designated agent may enter into contracts for the temporary exchange of securities for the use by brokers/dealers, banks, and other recognized institutional investors for periods not to exceed one year, for a specified fee or consideration. Securities lent include fixed income securities and domestic equities. No such contract shall be entered into unless the contract is fully secured by a collateralized, irrevocable letter of credit running to the Board; cash; or equivalent collateral of at least 102% of the market value of the securities plus accrued interest temporarily exchanged. This collateral shall be delivered to the State fiscal agent or its designee contemporaneously with the transfer of funds or delivery of the securities. Such contract may authorize the Board to invest cash collateral in instruments or securities that are authorized fund investments and may authorize payment of a fee from the Plan or from income generated by the investment of cash collateral to the borrower of securities providing cash as collateral. The Board may apportion income

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 6. SECURITIES LENDING (CONTINUED)

derived from the investment of cash collateral to pay its agent in securities lending transactions.

At year-end, the Board has no net credit risk exposure to borrowers, because the amounts the Board owes the borrowers exceed the amount the borrowers owe the Board. The contract with the Board's agent requires it to indemnify the Board fully if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Board for income distributions by the securities' issuers while the securities are on loan. The Board has not experienced any losses due to credit or market risk on securities lending activities since the implementation of this program. The Board received net securities lending income totaling $1,709,060 and $4,772,872 for the fiscal years ended June 30, 2010 and 2009, respectively. The collateral information as of June 30, 2010 and 2009 is summarized as follows:

Securities On Loan	Underlying Securities	Collateral Received	Collateral Investment Value
2010:			
Lent for cash collateral:			
U.S. Government & Agency Sec.	$ 9,620,926	$ 9,848,835	$ -
U.S. Equities	181,421,163	188,935,639	-
Int'l Equities	1,368,691	1,440,000	-
U.S. Corporate Obligations with Variable Rates	836,587	864,000	162,703,152
Asset-Backed Sec. with Variable Rates	-	-	28,924,040
Repurchase Agreements	-	-	-
	$ 193,247,367	$ 201,088,474	$ 191,627,192

Securities On Loan	Underlying Securities	Collateral Received	Collateral Investment Value
2009:			
Lent for cash collateral:			
U.S. Government & Agency Sec.	$ 261,341,096	$ 266,189,046	$ -
U.S. Equities	377,811,235	396,787,461	-
Int'l Equities	1,873,561	6,162,167	-
U.S. Corporate Obligations with Variable Rates	8,900,616	9,055,750	302,480,751
Asset-Backed Sec. with Variable Rates	-	-	209,774,059
Repurchase Agreements	-	-	153,000,000
	$ 649,926,508	$ 678,194,424	$ 665,254,810

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 6. SECURITIES LENDING (CONTINUED)

The Board is permitted to loan securities under (1) open loans, which are generally overnight loans, and (2) term loans with specified expected termination dates. Cash collateral is invested in traditional money market instruments. The policy is to match the maturities of investments made with the cash collateral to the maturities of the loan agreements. The Board cannot pledge or sell collateral securities received unless the borrower defaults, and therefore, the Board does not establish an asset and a corresponding liability in the balance sheet for the collateral value of securities received. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses.

NOTE 7. CAPITAL ASSETS

Capital assets relate to all assets of the Board that are used in operations and have useful lives extending beyond a single reporting period. Depreciation expense was $2,083,713 and $2,050,969 for the years ended 2010 and 2009, respectively. Capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
2010:				
Land (non depreciable)	$ 248,172	$ -	$ -	$ 248,172
Depreciable land improvements	19,361	-	-	19,361
Building and building improvements	3,365,714	-	-	3,365,714
Furniture and equipment	1,108,519	75,894	80,152	1,104,261
Other Assets (Art in Public Places) (non depreciable)	30,500	-	-	30,500
Integrated Retirement Information System (IRIS)	9,156,963	-	-	9,156,963
Total	13,929,229	75,894	80,152	13,924,971
Accumulated depreciation:				
Depreciable land improvements	3,111	699	187	3,623
Building and building improvements	1,126,826	137,052	(187)	1,264,065
Furniture and equipment	786,470	114,570	78,247	822,793
Integrated Retirement Information System (IRIS)	3,786,081	1,831,392	-	5,617,473
Total	5,702,488	2,083,713	78,247	7,707,954
Capital assets—net	$ 8,226,741	$ (2,007,819)	$ 1,905	$ 6,217,017

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 7. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
2009:				
Land	$ 248,172	$ -	$ -	$ 248,172
Capital assets in progress	1,176,211	-	1,176,211	-
Depreciable land improvements	19,361	-	-	19,361
Building and building improvements	2,151,067	1,214,647	-	3,365,714
Furniture and equipment	1,078,738	88,733	58,952	1,108,519
Other Assets (Art in Public Places)	-	30,500	-	30,500
Integrated Retirement Information System (IRIS)	9,156,963	-	-	9,156,963
Total	13,830,512	1,333,880	1,235,163	13,929,229
Accumulated depreciation:				
Depreciable land improvements	2,412	699	-	3,111
Building and building improvements	1,011,482	115,344	-	1,126,826
Furniture and equipment	740,461	103,534	57,525	786,470
Integrated Retirement Information System (IRIS)	1,954,689	1,831,392	-	3,786,081
Total	3,709,044	2,050,969	57,525	5,702,488
Capital assets—net	$ 10,121,468	$ (717,089)	$ 1,177,638	$ 8,226,741

NOTE 8. DUE TO EMPLOYERS AND OTHER STATE AGENCIES

This account represents the amount due to various participating public employers for over remittances of employer contributions during the fiscal years ended June 30, 2010 and 2009. Over remittances can be applied to future reporting periods or refunded, at the option of the administrative unit, in the next fiscal year. There were no amounts due to other state agencies as of June 30, 2010 or 2009.

NOTE 9. ACCRUED COMPENSATED ABSENCES

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of 30 working days (equivalent to 240 hours) of such accumulated vacation leave can be carried forward into the beginning of the next calendar year. Any excess accumulated vacation leave is forfeited.

When employees terminate employment with the State, they are compensated for accumulated vacation leave as of the termination date, up to a maximum of 240 hours. All balances up to 240 hours for each employee have been recorded at their current pay rate as of June 30, 2010 and 2009.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 9. ACCRUED COMPENSATED ABSENCES (CONTINUED)

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave an employee can accumulate. Once per fiscal year, in either January or July, employees may elect to be paid for accrued sick leave in excess of 600 hours but less than 720 hours at 50% of their current hourly rate.

In the case of retiring employees, they may be paid for accrued sick leave in excess of 600 hours but less than 1,000 hours at 50% of their current hourly rate. All sick leave balances in excess of 600 hours but less than 720 hours for each employee have been recorded as a liability at 50% of their current hourly rate.

The following table provides a summary for the fiscal years ended June 30, of the change in accrued compensated absences:

	2010	2009
Balance payable—beginning of fiscal year	$ 198,861	$ 211,914
Additions	273,482	398,226
Deletions	(271,261)	(411,279)
Balance payable—end of fiscal year	$ 201,082	$ 198,861
Amount due within one year, estimated at 97%	$ 195,050	$ 192,895

Funds used to liquidate this liability will come from the ERB Retirement Plan.

NOTE 10. LEASES

The Board leases mailing and copier equipment, office space, and storage space under operating leases. Operating leases do not give rise to property rights or leases obligations; therefore, the amounts of the Board's lease agreements are not reflected on the Statements of Plan Net Assets. Leases are subject to future appropriations and are cancelable by the Board at the end of each fiscal year with 30 days' written notice to the lessor. The following table summarizes the Board's future minimum lease payments:

Years Ending June 30,	
2011	$ 81,444
2012	69,609
2013	12,480
2014	10,905
2015	725
Total	$ 175,163

Lease expense was $80,436 and $78,302 for the fiscal years ended June 30, 2010 and 2009, respectively.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 11. RETIREMENT PLANS

Employees of the Board who do not possess a teaching or administrative certificate have the option of participating in the Educational Employees Retirement Plan or the Public Employees Retirement Plan. Some employees of the Board have elected to participate in the Educational Employees' Retirement Plan ("the ERB plan") through the Educational Retirement Act , while others have elected to participate in the Public Employees Retirement Plan ("the PERA Plan") through the Public Employees Retirement Act ("PERA") of the State.

Public Employees Retirement Association (PERA). Certain full-time employees elect to participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (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, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The plan members and Board's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were $568,722, $590,423, and $585,163, respectively, which equal the amount of the required contributions for each fiscal year.

Educational Retirement Board. Certain full-time employees elect to participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) 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 (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB 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 ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 11. RETIREMENT PLANS (CONTINUED)

Funding Policy. Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned $20,000 or less annually, and plan members earning more than $20,000 annually were required to contribute 9.4% of their gross salary. The Board was required to contribute 12.4% of the gross covered salary for employees earning $20,000 or less, and 10.9% of the gross covered salary of employees earning more than $20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011, the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to ERB for the fiscal years ending June 30, 2010, 2009, and 2008, were $23,741, $13,915, and $2,590, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

***Plan Description*:** The Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment 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 post employment 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.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (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.

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

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.

The Board's contributions to the RHCA for the years ending June 30, 2010, 2009 and 2008 were $32,476, $31,468, and $30,180, for employer contributions and $16,238, $15,734, and $15,090, in employee contributions, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 13. RISK MANAGEMENT

With the exception of investment losses, the Board is exposed to various business risks of loss for which it carries insurance through the Risk Management Division of the New Mexico General Services Department. In the event of a claim being filed, the Board is responsible for only a small deductible payment in amounts that vary according to the type of claim.

NOTE 14. STATUTORY DISCLOSURES

Section 2.2.2.10P(2) of the Audit Rule 2010, 2.2.2 NMAC entitled, "Requirements for Contracting and Conducting Audits of Agencies" requires that state agencies disclose all special, deficiency, and specific appropriations. The Board received the following specific appropriations:

ERB LAND & BUILDING PROJECT

Laws of 2009, Chapter 125, Section 41	$ 2,500,000
Expended in FY 2010	(17,936)
Encumbered in FY 2010	(75,972)
Rebudgeted in FY 2011	$ 2,406,092

NOTE 15. INVESTMENT PLACEMENT AGENTS

Placement agents act as intermediaries on behalf of investment managers to solicit investments in a fund. Other terms used to describe the function performed by placement agents include finder, solicitor, marketer, consultant, and broker. Large investment managers may have in-house marketing or placement agent groups, while smaller investment managers may forgo the overhead associated with maintaining such operations and retain independent firms or individuals as placement agents as needed. Some placement agents are part of a large corporation and represent that corporation's investment managers, as well as independent managers. Other placement agents are independent firms or individuals.

NMSA 1978, Section 22-11-54 requires recipients of investments by the ERB to disclose the identity of, and the fee, commission, or retainer paid to, any third-party marketer or placement agent who rendered services on behalf of the recipient in obtaining the investment. The disclosure requirements do not apply to investments in publicly traded equities or fixed-income securities. Any person who knowingly withholds the required disclosure is guilty of a fourth degree felony, punishable by a fine of not more than $20,000, imprisonment for a definite term not to exceed eighteen months, or both. The ERB informs all investment managers and placement agents soliciting investments of the

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009 (CONTINUED)

NOTE 15. INVESTMENT PLACEMENT AGENTS(CONTINUED)

disclosure requirement and the penalty for failing to disclosure. The ERB also is revising its policies regarding the use of placement agents.

The ERB does not have any direct relationships with placement agents and has not directly paid fees for such services. In addition, the ERB's investment consultants and advisors do not receive any compensation other than advisory fees paid by the ERB and do not accept compensation from investment fund managers or their placement agents. The ERB is reviewing prior investments by the Fund in which placement agent fees were paid to determine whether complete disclosure was made and whether legal action is warranted.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF FUNDING PROGRESS

(Unaudited)

Valuation Date June 30	(1) Actuarial Value of Assets (AVA)	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Actuarial Accrued Liability (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded Liability Actuarial as a Percentage of Covered Payroll (3)/(5)
2005	$ 7,457.5	$ 10,591.8	$ 3,134.3	70.4%	$ 2,209.1	141.9%
2006	7,813.9	11,436.3	3,622.4	68.3%	2,219.4	163.2%
2007	8,591.4	12,190.1	3,598.7	70.5%	2,341.1	153.7%
2008	9,272.8	12,967.0	3,694.2	71.5%	2,491.7	148.3%
2009	9,366.3	13,883.3	4,517.0	67.5%	2,585.7	174.7%
2010	9,431.3	14,353.5	4,922.2	65.7%	2,575.8	191.1%

Note: Dollar amounts are in millions.

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Unaudited)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	243,237,303	81.3%
2006	299,967,996	75.5%
2007	364,128,448	70.3%
2008	368,196,682	79.0%
2009	375,430,722	86.2%
2010	357,220,043	87.7%

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010 and 2009
(Unaudited)

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	2010	**2009**
Valuation date	June 30, 2010	June 30, 2009
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level payment, open	Level payment, open
Amortization period for GASB 25 ARC**	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return*	8.00%	8.00%
Projected salary increases*	5.00% to 13.50%	5.00% to 13.50%
* Includes inflation calculated at	3.00%	3.00%
Cost of living adjustments	2.00%	2.00%

**The Governmental Accounting Standards Board (“GASB”) Annual Required Contribution (“ARC”) for this Plan is defined as the larger of (a) the employer normal cost plus a 30-year amortization of the Unfunded Actuarial Accrued Liability (“UAAL”), and (b) the statutory employer contribution rate, plus the 3.00% contribution on behalf of ARP members. Under GASB 25, the maximum allowable amortization period is 30 years.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF REVENUES AND EXPENSES—BUDGET AND ACTUAL (NON-GAAP BASIS)
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Budgetary Basis	Variance— Final Budget Favorable (Unfavorable)
REVENUES:				
Other state funds	$ 28,551,300	49,051,300	49,051,300	-
TOTAL BUDGETED REVENUE	$ 28,551,300	49,051,300	49,051,300	-
EXPENSES:				
Personal services and employee benefits	$ 4,346,900	4,346,900	3,626,679	720,221
Contractual services	23,329,600	42,329,600	36,380,668	5,948,932
Other costs	874,800	2,374,800	1,123,063	1,251,737
TOTAL EXPENSES	$ 28,551,300	49,051,300	41,130,410	7,920,890

RECONCILIATION OF GAAP BASIS TO BUDGETARY BASIS:

Revenue GAAP basis	$ (1,815,371,982)
Net appreciation in investment value	(1,095,257,890)
Investment advisor and custody fees	31,802,095
Current-year revenue not needed for budgeted expenses	2,927,879,077
Revenue (non-GAAP) budgetary basis	$ 49,051,300
Expenses GAAP basis—administrative*	$ 11,487,923
Capital outlay	(75,895)
Depreciation expense	(2,083,713)
Investment advisor and custody fees	31,802,095
Expenses (non-GAAP) budgetary basis	$ 41,130,410

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF CASH ACCOUNTS
As of June 30, 2010 and 2009

Educational Employees' Retirement Fund
Pension Trust Account
Funds 605 and 629

	2010	2009
Petty cash	$ 100	$ 100
Qualified Excess Benefit Arrangement Trust		
Checking Account at Wells Fargo Bank	5,992	807
Short-term investment accounts:		
Overnight repurchase agreement pool—State Treasurer	12,081,842	17,627,763
Short-Term Investment Fund—STIF	344,555,205	289,478,774
Balance per financial statements	$ 356,643,139	$ 307,107,444
Pledged collateral for Wells Fargo demand deposit account:		
Total amount on deposit at June 30	$ 5,992	$ 807
Less Federal Deposit Insurance Corporation coverage	(5,992)	(807)
Total uninsured public funds	$ -	$ -

SCHEDULE OF FEES PAID FOR PROFESSIONAL SERVICES OTHER THAN INVESTMENT PROFESSIONALS
As of June 30, 2010 and 2009

	2010	2009
Legal Services	$ 798,229	$ 472,975
Medical Review Board	18,803	20,408
Actuarial Services	134,621	113,851
Audit Services	82,800	76,309
Other Professional Services	21,613	56,350
Total	$ 1,056,066	$ 739,893

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF ADMINISTRATIVE EXPENSES
As of June 30, 2010 and 2009

	2010	2009
Personnel expenses	$ 3,626,679	$ 3,892,895
Depreciation Expense	2,083,713	2,050,969
Information Systems equipment and maintenance	832,494	1,029,676
Professional Services	1,056,066	739,893
Building Maintenance & Utilities	146,913	161,636
All other charges	3,742,057	796,923
Total	$ 11,487,922	$ 8,671,992

INVESTMENT SECTION

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
REPORT ON INVESTMENT ACTIVITY
JUNE 30, 2010

Members & Retirees of NM ERB:

It was a good year by all measures for the NMERB investment portfolio in the 2010 fiscal year. The total Fund posted an outstanding return of 18.2%, for investment gains of $1.3 billion. The Fund’s investment performance ranked second nationally in ERB’s peer group of U.S. public pension funds with assets of $1 billion or more. In addition, the return outperformed the fund’s policy index by 5.5%. Most importantly, the fund exceeded the actuarially required rate of 8% by a wide margin of 10.2%. All in all, it was a very good year for the Fund’s investment portfolio. This performance was driven by two major factors: A recovery in the capital markets and continued implementation of ERB’s asset allocation policy.

During the fiscal year, capital markets responded positively to the various programs instituted by the Federal and foreign governments. Nationally, several of the “alphabet soup” programs (TARP, TALF, QE, etc.) instituted by the Federal Reserve and the Treasury, had a positive impact on capital markets. One can debate the long-term implications of massive interventions by the U.S. Government from many different angles. That is a debate for another day. There is, however, no question the capital markets responded positively during the year. Both domestic and foreign equity markets were up. The Russell 3000 U.S. equity index posted a return of 15.7%. The EAFE index for developed foreign equity markets returned 5.9%, while the MSCI Emerging Markets Equity index was up 23.2%. In the fixed income sector, markets were also positive. The Barclays Capital Aggregate index representing the U.S. investment grade bond market posted a 9.5% return for the year, while in the high yield bond space, the Merrill Lynch BB-B constrained High Yield index returned 21.7%. ERB’s portfolio was well positioned to take advantage of the rebound in the capital markets. In subsequent sections of this report, you will see the performance of the various major components of ERB’s investment portfolio. This includes a comparison of the aforementioned indices and others to the components of ERB’s portfolio. Overall, the components did very well relative to their relevant indices.

In the longer term, the report on performance is mixed. ERB’s three-year total Fund return of -2.9% exceeded its policy target return of -3.5% by 60 basis points (0.6%). The policy target represents the return that would have been earned by the Fund based on its target asset allocation and assuming that the investments in each separate asset class mirrored their benchmark returns. This did fall short of the 8% target mentioned earlier. The three-year return did, however, rank in the top 15% of ERB’s peer group. Thus our portfolio did well on a relative basis compared to other funds and to the condition prevailing in the markets in the time period. In evaluating this period, one must keep in mind the dramatic plunge in stock market values that took place in 2007-08, with the S&P 500 large capitalization U.S. index losing 53% of its value in an 18-month period.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
REPORT ON INVESTMENT ACTIVITY
JUNE 30, 2010 (CONTINUED)

ERB's five-year total Fund return was 3.9% annually, outperforming its benchmark of 3.2%. The Fund performance ranked in the top 10% of its peer group for this period. Thus, while the five-year return does not meet the target of 8%, it is a good result on a relative basis, once again given the market conditions.

ERB's ten-year total Fund return was 2.6% which was 40 basis points (0.40%) below its policy return of 3.0% and below the actuarial rate of 8%. The fund ranked just slightly better than the bottom 25% of its peer group for the period. Not a good showing by any measure. This time period encompassed two major stock market declines, the 2007-08 period mentioned earlier and the 2000-02 "internet bubble", which resulted in a decline of 47% in the S&P 500. Volatile periods, indeed. The experience of this period has led to a change in strategy as discussed in the next paragraph.

In October 2007, the Board adopted new asset allocation targets, the details of which are more fully discussed in the "INVESTMENTS OVERVIEW" section of this report. Most notably, the new allocation reduced the amount invested in equities to 45%, from previous allocations as high as 75%, and adds two new asset classes to the portfolio: inflation-linked assets (which are intended to help protect against inflation) and Global Tactical Asset Allocation. As we saw in the 2007-08 and 2000-02 periods discussed earlier, stock markets can be extremely volatile. The goal of the new allocation is to further diversify the Fund and place less reliance on the public equity markets by seeking alternative sources of investment return, thereby decreasing the volatility of investment returns for the total portfolio.

The investment performance reported in this letter is based on time weighted rates of return calculated using the market value of assets as of June 30, 2010, with the exception of private equity. Due to the nature of that asset class, we report performance based on the more appropriate dollar-weighted method. Performance shown for periods longer than one year has been annualized.

Sincerely,

Bob Jacksha

Bob Jacksha
Chief Investment Officer

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INVESTMENTS OVERVIEW
JUNE 30, 2010

I. Investment Objectives

Recognizing the important and perpetual nature of the Fund and the fiduciary responsibilities of the Board, the primary goal in investing the assets shall be to provide significant real returns adjusted for inflation over long periods of time with acceptable risk. In light of these dual goals, the Investment Division seeks to diversify the Fund's assets for purposes of both controlling risk and enhancing return. Over the long term, the fund's objective also is to earn the actuarial rate of return, currently set at 8%.

The primary goal of the equity investment program is to build a diversified portfolio of stocks. This includes large capitalization domestic stocks with further diversification achieved through allocations to small capitalization and international equities. Stock portfolios are managed in both the "growth" and "value" styles to provide further diversification. A portfolio of REITs (real estate investment trusts) provides exposure to real estate through an equity vehicle. In addition, private real estate vehicles were added during the 2009 fiscal year. This addition will further diversify the ERB real estate portfolio.

Fixed income securities are actively managed by external investment managers. The primary focus is on investment grade securities including US Treasury and agency, corporate, and asset backed securities. Additional diversification is achieved through investments in high yield debt and other credit strategies. The Fund also has investments in the alternative investment sector, to further diversify risks. These include investments in private equity, hedge funds/absolute return strategies and real assets in the form of infrastructure and timber assets.

II. Investment Process

While ultimately responsible, the Board relies on the Investment Committee of the Board (the Director and three Board members) to monitor the activities of the Investment Division. Within the applicable statues and investment guidelines established by the Board, the Investment Division uses both internal and external managers for managing its assets. The S&P 500 equity and REIT index portfolios are managed internally. All other portfolios are managed externally.

In the day-to-day operation of the Investment Division, the in-house staff evaluates the investment environment to determine the relative attractiveness of the various asset classes. Based on their analysis, net cash flow from the portfolios is reinvested, bearing in mind the long-term asset allocation goals set by the Board. These asset allocation decisions were made in conjunction with an analysis of the long-term liabilities of the Fund. In view of the importance of asset allocation to investment performance, staff and the Investment Committee regularly monitor the position of the Fund relative to its target allocation. The general guidelines relating to these asset classes are reviewed annually by the Investment Committee and are included in ERB's written Investment Policy.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INVESTMENTS OVERVIEW
JUNE 30, 2010 (CONTINUED)

The investment activity is governed by the Educational Retirement Act of New Mexico (Chapter 22, Article 11 NMSA 1978). The "prudent investor" standard, as defined in the state statutes (Section 22-11-13 NMSA 1978), requires all members of the Board and the investment staff to discharge their duties solely in the interest of Fund participants and beneficiaries and with the care, skill, prudence and diligence which they would exercise in the conduct of their own affairs.

III. Asset Allocation

Asset allocation is the single greatest determinant of Fund performance. Based on a study conducted by the Fund's investment consultant, who considered the expected risk and market returns of various asset classes, the Board adopted a new asset allocation plan in October 2007. The targeted asset allocation is shown in Exhibit A. This revision added the additional asset classes of international developed small cap equity, real assets and global asset allocation. Implementation of the new asset allocation plan is now underway, and we are transitioning to the new asset allocation targets. Full implementation is expected to be a multi-year process due to the nature of the alternative assets.

State of New Mexico
Educational Retirement Board
Asset Allocation Ploicy as of June 30, 2009

Asset Class:	Target Weight	6/30/2010 Actual
Equities		
Domestic Equity	25%	26%
International Equities	20%	18%
Total Equities	**45%**	**44%**
Fixed Income		
Investment Grade Bonds	15%	28%
High Yield Debt/Credit Strategies	5%	7%
Total Fixed Income	**20%**	**35%**
Alternatives		
Real Estate/REITs	5%	5%
Private Equity	10%	3%
Hedge Funds	10%	6%
Real Assets	5%	1%
Global Tactical Asset Allocation	5%	5%
Total Alternatives	**35%**	**20%**
Cash	**0%**	**1%**

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INVESTMENT PERFORMANCE OVERVIEW
JUNE 30, 2010

I. ERB Fund Strategy
The ERB investment strategy focuses on a long-term approach, given the long-term nature of the Fund liabilities. Diversifying the portfolio across several different asset classes mitigates risk by ensuring that the Fund is not completely exposed to one poorly performing market. The long-term approach to asset allocation requires that the Fund be periodically rebalanced by taking profits from the better performing asset classes and redeploying the cash into areas which have fallen in value. This discipline enforces a buy low/sell high philosophy during periods of market volatility and uncertainty.

II. Investment Activity
The ERB adopted a new investment policy and asset allocation in October of 2007. As a result, ERB continued the implementation of alternative investment strategies in the current fiscal year, with the goal of further diversifying the assets of the Fund. Most notably, the 5% allocation to Global Tactical Asset Allocation (GTAA) was funded during the year.

III. ERB Portfolio Performance
Fiscal year 2010 was a fruitful environment for nearly all investment classes and all funds. The rebound from the previous year's distress in the financial markets resulted in significant gains in virtually every asset class, with the median public fund up 13.1% for the year ended June 30. The ERB investment portfolio did significantly better than the median with an 18.2% return for the year, exceeding the policy benchmark return of 12.7%.

The domestic equity portfolio gained 14.2%, versus the Russell 3000 return of 15.7%. International stocks were also positive. The MSCI EAFE Index returned 5.9% for the year. The ERB international developed equity portfolio returned 6.6%, outperforming the index. The MSCI Emerging Markets Equity Index returned 23.2% for the year, while the ERB emerging markets portfolio returned 25.3%, outperforming the index.

Fixed income also produced positive returns, handily outperforming the index. The ERB portfolio produced a stellar 19.2% versus 9.5% for the Barclays Capital Aggregate Bond Index.

The internally managed REIT portfolio returned 55.6%, in line with the Wilshire REIT Index return of 55.5%.

The private equity investment allocation also performed well, returning 24.0%. This exceeded the Cambridge Associates index return of 22.5%.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INVESTMENT PERFORMANCE OVERVIEW
JUNE 30, 2010 (CONTINUED)

INVESTMENT RATES OF RETURN

Fiscal Year Ended June 30, 2010

	1 Year 2010	3 Years 2008-10	5 Years 2006-10
Domestic Equity	**14.2%**	**(10.0%)**	**(0.8%)**
Russell 3000	*15.7%*	*(9.5%)*	*(0.5%)*
Non - US Developed Market Equity	**6.6%**	**(14.0%)**	**0.8%**
MSCI EAFE	*5.9%*	*(13.4%)*	*0.9%*
Non - US Emerging Market Equity	**25.3%**	**(3.6%)**	**11.8%**
MSCI EMF	*23.2%*	*(2.5%)*	*12.7%*
Real Estate Inv. Trusts	**55.6%**	**(9.7%)**	**0.0%**
Wilshire REIT	*55.5%*	*(10.3%)*	*(0.3%)*
Fixed Income	**19.2%**	**8.1%**	**6.1%**
Barclays Capital Aggregate	*9.5%*	*7.5%*	*5.5%*
Absolute Return	**14.4%**	**(3.1%)**	**n/a**
90 day T-Bills + 2%	*2.2%*	*3.7%*	*n/a*
Private Equity**	**24.0%**	**1.8%**	**n/a**
Cambridge Associates Index	*22.5%*	*n/a*	*n/a*
TOTAL FUND	**18.2%**	**(2.9%)**	**3.9%**
*POLICY INDEX**	*12.7%*	*(3.5%)*	*3.2%*

*Policy Index: 23% S&P 500; 2% Russell 2000; 10% MSCI EAFE; 10% MSCI Emerging Markets; 28% Barclays Capital Aggregate; 5% Merrill Lynch US High Yield BB/B Constrained;5% 60% MSCI World Equity/40% Citi WGBI 10% 90 day t-bills + 2%; 2% Cambridge Associates Private Equity Index (Lagged 1 Qtr); 3% Wilshire REIT; 2% NCREIF Property Index

---

***Note: Investment performance shown above is based on time weighted rates of return calcualted using the market value of assets as of June 30, 2010, with the exception of Private Equity which is calculated on a dollar weighted basis due to the nature of the asset class. Performance for periods longer than one year have been annualized.*

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
LARGEST INVESTMENT HOLDINGS
JUNE 30, 2010

Ten Largest Stock Holdings

Company	Shares	Market Value
APPLE INC COM STK	182,293	$ 45,852,158
EXXON MOBIL CORP COM	733,342	$ 41,851,807
MICROSOFT CORP COM	1,665,168	$ 38,315,516
JOHNSON & JOHNSON COM USD1	629,984	$ 37,206,855
PROCTER & GAMBLE COM NPV	569,714	$ 34,171,446
JPMORGAN CHASE & CO COM	860,531	$ 31,504,040
MERCK & CO INC NEW COM	870,562	$ 30,443,553
CISCO SYSTEMS INC	1,420,675	$ 30,274,584
IBM CORP COM	242,141	$ 29,899,571
BANK OF AMERICA CORP	2,009,334	$ 28,874,130

Ten Largest Fixed Income Holdings

Issue	Market Value
U.S. TREASURY NOTES 1.75% DUE 04-15-2013	$ 81,279,421
U.S. TREASURY NOTES 1.375% DUE 02-15-2013	$ 55,721,875
U.S. TREASURY NOTES 1.875% DUE 04-30-2014	$ 35,030,997
FNMA SINGLE FAMILY MORTGAGE 4.5% 30 YEARS	$ 27,931,142
U.S. TREASURY BONDS 4.375% DUE 05-15-2040	$ 18,984,623
U.S. TREASURY BONDS 4.375% DUE 11-15-2039	$ 17,153,748
U.S. TREASURY BONDS 4.625% DUE 02-15-2040	$ 16,265,177
U.S. TREASURY BONDS 4.625% DUE 02-15-2040	$ 15,803,146
U.S. TREASURY NOTES 4.75% DUE 05-31-2012	$ 15,652,069
U.S. TREASURY NOTES 1.75% DUE 03-31-2014	$ 15,207,420

Note: Ten Largest Fixed Income Holdings based on the Fund's separately managed portfolios. PIMCO's DiSCO fund is not included above.

Note: ERB does not normally publish a comprehensive list of portfolio holdings because the size and complexity of such a report would not normally be meaningful to the average reader. Readers with an interest in such information should contact the investments division for assistance.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF INVESTMENT MANAGEMENT FEES AND COMMISSIONS
JUNE 30, 2010

SCHEDULE OF INVESTMENT MANAGEMENT FEES
AND COMMISSIONS FOR YEAR ENDED JUNE 30, 2010

	Investment Fees	Commissions
Domestic Fixed Income	$ 20,930,112	N/A
Domestic Equities	$ 3,819,092	$ 2,242,013
International Equities	$ 4,065,339	$ 2,153,878
Short Term Investments	$ 227,005	N/A
Total	$ 29,041,548	$ 4,395,891
Custodian Fees	$ 1,019,553	N/A
Consultant Fees	$ 1,722,993	N/A
Grand total	$ 31,784,094	$ 4,395,891

Excludes fees and commissions associated with comingled funds

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ACTUARIAL SECTION

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

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November 16, 2010

Board of Trustees
Educational Retirement Board of New Mexico
P.O. Box 26129
Santa Fe, NM 87502-0129

Dear Members of the Board:

Subject: Actuarial Valuation as of June 30, 2010

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Educational Retirement Board of New Mexico (ERB) as of June 30, 2010.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the relevant statutes, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems. Both meet the Qualification Standards of the American Academy of Actuaries.

To the best of our knowledge, this report is based on benefit provisions in effect as of June 30, 2010, audited financial information prepared as of that date, member data gathered as of that date, and actuarial assumptions and methods previously adopted by the Board.

Actuarial Valuation

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of ERB, and to analyze changes in ERB's condition. In addition, the report provides information required by ERB in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data.

Valuations are prepared annually, as of June 30 of each year, the last day of ERB's plan and fiscal year.

Financing Objectives

The member and employer contribution rates are established by statute. In 2005, the enactment of SB 181 increased the employer contribution rate by 75 basis points (0.75%) each year through FY 2012, so that it would ultimately reach 13.90% in FY 2012, and it increased member contribution rates by 7.50 basis points (0.075%) each year through FY 2009, when it reached 7.90%. In 2009,

Board of Trustees
November 16, 2010
Page 2

the enactment of HB 854 provided for a temporary transfer of 150 basis points (1.50%) contribution from employer to member effective July 1, 2009 through June 30, 2011. (The 7.90% member rate was left in place for members earning less than $20,000.)

In 2010, the enactment of SB 91 again revised the schedule of employer contribution rates. For FY 2011, the current employer contribution rate remains at 10.90% and the current member contribution rate will remain at 9.40%. (Members earning less than $20,000 will contribute 7.90% while their employers contribute 12.40%). The member contribution rate will revert back to 7.90% for all members in FY 2012 and thereafter, and the employer rate will increase to 13.15% for FY 2012 and reach its ultimate level of 13.90% in FY 2013.

In addition, certain higher education employers make an additional contribution equal to 3.00% of the total pay for their employees who elected to join the Alternative Retirement Program rather than ERB.

These rates are intended to be sufficient to pay ERB's normal cost and to amortize ERB's unfunded actuarial accrued liability (UAAL) in payments which are level as a percentage of payroll. Except for short-term fluctuations, the amortization period should not exceed the maximum 30-year period currently allowed under GASB No.25. (The amortization period, also referred to as the funding period, is the number of years expected to be required to completely amortize the UAAL, assuming that ERB's experience exactly follows the actuarial assumptions.) This funding policy is set by the Board of Trustees.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at June 30, 2009 was 67.5%, while it is now 65.7%. Five years ago the ratio stood at 70.4%, and ten years ago the ratio was 91.6%. However, if the ratio were calculated using the market value rather than the actuarial value of assets, it would be 57.4% as of June 30, 2010, up from 51.2% as of June 30, 2009. During the last fiscal year, the UAAL increased from $4,517.0 million to $4,922.2 million.

The plan's funding period as of the valuation date is 62.5 years. This is a theoretical calculation of the period that will be required to amortize the UAAL, assuming that the current year's amortization payment increases at the payroll growth rate (3.75%) each year in the future. The 62.5 years period compares with 45.0 years funding period calculated as of the prior actuarial valuation.

This calculation of the funding period is a snapshot as of the valuation date and ignores a number of factors: (i) the scheduled future increases in the employer contribution rates, (ii) the known deferred asset gains and losses that are reflected in the actuarial value of assets and that will be recognized over the next four years, and (iii) the expected future growth in the active membership (1.50%).

Gabriel Roeder Smith & Company

Board of Trustees
November 16, 2010
Page 3

Recent Events

In FY 2009, the financial markets experienced major losses. The equity markets dropped dramatically through early March 2009 before beginning to recover. Many pension trusts lost 30% to 40% through early March 2009 but then rebounded off of those lows. Most pension trusts still remain below their highs from three years ago. For instance, the market value of the ERB trust was $9,455.8 million as of June 30, 2007 was and is $8,232.5 million as of June 30, 2010. Some of the investment losses from FY 2008 and FY 2009 have been recognized in this valuation but most is still being deferred and will be recognized in future valuations. The total amount of deferred losses as of June 30, 2010 is $1.20 billion dollars and the plan's funding period has increased to 62.5 years. The funding period will almost certainly increase in the next few years unless the financial markets significantly continue their recovery.

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the relevant New Mexico statutes. In 2010, SB 91 was enacted, freezing the employer contribution rate in FY 2011 at the same level as in FY 2010 rather than having it increase by 0.75%. At July 1, 2011, the employee contribution rate will revert back to 7.90% for all members and the employer contribution rate will increase to 13.15%. The employer contribution rate will then increase to its ultimate rate of 13.90% at July 1, 2012.

Also enacted in 2010 was HB 239. This bill changed the provisions governing COLAs (cost-of-living adjustments) so that a retiree's benefit will not decrease even when deflation occurs (i.e., when the consumer price index decreases from one year to the next). This bill prevented a benefit decrease from taking place as of July 1, 2010 for annuitants eligible for a COLA.

Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. The last review of these assumptions occurred following the 2008 actuarial valuation, and the Board adopted the recommendation to leave the current set of assumptions unchanged.

We believe the recommended assumptions are internally consistent and are reasonably based on the actual experience of ERB. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

Gabriel Roeder Smith & Company

Board of Trustees
November 16, 2010
Page 4

Member and Financial Data

Member data for retired, active, and inactive participants was supplied as of June 30, 2010, by the ERB staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was also supplied by the ERB staff.

We provided some of the information used in the Comprehensive Annual Financial Report. Specifically, we provided information used in preparing the schedules of Active Member Valuation Data, Retirants and Beneficiaries, Analysis of Financial Experience, and the Solvency Test that are found in the Actuarial Section; and we provided the Schedule of Funding Progress and the Schedule of Required Contributions in the Financial Section.

We would like to thank the ERB staff for their assistance with this project.

Sincerely,

J. Christian Conradi

J. Christian Conradi, ASA, MAAA, EA
Senior Consultant

Leslie L Thompson

Leslie L. Thompson, FSA, FCA, MAAA, EA
Senior Consultant

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Gabriel Roeder Smith & Company

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXECUTIVE SUMMARY
JUNE 30, 2010

Executive Summary

Valuation as of:	06/30/2010	06/30/2009
Contribution Rates for Fiscal Year Ending:	06/30/2011	06/30/2010
Membership		
• Number of		
- Active members	63,295	63,819
- Retirees and beneficiaries	33,747	32,496
- Inactive, vested	9,054	8,459
- Inactive, nonvested	22,782	22,115
- Total	128,878	126,889
• Payroll	$ 2,575.8 million	$ 2,585.7 million
Statutory contribution rates		
• Employer	10.90%	10.90%
• Member	9.40%	9.40%
Assets		
• Market value	$ 8,232.5 million	$ 7,113.7 million
• Actuarial value	$ 9,431.3 million	$ 9,366.3 million
• Return on market value	17.7%	-17.7%
• Return on actuarial value	2.0%	2.2%
• Employer contributions	$ 313.3 million	$ 323.7 million
• External cash flow %	-1.6%	-1.6%
• Ratio of actuarial to market value	114.6%	131.7%
Actuarial Information		
• Normal cost %	12.48%	12.48%
• Unfunded actuarial accrued liability (UAAL)	$ 4,922.2 million	$ 4,517.0 million
• Funded ratio	65.7%	67.5%
• Funding period (years)	62.5 years	45.0 years
• GASB Annual Required Contribution	13.39%	12.45%
Gains/(losses)		
• Asset experience	$ (561.4) million	$ (535.4) million
• Liability experience	287.7 million	40.8 million
• Benefit changes	-	(214.0) million
• Assumption/method changes	-	-
• Total	$ (273.7) million	$ (708.6) million

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL REPORT DISCUSSION
JUNE 30, 2010

Introduction

Table 1 summarizes the key actuarial results. Table 2 analyzes changes in the UAAL. Tables 3 and 4 show more detailed actuarial information. Tables 5a and 5b develop the GASB 25 Annual Required Contribution for the last fiscal year, and Tables 6a-6c show required GASB 25 disclosure information. Tables 7a, 7b, 15, 16 and 17 show statistical information about the membership, and Tables 8a-11b, and Table 13 show information about plan assets. Tables 12a and 12b show the calculation of the actuarial gains and losses. Table 14 shows the solvency test, used by some funds in their annual report. Finally, Appendix 1 is a summary of the benefit and contribution provisions of ERB, Appendix 2 is a summary of the actuarial methods and assumptions, and Appendix 3 is a Glossary.

Actuarial Information

The determination of the unfunded actuarial accrued liability (UAAL) and the funding period involves the following steps:

- The actuarial present value of future benefits is determined for the present members, including retired members, beneficiaries, inactive members and active members. This amounts to $16,700.6 million, as shown on Table 3.

- The entry age normal funding method is used to allocate the actuarial present value of future benefits between the portion due for the current year (the normal cost), prior years (the actuarial accrued liability) and future years. The actuarial accrued liability is $14,353.5 million, as shown in line 6d on Table 1.

- Under the entry age normal cost method the current and future normal costs are determined as a level percentage of payroll. Table 4 shows an analysis of the normal cost rate. The amount needed to fund the current and future normal costs is 12.48% of payroll inclusive of member contributions. This 12.48% reflects the new benefit structure for future hires. This is the total (member plus employer) contribution rate needed to pay for the average new member.

- Part of the normal cost is paid by the employee contributions of 9.40%, leaving 3.08% to be funded by the employers. I.e., the current year's employer normal cost is 3.08% of payroll. This is shown in Line 3 of Table 1.

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- The unfunded actuarial accrued liability (UAAL) is determined by subtracting the actuarial value of assets from the actuarial accrued liability. (The actuarial value of assets is a smoothed market value, as discussed in more detail below.) The UAAL is $4,922.2 million, as shown in line 8 on Table 1.
- Since the statutory employer contribution rate is 10.90%, and the employer normal cost rate is 3.08%, the difference of 7.82% is used to amortize the UAAL. The 3% contribution made on behalf of ARP members is also used to amortize the UAAL.
- Finally, the funding period is calculated by determining how long it will take to reduce the UAAL to zero, assuming that the current year's amortization contribution increases at the 3.75% payroll growth period each year. This period is currently 62.5 years. (Note, however, that this calculation does not reflect the scheduled increases in the employer contribution rate. Further, it tacitly assumes an 8.00% return on the actuarial value of assets, not the market value. More realistic projections show that it will take about 44 years to amortize the UAAL if the trust earns 8.00% each year in the future on market and if the employer contribution rate increases occur as scheduled under current law.

Analysis of Changes

Table 2 shows an analysis of the changes in the UAAL. Since the UAAL is an actuarial present value, with future anticipated benefits discounted using an 8.00% interest rate, the UAAL increases each year by the imputed interest rate, less employer contributions made to amortize the UAAL. (Keep in mind that part of the employer contribution is used to pay the normal cost, so only part of each year's contribution is available to amortize the UAAL.)

As shown on Table 2, the UAAL increased by $361.4 million for imputed interest and decreased by $229.9 million because of payments made. This means that the UAAL was expected to increase $131.5 million before recognizing plan experience. The UAAL as of June 30, 2009 was $4,517.0 million, and the expected UAAL at June 30, 2010, recognizing actual contributions made, was $4,648.5 million.

The plan experienced a liability gain of $287.7 million the vast majority of which is due to a gain from salary increases less than expected. This gain represents 2.0% of the total actuarial accrued liability. We had, however, previously anticipated that the plan would experience an actuarial loss on investments, because under the smoothing method used to determine the actuarial value of assets, we knew there were still substantial deferred losses from FY 2008 and FY 2009.

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As expected the plan experienced an actuarial loss on investments of $561.4 million. The investment loss resulted from the fact that the return on the actuarial value of assets, 2.0%, was less than the 8.00% assumed investment return rate. This loss was the result of recognizing the remaining 20% of the gain from FY 2006, 20% of the gains from FY 2007 and FY 2010, and 20% of the losses from FY 2008 and FY 2009. The market rate of return in FY 2010 was 17.7%.

As a result of all the experience, the UAAL increased from $4,517.0 million to $4,922.2 million.

GASB 25 Disclosure

Governmental Accounting Standards Board Statement No. 25 (GASB 25) is the relevant accounting standard for governmental retirement systems like ERB.

Tables 5a and 5b show the calculation of the Annual Required Contribution (ARC) as computed under GASB 25, and they show what percent of this amount was actually received. For ERB, the ARC is defined to be the actual contributions required by statute, as long as this is not less than the minimum allowed under GASB 25. The GASB 25 minimum is equal to the employer normal cost, plus a 30-year amortization of the UAAL.

Other information required to be reported under GASB 25 are included in the Required Supplementary Information section of the Financial Section of this report. These include a history of funding progress--a comparison of the actuarial value of assets with the actuarial accrued liability and a comparison of the UAAL with covered payroll. This table shows steady progress over the years from 1992 to 2001, with the best funded ratio in 2001, 91.9%, then it began to decrease as the negative investment experience in the 2001 – 2003 fiscal years was phased into the actuarial value of assets. The ratio increased slightly in 2007 and 2008, as some gains from prior years were recognized. Finally, due to the poor returns of the financial markets for FY 2008 and FY 2009, the ratio decreased to 65.7% as of 2010.

Also included in the Required Supplementary Information section of the Financial Section of this report is a comparison of (a) the employer contributions actually received, with (b) the GASB 25 ARC for the six fiscal years 2005 through 2010. Note that this shows that 87.7% of the ARC was contributed during FY 2010, since the 10.90% employer contribution rate is less than the 30- year contribution calculated in last year's valuation (12.45%).

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For FY 2011, the financial reports prepared for ERB will show that only approximately 81% of the ARC was contributed. This is because the 10.90% statutory rate is less than the calculated 30-year contribution rate of 13.39%.

Notes to the Required Supplementary Information section of the Financial Section of this report include actuarial methods and significant assumptions.

The auditor's notes should also disclose the following items that may affect the comparability of the trend information shown in the tables discussed above:

* Actuarial assumptions were changed at June 30, 1998, June 30, 2001, June 30, 2003 and June 30, 2005.
* The legislative changes made by HB 573, HB 631, and HB 854 in 2009 were recognized at June 30, 2009 and the changes made by SB 91 in 2010 were recognized at June 30, 2010.

Benefit Provisions

A summary of the provisions of ERB is presented in the Statistical Section of this report. This valuation reflects benefits promised to members by statute. There are no ancillary benefits - retirement type benefits not required by statutes but which might be deemed an ERB liability if continued beyond the availability of funding by the current funding source.

Since the previous valuation, SB 91 was enacted. This bill delayed increases in the employer contribution rates effective July 1, 2010. As of July 1, 2010, the employee contribution rate is 9.40% (7.90% for members earning less than $20,000) and the employer contribution rate is 10.90% (12.40% for members earning less than $20,000). As of July 1, 2011, the employee contribution rate will revert back to 7.90% for all members and the employer contribution rate will increase to 13.15%. The employer contribution rate will then increase to its ultimate rate of 13.90% as of July 1, 2012.

Also enacted in 2010 was HB 239. This bill changed the provisions governing COLAs (cost-of-living adjustments) so that a retiree's benefit will not decrease even when deflation occurs (i.e., when the consumer price index decreases from one year to the next). This bill prevented a benefit decrease from taking place as of July 1, 2010 for annuitants eligible for a COLA.

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Actuarial Assumptions and Methods

In determining costs and liabilities, actuaries use assumptions about the future, such as rates of salary increase, probabilities of retirement, termination, death and disability, and an investment return assumption. ERB's Board adopts the assumptions used, taking into account the actuary's recommendations. The last review of these assumptions occurred following the 2008 actuarial valuation, and the Board adopted the recommendation to leave the current set of assumptions unchanged. We believe the recommended assumptions are internally consistent and are reasonably based on the actual experience of ERB. Appendix 2 summarizes the current assumptions.

The most significant assumptions are (i) the assumed investment return, currently set at 8.00%, and (ii) the assumption regarding future salary increases, which is based on a table that varies by service.

In addition to the actuarial assumptions, the actuary also makes use of an actuarial funding method to allocate costs to particular years. In common with most public-sector plans, ERB uses the entry age normal method. This method produces a relatively level pattern of funding over time, and thereby provides equity between various generations of taxpayers. We continue to believe this method is appropriate for ERB.

Assets

ERB assets are held in trust. The ERB staff has provided the asset information used in this valuation.

Table 8a presents a summary of the market value of assets held by the fund, and Table 8b shows the allocation of assets held for investment. About 46% of the assets are now held in traditional equities, about the same as last year. Table 9 shows a reconciliation of the assets from the beginning of the prior year to the valuation date.

Tables 10a and 10b show the development of the actuarial value of assets (AVA). The AVA is a smoothed market value. A smoothed value is used in order to dampen some of the year-to-year fluctuations that would occur if the market value were used instead. The method used phases in differences between the actual and expected market returns over five years. The expected return is determined using the 8.00% assumption and the plan's market value, adjusted for contributions received and benefits and refunds paid. Both the actual and expected returns are computed net of investment and administrative expenses.

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Note that the actuarial value is currently 114.6% of the market value. The dollar amount of the difference between the actuarial value and market value is the value of the deferred losses, and totals $1.20 billion dollars. Over any short time period, a disparity between actuarial value and market value may appear, but in the long-run, we would expect the actuarial value and the market value to continue to track each other fairly closely.

Table 11a shows that the investment return rate for FY 2010 on market value was 17.7%, while it was 2.0% on actuarial value. Table 11b shows historical return rates since the current actuarial asset method was adopted.

Finally, Table 13 shows a history of cash flows to the trust, and the net cash flow measured as a percentage of the assets. The cash flow is slightly negative, 1.6% of market value, but this is not a sign of concern in a mature plan such as ERB.

Member Data

Membership data was provided on electronic files by the ERB staff. Data for active members includes sex, birthdate, service, salary paid in the prior year, and accumulated contributions. Data for inactive, non-retired members was similar, but includes the member's accrued benefit as well. For retired members, data includes status (service retiree, disabled retiree or beneficiary), sex, birthdate, pension amount, form of payment, beneficiary sex and birthdate if applicable, and date of retirement.

While not verifying the correctness of the data at the source, we performed various tests to ensure the internal consistency of the data and its overall reasonableness.

Table 7a summarizes data on all members. Table 7b is a history of key statistical information about active members, and Table 15 is a history of statistical information about retirees. Table 16 is an age/service distribution of active members and their average pay. Table 17 is a reconciliation that tracks changes in the plan population from last year to this year.

The number of active members decreased 0.8% since last year, from 63,819 to 63,295.

Total payroll decreased 0.4% since last year. For all comparative purposes, payroll is the amount supplied by the ERB staff (i.e., the 2009-2010 member pay). However, this figure is increased by one year's pay increase to determine the member's rate of pay at July 1, 2010. Pay is assumed to change only at the beginning of a school/fiscal year.

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Average pay increased 0.4% since last year. Average pay for members active in both this valuation and the last year's valuation increased 0.6%. The difference between these two figures is due to the effect of retirements and terminations, and their replacement by new members who generally earn less.

The number of active members increased 0.2% since last year, from 63,698 to 63,819.

Total payroll increased 3.8% since last year. For all comparative purposes, payroll is the amount supplied by the ERB staff (i.e., the 2008-2009 member pay). However, this figure is increased by one year's pay increase to determine the member's rate of pay at July 1, 2009. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased 3.6% since last year. Average pay for members active in both this valuation and the last year's valuation increased 4.7%. The difference between these two figures is due to the effect of retirements and terminations, and their replacement by new members who generally earn less.

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Table 1 - Actuarial Information

	June 30, 2010 (1)	June 30, 2009 (2)
1. Payroll		
a. Supplied by System (annualized)	$ 2,575,789,471	$ 2,585,739,292
b. Adjusted for one-year's pay increase	2,753,518,949	2,771,549,050
2. Actuarial present value of future pay	$ 18,806,725,197	$ 18,946,670,581
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	12.48%	12.48%
b. Less: member contribution rate	(9.40%)	(9.40%)
c. Employer normal cost rate	3.08%	3.08%
4. Employer normal cost (Item 3c * Item 1b)	$ 84,808,384	$ 85,363,711
5. Actuarial accrued liability for active members		
a. Actuarial present value of future benefits	$ 8,939,540,036	$ 8,987,046,807
b. Less: actuarial present value of future normal costs (Item 3a * Item 2)	(2,347,079,305)	(2,364,544,489)
c. Actuarial accrued liability	$ 6,592,460,731	$ 6,622,502,318
6. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	$ 6,933,427,044	$ 6,606,725,003
b. Inactive members	827,621,648	654,045,761
c. Active members (Item 5c)	6,592,460,731	6,622,502,318
d. Total	$ 14,353,509,423	$ 13,883,273,082
7. Actuarial value of assets	$ 9,431,321,589	$ 9,366,271,312
8. Unfunded actuarial accrued liability (UAAL) (Item 6d - Item 7)	$ 4,922,187,834	$ 4,517,001,770
9. Amortization payment for next fiscal year		
a. Employer contribution rate	10.90%	10.90%
b. Less: Employer normal cost rate (Item 3c)	(3.08%)	(3.08%)
c. Amortization rate	7.82%	7.82%
d. Amortization contribution (Item 9c * Item 1b)	$ 215,325,182	$ 216,735,136
e. Expected ARP contribution	4,411,993	4,904,092
d. Total	$ 219,737,175	$ 221,639,228
10. Funding period based on current 10.9% employer contribution requirement, with payments increasing at assumed payroll growth rate	62.5 years	45.0 years

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Table 2 - Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	Year Ending June 30, 2010	Year Ending June 30, 2009
(1)	(2)	(3)
1. UAAL at prior valuation	$ 4,517.0	$ 3,694.2
2. Increases/(decreases) due to:		
a. Interest on UAAL	361.4	295.5
b. Amortization payments[1]	(229.9)	(181.3)
c. Liability experience	(287.7)	(40.8)
d. Asset experience	561.4	535.4
e. Changes in actuarial assumptions and methods	-	-
f. Benefit change	-	214.0
g. Total	$ 405.2	$ 822.8
3. Current UAAL (1+2g)	$ 4,922.2	$ 4,517.0

Note : Dollar amounts in millions

[1] Actual contributions reduced by normal cost, and adjusted for timing.

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Table 3 - Actuarial Present Value of Future Benefits

		June 30, 2010	June 30, 2009
		(1)	(2)
1.	Active members		
	a. Service retirement benefits	$ 8,044,206,751	$ 8,094,228,564
	b. Refunds and deferred termination benefits	715,350,156	712,726,608
	c. Survivor benefits	82,724,853	82,644,881
	d. Disability retirement benefits	97,258,276	97,446,754
	e. Total	$ 8,939,540,036	$ 8,987,046,807
2.	Retired members		
	a. Service retirement	$ 6,561,800,212	$ 6,251,419,478
	b. Disability retirement	68,972,790	67,317,258
	c. Beneficiaries	302,654,042	287,988,267
	d. Total	$ 6,933,427,044	$ 6,606,725,003
3.	Inactive members		
	a. Vested terminations	$ 729,621,449	$ 563,424,262
	b. Nonvested terminations	98,000,199	90,621,499
	c. Total	$ 827,621,648	$ 654,045,761
4.	Total actuarial present value of future benefits	$ 16,700,588,728	$ 16,247,817,571

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Table 4 - Analysis of Normal Cost

	June 30, 2010 (1)	June 30, 2009 (2)
1. Gross normal cost rate (payable monthly)		
a. Service retirement benefits	8.09%	8.09%
b. Refunds and deferred termination benefits	4.10%	4.10%
c. Disability retirement benefits	0.18%	0.18%
d. Survivor benefits	0.11%	0.11%
e. Total	12.48%	12.48%
2. Less: member contribution rate	(9.40%)	(9.40%)
3. Employer normal cost rate	3.08%	3.08%

Table 5a - Calculation of GASB 25 ARC as Percent of Payroll (For Following Fiscal Year)

	June 30, 2010 (1)	June 30, 2009 (2)
1. GASB 25 funding period (years)	30	30
2. Amortization contribution percentage		
a. Amortization payment	$ 288,364,433	$ 264,626,767
b. Less: expected payment for ARP members	4,411,993	4,904,092
c. Net (a-b)	$ 283,952,440	$ 259,722,675
d. Expected payroll	2,753,518,949	2,771,549,050
e. Amortization contribution percentage (c/d)	10.31%	9.37%
3. GASB 25 Annual Required Contribution		
a. Employer normal cost rate	3.08%	3.08%
b. Amortization percentage	10.31%	9.37%
c. Total	13.39%	12.45%
d. Statutory rate	10.90%	10.90%
e. ARC (greater of (c,d))	13.39%	12.45%

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Table 5b - Actual Contributions as Percentage of GASB 25 ARC for Year Ending 06/30/2010

1.	Actual contributions	
	a. On behalf of ERB members	$ 309,023,773
	b. On behalf of ARP members	4,252,523
	c. Total	$ 313,276,296
2.	Statutory employer contribution rate	10.90%
3.	Imputed fiscal year payroll for ERB members (Item 1a / Item 2)	$ 2,835,080,484
4.	GASB 25 Annual Required Contribution	
	a. Required GASB 25 employer contribution for ERB members as percent of payroll	12.45%
	b. Required GASB 25 employer contribution for ERB members (Item 4a * Item 3)	$ 352,967,520
	c. GASB 25 ARC (Item 4b + Item 1b)	$ 357,220,043
5.	Percentage of ARC contributed (Item 1c / Item 4c)	87.7%

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Table 6a – Summary of Current Membership Data

		June 30, 2010 (1)	June 30, 2009 (2)
1.	Active members		
	a. Number	63,295	63,819
	b. Total payroll supplied by System (annualized)	$ 2,575,789,471	$ 2,585,739,292
	c. Average salary	$ 40,695	$ 40,517
	d. Average age	46.5	46.3
	e. Average service	9.7	9.6
2.	Vested inactive members (excluding pending refunds)		
	a. Number	9,054	8,459
	b. Total annual deferred benefits	$ 87,235,208	$ 72,937,248
	c. Average annual deferred benefit	$ 9,635	$ 8,622
3.	Nonvested inactive members and vested pending refunds		
	a. Number	22,782	22,115
	b. Employee assessments with interest due	$ 98,000,199	$ 90,621,499
	c. Average refund due	$ 4,302	$ 4,098
4.	Service retirees		
	a. Number	30,377	29,234
	b. Total annual benefits	$ 617,272,913	$ 586,490,118
	c. Average annual benefit	$ 20,320	$ 20,062
5.	Disabled retirees		
	a. Number	759	745
	b. Total annual benefits	$ 7,132,523	$ 6,941,248
	c. Average annual benefit	$ 9,397	$ 9,317
6.	Beneficiaries		
	a. Number	2,611	2,517
	b. Total annual benefits	$ 34,873,429	$ 33,121,643
	c. Average annual benefit	$ 13,356	$ 13,159

Note: Retirement benefits include impact of July 1 cost-of-living increases.

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Table 6b - Historical Summary of Active Member Data

Year Ending June 30,	Active Members Number	Active Members Percent Increase	Covered Payroll Amount in $ Millions	Covered Payroll Percent Increase	Average Salary $ Amount	Average Salary Percent Increase	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1982	42,015	---	$622	---	$14,810	---	40.9	10.7
1984	40,385	-3.9%	670	7.7%	16,600	12.1%	42.0	9.9
1986	45,311	12.2%	786	17.3%	17,353	4.5%	41.7	9.7
1988	45,492	0.4%	863	9.8%	18,968	9.3%	43.9	10.1
1990	48,858	7.4%	1,033	19.7%	21,146	11.5%	42.6	8.5
1992	51,161	4.7%	1,150	11.3%	22,486	6.3%	43.0	8.9
1993	52,296	2.2%	1,191	3.6%	22,774	1.3%	43.2	8.9
1994	53,744	2.8%	1,259	5.7%	23,420	2.8%	43.3	9.0
1995	54,840	2.0%	1,356	7.7%	24,735	5.6%	43.2	9.0
1996	55,782	1.7%	1,414	4.3%	25,341	2.4%	43.7	9.1
1997	56,685	1.6%	1,449	2.5%	25,556	0.8%	43.9	9.1
1998	58,097	2.5%	1,543	6.5%	26,555	3.9%	44.0	9.0
1999	58,615	0.9%	1,637	6.1%	27,936	5.2%	44.3	9.2
2000	60,090	2.5%	1,796	9.7%	29,884	7.0%	44.5	9.1
2001	60,155	0.1%	1,820	1.3%	30,248	1.2%	44.9	9.2
2002	61,091	1.6%	1,979	8.7%	32,387	7.1%	45.2	9.3
2003	62,614	2.5%	2,032	2.7%	32,460	0.2%	45.3	9.3
2004	62,901	0.5%	2,142	5.4%	34,061	4.9%	45.6	9.4
2005	63,362	0.7%	2,209	3.1%	34,865	2.4%	45.6	9.3
2006	61,829	-2.4%	2,219	0.5%	35,896	3.0%	45.7	9.2
2007	62,687	1.4%	2,341	5.5%	37,347	4.0%	45.9	9.3
2008	63,698	1.6%	2,492	6.4%	39,118	4.7%	46.1	9.4
2009	63,819	0.2%	2,586	3.8%	40,517	3.6%	46.3	9.6
2010	63,295	-0.8%	2,576	-0.4%	40,695	0.4%	46.5	9.7

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Table 7a - Plan Net Assets
(Assets at Market or Fair Value)

Item	Valuation as of June 30, 2010	Valuation as of June 30, 2009
(1)	(2)	(3)
1. Cash and cash equivalents	$ 356,643,139	$ 307,107,444
2. Receivables:		
a. Contributions	$ 68,233,170	$ 66,650,037
b. Investment income	30,371,094	27,528,119
c. Investment sales proceeds - brokers	94,497,269	129,477,330
d. Other	475,842	68,480
e. Total receivables	$ 193,577,375	$ 223,723,966
3. Investments		
a. U.S. treasury securities	$ 554,294,917	$ 230,027,482
b. U.S. government agencies	510,939,793	614,167,396
c. Domestic corporate bonds	1,099,340,868	1,044,370,430
d. Domestic equities	2,423,224,608	2,080,792,320
e. International equities	1,367,105,988	1,238,816,417
f. Mortgage backed securities	242,937,602	350,555,573
g. Private equities	241,336,795	138,357,638
h. Hedge funds	499,102,188	537,791,270
i. Private real estate	80,872,114	77,902,570
j. Other investments	914,462,725	545,166,380
k. Total investments	$ 7,933,617,598	$ 6,857,947,476
4. Invested securities lending collateral	$ 191,627,192	$ 665,254,810
5. Properties : land, building, furniture and equipment (at cost, less accumulated depreciation)	$ 6,217,017	$ 8,226,741
6. Total assets	$ 8,681,682,321	$ 8,062,260,437
7. Liabilities		
a. Accounts payable	$ 9,485,259	$ 4,268,394
b. Accrued expenses	380,292	353,153
c. Refunds payable	1,213,339	943,130
d. Investment purchases payable - brokers	236,142,568	263,999,480
e. Due to other funds	848,955	850,156
f. Securities lending collateral	201,088,474	678,194,424
g. Total liabilities	$ 449,158,887	$ 948,608,737
8. Total market value of assets available for benefits (Item 6 - Item 7g)	$ 8,232,523,434	$ 7,113,651,700

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 7b - Allocation of Cash and Investments

		June 30, 2010 (1)	June 30, 2009 (2)
1.	Cash and short-term equivalents	4.3%	4.3%
2.	U.S. treasury securities	6.7%	3.2%
3.	U.S. government agencies	6.2%	8.6%
4.	Domestic corporate bonds	13.3%	14.6%
5.	Domestic equities	29.2%	29.0%
6.	International equities	16.5%	17.3%
7.	Mortgage backed securities	2.9%	4.9%
8.	Private equities	2.9%	1.9%
9.	Hedge funds	6.0%	7.5%
10.	Private real estate	1.0%	1.1%
11.	Other investments	11.0%	7.6%
12.	Total investments	100.0%	100.0%

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 8 - Reconciliation of Plan Net Assets

	Year Ending June 30, 2010	Year Ending June 30, 2009
	(1)	(2)
1. Value of assets at beginning of year		
a. Value reported in prior valuation	$ 7,113,651,700	$ 8,770,044,039
b. Prior period adjustments	(1)	-
c. Revised value	$ 7,113,651,699	$ 8,770,044,039
2. Revenue for the year		
a. Contributions		
i. Member contributions (including redeposits and service purchases)	$ 253,567,010	$ 215,107,743
ii. Employer contributions	309,023,773	318,958,661
iii. Employer contributions for ARP members	4,252,523	4,726,836
iv. Total	$ 566,843,306	$ 538,793,240
b. Income		
i. Interest, dividends, and other income	$ 185,072,881	$ 202,554,359
ii. Investment expenses	(31,802,095)	(16,774,502)
iii. Net	$ 153,270,786	$ 185,779,857
c. Net realized and unrealized gains	$ 1,095,257,890	$ (1,724,901,894)
d. Total revenue	$ 1,815,371,982	$ (1,000,328,797)
3. Expenditures for the year		
a. Refunds	$ 28,779,655	$ 29,686,510
b. Benefit payments	656,232,670	617,705,040
c. Administrative and miscellaneous expenses	11,487,922	8,671,992
d. Total expenditures	$ 696,500,247	$ 656,063,542
4. Increase in net assets (Item 2 - Item 3)	$ 1,118,871,735	$ (1,656,392,339)
5. Value of assets at end of year (Item 1 + Item 4)	$ 8,232,523,434	$ 7,113,651,700

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 9a - Determination of Excess Earnings to be Deferred

Year ended :	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
	(1)	(2)	(3)	(4)
1. MVA at beginning of year	$ 8,219,289,974	$ 9,455,795,854	$ 8,770,044,039	$ 7,113,651,700
2. Net new investments				
a. Contributions	$ 449,510,900	$ 496,206,270	$ 538,793,240	$ 566,843,306
b. Benefits and refunds paid	(567,668,854)	(608,250,782)	(647,391,550)	(685,012,325)
c. Subtotal	$ (118,157,954)	$ (112,044,512)	$ (108,598,310)	$ (118,169,019)
3. MVA at end of year	$ 9,455,795,854	$ 8,770,044,039	$ 7,113,651,700	$ 8,232,523,434
4. Net MVA earnings (3 - 1 - 2c)	$ 1,354,663,834	$ (573,707,303)	$ (1,547,794,029)	$ 1,237,040,753
5. Assumed investment return rate	8.00%	8.00%	8.00%	8.00%
6. Expected return	$ 652,816,880	$ 751,981,888	$ 697,259,591	$ 564,365,375
7. Excess return (4 - 6)	$ 701,846,954	$ (1,325,689,191)	$ (2,245,053,620)	$ 672,675,378
8. Excess return deferral percent	20%	40%	60%	80%
9. Amount deferred	$ 140,369,391	$ (530,275,676)	$ (1,347,032,172)	$ 538,140,302

Note : MVA is market value of assets.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 9b - Development of Actuarial Value of Assets

1.	Market value of assets as of valuation	$	8,232,523,434
2.	Deferred amounts for fiscal year ending June 30,		
	a. 2010	$	538,140,302
	b. 2009	$	(1,347,032,172)
	c. 2008	$	(530,275,676)
	d. 2007	$	140,369,391
	e. Total	$	(1,198,798,155)
3.	Actuarial value of assets (1 - 2e)	$	9,431,321,589
4.	Actuarial value as percent of market value		114.6%

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 10a - Estimation of Yields

	Year Ending June 30, 2010 (1)	Year Ending June 30, 2009 (2)
A. Market value yield		
1. Beginning of year market assets	$ 7,113,651,700	$ 8,770,044,039
2. Investment income (including realized and unrealized gains and losses)	$ 1,248,528,675	$ (1,539,122,037)
3. End of year market assets	$ 8,232,523,434	$ 7,113,651,700
4. Estimated dollar weighted market value yield	17.7%	-17.7%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 9,366,271,312	$ 9,272,828,135
2. Actuarial return	$ 183,219,296	$ 202,041,487
3. End of year actuarial assets	$ 9,431,321,589	$ 9,366,271,312
4. Estimated actuarial value yield	2.0%	2.2%

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table – 10b - History of Investment Return Rates

Plan Year Ending June 30 of	Market	Actuarial
(1)	(2)	(3)
1995	18.5%	11.5%
1996	12.2%	12.0%
1997	20.3%	13.4%
1998	19.6%	15.0%
1999	11.3%	16.4%
2000	13.1%	15.1%
2001	-11.1%	9.5%
2002	-8.8%	3.3%
2003	2.7%	0.1%
2004	15.3%	0.8%
2005	9.6%	1.1%
2006	12.0%	6.4%
2007	16.7%	11.6%
2008	-6.0%	9.3%
2009	-17.7%	2.2%
2010	17.7%	2.0%
Average Returns		
Last 5 years	3.5%	6.2%
Last 10 years	2.3%	4.5%
Last 15 years	6.4%	7.7%

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 11a - Investment Experience Gain or Loss

Item	Year Ending June 30, 2010	Year Ending June 30, 2009
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 9,366,271,312	$ 9,272,828,135
2. Total contributions during year	$ 566,843,306	$ 538,793,240
3. Benefits and refunds paid	$ (685,012,325)	$ (647,391,550)
4. Assumed net investment income at 8%		
a. Beginning of year assets	$ 749,301,705	$ 741,826,251
b. Contributions	22,673,732	21,551,730
c. Benefits and refunds paid	(27,400,493)	(25,895,662)
d. Total	$ 744,574,944	$ 737,482,319
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	$ 9,992,677,237	$ 9,901,712,144
6. Actual actuarial assets, end of year	$ 9,431,321,589	$ 9,366,271,312
7. Asset gain (loss) for year (Item 6 - Item 5)	$ (561,355,648)	$ (535,440,832)

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 11b - Total Experience Gain or Loss

Item	Year Ending June 30, 2010	Year Ending June 30, 2009
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 4,517,001,770	$ 3,694,166,995
2. Normal cost for the previous year	$ 345,889,321	$ 364,372,490
3. Less: contributions for the year	$ (566,843,306)	$ (538,793,240)
4. Interest at 8 %		
a. On UAAL	$ 361,360,142	$ 295,533,360
b. On normal cost	13,835,573	14,574,900
c. On contributions	(22,673,732)	(21,551,730)
d. Total	$ 352,521,983	$ 288,556,530
5. Expected UAAL (Sum of Items 1 - 4)	$ 4,648,569,768	$ 3,808,302,775
6. Actual UAAL	$ 4,922,187,834	$ 4,517,001,770
7. Total gain (loss) for the year (Item 5 - Item 6)	$ (273,618,066)	$ (708,698,995)
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ (561,355,648)	$ (535,440,832)
9. Liability experience gain (loss) for the year	$ 287,737,582	$ 40,754,410
10. Assumption change	N/A	N/A
11. Benefit change	$ -	$ (214,012,573)
12. Total	$ (273,618,066)	$ (708,698,995)

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 12 - Solvency Test

	June 30, 2010 (1)	June 30, 2009 (2)
1. Actuarial accrued liability (AAL)		
a. Active member contributions	$ 2,434,760,057	$ 2,298,505,189
b. Retirees and beneficiaries	6,933,427,044	6,606,725,003
c. Active and inactive members (employer financed)	4,985,322,322	4,978,042,890
d. Total	$ 14,353,509,423	$ 13,883,273,082
2. Actuarial value of assets	$ 9,431,321,589	$ 9,366,271,312
3. Cumulative portion of AAL covered		
a. Active member contributions	100%	100%
b. Retirees and beneficiaries	100%	100%
c. Active and inactive members (employer financed)	1%	9%

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STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

Table 13 - Distribution of Active Members by Age and by Years of Service
As of 06/30/2010

	Years of Credited Service												
Attained Age	0 Count & Avg. Comp.	1 Count & Avg. Comp.	2 Count & Avg. Comp.	3 Count & Avg. Comp.	4 Count & Avg. Comp.	5-9 Count & Avg. Comp.	10-14 Count & Avg. Comp.	15-19 Count & Avg. Comp.	20-24 Count & Avg. Comp.	25-29 Count & Avg. Comp.	30-34 Count & Avg. Comp.	35 & Over Count & Avg. Comp.	Total Count & Avg. Comp.
Under 25	207	403	189	79	34	12	0	0	0	0	0	0	924
	$15,221	$20,729	$21,356	$20,384	$19,179	$20,642	$0	$0	$0	$0	$0	$0	$19,536
25-29	287	822	800	612	485	606	9	0	0	0	0	0	3,621
	$22,330	$27,887	$29,385	$30,933	$33,843	$33,955	$25,145	$0	$0	$0	$0	$0	$30,099
30-34	268	651	654	603	610	2,053	397	6	0	0	0	0	5,242
	$24,530	$30,090	$30,618	$31,755	$36,241	$40,950	$42,269	$41,416	$0	$0	$0	$0	$35,967
35-39	1,279	1,023	1,113	943	805	2,232	1,560	253	2	0	0	0	9,210
	$25,728	$29,903	$31,292	$34,623	$34,298	$39,999	$46,979	$44,637	$37,223	$0	$0	$0	$36,104
40-44	268	546	568	550	551	2,231	1,682	1,103	219	4	0	0	7,722
	$38,126	$33,887	$31,557	$32,472	$34,481	$39,344	$44,791	$49,941	$47,257	$50,624	$0	$0	$40,437
45-49	242	492	549	518	524	2,235	1,902	1,400	966	204	6	0	9,038
	$44,920	$32,093	$31,407	$33,400	$33,450	$36,751	$41,612	$47,870	$52,328	$51,733	$39,314	$0	$40,758
50-54	225	466	490	446	490	2,093	2,041	1,773	1,282	683	183	3	10,175
	$57,263	$35,643	$32,524	$31,839	$33,644	$37,426	$41,480	$46,661	$54,249	$59,528	$54,359	$43,180	$43,452
55-59	168	384	414	379	398	1,885	1,776	1,645	1,331	676	385	92	9,533
	$42,889	$38,058	$35,363	$35,555	$37,957	$39,772	$43,665	$47,056	$54,105	$61,950	$63,844	$59,924	$46,046
60-64	104	250	223	217	256	1,294	1,085	837	762	416	228	127	5,799
	$41,610	$39,896	$34,550	$36,363	$35,196	$41,692	$44,317	$47,325	$55,031	$65,512	$71,971	$66,846	$47,359
65 & Over	59	109	98	107	108	535	318	228	172	114	77	106	2,031
	$31,126	$30,306	$33,251	$33,743	$34,070	$38,854	$37,634	$49,211	$52,346	$63,964	$77,690	$88,815	$44,980
Total	3,107	5,146	5,098	4,454	4,261	15,176	10,770	7,245	4,734	2,097	879	328	63,295
	$31,021	$31,141	$31,209	$32,932	$34,638	$39,017	$43,365	$47,566	$53,542	$60,962	$65,023	$71,788	$40,695

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STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

NEW MEXICO EDUCATIONAL RETIREMENT BOARD
Table 14a - Reconciliation of Members by Status for Year Ending June 30, 2010

		Inactive, Nonretired Members		Annuitants			
	Active Members	Vested	Nonvested	Service Retirees	Disabled Retirees	Beneficiaries	Grand Total
Number at beginning of year	63,822	8,460	22,116	29,235	745	2,517	126,895
Refund paid (non-death)	(1,302)	(331)	(1,739)				(3,372)
Refund due	(3,227)		3,227				0
Deferred terminations	(2,386)	2,386					0
Retirements (nondisabled)	(739)	(1,032)	(24)	1,795			0
Disabled retirements	(30)	(13)			43		0
New Alternate Payee				14			14
Death before retirement - refund	(17)	(45)	(30)				(92)
Death before retirement - annuity	(28)					28	0
Death of annuitant - survivor benefit due				(181)	(6)	187	0
Death of annuitant - no further benefits due				(470)	(23)	(121)	(614)
New hires	6,053						6,053
Reemployments	1,152	(374)	(763)	(15)			0
Adjustments and corrections	(1)	4	(5)	1			(1)
Number at end of year	63,297	9,055	22,782	30,379	759	2,611	128,883

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ACTUARIAL EXHIBITS
JUNE 30, 2010 (CONTINUED)

NEW MEXICO EDUCATIONAL RETIREMENT BOARD
Table 14b - History of Member Reconcilliation by Status
Years Ending June 30

	2005	20006	2007	2008	2009	2010
Number at beginning of year	111,475	114,890	120,318	122,598	124,872	126,895
Refund Paid (non death)	*	*	(5,511)	(5,452)	(3,841)	(3,372)
Death before retirement - refund	*	*	(7)	26	51	14
Death after retirement - refund	*	*	-	(50)	(53)	(92)
Death of annuitant - no further benefits due	*	*	(622)	-	-	-
Payments ceased - certain period ended	*	*	-	(609)	(602)	(614)
New hires	*	*	8,329	8,355	6,462	6,053
Adjustments and corrections	3,415	5,428	91	4	6	(1)
Number at end of year	114,890	120,318	122,598	124,872	126,895	128,883

* detail prior to fiscal year 2007 is not available

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010

I. Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

The contribution rate is set by statute for both members and for the employers. The funding period is determined, as described below, using the Entry Age Normal actuarial cost method.

The Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs for future years. Each year's contribution is composed of (i) that year's normal cost, plus (ii) a payment used to reduce the unfunded actuarial accrued liability.

The normal cost is the level (as a percentage of pay) contribution required to fund the benefits for a new member. This is determined based upon a hypothetical group of new entrants. This group is based on the age-pay-sex distribution at hire for members joining ERB during the five-year period ending June 30, 2004. Part of the normal cost is paid from the employees' own contributions. The employers pay the balance from their contributions. In the calculation of the normal cost, the benefit provisions applicable to future new members were used.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets.

The balance of the employers' contributions--the remainder after paying their share of the normal cost--is used to reduce the unfunded actuarial accrued liability. The funding period is the length of time required for the unfunded actuarial accrued liability to be completely amortized, assuming that the portion used to reduce the unfunded remains level as a percentage of total payroll, which is assumed to grow 3.75% per year. The 3.00% contribution made by employers to ERB on behalf of employees who elected to participate in the Alternative Retirement Plan is also used to amortize the unfunded actuarial accrued liability.

It is assumed that all contributions are made monthly at the end of the month.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

III. Actuarial Value of Assets

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). Returns are measured net of all investment and administrative expenses.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 8.00%, compounded annually, net of expenses. This is composed of a 3.00% inflation rate and a 5.00% real rate of return.

2. Salary increase rate: Inflation rate of 3.00% plus productivity increase rate of 2.00% plus step-rate/promotional as shown:

Years of Service	Annual Step-Rate/Promotional Component Rates of Increase	Total Annual Rate of Increase
0	8.50%	13.50%
1	2.75%	7.75%
2	1.75%	6.75%
3	1.25%	6.25%
4	1.00%	6.00%
5	0.75%	5.75%
6	0.50%	5.50%
7	0.25%	5.25%
8	0.25%	5.25%
9	0.25%	5.25%
10 or more	0.00%	5.00%

3. Three-Tier Licensure Increased: In 2003, the legislature adopted a new framework for classroom teacher salaries with minimum salaries mandated for certain classes of teachers beginning in FY 2004. For teachers who met the mandated minimum salary of $30,000 in FY 2004, their salaries were assumed to meet the mandated minimum of $35,000 in FY 2005 and $40,000 in FY 2006 and later years for “professional” teachers if they had at least three years of service at each respective valuation date. Likewise, for teachers who met the mandated minimum salary of $30,000 in FY 2004, their salaries were assumed to meet the mandated minimum of $45,000 in FY 2007 and $50,000 in FY 2008 and later years for “master” teachers if they had at least six years of service at each respective valuation date.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

4. Cost-of-living increases: 2% per year, compounded annually. Note that increases are deferred until age 65 or, for disabled retirees, until the third year following retirement. Also, members who retired prior to July 1, 1984 and who are younger than age 65 receive an annual increase.

5. Payroll growth: 3.75% per year (with no allowance for membership growth)

6. Contribution accumulation: Member contributions are assumed to have grown at 5.50% per year, with 6.00% interest, compounded annually.

B. Demographic Assumptions

1. Mortality after termination or retirement -

   a. Healthy males - 1994 Uninsured Pensioner Mortality Table for males, set back three years

   b. Healthy females - 1994 Uninsured Pensioner Mortality Table for females, set back two years

   c. Disabled males and females - 1981 Disability Table

   See sample rates below:

	Deaths per 100 Lives		
Age	Healthy Males	Healthy Females	Disabled Males and Females
40	.10	.06	1.76
45	.13	.09	2.08
50	.20	.13	2.42
55	.35	.21	2.83
60	.60	.36	3.29
65	1.09	.72	3.76
70	1.94	1.26	4.36
75	3.06	1.97	5.62
80	4.86	3.41	8.84
85	8.12	5.90	12.95

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

2. Mortality rates of active members - As shown below for sample ages:

	Deaths per 100 Members	
Age	Males	Females
25	.10	.02
30	.10	.02
35	.08	.04
40	.08	.03
45	.11	.05
50	.15	.10
55	.23	.17
60	.31	.24
65	.46	.31

3. Disability - As shown below for selected ages (rates are only applied to eligible members — members with at least 10 years of service):

	Occurrences of Disability per 100 Members	
Age	Males	Females
25	.00	.00
30	.00	.03
35	.06	.07
40	.13	.12
45	.19	.16
50	.24	.19
55	.26	.20
60	.24	.19
65	.18	.16

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

4. Retirement - Select and ultimate as shown below for selected ages (rates are only applied to members eligible for retirement):

Retirement Per 100 Members – Members Hired Before July 1, 2010

	Males - Years of Service					
Age	0-4	5-9	10-14	15-19	20-24	25+
45	0.00	0.00	0.00	0.00	0.00	20.00
50	0.00	0.00	0.00	0.00	0.00	20.00
55	0.00	0.00	0.00	0.00	5.00	20.00
60	0.00	0.00	0.00	15.00	20.00	25.00
62	0.00	0.00	40.00	40.00	35.00	35.00
65	0.00	25.00	40.00	45.00	45.00	45.00
70	100.00	100.00	100.00	100.00	100.00	100.00

	Females - Years of Service					
Age	0-4	5-9	10-14	15-19	20-24	25+
45	0.00	0.00	0.00	0.00	0.00	20.00
50	0.00	0.00	0.00	0.00	0.00	20.00
55	0.00	0.00	0.00	0.00	6.00	23.00
60	0.00	0.00	0.00	20.00	15.00	30.00
62	0.00	0.00	50.00	35.00	35.00	40.00
65	0.00	35.00	35.00	35.00	35.00	35.00
70	100.00	100.00	100.00	100.00	100.00	100.00

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

Retirement Per 100 Members – Members Hired On or After July 1, 2010

	Males - Years of Service						
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+
45	0.00	0.00	0.00	0.00	0.00	0.00	N/A
50	0.00	0.00	0.00	0.00	0.00	0.00	30.00
55	0.00	0.00	0.00	0.00	5.00	5.00	40.00
60	0.00	0.00	0.00	15.00	20.00	25.00	40.00
62	0.00	0.00	40.00	40.00	35.00	35.00	40.00
65	0.00	15.00	25.00	25.00	25.00	30.00	35.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00

	Females - Years of Service						
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+
45	0.00	0.00	0.00	0.00	0.00	0.00	N/A
50	0.00	0.00	0.00	0.00	0.00	0.00	30.00
55	0.00	0.00	0.00	0.00	6.00	6.00	43.00
60	0.00	0.00	0.00	20.00	15.00	30.00	45.00
62	0.00	0.00	50.00	35.00	35.00	40.00	45.00
65	0.00	20.00	25.00	25.00	25.00	25.00	25.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

5. Termination (for causes other than death, disability or retirement) - Select and ultimate as shown below for selected ages:

Terminations per 100 Members

Males

	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	45.10	33.50	23.39	17.10	13.75	11.68	10.21	8.94	7.79	7.10	8.86
30	42.28	28.78	20.12	14.85	11.95	10.34	9.17	8.08	7.04	6.28	5.99
35	40.37	26.82	18.43	13.40	10.65	9.29	8.37	7.48	6.58	5.80	3.84
40	39.28	26.65	17.89	12.64	9.85	8.56	7.82	7.13	6.38	5.65	2.40
45	38.59	26.98	18.04	12.55	9.58	8.20	7.49	6.94	6.37	5.79	1.81
50	37.83	27.06	18.60	13.10	9.90	8.24	7.35	6.83	6.45	6.13	2.50
55	36.87	26.97	19.58	14.29	10.83	8.70	7.43	6.77	6.54	6.59	5.30
60	35.79	27.22	21.09	16.11	12.36	9.58	7.69	6.74	6.57	7.11	10.67
65	34.67	28.18	23.21	18.55	14.47	0.00	0.00	0.00	0.00	0.00	0.00

Females

	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	40.50	29.30	21.62	17.88	16.08	14.90	13.60	11.81	9.39	6.66	7.55
30	36.06	25.45	18.97	15.08	12.93	11.68	10.69	9.58	8.12	6.36	5.47
35	33.25	23.24	16.75	12.79	10.57	9.37	8.62	7.94	7.11	6.03	3.87
40	31.79	22.00	15.10	11.14	9.05	7.99	7.34	6.86	6.35	5.66	2.76
45	31.29	21.37	14.28	10.40	8.46	7.48	6.83	6.32	5.87	5.32	2.20
50	31.49	21.39	14.49	10.65	8.71	7.71	6.96	6.32	5.74	5.18	2.27
55	32.32	22.32	15.72	11.79	9.67	8.47	7.57	6.76	6.02	5.39	3.10
60	33.76	24.34	17.95	13.71	11.24	9.62	8.51	7.54	6.72	6.07	4.95
65	35.82	27.54	21.14	16.33	13.36	0.00	0.00	0.00	0.00	0.00	0.00

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

C. Other Assumptions

1. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. All beneficiaries are assumed to be spouses.

2. Percent electing annuity on death: It is assumed that beneficiaries of deceased members will elect to receive the refund of contributions with interest, unless the member is eligible for early or normal retirement, in which case the beneficiary will elect to receive the survivor annuity.

3. Percent electing deferred termination benefit: All vested active members terminating prior to eligibility for a retirement benefit are assumed to elect the more valuable of (i) an immediate refund, or (ii) a deferred annuity commencing when the member is eligible for an unreduced retirement benefit.

4. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt when eligible for an unreduced benefit (or attained age if later).

5. Administrative expenses: The assumed investment return rate is intended to be the net rate of return after payment of all investment and administrative expenses.

6. Percent married: For valuation purposes 100% of members are assumed to be married.

V. Participant Data

Participant data was supplied in electronic files for (i) active members, (ii) inactive members, who are entitled to either a future deferred benefit or a refund of their employee contributions and the accumulated interest, and (iii) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members include birth date, sex, years of service, salary, and accumulated employee contributions (without interest). For retired members and beneficiaries, the data included date of birth, sex, beneficiary or joint annuitant date of birth (where applicable), current monthly benefit, date of retirement, and a form of payment code.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
STATEMENT OF ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2010 (CONTINUED)

Salary supplied for the current year was the total earnings for the year preceding the valuation date. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
GLOSSARY OF ACTUARIAL TERMS
JUNE 30, 2010

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the Plan. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ARC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Plan's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
GLOSSARY OF ACTUARIAL TERMS
JUNE 30, 2010 (CONTINUED)

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.)

b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB 25, such as the funded ratio and the ARC.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ARC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
GLOSSARY OF ACTUARIAL TERMS
JUNE 30, 2010 (CONTINUED)

Amortization Payment: That portion of the pension plan contribution or ARC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Annual Required Contribution (ARC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under GASB 25. The ARC consists of the Employer Normal Cost and the Amortization Payment.

Closed Amortization Period: A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: A retirement plan that is not a Defined Contribution Plan. Typically a defined benefit plan is one in which benefits are defined by a formula applied to the member's compensation and/or years of service.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the Plan which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA, although GASB 25 reporting requires the use of the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used it two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ARC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
GLOSSARY OF ACTUARIAL TERMS (CONTINUED)
JUNE 30, 2010 (CONTINUED)

GASB: Governmental Accounting Standards Board.

GASB 25 and ***GASB 27***: Governmental Accounting Standards Board Statements No. 25 and No. 27. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 25 sets the rules for the systems themselves.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

Valuation Date or Actuarial Valuation Date: The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

STATISTICAL SECTION

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INTRODUCTION TO STATISTICAL SECTION
JUNE 30, 2010

This statistical section of the report is intended to provide additional information about the entities that employ members of the Educational Retirement Plan. A complete listing of employers is provided, as well as the number of members and the percent of the total represented by the ten largest employers of the plan.

We also provide additional schedules provided to give more history on the changes in plan assets than is provided in the basic financial statements, and a summary of historical actuarial data. A history of member and employer contribution rates is provided to assist the reader in understanding how members and employers have contributed to their plan. A breakdown of benefit payments by type (regular retirement benefits and disability payments) as of June 30, 2010, is provided for several benefit levels with information on the number of recipients receiving benefits and the average years of service for each level of benefits. A report is presented on certain performance measures deemed important by the board. Finally, a summary of plan provisions is provided to give more information on the plan including the year established, fiscal year, plan administration, and details of plan participation, contribution requirements, and benefits.

Data for this section was generated from prior annual reports, current and prior actuarial studies, and data maintained in our Integrated Retirement Information System (IRIS). For the tables showing average benefit payments by benefit level and by years of service, we imported data from IRIS as of June 30, 2010 into Microsoft Excel and sorted, summarized, and averaged the data in groupings we felt would be useful to the reader.

We hope the readers of this report find this information useful.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
PARTICIPATING EMPLOYERS
JUNE 30, 2010

PUBLIC SCHOOLS

ALAMOGORDO PUBLIC SCHOOLS
ALBUQUERQUE PUBLIC SCHOOLS
ANIMAS PUBLIC SCHOOLS
ARTESIA PUBLIC SCHOOLS
AZTEC MUNICIPAL SCHOOLS
BELEN CONSOLIDATED SCHOOLS
BERNALILLO PUBLIC SCHOOLS
BLOOMFIELD SCHOOLS
CAPITAN MUNICIPAL SCHOOLS
CARLSBAD MUNICIPAL SCHOOLS
CARRIZOZO MUNICIPAL SCHOOLS
CENTRAL CONSOLIDATED SCHOOLS
CHAMA VALLEY SCHOOLS
CIMARRON MUNICIPAL SCHOOLS
CLAYTON MUNICIPAL SCHOOLS
CLOUDCROFT MUNICIPAL SCHOOLS
CLOVIS MUNICIPAL SCHOOLS
COBRE CONSOLIDATED SCHOOLS
CORONA PUBLIC SCHOOLS
CUBA INDEPENDENT SCHOOLS
DEMING PUBLIC SCHOOLS
DES MOINES MUNICIPAL SCHOOLS
DEXTER CONSOLIDATED SCHOOLS
DORA CONSOLIDATED SCHOOLS
DULCE INDEPENDENT SCHOOLS
ELIDA MUNICIPAL SCHOOLS
ESPANOLA PUBLIC SCHOOLS
ESTANCIA MUNICIPAL SCHOOLS
EUNICE PUBLIC SCHOOLS
FARMINGTON MUNICIPAL SCHOOLS
FLOYD MUNICIPAL SCHOOLS
FORT SUMNER MUNICIPAL SCHOOLS
GADSDEN INDEPENDENT SCHOOLS
GALLUP MCKINLEY CTY SCHOOLS
GRADY MUNICIPAL SCHOOLS
GRANTS-CIBOLA COUNTY SCHOOLS
HAGERMAN MUNICIPAL SCHOOLS
HATCH VALLEY MUNICIPAL SCHOOLS
HOBBS MUNICIPAL SCHOOLS
HONDO VALLEY PUBLIC SCHOOLS
HOUSE MUNICIPAL SCHOOLS
JAL PUBLIC SCHOOLS
JEMEZ MOUNTAIN SCHOOL DISTRICT
JEMEZ VALLEY PUBLIC SCHOOLS
LAKE ARTHUR MUNICIPAL SCHOOLS
LAS CRUCES SCHOOL DISTRICT
LAS VEGAS CITY SCHOOLS
LAS VEGAS WEST
LOGAN MUNICIPAL SCHOOLS
LORDSBURG MUNICIPAL SCHOOLS
LOS ALAMOS SCHOOLS
LOS LUNAS SCHOOLS
LOVING MUNICIPAL SCHOOLS
LOVINGTON MUNICIPAL SCHOOLS
MAGDALENA MUNICIPAL SCHOOLS
MAXWELL MUNICIPAL SCHOOLS
MELROSE SCHOOLS
MESA VISTA CONSOLID SCHOOLS
MORA INDEPENDENT SCHOOLS
MORIARTY MUNICIPAL SCHOOLS
MOSQUERO MUNICIPAL SCHOOLS
MOUNTAINAIR PUBLIC SCHOOLS
PECOS INDEPENDENT SCHOOLS
PENASCO INDEPENDENT SCHOOLS
POJOAQUE VALLEY SCHOOLS
PORTALES MUNICIPAL SCHOOLS
QUEMADO INDEPENDENT SCHOOL DISTRICT #2
QUESTA INDEPENDENT SCHOOLS
RATON PUBLIC SCHOOLS
RESERVE INDEPENDENT SCHOOLS
RIO RANCHO PUBLIC SCHOOLS
ROSWELL INDEPENDENT SCHOOLS
ROY MUNICIPAL SCHOOLS
RUIDOSO MUNICIPAL SCHOOLS
SAN JON SCHOOLS
SANTA FE PUBLIC SCHOOLS
SANTA ROSA CONSOLID SCHOOLS
SILVER CONSOLIDATED SCHOOLS
SOCORRO CONSOLIDATED SCHOOLS
SPRINGER MUNICIPAL SCHOOLS
TAOS MUNICIPAL SCHOOLS
TATUM MUNICIPAL SCHOOLS
TEXICO MUNICIPAL SCHOOLS
TRUTH OR CONSEQUENSES MUNICIPAL SCHOOLS

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
PARTICIPATING EMPLOYERS
JUNE 30, 2010 (CONTINUED)

PUBLIC SCHOOLS (CONTINUED)

TUCUMCARI MUNICIPAL SCHOOLS
TULAROSA MUNICIPAL SCHOOLS
VAUGHN SCHOOLS
WAGON MOUND PUBLIC SCHOOLS
ZUNI PUBLIC SCHOOL DISTRICT

UNIVERSITIES & COLLEGES

CENTRAL NM COMMUNITY COLLEGE
CLOVIS COMMUNITY COLLEGE
EASTERN NEW MEXICO UNIVERSITY
ENMU-ROSWELL
LUNA COMMUNITY COLLEGE
MESALANDS COMMUNITY COLLEGE
NEW MEXICO HIGHLANDS UNIVERSITY
NEW MEXICO JUNIOR COLLEGE
NEW MEXICO STATE UNIVERSITY
NM INSTITUTE OF MINING & TECH
NORTHERN NM COMM COLLEGE
SAN JUAN COLLEGE
SANTA FE COMMUNITY COLLEGE
UNIVERSITY OF NEW MEXICO
WESTERN NEW MEXICO UNIVERSITY

STATE AGENCIES

CENTRAL REGIONAL ED COOP #5
DEPARTMENT OF FINANCE & ADMINISTRATION
HIGH PLAINS REGIONAL EDUCATION COOP #3
LEA REGIONAL EDUCATION COOP #7
NEW MEXICO ACTIVITIES ASSOC
NORTHEAST REGIONAL EDUCATION COOP #4
PECOS VALLEY REGIONAL EDUCATION COOP #8
REGIONAL EDUCATION COOP #6
REGION IX EDUCATIONAL COOP #9
SOUTHWEST REC #10
NW REGIONAL EDUCATION COOP #2

Educational Employees at the following additional agencies are covered by ERB

NM DEPARTMENT OF CORRECTIONS
NM PUBLIC EDUCATION DEPARTMENT
NM DEPARTMENT OF HEALTH
NEW MEXICO DEPARTMENT OF VOCATIONAL REHABILITATION
NM EDUCATIONAL RETIREMENT BOARD
YOUTH DIAGNOSTIC CENTER

SPECIAL SCHOOLS

NEW MEXICO MILITARY INSTITUTE
NEW MEXICO SCHOOL FOR THE DEAF
NM SCH FOR VISUALLY HANDICAP
UNIVERISITY HOSPITAL

CHARTER SCHOOLS

ABQ INSTITUE FOR MATH AND SCIENCE AT UNM (formerly High Tech High)
ABQ TALENT DEV. SECONDARY CHARTER
ACADEMY OF TECH & CLASSICS
ACADEMY OF TRADES & TECHNOLOGY (formerly Youth Build Community School)
ALDO LEOPOLD HIGH SCHOOL
ALICE KING COMMUNITY SCHOOL (Formerly North Albuquerque Community Charter)
ALMA D'ARTE CHARTER
AMY BIEHL CHARTER HIGH
ANANSI CHARTER SCHOOL
ANTHONY CHARTER
BATAAN CHARTER SCHOOL
CAREER ACADEMIC TECHNICAL ACADEMY
CARINOS DE LOS NINOS
CESAR CHAVEZ COMMUNITY SCHOOL
CIEN AGUAS INTERNATIONAL SCHOOL
CHRISTINE DUNCAN COMMUNITY SCHOOL
CORRALES INTERNATIONAL SCHOOL
COTTONWOOD CLASSICAL PREP SCHOOL
COTTONWOOD VALLEY CHARTER
CREATIVE ED PREP #1
GILBERT L SENA CHARTER HIGH SCHOOL (formerly Creative Prep #2)
DEMING CESAR CHAVEZ

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
PARTICIPATING EMPLOYERS
JUNE 30, 2010 (CONTINUED)

CHARTER SCHOOLS (CONTINUED)

DIGITAL ARTS AND TECH. ACADEMY (formerly Abq Charter Vo Tec High)
EAST MOUNTAIN HIGH SCHOOL
GORDON BERNELL CHARTER SCHOOL
HORIZON ACADEMY SOUTH
HORIZON ACADEMY WEST
JEFFERSON MONTESSORI ACADEMY
LA ACADEMIA DE ESPERANZA
LA ACADEMIA DE LENGUA Y CULTURA
LA ACADEMIA DOLORES HUERTA (formerly La Academia De Idiomas Y Cultura)
LA PROMESA EARLY LEARNING CENTER
LA RESOLANA LEADERSHIP ACADEMY
LAS MONTANES CHARTER SCHOOL
LEARNING COMMUNITY CHARTER
LINDRITH AREA HERITAGE SCHOOL
LOS PUENTES
MEDIA ARTS COLLABORATIVE CHARTER
MIDDLE COLLEGE HIGH SCHOOL
MONTE DEL SOL CHARTER SCHOOL
MONTESSORI ELEMENTARY
MONTESSORI OF THE RIO GRANDE CHARTER
MORENO VALLEY HIGH SCHOOL
MOSAIC ACADEMY CHARTER
MOUNTAIN MAHOGONY COMMUNITY
NATIVE AMERICAN COMMUNITY ACADEMY
NORTH VALLEY ACADEMY (formerly Horizon Academy Northwest)
NUESTROS VALEROS CHARTER SCHOOL
PUBLIC ACADEMY FOR PERFORMING ARTS
RALPH J. BUNCHE ACADEMY
RED RIVER VALLEY CHARTER
ROBERT F KENNEDY CHARTER
ROOTS AND WINGS COMMUNITY
SAN DIEGO RIVERSIDE CHARTER
SCHOOL OF DREAMS ACADEMY
SCHOOL FOR INTEGRATED ACADEMICS & TECHNOLOGY
SIDNEY GUTIERREZ MIDDLE CHARTER
SOUTH VALLEY CHARTER HIGH
SW INTERMEDIATE LEARNING CENTER (formerly La Luz Del Monte Learning Center)
SOUTHWEST PRIMARY LEARNING CENTER
SOUTHWEST SECONDARY LEARNING
TAOS ACADEMY CHARTER SCHOOL
TAOS MUNICIPAL CHARTER SCHOOL
THE INTERNATIONAL SCHOOL AT MESA DEL SOL
THE NEW AMERICA SCHOOL NM
TIERRA ADENTRO OF NEW MEXICO
TIERRA ENCANTADA CHARTER HIGH (formerly Charter School #37)
TURQUOISE TRAIL CHARTER SCHOOL
TWENTY-FIRST CENTURY CHARTER
VILLAGE ACADEMY
VISTA GRANDE HIGH SCHOOL
WALATOWA

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
TEN LARGEST PARTICIPATING EMPLOYERS
JUNE 30, 2010 (CONTINUED)

Ten Largest Employers with Employee Count
Fiscal Years Ending June 30, 2006 to June 30, 2010

EMPLOYER	EMPLOYEE COUNT June 30, 2006		EMPLOYEE COUNT June 30, 2007		EMPLOYEE COUNT June 30, 2008		EMPLOYEE COUNT June 30, 2009		EMPLOYEE COUNT June 30, 2010	
Albuquerque Public Schools	12,306	20%	12,535	20%	12,706	20%	12,824	20%	13,090	21%
University of New Mexico	8,035	13%	7,513	12%	7,807	12%	7,270	11%	7,261	11%
New Mexico State University	4,790	8%	4,779	8%	4,622	7%	4,486	7%	6,779	11%
Las Cruces School District	3,967	6%	3,978	6%	3,530	6%	3,514	6%	3,543	6%
Gallup McKinley County Schools	2,194	4%	2,197	4%	2,148	3%	2,165	3%	2,175	3%
Rio Rancho Public Schools	1,503	2%	1,774	3%	1,877	3%	1,911	3%	2,125	3%
Gadsden independent schools	1,994	3%	2,010	3%	2,116	3%	2,104	3%	2,015	3%
Central NM Community College	1,702	3%	1,904	3%	1,758	3%	1,816	3%	1,871	3%
Santa Fe Public Schools	1,714	3%	1,728	3%	1,719	3%	1,704	3%	1,697	3%
Farmington Public Schools	1,301	2%	1,286	2%	1,264	2%	1,298	2%	1,322	2%
All Others	22,323	36%	22,983	37%	24,151	38%	24,730	39%	21,419	34%
Total Active Members	61,829		62,687		63,698		63,822		63,297	

Data from years prior to Fiscal Year 2006 is not available.

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STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
CHANGES IN PLAN NET ASSETS - LAST TEN FISCAL YEARS

YEAR ENDED JUNE 30	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions										
Contributions										
Employer	$ 161,524,340	$ 173,863,363	$ 179,010,098	$ 189,324,788	$ 197,872,532	$ 226,479,332	$ 255,853,194	$ 290,846,065	$ 323,685,497	$ 313,276,296
Member	150,068,398	151,378,455	154,427,006	162,118,792	169,099,212	178,220,782	189,391,152	201,916,230	212,014,023	250,666,650
Net Investment Income	(807,706,751)	(582,712,628)	160,929,270	923,928,365	656,107,462	887,217,751	1,360,224,241	(567,837,271)	(1,539,724,404)	1,248,320,486
Miscellaneous Income	3,689,430	3,450,064	4,344,038	4,200,818	4,032,754	3,866,927	4,331,489	3,662,453	3,696,085	3,108,550
Total Additions	(492,424,583)	(254,020,746)	498,710,412	1,279,572,763	1,027,111,960	1,295,784,792	1,809,800,076	(71,412,523)	(1,000,328,799)	1,815,371,982
Deductions										
Benefit Payments										
Age & Service	335,155,233	362,446,592	390,931,959	416,862,335	449,036,895	487,912,505	533,923,520	572,191,714	610,664,369	648,962,031
Disability	5,440,446	5,048,278	5,149,796	5,556,031	5,946,557	6,184,110	6,220,203	6,583,897	7,040,669	7,270,639
Refunds to Terminated Member	23,684,106	20,103,972	21,132,480	21,859,555	23,444,332	24,062,559	23,335,088	23,729,865	24,051,878	24,573,831
Interest On Refunds	12,949,806	8,404,063	7,205,976	4,525,458	3,770,343	4,243,297	4,190,043	5,745,306	5,634,632	4,205,824
Administrative Expenses	3,517,803	3,622,362	4,287,345	2,583,048	5,320,667	5,230,633	5,625,343	6,088,509	8,671,992	11,487,923
Total Deductions	380,747,394	399,625,267	428,707,556	451,386,427	487,518,794	527,633,104	573,294,197	614,339,291	656,063,540	696,500,248
Net Assets Held in Trust										
Beginning of Year	7,540,173,918	6,667,001,941	6,013,355,928	6,083,358,784	6,911,545,120	7,451,138,286	8,219,289,974	9,455,795,853	8,770,044,039	7,113,651,700
End of Year	$ 6,667,001,941	$ 6,013,355,928	$ 6,083,358,784	$ 6,911,545,120	$ 7,451,138,286	$ 8,219,289,974	$ 9,455,795,853	$ 8,770,044,039	$ 7,113,651,700	$ 8,232,523,434

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF ACTUARIAL VALUE OF ASSETS, ACCRUED LIABILITIES, AND UAAL
JUNE 30, 2010

Year ended June 30	Actuarial Value of Assets	Actuarial Accrued Liabilities	Actuarial Accrued Liability (UAAL)
2001	$ 7,418,311,093	$ 8,070,335,294	$ 652,024,201
2002	7,595,590,780	8,747,971,400	1,152,380,620
2003	7,518,163,450	9,266,626,972	1,748,463,522
2004	7,487,979,776	9,927,058,567	2,439,078,791
2005	7,457,547,183	10,591,808,489	3,134,261,306
2006	7,813,888,383	11,436,324,190	3,622,435,807
2007	8,591,417,402	12,190,080,577	3,598,663,175
2008	9,272,828,135	12,966,995,130	3,694,166,995
2009	9,366,271,312	13,883,273,082	4,517,001,770
2010	9,431,321,589	14,353,509,423	4,922,187,834

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
HISTORY OF CONTRIBUTION RATES
JUNE 30, 2010

Fiscal Year Beginning July 1	Employee Rate %	Employer Rate %	Total Rate %
1984	7.600%	7.600%	15.200%
1986	7.600%	7.600%	15.200%
1988	7.600%	7.600%	15.200%
1990	7.600%	7.600%	15.200%
1992	7.600%	7.600%	15.200%
1993	7.600%	7.600%	15.200%
1994	7.600%	8.650%	16.250%
1995	7.600%	8.650%	16.250%
1996	7.600%	8.650%	16.250%
1997	7.600%	8.650%	16.250%
1998	7.600%	8.650%	16.250%
1999	7.600%	8.650%	16.250%
2000	7.600%	8.650%	16.250%
2001	7.600%	8.650%	16.250%
2002	7.600%	8.650%	16.250%
2003	7.600%	8.650%	16.250%
2004	7.600%	8.650%	16.250%
2005	7.600%	8.650%	16.250%
2006	7.675%	9.400%	17.075%
2007	7.825%	10.150%	17.975%
2008	7.900%	10.900%	18.800%
2009	7.900%	11.650%	19.550%
2010 employee earnings >= $20,000	9.400%	10.900%	20.300%
2010 Employee earnings < $20,000	7.900%	12.400%	20.300%

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
AVERAGE MONTHLY BENEFIT PAYMENTS BY BENEFIT AMOUNT
JUNE 30, 2010

Range of Monthly Pension Amount	Number of Members	Average Years Service	Average Monthly Benefit
REGULAR RETIREMENTS			
$0 - $499	4961	10.73	$299.31
$500 - $999	6236	17.75	$741.33
$1,000 - $1,499	5664	21.36	$1,243.20
$1,500 - $1,999	5491	24.57	$1,749.44
$2,000 - $2,499	4298	26.61	$2,235.66
$2,500 - $2,999	2653	28.44	$2,721.60
$3,000 - $3,499	1533	29.78	$3,222.08
$3,500 - $3,999	849	31.08	$3,714.06
$4,000 - $4,499	468	31.91	$4,228.09
$4,500 - $4,999	291	32.64	$4,716.16
$5,000 - $5,499	173	32.35	$5,222.03
$5,500 - $5,999	100	31.34	$5,758.57
$6,000 - $6,499	62	31.88	$6,242.09
$6,500 - $6,999	49	32.67	$6,722.45
$7,000 - $7,499	31	33.33	$7,255.40
over $7,500	95	33.09	$9,233.08
Total	32,954	21.93	$1,648.55
DISABILITY RETIREMENTS			
$0 - $499	240	13.04	$350.24
$500 - $999	355	14.64	$742.78
$1,000 - $1,499	159	15.75	$1,191.14
$1,500 - $1,999	35	18.17	$1,689.49
over $2,000	6	18.33	$3,020.78
Total	795	14.55	$772.82

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
AVERAGE MONTHLY BENEFIT PAYMENTS BY YEARS OF SERVICE
JUNE 30, 2010

Years Service	Number of Members	Average Monthly Benefit
REGULAR RETIREMENTS		
0 - 9.99	3,076	$365.65
10 - 14.99	3,677	$724.52
15 - 19.99	5,381	$1,072.60
20 - 24.99	5,148	$1,463.28
25 - 29.99	10,374	$2,084.32
30 - 34.99	3,870	$2,785.96
35 - 39.99	1,221	$3,293.38
40 - 44.99	181	$3,828.03
45 - 49.99	24	$4,332.52
over 49.99	2	$5,196.29
	32,954	$1,648.55
DISABILITY RETIREMENTS		
10* - 14.99	488	$687.92
15 19.99	210	$812.05
20 24.99	90	$1,137.81
over 24.99	7	$822.62
	795	$757.43

* Ten years service credit required
for disability retirement

STATE OF NEW MEXICO
EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF ACCOUNTABILITY IN GOVERNMENT ACT—
PERFORMANCE MEASURES
As of June 30, 2010
(Unaudited)

Type	Description	Target	Actual
Outcome	Average number of days to process refund requests	15	15
Output	Average number of days to respond to requests for benefits estimates and purchase of service requests	20	18
Outcome	Percentage of member satisfaction with seminars and trainings	96%	95%
Outcome	Average rate of return over a cumulative five-year period	8.00 %	4.00 %
Output	Percent of retirement applications processed within 60 days	95%	95%
Output	Number of benefit estimates and purchase of service requests computed annually	6,250	6,500
Output	Number of member workshops conducted	35	30
Quality	Percent of accurately computed retirements	99.5%	99.5%
Output	Percent completion of the new pension system	n/a	100%
Outcome	Funding period of UAAL in years	≤ 30	62.5

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SUMMARY OF PLAN PROVISIONS
JUNE 30, 2010

1. Effective Date: July 1, 1957.

2. Plan Year/Fiscal Year: Twelve-month period ending June 30th.

3. Administration: The Educational Retirement Board is responsible for administration of the System and investment of System assets.

4. Type of Plan: The System is a qualified, defined benefit, governmental retirement plan. For government accounting purposes, it is a cost-sharing multiple-employer Public Employee Retirement System.

5. Eligibility: All teachers, nurses, and administrators employed by public schools in New Mexico, including public colleges and universities, participate in the System. These are the "regular members", and their participation is a condition of employment. However, see the section on the Alternative Retirement Plan below for an exception. Generally, other employees of these schools are also required to participate, although such employees employed continuously since June 30, 1971 may exempt themselves from membership. Employees of state schools and certain state agencies also participate.

6. Member Contributions: Members must contribute a percentage of their salary to the System. "Salary" for this purpose includes substantially all earnings. The member contribution rate is set by statute, and has been changed from time to time. The following schedule shows recent and future member contribution rates. Employee contributions are "picked up" by the local employer for federal income tax treatment.

Fiscal Year	Member Contribution Rate
FY 2005 and earlier	7.600%
FY 2006	7.675%
FY 2007	7.750%
FY 2008	7.825%
FY 2009	7.900%
FY 2010*	9.400%
FY 2011*	9.400%
FY 2012 and later	7.900%

* For members whose annual salary is greater than $20,000. Members with annual salary of $20,000 or less will continue to contribute 7.900%.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SUMMARY OF PLAN PROVISIONS
JUNE 30, 2010 (CONTINUED)

7. Employer Contributions: The school district or other local administrative unit which employs a member contributes a percentage of the member's salary to the System. "Salary" for this purpose includes substantially all earnings. The employer contribution rate is set by statute, and has been changed from time to time. The following schedule shows recent and future employer contribution rates. In addition, state universities, colleges and junior colleges contribute 3% of the earnings of non-members who are participating in the Alternative Retirement Plan.

Fiscal Year	Employer Contribution Rate
FY 2005 and earlier	8.65%
FY 2006	9.40%
FY 2007	10.15%
FY 2008	10.90%
FY 2009	11.65%
FY 2010*	10.90%
FY 2011*	10.90%
FY 2012	13.15%
FY 2013 and later	13.90%

* For members whose annual salary is greater than $20,000. For members with annual salary of $20,000 or less, the employer will contribute 12.40% in FY 2010 and FY 2011.

8. Service: Employees receive credit for each calendar quarter in which they are contributing members. Credit is also granted for service prior to the System's effective date, and certain military service. Credit may also be purchased for other educational service under certain circumstances.

9. Tier: Members who join ERB by June 30, 2010 are in Tier 1, while members who join later are in Tier 2. If a Tier 1 member terminates, takes a complete refund, and later rejoins ERB after June 30, 2010, that member will be in Tier 2 after being reemployed.

10. Final Average Compensation (FAC): The average of the member's earnings for the last five consecutive years, or such other five consecutive year period that gives the largest average. Monthly benefits are based on one-twelfth of this amount.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SUMMARY OF PLAN PROVISIONS
JUNE 30, 2010 (CONTINUED)

11. Normal Retirement

a. Eligibility:

- Tier 1 members may retire upon Normal Retirement on the earliest of (i) the date he/she attains age 65 with credit for 5 years of service, or (ii) the date the member completes 25 years of service, or (iii) the date that the sum of the member's age and service is at least 75, but at a reduced benefit if age is less than 60 years.

- Tier 2 member may retire upon Normal Retirement on the earliest of (i) the date he/she attains age 67 with credit for 5 years of service, or (ii) the date the member completes 30 years of service, or (iii) the date that the sum of the member's age and service is at least 80, but at a reduced benefit if age is less than 65 years.

b. Monthly Benefit: 2.35% of FAC (monthly) times years of service.

c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if at the member’s death the sum of payments made does not exceed the member's accumulated contributions with interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

12. Early Retirement

a. Eligibility: Tier 1 members may take early retirement once the sum of his/her age and service equals or exceeds 75, while Tier 2 members may take early retirement once the sum of his/her age and service equals or exceeds 80. There is a reduction for both Tier 1 and Tier 2 if the member is below the specified age. The specified age for Tier 1 members is from age 60 and the specified age for Tier 2 members is from age 65. The reduction is 2.4% per year for the first five years the retirement precedes age 60 (Tier 1) or age 65 (Tier 2), and 7.2% for any additional years before the indicated age.

b. Monthly Benefit: 2.35% of FAC (monthly) times years of service, multiplied by the early retirement factor below.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SUMMARY OF PLAN PROVISIONS
JUNE 30, 2010 (CONTINUED)

c. Early Retirement Factors:

Tier 1		Tier 2	
Age at Retirement	Factor	Age at Retirement	Factor
60 or later	1.000	65 or later	1.000
59	.976	64	.976
58	.952	63	.952
57	.928	62	.928
56	.904	61	.904
55	.880	60	.880
54	.808	59	.808
53	.736	58	.736
52	.664	57	.664
51	.592	56	.592
50	.520	55	.520
49	.448	54	.448
48	.376	53	.376
47	.304	52	.304
46	.232	51	.232
45	.160	50	.160

d. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

a. Eligibility: A member is eligible provided (i) he/she has credit for at least 10 years of service, and (ii) the disability is approved by the Board.

b. Monthly Benefit: 2% of FAC (monthly) times years of service, but not less than the smaller of (i) one-third of FAC, or (ii) 2% of FAC times years of service projected to age 60.

c. Payment Form: The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that if at the member's death the payments made do not exceed the sum of the member's accumulated contributions with interest as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. If the disabled member survives to age 60, the regular optional forms of retirement benefit are available.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SUMMARY OF PLAN PROVISIONS
JUNE 30, 2010 (CONTINUED)

14. Vested Termination Benefit

a. Eligibility: A member with at least 5 years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination benefit.

b. Monthly Benefit: 2.35% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment.

c. Payment Form: Benefits commence when the participant attains his/her normal retirement age. Optionally benefits may commence at the early retirement age, applying the same reduction factors as are used for regular early retirement. The form of payment is the same as for Normal Retirement above.

d. Death Benefit: Upon the death of an inactive vested member who has not retired, the beneficiary may elect to receive an annuity as described under the Death in Service benefit below, with payments deferred until when the member would have been eligible for retirement if the member was not eligible at the time of death. Alternatively, the beneficiary may receive a refund of the member's contributions, plus interest based upon a rate set by the Board of Trustees.

15. Withdrawal (Refund) Benefit

a. Eligibility: All members leaving covered employment with less than 5 years of service for a reason other than the member's death. Optionally, members eligible for other benefits may withdraw their contributions in lieu of the regular benefits due.
b. Benefit: The member who elects to withdraw receives a lump-sum payment of his/her employee contributions, plus interest computed at a rate set by the Board of Trustees.

16. Death in Service

Benefit: Upon the death of an active member, the beneficiary may receive a refund of the member's contributions, plus interest based upon a rate set by the Board of Trustees. If the member has five or more years of service, the beneficiary may elect to receive an annuity determined as though the member had retired, elected option B below, and then died, in lieu of the refund. If the member is not eligible for early or normal retirement, this benefit may still be elected, with payments deferred until the member would have been eligible for retirement.

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SUMMARY OF PLAN PROVISIONS
JUNE 30, 2010 (CONTINUED)

17. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

    a. Option B - A Joint and 100% Survivor annuity with a "pop-up" feature. The regular life annuity amount is reduced to provide a Joint and 100% Survivor benefit, i.e., a benefit payable as long as either the member or his joint annuitant shall live. However, if the joint annuitant predeceases the member, then the member's benefit amount reverts back to the higher regular life annuity amount. The "pop-up" feature is subsidized by the System.

    b. Option C - A Joint and 50% Survivor annuity with a “pop-up” feature. The benefit is reduced to provide a Joint and 50% Survivor benefit, i.e., a benefit payable as long as both the member and the joint annuitant are alive, reducing to 50% of this amount upon the member's death, if the joint annuitant is still living. If the joint annuitant predeceases the member, the benefit reverts to the regular life annuity amount. The “pop-up” feature is subsidized by the System.

18. Cost-of-living Increase: All retired members and beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July, beginning in the year they attain age 65. The adjustment depends on the annual change in the Consumer Price Index (CPI). If the CPI is less than 2%, the COLA is equal to the CPI change. If the CPI change is greater than 2%, the COLA is one-half that amount with a maximum of 4% and a minimum of 2%. If the CPI decreases or is unchanged the retirement benefit is not reduced. Members retired prior to July 1, 1984 are also entitled to an increase of the lesser of 2% or the percentage increase in the cost-of-living index for years prior to the attainment of 65. Members on disability retirement are entitled to an adjustment commencing on July 1 of the calendar year in which the third anniversary of disability retirement occurs, regardless of age.

19. Alternative Retirement Plan (ARP): Beginning July 1, 1991, some new higher education employees may elect participation in the ARP rather than the regular defined benefit plan. If this election is not made, the employee remains a member of this System permanently. No benefits are paid to ARP members from ERB. Also as discussed in the section on Employer Contributions above, the employer of an ARP makes a contribution of 3.00% of the member’s salary to ERB.

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NEW MEXICO EDUCATIONAL RETIREMENT BOARD

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