Comprehensive Annual Financial Report

New Mexico Educational Retirement Board

A Pension Trust Fund of the State of New Mexico

For the Fiscal Year Ended June 30, 2017

(With Comparative Data for June 30, 2016)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE DATA FOR JUNE 30, 2016)

Prepared by the staff of the New Mexico Educational Retirement Board
Available online at www.nmerb.org

MANAGING THE RETIREMENT ASSETS OF NEW MEXICO'S
EDUCATIONAL EMPLOYEES SINCE 1957

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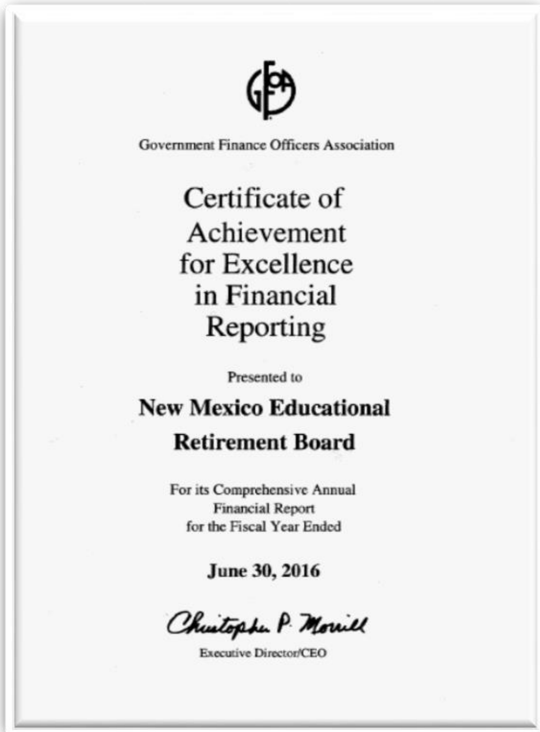


Government Finance Officers Association

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

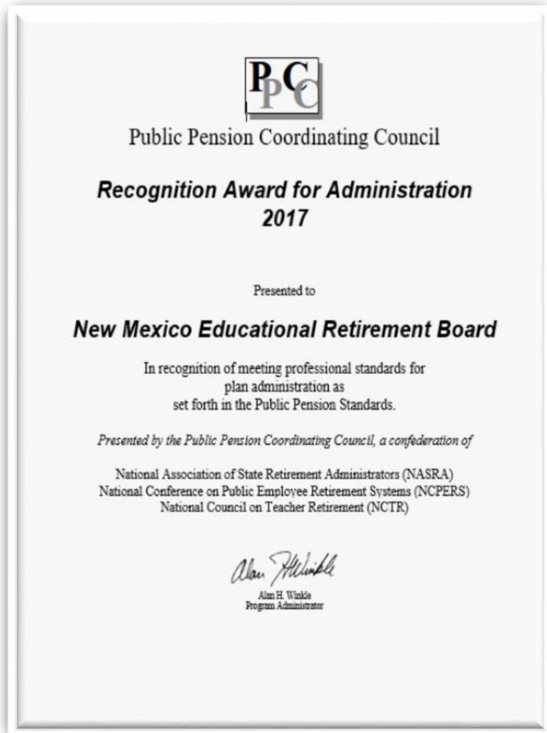
June 30, 2016

Christopher P. Morrill

Executive Director/CEO

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada awarded NMERB a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. We believe our current CAFR also meets the Certificate of Achievement Program's requirements.



Public Pension Coordinating Council

Recognition Award for Administration 2017

Presented to

New Mexico Educational Retirement Board

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

PUBLIC PENSION STANDARDS AWARD

The Public Pension Coordinating Council (PPCC) awarded a **Pension Standards Award for Standards and Administration** for the fiscal year ended June 30, 2017. This is the fourth consecutive year that NMERB has achieved this prestigious award. In order to be awarded a Public Pension Standards Award, a public pension program must meet the professional standards for plan design and administration as set forth in the Public Pension Standards guideline. This award is valid for a period of one year.

Letter of Transmittal

STATE OF NEW MEXICO
Educational Retirement Board
701 CAMINO DE LOS MARQUEZ
P.O. Box 26129
SANTA FE, NEW MEXICO 87502-0129
PHONE: (505) 827-8030
FAX: (505) 827-8010

December 31, 2017

To the Trustees and Members of the
New Mexico Educational Retirement Board:

I am pleased to submit the fiscal year 2017 Comprehensive Annual Financial Report (CAFR). The CAFR is a presentation of fiscal year financial results and provides useful information to evaluate the financial condition of the Plan. The year was marked by management's commitment to a sustainable and sound pension fund now and in the future.

Management assumes full responsibility for the completeness and reliability of the information in this report, based on a comprehensive framework of internal control that has been established for this purpose. CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified opinion on the New Mexico Educational Retirement Board's financial statements for the year ended June 30, 2017 and June 30, 2016. The independent auditors' report is located at the beginning of the financial section of this report. Management's discussion and analysis (MD&A) follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Background

The Educational Retirement Act (ERA) NMERB in 1957 established the NMERB Board of Trustees to administer the Educational Employees Retirement Plan (Plan). The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs.

The Plan is considered a component unit of the State of New Mexico's financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan, which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer and employee contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

Highlights

The year resulted in some growth for the New Mexico Educational Retirement Board Fund (Fund). The fair value of our public pension fund ended the year at $12.5 billion, with net position increasing $976 million, or 8.5% when compared to June 30, 2016. The Fund's investments returned 12.0% net of fees, ranking NMERB in the 69th percentile of its peers, for an annual investment gain of approximately $1.36 billion. The results for the year exceed the Fund's long-term actuarial annual return assumption of 7.25%. Over the past five years, the Fund returned 8.7%, net of fees, per annum, outperforming the policy index by 90 basis points and ranking in the 49th percentile of the InvestorForce Public Funds > 1 Billion universe.

The number of active members decreased from 60,057 to 59,495, or 1.0%, while the retiree population increased from 45,797 to 47,340, or 3.4%. These results are consistent with the trend seen over the last ten (10) years for a fairly stable active membership population size, compared to the growing retiree population.

Strategic Goals: Strategies, Priorities, and Long Range Plans

The Board of Trustees (BOT) adopted a Strategic Plan for 2014–2017, which sets specific goals, objectives, and initiatives to continuously improve customer service. We continue to focus on improving the financial condition of the fund, improving and increasing the quality of services we offer, managing risks inherent in administering a pension fund, and building strong relationships with stakeholders. Staff manage priorities and progress toward NMERB's multi-year strategic goals and objectives through a sound project management approach.

Budget Overview: Basis and Process

The Board of Trustees integrates the budgetary reporting process as a tool for monitoring the strength of internal controls and administration of the Plan. NMERB's budgetary process supports our strategic mission to provide secure retirement benefits to current and future retirees through strong oversight of the Fund's asset value and performance, and continued high quality services for membership. The fiscal year 2017 budget appropriation remained stable in comparison to the prior year, but continued to support efforts to enhance our core retirement software application.

Financial Reporting and Systems

The integrity and fairness of the information presented in this CAFR, including data, which of necessity, is based on estimates and judgments, are the responsibility of NMERB management. The accounting policies used to prepare the financial statements conform to accounting principles generally accepted in the United States. Financial information presented throughout this annual report is consistent with these accounting principles.

Our independent external auditor, CliftonLarsenAllen, LLP conducted an annual audit of the basic financial statements in accordance with auditing standards generally accepted in the United States, performing such tests and other procedures as they deemed necessary to express opinions on the basic financial statements in their report to the Board of Trustees (BOT). CliftonLarsenAllen, LLP had full and unrestricted access to the BOT to discuss their audit and related findings as to the integrity of the financial reporting and the adequacy of internal control systems.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that NMERB assets are protected from loss, theft, or misuse, and that revenues are appropriately distributed. Since the cost of a control should not exceed the benefits to be derived, the objectives is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Responsibility for the accuracy, completeness, and fair presentation of the information, and all disclosures, rests with NMERB management. The basic financial statements were prepared in accordance with accounting principles generally accepted in the United States. Management assumes full responsibility for the completeness and reliability of the information contained in the financial statements, and in this report.

Funding

The funding period (closed group projection) of the plan, as measured by ratio of the actuarial value of assets to the actuarial accrued liability, decreased slightly from 64.2% in fiscal year 2016 to 62.9% in fiscal year 2017.

NMERB has two primary revenue sources: 1) employer and employee contributions from New Mexico public schools, colleges, and universities; and 2) investment income. We continue to work with stakeholders (schools, educational associations, and retirees) to ensure efficient payment systems for reporting and payment of contributions, equitable reporting guidelines, a secure retirement outlook for New Mexico's educational employees, and a qualified workforce for participating educational employers. Total contributions in fiscal year 2017 were 0.3% lower than fiscal year 2016 contributions. This is in line with the 0.8% decrease in covered payroll in fiscal year 2017, as compared to 2016.

Fiscal year 2017 net investment income (net appreciation in the fair value of plan investments, dividend income, and interest income less investment expenses) was $1,346,746,701, as compared to $364,571,123 in fiscal year 2016. NMERB invests for the long term. It is important to keep in mind that NMERB's well diversified portfolio, especially in times of investment market volatility, is the best way to ensure a secure retirement for NMERB's members.

In Closing

I would like to extend a note of thanks to all of NMERB's staff, consultants and vendors for their contributions and hard work on this report and throughout the year.

Respectfully submitted,

Jan Goodwin
Executive Director

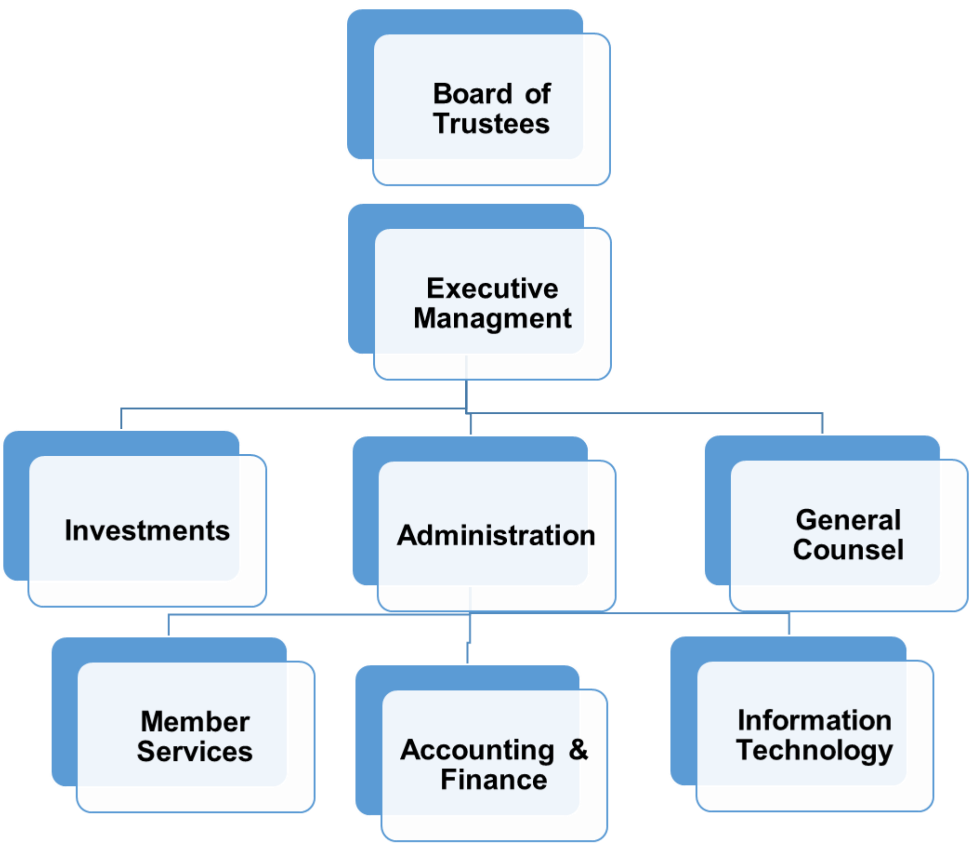
Norma Henderson
Chief Financial Officer

About NMERB

The New Mexico Educational Retirement Board (NMERB) is headquartered in Santa Fe, New Mexico and provides retirement benefit services to more than 150,000 members and 218 public educational employers. NMERB was created by New Mexico's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978 to administer the Educational Employees' Retirement Plan which provides retirement and disability benefits for certified teachers and other employees of the state's public schools, including public colleges, universities, and public technical and vocational institutions. As a defined benefit retirement plan, NMERB benefits are based on years of service, a benefit multiplier, and average compensation in the five highest consecutive years.

The management of NMERB is vested in a seven (7) member board. The organization functions through its five (5) interrelated work groups to serve the membership and the employers.

Functional Organization Chart



Functional Workgroups

Investments

NMERB's investment asset portfolio is invested, or reinvested, pursuant to the authority of the Educational Retirement Act, Section 22-11-13 in accordance with the Uniform Prudent Investor Act, Sections 45-7-601 through 45-7-612, NMSA 1978. Investing is conducted solely in the interest of, and for the exclusive purposes of, providing benefits to members and their beneficiaries and defraying reasonable administrative expenses. (A schedules of investment fees, profit share, and commissions prepared by the investment group can be found under the *investment section* of this report.)

General Counsel

The Office of General Counsel serves as legal adviser to the New Mexico Educational Retirement Board and Agency management. The office ensures that the Board and Agency act in conformance with all applicable legal and regulatory requirements, and coordinates all Agency litigation.

Member Services

Member Services staff assists members throughout their careers and into retirement, acting as the primary customer service contact for assistance, information, and education about potential or current retirement benefits. Member Services provides educational outreach across New Mexico, conducts one on one onsite counseling, processes retirement applications and benefit estimates, and helps transition benefits to survivors. Member Services is a premier source of quality customer service to our membership.

Accounting and Finance

Accounting and Finance staff are responsible for all of the financial records administered by the Agency, including fiscal reporting, accounting, procurement, budgeting, and monthly Employer Contribution reporting and payment processing. Staff works closely with each of the Agency's functional workgroups, optimizing workflow and communication.

Information Technology

Information Technology staff provides technical hardware and software support for the Agency's data processing needs, the document imaging system, network capability, and the communication system. Staff uses a project management and customer service orientation to maintain a secure and stable environment that ensures customer satisfaction and collaboration.

NMERB's Staff as of June 30, 2017

Executive Management		
Executive Director	Jan Goodwin	
Deputy Director	Rick Scroggins	
Human Resources Manager	Patrick Herrera	
Administrative Assistant	Elizabeth Lorang	
Investment Division		
Chief Investment Officer	Bob Jacksha	
Deputy Investment Officer	Steve Neel	
Deputy Investment Officer	Kay Chippeaux	
Aaron Armstrong	*Alan Myers*	*Marla Vigil*
Mark Canavan	*Ian Oldham*	*Pete Werner*
Rita Lopez	*Amanda Padilla*	
Legal Division		
General Counsel	Roderick Ventura	
Deputy Counsel	Susanne Roubidoux	
Assistant Deputy Counsel	Robert Shulman	
Amanda Olsen	*Margo Salazar*	
Member Services		
Member Services	Monica Lujan	
Pension Benefit Manager	Raul Duran	
Retirement & Member Services	Karla Leyba	
Cordelia Anaya	*Marinda Kippert*	*Antoinette Schmitt*
Joseph Avila	*Joan Duran Kuck*	*Jessica Tapia*
Jocelyn Coriz	*Jerome Lopez*	*Jennifer Vigil*
Laura Crawforth	*Starlene Lucero*	*Crystal Vigil*
Christine Duran	*Jessica Maestas*	*Rosa Weese*
Barbara Feeney	*Melissa McFall*	
Renee Garcia	*Lealia Nelson*	
Information Technology		
Chief Information Officer	Lawrence Esquibel	
Frank Arrellano	*Shaun Oakely*	*Maria Elena Rodela*
Jonas Aylward	*Bea Pacheco*	
Robert Hampton	*Stefanie Rivera*	
Accounting and Finance		
Chief Financial Officer	Norma Henderson	
Operations Manager	Debbi Lucero	
School Reporting Manager	Megan Mannila	
Sharon Brooks	*Mary Jane Hogin*	*Angelina Romero*
Elizabeth Fischer	*Kevin Long*	*David Roybal*
Rosalie Garcia	*Michelle Lopez-Montoya*	*Tyler Runyan*

Board of Trustees

The Board stands in a fiduciary relationship to the members covered under the Educational Retirement Act. Administrative management of the Fund is vested in the Executive Director who is appointed by the Board of Trustees to advise the Trustees on all matters pertaining to the retirement system, contractual obligations, and employment of the staff needed for operations.

Board and committee meetings are open to the public. The seven-member Board of Trustees is comprised of elected, appointed, and ex-officio members to provide broad policy guidance and direction. Membership on the board is prescribed by the Educational Retirement Act in Section 22-11-3 NMSA, 1978.

- Secretary of the Public Education Department (PED), or a designee of the secretary who is a resident of New Mexico, a current employee of PED, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.
- State Treasurer, or a designee of the Treasurer who is a resident of New Mexico, a current employee of the State Treasurer's Office, and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management.
- One member to be elected for a term of four years by the members of the New Mexico Association of Educational Retirees.
- One member to be elected for a term of four years by the members of the National Education Association of New Mexico.
- One member to be elected for a term of four years by the members of the New Mexico members of the American Association of University Professors.
- Two members to be appointed by the governor for terms of four years each. Each member appointed shall have a background in investments, finance or pension fund administration.

*Ms. Skandera resigned as secretary of PED effective June 20, 2017; her successor, Mr. Christopher Ruszkowski, was appointed Secretary effective August 24, 2017.

The Business of the Board of Trustees

The Trustees adopted a Strategic Plan document for 2014-2017 in April 2014 that addresses their goals and objectives for management to incorporate into operational plans. In keeping with that Strategic Plan document, each year the Trustees and Executive Management ratify investment policies and asset allocation targets, approve the annual budget, update the Information Technology Plan, review actuarial assumptions, and address overall planning to administer their fiduciary responsibility to the pension plan trust.

Mission and Vision Statements

Mission Statement

…to provide secure retirement benefits for New Mexico's educational employees – past, present and future.

Vision Statement

…to be an effective and trusted manager of New Mexico's Educational Retirement System.

Strategic Planning

The Board of Trustees follows a formal strategic planning process which includes periodic review and update of NMERB's Strategic Plan. The goals set for fiscal years 2014-2017 are to 1) improve and maintain the financial condition of the fund, 2) continually improve the quality of member and employer service, 3) embark on agency-wide risk identification and management effort, and 4) build strong, effective relationships with all stakeholders. Each functional area implements the Strategic Plan through inter-divisional initiatives producing sound long-term benefits for membership and stakeholders alike. Multi-year initiatives include short-term, interim objectives and performance measures to manage the initiatives and measure their success.

Budget Planning

The Board of Trustees employs the budgetary reporting process as a tool to administer and establish priorities for the Plan. Annual budget preparation includes periodic monitoring of appropriations and benchmarking to mitigate risk. The Chief Financial Officer is responsible for monitoring the budget and related business processes to add value and improve effectiveness, efficiencies, and adaptability to NMERB operations. The Chief Financial Officer regularly apprises the Board of Trustees on NMERB's budgetary status and financial position.

The budget is adopted on the modified accrual basis of accounting, except for prior year obligations approved for payment by the New Mexico Department of Finance and Administration (DFA) per Section 6-10-4 NMSA 1978.

Key Consultants and Service Providers

Actuary	**Gabriel Roeder Smith & Company** 5605 N. MacArthur Blvd., Suite 870 Irving, TX 75038-2631
Auditor	**CliftonLarsonAllen, LLP** 500 Marquette, NW, Suite 800 Albuquerque, NM 87102
Alternative Retirement Plan Consultant	**Cammack Retirement** 40 Wall Street, 56th Floor New York, New York 10005
Internal Audit Services	**REDW, LLC** 7425 Jefferson Street NE Albuquerque, NM 87109
Investment Consultants	**NEPC, LLC** 255 State Street Boston, MA 02109 **Real Asset Portfolio Management** 15350 SW Sequoia Pkwy, Suite 105 Portland, OR 97224 **Top Tier Capital Partners, LLC** 600 Montgomery Street, Suite 480 San Francisco, CA 94111 **Caledon Capital Management, Inc.** 141 Adelaide Street, Suite 1500 Toronto, Ontario M5H 3L5
Custody Bank	**State Street Bank & Trust Company** 1776 Heritage Drive North Quincy, MA 02171
Legal Services	**Foster Pepper, PLCC** 1111 Third Ave Seattle, WA 98101 **Freedman Boyd Hollander Goldberg Urias & Ward PA** 200 3rd St NW, Suite 700 Albuquerque, NM 87102 **Groom Law Group, Chartered** 1701 Pennsylvania Avenue, NW Washington, DC 20006 **K & L Gates, LLP** 925 4th Ave Suite 290 Seattle, WA 98104
Software Maintenance	**ViTech Systems Group, LLC** 401 Park Ave South New York, NY 10016

FINANCIAL SECTION

Report of the Independent Auditors

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the State of New Mexico
Educational Retirement Board
and Mr. Timothy M. Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the financial statements of the New Mexico Educational Retirement Board (ERB), which comprise the Statements of Fiduciary Net Position as of June 30, 2017 and 2016, and the related Statements of Changes in Fiduciary Net Position for the years then ended, and the related Notes to the Financial Statements, which collectively comprise ERB's basic financial statements, as listed in the table of contents.

We have also audited the Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP Basis) for the New Mexico Educational Retirement Board presented as other supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Educational Retirement Board
and Mr. Timothy M. Keller
New Mexico State Auditor

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the ERB as of June 30, 2017 and 2016, and the respective changes in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP Basis) is presented fairly, for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the basic financial statements of ERB are intended to present the fiduciary net position and changes in fiduciary net position of only that portion of the State of New Mexico which are attributable to the transactions of the Funds administered by ERB. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Changes in the Employers' Net Pension Liability and Related Ratios, Investment Returns, and Employer Contributions, and related Notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The Schedules of Budgeted Expenditures, Investment and Administrative Expenses, and Cash and Short Term Investments, Accountability in Government Act Performance Measures, and Exit Conference (other supplementary information) as of and for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Members of the State of New Mexico
Educational Retirement Board
and Mr. Timothy M. Keller
New Mexico State Auditor

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended June 30, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the years ended June 30, 2017.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 on our consideration of the ERB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ERB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ERB's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 22, 2017

Management Discussion and Analysis

INTRODUCTION

Management has compiled this narrative overview and analysis of the financial activities of the New Mexico Educational Retirement Board (NMERB) for the years ended June 30, 2017 and 2016. This narrative contains a discussion of financial position, financial highlights, and comparative information. Readers are encouraged to consider the information presented here in conjunction with the financial statements, the notes to the financial statements, and other required supplementary information.

NMERB, an agency of the State of New Mexico, was created to administer the Educational Employees Retirement Plan (Plan), which was established to provide retirement, disability, and survivor benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs.

NMERB, governed by a seven-member Board of Trustees (Board), stands in a fiduciary relationship to the members covered by the Educational Retirement Act (ERA). Administrative management of the fund is vested in the Executive Director who is appointed by the Board to advise the trustees on all matters pertaining to the retirement system, contractual obligations, and employment of the staff needed for operations.

A summary of Plan provisions and the composition of the Board can be found in the Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

- In fiscal years ending June 30, 2017 and 2016 the additions to the Plan's fiduciary net position totaled $2,039,041,476 and $1,057,506,076, respectively. The components of additions are contributions, net investment income, and other income.

- Total deductions from the Plan's fiduciary net position of $1,062,523,517 in fiscal year 2017 and $1,022,391,240 in fiscal year 2016, resulted in increases of 4 percent and 6 percent over each prior fiscal year, respectively. These were primarily due to normal increases in total age and service benefits.

- As of June 30, 2017, NMERB's investment return, net of fees, since July 1, 1983 was 9.1 percent.

- The current fiscal year's net pension liability (NPL) of $11,113,468,217, measured as the total pension liability, less the Plan's fiduciary net position as of June 30, 2017, was calculated based on an expected rate of return on Plan investments of 7.25 percent. The current NPL increased by 54.4 percent over the fiscal year 2016 NPL of $7,196,433,561. The change for the fiscal year ending June 30, 2017 includes the impact of the new assumptions adopted by the Board on April 21, 2017, as well as, the change in the single discount rate between June 30, 2016 and June 30, 2017

- The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased to 62.9 percent as of June 30, 2017, from 64.2 percent in fiscal year 2016. The Plan's funding period as of the valuation date of June 30, 2017 is 61 years compared with 46 years from the previous actuarial valuation date of June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

NMERB's financial statements have been prepared in conformity with standards promulgated by the Governmental Accounting Standards Board (GASB) for pension systems. The basic financial statements presented in this report are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

The **Statement of Fiduciary Net Position** reports on the pension trust fund's assets, liabilities, and the resulting net position where Assets minus Liabilities equals Net Position restricted for pensions at the end of the fiscal year. It is a snapshot of the pension trust fund at that point in time.

Net Position Restricted for Pensions. In the fiscal year ended June 30, 2017 the net position increased to $12,509,355,910, from the prior year net position of $11,532,837,951. Overall the net increase of $976,517,959 during fiscal year 2017 was the net result of short term changes to cash equivalents and accounts payable, and growth in the investment portfolio.

Condensed Net Position Analysis
(In Millions)

	2017	2016	2015
Net Position Restricted for Pensions	$ 12,509	$ 11,533	$ 11,498
Net Increase in Net Position	$ 977	$ 35	$ 152

Fair Value of Investments. The primary element of NMERB's fiduciary net position is the fair value of the investment portfolio. Investment assets totaled $11,908,457,915 as of the fiscal year end 2017, which was $603,858,689 higher than the prior fiscal year. It is important to note that the net change year over year is not only due to changes in fair value, but is also impacted by the timing of purchases, sales, and redemptions.

Condensed Investment Portfolio, Fair Value
(In Millions)

	2017	2016	2015
Cash and Short Term Investments	$ 434	$ 226	$ 553
Investments, at Fair Value	11,908	11,305	10,859
Total	$ 12,342	$ 11,531	$ 11,412

Annual Return. The investment fund achieved a positive 12.0 percent time weighted rate of return during the fiscal year, net of fees. This one-year return exceeded the target return rate of 7.25 percent. The fund underperformed the policy index by 0.10 percent, ranking in the 69th percentile of its peers within the Investor Force Public Funds > $1 Billion Universe. All NMERB asset classes were within target policy ranges at year end. The following table provides a summary of total fund performance (net of fees) as of June 30, 2017.

Fund Performance Summary (Net of Fees) at June 30, 2017

1 Year	3 Year	5 Year	10 Year	15 year	20 Year	30 year
12.0%	6.1%	8.7%	5.2%	7.3%	6.4%	8.6%

Receivables and Payables. Total current receivables for fiscal year 2017 increased $79,375,580 from the prior year. In fiscal year 2016, receivables had decreased by $5,801,618 over 2015. Total current payables for fiscal year 2017 decreased $85,696,021 from the prior year. In fiscal year 2016, payables had increased by $78,202,500. Changes in year end balances were primarily caused by changes in year-end broker sales and purchase proceeds.

Changes in broker receivables and payables relate to the volume of investments sold at or near the current fiscal year end as compared to the prior year. Securities sales and purchases in the United States equity markets are based on “trade + 3 days,” meaning the transactions will settle in three business days after initiation. The number of days varies in other U.S. and foreign securities markets.

Condensed Receivables and Payables Analysis
(In Millions)

	2017		2016		2015	
Investment Proceeds Receivable	$	213	$	137	$	143
Contributions		89		86		85
Other		-		-		1
Total Current Receivables	$	302	$	223	$	229
Investment Broker Payables	$	129	$	209	$	138
Accounts Payable		6		10		5
Member Withdrawals		1		3		1
Accrued Payroll and Benefits		1		1		1
Total Current Payables	$	137	$	223	$	145

The **Statement of Changes in Fiduciary Net Position** summarizes the pension trust fund’s financial transactions that occurred during the fiscal year where Additions minus Deductions equals the net increase (decrease) in net position. This statement describes the changes that have occurred during this fiscal year to the prior year’s ending net position.

Contributions. NMERB’s funding objective is to meet long-term benefit obligations through member and employer contributions, as well as through investment earnings. Annual contributions for the current reporting year were $688,652,803. This is a decrease of $2,183,724, or 0.3 percent, from the prior fiscal year, attributable to a small decline in active working membership within the educational system. The Plan’s five (5) year active educational membership average year over year is 60,625 employees.

Investment Income. Investment income net of external manager and custody banking fees was $1,346,746,701 for 2017, an increase over the prior fiscal year total of

$364,571,123 by $982,175,578, or 269 percent, due to strong performance in all assets classes except for Public Real Estate, which declined by 0.2 percent. The strongest performing asset classes were US Small/Mid Cap Equity which increased 22.7 percent followed by Non-US Developed Market Equity and US Large Cap equity which increased 19.3 percent and 17.6 percent, respectively.

Age and Service Benefits. Age and service benefits paid in fiscal year 2017, including disability and death benefit payments, totaled $1,019,330,496, a 4.7 percent increase over the prior year's net benefit payments. The increase in payments is attributable to the growth in the retiree population by 3.0 percent from 45,797 in fiscal year 2016 to 47,340 in fiscal 2017 and mirrors the consistent, though modest, annual growth in the total retiree population.

The **Notes to the Financial Statements** are an integral part of the financial statements, which include additional detailed information not readily evident within the financial statements themselves.

Net Pension Liability. The Plan's net pension liability for fiscal year 2017 is $11,113,468,217. This year-end balance increased by $3,917,034,656, or 54.4 percent, over fiscal year 2016. The prior year experienced an increase of $719,167,262 or 11.1 percent, over the fiscal year 2015 balance of $6,477,266,299. The 2017 net pension liability stated as a percentage of covered payroll is 407.33 percent up from 262.59 percent in fiscal year 2016. Changes in the net pension liability arise from changes in the total pension liability and the Plan's fiduciary net position. The net pension liability increase in fiscal year 2017 primarily reflects the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017.

The table below portrays NMERB's fiduciary net pension liability, calculated using the current discount rate of 5.90 percent, a discount rate one percent lower (4.90), and one percent higher (6.90) than the current rate. For fiscal years 2016 and 2015, the discount rate was 7.75 percent, a discount rate one percent lower (6.75), and one percent higher (8.75). The sensitivity analysis is shown below for fiscal years 2017, 2016, and 2015.

		Net Pension Liability		
Fiscal Year	Discount Rate	1% Decrease	Current Single Rate Assumption	1% Increase
2017	5.90%	$ 14,466,972,041	$ 11,113,468,217	$ 8,372,251,980
2016	7.75%	9,531,509,131	7,196,433,561	5,258,980,529
2015	7.75%	8,715,594,530	6,477,266,299	4,596,837,569

Schedules included in the Required and Other Supplementary Information section provide detailed and historical information considered useful in evaluating the financial condition of the Plan administered by NMERB.

NM Accountability in Government Act. In 1999, the Accountability in Government Act (AGA) mandated performance-based budgeting across state agencies per Section 6-3A

NMSA 1978 to improve program coordination and increase operational information available to the Governor, the Legislature, and the public. NMERB serves its membership through prudent asset management, efficient administration, membership training, and reliable payment processing. In support of these desirable outcomes, NMERB met all targeted goals for five-year investment performance, training satisfaction, payment processing, and benefit estimate volumes. Detailed AGA performance results are covered within Other Supplementary Information.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Fiduciary Net Position
(in Millions)

				$ Difference		% Difference	
	2017	2016	2015	FY17 – FY16	FY16 – FY15	FY17 – FY16	FY16 – FY15
Assets							
Cash and Receivables	$ 736	$ 449	$ 782	$ 287	$ (333)	64.0 %	(42.6)%
Investments, Fair Value	11,908	11,305	10,859	603	446	5.3 %	4.1 %
Capital Assets, Net	2	2	2	-	-	- %	- %
Total Assets	12,646	11,756	11,643	890	113	7.6 %	1.0 %
Total Liabilities	137	223	145	(86)	78	(38.6)%	53.9 %
Net Position Restricted for Pensions	$ 12,509	$ 11,533	$ 11,498	$ 976	$ 35	8.5 %	0.3 %

Condensed Statement of Changes in Fiduciary Net Position
(in Millions)

				$ Difference		% Difference	
	2017	2016	2015	FY17 – FY16	FY16 – FY15	FY17 – FY16	FY16 – FY15
Additions							
Contributions	$ 689	$ 691	$ 688	$ (2)	$ 3	(0.3)%	0.4 %
Net Invesment Income	1,347	365	423	982	(58)	269.0 %	(13.8)%
Other Income (Expense)	4	2	8	2	(6)	100.0 %	(73.6)%
Total Additions	2,040	1,058	1,119	981	(61)	92.8 %	(5.4)%
Deductions							
Benefits and Withdrawals	1,053	1,013	956	40	57	3.9 %	6.0 %
Administrative Expenses	10	10	11	-	(1)	- %	(9.4)%
Total Deductions	1,063	1,023	967	40	56	3.9 %	5.8 %
						-	
Net Increase (Decrease)	977	35	152	941	(117)	2688.57%	(76.8)%
Net Position Restricted for Pensions							
Beginning of Year	11,533	11,498	11,346	35	152	0.3 %	1.3 %
End of Year	$ 12,509	$ 11,533	$ 11,498	$ 976	$ 35	8.5 %	0.3 %

CURRENTLY KNOWN FACTS AND CONDITIONS

Rule Changes. After public meetings with employers, members and other stakeholders, the Board of Trustees adopted Rule changes primarily focused on bringing legal language into conformity with NMERB policy for processing employer wage and contribution reports. Changes to Rule 1 and 2 became effective March 2017. Changes to Rules 3, 4 and 5 became effective as of July 1, 2016. The additional changes to Rule 2 became effective September 30, 2016 and changes to Rule 9 became effective August 1, 2016.

- NMERB Rules 1 and 2 – Quorum and Composition of Investment Committee - Changed composition of investment committee to a definite three members; changed quorum of investment committee to a simple majority of board members serving on the committee; clarified that Chair shall appoint two members in October; if vacancy occurs, the chair shall fill the vacancy.

- NMERB Rule 2 – Membership – Where an individual is employed by more than one employer, the aggregate full time equivalency is considered to determine eligible service credit.

- NMERB Rule 3 – Member Contributions – Refund payments will be made pursuant to employer certification of termination and once final remittances are received.

- NMERB Rule 3 – Member Contributions – Interest paid by a member to restore withdrawn service credit is nonrefundable in the event the member refunds a second time.

- NMERB Rule 4 – Service Credit – Service credit is awarded based on the quarter of employment for services rendered. Employees are considered to have rendered services for each day the employee is paid salary, regardless of whether the payment is for annual, sick, administrative or other form of leave.

- NMERB Rule 5 – Retirement Benefits – Members retiring under Option B may not designate a beneficiary more than ten years younger unless the beneficiary is the member's spouse.

- NMERB Rule 9 – Administrative Unit Reports and Remittances - Employer reports shall encompass all local administrative unit employees (job category, classification, and FTE Percent), including those employees whom the local administrative unit has identified as excluded from coverage.

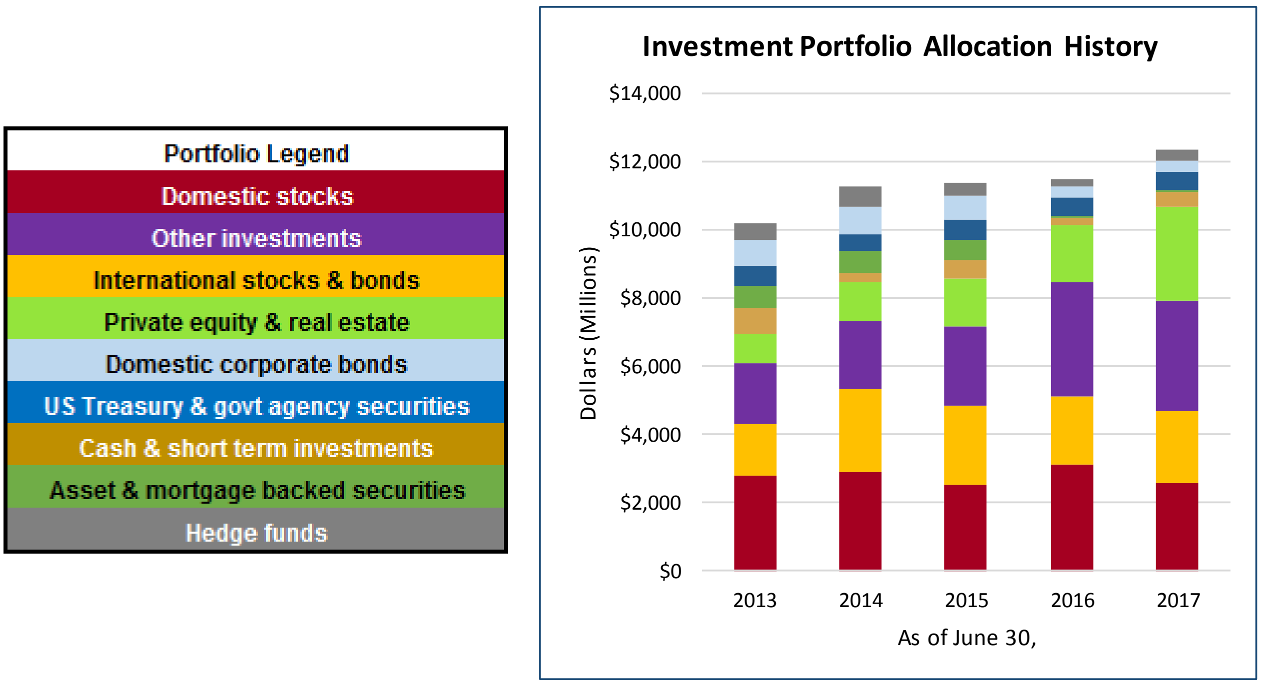
- NMERB Rule 9 – Administrative Unit Reports and Remittances – Late or incomplete reports submitted without showing good cause will be subject to a charge of fifty dollars ($50). This change creates a specific charge for late reports separately from payments, as well as a provision for a corresponding "good cause" waiver for late reports.

Investment Risk Exposure. In formulating the Plan's investment strategy, NMERB takes a long term perspective designed to meet the needs of our beneficiaries for many years to come. NMERB seeks to diversify the risks contained in the investment portfolio among the many categories of assets available to institutional investors. NMERB also manages liquidity to ensure the Plan's ability to meet continuing pension benefit obligations. NMERB continues to pursue long term institutional strategies for growth at a minimum level of risk per unit of return.

Pending Litigation and Claims. During each business cycle, NMERB may be named as a defendant in administrative appeals arising from the normal course of business. Legal counsel believes resolution of any currently pending matters will not have a material effect on the financial statements.

COMPARATIVE SUMMARY INFORMATION

The following chart depicts growth and changes in investment allocations by portfolio category as of June 30 from fiscal year 2013 to 2017. Target investment allocations are reviewed at least annually by the Board of Trustees. Additional detail on fiscal year 2017 targets is available in the Notes to the Financial Statements.



FINANCIAL CONTACT

Any questions regarding the financial statements of NMERB should be directed to the NMERB Chief Financial Officer at (505) 476-6126 or by mail at 701 Camino de los Marquez, Santa Fe, New Mexico 87505.

Statement of Fiduciary Net Position

June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and Short Term Investments:		
Cash	$ 7,723,474	$ 13,217,992
Short Term Investments	325,569,654	213,041,304
Investment in Local Government	100,595,929	-
Total Cash and Short Term Investments	433,889,057	226,259,296
Receivables:		
Contributions	88,916,434	86,116,588
Investment Sales Proceeds – Brokers and Foreign Exchange Receivables	198,189,409	122,251,638
Interest and Dividends	14,771,296	14,119,890
Other, Net	281,178	294,621
Total Receivables	302,158,317	222,782,737
Investments, at Fair Value:		
Equities Portfolio	4,512,533,757	5,510,109,948
Alternative Investment portfolio	6,196,713,263	4,738,920,510
Fixed Income Portfolio	1,199,210,895	1,055,568,768
Total Investments	11,908,457,915	11,304,599,226
Capital Assets, Net of Accumulated Depreciation	2,177,036	2,219,128
Total Assets	$ 12,646,682,325	$ 11,755,860,387
LIABILITIES		
Accounts Payable	$ 6,411,645	$ 5,298,417
Accounts Payable to State Agencies	-	5,175,245
Accrued Payroll and Employee Benefits	799,862	745,821
Refunds Payable	1,483,006	2,730,653
Investment Purchases and Foreign Exchange Payables	128,631,902	209,072,300
Total Liabilities	137,326,415	223,022,436
NET POSITION RESTRICTED FOR PENSIONS	$ 12,509,355,910	$ 11,532,837,951

Statement of Changes in Fiduciary Net Position

For the Years Ended June 30, 2017 and 2016

	2017	2016
ADDITIONS:		
Contributions		
Employer	$ 395,843,795	$ 396,988,557
Member	292,809,008	293,847,970
Total Contributions	688,652,803	690,836,527
Investment Income		
Net Appreciation in Fair Value of Plan Investments	1,324,654,954	326,027,400
Dividend Income	86,184,477	87,189,266
Interest Income	39,013,491	39,237,943
Total Investing Activity Gain	1,449,852,922	452,454,609
Investment Expenses		
Management Fees	(99,054,883)	(84,725,788)
Investment Consulting Fees	(1,781,115)	(1,743,502)
Custodial Fees	(943,838)	(887,176)
Legal Fees and Other Costs	(1,326,385)	(527,020)
Total Investment Expenses	(103,106,221)	(87,883,486)
Total Net Investment Income	1,346,746,701	364,571,123
Other Income	3,641,972	2,098,426
Total Additions	2,039,041,476	1,057,506,076
DEDUCTIONS:		
Age and Service Benefit Payments	1,019,330,496	973,703,652
Refunds to Terminated Members	30,456,202	34,988,313
Interest of Refunds	2,888,490	4,038,765
Administrative	9,848,329	9,660,510
Total Deductions	1,062,523,517	1,022,391,240
NET INCREASE IN NET POSITION	976,517,959	35,114,836
Net Position Restricted for Pensions - Beginning of Year	11,532,837,951	11,497,723,115
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	$ 12,509,355,910	$ 11,532,837,951

Notes to Financial Statements

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN

Background

The New Mexico Legislature passed the Educational Retirement Act (ERA) in 1957, establishing the NMERB Board of Trustees to administer the Educational Employees Retirement Plan (Plan). The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

Reporting Entity

The Plan administered by NMERB is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

The ERA defines the governing Board of Trustees for NMERB per Section 22-11-3 NMSA, 1978.

- The Secretary of Public Education, or a designee of the secretary who is a resident of New Mexico; is a current employee of the Public Education Department; and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management;
- The State Treasurer, or a designee of the Treasurer who is a resident of New Mexico; is a current employee of the State Treasurer's office; and possesses experience relevant to the financial or fiduciary aspects of pension or investment fund management;
- One member to be elected for a term of four years by members of the New Mexico Association of Educational Retirees;
- One member to be elected for a term of four years by the members of the National Education Association of New Mexico;
- One member to be elected for a term of four years by the New Mexico members of the American Association of University Professors; and
- Two members to be appointed by the governor for terms of four years each. Each member appointed shall have a background in investments, finance or pension fund administration.

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN (Continued)

Reporting Entity (Continued)

NMERB applied criteria established by Generally Accepted Accounting Principles (GAAP) to determine whether other state agencies, boards or commissions which benefit the members of NMERB should be included within its financial reporting entity as component units. Those criteria include, but are not limited to, whether the Board exercises oversight responsibility; financial interdependency; selection of governing authority; designation of management; an ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, the Board has determined that there are no component units that should be included in its financial reporting entity.

Defined Benefit Plan Description

The Plan administers a single cost-sharing, multiple-employer defined benefit pension plan, which is a qualified plan under Section 401(a) of the Internal Revenue Service Code, and is exempt from federal income taxes under Section 501(a). All accumulated assets are held in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. 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 percent of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Active, retired, and inactive membership totaled 153,514 and 150,082 as of June 30, 2017 and 2016, respectively. The following schedule shows the number of members by category and year.

Schedule of Plan Membership by Year

Membership Status	2017	2016
Active Working Members	59,495	60,057
Retirees and Beneficiaries Currently Receiving Benefits	47,340	45,797
Inactive Members, Vested	10,581	10,219
Inactive Members, Nonvested	36,098	34,009
Total	153,514	150,082

A breakdown of contributing employers by reporting category for fiscal years 2017 and 2016 follows. The “State agencies” category includes the State of New Mexico as the common paymaster for all state agencies with educational programs, the New Mexico Activities Association, and the nine New Mexico Regional Education Cooperatives

Contributing Employers

NMERB served a total 218 educational employers in fiscal years 2017 and 2016 respectively.

Schedule of Contributing Employers by Year

Employer Category	2017	2016
Charter Schools	99	99
Public Schools	89	89
Universities and Colleges	15	15
State Agencies	11	11
Special Schools	4	4
Total	218	218

For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Schedule of Contribution Rates

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7/1/16 to 6/30/17	Over $20K	10.70 %	13.90 %	24.60 %	0.00 %
2017	7/1/16 to 6/30/17	$20K or Less	7.90 %	13.90 %	24.80 %	0.00 %
2016	7/1/15 to 6/30/16	Over $20K	10.70 %	13.90 %	24.60 %	1.35 %
2016	7/1/15 to 6/30/16	$20K or Less	7.90 %	13.90 %	24.80 %	0.75 %

Pension Benefit – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. 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.

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN (Continued)

Defined Benefit Plan Description (Continued)

Summary of Plan Provisions for Retirement Eligibility – 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. Those who retire under the age of 60, and who have fewer than 25 years of earned service credit will receive reduced retirement benefits, or
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- 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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits, or
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an NMERB employer on or after July 1, 2013. These members must meet one of the following requirements.

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits, or
- The member's age is 67, and has earned five or more years of service credit.

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 plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN (Continued)

Defined Benefit Plan Description (Continued)

Benefit Options – The Plan has three benefit options available.

Option A – Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B – Joint 100 Percent Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100 percent 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. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C – Joint 50 Percent Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50 percent survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50 percent benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100 percent funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a ten percent COLA reduction; their average COLA will be 1.5 percent. Once the funding is greater than 90 percent, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a five percent COLA reduction; their average COLA will be 1.7 percent.

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN (Continued)

Defined Benefit Plan Description (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.

Disability Benefit:

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

Monthly Benefit – The monthly benefit is equal to two percent of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) two percent 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 then applied.

Refund of Contributions – Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Alternative Retirement Plan – Effective October, 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA), and Fidelity Investments.

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN (Continued)

Defined Contribution Plan Description (Continued)

Alternative Retirement Plan (Continued) – These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Eligibility – Certain employees of the University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, New Mexico Highlands University, Eastern New Mexico University, Western New Mexico University, Central New Mexico Community College, Clovis Community College, Luna Community College, Mesalands Community College, New Mexico Junior College, Northern New Mexico College, San Juan College and Santa Fe Community College are eligible to make an election to participate within 90 days of employment. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan.

Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

Form of Payment – Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Service Code. Retirement benefits shall, at the option of the employee, be paid:

- in the form of a lifetime income, if held in an annuity contract,
- payments for a term of years, or
- a single-sum cash payment.

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the defined benefit plan administered by NMERB.

ARP Contributions – For the year ended June 30, 2017, colleges and universities contributed 10.90 percent of participating employees' gross salary to the ARP vendor on behalf of the participant, and three percent of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the three percent contributions to the Plan.

NOTE 1 GENERAL DESCRIPTION OF THE BOARD AND RETIREMENT PLAN (Continued)

Defined Contribution Plan Description (Continued)

ARP Contributions (Continued) – Employer contributions reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The three percent contribution remitted for fiscal years ended June 30, 2017 and 2016 were $5,833,531 and $5,480,144, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Board's financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. The New Mexico General Fund 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.

Use of Estimates

In preparing financial statements in conformity with governmental accounting principles generally accepted in the United States, NMERB's management makes estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of additions to and deductions from the Plan fiduciary net position during the reported period, and disclosures as of the date of the financial statements. Actual results could differ from those estimates and assumptions. Certain NMERB investment assets, in particular global real assets and global private equity funds, use estimates in reporting fair value in the financial statements. These estimates are subject to uncertainty in the near term, which could result in changes in the values reported for those assets in the Statement of Fiduciary Net Position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Short Term Investments

Cash includes demand deposits and all short term instruments with maturities at the time of purchase of less than 90 days. Individual deposit accounts and investment accounts held by NMERB are shown on the Statement of Fiduciary Net Position at fair value as required by Section 12-6-5(A) NMSA 1978. Cash activity is accounted for within the Statewide Human Resources Accounting and Management System (SHARE) fund number 60500. NMERB earns interest on all monies held at the State Treasurer's Office and in NMERB's custodial investment account at State Street 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, NMERB's money is invested overnight in a Short-Term Investment Fund (STIF).

Revenue Recognition

Pension contributions are recognized as additions in the period they become due based on Plan reporting requirements. Investment income includes net investment appreciation or depreciation in the fair value of investments, interest and dividend income, and foreign currency transaction gains and losses. Investment income is recognized when earned.

Benefits

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

All investment securities are reported at fair value, which is defined as the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Due to the nature of investments, it is reasonable to expect that changes in the value of investment assets will occur in the near future and that changes could materially affect the amounts reported.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

NMERB's financial assets are measured and reported at fair value, based on quoted prices in active markets, significant other observable inputs, and significant unobservable inputs. Additional information on the investment securities based on the fair value hierarchy can be found in Note 6 based on GASB Statement 72, *Fair Value Measurement and Application*. 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 geographic markets.

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and investment expenses which include management and custodial fees, and all other significant investment related costs. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

NMERB's investments in limited partnerships are valued at an estimated fair value based on their proportionate share of the partnership's fair value as recorded in the partnership's financial statements. The limited partnerships allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreements. As of June 30, 2017, NMERB's additional future contribution commitments to limited partnerships totaled $2.94 billion.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of pension plan investments. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

Capital Assets

Capital assets represent the cost of assets, net of accumulated depreciation, used for the administration of the Plan. Capital assets include NMERB's administration building located in Santa Fe, New Mexico. NMERB'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 a cost basis of at least $5,000. Assets with an original cost 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; depreciation is calculated on a straight-line basis over the asset's estimated useful life with no salvage value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Estimated useful asset lives are as follows:

	Years
Buildings and Building Improvements	25
Depreciable Land Improvements	10
Furniture and Equipment	10
Data Processing Equipment (Including Software)	5

Budgets and Budgetary Accounting

Formal budgetary integration is used by the Board of Trustees as a tool for monitoring internal controls and administering the Plan. The budget for NMERB, a New Mexico State agency is adopted on the modified accrual basis of accounting, except for prior year obligations approved for payment by the New Mexico Department of Finance and Administration (DFA) per Section 6-10-4 NMSA 1978.

Each year the New Mexico Legislature approves multi-year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the multi-year budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. Budget presentations in these financial statements are consistent with this budgeting methodology.

Only administrative expenses are budgeted, while significant revenues and non-administrative expenses are not. The budget 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 expenditures, included in Other Supplemental Information.

The Accountability in Government Act, Chapter 15, Laws of 1999, requires implementation of performance-based budgeting over a four-year period. NMERB developed performance measures which were approved by the State Budget Division (SBD), a division of the DFA, and the Legislative Finance Committee (LFC), an interim committee of the New Mexico Legislature, and included in the General Appropriations Act. NMERB is required to report annually to the SBD and the LFC on these performance measures. Performance results are included in Other Supplemental Information.

To establish the annual budget, NMERB has the following procedures:

1. NMERB prepares a Budget Appropriation Request for the Board of Trustees' approval, and to present at a Legislative Finance Committee (LFC) hearing. The request includes proposed expenses and the means of financing them.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

2. The Budget Appropriation Request is submitted to the State Budget Division (SBD) of DFA and the LFC.

3. DFA makes recommendations and adjustments to NMERB's Budget Appropriation Request, which becomes the Governor's proposal to the legislature.

4. The LFC holds hearings on the Budget Appropriation Request during the legislature's interim period. Recommendations and adjustments are made prior to presenting the Budget Appropriation Request to the legislature.

5. Both DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget. The final budget approved by the legislature is then sent to the Governor's office for final approval.

6. NMERB submits its annual operating budget to DFA and LFC based on the final appropriation recommendation from the Legislature and approval by the Governor.

7. Per Section 9 of the General Appropriation Act of 2012, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services, and other costs. The legal level of budgetary control for NMERB's operating budget is the enacted appropriation program.

Refunds Payable

Refunds payable represents the total amount due and payable as of June 30th to terminated members who have submitted valid claims for a full refund of contributions. These refunds are processed in early July 2017, as soon as the state's central accounting system is available to process the new fiscal year's transactions.

Due to Other State Agencies

NMERB's financial statements do not reflect any amounts due to other state agencies as of June 30, 2017.

Accounting Pronouncements

In fiscal year 2016, NMERB implemented GASB Statement 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. Changes in financial reporting in compliance with this new statement are included within Note 6. Comparative schedules of investments and short term holdings have been measured at fair value and classified according to the GASB 72 leveling hierarchy.

NOTE 3 NET PENSION LIABILITY

Governmental employers participating in the Plan are required to report their proportionate share of the Plan's net pension liability, pension expense, and deferred outflows and inflows of resources within their financial statements, as well as to disclose financial information about the Plan.

The net pension liability is measured as the total pension liability, less the amount of the Plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets used in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 5.90 percent was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on an expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.56 percent. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

A single discount rate of 7.75 percent was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on an expected rate of return on pension plan investments of 7.75 percent. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The source of the municipal bond rate as of June 30, 2017 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index." In describing this index, Fidelity notes that the municipal curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities. The rate shown is as of the last date available on or before the measurement date.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels. Additionally, contributions received through Alternative Retirement Plan (ARP) and the Return to Work Program are included in the projection of cash flows. These contributions are assumed to remain a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

NOTE 3 NET PENSION LIABILITY (Continued)

Net Pension Liability of Plan Membership

The components of the net pension liability at June 30, 2017 and 2016, were as follows:

	2017	2016
Total Pension Liability	$ 23,622,824,127	$ 18,729,271,512
Plan Fiduciary Net Position	(12,509,355,910)	(11,532,837,951)
Employer Net Pension Liability	$ 11,113,468,217	$ 7,196,433,561
Plan Fiduciary Net Position as a percentage of Total Pension Liability	52.95 %	61.58 %
Covered Payroll	$ 2,728,361,993	$ 2,740,526,669
Net Pension Liability as a percentage of Covered Payroll	407.33 %	262.59 %

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of a six-year actuarial experience study for the period ending June 30, 2016.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017. Specifically, the liabilities measured as of June 30, 2017 and 2016 incorporate the following assumptions:

- All members with annual salary of more than $20,000 will contribute 10.70 percent during the fiscal year ending June 30, 2015 and thereafter,
- Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,
- COLAs for most retirees are reduced until NMERB attains a 100 percent funded status,
- The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
- For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

NOTE 3 NET PENSION LIABILITY (Continued)

Methods and Assumptions Used to Determine the Total Pension Liability

	2017	2016
Acturial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining Amortization Period	Amortized over a closed thirty-year period from June 30, 2012 ending June 30, 2042	Amortized over a closed thirty-year period from June 30, 2012 ending June 30, 2042
Asset Valuation Method	Five-year smoothed market	Five-year smoothed market
Inflation	2.50%	3.00%
Salary Increases	Composed of 3.00% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service	Composed of 3.00% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service
Investment Rate of Return	7.25%	7.75%
Single Discount Rate	5.90%	N/A
Retirement Age	Experience based table of rates based on age and service. Adopted by NMERB on June 12, 2015 in conjunction with the six-year experience study for the period ended June 30, 2014.	Experience based table of rates based on age and service. Adopted by NMERB on June 12, 2015 in conjunction with the six-year experience study for the period ended June 30, 2014.
Mortality	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB.	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB.
	Healthy Females – GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.	Healthy Females – GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.

The target long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following:

- Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

NOTE 3 NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption

The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2017 and 2016. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate:

		Net Pension Liability		
Fiscal Year	Discount Rate	1% Decrease	Current Single Rate Assumption	1% Increase
2017	5.90%	$ 14,466,972,041	$ 11,113,468,217	$ 8,372,251,980
2016	7.75%	9,531,509,131	7,196,433,561	5,258,980,529

Rate of Return

Disclosure of the annual money-weighted return is a requirement of GASB 67. It incorporates both the size and timing of cash flows to determine an internal rate of return, and expresses investment performance adjusted for the changing amounts actually invested. The requirements of the calculation are listed below.

- The rate is computed net of investment expenses, but not net of administrative expenses.
- External cash flows used as inputs should be determined on at least a monthly basis.
- Cash flows should be determined on an accrual basis of accounting.
- Cash flow weighting should be representative of the Plan's actual external cash flow timing.

For the years ended June 30, 2017 and 2016, the annual money-weighted rates of return on pension plan investments were 11.91 percent and 2.68 percent, respectively, net of fees.

NOTE 3 NET PENSION LIABILITY (Continued)

Rate of Return (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2017 and 2016 for 30-year return assumptions are summarized net of fees and inflation in the following table by asset class.

Schedule of Long-Term Rate of Return by Asset Class

Asset Class	2017 Percentage	2016 Percentage
Cash	(0.25)%	(0.25)%
U.S. Treasuries	0.25 %	- %
IG Corp Crediit	1.75 %	1.75 %
Mortgage Backed Securities	0.25 %	0.25 %
Core Bonds*	0.75 %	0.64 %
Treasury Inflation Protected Securities	0.50 %	0.75 %
High-Yield Bonds	2.50 %	2.50 %
Bank Loans	2.75 %	2.75 %
Global Bonds (Unhedged)	(0.50)%	(0.50)%
Global Bonds (Hedged)	(0.38)%	(0.38)%
Emerging Market Debt External	2.50 %	2.75 %
Emerging Market Debt Local Currency	3.25 %	3.25 %
Large Cap Equities	4.25 %	4.25 %
Small/Mid Cap Equities	4.50 %	4.50 %
International Equities (Unhedged)	4.50 %	4.75 %
International Equities (Hedged)	4.89 %	5.14 %
Emerging International Equities	6.25 %	6.25 %
Private Equity	6.25 %	6.25 %
Private Debt	4.75 %	4.75 %
Private Real Assets	5.90 %	4.50 %
Real Estate	3.25 %	3.25 %
Commodities	2.25 %	2.25 %
Hedge Funds	3.22 %	3.25 %

* Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and Mortgage Backed Securities).

NOTE 4 STATE GENERAL FUND INVESTMENT POOL

The State General Fund Investment Pool (SGFIP) is the State of New Mexico's main cash account. In compliance with Section 6-10-3 NMSA 1978, and to optimize the state's cash management and investment practices, funds of various state agencies are deposited in the SGFIP. This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

NOTE 4 STATE GENERAL FUND INVESTMENT POOL (Continued)

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced. The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

- As of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- All claims recorded in SHARE are honored at face value.

NMERB believes the cash invested in STO’s Overnight Pool is represented fairly based on reconciliation procedures performed by NMERB. NMERB has established internal control procedures consistent with the State’s Manual of Model Accounting Practices (MAPs). These procedures are designed to avert accounting errors and violations of state and federal law and rules related to financial matters.

NMERB uses the State’s financial software general ledger system, SHARE, monitoring balances through internal reporting, and performing reconciliation procedures throughout the fiscal year, following DFA’s policies and procedures for fiscal safeguards. Cash balances posted in SHARE are correct to the extent that NMERB has control (i.e., collection, depositing, reconciling, and documentation of outstanding items) of the cash, and its receipts and transfers to the SGFIP and other state agencies are made pursuant to DFA’s current policies and procedures. Each deposit, payment voucher, investment, and other transactions that affect cash are verified to ensure the amounts are accurate and correctly classified in SHARE.

NMERB does not collect any revenues that contribute to, or revert to, the SGFIP, but does maintain all deposits on account at STO which are identified by NMERB’s business unit and fund number. NMERB’s cash balances are required to be managed by STO per Section 8-6-3 NMSA 1978. Accordingly, NMERB’s investments include an interest in the SGFIP equal to the cash balance on hand that is managed by STO for business unit 35200 and fund 60500.

On June 30, 2017 and 2016, NMERB had $7,679,498 and $13,008,495, respectively, invested in the SGFIP.

NOTE 4 STATE GENERAL FUND INVESTMENT POOL (Continued)

Interest Rate Risk

STO has an investment policy that limits investment maturities to five years or less on allowable investments. This policy enables STO to manage interest rate risk exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance (SBOF).

Credit Risk

For additional GASB 40 disclosure information regarding funds held by STO, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal years ended June 30, 2017 and 2016.

Cash and Short Term Investments

In addition to the overnight investment of funds deposited to the SGFIP at STO, NMERB invests in the Short-Term Investment Fund (STIF) held by State Street Bank. The STIF is used to facilitate more efficient trade procedures among NMERB's external money managers. Net cash balances in each of the custody bank internal and external investment managers' portfolios are swept into the STIF at the end of each day. STIF investments and cash equivalents of $433,889,057 and $226,259,296 as of June 30, 2017 and 2016, respectively, are reported as cash and short term investment balances in NMERB's statement of net position.

The short term investment balances include $100,595,929 in the STO Local Government Investment Pool (LGIP) as of June 30, 2017.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, NMERB will not be able to recover deposits or will not be able to recover collateral securities held in the possession of an outside party. NMERB's investment securities, including cash invested overnight in a short-term investment fund, are held by State Street Bank, a third-party custodian, independent of any counterparty. State Street Bank by agreement holds sufficient assets to minimize the risk that NMERB would not be able to recover the value of investments held for NMERB. To minimize risk to operating cash held in the State's depository bank, management utilizes the services of STO for overnight investment in a commingled short-term investment fund (STIF). For the LGIP, public funds are exempt from disclosing custodial credit risk and concentration of credit risk.

NOTE 5 REFUND OVERPAYMENTS

In June 2010, the Board adopted a revised method for computing interest due on refunds of contributions to members that have terminated employment and elected to withdraw their contributions, and on refunds paid to a beneficiary of a deceased member, with an effective date of July 1, 2010. During implementation, a programming error resulted in 834 individuals receiving overpayments totaling $1,691,929, and ranging from less than one dollar to $306,264.

NOTE 5 REFUND OVERPAYMENTS (Continued)

The State Constitution requires every reasonable effort be made to recover these funds and that interest be assessed on the overpayments. As of June 30, 2017, the uncollected balance including interest assessed, net of uncollectible amounts due to settlement, bankruptcy, or death, is $256,200. The agency continues to take all reasonable actions to collect and settle these outstanding amounts.

NOTE 6 FAIR VALUE MEASUREMENT

NMERB investments are measured and reported at fair value, and classified according to the following hierarchy:

- *Level 1* – Investments reflect prices quoted in active markets.
- *Level 2* – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- *Level 3* – Investments reflect prices based on unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as an indication of investment risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. NMERB uses internal fair values provided by the investment manager for mortgage and asset backed securities classified in Level 3 due to lack of an independent pricing source. Fair value reporting for the fiscal years ending June 30, 2017 and 2016 is provided on the pages that follow.

NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

Schedule of Investments and Short-Term Holdings Measured at Fair Value by Level
2017

	Quoted Prices-Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3	Total Fair Value
		(in Thousands)		
Investments by Fair Value Level				
Debt Securities:				
Foreign Obligations	$ -	$ 166,804	$ 2,019	$ 168,823
Mortgage and Asset Backed				-
Securities	-	21,685		21,685
Municipal Obligations	-	193		193
U.S. Agency Obligations	-	245,756		245,756
U.S. Corporate Obligations	-	328,721	0	328,721
U.S. Government	-	325,198		325,198
Total Debt Securities	-	1,088,357	2,019	1,090,376
Equity Securities:				
Foreign Stocks	319,818	-	0	319,818
U.S. Common and Preferred Stock	2,617,606	-	740	2,618,346
Total Equity Securities	2,937,424	-	740	2,938,164
Total Investments by Fair Value Level	$ 2,937,424	$ 1,088,357	$ 2,759	4,028,540
Investments Measured at the Net Asset Value				
Commingled Bond Funds				101,070
Commingled Global Asset Allocation				1,230,524
Commingled International Equity Funds				1,474,484
Hedge Funds				559
Opportunistic Credit Funds				2,327,458
Private Equity Funds				1,442,384
Private Real Estate Assets				1,303,440
Total Investments Measured at the Net Asset Value				7,879,919
Total Investments				$ 11,908,458
Short-Term Investments by Fair Value Level				
Short-Term Investment Fund	$ -	$ 433,889	$ -	$ 433,889
Investment Derivative Instruments				
U.S. Equity Derivatives	$ -	$ -	$ -	$ -
Foreign Currency Spot Contracts	98	-	-	98
Total Derivative Instruments	$ 98	$ -	$ -	$ 98

NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

Schedule of Investments and Short-Term Holdings Measured at Fair Value by Level
2016

	Quoted Prices-Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3	Total Fair Value
		(in Thousands)		
Investments by Fair Value Level				
Debt Securities:				
Foreign Obligations	$ -	$ 164,134	$ 2,945	$ 167,079
Mortgage and Asset Backed		272,937		272,937
Securities	-	1,229	-	1,229
Municipal Obligations	-	26,809	-	26,809
U.S. Agency Obligations	-	290,122	-	290,122
U.S. Corporate Obligations	-	312,354	-	312,354
U.S. Government	-	-	-	-
Total Debt Securities	-	1,067,585	2,945	1,070,530
Equity Securities:				
Foreign Stocks	370,482	-	-	370,482
U.S. Common and Preferred Stock	2,856,653	4,017	740	2,861,410
Total Equity Securities	3,227,135	4,017	740	3,231,892
Total Investments by Fair Value Level	$ 3,227,135	$ 1,071,602	$ 3,685	4,302,422
Investments Measured at the Net Asset Value				
Commingled Bond Funds				93,062
Commingled Global Asset Allocation				854,375
Commingled International Equity Funds				1,391,523
Hedge Funds				1,743
Opportunistic Credit Funds				2,419,206
Private Equity Funds				1,236,930
Private Real Estate Assets				1,005,338
Total Investments Measured at the Net Asset Value				7,002,177
Total Investments				$ 11,304,599
Short-Term Investments by Fair Value Level				
Short-Term Investment Fund	$ -	$ 213,147	$ -	$ 213,147
Investment Derivative Instruments				
U.S. Equity Derivatives	$ 16,054	$ -	$ -	$ 16,054
Foreign Currency Spot Contracts	(55)	-	-	(55)
Total Derivative Instruments	$ 15,999	$ -	$ -	$ 15,999

NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the tables below by fiscal year.

Investments Measured at Net Asset Value

	2017	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	(in Thousands)			
Comingled Bond Funds	$ 101,070	$ -	Monthly	2 Months
Comingled Global Asset Allocation	1,230,524	-	Monthly, Quarterly, Semi-Annual, Annual	30-120 Days
Comingled International Equity Funds	1,474,484	-	Daily, Monthly	5-15 Days
Hedge Funds	559	-	In Liquidation Process	N/A
Opportunistic Credit Funds	2,327,458	695,332	Daily, Monthly, Quarterly, Semi-Annual	30-180 Days
Private Equity Funds	1,442,384	1,391,338	N/A	N/A
Private Real Assets	1,303,440	855,741	N/A	N/A
Total	$ 7,879,919	$ 2,942,411		

Commingled Bond Funds and Equity Funds. One (1) bond fund and five (5) international equity funds are considered to be commingled in nature. Each are valued at the NAV of units held at the end of the period based on the fair value of the underlying investments.

Commingled Global Asset Allocation/ Risk Parity Funds. Consisting of four (4) funds, this strategy invests across multiple asset sectors based upon outcomes of economic and technical analysis and may allocate risk across the portfolio in order to achieve optimal portfolio diversification. These investments are valued at the NAV per share.

Hedge Funds-Absolute Return. Consisting of two (2) funds, these investments are valued at NAV per share. A majority of these investments have been wound down, and due to contractual lock up restrictions, the remaining redeemable balance of these investments is difficult to determine.

Opportunistic Credit Funds. Consisting of twenty-four (24) funds, this strategy's main focus is to invest in a variety of credit securities to enhance investment risk-adjusted returns and increase total portfolio diversification. These investments are valued at NAV per share. While many of these funds are currently eligible for redemption, some of the fund distributions received as underlying investments are liquidated, which may be up to ten (10) years from the commencement of the fund.

NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

Real Assets. Consisting of forty-seven (47) funds, investing primarily in real estate, natural resources, and infrastructure, the fair values of these funds have been determined using the most recent financial information. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds when liquidated, which on average can occur over the duration of five (5) to ten (10) years.

Investments Measured at Net Asset Value

	2016	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	(in Thousands)			
Comingled Bond Funds	$ 93,062	$ -	Monthly	2 Months
Comingled Global Asset Allocation	854,375	-	Monthly, Quarterly, Semi-Annual, Annual	30-120 Days
Comingled International Equity Funds	1,391,523	-	Daily, Monthly	5-15 Days
Hedge Funds	1,743	-	In Liquidation Process	N/A
Opportunistic Credit Funds	2,419,206	519,436	Daily, Monthly, Quarterly, Semi-Annual	30-180 Days
Private Equity Funds	1,236,930	1,087,630	N/A	N/A
Private Real Assets	1,005,338	776,100	N/A	N/A
Total	$ 7,002,177	$ 2,383,166		

Commingled Bond Funds and Equity Funds. One (1) bond fund and five (5) international equity funds are considered to be commingled in nature. Each are valued at the NAV of units held at the end of the period based on the fair value of the underlying investments.

Commingled Global Asset Allocation/ Risk Parity Funds. Consisting of four (4) funds, this strategy invests across multiple asset sectors based upon outcomes of economic and technical analysis and may allocate risk across the portfolio in order to achieve optimal portfolio diversification. These investments are valued at the NAV per share.

Hedge Funds-Absolute Return. Consisting of four (4) funds, these investments are valued at NAV per share. A majority of these investments have been wound down, and due to contractual lock up restrictions, the remaining redeemable balance of these investments is difficult to determine.

Opportunistic Credit Funds. Consisting of twenty (20) funds, this strategy's main focus is to invest in a variety of credit securities to enhance investment risk-adjusted returns and increase total portfolio diversification. These investments are valued at NAV per share. While many of these funds are currently eligible for redemption, some of the fund distributions received as underlying investments are liquidated, which may be up to ten (10) years from the commencement of the fund.

NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

Real Assets. Consisting of sixty-five (65) funds, investing primarily in real estate, natural resources, and infrastructure, the fair values of these funds have been determined using the most recent financial information. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds when liquidated, which on average can occur over the duration of five (5) to ten (10) years.

NOTE 7 INVESTMENTS

NMERB is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act Section 45-7-601 NMSA 1978. Key provisions per the Uniform Prudent Investor Act are summarized below. Provisions of the Act:

- Set a higher standard of care and prudence for investments, above and beyond the previous standard and guiding principles of law,
- Apply to the trust as a whole, rather than individual investments,
- Require investment strategy to be based on suitable risk and reward strategies, and
- Require diversification unless the trustees reasonably determine it is not in the best interest of the fund.

Asset Allocation Policy

NMERB has adopted a strategic Asset Allocation Plan, containing weights, ranges, and benchmarks for each asset class. Over time this strategy is expected to achieve NMERB's assumed overall rate of return on Plan assets of 7.25 percent. Achieving the target weights is a long-term goal. In the short term, a particular asset position may represent an intermediate point in the process of attaining its target weight.

NOTE 7 INVESTMENTS (Continued)

NMERB's investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the asset allocation policy adopted on August 26, 2016 as well as the prior allocation policy targets.

Schedule of Target Investment Allocations

Asset Class	After 8/26/2016	Prior to 8/26/2016
Equities		
Domestic Equities:		
Large Cap Equities	16 %	18 %
Smal/Mid Cap Equities	3 %	2 %
Total Domestic Equities	19 %	20 %
International Equities:		
Developed	5 %	5 %
Emerging Markets	9 %	10 %
Total International Equities	14 %	15 %
Fixed Income		
Opportunistic Credit	18 %	20 %
Core Bonds	6 %	6 %
Emerging Market Debt	2 %	2 %
Total Fixed Income	26 %	28 %
Alternatives		
Real Estate/REITS	7 %	7 %
Real Assets	8 %	8 %
Private Equity	13 %	11 %
Global Asset Allocation	4 %	5 %
Risk Parity	3 %	5 %
Other	5 %	- %
Total Alternatives	40 %	36 %
Cash	1 %	1 %
Total	100 %	100 %

NOTE 7 INVESTMENTS (Continued)

Investments held by NMERB's custody agent in the name of NMERB (excluding cash and cash equivalents) as of June 30, are described below by year end.

	2017	2016
Investments, at Fair Value		
Other Investments	$ 2,568,413,957	$ 3,362,868,898
Domestic Stocks	3,255,455,858	3,145,341,943
International Stocks	1,966,150,070	1,797,696,501
Private Equity	1,442,384,249	1,200,163,791
U.S. Government and Agency Securities	579,416,756	577,345,485
Private Real Estate	1,303,439,962	469,007,216
Domestic Corporate Bonds	332,702,981	291,669,042
Hedge Fund Funds	277,492,425	255,831,752
Non-U.S. Government Bonds	107,174,616	90,054,353
Non-U.S. Corporate Bonds	61,808,574	77,919,515
Domestic Asset and Mortgage-Backed Securities	14,018,468	36,700,730
Total	$ 11,908,457,915	$ 11,304,599,226

Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the underlying securities. NMERB's exposure to foreign currency risk is derived from positions held in foreign currency and currency-denominated investments. Managers are given discretion to hedge this risk. NMERB's foreign currency exposure as of June 30, 2017 and 2016, was $353,341,269 and $378,266,290, respectively. Detail schedules reflecting foreign currency exposure are shown next.

With respect to the LGIP, all investments are denominated in US dollars. The LGIP does not have any foreign currency risk.

NOTE 7 INVESTMENTS (Continued)

Foreign Currency Risk (Continued)

Schedule of Foreign Currency Risk Exposure as of June 30, 2017

Currency	Equity Securities	Cash (Overdraft)	Net Foreign Currency Risk
Australian Dollar	$ 0	$ 0	$ 0
Aggentine Peso	671,651	1	671,652
Bahraini Dinar	0	0	0
Brazilian Real	15,719,458	54,267	15,773,725
British Pound Sterling	(4,241)	5,622	1,381
Canadian Dollar	3,386	4,326	7,713
Chilean Peso	0	0	0
Chinese Yuan	0	0	0
Colombian Peso	2,393,449	122,145	2,515,594
Czech Koruna	346,806	44	346,850
Danish Krone	0	0	0
Euro	48,920,711	4,581	48,925,291
Hong Kong Dollar	65,089,924	13,046	65,102,971
Hungarian Forint	1,121,868	32,043	1,153,911
Indian Rupee	30,113,761	0	30,113,761
Indonesian Rupiah	18,612,652	137,744	18,750,396
Israeli Shekel	0	0	0
Japanese Yen	0	0	0
Malaysian Ringgit	3,976,563	31,390	4,007,952
New Mexican Peso	12,950,902	24,879	12,975,781
New Romanian Leu	0	0	0
New Russian Ruble	3,290,727	93,536	3,384,263
New Taiwan Dollar	40,029,066	672,504	40,701,570
New Zealand Dollar	558	0	558
Nigerian Naira	0	0	0
Norweigian Krone	0	0	0
Omani Rial	0	0	0
Peruvian Nuevo Sol	1,264,647	0	1,264,647
Philippine Peso	112,089	0	112,089
Polish Zloty	4,116,477	1,292	4,117,769
Qatari Rial	(1)	160	159
Romanian Lue	1,045,877	0	1,045,877
Saudi Riyal	0	0	0
Singapore Dollar	2,726,142	739	2,726,881
South African Rand	21,342,589	344	21,342,933
South Korean Won	67,052,124	128	67,052,252
Swedish Krona	0	0	0
Swiss Franc	0	0	0
Thai Baht	6,755,931	32,737	6,788,668
Turkish Lira	4,456,542	85	4,456,627
Total Subject to Risk	352,109,658	1,231,613	353,341,271
Investments Not Subject to Risk	11,556,348,257	432,657,444	11,989,005,701
Total Investments	$ 11,908,457,915	$ 433,889,057	$ 12,342,346,972

NOTE 7 INVESTMENTS (Continued)

Foreign Currency Risk (Continued)

Schedule of Foreign Currency Risk Exposure as of June 30, 2016

Currency	Equity Securities	Cash (Overdraft)	Net Foreign Currency Risk
Australian Dollar	$ 0	$ 0	$ 0
Aggentine Peso	255,162	1	255,163
Bahraini Dinar	0	(24,443)	(24,443)
Brazilian Real	10,170,224	(91,058)	10,079,166
British Pound Sterling	15,598,700	734,280	16,332,980
Canadian Dollar	1,779,510	(4,037)	1,775,473
Chilean Peso	0	0	0
Chinese Yuan	0	8,557	8,557
Colombian Peso	2,371,997	122,145	2,494,142
Czech Koruna	0	44	44
Danish Krone	0	0	0
Euro	99,482,627	9,147,638	108,630,265
Hong Kong Dollar	45,936,321	283,753	46,220,074
Hungarian Forint	1,720,673	32,043	1,752,716
Indian Rupee	28,488,947	0	28,488,947
Indonesian Rupiah	17,168,898	137,744	17,306,642
Israeli Shekel	0	0	0
Japanese Yen	0	109,818	109,818
Malaysian Ringgit	4,067,532	13,168	4,080,700
New Mexican Peso	11,837,959	(72,504)	11,765,455
New Romanian Leu	0	0	0
New Russian Ruble	2,892,688	205,538	3,098,226
New Taiwan Dollar	28,789,009	672,504	29,461,513
New Zealand Dollar	0	0	0
Nigerian Naira	0	0	0
Norweigian Krone	(1,316,503)	1,399,091	82,588
Omani Rial	0	(7,371)	(7,371)
Peruvian Nuevo Sol	527,597	0	527,597
Philippine Peso	429,099	0	429,099
Polish Zloty	5,042,933	(20,310)	5,022,623
Qatari Rial	0	160	160
Romanian Lue	935,568	0	935,568
Saudi Riyal	46,616	95,819	142,435
Singapore Dollar	2,600,498	739	2,601,237
South African Rand	22,363,214	278,277	22,641,491
South Korean Won	48,914,963	(43,150)	48,871,813
Swedish Krona	0	1	1
Swiss Franc	0	0	0
Thai Baht	6,178,385	32,737	6,211,122
Turkish Lira	8,972,404	85	8,972,489
Total Subject to Risk	365,255,021	13,011,269	378,266,290
Investments Not Subject to Risk	10,939,344,205	213,248,027	11,152,592,232
Total Investments	$ 11,304,599,226	$ 226,259,296	$ 11,530,858,521

NOTE 7 INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, NMERB will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

All investment securities were held in a custodial position by State Street Bank (Boston, Massachusetts) during fiscal years 2017 and 2016 in the name of NMERB. Deposits and securities held by the custody bank are collateralized with securities held by State Street Bank's trust department, as described in our custody agreement.

Interest Rate Risk

Interest rate risk relates to changes in interest rates that will adversely affect the fair value of an investment. NMERB's investing activities may lead earnings and capital to be exposed to movements in interest rates. Interest rate risk management is handled is managed through duration, and by operating within defined risk parameters. NMERB uses a weighted average method to determine the duration of its investments.

Schedule of Interest Rate Risk

Investment Type	2017	2016	Duration (Years) 2017	Duration (Years) 2016
U.S. Treasury Securities	$ 308,839,188	$ 312,354,236	5.01	6.14
U.S. Government & Government Related Obligations	19,563,060	276,078,670	8.48	4.01
International Government Obligations	155,596,937	146,276,285	7.00	6.73
Corporate Obligations	327,814,241	811,227,498	5.85	4.98
Asset & Mortgage Backed Securities	278,561,683	191,330,357	4.48	2.61
Total	$ 1,090,375,109	$ 1,737,267,046	5.96	4.09

Concentration of Credit Risk

Concentration risk is identified by the amount of investment in any one issuer that represents five percent or more of the fiduciary net position. As of June 30, 2017 and 2016, with the exception of U.S. Government and Agency securities, NMERB was not exposed to any concentration risk greater than five percent.

NOTE 7 INVESTMENTS (Continued)

Credit Risk

Credit risk for investments is the risk that an issuer or other counterparty to an investment agreement will not fulfill its obligations. Credit risk is managed through diversification and by operating within NMERB defined parameters instead of using a benchmark index. Excluding those investments issued by, or explicitly guaranteed by, the U.S. government, which are not considered to have credit risk, NMERB's credit quality distribution for investments with credit risk exposure at June 30, 2017 and 2016, is presented in the Summary of Investments by Rating schedule. NMERB's investments were rated and categorized according to Standard & Poor's rating standards. The schedule below summarizes the investments subject to credit risk by category as of June 30, 2017 and 2016. Detail schedules of investments by category and credit risk follow.

Summary of Investments Subject to Credit Risk, at Fair Value

	2017	2016
Asset and Mortgage Backed Securities	$ 278,561,683	$ 294,196,344
Collateralized Debt Obligations	6,282,633	16,408,696
Corporate Securities	387,391,247	804,523,486
Bank Loans, Bonds and Treasury Bills	418,139,546	588,511,908
Other Fixed Income	-	33,626,612
Subtotal Assets Subject to Credit Risk	1,090,375,109	1,737,267,046
Investment Not Subject to Credit Risk	10,818,082,806	9,567,332,180
Total Investments	$ 11,908,457,915	$ 11,304,599,226

Detail comparative schedules of investments by category, credit risk, and fiscal year follow.

NOTE 7 INVESTMENTS (Continued)

Credit Risk (Continued)

2017									
Investment	Fair Value	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated
Asset and Mortgage-Backed Securities									
Asset-Backed Securities	$ 8,262,861	$ 2,381,201	$ -	$ 878,043	$ 3,282,522	$ -	$ -	$ -	$ 1,721,095
Commercial Mortgage-Backed Securities	5,304,886	-	570,097	81,040	17,238	-	-	-	4,636,511
Noncommercial Mortgage-Backed Securities	-	-	-	-	-	-	-	-	-
Residential Mortgage-Backed Security	264,993,967	-	264,946,249	-	-	-	-	-	47,718
Total Asset and Mortgage-Backed Securities	278,561,714	2,381,201	265,516,346	959,083	3,299,760	-	-	-	6,405,324
Collateralized Debt Obligations									
Collateralized Debt-Loan Obligations	-	-	-	-	-	-	-	-	-
Collateralized Mortgage Obligation/Real Estate Mortgage Investment Conduit	6,282,633	289,879	1,279,876	392,545	139,233	-	-	-	4,181,100
	-	-	-	-	-	-	-	-	-
Total Collateralized Debt Obligations	6,282,633	289,879	1,279,876	392,545	139,233	-	-	-	4,181,100
Corporate Securities									
Corporate Bonds	387,391,247	9,179,503	23,051,654	112,535,492	215,887,317	19,301,358	2,917,318	969,463	3,549,142
Corporate Convertible Bonds	-	-	-	-	-	-	-	-	-
Common Stock	-	-	-	-	-	-	-	-	-
Preferred Stock	-	-	-	-	-	-	-	-	-
Total Corporate Securities	387,391,247	9,179,503	23,051,654	112,535,492	215,887,317	19,301,358	2,917,318	969,463	3,549,142

(continued)

NOTE 7 INVESTMENTS (Continued)

Credit Risk (Continued)

2017 (Continued)

Investments	Fair Value	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated
Bank Loans, Bonds, and Treasury Bills									
Bank Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal and Provincial Bonds	3,151,525	-	1,684,697	-	-	-	-	-	1,466,828
Foreign Government Bonds	106,148,833	-	-	15,207,425	27,613,897	16,076,978	17,656,412	2,068,363	27,525,758
Treasury Bills	308,839,188	-	308,839,188	-	-	-	-	-	-
Total Bank Loans, Bonds, and Treasury Bills	418,139,546	-	310,523,885	15,207,425	27,613,897	16,076,978	17,656,412	2,068,363	28,992,586
Other Investments	-	-	-	-	-	-	-	-	-
Other Fixed Income	-	-	-	-	-	-	-	-	-
Total Other Investments	-	-	-	-	-	-	-	-	-
Other Investments Not Subject to Credit Risk	10,818,082,775								
Total Investments, Fair Value	$ 11,908,457,915	$ 11,850,583	$ 600,371,761	$ 129,094,545	$ 246,940,207	$ 35,378,336	$ 20,573,730	$ 3,037,826	$ 43,128,152

NOTE 7 INVESTMENTS (Continued)

Credit Risk (Continued)

				2016					
Investments	Fair Value	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated
Asset and Mortgage-Backed Securities									
Asset-Backed Securities	$ 7,363,770	$ 2,348,575	$ -	$ 1,024,466	$ 997,847	$ -	$ -	$ 154,281	$ 2,838,601
Commercial Mortgage-Backed Securities	24,175,357	3,016,388	5,474,398	2,911,736	3,018,666	86,294	1,465,572	318,350	7,883,953
Noncommercial Mortgage-Backed Securities	260,071,584	-	249,586,317	-	-	-	-	-	10,485,267
Residential Mortgage-Backed Security	2,585,633	-	-	-	-	-	-	2,585,633	-
Total Asset and Mortgage-Backed Securities	294,196,344	5,364,963	255,060,715	3,936,202	4,016,513	86,294	1,465,572	3,058,264	21,207,821
Collateralized Debt Obligations									
Collateralized Debt-Loan Obligations	6,512,006	-	-	1,636,612	464,954	1,982,428	673,163	351,125	1,403,724
Collateralized Mortgage Obligation/Real Estate	-	-	-	-	-	-	-	-	-
Mortgage Investment Conduit	9,896,690	1,002,029	2,152,343	961,547	741,905	-	-	452,038	4,586,828
Total Collateralized Debt Obligations	16,408,696	1,002,029	2,152,343	2,598,159	1,206,859	1,982,428	673,163	803,163	5,990,552
Corporate Securities									
Corporate Bonds	588,843,714	6,070,002	25,705,003	97,106,965	220,367,042	24,102,158	106,789,790	80,802,911	27,899,843
Corporate Convertible Bonds	12,311	-	-	-	-	-	-	-	12,311
Common Stock	70,226,411	-	-	-	-	-	-	-	70,226,411
Preferred Stock	3,309,981	-	-	-	-	-	-	591,229	2,718,752
Total Corporate Securities	662,392,417	6,070,002	25,705,003	97,106,965	220,367,042	24,102,158	106,789,790	81,394,140	100,857,317

NOTE 7 INVESTMENTS (Continued)

Credit Risk (Continued)

					2016				
Investments	Fair Value	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated
Bank Loans, Bonds, and Treasury Bills									
Bank Loans	$ 164,144,896	$ -	$ -	$ -	$ -	$ 409,218	$ 42,506,681	$ 36,747,409	$ 84,481,588
Municipal and Provincial Bonds	11,916,481	-	1,559,091	199,067	1,029,597	-	-	7,584,878	1,543,848
Foreign Government Bonds	100,096,294	-	1,957,093	10,790,053	16,090,023	25,770,422	13,182,599	460,245	31,845,859
Treasury Bills	312,354,237	-	312,354,237	-	-	-	-	-	-
Total Bank Loans, Bonds, and Treasury Bills	588,511,908	-	315,870,421	10,989,120	17,119,620	26,179,640	55,689,280	44,792,532	117,871,295
Other Investments	-	-	-	-	-	-	-	-	-
Other Fixed Income	37,288,614	1,831,001	-	-	1,483,336	11,246,975	5,249,718	657,669	16,819,915
Total Other Investments	37,288,614	1,831,001	-	-	1,483,336	11,246,975	5,249,718	657,669	16,819,915
Other Investments Not Subject to Credit Risk	9,709,463,249								
Total Investments, Fair Value	$ 11,308,261,228	$ 14,267,995	$ 598,788,482	$ 114,630,446	$ 244,193,370	$ 63,597,495	$ 169,867,523	$ 130,705,768	$ 262,746,900

NOTE 7 INVESTMENTS (Continued)

Cash Balances

NMERB earns interest on all monies held in the Agency's 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, NMERB's money is invested overnight in a Short-Term Investment Fund (STIF). As of June 30, 2017 and 2016 NMERB had $325,569,654 and $213,041,304, respectively, on deposit with State Street Bank (SSB).

State law requires (Section 8-6-3 NMSA, 1978) the agency's operating cash to be managed by the New Mexico State Treasurer's Office (STO), which invests monies held overnight. STO ensures adequate protection of State monies for agency deposit accounts by requiring all qualified financial institutions to pledge collateral to secure public deposits. As of June 30, 2017 and 2016 NMERB had $7,679,498 and $13,008,495, respectively, on deposit with STO. The June 30, 2017 balance also included $100,595,929 in the State Local Government Investment Pool (LGIP) as of June 30, 2017.

NOTE 8 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 Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

NMERB's investment policies do allow portfolio managers to trade in certain derivatives for hedging purposes.

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.

NOTE 8 DERIVATIVE INSTRUMENTS (Continued)

The following table summarizes the aggregate notional or contractual amounts related to NMERB's derivative financial instruments as of June 30, 2017 and 2016.

Notional Amounts, Fair Value	2017	2016
	(in Thousands)	
Foreign Exchange Forward Contracts	$ 112,306	$ 109,408
Options - puts purchased	2,869	
Options - puts sold	(5,737)	

The fair values of derivative instruments outstanding as of June 30, 2017 and 2016 are classified by type and by the changes in fair value of the derivative instrument in the following table.

Unrealized Gain/(Loss), as of June 30, 2017

Derivative Type	Classification	Gain/(Loss)	Classification	Amount
		(in Thousands)		*(in Thousands)*
Options - purchased	Investment Income	$ 4	Investment	$ 229
Options - sold	Investment Income	8	Investment	130

Unrealized Gain/(Loss), as of June 30, 2016

Derivative Type	Classification	Gain/(Loss)	Classification	Amount
		(in Thousands)		*(in Thousands)*
Swaps - Interest Rate Swaps	Investment Income	$ (110)	Investment	$ -
Swaps - Currency	Investment Income	(1)	Investment	-

<u>Derivative Risks</u>

NMERB is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. Portfolio managers authorized to invest in derivatives manage the contractual obligation within established policy parameters for both the types of derivatives and the counterparty ratings, ensuring these contracts are made with high quality institutions. NMERB can be exposed to market risk in the event that changes in market conditions cause investments to decline in value. This exposure is managed within guidelines related to the types of instruments bought or sold and parameters for offsetting positions. Foreign currency risk is the risk that changes in exchange rates will adversely affect the investments. Managers of these assets are given discretion to hedge this risk.

NOTE 8 DERIVATIVE INSTRUMENTS (Continued)

Foreign Currency Exchange Contracts

NMERB may enter into forward contracts to purchase and sell foreign currencies in the normal course of investing activities to manage currency exposure associated with NMERB'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 limited to a small number of highly rated counterparties. NMERB's foreign exchange contracts by currency type are summarized below.

Summary of Foreign Exchange Contracts by Currency at June 30, 2017

Currency	Buys	Unrealized Gain/Loss	Sells	Unrealized Gain/Loss
Argentine Peso	218	3	1,720	(66)
Australian Dollar	1	(66)	-	-
Brazilian Real	1,527	(174)	797	31
Canadian Dollar	2	24	-	(20)
Chilean Peso	1,579	5	1,209	9
Chinese Renminbi Yuan	-	-	-	-
Colombian Peso	1,085	(25)	2,334	(62)
Czech Koruna	734	6	4,151	191
Euro Currency	15,803	(374)	6,402	158
Hungarian Forint	827	(19)	3,402	216
Indian Rupee	637	(1)	3,333	(25)
Indonesian Rupiah	539	(43)	348	(0)
Japanese Yen	5,996	(75)	4,735	112
Malaysian Ringgit	1,131	(279)	859	203
Mexican Peso (New)	3,090	23	3,587	21
New Israeli Sheqel	2,194	(28)	670	20
New Taiwan Dollar	2,452	(3)	697	(6)
New Zealand Dollar	-	(37)	-	33
Philippine Peso	2,384	24	2,488	(43)
Polish Zloty	1,770	(24)	3,064	34
Pound Sterling	-	(48)	-	-
Romanian Leu	-	0	639	22
Russian Ruble	2,947	(21)	4,168	19
Singapore Dollar	3,265	(52)	796	29
Sol	248	(4)	889	20
South African Rand	3,649	(153)	1,465	119
South Korean Won	858	7	103	0
Swiss Franc	4	(0)	-	(0)
Thailand Baht	894	(18)	1,738	12
Turkish Lira	1,076	(7)	2,520	173
Yuan Renminbi	2,626	(40)	2,656	16
Total	$ 57,537	$ (1,399)	$ 54,770	$ 1,217

NOTE 8 DERIVATIVE INSTRUMENTS (Continued)

Foreign Currency Exchange Contracts (Continued)

Summary of Foreign Exchange Contracts by Currency at June 30, 2016

Currency	Buys	Unrealized Gain/Loss	Sells	Unrealized Gain/Loss
Argentine Peso	-	-	-	-
Australian Dollar	$ 2,070	$ (66)	$ -	$ 23
Brazilian Real	5,265	(44)	3,131	15
Canadian Dollar	-	3	-	-
Chilean Peso	3,296	4	119	(71)
Chinese Renminbi Yuan	-	31	1,255	(16)
Colombian Peso	296	44	1,369	(63)
Czech koruna	-	(6)	618	11
Euro Currency	4,136	(25)	10,936	93
Hungarian Forint	1,708	(7)	377	7
Indian Rupee	455	(40)	1,625	(3)
Indonesian Rupiah	1,079	2	1,533	(43)
Japanese Yen	3,940	122	3,143	(75)
Malaysian Ringgit	8,142	199	4,002	(275)
Mexican Peso (New)	1,537	42	2,940	(59)
New Israeli Shequel	-	-	652	35
New Russian Ruble	3,082	305	1,129	169
New Taiwan Dollar	1,768	-	3,088	(31)
New Zealand Dollar	534	33	1,021	(37)
Philippine Peso	1,268	(6)	2,318	12
Polish Zloty	1,060	(86)	602	-
Pound Sterling	357	(142)	1,517	94
Romanian Leu	363	(10)	164	-
Singapore Dollar	2,625	25	3,539	(42)
Sol	5,077	15	157	(3)
South African Rand	3,072	(44)	2,568	(56)
South Korean Won	1,835	1	893	(9)
Swiss Franc	837	-	-	-
Thailand Baht	2,390	(7)	1,290	(13)
Turkish Lira	3,193	49	37	80
Yuan Renminbi	-	-	-	-
Total	$ 59,385	$ 392	$ 50,023	$ (257)

NOTE 8 DERIVATIVE INSTRUMENTS (Continued)

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 of a designated instrument at a specified price within a specified period of time. When NMERB 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 closed. There were no open written or purchased options as of June 30, 2017 and 2016.

Swap Contracts

Swap contracts are executed on a number of different bases. NMERB employed both interest rate swap contracts and credit default swap contracts on June 30, 2017 and 2016. 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. NMERB 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 derivatives is allowed under the Hedge Fund Investment Policy. These investments are under the management of the external Hedge Fund managers who are employed in the “Hedge Fund,” “Emerging Market Debt,” and “Opportunistic Credit” classifications.

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 by NMERB for investment purposes. The assets presented by investment category, at fair value, are as follows:

Schedule of Asset-Backed Securities by Fiscal Year

Security Type	2017	2016
Asset-Backed Securities	$ 8,262,859	$ 25,939,862
Collateralized Debt/Loan Obligations	-	16,727,289
Non-Agency Mortgage-Backed Securities	17,470,355	37,807,316
Total	$ 25,733,215	$ 80,474,467

NOTE 9 CAPITAL ASSETS

Capital assets are used in operations and have useful lives extending beyond a single reporting period. Assets costing $5,000 or more per Section 12-1-10, NMSA 1978 are recorded at historical cost and depreciated over their useful lives. Furniture, fixtures, and equipment are depreciated over five to ten years; building and improvements are depreciated over twenty-five years. A schedules of capital asset activity for the year ended June 30, 2017 and 2016 are shown on the next page.

Depreciation expense reported as part of administrative expenses is $272,743 and $228,868 for fiscal year 2017 and 2016, respectively. NMERB disposed of $12,554 and $174,204 in capital assets during fiscal year 2017 and 2016, respectively, consisting primarily of obsolete computer equipment.

Schedule of Capital Asset Activity 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets, at Cost				
Land & Land Improvements	$ 248,172	$ -	$ -	$ 248,172
Depreciable Land Improvements	19,361	-	-	19,361
Building and Building Improvements	3,385,166	-	-	3,385,166
Retirement Information System	9,156,963	-	-	9,156,963
Furniture, Fixtures and Equipment	1,133,435	239,207	(12,554)	1,360,088
Other Assets	30,500	-	-	30,500
Total	13,973,597	239,207	(12,554)	14,200,250
Accumulated Depreciation				
Land Improvements	(7,819)	(699)	-	(8,518)
Building and Improvements	(1,922,331)	(103,332)	-	(2,025,663)
Retirement Information System	(9,156,963)	-	-	(9,156,963)
Furniture, Fixtures and Equipment	(667,355)	(168,712)	3,999	(832,068)
Total	(11,754,468)	(272,743)	3,999	(12,023,212)
Capital Assets, Net of Accumulated Depreciation	$ 2,219,128	$ (33,536)	$ (8,555)	$ 2,177,036

NOTE 9 CAPITAL ASSETS (Continued)

Schedule of Capital Asset Activity 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets, at Cost				
Land & Land Improvements	$ 248,172	$ -	$ -	$ 248,172
Depreciable Land Improvements	19,361	-	-	19,361
Building and Building Improvements	3,365,714	19,452	-	3,385,166
Retirement Information System	9,156,963	-	-	9,156,963
Furniture, Fixtures and Equipment	882,886	424,753	(174,204)	1,133,435
Other Assets	30,500	-	-	30,500
Total	13,703,596	444,205	(174,204)	13,973,597
Accumulated Depreciation				
Land Improvements	(7,742)	(77)	-	(7,819)
Building and Improvements	(1,818,671)	(103,660)	-	(1,922,331)
Retirement Information System	(9,150,531)	(6,432)	-	(9,156,963)
Furniture, Fixtures and Equipment	(722,860)	(118,699)	174,204	(667,355)
Total	(11,699,804)	(228,868)	174,204	(11,754,468)
Capital Assets, Net of Accumulated Depreciation	$ 2,003,792	$ 215,337	$ -	$ 2,219,128

NOTE 10 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 on a calendar year basis.

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 for each employee have been recorded at their current pay rate as of June 30, 2017 and 2016.

NOTE 10 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 percent 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 percent 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 percent of their current hourly rate.

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
Compensated Absences	$ 545,627	$ 476,640	$ (432,066)	$ 590,201

The portion of compensated absences due after one year is not material, and therefore, not separately presented. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

NOTE 11 RETIREMENT PLANS

NMERB employees 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 NMERB employees have elected to participate in the Educational Employees Retirement Plan, while most participate in the Public Employees Retirement Plan.

Public Employees Retirement Association (PERA)

The Public Employee Retirement Plan is a qualified governmental plan under Section 401(a) of the Internal Revenue Code (IRC) administered by the Public Employees Retirement Association (PERA), which provides retirement, disability, and survivor benefits pursuant to the Public Employees Retirement Act. PERA is a cost-sharing, multiple employer defined benefit plan. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report is available at www.pera.state.nm.us.

PERA Funding Policy

Plan members are required to contribute 8.92 percent of their gross salary. NMERB is required to contribute 16.99 percent of the gross covered salary. The contribution requirements for Plan members and NMERB are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Total contributions from NMERB and Plan members to PERA for fiscal years ended June 30, 2017 and 2016, were $587,606 and $596,656, respectively.

NOTE 11 RETIREMENT PLANS (Continued)

Educational Retirement Board

The Educational Retirement administers a cost sharing multiple employer Plan authorized by the Educational Retirement Act established in Chapter 10, Article 22, NMSA 1978. NMERB administers the Plan which is a cost-sharing, multiple employer defined benefit plan providing retirement, disability, and survivor benefits to plan members (certified teachers and other employees of state public schools, colleges and universities, public charter schools). NMERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report is available at www.nmerb.org.

NMERB Funding Policy

2017 and 2016 Member Contributions – Plan members whose annual salary is $20,000 or less are required to contribute 7.9 percent of their gross salary. Plan members whose annual salary exceeded $20,000 are required to contribute 10.7 percent of their gross salary.

2017 and 2016 Employer Contributions – Employers contribute 13.9 percent of the gross covered salary for employees whose annual salary was $20,000 or less, and 13.9 percent of the gross covered salary for employees whose salary exceeded $20,000.

Contribution requirements of the Plan are established under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. There were no contributions from NMERB and Plan members to the Plan for fiscal years ended June 30, 2017 and $9,221 was the contribution total for fiscal year ended June 30, 2016.

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

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

NOTE 12 POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE PLAN

RHCA Plan Description. NMERB 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). 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 in Chapter 10, Article 7C NMSA 1978. RHCA 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 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 as defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

RHCA issues a publicly available financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. The report and further at https://www.nmrhca.state.nm.us.

RHCA Funding Policy. The Retiree Health Care Act under Section 10-7C-13, NMSA 1978, authorizes the RHCA Board of Trustees 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 governing authority member. Former legislators and governing authority members are required to pay 100 percent of the insurance premium rate to cover their claims and the administrative expenses of the RHCA plan. The monthly premium rate schedule can be viewed on their website at www.nmrhca.state.nm.us.

NOTE 12 POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE PLAN (Continued)

The employer, employee and retiree contributions are required to be remitted to RHCA on a monthly basis. The statutory requirements for employer and employee contributions can be changed by the New Mexico Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board. For employees that were members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statutes required each participating employer to contribute 2.5 percent of each participating employee's annual salary; participating employees were required to contribute 1.25 percent of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2 percent of each participating employee's annual salary; participating employees were required to contribute 1 percent of their salary.

Total employer NMERB's employer contributions to RHCA for the years ending June 30, 2017 and 2016 were $69,171 and $70,247, respectively.

NOTE 13 RISK MANAGEMENT

NMERB is exposed to various risks of loss for which it carries insurance (auto, employee bond, general liability, civil rights and foreign jurisdiction, money and securities, property, and workers' compensation) with the Risk Management Division (RMD) insurance program of the New Mexico General Services Department (GSD). The Plan's coverages are designed to satisfy the requirements of State tort claims. All claims are processed through RMD.

NOTE 14 STATUTORY DISCLOSURES

Section 2.2.2.10P(2) of the Audit Rule 2011, 2.2.2 NMAC entitled, "Requirements for Contracting and Conducting Audits of Agencies" requires that state agencies disclose all special, deficiency, and specific appropriations. NMERB had no open appropriations as of fiscal year end 2017.

NOTE 15 PENDING LITIGATION AND CLAIMS

During each business cycle, NMERB may be named as a defendant in administrative appeals arising from the normal course of business. Legal counsel believes resolution of any currently pending matters will not have a material effect on the financial statements.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
June 30

	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability			
Service Cost	$ 357,631,074	$ 356,873,760	$ 346,956,028
Interest	1,424,585,583	1,367,647,222	1,321,047,780
Benefits Changes	-	-	-
Differences Between Actual and Expected Experience	(207,788,603)	42,491,846	(86,722,485)
Assumption Changes	4,371,799,749	-	299,084,856
Benefit Payments and Refunds	(1,052,675,188)	(1,012,730,730)	(957,183,402)
Net Change in Total Pension Liability	4,893,552,615	754,282,098	923,182,777
Total Pension Liability - Beginning of Year	18,729,271,512	17,974,989,414	17,051,806,637
Total Pension Liability - End of Year	$ 23,622,824,127	$ 18,729,271,512	$ 17,974,989,414
Plan Fiduciary Net Position			
Employer Contributions	$ 395,843,795	$ 396,988,557	$ 395,129,621
Member Contributions and Other	292,809,008	295,946,396	294,560,840
Pension Plan Net Investment Income	1,350,388,673	364,571,123	429,738,078
Benefit Payments and Refunds	(1,052,675,188)	(1,012,730,730)	(957,183,402)
Pension Plan Administrative Expense	(9,848,329)	(9,660,510)	- (10,597,846)
Net Change in Plan Fiduciary Net Position	976,517,959	35,114,836	151,647,291
Plan Fiduciary Net Position - Beginning of Year	11,532,837,951	11,497,723,115	11,346,075,824
Plan Fiduciary Net Position - End of Year	12,509,355,910	11,532,837,951	11,497,723,115
NET PENSION LIABILITY	$ 11,113,468,217	$ 7,196,433,561	$ 6,477,266,299
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.95 %	61.58 %	63.97 %
Covered Payroll	$ 2,728,361,993	$ 2,740,526,669	$ 2,730,320,345
Net Pension Liability as a Percentage of Covered Payroll	407.33 %	262.59 %	237.23 %

Notes:
The change in total pension liability due to assumption changes for the fiscal year ending June 30, 2017 includes the impact of the new assumptions adopted by the Board on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017.

The covered payroll is the actual payroll, imputed from the total employer contribution for active members, for the fiscal year ending June 30.

Complete data for this schedule is not available prior to fiscal year 2013.

June 30,	
2014	2013
$ 350,247,724	$ 348,266,697
1,254,730,237	1,202,676,449
-	10,093,494
(114,507,809)	-
-	(5,035,689,829)
(907,214,467)	(853,329,267)
583,255,685	(4,327,982,456)
16,468,550,952	20,796,533,408
$ 17,051,806,637	$ 16,468,550,952
$ 362,462,537	$ 299,657,530
271,513,574	250,529,546
1,444,233,347	1,016,865,792
(907,214,467)	(853,329,267)
(16,617,970)	(10,985,967)
1,154,377,021	702,737,634
10,191,698,803	9,488,961,169
11,346,075,824	10,191,698,803
$ 5,705,730,813	$ 6,276,852,149
66.54 %	61.89 %
$ 2,718,100,677	$ 2,706,170,349
209.92 %	231.95 %

SCHEDULE OF INVESTMENT RETURNS

Fiscal Year Ending June 30,	Annual Money - Weighted Rate of Return
2017	11.91 %
2016	2.68 %
2015	4.06 %
2014	14.71 %
2013	11.12 %
2012	1.87 %
2011	19.30 %
2010	****
2009	****
2008	****

Notes:

Governmental Accounting Standards Board (GASB) Statement 67 requires pension plans to disclose the annual money-weighted rate of return (MWRR). The MWRR incorporates both the size and the timing of cash flows to determine an internal rate of return. The MWRR considers the changing amounts actually invested during a period, and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. This rate of return is computed net of investment expenses but not net of administrative investment expenses.

Complete data for this schedule is not available prior to fiscal year 2011.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percent of Covered Payroll
2017	$ 477,840,156	$ 395,843,795	$ 81,996,361	$ 2,728,361,993	14.51 %
2016	465,340,519	396,988,557	68,351,962	2,740,526,669	14.49 %
2015	450,950,584	395,129,621	55,820,963	2,730,320,345	14.47 %
2014	479,884,486	362,462,537	117,421,949	2,718,100,677	13.34 %
2013	480,700,326	299,657,530	181,042,796	2,706,170,349	11.07 %
2012	400,461,343	253,845,277	146,616,066	2,495,300,000	10.17 %
2011	377,884,749	308,367,952	69,516,797	2,523,800,000	12.22 %
2010	357,220,043	313,281,978	43,938,065	2,575,800,000	12.16 %
2009	375,430,722	323,621,282	51,809,440	2,585,700,000	12.52 %
2008	368,196,682	290,875,379	77,321,303	2,491,700,000	11.67 %
2007	364,128,448	255,982,299	108,146,149	2,341,100,000	10.93 %

Note:

The valuation date for fiscal year 2017 is June 30, 2016. Actuarially determined contribution rates are calculated as of June 30. Employers and members contribute based on statutorily fixed rates.

Methods and Assumptions for Actuarially Determined Contribution Rate for Fiscal Year 2017:

Methods and Assumptions for Actuarially Determined Contribution Rate for Fiscal Year 2017	
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	Amortized over a closed thirty-year period from June 30, 2012 ending June 30, 2042.
Asset Valuation Method	Five-year smoothed market
Inflation	2.50%
Salary Increases	Composed of 3.00% inflation, plus .75% productivity increase rate, plus step-rate promotional increases for members with less than ten years of service.
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates based on age and service. Adopted by NMERB on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014
Mortality	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, with no setback. Generational mortality improvements with scale BB from the table's base year of 2000. Healthy Females - GRS Southwest Region Teacher Mortality Table, set back on year. Generational mortality improvements in accordance with scale BB from the table's base year of 2012.

Other Supplemental Information

Other Supplemental Information

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (Non GAAP Basis) JUNE 30, 2017

	Appropriation Budget	Final Budget	Budgetary Basis Actual	Variance – Final Budget Favorable (Unfavorable)
Revenues and Appropriations:				
Other State Funds				
Interest and Divided Income	$ 30,551,900	$ 30,551,900	$ 125,197,968	$ 94,646,068
Total Revenues and Appropriations	30,551,900	30,551,900	125,197,968	94,646,068
Expenditures:				
Operating Expenditures				
Personal Services/Employee Benefits	5,757,900	5,757,900	5,199,119	558,781
Contractual Services	23,625,000	23,625,000	23,066,986	558,014
Other Costs	1,169,000	1,169,000	1,021,765	147,235
Total Expenditures	$ 30,551,900	$ 30,551,900	29,287,870	$ 1,264,030
Change in Net Assets - Budgetary Basis			95,910,098	
Revenues				
Contributions			688,652,803	
Investment Earnings and Changes in Fair Value			1,324,654,954	
Other Income (Other Accruals)			3,641,971	
Total Revenues			2,016,949,728	
Expenses				
Age and Service Benefits			(1,019,330,496)	
Refunds to Terminated Members			(33,344,692)	
Depreciation Expense			(272,743)	
Other Expense Accruals			(83,393,939)	
Total Expenses			(1,136,341,870)	
Change in Net Assets - GAAP Basis			976,517,956	
Increase (Decrease) in Fiduciary Net Position			976,517,956	
Net Position Held in Trust for Pension Benefits - Beginning of Year			11,532,837,951	
Net Position Held in Trust for Pension Benefits - End of Year			$ 12,509,355,907	

Note:

The New Mexico Educational Retirement Board annual budget is prepared on the modified accrual basis.

SCHEDULE OF BUDGETED EXPENDITURES
JUNE 30, 2017

Personal Services and Benefits	
Salaries	$ 3,742,795
Benefits	1,456,324
Total Personal Services and Benefits	5,199,119
Consultant Services	
Actuarial Fees	172,776
Audit Fees	130,769
Legal Fees	724,368
Information Technology Fees	1,921,902
Other Consultant Service Fees	1,138,136
Total Consultant Services Expenses	4,087,951
Investment Expenses	
Custodial Expenses	943,838
Investment Manager Expenses	
Non-U.S. Fixed Income	491,394
Domestic Fixed Income	
Domestic Equity	3,191,570
Non-U.S. Equity	11,861,886
Investment Consulting Expenses	1,781,115
Other Investment Expenses	709,232
Total Investment Expenses	18,979,035
Other Administrative Expenses	
Building and Maintenance	218,806
Dues and Subscriptions	56,380
Employee and Board Travel	115,283
Inventory and Supplies	198,691
IT Equipment	34,387
Training and Education	80,346
Telecommunication Services	130,964
Utilities	28,993
Other Miscellaneous Expenditures	157,915
Total Other Administrative Expenses	1,021,765
Total Budgeted Expenditures	$ 29,287,870

Note:

The agency’s budget is prepared on the modified accrual basis of accounting.

SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES
June 30, 2017

Schedule of Investing Activity and Administrative Investment Expenses

	Investing Activity	Administrative Operations	Total
Personal Services and Employee Benefits			
Salaries	$ 980,692	$ 2,762,103	$ 3,742,795
Fringe Benefits	324,584	1,131,740	1,456,324
Subtotal	1,305,276	3,893,843	5,199,119
Professional Contractual Services			
Investment Management Fees	99,054,883	-	99,054,883
Investment Consulting Fees	1,781,115	-	1,781,115
Custodial Fees	943,838	-	943,838
Attorney Fees	617,153	107,215	724,368
Actuarial Fees	-	172,776	172,776
Auditing Fees	-	130,769	130,769
Other Contractual Services	709,232	2,943,942	3,653,174
Subtotal	103,106,221	3,354,702	106,460,923
Communication Expenses			
Telephone and Network Fees	18,021	112,944	130,965
Printing, Postage, and Mailing Expenses	-	31,289	31,289
Subtotal	18,021	144,233	162,254
Facility Expenses			
Lease	81,998	35,301	117,299
Depreciation	49,094	223,650	272,744
Maintenance	-	101,507	101,507
Utilities	-	28,993	28,993
Subtotal	131,092	389,451	520,543
Software Expenses			
Licensing and Maintenance	25,937	122,559	148,496
Subtotal	25,937	122,559	148,496
Travel Expenses			
Professional Development and Administrative	32,204	40,712	72,916
Travel Cost	36,466	42,614	79,080
Due Diligence Travel Cost	20,202	-	20,202
Subtotal	88,872	83,326	172,198
General Administrative Expenses			
Research and Information Services	-	-	-
Board Travel and Training Expense	-	22,196	22,196
Other Overhead Expense	5,041	207,400	212,441
Memberships and Subscriptions	4,050	52,330	56,380
Subtotal	9,091	281,926	291,017
Total Investing Activities	$ 104,684,510	$ 8,270,040	$ 112,954,550

Schedule of Investing Activity Expense per Statement of Changes in Fiduciary Net Position

	Investing Activity	Administrative Operations	Total
Total Investing Activity Expenses	$ 103,106,221	$ -	$ 103,106,221
Total Administrative Expenses	1,578,289	8,270,040	9,848,329
Total Expenses	$ 104,684,510	$ 8,270,040	$ 112,954,550

Notes:

1. Personal services and employee benefits represent actual wages, adjusted for year-end accruals.
2. Professional investment services represent the cost of investment manager and consulting contracts.
3. Communication expenses are allocated based on the number of staff in the workgroup.
4. Investment facility expenses represent leased office space in Santa Fe and Albuquerque, New Mexico.
5. Software expenses represent the costs of software licensing and maintenance for investment software.
6. Travel expenses include the cost of employee in-state and out of state business travel.
7. General administrative investment expenses represent costs for information feeds, subscriptions, memberships, and other overhead allocated based on the number of staff in the workgroup.

SCHEDULE OF CASH AND SHORT-TERM INVESTMENTS
JUNE 30, 2017 and 2016

	2017	2016
Educational Employees Retirement Fund		
Pension Trust Account		
Fund 60500		
Petty Cash	$ 100	$ 100
Demand Deposits in Wells Fargo Bank - NM Educational Retirement Board		
Qualified Excess Benefit Arrangement Trust Account	43,876	209,396
State Street Bank Cash Balances Held by Investment Fund Managers	-	12,902,893
Short Term Investment Accounts:		
State Treasurer's General Fund Investment Pool	7,679,498	13,008,495
State Treasurer's Local Government Investment Pool	100,595,929	-
State Street Bank - Short-Term Investments at Fair Value	325,569,654	200,138,412
Total	$ 433,889,057	$ 226,259,296
Insured Wells Fargo Demand Deposit Account:		
Total Amount on Deposit at June 30, 2017	$ 43,876	$ 209,496
Less Federal Deposit Insurance Corporation Coverage	(43,876)	(209,496)
Total Uninsured Public Funds	$ -	$ -

Notes:

1) Individual deposit accounts and investment accounts held in the name of the New Mexico Educational Retirement Board are shown above as required by Section 12-6-5(A) NMSA 1978. All cash activity is accounted for within the Statewide Human Resources Accounting and Management System (SHARE) fund number 60500.

2) Additional information on credit risk related to state agency investments held in the State Treasurer's General Fund Investment Pool can be found in the State Treasurer's separately issued financial statements which disclose the collateral pledged to secure cash and investments.

3) State Street Bank balances for cash held by foreign currency and other portfolio managers is securitized by State Street Bank. See Note 7 for additional information on custodial and credit risk with respect to funds held by State Street Bank (SSB).

4) With respect to the Local Government Investment Pool (LGIP) in fiscal year 2017, the funds maintained by the State Treasurer's Office (STO) were rated AAAm by Standard & Poor's. As a Public Fund, STO is not required to disclose custodial risk and concentration of credit risk for this fund.

5) STO used the Weighted Average Maturity (WAM) method to report interest rate risk. As of June 30, 2017 the LGIP WAM(R) was 58 days and the WAM(F) was 106 days where WAM(R) indicates the number of days until the floating interest rate resets, and WAM(F) indicates the number of days to final maturity. Additional information can be found on STO's website at www.nmsto.gov.

ACCOUNTABILITY IN GOVERNMENT ACT PERFORMANCE MEASURES
JUNE 30, 2017

Type	Description	Target	Actual
Outcome	Average rate of return over a cumulative Five-year period	7.25 %	8.70 %
Outcome	Member seminar and training satisfaction ratings*	95 %	95 %
Outcome	Ten-year performance ranking in a national peer survey of public plans	<50%	27%
Outcome	Funding period of unfunded actuarial accrued liability in years**	<30	44.9

NMERB reports annual performance measure results (outputs and outcomes) through the state's budget process in pursuit of cost-effective and responsive government services in conformance with the Accountability in Government Act (Sections 6-3A-1 to 6-3A-9 NMSA 1978). Agency performance measures are included in the General Appropriations Act. NMERB selected the measures shown above based our primary services of prudent asset management, pension benefit administration, and outreach and training services for both our membership and educational employers.

Notes:

* NMERB created more opportunities for members and employers to attend training workshops in regional settings or at their own sites. These sessions are in high demand and helpful for educating our current membership and future retirees.

** NMERB's contribution rate structure is intended to be sufficient to pay NMERB's normal cost and to amortize the 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 extend beyond June 30, 2042 (30 years from June 30, 2012) in accordance with the funding policy set by the Board of Trustees. The amortization period, or funding period, is the number of years expected to be required to completely amortize the UAAL, assuming that NMERB's experience is consistent with all of the actuarial assumptions.

Additional Information

Additional Information

CliftonLarsonAllen LLP
CLAconnect.com

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

Members of the State of New Mexico
Educational Retirement Board
and Mr. Timothy Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the New Mexico Educational Retirement Board (ERB) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise ERB's basic financial statements, and the Schedule of Revenues and Expenditures -Budget and Actual presented as other supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2017, and have issued our report thereon dated November 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ERB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ERB's internal control. Accordingly, we do not express an opinion on the effectiveness of ERB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

A member of Nexia International

Members of the State of New Mexico
Educational Retirement Board
and Mr. Timothy Keller
New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ERB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 22, 2017

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

2016-001	Investment Accounting	
	Significant Deficiency	Resolved
2016-002	Accuracy and Completeness of Census Data	
	Other Matter	Resolved
2016-003	Disaster Recovery Plan	
	Other Matter	Resolved
2016-004	Cash Receipts Not Recorded or Deposited in a Timely Manner	
	Compliance and Other Matters	Resolved

STATE OF NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017

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

None

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

EXIT CONFERENCE
JUNE 30, 2017

NMERB staff prepared the Management Discussion and Analysis (MD&A), financial statements, statements, schedules, and notes for the fiscal years ended June 30, 2017 and 2016. The contents of this report were discussed during an exit conference with the Audit Committee of the Board of Trustees and management of NMERB on November 17, 2017. The following individuals attended this exit conference:

Educational Retirement Board
Members of the Audit Committee
Mary Lou Cameron, Audit Committee Chairperson
H. Russell Goff, Vice-Chairperson
Tim Eichenberg, State Treasurer

Agency Management
Jan Goodwin, Executive Director
Rick Scroggins, Deputy Director
Norma Henderson, Chief Financial Officer

CliftonLarsonAllen, LLP, CPAs
Jason Ostroski, Audit Team Lead
Matt Bone, Local Auditor

The contents of this report will also be presented to the NMERB Board of Trustees as part of the regular board meeting on December 9, 2017.

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ACTUARIAL SECTION

Actuarial Certification Letter

GRS Retirement Consulting

P: 469.524.0000 | F: 469.524.0003 | www.grsconsulting.com

October 21. 2017

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

Subject: Actuarial Valuation as of June 30, 2017

Dear Members of the Board:

The results of the June 30, 2017 annual actuarial valuation are presented in this report. 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, 2017.

This report was prepared at the request of the Board and is intended for the Board's use and those designated or approved by the Board. This report may be provided to parties other than the ERB only in its entirety and only with the permission of the Board.

To the best of our knowledge, this report is based on benefit provisions in effect as of June 30, 2017, audited financial information prepared as of that date, member data gathered as of that date, and the actuarial assumptions and methods previously adopted by the Board.

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

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, to analyze changes in ERB's condition, and to provide various summaries of the membership data.

This report does not provide information required under Governmental Accounting Standards Board (GASB) Statement Nos. 67 & 68. All of the information required by GASB is provided in a stand-alone report entitled "GASB Reporting and Disclosure Information for ERB Fiscal Year Ending June 30, 2017."

The valuation report provides a "snapshot" of ERB's estimated financial condition as of the valuation date. The valuation does not predict ERB's future financial condition or its ability to pay benefits in the future and it also does not provide any guarantee of future financial soundness of ERB. Over time, ERB's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of members receiving benefits, the period of time over which benefits are paid, plan expenses, and the amount earned on any assets invested toward the payment of benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

To prepare the valuation report, actuarial assumptions, including those adopted by the Board on April 21, 2017, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because the results are sensitive to the assumptions made, and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future.

FINANCING OBJECTIVES

In accordance with HB 628 (2011 Regular Session) and SB 115 (2013 Regular Session), employer contributions for the current fiscal year are scheduled to be 13.90% of active member payroll, member contributions for employees with annual salary more than $20,000 are 10.70% of pay, and member contributions for employees with annual salary of $20,000, or less, are 7.90% of pay.

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

In accordance with the funding policy as set by the Board of Trustees, these rates are intended to be sufficient to pay ERB's normal cost and to amortize ERB's unfunded actuarial accrued liability (UAAL) over a period that should not extend beyond June 30, 2042 (30 years from June 30, 2012). 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 all of the actuarial assumptions.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded condition of the plan, as measured by the funded ratio, decreased slightly from 2016 to 2017. The decrease was primarily due to the new actuarial assumptions. This decrease was offset by a gain due to the recent investment performance and favorable COLA experience.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio as of June 30, 2016 was 64.2%. It is now 62.9% as of June 30, 2017. Five years ago this ratio stood at 60.7%, and ten years ago the ratio was 70.5%. If the ratio were calculated using the market value of assets rather than the actuarial value of assets, it would be 63.0% as of June 30, 2017, up from 62.2% as of June 30, 2016. During the last fiscal year, the UAAL increased from $6.6 billion to $7.4 billion.

The plan's funding period as of the valuation date is 124.6 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 (3.00% per annum) in the future. The 124.6-year period compares with the 44.9-year period calculated as of the prior actuarial valuation date.

This calculation of the funding period is a “snapshot” as of the valuation date and ignores a number of factors: (i) lower normal cost rate in the future since all new members will be eligible for Tier 3 benefits, (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) future cost-of-living adjustments that may be less than the assumed annual 1.9% increase.

RECENT EVENTS

The annual return from 2016 to 2017 on the market value of assets was approximately 11.8% and the annual return from that same period on the actuarial value of assets was 8.2%. The return on the actuarial value of assets of greater than the assumed return rate of 7.75% reflects the five-year “smoothing” of gains and losses at work in the asset valuation method; for instance, in 2014 not all the gains were recognized at one time in the actuarial value of assets and likewise, for this valuation, not all of the 2017 gains have been recognized in the actuarial value of assets. The net result of the losses from 2015 and 2016 (when compared to the investment return assumption of 7.75%), and the gains from 2013, 2014 and 2017 that are recognized in this valuation is an overall gain on the actuarial value of assets measured from last year to this year (a return of 8.2% versus the assumed return of 7.75%).

In accordance with the assumption changes discussed below, future investment returns will be compared to the investment return assumption of 7.25%.

BENEFIT PROVISIONS

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan’s actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

We believe the recommended assumptions and methods are internally consistent, are reasonably based on the actual experience of ERB, and comply with the Actuarial Standards of Practice.

The results of the actuarial valuation are dependent upon 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.

MEMBER AND FINANCIAL DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2017 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 as of June 30, 2017 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, Solvency Test, and the Schedule of Retirees & Beneficiaries Added to/and Removed from Rolls that are found in the Actuarial Section; and we provided the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios as well as the Schedule of Employer Contributions in the Financial Section.

CERTIFICATION

All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of New Mexico state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Both are Enrolled Actuaries and are Members of the American Academy of Actuaries, and meet all of the Qualification Standards of the American Academy of Actuaries. Both of the undersigned are experienced in performing valuations for large public retirement systems.

We would like to especially thank the ERB staff for its assistance in the preparation of our report.

Respectfully submitted,

R. Ryan Falls, FSA, EA, MAAA
Senior Consultant

Mark R. Randall, FCA, EA, MAAA
Chief Executive Officer

Actuarial Standards of Practice Disclosure Statements

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The valuation was based upon information furnished by the System's staff, concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the System's staff.

The developed findings included in this report consider data or other information through June 30, 2017.

This is one of multiple documents comprising the actuarial report. The other document comprising the actuarial report is a PowerPoint presentation presented to the Board of Trustees following the publication of this report.

Annual Valuation Report

Executive Summary

Valuation as of:	06/30/2017	06/30/2016
Contribution Rates for Fiscal Year Ending:	06/30/2018	06/30/2017
Membership		
• Number of		
- Active members	59,495	60,057
- Retirees and beneficiaries	47,340	45,797
- Inactive, vested	10,581	10,219
- Inactive, nonvested	36,098	34,009
- Total	153,514	150,082
• Payroll	$ 2.6 billion	$ 2.6 billion
Statutory contribution rates		
• Employer	13.90%	13.90%
• Member	10.70%	10.70%
Assets		
• Market value	$ 12.5 billion	$ 11.5 billion
• Actuarial value	$ 12.5 billion	$ 11.9 billion
• Return on market value	11.8%	3.1%
• Return on actuarial value	8.2%	6.7%
• Employer contributions	$ 395.8 million	$ 397.0 million
• External cash flow %	-3.0%	-2.9%
• Ratio of actuarial to market value	100.0%	103.2%
Actuarial Information		
• Normal cost %	13.62%	13.00%
• Unfunded actuarial accrued liability (UAAL)	$ 7.4 billion	$ 6.6 billion
• Funded ratio	62.9%	64.2%
• Funding period (Closed Group Valuation)	124.6 years	44.9 years
• Funding period (Open Group Projection)	61 years	46 years
• Funding Policy Contribution	20.19%	17.30%
Gains/(losses)		
• Asset experience	$ 54.0 million	$ (123.3) million
• Liability experience	135.5 million	54.6 million
• COLA experience	67.9 million	138.3 million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	(823.1) million	0.0 million
• Total	$ (565.7) million	$ 69.6 million

Introduction

The results of the June 30, 2017 actuarial valuation of the Educational Retirement Board of New Mexico (ERB) are presented in this report. Table 1 of our report summarizes the key actuarial results. Table 2 analyzes changes in the unfunded actuarial accrued liability. Tables 3 and 4 show more detailed actuarial information. Tables 5a and 5b develop the Funding Policy Contribution and compare to the actual contributions received. Tables 6a, 6b, 6c, 13, 14, 15 and 16 show statistical information about the membership, and Tables 7 through 9b, and Table 11 show information about plan assets. Tables 10a and 10b show the calculation of the actuarial gains and losses. Table 12 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 of terms.

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 $22.3 billion, as shown in Table 3 of our report.

- The entry age normal actuarial cost 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 future normal costs). The actuarial accrued liability is $19.9 billion, as shown on line 5d in Table 1 of our report.

- Under the entry age normal actuarial 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 13.62% of payroll inclusive of member contributions. This is the total (member plus employer) contribution rate needed to pay for the average member.

- Part of the normal cost is paid by the employee contributions of 10.70%, leaving 2.92% to be funded by the employers (i.e., the current year's employer normal cost is 2.92% of payroll). This is shown on line 2 in Table 1. The balance of the employer contribution is used as payment on the UAAL. The employer contribution is expected to increase in future years and this will affect the amount of funding available to amortize the UAAL.

- 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 $7.4 billion as shown on line 7 in Table 1.

- Since the statutory employer contribution rate is 13.90% and the employer normal cost rate is 2.92%, the difference of 10.98% is used to amortize the UAAL. The 3.00% employer 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 3.00% payroll growth period each year. This period is currently 124.6 years. (Note, however, that this calculation does not reflect the lower normal cost rate in the future since all new members will be eligible for Tier 3 benefits and future cost-of-living adjustments that may be less than the assumed 1.9% increase. Further, it assumes a 7.25% return on the actuarial value of assets, not the market value. Alternate projections show that it will take approximately 61 years to amortize the unfunded actuarial accrued liability when incorporating the expected decrease in the normal cost rate, the expected reductions in cost-of-living adjustments, and the assumed a 7.25% return on the market value of assets. These alternate projections are referred to as the Open Group Projection in this report).

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 annual 7.25% 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 in Table 2, the UAAL increased by $513.9 million for imputed interest and decreased by $347.2 million because of contributions made in excess of the normal cost. This means that the UAAL was expected to increase $166.7 million before recognizing plan experience. The UAAL as of June 30, 2016 was $6.6 billion, and the expected UAAL as of June 30, 2017, recognizing actual contributions made, is $6.8 billion.

A cost-of-living adjustment (COLA) was applied as of July 1, 2017 to retirement benefits for retirees eligible to receive a COLA as defined in Section 22-11-31 of the New Mexico Statutes Annotated. A 1.30% adjustment factor was applied to all disabled retirees who had been retired for at least three years, i.e., members who began receiving a disability retirement benefit in calendar year 2013 or earlier. Since the plan's funded ratio as of June 30, 2016 was 90% or less, all non-disability retirements with 25 or more years of service credit at retirement and whose monthly annuity is less than the median monthly benefit of all non-disability retirees from the prior year (i.e., $1,605.46 as of June 30, 2017) received an annual adjustment of 1.17%. All remaining non-disability retirements received an annual adjustment of 1.04%. Note that the adjustment is only applied to members who retired in calendar year 2016 or earlier; members who retired in 2017 are ineligible. The actual COLA was less than the expected 2.0% which resulted in a net $67.9 million decrease in UAAL. In accordance with the assumption changes adopted by the Board on April 21, 2017, future COLAs returns will be compared to the COLA assumption of 1.90%.

The plan experienced an actuarial gain on investments of $54.0 million. The investment gain resulted from the fact that the return on the actuarial value of assets, 8.2%, was greater than the 7.75% assumed investment return. This gain was the result of recognizing 20% of the losses from FY2015 and FYE 2016, with 20% of the gains from FY2013, FY2014 and FY2017. The market rate of return in FY2017 was 11.8%. The investment returns stated in this report are calculated net of administrative and investment-related expenses and may differ from the actual rate of return reported by ERB's investment consultants.

There was no benefit change since the last actuarial valuation. However, the system adopted assumption changes after last valuation which resulted in a net $823.1 million increase in UAAL.

As a result of all the above experience, the UAAL increased from $6.6 billion to $7.4 billion.

Funding Policy

The Board of Trustees has established a funding policy with a goal of eliminating the UAAL by June 30, 2042 (30 years from June 30, 2012). This funding policy does not directly impact the level of funding on an annual basis since the members and the employers all contribute a fixed percentage of payroll. However, the funding policy contribution amount provides the Board of Trustees with a valuable benchmark which can be used to determine whether the total contribution being received by ERB is sufficient to meet the long-term goal of eliminating the UAAL by June 30, 2042.

Table 5a of our report calculates the Funding Policy Contribution and Table 5b tracks how closely the contributions received during the past fiscal year compared to the Funding Policy Contribution.

Comments on Benefit Provisions

Appendix 1 of our report summarizes the provisions of ERB. 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.

The percentage increase of the consumer price index was less than two percent during the preceding fiscal year. Additionally, the ERB funded status was less than 100%. As a result of these two factors, ERB granted a reduced COLA on July 1, 2017 which resulted in an actuarial gain of $67.9 million.

Comments on Actuarial Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

We believe the recommended assumptions are internally consistent and are reasonably based on the actual experience of ERB. Appendix 2 of our report summarizes the current actuarial assumptions being utilized in the preparation of the actuarial valuations.

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 retirement plans, ERB uses the entry age normal actuarial cost 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 as of June 30, 2017 used in this valuation.

Table 7 of our report shows a reconciliation of the assets from the beginning of the prior year to the valuation date.

Table 8 shows 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 7.75% 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. In accordance with the assumption changes previously discussed, future investment returns will be compared to the investment return assumption of 7.25%.

Note that the actuarial value is currently 100.0% of the market value. The dollar amount of the difference between the actuarial value and market value is the value of the deferred gains, and totals $1.5 million. Over any short time period, a disparity between actuarial value and market value may appear, but over the long term, we would expect the actuarial value and the market value to continue to track each other fairly closely.

Table 9a shows that the investment return rate for FY2017 on market value was 11.8%, while it was 8.2% on the actuarial value of assets. Table 9b shows historical return rates since the current actuarial asset method was adopted.

Finally, Table 11 shows a history of cash flows to the trust, and the net cash flow measured as a percentage of the assets. The net cash flow is slightly negative, 3.0% of market value. A slightly negative cash flow like this is typical for a mature defined benefit plan where the annual investment earnings are expected to finance a large portion of the annual benefit payments.

It should be noted that the actual rate of return on the market value of assets of 11.8% that is stated in this report is based on a simplifying assumption that all contributions and benefit payments occur in the middle of the year. Additionally, this return is calculated net of administrative and investment-related expenses. This methodology is consistent with other procedures incorporated into this actuarial valuation. However, this actual rate of return may differ from the actual rate of return reported by ERB’s investment consultants which are based on more sophisticated methods.

Member Data

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

Tables 6a and 6b summarizes the data for all members. Table 6c is a history of key statistical information about active members, and Table 13 is a history of statistical information about retirees. Table 14 is an age/service distribution of active members and their average pay. Table 15 is a reconciliation that tracks changes in the plan population from last year to this year.

The number of active members decreased since last year, from 60,057 to 59,495.

Total payroll decreased 0.8% since last year. For all comparative purposes, payroll is the amount supplied by the ERB staff (i.e., the 2016-2017 member pay). However, this figure is increased by one year's expected pay increase to determine the member's rate of pay as of July 1, 2017. Pay is assumed to change only at the beginning of a school/fiscal year.

Average pay increased 0.1% since last year. Average pay for members active in both this valuation and the last year's valuation increased 1.9%. 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.

Supporting Exhibits

Supporting Exhibits

Table 1
Actuarial Information

	June 30, 2017 (1)	June 30, 2016 (2)
1. Payroll		
a. Supplied by System (annualized)	$ 2,591,195,672	$ 2,612,044,477
b. Adjusted for one-year's pay increase	2,714,621,555	2,751,008,261
2. Normal cost rate (payable monthly)		
a. Total normal cost rate	13.62%	13.00%
b. Less: member contribution rate	(10.70%)	(10.70%)
c. Employer normal cost rate	2.92%	2.30%
3. Employer normal cost (Item 2c * Item 1b)	$ 79,266,949	$ 63,273,190
4. Actuarial accrued liability for active members		
a. Actuarial present value of future benefits	$ 9,550,619,183	$ 9,146,129,208
b. Less: actuarial present value of future normal cost	(2,478,105,389)	(2,374,520,745)
c. Actuarial accrued liability	$ 7,072,513,794	$ 6,771,608,463
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	$ 12,001,060,252	$ 11,093,020,967
b. Inactive members	797,123,586	671,798,831
c. Active members (Item 4c)	7,072,513,794	6,771,608,463
d. Total	$ 19,870,697,632	$ 18,536,428,261
6. Actuarial value of assets	$ 12,507,831,342	$ 11,905,958,700
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 7,362,866,290	$ 6,630,469,561
8. Amortization payment for next fiscal year		
a. Employer contribution rate	13.90%	13.90%
b. Less: Employer normal cost rate (Item 2c)	(2.92%)	(2.30%)
c. Amortization rate	10.98%	11.60%
d. Amortization contribution (Item 8c * Item 1b)	$ 298,065,447	$ 319,116,958
e. Expected ARP contribution	6,008,537	5,671,949
f. Total	$ 304,073,984	$ 324,788,907
9. Funding period based on current 13.90% employer contribution requirement, with payments increasing at assumed payroll growth rate	124.6 years	44.9 years

Table 2

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	Year Ending June 30, 2017	Year Ending June 30, 2016
(1)	(2)	(3)
1. UAAL at prior valuation	$ 6,630.5	$ 6,542.0
2. Increases/(decreases) due to:		
a. Interest on UAAL	513.9	507.0
b. Amortization payments[1]	(347.2)	(348.9)
c. Liability experience	(135.5)	(54.6)
d. Asset experience	(54.0)	123.3
e. Actual COLA More/(Less) than Expected	(67.9)	(138.3)
f. Changes in actuarial assumptions and methods	823.1	0.0
g. Benefit changes	0.0	0.0
h. Total	$ 732.4	$ 88.5
3. Current UAAL (1+2h)	$ 7,362.9	$ 6,630.5

Note : Dollar amounts in millions

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

Table 3
Actuarial Present Value of Future Benefits

		June 30, 2017 (1)	June 30, 2016 (2)
1.	Active members		
	a. Service retirement benefits	$ 8,749,623,951	$ 8,382,224,220
	b. Refunds and deferred termination benefits	637,499,099	607,362,913
	c. Survivor benefits	83,132,247	80,335,116
	d. Disability retirement benefits	80,363,886	76,206,959
	e. Total	$ 9,550,619,183	$ 9,146,129,208
2.	Retired members		
	a. Service retirement	$ 11,447,657,804	$ 10,572,098,629
	b. Disability retirement	98,265,726	93,236,845
	c. Beneficiaries	455,136,722	427,685,493
	d. Total	$ 12,001,060,252	$ 11,093,020,967
3.	Inactive members		
	a. Vested terminations	$ 627,457,767	$ 524,692,479
	b. Nonvested terminations	163,589,892	147,106,352
	c. Unallocated contributions	6,075,927	N/A
	d. Total	$ 797,123,586	$ 671,798,831
4.	Total actuarial present value of future benefits	$ 22,348,803,021	$ 20,910,949,006

Table 4
Analysis of Normal Cost

		June 30, 2017 (1)	June 30, 2016 (2)
1.	Gross normal cost rate (payable monthly)		
	a. Service retirement benefits	9.44%	8.99%
	b. Refunds and deferred termination benefits	3.92%	3.76%
	c. Disability retirement benefits	0.15%	0.14%
	d. Survivor benefits	0.11%	0.11%
	e. Total	13.62%	13.00%
2.	Less: member contribution rate	(10.70%)	(10.70%)
3.	Employer normal cost rate	2.92%	2.30%

Table 5a
Calculation of Funding Policy Contribution
(For Following Fiscal Year)

	June 30, 2017 (1)	June 30, 2016 (2)
1. Funding period (years)	25	26
2. Amortization contribution percentage		
a. Amortization payment	$ 474,932,980	$ 418,347,772
b. Less: expected payment for ARP members	6,008,537	5,671,949
c. Net (a-b)	$ 468,924,443	$ 412,675,823
d. Expected payroll	2,714,621,555	2,751,008,261
e. Amortization contribution percentage (c/d)	17.27%	15.00%
3. Funding Policy Contribution for Employers		
a. Employer normal cost rate	2.92%	2.30%
b. Amortization percentage	17.27%	15.00%
c. Total	20.19%	17.30%
d. Statutory rate	13.90%	13.90%
e. Funding Policy Contribution (greater of (c,d))	20.19%	17.30%

Table 5b
Actual Contributions as Percentage of Funding Policy Contribution for Year Ending June 30, 2017

1.	Actual employer contributions		
	a. On behalf of active ERB members	$	379,242,317
	b. On behalf of return-to-work retirees		10,767,947
	c. On behalf of ARP members		5,833,531
	d. Total	$	395,843,795
2.	Statutory employer contribution rate		13.90%
3.	Imputed fiscal year payroll for active ERB members (Item 1a / Item 2)	$	2,728,361,993
4.	Funding Policy Contribution for Employers		
	a. Employer's funding policy contribution for active ERB members as percent of payroll		17.30%
	b. Employer's funding policy contribution for active ERB members (Item 4a * Item 3)	$	472,006,625
	c. Funding policy contribution (Item 4b + Item 1c)	$	477,840,156
5.	Percentage of Funding Policy Contribution Received in Prior Year (Item 1d / Item 4c)		82.8%

Table 6a
Active Membership Data

			June 30, 2017	June 30, 2016
			(1)	(2)
1.	Active members			
	Tier 1			
	a.	Number	33,031	36,048
	b.	Total payroll supplied by System (annualized)	$ 1,640,950,717	$ 1,763,520,879
	c.	Average salary	$ 49,679	$ 48,921
	d.	Average age	50.6	50.2
	e.	Average service	15.2	14.6
	Tier 2			
	a.	Number	7,456	8,197
	b.	Total payroll supplied by System (annualized)	$ 305,797,460	$ 323,102,545
	c.	Average salary	$ 41,014	$ 39,417
	d.	Average age	43.9	43.0
	e.	Average service	5.4	4.5
	Tier 3			
	a.	Number	19,008	15,812
	b.	Total payroll supplied by System (annualized)	$ 644,447,495	525,421,052
	c.	Average salary	$ 33,904	33,229
	d.	Average age	40.0	39.5
	e.	Average service	2.0	1.6
	Total			
	a.	Number	59,495	60,057
	b.	Total payroll supplied by System (annualized)	$ 2,591,195,672	$ 2,612,044,476
	c.	Average salary	$ 43,553	$ 43,493
	d.	Average age	46.4	46.4
	e.	Average service	9.8	9.8

Table 6b
Inactive Membership Data

		June 30, 2017 (1)	June 30, 2016 (2)
1.	Vested inactive members (excluding pending refunds)		
	a. Number	10,581	10,219
	b. Total annual deferred benefits	$ 85,121,543	$ 77,908,566
	c. Average annual deferred benefit	$ 8,045	$ 7,624
2.	Nonvested inactive members and vested pending refunds		
	a. Number	36,098	34,009
	b. Employee assessments with interest due	$ 163,589,892	$ 147,106,352
	c. Average refund due	$ 4,532	$ 4,326
3.	Service retirees		
	a. Number	43,282	41,771
	b. Total annual benefits	$ 995,244,176	$ 948,749,922
	c. Average annual benefit	$ 22,994	$ 22,713
4.	Disabled retirees		
	a. Number	840	837
	b. Total annual benefits	$ 8,884,121	$ 8,742,486
	c. Average annual benefit	$ 10,576	$ 10,445
5.	Beneficiaries		
	a. Number	3,218	3,189
	b. Total annual benefits	$ 50,598,425	$ 48,953,890
	c. Average annual benefit	$ 15,724	$ 15,351

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

Table 6c

Historical Summary of Active Member Data

	Active Members		Covered Payroll		Average Salary			
Year Ending June 30,	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	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
2011	61,673	-2.6%	2,524	-2.0%	40,923	0.6%	46.8	10.0
2012	60,855	-1.3%	2,495	-1.1%	41,004	0.2%	47.0	10.0
2013	61,177	0.5%	2,517	0.9%	41,141	0.3%	47.0	9.9
2014	61,173	0.0%	2,539	0.9%	41,503	0.9%	46.6	9.8
2015	60,998	-0.3%	2,610	2.8%	42,793	3.1%	46.5	9.7
2016	60,057	-1.5%	2,612	0.1%	43,493	1.6%	46.4	9.8
2017	59,495	-0.9%	2,591	-0.8%	43,553	0.1%	46.4	9.8

Table 7
Reconciliation of Plan Net Assets

	Year Ending			
	June 30, 2017		June 30, 2016	
	(1)		(2)	
1. Value of assets at beginning of year (Value reported in prior valuation)	$	11,532,837,951	$	11,497,723,115
2. Revenue for the year				
a. Contributions				
i. Member contributions (Including redeposits and service purchases)	$	295,982,532	$	295,946,396
ii. Employer contributions		390,010,264		391,508,413
iii. Employer contributions for ARP members		5,833,531		5,480,144
iv. Total	$	691,826,327	$	692,934,953
b. Net investment income				
i. Investment income	$	1,450,321,215	$	382,073,778
ii. Investment expenses		(103,106,221)		(17,502,655)
iii. Net investment income	$	1,347,214,994	$	364,571,123
c. Total revenue	$	2,039,041,321	$	1,057,506,076
3. Expenditures for the year				
a. Refunds	$	33,344,692	$	39,027,078
b. Benefit payments		1,019,330,496		973,703,652
c. Administrative and miscellaneous expenses		9,848,329		9,660,510
d. Total expenditures	$	1,062,523,517	$	1,022,391,240
4. Increase in net assets (Item 2 - Item 3)	$	976,517,804	$	35,114,836
5. Value of assets at end of year (Item 1 + Item 4)	$	12,509,355,755	$	11,532,837,951

Table 8
Development of Actuarial Value of Assets

				Year Ending June 30, 2017
1.	Market value of assets at beginning of year			$ 11,532,837,951
2.	Net new investments			
	a. Contributions			$ 691,826,327
	b. Benefits and refunds paid			(1,052,675,188)
	c. Subtotal			(360,848,861)
3.	Market value of assets at end of year			$ 12,509,355,755
4.	Net earnings (3-1-2c)			$ 1,337,366,665
5.	Assumed investment return rate			7.75%
6.	Expected return			$ 879,812,048
7.	Excess return (4-6)			$ 457,554,617
8.	Excess return on assets for last four years :			
	Period End (1)	Excess Return (2)	Percent Deferred (3)	Deferred Amount (4)
a.	June 30, 2014	648,346,706	20%	$ 129,669,341
b.	June 30, 2015	(449,815,293)	40%	(179,926,117)
c.	June 30, 2016	(523,770,842)	60%	(314,262,505)
d.	June 30, 2017	457,554,617	80%	366,043,694
				$ 1,524,413
9.	Actuarial value of assets (Item 3 - Item 8)			$ 12,507,831,342
10.	Actuarial value as percentage of market value			100.0%

Table 9a
Estimation of Yields

	Year Ending	
	June 30, 2017	June 30, 2016
	(1)	(2)
A. Market value yield		
1. Beginning of year market assets	$ 11,532,837,951	$ 11,497,723,115
2. Investment income (including realized and unrealized gains and losses)	$ 1,337,366,665	$ 354,910,613
3. End of year market assets	$ 12,509,355,755	$ 11,532,837,951
4. Estimated dollar weighted market value yield	11.8%	3.1%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 11,905,958,700	$ 11,472,378,929
2. Actuarial return	$ 962,721,503	$ 753,375,548
3. End of year actuarial assets	$ 12,507,831,342	$ 11,905,958,700
4. Estimated actuarial value yield	8.2%	6.7%

Table 9b

History of Investment Return Rates

Plan Year Ending June 30 of (1)	Market (2)	Actuarial (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%
2011	19.0%	4.2%
2012	1.6%	2.2%
2013	10.8%	5.6%
2014	14.2%	12.0%
2015	3.7%	9.7%
2016	3.1%	6.7%
2017	11.8%	8.2%
Average Returns (all returns net of administrative and investment-related expenses)		
Last 5 years	8.6%	8.4%
Last 10 years	5.2%	6.2%
Last 15 years	7.2%	5.4%
Last 20 years	6.4%	7.0%

Table 10a
Investment Experience Gain or Loss

Item	Year Ending June 30, 2017	Year Ending June 30, 2016
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 11,905,958,700	$ 11,472,378,929
2. Total contributions during year	$ 691,826,327	$ 692,934,953
3. Benefits and refunds paid	$ (1,052,675,188)	$ (1,012,730,730)
4. Assumed net investment income		
a. Beginning of year assets	$ 922,711,799	$ 889,109,367
b. Contributions	26,808,270	26,851,229
c. Benefits and refunds paid	(40,791,164)	(39,243,316)
d. Total	$ 908,728,905	$ 876,717,280
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	$ 12,453,838,744	$ 12,029,300,432
6. Actual actuarial assets, end of year	$ 12,507,831,342	$ 11,905,958,700
7. Asset gain (loss) for year (Item 6 - Item 5)	$ 53,992,598	$ (123,341,732)

Table 10b
Total Experience Gain or Loss

Item	Year Ending June 30, 2017	Year Ending June 30, 2016
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 6,630,469,561	$ 6,542,046,073
2. Normal cost for the previous year	$ 357,631,074	$ 356,873,760
3. Less: contributions for the year	$ (691,826,327)	$ (692,934,953)
4. Interest at 7.75 %		
a. On UAAL	$ 513,861,391	$ 507,008,571
b. On normal cost	13,858,204	13,828,858
c. On contributions	(26,808,270)	(26,851,229)
d. Total	$ 500,911,325	$ 493,986,200
5. Expected UAAL (Sum of Items 1 - 4)	$ 6,797,185,633	$ 6,699,971,080
6. Actual UAAL	$ 7,362,866,290	$ 6,630,469,561
7. Total gain (loss) for the year (Item 5 - Item 6)	$ (565,680,657)	$ 69,501,519
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ 53,992,598	$ (123,341,732)
9. Liability experience gain (loss) for the year	$ 135,517,910	$ 54,592,774
10. Actual COLA (More) Less than Expected	$ 67,954,426	$ 138,250,477
11. Assumption change	$ (823,145,591)	$ 0
12. Benefit change	$ 0	$ 0
13. Total	$ (565,680,657)	$ 69,501,519

Table 11

History of Cash Flow

Year Ending June 30,	Contributions[1]	Expenditures: Benefit Payments	Expenditures: Refunds	Expenditures: Administrative Expenses	Expenditures: Total	External Cash Flow for the Year[2]	Market Value of Assets	External Cash Flow as Percen[t] of Market Valu[e]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001	315.2	(340.6)	(36.6)	(3.5)	(380.7)	(65.5)	6,667.0	-1.0%
2002	328.6	(367.5)	(28.5)	(5.8)	(401.8)	(73.2)	6,011.2	-1.2%
2003	337.9	(396.1)	(28.3)	(4.3)	(428.7)	(90.8)	6,083.4	-1.5%
2004	355.6	(422.4)	(26.4)	(2.6)	(451.4)	(95.8)	6,911.5	-1.4%
2005	371.0	(455.0)	(27.2)	(5.3)	(487.5)	(116.5)	7,451.1	-1.6%
2006	408.5	(494.1)	(28.3)	(5.2)	(527.6)	(119.1)	8,219.3	-1.4%
2007	449.5	(540.1)	(27.5)	(5.6)	(573.2)	(123.7)	9,455.8	-1.3%
2008	496.2	(578.8)	(29.5)	(6.1)	(614.4)	(118.2)	8,770.0	-1.3%
2009	538.8	(617.7)	(29.7)	(8.7)	(656.1)	(117.3)	7,113.7	-1.6%
2010	566.8	(656.2)	(28.8)	(11.5)	(696.5)	(129.7)	8,232.5	-1.6%
2011	559.0	(701.8)	(35.1)	(11.4)	(748.3)	(189.3)	9,588.6	-2.0%
2012	545.6	(754.6)	(40.6)	(12.0)	(807.2)	(261.6)	9,489.0	-2.8%
2013	550.2	(811.7)	(41.7)	(11.0)	(864.4)	(314.2)	10,191.7	-3.1%
2014	634.0	(868.3)	(38.9)	(16.6)	(923.8)	(289.8)	11,346.1	-2.6%
2015	689.7	(920.8)	(36.4)	(10.6)	(967.8)	(278.1)	11,497.7	-2.4%
2016	692.9	(973.7)	(39.0)	(9.7)	(1,022.4)	(329.5)	11,532.8	-2.9%
2017	691.8	(1,019.4)	(33.3)	(9.8)	(1,062.5)	(370.7)	12,509.4	-3.0%

Amounts in $ millions

[1] Column (2) includes employee and employer contributions, as well as employer contributions for ARP members.

[2] Column (7) = Column (2) + Column (6).

Table 12

Solvency Test

	Actuarial Liability For					Cumulative portion of AAL covered		
Year Ending June 30,	Total Active Member Contributions	Retirees and Beneficiaries	Active and Inactive Members (Employer Financed)	Total Actuarial Liability (AAL)	Actuarial Value of Assets	Total Active Member Contributions	Retirees and Beneficiaries	Active and Inactive Members (Employer Financed)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2008	$ 2,154,807,869	$ 6,201,234,033	$ 4,610,953,228	$ 12,966,995,130	$ 9,272,828,135	100%	115%	0%
2009	2,298,505,189	6,606,725,003	4,978,042,890	13,883,273,082	9,366,271,312	100%	107%	0%
2010	2,434,760,057	6,933,427,044	4,985,322,322	14,353,509,423	9,431,321,589	100%	101%	0%
2011	2,189,058,132	7,726,559,891	5,377,454,401	15,293,072,424	9,642,229,673	100%	96%	0%
2012	2,304,519,473	8,338,284,890	5,194,168,167	15,836,972,530	9,606,304,017	100%	88%	0%
2013	2,381,795,094	9,285,395,005	4,695,089,104	16,362,279,203	9,828,547,715	100%	80%	0%
2014	2,456,349,658	9,828,072,718	4,686,899,356	16,971,321,732	10,714,996,256	100%	84%	0%
2015	2,541,087,642	10,621,041,144	4,852,296,216	18,014,425,002	11,472,378,929	100%	84%	0%
2016	2,618,651,735	11,093,020,967	4,824,755,559	18,536,428,261	11,905,958,700	100%	84%	0%
2017	2,690,665,840	12,001,060,252	5,178,971,540	19,870,697,632	12,507,831,342	100%	82%	0%

A solvency test is one way of evaluating a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with:

1. The liabilities for active member accumulated contributions on deposit;
2. The liabilities for future benefits to present retirees and beneficiaries; and
3. The liabilities for service already rendered by active and inactive members.

In a system that has been following an actuarially determined financing principle, the liabilities for active member contributions on deposit (column 2) and the liabilities for future benefits to present retirees (column 3) should be fully covered by present assets. In addition, the additional liabilities for service already rendered by active members (column 4) should be partially covered by the remainder of present assets. Generally, if the system has been using actuarially determined financing, the funded portion of the liability will increase over time.

Table 13

Historical Retired Participants' Data

Year Ending June 30,	Number	Average Monthly
(1)	(2)	(3)
1984	8,462	$ 430
1986	10,004	512
1988	11,375	663
1990	12,741	767
1992	14,107	846
1993	15,001	890
1994	15,814	966
1995	16,593	976
1996	17,381	1,011
1997	18,317	1,055
1998	19,244	1,104
1999	20,109	1,139
2000	21,186	1,228
2001	22,191	1,274
2002	23,052	1,315
2003	24,085	1,376
2004	24,947	1,420
2005	26,100	1,466
2006	28,539	1,472
2007	29,969	1,523
2008	31,192	1,566
2009	32,496	1,607
2010	33,747	1,628
2011	35,457	1,669
2012	37,336	1,714
2013	40,310	1,767
2014	42,246	1,790
2015	44,043	1,819
2016	45,797	1,831
2017	47,340	1,857

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

Table 14
Distribution of Active Members by Age and by Years of Service
As of June 30, 2017

	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Attained Age	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 25	530	573	230	78	32	9	0	0	0	0	0	0	1,452
	$16,979	$23,762	$22,166	$19,718	$20,173	$21,545	$0	$0	$0	$0	$0	$0	$20,723
25-29	558	1,060	896	713	464	501	8	0	0	0	0	0	4,200
	$26,494	$30,015	$30,967	$32,531	$36,804	$36,387	$32,113	$0	$0	$0	$0	$0	$31,692
30-34	447	895	742	675	602	1,827	453	5	0	0	0	0	5,646
	$30,509	$31,743	$32,831	$34,541	$37,102	$43,379	$42,616	$32,516	$0	$0	$0	$0	$37,332
35-39	386	796	732	619	543	1,822	1,619	337	3	0	0	0	6,857
	$30,836	$35,459	$36,214	$39,073	$43,922	$44,507	$50,072	$49,236	$40,777	$0	$0	$0	$42,810
40-44	308	591	563	507	471	1,704	1,626	1,466	242	2	0	0	7,480
	$27,914	$35,081	$37,308	$37,988	$40,128	$47,142	$49,309	$55,345	$54,683	$48,520	$0	$0	$45,918
45-49	261	594	533	477	439	1,629	1,736	1,552	1,152	121	1	0	8,495
	$34,976	$34,004	$36,452	$37,758	$37,477	$43,850	$48,578	$53,093	$57,520	$57,919	$39,543	$0	$46,462
50-54	214	489	448	424	363	1,466	1,639	1,519	1,249	518	63	1	8,393
	$28,216	$33,965	$36,143	$35,466	$39,398	$43,497	$45,077	$48,224	$54,521	$60,853	$59,546	$55,386	$45,574
55-59	178	434	396	348	329	1,310	1,593	1,590	1,213	572	235	35	8,233
	$33,979	$34,157	$36,226	$39,743	$40,095	$45,460	$43,766	$47,297	$51,977	$61,452	$64,188	$53,607	$46,383
60-64	118	242	277	279	214	1,037	1,141	976	736	448	214	122	5,804
	$30,348	$38,261	$34,063	$38,132	$44,139	$47,402	$44,036	$46,705	$53,142	$64,007	$77,014	$66,266	$48,191
65 & Over	84	156	197	176	149	568	507	388	270	220	112	108	2,935
	$33,342	$35,013	$32,720	$34,666	$39,183	$42,474	$45,605	$49,265	$53,205	$65,573	$85,578	$93,094	$48,191
Total	3,084	5,830	5,014	4,296	3,606	11,873	10,322	7,833	4,865	1,881	625	266	59,495
	$27,729	$32,445	$34,018	$36,106	$39,389	$44,397	$46,707	$50,229	$54,315	$62,137	$71,905	$75,452	$43,553

Table 15

Reconciliation of Members by Status for Year Ending June 30, 2017

		Inactive, Nonretired Members		Annuitants			
	Active Members	Vested	Nonvested	Service Retirees	Disabled Retirees	Beneficiaries	Grand Total
Number at beginning of year	60,057	10,219	34,009	41,771	837	3,189	150,082
Refund paid (non-death)	(1,332)	(372)	(1,914)				(3,618)
Refund due	(3,621)		3,621				0
Vested terminations	(1,792)	1,792					0
Retirements (nondisabled)	(1,941)	(409)	(31)	2,381			0
Disabled retirements	(24)	(11)			35		0
New Alternate Payee resulting from QDRO				53			53
Death before retirement - refund	(15)						(15)
Death before retirement - annuity	(16)					16	0
Death of annuitant - survivor benefit due				(187)	(10)	197	0
Death of annuitant - no further benefits due				(708)	(22)	(184)	(914)
New hires	6,258	33	1,635				7,926
Reemployments	1,921	(704)	(1,209)	(8)			0
Adjustments and corrections		33	(13)	(20)			0
Number at end of year	59,495	10,581	36,098	43,282	840	3,218	153,514

Table 16

Schedule of Retirees & Beneficiaries Added to/and Removed from Rolls

Year Ending June 30,	Added to Rolls: Number	Added to Rolls: Annual Allowances*	Removed from Rolls: Number	Removed from Rolls: Annual Allowances	Rolls - End of Year: Number	Rolls - End of Year: Annual Allowances	% Increase/ Decrease in Annual Allowances	Average Annual Benefit
(1)	(2)		(3)		(4)		(5)	
2012	2,768	$ 72,218,345	889	$ 14,359,797	37,336	$ 768,140,575		$ 20,574
2013	3,855	102,030,450	881	15,541,594	40,310	854,629,431	11.3%	21,201
2014	2,913	69,897,967	977	16,901,682	42,246	907,625,716	6.2%	21,484
2015	2,861	72,123,070	1,064	18,187,814	44,043	961,560,972	5.9%	21,832
2016	2,879	65,686,730	1,125	20,801,404	45,797	1,006,446,298	4.7%	21,976
2017	2,682	68,362,756	1,139	20,082,332	47,340	1,054,726,722	4.8%	22,280

* The Annual Allowances added to the rolls in each year include the COLA granted to all retirees for the year. As a result, the Annual Allowances added to the rolls do not necessarily correspond to the number of retirees and beneficiaries added to the rolls in the same

Summary of Plan Provisions

Summary of Plan Provisions

1. Effective Date: July 1, 1957

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

3. Administration: The Educational Retirement Board of New Mexico (ERB) is responsible for administration of the plan and investment of plan assets.

4. Type of Plan: ERB 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 those employed and working more than 0.25 of a full-time equivalent (FTE) at public and state schools in New Mexico, including public colleges, universities, public technical and vocational institutions participate in ERB. Employees at regional education cooperatives and the New Mexico Activities Association participate in ERB. In addition, employees at certain state agencies that provide an educational program also participate if the employee filling a position is required to be a certified educator. Their participation is a condition of employment. However, see the section on the Alternative Retirement Plan below for an exception. Moreover, employees of ERB, the Public Education Department, certain State agencies, School for the Visually Handicapped, and School for the Deaf can choose to be ERB members upon hire.

6. Member Contributions: Members must contribute a percentage of their salary to ERB. "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. Member contributions are paid directly by employers so member contributions are considered "pre-tax" for federal income tax treatment.

Fiscal Year Ended	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*	11.150%
FY 2013*	9.400%
FY 2014*	10.100%
FY 2015 and later*	10.700%

* *For members whose annual salary is greater than $20,000. Members with annual salary of $20,000 or less will continue to contribute 7.90%.*

7. Employer Contributions: The school district or other local administrative unit which employs a member contributes a percentage of the member's salary to ERB. "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 Ended	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*	9.15%
FY 2013*	10.90%
FY 2014	13.15%
FY 2015 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 contributed 12.40% in FYE2010 through FYE2013.*

8. <u>Service</u>: Employees receive credit for each calendar quarter in which they are contributing members. Credit is also granted for service prior to ERB's effective date, and certain military service. Allowed service credit may also be purchased for specific types of prior employment, including military service, teaching in another state, or teaching for an accredited private school or higher learning institution in New Mexico.

9. <u>Tier</u>: Members who join ERB by June 30, 2010 are in Tier 1, members who join between July 1, 2010 and June 30, 2013 are in Tier 2, and members who join later are in Tier 3. Members who terminated, took a refund, later rejoined ERB, and repaid their refund to ERB prior to June 30, 2013 were allowed to rejoin their prior tier. Otherwise, members that take a refund and later rejoin ERB will be eligible for Tier 3 benefits.

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

11. <u>Normal Retirement</u>

    a. <u>Eligibility</u>:

    - 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, provided the member is at least age 60.

- Tier 2 and Tier 3 members 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, provided the member is at least age 65.

b. Monthly Benefit: 2.35% of FAC (monthly) times years of service. Tier 3 members who retire with 30 years of service and prior to attaining age 55 shall have their benefits reduced to an amount equal to the actuarial equivalent of the benefit the member would receive if the member had retired at age 55.

c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if 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 and Tier 3 members may take early retirement once the sum of his/her age and service equals or exceeds 80.

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

c. Early Retirement Factors:

Tier 1		Tier 2 and Tier 3	
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

The reduction for Tier 1 members is from age 60 and the reduction for Tier 2 and Tier 3 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 Tier 3), and 7.2% for any additional years before the indicated age.

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 of Trustees.

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 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 payment are available.

14. Vested Termination Benefit

a. Eligibility: A member with at least five (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. Alternatively, 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 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 five (5) years of service for a reason other than the member's death. Alternatively, 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 (5) 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.

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 joint annuitant are alive. If the joint annuitant predeceases the member, then the member's benefit amount reverts to the regular life annuity amount.

    b. Option C – A Joint and 50% Survivor annuity with a "pop-up" feature. The regular life annuity amount 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, then the member's benefit amount reverts to the regular life annuity amount.

18. Cost-of-Living Increase: All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as ½ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, 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.

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

Summary of Actuarial Methods and Assumptions

(Adopted by the Board of Trustees on April 21,2017)

Summary of Actuarial Assumptions and Methods

Adopted by the Board of Trustees on April 21, 2017

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 employees and for the employers. The funding period is determined, as described below, using the Individual Entry Age Normal actuarial cost method.

The Individual 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. Then 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 contribution is determined using the Entry Age Normal method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. The salary-weighted average of these rates is the normal cost rate. This calculation reflects the plan provisions that apply to each individual member. The employer normal cost rate is equal to (i) the normal cost rate, minus (ii) the member contribution rate.

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 liability remains level as a percentage of total payroll, which is assumed to grow 3.00% 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 contributions are made monthly at the end of the month.

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: 7.25%, compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.

2. Salary increase rate: Inflation rate of 2.50% plus productivity increase rate of 0.75% plus step-rate/promotional as shown:

Years of Service	Annual Step-Rate/Promotional Component Rates of Increase	Total Annual Rate of Increase
0	8.75%	12.00%
1	3.00%	6.25%
2	2.00%	5.25%
3	1.50%	4.75%
4	1.25%	4.50%
5	1.00%	4.25%
6	0.75%	4.00%
7	0.50%	3.75%
8	0.50%	3.75%
9	0.50%	3.75%
10 or more	0.00%	3.25%

3. Cost-of-living increases: 1.90% per year, compounded annually. Note that increases are deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.

4. Payroll growth: 3.00% per year (with no allowance for membership growth)

5. Contribution accumulation: The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

B. Demographic Assumptions

1. Mortality after termination or retirement -

   a. Healthy males – RP-2000 Combined Healthy mortality table for males with White Collar Adjustments, no set back. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000

   b. Healthy females – GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012

   c. Disabled males – RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB

   d. Disabled females – RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB

   Mortality Improvement: The nondisabled annuity mortality assumption includes an explicit generational mortality improvement assumption. To account for future mortality improvement for disabled annuitants, the tables and table multipliers selected above were chosen so that the assumed mortality rates are slightly smaller than the rates observed in the last experience study, covering experience for FY 2009 – FY 2014. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was 103% for disabled male annuitants and 108% for disabled female annuitants.

2. Mortality rates of active members – RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.

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

Age	Occurrence of Disability per 100 Members: Males	Females
25	.007	.010
30	.007	.020
35	.042	.050
40	.091	.080
45	.133	.120
50	.168	.168
55	.182	.168

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

Retirement Per 100 Members

	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	15.00
50	0.00	0.00	0.00	0.00	0.00	18.00
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	30.00	30.00	30.00	30.00
65	0.00	40.00	35.00	30.00	30.00	30.00
67	0.00	25.00	25.00	25.00	30.00	30.00
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	15.00
50	0.00	0.00	0.00	0.00	0.00	18.00
55	0.00	0.00	0.00	0.00	6.00	23.00
60	0.00	0.00	0.00	20.00	15.00	25.00
62	0.00	0.00	40.00	30.00	30.00	35.00
65	0.00	35.00	40.00	40.00	40.00	40.00
67	0.00	25.00	25.00	25.00	30.00	30.00
70	100.00	100.00	100.00	100.00	100.00	100.00

The retirement assumption was further modified for members who joined after June 30, 2010. The probability of retirement upon first eligibility for Normal Retirement reflects the accumulated probability of retirement from the first eligibility for members who joined ERB by June 30, 2010 (generally, 25 years of service or Rule of 75) to their actual first eligibility for Normal Retirement (generally, 30 years of service or Rule of 80).

Early Retirement Per 100 Members – Members joined after June 30, 2010

	Years of Service					
	Males			Females		
Age	15-19	20-24	25-29	15-19	20-24	25-29
55			5.00			6.00
60		20.00	20.00		15.00	15.00
62	30.00	30.00	30.00	30.00	30.00	30.00
65	30.00	30.00	30.00	40.00	40.00	40.00

5. Termination (for causes other than death, disability or retirement):

Completed Service	Terminations per 100 Members	
	Males	Females
0	43.4	31.4
1	28.1	23.8
2	19.6	17.2
3	14.3	13.5
4	11.9	10.6
5	10.0	9.8
6	9.1	8.6
7	7.3	7.2
8	6.1	6.3
9	5.7	5.5
10	5.2	5.0
11	4.2	4.7
12	4.0	4.2
13	3.4	3.6
14	3.4	3.5
15	3.1	3.3
16	2.2	2.3
17	2.3	2.7
18	2.3	2.1
19 and over	0.0	0.0

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

C. <u>Other Assumptions</u>

1. Age difference: Males are assumed to be three years older than females. 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. Investment and 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 on an electronic file 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 included 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.

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.

Glossary

Glossary

1. **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.

2. **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.

3. **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 Funding Policy Contribution.

4. **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.

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

6. **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:

   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.

7. **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.

8. **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, such as the funded ratio and the Funding Policy Contribution.

9. **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 Funding Policy Contribution.

10. **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.

11. **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.

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

13. **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.

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

15. **Defined Benefit Plan**: An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on the

employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit.

16. **Defined Contribution Plan**: An employer-sponsored 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. The ARP is a defined contribution plan.

17. **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.

18. **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.

19. **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.

20. **Funding Period or Amortization Period**: The term "Funding Period" is used in two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the Funding Policy Contribution. This funding period is chosen by the Board of Trustees as part of the funding policy. 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.

21. **Funding Policy Contribution**: The employer's contribution rate determined in accordance with the funding policy established by the Board of Trustees. The Funding Policy Contribution consists of the Employer Normal Cost and the Amortization Payment. This contribution amount is sometimes referred to as the Annual Required Contribution (ARC) or Actuarially Determined Employer Contribution (ADEC).

22. **GASB**: Governmental Accounting Standards Board.

23. **GASB 67 and GASB 68**: Governmental Accounting Standards Board Statements No. 67 and No. 68. 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. 67 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 68 sets the rules for the systems themselves.

24. **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.

25. **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.

26. **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.

27. **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.

INVESTMENT SECTION

Report on Investment Activities

STATE OF NEW MEXICO

Educational Retirement Board

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June 30, 2017

**To the Trustees and Members of the
New Mexico Educational Retirement Board:**

For Fiscal Year 2017 (FY17), the NMERB investment portfolio posted a net of fee return of 12.0%, for annual investment gains of approximately $1.36 billion. The result for the year exceeded the Fund's actuarially required annual return assumption of 7.25% and resulted in a new high in assets of $12.3 billion.

Meeting or exceeding the 7.25% annual hurdle is THE most important measure of our investment performance. Thus, 2017 was a most successful year. Nonetheless, we do also use other measures to gauge our performance on a relative basis. For the year, the actual portfolio return of 12.0% fell slightly short of the Fund's policy index return of 12.1%. On another measure, the Fund's investment performance ranked in the 69th percentile (which means we were below the median) of NMERB's peer group of U.S. public pension funds with assets of $1 billion or more, as measured by the InvestorForce database. While these measures are less than we would prefer for the year, the opposite is true for the longer periods of time we measure. For the 3, 5, 10, 15, 20, and 30-year periods, our actual returns exceeded the policy return in all periods longer than a year. Likewise, on the peer group measure, our portfolio is above the median return (50th percentile) in all periods longer than a year. The details of this may be found on page 21 of the Quarterly Investment Performance Report on our website: http://nmerb.org/pdfs/Q2%202017%20NMERB%20IPA.pdf The report is the source document for the data referenced in this letter.

As we have noted in past years, our allocation plan is designed to result in a lower volatility of returns than the historical NMERB portfolio and the average public pension fund. This means we expect to lag those other funds somewhat when equity markets move up sharply. We also expect to exceed the returns on those same funds when the equity markets have very small gains or losses. In short, we are seeking to mute the extreme differences in returns from one quarter or one year to the next. This philosophy has contributed positively to our results in previous fiscal years and has contributed positively to our longer-term comparative performance.

In terms of major market index returns, FY17 was one in which equity markets did move up sharply. The S&P 500 index returned a substantial 17.9% for the fiscal year. Smaller capitalization stocks as measured by the Russell 2000 index did even better, returning 24.6%. Foreign stocks also produced outstanding results. The Europe, Australasia and Far East (EAFE) index for developed foreign equity markets gained 20.3%, while the MSCI Emerging Markets Equity index gained 23.7%. In the fixed income sector, returns were mixed. The Barclays Capital Aggregate index representing the U.S. investment grade bond market posted a negative return of -.3%. In the high yield bond space, the Barclays US High Yield index returned a positive 12.7%. NMERB's fixed income portfolio is a combination of managers operating in markets related to those two indices, as well as a small exposure to Emerging Market debt. In a reflection of that mix, our fixed income portfolio generated a positive return of 7.6%.

Alternative investments provided the best positive returns for the year, with the exception of Risk Parity. The following table illustrates the results of the various categories of alternative investments:

Private Real Estate	12.3%
Private Equity	16.9%
Real Assets	8.7%
Risk Parity	4.4%
GTAA	9.7%

While the overall results for the year were very good, one should not place a great deal of significance on the results in any single year. The required return assumption is intended to be a target that is met on average over a number of years. Thus, longer term results over multiple years are of much greater significance in gauging the contribution of the NMERB investment portfolio to the Fund's long-term sustainability. For these periods, our results are as follows:

3 years:	6.1%
5 years:	8.7%
10 years:	5.2%
Since Inception of performance reporting: (July 1983)	9.1%

Further details regarding investments are contained within the remainder of this report. You may also refer to our website for additional details on investment performance: http://www.nmerb.org/Investments.html

While we can tell you about past results in great detail, we can say little with certainty about the future. This we can say with certainty, however: Your NMERB Board of Trustees and staff are working to attain the best results possible in an uncertain and challenging environment.

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, 2017. Performance shown for periods longer than one year has been annualized.

Sincerely,

Bob Jacksha
Chief Investment Officer

Investment Objectives

Recognizing NMERB's fiduciary responsibilities to the pension plan and long-term nature of the pension fund, assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. NMERB's Investment Division seeks to diversify investment assets to both enhance returns and control risk. Over the long term, the fund's objective is to earn the actuarial rate of return of 7.25%.

The strategy used within the equity investment program is to build a diversified portfolio of stocks. This includes large and small capitalization domestic stocks, as well as international equities. Large capitalization domestic stocks are managed in an S&P 500 index strategy. This portfolio replicates all of the holdings in the index. A portfolio of REIT (real estate investment trusts) provides exposure to real estate through an equity vehicle. A portion of this exposure is obtained through an index portfolio based on the Wilshire REIT index.

Investment grade fixed income securities are actively managed by internal managers. The investment grade securities include U.S. Treasury and agency, corporate, and asset backed securities. Additional diversification is achieved through investments in an opportunistic credit allocation which incorporates high yield debt and other credit strategies in both domestic and foreign debt. The fund also has investments in other alternative investment sectors to further diversify risks. These include investments in private equity, private real estate, absolute return strategies, global tactical asset allocation, risk parity and real assets in the form of infrastructure, mining and mineral, agriculture, timber, water, and energy assets.

Investment Process

NMERB is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act, Section 45-7-601 NMSA 1978. Key guidelines are to:

- Set a higher standard of care and prudence for investments, above and beyond the previous standard guiding principles of law;
- Apply to the trust as a whole, rather than individual investments;
- Require investment strategy to be based on suitable risk and reward strategies; and
- Require diversification unless the trustees reasonably determine it is not in the best interest of the Fund.

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

The Board of Trustees (Trustees) relies on the Investment Committee to monitor the activities of the Investment Division. The Investment Committee is composed of four (4) Trustees elected by the Board. The Chief Investment Officer, within the parameters of state statute and investment policies established by the Trustees, uses both external and internal managers to implement NMERB's investment goals and objectives.

Investment Asset Allocation Policy

Asset allocation is the greatest determinant of Fund performance. The Investment Committee uses the target asset allocation plan approved by NMERB's Trustees to carry out its responsibilities in conjunction with analyses of the Fund's long-term liabilities. The latest analysis can be found at http://www.nmerb.org/asset_allocation.html. The Investment Committee and NMERB staff regularly monitor the position of the Fund relative to the target allocations, periodically rebalancing among classes to maintain prescribed relationships. The Investment Committee reviews NMERB's investment policies annually with respect to target allocation guidelines. NMERB's Investment Policy Statement is available on NMERB's website at http://www.nmerb.org/investment_policies.html.

The following schedule shows the asset allocation on June 30, 2017 compared to the current asset allocation policy adopted on August 26, 2016, and to the prior asset allocation policy. All asset classes were within policy range as of June 30, 2017.

Schedule of Asset Allocation Versus Policy Targets

		Policy Target	
	Allocation	After 8/26/2016	Prior to 8/26/2016
Equities			
Domestic Equities			
Large cap equities	16%	16%	18%
Small-mid cap equities	2%	3%	2%
Total domestic equities	19%	19%	20%
International Equities			
Developed	5%	5%	5%
Emerging markets	10%	9%	10%
Total international equities	15%	14%	15%
Fixed Income			
Core fixed income	8%	6%	6%
Opportunistic Credit	19%	18%	20%
Emerging markets Debt	2%	2%	2%
Total fixed income	29%	26%	28%
Alternatives			
Global asset allocation	5%	4%	5%
Risk parity	5%	3%	5%
Real Estate/REITS	3%	7%	7%
Private equity	11%	13%	11%
Real Assets	6%	8%	8%
Other	4%	5%	0%
Total alternatives	35%	40%	36%
Cash	3%	1%	1%
Total	100%	100%	100%

Investment Performance

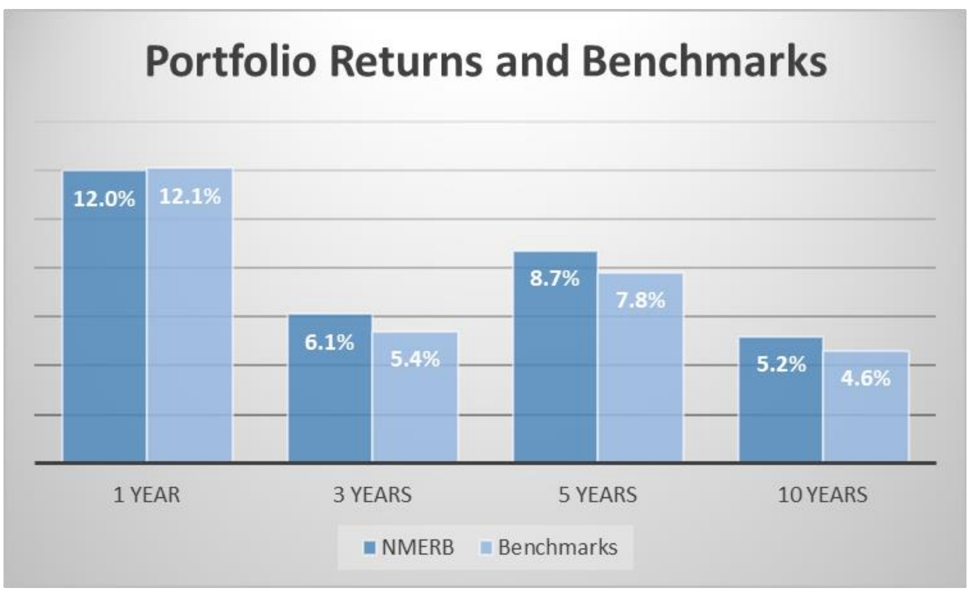
The investment performance shown in the schedules and chart below is based on time weighted rates of return calculated using the market value of assets as of June 30, 2017. Performance shown for periods longer than one year has been annualized.

Over the past five years, the Fund returned 8.7 per annum, outperforming the policy index by 90 basis points and ranking in the 49th percentile of the InvestorForce Public Funds > $1 Billion universe. Over the past three years, the Fund returned 6.1% per annum, outperforming the policy index by 70 basis points and ranking in the 9th percentile of its peers, resulting in a three-year Sharpe Ratio of 1.8, which ranks in the top 6th percentile. For the year ending June 30, 2017, the Fund returned 12.0%, underperforming the policy index by 10 basis points and ranking in the 69th percentile of its peers. The following table provides a summary of total fund performance, net of fees.

Fund Performance Summary (Net of Fees) at June 30, 2017

1 Year	3 Year	5 Year	10 Year	15 Year	20 year	30 Year
12.0%	6.1%	8.7%	5.2%	7.3%	6.4%	8.6%

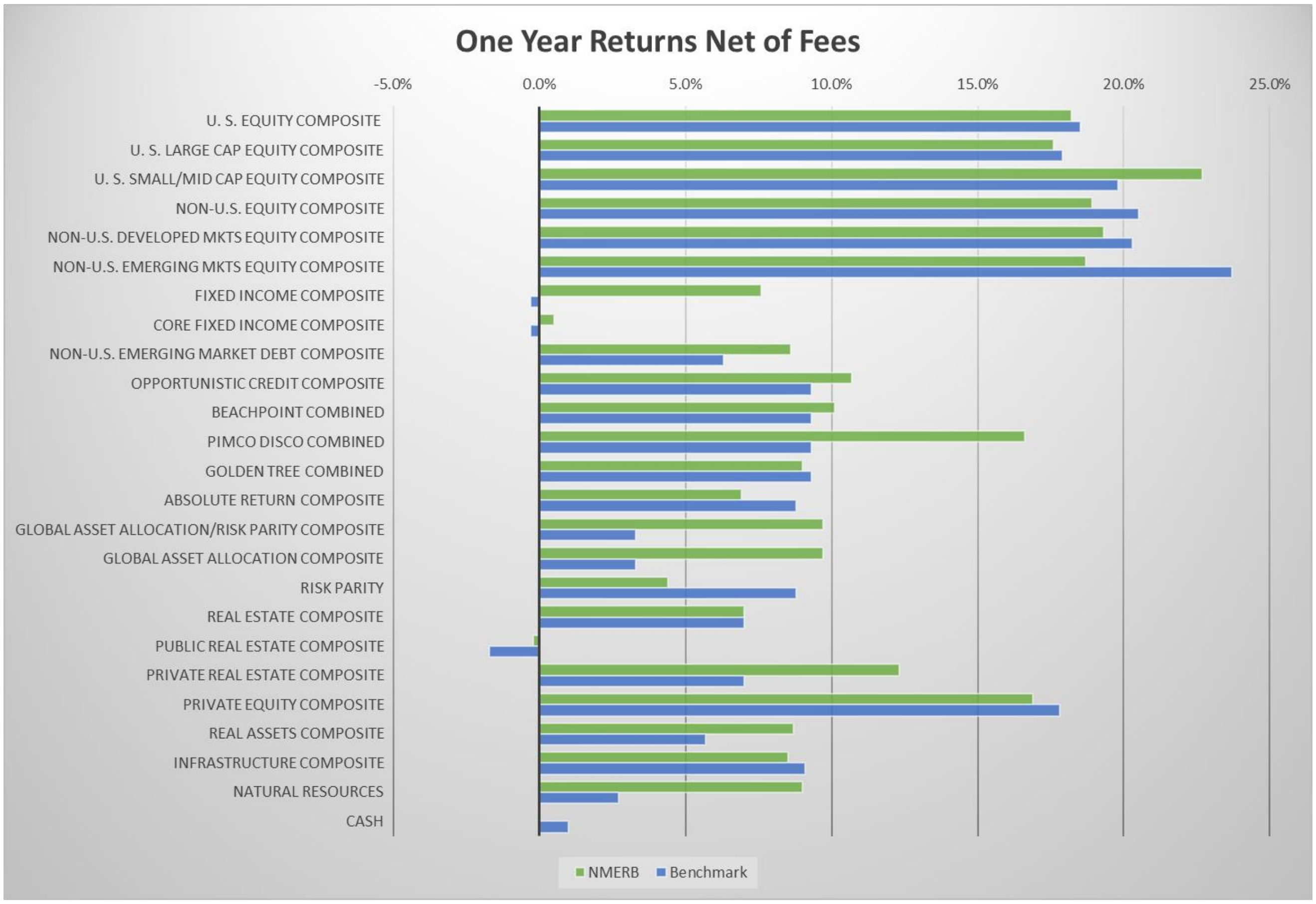
The following two charts show the investment return of NMERB versus benchmarks as of June 30, 2017.



Benchmarks: Policy Index

One-Year Returns Net of Fees

The chart below compares benchmarks to actual returns by asset type. Detailed performance figures can be found on the NMERB website at https://www.nmerb.org/Investments.html .



Investment Portfolio Summary

The schedules below show investments held by NMERB's agent in NMERB's name as of June 30, 2017 and 2016.

Investment Portfolio Summary

	2017	2016
Cash and short-term investments	$ 433,889,057	226,259,296
Investments, fair value	11,908,457,915	11,304,599,226
Total	$ 12,342,346,972	11,530,858,522

Schedule of Investments by Asset Class

Schedule of Investments by Asset Class

Investments at fair value	2017	% of Total	2016	% of Total
Other investments	$ 2,568,413,956	21.57%	3,362,868,898	29.75%
Domestic stocks	3,255,455,858	27.34%	3,145,341,943	27.82%
International stocks	1,966,150,070	16.51%	1,797,696,501	15.90%
Private equity	1,442,384,249	12.11%	1,200,163,791	10.62%
U. S. government and agency securities	579,416,756	4.87%	577,345,485	5.11%
Private real estate	1,303,439,962	10.95%	469,007,216	4.15%
Domestic corporate bonds	332,702,981	2.79%	291,669,042	2.58%
Hedge funds funds	277,492,425	2.33%	255,831,752	2.26%
Non-U.S. government bonds	107,174,616	0.90%	90,054,353	0.80%
Non-U.S. corporate bonds	61,808,574	0.52%	77,919,515	0.69%
Domestic asset and mortgage-backed securities	14,018,468	0.12%	36,700,730	0.32%
Total	$ 11,908,457,915	100.00%	11,304,599,226	100.00%

Total Fund Performance Detail

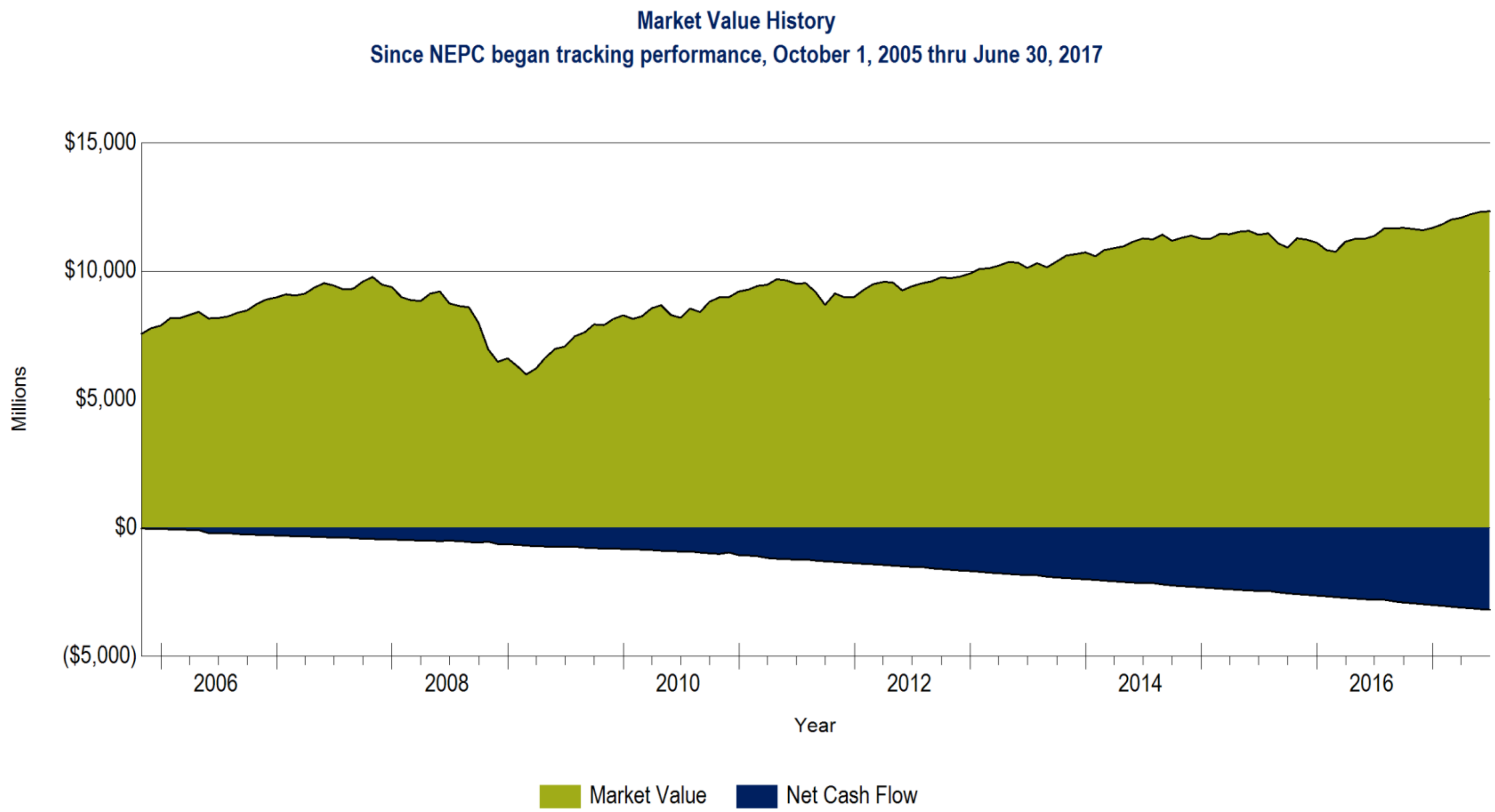
Schedule of Investment Results (Net of Fees)
For the Year Ending June 30, 2017

	Market Value	Percentage of Portfolio	Investment Results (%)					
			1 Year	3 Years	5 Years	10 Years	Return	Since
U. S. Equity Composite	**$ 2,306,612,638**	**18.7**	**18.2**	**9.3**	**14.6**	**7.0**	**11.2**	**Jan-85**
U.S. Large Cap Equity Composite	2,009,687,198	16.3	17.6	9.6	14.6	7.0	6.0	Aug-99
U.S. Small/Mid Cap Equity Composite	296,925,440	2.4	22.7	7.2	14.6	6.6	7.3	Aug-99
Non-U.S. Equity Composite	**1,798,724,123**	**14.6**	**18.9**	**1.0**	**4.9**	**0.2**	**6.5**	**Jul-95**
Non-U.S. Developed Mkts Equity Composite	592,992,257	4.8	19.3	1.1	8.1	0.3	6.2	Sep-95
Non-U.S. Emergin Mkts Equity Composite	1,205,731,866	9.8	18.7	0.9	3.2	0.4	6.8	Sep-00
Fixed Income Composite	**3,515,861,684**	**28.5**	**7.6**	**4.8**	**6.5**	**7.0**	**3.0**	**Jan-85**
Core Fixed Income Composite	983,174,925	8.0	0.5	2.7	2.8	5.1	5.4	Dec-99
Non-U.S. Emerging Mkt Debt Composite	216,035,970	1.8	8.6	1.4	2.1	-	1.6	Sep-11
Opportunitic Credit Composite	2,316,650,789	18.7	10.7	6.0	9.2	-	8.9	May-08
Absolute Return Composite	**577,139**	**-**						
Global Asset Allocation/Risk Composite	**1,230,523,552**	**10.0**	**6.9**	**1.5**	**3.3**	**-**	**7.5**	**Oct-09**
Global Asset Allocation Composite	601,965,199	4.9	9.7	0.2	-	-	1.8	Nov-12
Risk Parity	628,558,353	5.1	4.4	2.8	-	-	3.6	Nov-12
Real Estate Composite	**899,639,445**	**7.3**	**7.0**	**10.6**	**11.6**	**6.6**	**10.1**	**Dec-03**
Public Real Estate Composite	356,322,243	2.9	(0.2)	6.6	9.0	5.7	9.5	Dec-03
Private Real Estate Composite	543,317,202	4.4	12.3	14.3	14.4	-	7.7	Jan-08
Prival Equity Composite	**1,393,923,377**	**11.3**	**16.9**	**14.3**	**14.8**	**6.9**	**6.5**	**Jun-06**
Real Assets Composite	**779,087,467**	**6.3**	**8.7**	**6.8**	**6.1**	**-**	**1.6**	**Jul-08**
Infrastructure Composite	327,906,295	2.7	8.5	9.1	7.1	-	2.6	Jul-08
Natural Resources	451,181,172	3.6	9.0	4.4	5.2	-	2.9	Mar-09
Legacy Assets	**58,345**	**-**						
Cash	**408,526,608**	**3.3**						
Total Portfolio			**12.0**	**6.1**	**8.7**	**5.2**	**9.1**	**Jul-83**

The investment results basis for calculations is a time-weighted rate of return based on the market rate of return. Performance information was obtained from the *Investment Performance Analysis* prepared by NEPC, LLC, for the period ending June 30, 2017. The complete analysis can be found at http://www.nmerb.org/Investments.html .

Market Value History

The following chart and table show total fund asset growth since NEPC, LLC, NMERB's investment consultant, began tracking performance in 2005. The chart and table were extracted from the *Investment Performance Analysis* prepared by NEPC, LLC, for the period ending June 30, 2017.



Schedule of Largest Stock Holdings as of June 30, 2017

Schedule of Fund's Ten Largest Stock Holdings

Company Name	CUSIP No.	Number of Shares	Fair Value
Apple Inc.	037833100	484,666.000	$ 69,801,597
Microsoft Corp.	594918104	717,647.000	49,467,408
Simon Property Group Inc.	828806109	264,367.000	42,764,006
Amazon.com Inc.	023135106	36,865.000	35,685,320
Faceboo, Inc. A	30303M102	219,700.000	33,170,306
Johnson + Johnson	478160104	250,443.000	33,131,104
Exxon Mobil Corp.	30231G102	393,880.000	31,797,932
JP Morgan Chase + Co.	46625H100	330,250.000	30,184,850
Bershire Hathaway Inc. CL B	084670702	176,607.000	29,911,928
Alphabet Inc. CLA	02079K305	27,681.000	25,734,472
Total			$ 381,648,923

Schedule of Ten Largest Fixed Income Holdings

Security Name	CUSIP No.	Par	Fair Value
US Treasury N/B	912828VZ0	30,000,000	30,365,700
US Treasury N/B	912828WD8	28,000,000	27,967,240
US Treasury N/B	912828J43	25,000,000	24,893,500
US Treasury N/B	912828H52	24,000,000	23,852,880
US Treasury N/B	912828J27	23,000,000	22,684,670
US Treasury N/B	912828J50	20,000,000	19,929,600
US Treasury N/B	912828H86	20,000,000	19,696,800
US Treasury N/B	912828SH4	15,000,000	15,001,800
Fed HM LN PC Pool GO8739	3128MJZD5	13,245,287	13,940,797
US Treasury N/B	912810RV2	13,000,000	13,410,280
Total			$ 211,743,267

The ten (10) largest fixed income holdings are based on the Fund's separately managed portfolios. A complete list of holdings is available upon request.

Schedules of Investment Fees, Commissions, and Profit Share

The following three schedules provide information on investment fees, commissions, and profit share. The first schedule is a summary of fees and commissions.

Schedule of Investment Fees and Commissions
for the Fiscal Year Ended June 30, 2017

Category	Amount of Fees/Commissions	Shares	Base Commission Cost Per Share
Budgeted Fees:			
Custody Bank Fees	$ 943,838		
Investment Management Fees	18,035,197		
Total Budgeted	18,979,035		
Non-Budgeted Fees and Commissions			
Domestic Equity Commissions	845,754	1,041,302,054	$ 0.00081
International Equity Commission	118,972	105,520,528	$ 0.00113
Other Fees	83,162,459		
Total Non-Budgeted	84,127,186		
Total Investment Expenses	$ 103,106,221		

The schedule on the following page provides a list of investment commissions by broker.

Schedule of Investment Commissions By Broker
for the Fiscal Year Ended June 30, 2017

Broker	Commissions	Shares	Base Commission Cost Per Share
Domestic Equity:			
Capital Institutional Svcs., Inc. Equities	$ 107,801	5,511,656	$ 0.01956
Fidelity Capital Markets	61,641	3,522,367	0.01750
UBS Securities, LLC	48,143	2,057,068	0.02340
J.P. Morgan Securities Inc.	46,978	1,709,700	0.02748
Raymond James and Associates, Inc	45,941	1,158,682	0.03965
Barclays Capital	38,009	1,368,324	0.02778
Morgan Stanley Co Incorporated	37,176	1,247,036	0.02981
Liquidnet, Inc	35,796	1,789,819	0.02000
Jefferies + Company Inc	34,863	1,389,264	0.02509
Wells Fargo Securities, LLC	34,835	2,968,289	0.01174
ISI Group Inc.	34,017	1,165,420	0.02919
Citation Group	28,426	706,187	0.04025
Goldman Sachs + Co	23,739	838,210	0.02832
Green Street Trading, LLC	22,400	746,655	0.03000
Citigroup Global Markets, Inc.	20,819	711,172	0.02927
Stifel Capital Markets, Inc.	20,756	710,382	0.02922
Other Brokers	204,414	1,013,701,823	0.00020
Total Domestic Equity	$ 845,754	1,041,302,054	0.00081
International Equity:			
Sanford C. Bernstein and Co., LLC	$ 10,656	8,518,927	$ 0.00125
J.P. Morgan Sec. (Far East), LTD Seoul	9,239	6,792	1.36021
Credit Suisse Securities (Europe), LTD	8,747	2,997,043	0.00292
City Group Market Limited	7,345	4,835,836	0.00152
Merrill Lynch Pierce Fenner	6,990	2,619,496	0.00267
Hanwha Securities Seoul	5,591	63,367	0.08824
DSP Merrill Lynch, LTD	5,213	620,648	0.00840
Other Brokers	65,191	85,858,419	0.00076
Total International Equity	$ 118,972	105,520,528	0.00113

The next schedule provides information on profit sharing. Certain investment manager contracts, primarily in the alternative assets category, provide for the manager to earn a share of the profits from NMERB investments once certain rate of return hurdles are met. Typically, the manager's profits share is 10-20% of profits above the specified hurdle rate. The amounts shown in the schedule are based on profits at June 30, 2017. The profits shown are subject to change as they increase and decrease through time. Whether or not any profit share will ultimately be distributed to investment partners depends on the distribution terms of the underlying profit sharing agreement and on profits at the time of distribution. Given this, profit share cannot be estimated and accrued. Consequently, NMERB recognizes and records profit share as a reduction of profits when profit share becomes payable to the partners under the applicable profit sharing agreement. At that time, profit share is recognized by netting it against profits to arrive at net profit, which is then reported under the "investment income" classification with other investment income, in the Statement of Changes in Fiduciary Net Position.

Schedule of Estimated Investment Profit Share (Expense)
by Category of Investment
for the Fiscal Year Ended June 30, 2017

Category	Profit Share
Opportunistic Credit	$ 46,267,396
Non-US Fixed Income	2,001,971
Private Equity	9,136,987
Private Real Estate	1,881,245
Infrastructure	3,961,131
Natural Resources	-
GTAA	43,279
Risk Parity	-
Total	$ 63,292,009

STATISTICAL SECTION

Summary

The Statistical Section provides additional historical perspective, context, and relevant details to assist readers in using information found within the fiscal year 2017 financial statements, note disclosures, and supplementary information to assess the economic condition of NMERB. This information has not been audited by NMERB's independent auditor. All non-accounting data is taken from internal NMERB sources except for information derived from the actuarial valuations and investment performance analysis, both prepared by external consultants for NMERB.

The charts and schedules in the Statistical Section are organized into two categories: 1) Financial Trends and 2) Demographic and Economic Information.

Financial Trends

The following tables contain trend information. Unless otherwise noted, the information included in the Financial Trends tables is derived from the annual financial reports for the relevant year.

Summary of Changes in Fiduciary Net Position

Summary of Changes in Fiduciary Net Position ($000's) - Last Ten Years (accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Additions										
Contributions:										
Employer	$ 390,010	391,508	389,767	357,430	294,973	248,894	304,310	309,023	318,959	286,377
Member	292,809	293,848	292,822	271,514	248,785	289,852	247,408	250,667	212,014	201,916
Employer ARP	5,834	5,480	5,362	5,032	4,685	4,952	4,057	4,253	4,727	4,469
Total Contributions	688,653	690,837	687,952	633,976	548,443	543,697	555,776	563,942	535,700	492,762
Investment Income:										
Interest, dividends, other	125,198	126,427	133,004	180,493	196,838	175,422	187,486	188,063	219,893	299,985
Investment expenses	(103,106)	(87,883)	(76,436)	(13,720)	(15,421)	(11,035)	(35,436)	(31,892)	(31,019)	(78,675)
Net change asset value	1,324,655	326,027	366,761	1,277,460	837,193	(565)	1,396,479	1,095,258	(1,724,902)	(785,485)
Net investment income	1,346,747	364,571	423,330	1,444,233	1,018,610	163,822	1,548,529	1,251,429	(1,536,028)	(564,175)
Other income	3,642	2,098	8,147	-	-	-	-	-	-	-
Total additions	2,039,041	1,057,506	1,119,429	2,078,209	1,567,053	707,520	2,104,305	1,815,371	(1,000,328)	(71,413)
Deductions										
Benefit payments, refunds	1,052,675	1,012,731	957,183	907,214	853,329	795,136	736,858	685,012	647,392	608,251
Administrative expense	9,848	9,661	10,598	16,618	10,986	11,986	11,407	11,488	8,672	6,089
Total deductions	1,062,524	1,022,391	967,781	923,832	864,315	807,121	748,265	696,500	656,064	614,339
Net increase in net position	976,518	35,115	151,647	1,154,377	702,738	(99,602)	1,356,040	1,118,871	(1,656,392)	(685,752)
Net position restricted for pensions										
Beginning of the year	11,532,838	11,497,723	11,346,076	10,191,699	9,488,961	9,588,563	8,232,523	7,113,652	8,770,044	9,455,796
End of the year	$ 12,509,356	11,532,838	11,497,723	11,346,076	10,191,699	9,488,961	9,588,563	8,232,523	7,113,652	8,770,044

Schedule of Revenue and Expenses – Budget and Actual

Schedule of Revenues and Expenses - Budget and Actual - Last Ten Years

	Revenues				Actual Expenses				
Year	Original Budget	Final Budget	Actual Budgetary Basis	Variance - Final Budget vs Actual Favorable (Unfavorable)	Personal Services & Employee Benefits	Contractual Services	Other Costs	Total Expenses	Variance - Final Budget vs Actual Favorable (Unfavorable)
2017	$30,551,900	$30,551,900	$ 30,551,900		$ 5,172,850	$ 23,149,872	$ 1,059,461	$ 29,382,183	$ 1,169,717
2016	30,452,800	30,452,800	30,452,800	-	5,914,755	20,041,708	1,340,164	27,296,627	3,156,173
2015	30,055,300	30,465,300	30,465,300	-	5,594,200	20,928,600	1,101,800	27,624,600	2,840,700
2014	31,971,300	31,971,300	31,971,300	-	5,104,000	24,221,400	742,600	30,068,000	1,903,300
2013	37,823,300	37,823,300	37,823,300	-	4,366,501	20,622,004	723,216	25,711,721	12,111,579
2012	40,233,900	40,560,900	40,560,900	-	4,203,662	16,638,703	700,121	21,542,486	19,018,414
2011	26,908,300	37,208,300	37,208,300	-	4,087,075	24,276,385	1,468,538	29,831,998	7,376,302
2010	28,551,300	49,051,300	49,051,300	-	3,626,679	36,380,668	1,123,063	41,130,410	7,920,890
2009	32,423,300	32,953,300	32,953,300	-	3,894,081	18,823,806	790,187	23,508,074	9,445,226
2008	30,051,200	30,051,200	30,051,200	-	3,612,412	21,879,759	734,807	26,226,978	3,824,222

Schedule of Key Consultants and Service Providers Including Fees

Schedule of Key Consultants and Service Providers Including Fees
for the Fiscal Year Ending June 30, 2016

Vendor Name	Type of Service	Amount
Caledon Capital Management, Inc.	Investment Consultants	$ 350,052
Foster Pepper, PLCC	Legal Services	415,200
Freedman Boyd Hollander Goldberg Urias & Ward, PA	Legal Services	82,988
Gabriel Roeder Smith & Company	Actuary	85,653
Groom Law Group, Chartered	Legal Services	9,858
K & L Gates, LLP	Legal Services	101,353
Moss Adams, LLP	Audit Services	130,718
NEPC, LLC	Investment Consultants	355,950
Real Asset Portfolio Management, LLC	Investment Consultants	412,500
REDW, LLC	Internal Audit Services	143,195
State Street Bank & Trust Company	Custody Bank	725,176
Top Tier Capital Partners, LLC	Investment Consultants	625,000
ViTech Systems Group, LLC	Software Maintenance	1,206,752

Schedule of Employer Contributions and Covered Payroll

Schedule of Employer Contributions and Covered Payroll by Year - Last Ten Years

Fiscal Year Ending	Actuarially Determined Contribution	Annual Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Imputed Covered Payroll	Actual Contribution % of Covered Payroll
2017	$ 477,840,156		$ 395,843,795	$ 81,996,361	$ 2,728,361,993	14.51%
2016	465,340,519		396,988,557	68,351,962	2,740,526,669	14.49%
2015	450,950,584		395,129,621	55,820,963	2,730,320,345	14.47%
2014	479,884,486		362,462,537	117,421,949	2,718,100,677	13.34%
2013	480,700,326		299,657,530	183,042,796	2,706,170,349	11.07%
2012		$ 400,461,343	253,845,277	146,616,066	2,720,149,646	14.54%
2011		377,884,749	308,367,952	69,516,797	2,791,839,227	13.39%
2010		357,220,043	313,276,296	43,943,747	2,835,080,484	12.45%
2009		375,430,722	323,685,497	51,745,225	2,737,842,584	13.54%
2008		368,196,682	290,846,065	77,350,617	2,627,312,222	13.84%

Schedule of Benefit and Refund Deduction from Net Position

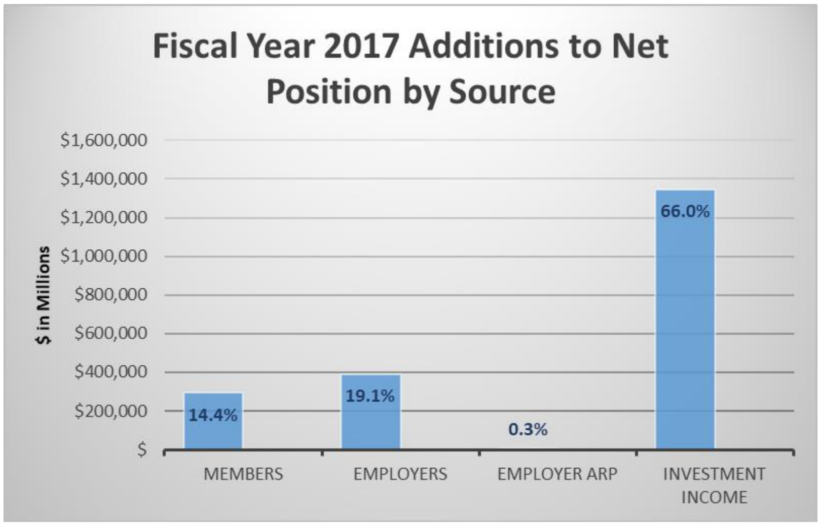
Schedule of Benefit and Refund Deductions from Net Position ($000's) - Last Ten Years

Deduction Type	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Retirement Benefits	$1,009,869	964,443	911,833	859,575	803,253	746,494	694,153	648,962	610,664	572,192
Separation Refunds	30,456	34,988	32,313	34,562	35,883	34,520	29,287	24,574	24,052	23,730
Interest on Refunds	2,888	4,039	4,115	4,361	5,781	6,061	5,800	4,206	5,635	5,745
Disability Benefits	9,461	9,260	8,923	8,716	8,412	8,061	7,618	7,271	7,041	6,539
Total	$1,052,675	1,012,731	957,183	907,214	853,329	795,136	736,858	685,012	647,392	608,206

Note: These figures have been compiled on an accrual basis from financial statement data.

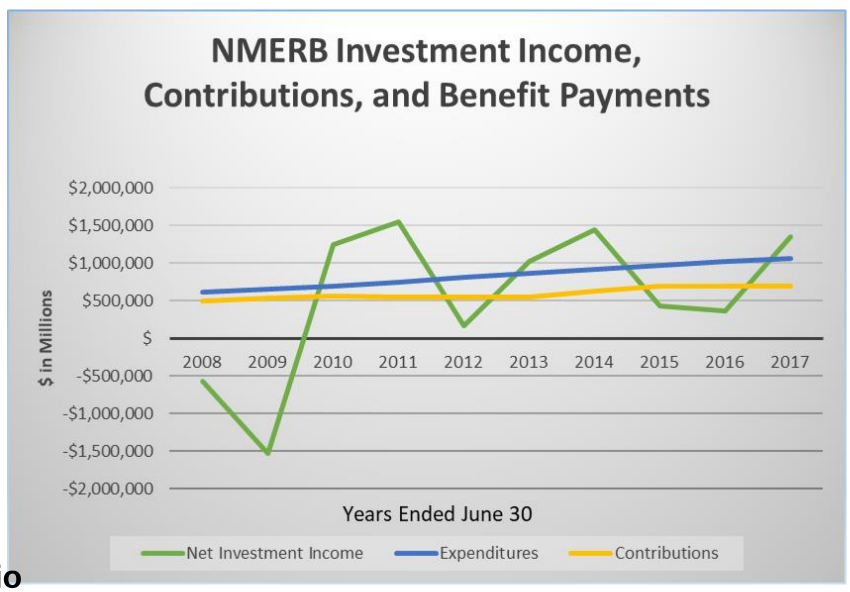
Additions to Net Position by Source

Retirement benefits are funded by members and employer contributions and by investment income. In fiscal year 2017, contributions funded 34% of retirement benefits and investment income funded 66%.



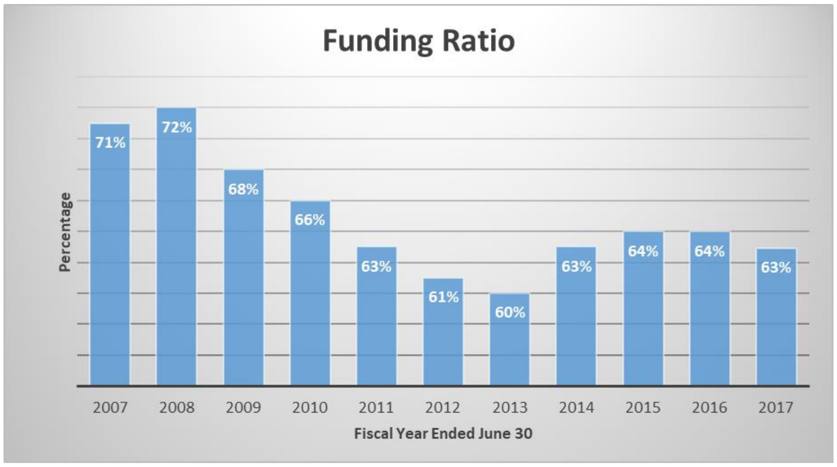
NMERB Investment Income, Contributions, and Benefit Payments

The following chart shows the relationship between investment income, contributions, and benefit payments (expenditures) over the past ten years.



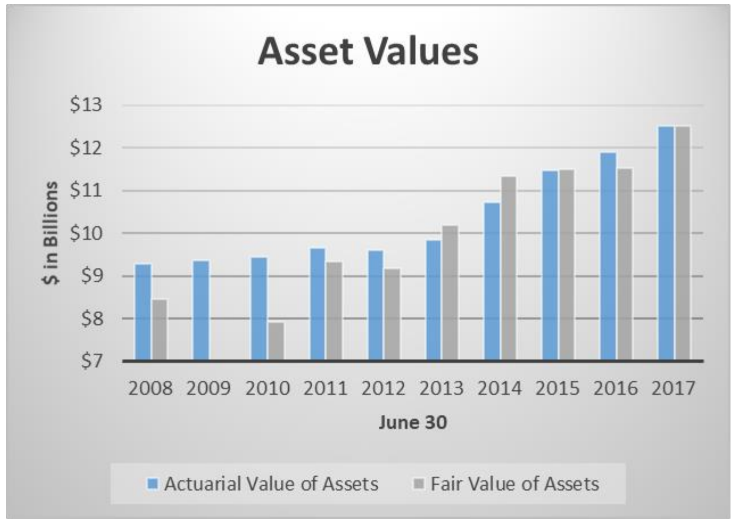
Funding Ratio

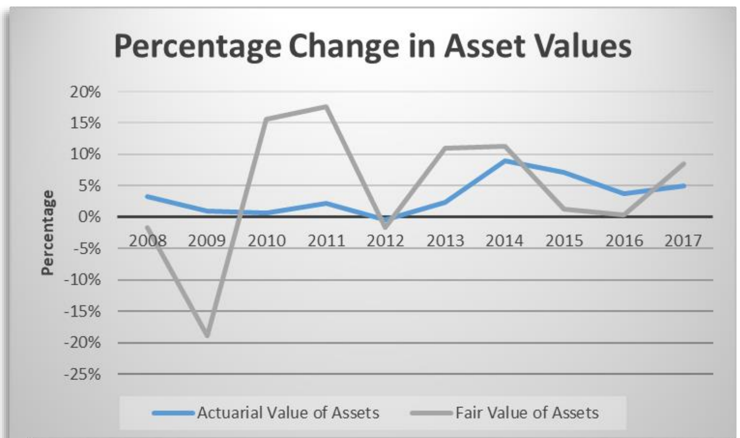
This chart illustrates the difference between the actuarial value of assets and the amount needed to pay benefits to current NMERB members. The ratio is determined using asset-smoothing methods that consider short-term fluctuations in asset values. Accordingly, the total actuarial value of assets will differ from the market value of investment for any given year (see "Asset Smoothing" below).

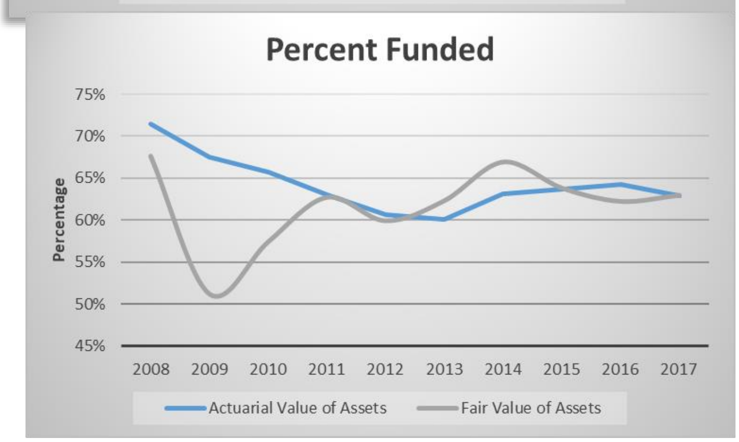


Asset Smoothing

The following three charts illustrate the impact of smoothing volatility in actuarial computations. Smoothing asset values reduces the year-to-year volatility of calculated results, such as the funding ratio. Accordingly, the use of smoothed asset values to determine contribution rates makes more sense than using fair market value. It also makes more sense when the objective is long-term investment returns, which require investing in classes of assets that, by their nature, tend to be somewhat volatile in fair market value.







Employer Schedule of Funding Progress

Employer Schedule of Funding Progress - Last Ten Years

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll [(b-a)/c]	Funding Period (Open Group Projection)
6/30/2017	$ 12,507,831,342	$ 19,870,697,632	$ 7,362,866,290	62.9%	$ 2,714,621,555	271.2%	61
6/30/2016	11,905,958,700	18,536,428,261	6,630,469,561	64.2%	2,751,008,261	241.0%	46
6/30/2015	11,472,378,929	18,014,425,002	6,542,046,073	63.7%	2,749,412,635	237.9%	37
6/30/2014	10,714,996,256	16,971,321,732	6,256,325,476	63.1%	2,685,699,253	232.9%	36
6/30/2013	9,828,547,715	16,362,279,203	6,533,731,488	60.1%	2,661,456,872	245.5%	32
6/30/2012	9,606,304,017	15,836,972,530	6,230,668,513	60.7%	2,649,331,144	235.2%	56
6/30/2011	9,642,229,673	15,293,072,424	5,650,842,751	63.0%	2,678,376,300	211.0%	48
6/30/2010	9,431,321,589	14,353,509,423	4,922,187,834	65.7%	2,753,518,949	178.8%	44
6/30/2009	9,366,271,312	13,883,273,082	4,517,001,770	67.5%	2,771,549,050	163.0%	**
6/30/2008	9,272,828,135	12,966,995,130	3,694,166,995	71.5%	2,687,112,757	137.5%	**

*** Open group projection data not avialable prior to 2010*

Retirees and Beneficiaries Data

NMERB administers the Educational Employees' Retirement Plan, which was established by the New Mexico Educational Retirement Act to provide retirement, disability, and survivor benefits for educational employees (certified teachers and other employees of the State of New Mexico's public schools, institutions of higher learning, and state agencies providing educational programs). The schedule below shows the number of retirees, total annual benefits paid to retirees, and the average monthly individual benefit paid.

Retirees and Beneficiaries Data

Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
2017	47,340	$ 1,019,330,496	$ 1,857
2016	45,797	973,703,652	1,831
2015	44,043	920,755,421	1,819
2014	42,246	859,575,335	1,790
2013	40,310	811,665,051	1,767
2012	37,336	754,554,951	1,714
2011	35,457	701,771,592	1,669
2010	33,747	656,232,670	1,628
2009	32,496	617,705,038	1,607
2008	31,192	578,775,611	1,566
2007	29,969	650,143,723	1,523
2006	28,539	494,096,614	1,472
2005	26,100	454,983,452	1,466
2004	24,947	422,418,366	1,420
2003	24,085	396,081,755	1,376
2002	23,052	367,494,870	1,315
2001	22,191	340,595,679	1,274
2000	21,186	311,813,766	1,228

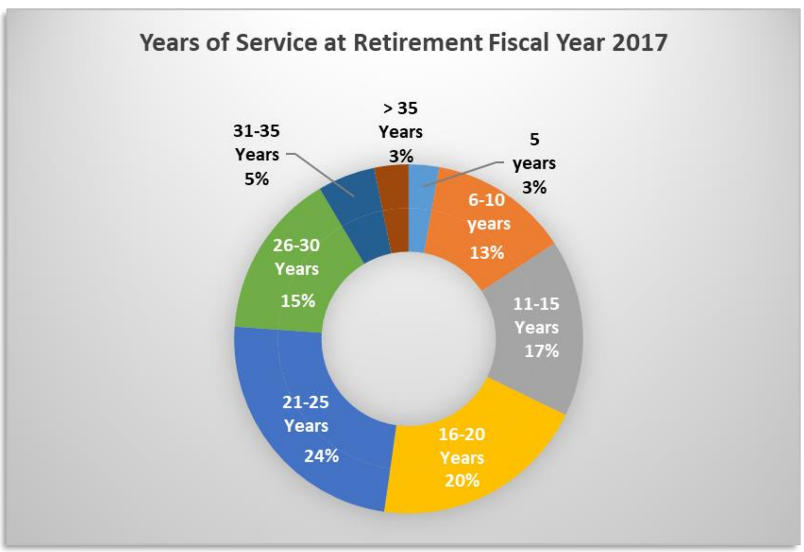
Number of Members Retiring

Members Retiring Last Five Fiscal Years*

	2017	2016	2015	2014	2013
Number Retiring	2,421	2,432	2,590	2,395	2,259
Average Age at Retirement	62.1	61.9	62.4	61.7	61.7
Median Age at Retirement	62.5	62.2	62.3	62.1	62.1
Average Service Credit	20.1	20.6	20.0	20.4	20.5
Median Service Credit	20.3	20.8	20.0	20.5	21.0
Average Monthly Benefit	$ 1,956	$ 2,015	$ 1,916	$ 1,971	$ 2,029
Median Monthly Benefit	$ 1,640	$ 1,661	$ 1,608	$ 1,651	$ 1,654

*Does not include rules, reciprocities, disabilities, and QDROs.

Years of Service at Retirement



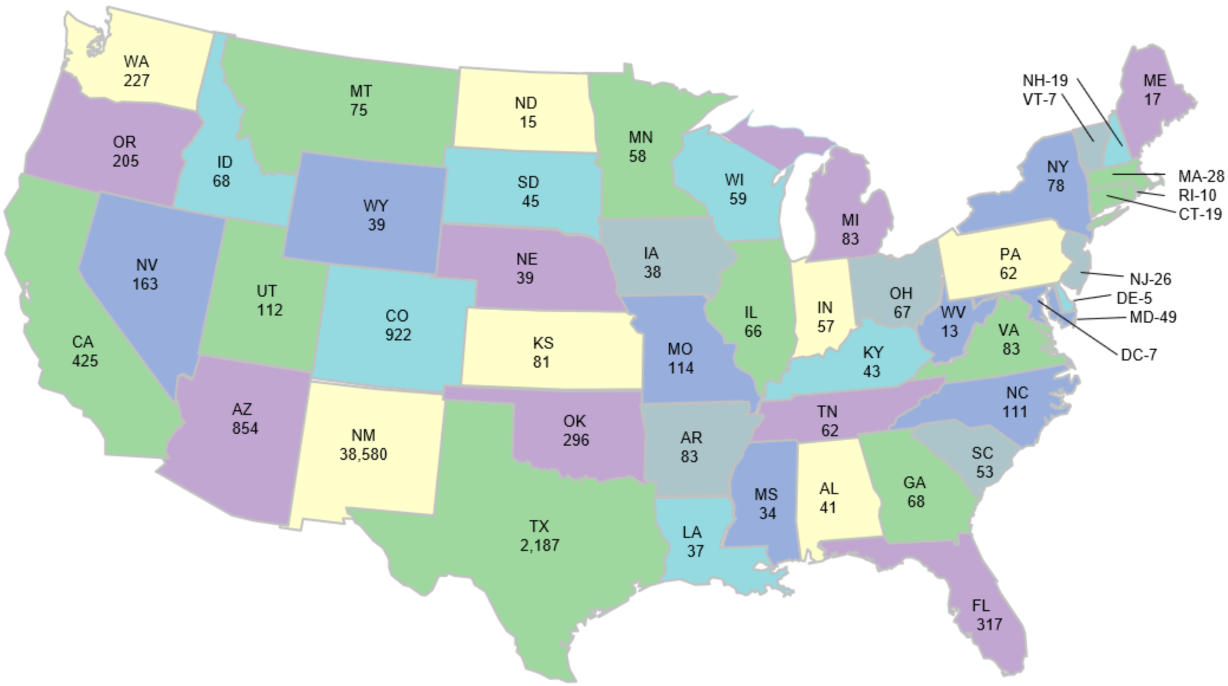
Benefit Recipients by Type of Retirement and Option Selected

Benefit Recipients by Type of Retirement and Option Selected
June 30, 2017

Amount of Monthly Benefit ($)	Number of Benefit Recipients	Type of Retirement*: Straight Life Benefit (Option A)	Joint 100% Survivor Benefit (Option B)	Joint 50% Survivor Benefit (Option C)
1-250	2,190	1,343	595	252
251-500	3,964	2,547	1,010	407
501-750	4,424	2,890	1,100	434
751-1,000	4,015	2,610	953	452
1,001-1,250	4,007	2,495	1,073	439
1,251-1,500	3,646	2,319	965	362
1,501-1,750	3,624	2,264	984	376
1,751-2,000	3,574	2,215	939	420
Over 2,000	17,896	11,098	4,652	2,146
Total	47,340	29,781	12,271	5,288

* See the Financial Section of this report for an explanation of each option.

Distribution of Benefits Recipients by Location

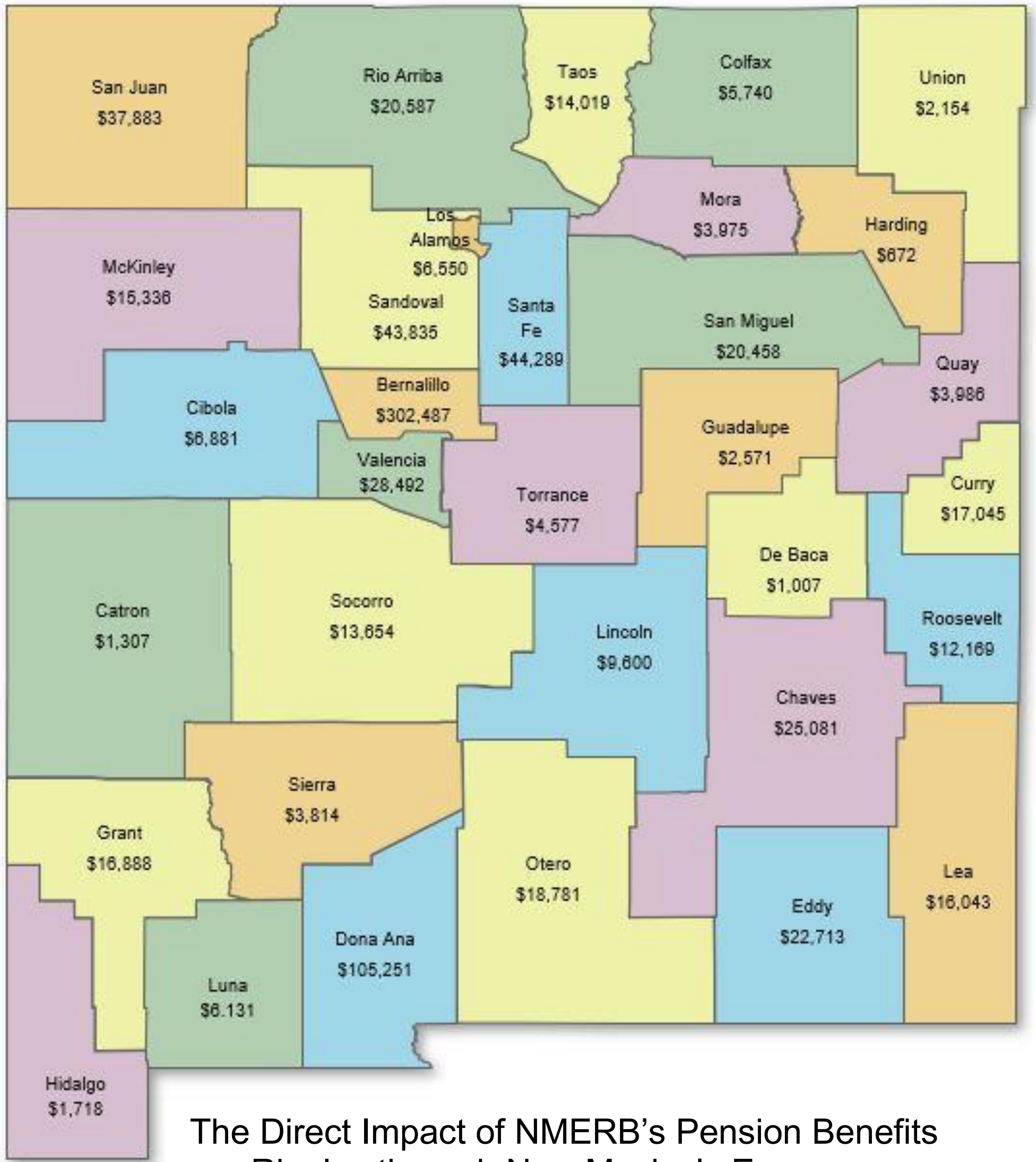


Benefit Recipients Outside the Continental United States

41 Alaska
42 Hawaii
1 Argentina
5 Australia
1 Antarctica
7 Canada
1 China
2 Czechoslovakia
1 Denmark
1 Finland
1 Germany
2 Greece
1 Guam
2 Hungary
2 Israel
2 Italy
4 Mexico
1 Netherlands Antilles
1 Netherlands
6 New Zealand
2 Poland
3 Philippines
1 Puerto Rico
1 Sri Lanka
1 Sweden
2 Thailand
1 Turkey
10 United Kingdom
1 Uruguay
1 Yugoslavia

2017 Retiree Gross Benefits by New Mexico County

(Amounts in thousands)



The Direct Impact of NMERB's Pension Benefits
Ripples through New Mexico's Economy

New Mexico Benefit Payments	**$ 835,712,501**
Outside New Mexcio	183,617,995
Total Gross Benefit Payments	$ 1,019,330,496

Schedule of Pension Plan Contribution Rates

Schedule of Pension Plan Contribution Rates by Fiscal Year- Last Ten Years

	Contribution Rates by Wage Category					
Year	**$20,000 or Less**			**Over $20,000**		
	Employee	**Employer**	**Combined**	**Employee**	**Employer**	**Combined**
2017	7.900%	13.900%	21.800%	10.700%	13.900%	24.600%
2016	7.900%	13.900%	21.800%	10.700%	13.900%	24.600%
2015	7.900%	13.900%	21.800%	10.700%	13.900%	24.600%
2014	7.900%	13.150%	21.050%	10.100%	13.150%	23.250%
2013	7.900%	12.400%	20.300%	9.400%	10.900%	20.300%
2012	7.900%	12.400%	20.300%	11.150%	9.150%	20.300%
2011	7.900%	12.400%	20.300%	9.400%	10.900%	20.300%
2010	7.900%	12.400%	20.300%	9.400%	10.900%	20.300%
	No Separate Wage Categories Prior to July 1, 2009					
2009				7.900%	11.650%	19.550%
2008				7.825%	10.900%	18.725%

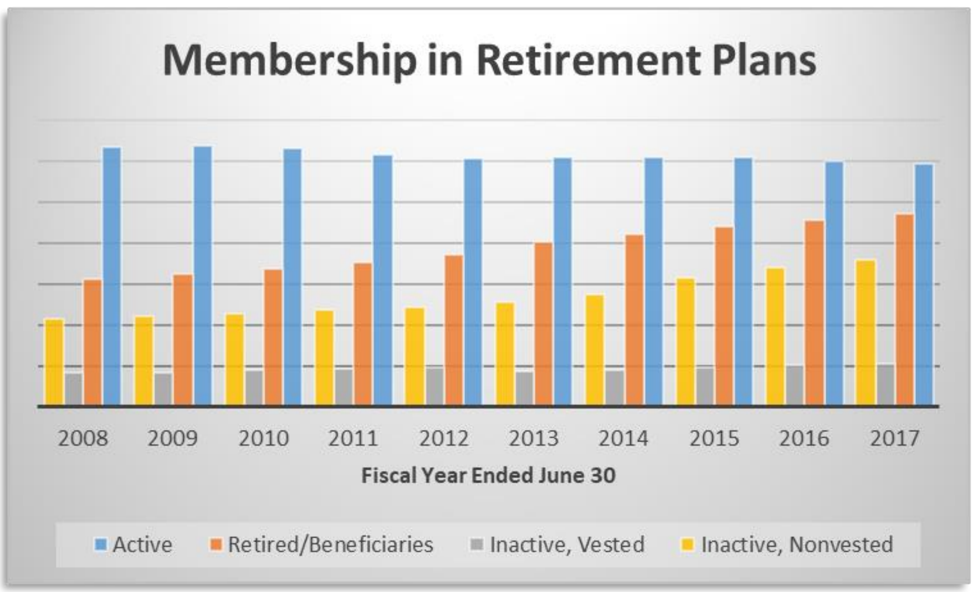
Demographic and Economic Information

The following tables help the reader understand the environment within which NMERB's financial activities take place.

NMERB is charged with providing secure retirement benefits for New Mexico's educational employees. This includes employees at schools providing kindergarten through twelfth grade instruction, colleges and universities, special state schools, and educational programs at state agencies.

Membership and Contributing Employers

Total membership in the pension trust retirement system administered by NMERB increased in fiscal year 2017 over the prior year by 3,432 employees (2.3%), with all categories of membership increasing, except for the active working member category. The largest increase was in the inactive, nonvested membership category.



Schedule of Members by Status and Type of Benefit

The following schedule portrays the number of members by status in the current year and the growth in each membership level over the last nine years.

Schedule of Members by Membership Status by Fiscal Year - Last Ten Years

Status	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Active-working	59,495	60,057	60,998	61,173	61,177	60,855	61,673	63,295	63,819	63,698
Service retirees	43,282	41,771	40,140	38,438	36,614	33,741	31,974	30,377	29,234	28,064
Beneficiaries	3,218	3,189	3,071	2,980	2,882	2,809	2,709	2,611	2,517	2,409
Disability	840	837	832	828	814	786	774	759	745	719
Inactive, vested	10,581	10,219	9,513	9,113	8,615	9,648	9,333	9,054	8,459	8,408
Inactive, nonvested	36,098	34,009	31,535	27,476	25,482	24,384	23,678	22,782	22,115	21,574
Total	153,514	150,082	146,089	140,008	135,584	132,223	130,141	128,878	126,889	124,872

Average Active Member and Years of Service

Average Active Member Age and Years of Service

	2017	2016
Average Age	46.4	46.4
Average Years of Service	9.8	9.8
Average Annual Salary	$ 43,553	$ 43,493

The schedules on the following pages show years of credited service and average annual compensation for active members, principle employers ranked by number of employees in active status, and participating employers by New Mexico county.

Distribution of Active Members by Age and Years of Service Including Average Compensation

Distribution of Active Members by Age and by Years of Service

As of June 30, 2017

Years of Credited Service

Member 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	530	573	230	78	32	9	-	-	-	-	-	-	1,452
	$ 16,979	23,762	22,166	19,718	20,173	21,545	-	-	-	-	-	-	$ 20,723
25-29	558	1,060	896	713	464	501	8	-	-	-	-	-	4,200
	$ 26,494	30,015	30,967	32,531	36,804	36,387	32,113	-	-	-	-	-	$ 31,692
30-34	447	895	742	675	602	1,827	453	5	-	-	-	-	5,646
	$ 30,509	31,743	32,831	34,541	37,102	43,379	42,616	32,516	-	-	-	-	$ 37,332
35-39	386	796	732	619	543	1,822	1,619	337	3	-	-	-	6,857
	$ 30,836	35,459	36,214	39,073	43,922	44,507	50,072	49,236	40,777	-	-	-	$ 42,810
40-44	308	591	563	507	471	1,704	1,626	1,466	242	2	-	-	7,480
	$ 27,914	35,081	37,308	37,988	40,128	47,142	49,309	55,345	54,683	48,520	-	-	$ 45,918
45-49	261	594	533	477	439	1,629	1,736	1,552	1,152	121	1	-	8,495
	$ 34,976	34,004	36,452	37,758	37,477	43,850	48,578	53,093	57,520	57,919	39,543	-	$ 46,462
50-54	214	489	448	424	363	1,466	1,639	1,519	1,249	518	63	1	8,393
	$ 28,216	33,965	36,143	35,466	39,398	43,497	45,077	48,224	54,521	60,853	59,546	55,386	$ 45,574
55-59	178	434	396	348	329	1,310	1,593	1,590	1,213	572	235	35	8,233
	$ 33,979	34,157	36,226	39,743	40,095	45,460	43,766	47,297	51,977	61,452	64,188	53,607	$ 46,383
60-64	118	242	277	279	214	1,037	1,141	976	736	448	214	122	5,804
	$ 30,348	38,261	34,063	38,132	44,139	47,402	44,036	46,705	53,142	64,007	77,014	66,266	$ 48,191
65&Over	84	156	197	176	149	568	507	388	270	220	112	108	2,935
	$ 33,342	35,013	32,720	34,666	39,183	42,474	45,605	49,265	53,205	65,573	85,578	93,094	$ 48,191
	3,084	5,830	5,014	4,296	3,606	11,873	10,322	7,833	4,865	1,881	625	266	59,495
Total	$ 27,729	32,445	34,018	36,106	39,389	44,397	46,707	50,229	54,315	62,137	71,905	75,452	$ 43,553

Principal Employers Ranked by Number of Employees in Active Status

State of New Mexico Educational Retirement Board
Principal Employers Ranked by Number of Employees in Active Status

Fiscal Year Ended

Employer Name	June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2014		June 30, 2013		June 30, 2012		June 30, 2011		June 30, 2010		June 30, 2009		June 30, 2008	
Albuquerque Public Schools	11,598	19%	11,797	20%	11,802	19%	11,799	19%	11,756	19%	11,685	19%	12,801	20%	13,090	21%	12,824	20%	12,706	20%
University of New Mexico	6,833	11%	6,629	11%	7,081	12%	7,045	12%	6,624	11%	6,501	11%	7,240	11%	7,261	11%	7,270	11%	7,807	12%
New Mexico State University	3,693	6%	3,716	6%	4,294	7%	4,592	8%	4,343	7%	4,365	7%	4,312	7%	4,439	7%	4,486	7%	4,622	7%
Las Cruces Public Schools	2,977	5%	2,856	5%	3,052	5%	3,048	5%	3,026	5%	2,955	5%	3,538	6%	3,543	6%	3,514	6%	3,530	6%
Rio Rancho Public Schools	2,055	3%	1,855	3%	2,077	3%	2,078	3%	2,022	3%	1,998	3%	2,122	3%	2,125	3%	1,911	3%	1,877	3%
Gadsden Independent School	1,867	3%	1,897	3%	1,891	3%	1,844	3%	1,835	3%	1,837	3%	1,943	3%	2,015	3%	2,104	3%	2,116	3%
Santa Fe Public Schools	1,682	3%	1,649	3%	1,614	3%	1,508	2%	1,498	2%	1,499	2%	1,667	3%	1,697	3%	1,704	3%	1,719	3%
Gallup McKinley County Schools	1,624	3%	1,594	3%	1,730	3%	1,766	3%	1,851	3%	1,910	3%	2,163	3%	2,175	3%	2,165	3%	2,148	3%
Central New Mexico Community College	1,570	3%	1,655	3%	1,969	3%	1,975	3%	1,953	3%	1,861	3%	1,863	3%	1,871	3%	1,816	3%	1,758	3%
Farmington Public Schools	1,319	2%	1,291	2%	1,289	2%	1,268	2%	1,182	2%	1,182	2%	1,260	2%	1,322	2%	1,298	2%	1,264	2%
All other active employees	24,277	41%	25,118	42%	24,199	40%	24,250	40%	25,087	41%	25,062	41%	24,388	39%	23,757	38%	24,730	39%	24,151	38%
Total	59,495	100%	60,057	100%	60,998	100%	61,173	100%	61,177	100%	60,855	100%	63,297	100%	63,295	100%	63,822	100%	63,698	100%

Participating New Mexico Employers by County

Employer Name	Category	Employer Code	County
Pojoaque Valley Schools	Public School	1001	Santa Fe County
Santa Fe Public Schools	Public School	1002	Santa Fe County
Santa Fe Community College	Universities and Colleges	1003	Santa Fe County
New Mexico School for The Deaf	Special School	1094	Santa Fe County
Academy For Technology & The Classics	Charter School	1301	Santa Fe County
Monte Del Sol Charter School	Charter School	1306	Santa Fe County
Turquoise Trail Charter School	Charter School	1315	Santa Fe County
DFA	State Agency	1341	Santa Fe County
Tierra Encantada Charter High	Charter School	1343	Santa Fe County
The Masters Program	Charter School	1398	Santa Fe County
New Mexico School for the Arts	Charter School	1416	Santa Fe County
New Mexico Connections	Charter School	1418	Santa Fe County
Albuquerque Public Schools	Public School	2003	Bernalillo County
University of New Mexico	Universities and Colleges	2095	Bernalillo County
Central New Mexico Community College	Universities and Colleges	2123	Bernalillo County
New Mexico Activities Association	State Agency	2148	Bernalillo County
Central Regional Ed Coop	State Agency	2150	Bernalillo County
University Hospital	Special School	2295	Bernalillo County
Amy Biehl Charter High	Charter School	2303	Bernalillo County
East Mountain High School	Charter School	2304	Bernalillo County
Twenty-First Century Charter	Charter School	2308	Bernalillo County
South Valley Academy	Charter School	2309	Bernalillo County
Southwest Secondary Learning	Charter School	2310	Bernalillo County
Nuestros Valores Charter	Charter School	2311	Bernalillo County
Roots and Wings Community School	Charter School	2313	Bernalillo County
Robert F Kennedy Charter	Charter School	2318	Bernalillo County
Public Academy For Performing Arts	Charter School	2320	Bernalillo County
Los Puentes Charter School	Charter School	2322	Bernalillo County
El Camino Real Academy	Charter School	2323	Bernalillo County
Horizon Academy West	Charter School	2327	Bernalillo County
North Valley Academy	Charter School	2328	Bernalillo County
La Academia de Esperanza	Charter School	2329	Bernalillo County
Montessori Rio Grande Charter	Charter School	2334	Bernalillo County
Cesar Chavez Community School	Charter School	2336	Bernalillo County
Gilbert L. Sena Charter High School	Charter School	2339	Bernalillo County
ABQ Charter Academy	Charter School	2340	Bernalillo County
ABQ Institute for Math and Science	Charter School	2341	Bernalillo County

Employer Name	Category	Employer Code	County
Mountain Mahogany Community	Charter School	2342	Bernalillo County
La Promesa Early Learning Center	Charter School	2343	Bernalillo County
Academy of Trades & Technology	Charter School	2344	Bernalillo County
Southwest Intermediate Lrn Ctr	Charter School	2345	Bernalillo County
Southwest Primary Learning Center	Charter School	2346	Bernalillo County
Digital Arts and Technology Academy	Charter School	2350	Bernalillo County
Montessori Elementary	Charter School	2351	Bernalillo County
Christine Duncan Community School	Charter School	2353	Bernalillo County
Native American Community Charter	Charter School	2354	Bernalillo County
Alice King Community School	Charter School	2356	Bernalillo County
La Resolana Leadership Academy	Charter School	2357	Bernalillo County
ABQ Talent Development Academy	Charter School	2361	Bernalillo County
Gordon Bernell Charter School	Charter School	2362	Bernalillo County
Corrales International School	Charter School	2363	Bernalillo County
Cottonwood Classical Prep School	Charter School	2364	Bernalillo County
Media Arts Collaborative Charter	Charter School	2365	Bernalillo County
The New America School	Charter School	2366	Bernalillo County
Cien Aguas International School	Charter School	2367	Bernalillo County
The International Sch at Mesa del Sol	Charter School	2368	Bernalillo County
Tierra Adentro of New Mexico	Charter School	2370	Bernalillo County
Ace Leadership High School	Charter School	2390	Bernalillo County
Tech Leadership High School	Charter School	2394	Bernalillo County
South Valley Preparatory School	Charter School	2396	Bernalillo County
The Albuquerque Sign Language Academy	Charter School	2402	Bernalillo County
Albuquerque School of Excellence	Charter School	2412	Bernalillo County
The Great Academy	Charter School	2413	Bernalillo County
The New Mexico International School	Charter School	2414	Bernalillo County
William W. & Josephine Dorn Charter	Charter School	2417	Bernalillo County
Sage Montessori Charter	Charter School	2418	Bernalillo County
Southwest Aeronautics Mathematics & Science Academy	Charter School	2420	Bernalillo County
Coral Community Charter School	Charter School	2421	Bernalillo County
Mission Achievement & Success Charter	Charter School	2425	Bernalillo County
Health Leadership High School	Charter School	2430	Bernalillo County
Explore Academy	Charter School	2432	Bernalillo County
Siembra Leadership High School	Charter School	2433	Bernalillo County
Artesia Public Schools	Public School	3004	Eddy County
Carlsbad Municipal Schools	Public School	3005	Eddy County
Loving Municipal Schools	Public School	3006	Eddy County
Jefferson Montessori Academy	Charter School	3321	Eddy County

Employer Name	Category	Employer Code	County
Pecos Connections Academy	Charter School	3433	Eddy County
Dexter Consolidated Schools	Public School	4008	Chaves County
Hagerman Municipal Schools	Public School	4009	Chaves County
Lake Arthur Municipal Schools	Public School	4010	Chaves County
Roswell Independent Schools	Public School	4011	Chaves County
New Mexico Military Institute	Special School	4097	Chaves County
Sidney Gutierrez Middle Charter	Charter School	4317	Chaves County
Clovis Community College	Universities and Colleges	5011	Curry County
Clovis Municipal Schools	Public School	5012	Curry County
Grady Municipal Schools	Public School	5013	Curry County
Melrose Schools	Public School	5014	Curry County
Texico Municipal Schools	Public School	5015	Curry County
Regional Education Coop #6	State Agency	5016	Curry County
Eunice Public Schools	Public School	6016	Lea County
Hobbs Municipal Schools	Public School	6017	Lea County
Jal Public Schools	Public School	6018	Lea County
Lovington Municipal Schools	Public School	6019	Lea County
Tatum Municipal Schools	Public School	6020	Lea County
New Mexico Junior College	Universities and Colleges	6124	Lea County
Regional Education Coop #7	State Agency	6150	Lea County
Gadsden Independent Schools	Public School	7021	Dona Ana County
Hatch Valley Municipal Schools	Public School	7022	Dona Ana County
Las Cruces Public Schools	Public School	7023	Dona Ana County
New Mexico State University	Universities and Colleges	7098	Dona Ana County
Alma d'Arte Charter	Charter School	7335	Dona Ana County
La Academia Dolores Huerta	Charter School	7337	Dona Ana County
Las Montanas Charter School	Charter School	7338	Dona Ana County
Anthony Charter School	Charter School	7339	Dona Ana County
J Paul Taylor Academy	Charter School	7420	Dona Ana County
New America School-Las Cruces	Charter School	7421	Dona Ana County
Cobre Consolidated Schools	Public School	8024	Grant County
Silver Consolidated Schools	Public School	8026	Grant County
Western New Mexico University	Universities and Colleges	8099	Grant County
Aldo Leopold High School	Charter School	8347	Grant County
Cimarron Municipal Schools	Public School	9027	Colfax County
Maxwell Municipal Schools	Public School	9028	Colfax County
Raton Public Schools	Public School	9029	Colfax County
Springer Municipal Schools	Public School	9030	Colfax County
High Plains Reg Ed Coop	State Agency	9150	Colfax County
Moreno Valley High School	Charter School	9324	Colfax County

Employer Name	Category	Employer Code	County
San Jon Schools	Public School	10032	Quay County
Tucumcari Municipal Schools	Public School	10033	Quay County
House Municipal Schools	Public School	10119	Quay County
Logan Municipal Schools	Public School	10120	Quay County
Mesalands Community College	Universities and Colleges	10141	Quay County
Elida Municipal Schools	Public School	11034	Roosevelt County
Portales Municipal Schools	Public School	11035	Roosevelt County
Eastern New Mexico University-Portales	Universities and Colleges	11101	Roosevelt County
Eastern New Mexico University-Roswell	Universities and Colleges	11102	Roosevelt County
Dora Consolidated Schools	Public School	11117	Roosevelt County
Floyd Municipal Schools	Public School	11118	Roosevelt County
Las Vegas City Schools	Public School	12037	San Miguel County
West Las Vegas Schools	Public School	12038	San Miguel County
Pecos Independent Schools	Public School	12039	San Miguel County
New Mexico Highlands University	Universities and Colleges	12102	San Miguel County
Luna Community College	Universities and Colleges	12128	San Miguel County
Pecos Valley Rec #8	State Agency	12150	San Miguel County
Northeast Rec	State Agency	12151	San Miguel County
Rio Gallinas School	Charter School	12326	San Miguel County
Gallup Mckinley City Schools	Public School	13041	McKinley County
Zuni Public School District	Public School	13142	McKinley County
Middle College High School	Charter School	13369	McKinley County
Uplift Community School	Charter School	13430	McKinley County
Dzil Ditl' Ooi School for Empowerment	Charter School	13437	McKinley County
Six Directions Indigenous School	Charter School	13438	McKinley County
Belen Consolidated Schools	Public School	14043	Valencia County
Grants-Cibola County Schools	Public School	14044	Valencia County
Los Lunas Schools	Public School	14045	Valencia County
School of Dreams Academy	Charter School	14366	Valencia County
Alamogordo Public Schools	Public School	15046	Otero County
Cloudcroft Municipal Schools	Public School	15047	Otero County
Tularosa Municipal Schools	Public School	15049	Otero County
New Mexico School for the Blind & Visually Impaired	Special School	15104	Otero County
Aztec Municipal Schools	Public School	16050	San Juan County
Bloomfield Schools	Public School	16051	San Juan County
Farmington Municipal Schools	Public School	16052	San Juan County
Central Consolidated Schools	Public School	16053	San Juan County
San Juan College	Universities and Colleges	16155	San Juan County
Mosaic Academy Charter	Charter School	16356	San Juan County
Carinos de los Ninos	Charter School	16357	San Juan County

Employer Name	Category	Employer Code	County
New Mexico Virtual Academy	Charter School	16358	San Juan County
Dream Dine' Charter School	Charter School	16359	San Juan County
Espanola Public Schools	Public School	17054	Rio Arriba County
Northern New Mexico Community College	Universities and Colleges	17105	Rio Arriba County
Dulce Independent Schools	Public School	17115	Rio Arriba County
Chama Valley Schools	Public School	17126	Rio Arriba County
Mesa Vista Consolidated Schools	Public School	17127	Rio Arriba County
Lindrith Area Heritage School	Charter School	17334	Rio Arriba County
McCurdy Charter School	Charter School	17424	Rio Arriba County
La Tierra Montessori School	Charter School	17425	Rio Arriba County
Clayton Municipal Schools	Public School	18056	Union County
Des Moines Municipal Schools	Public School	18057	Union County
Deming Public Schools	Public School	19059	Luna County
Deming Cesar Chavez	Charter School	19301	Luna County
Penasco Independent Schools	Public School	20060	Taos County
Taos Municipal Schools	Public School	20062	Taos County
Questa Independent Schools	Public School	20125	Taos County
Taos Academy Charter School	Charter School	20265	Taos County
Taos Municipal Charter School	Charter School	20307	Taos County
Red River Valley Charter	Charter School	20312	Taos County
Anansi Charter School	Charter School	20316	Taos County
Vista Grande High School	Charter School	20317	Taos County
Taos Integrated School of the Arts	Charter School	20415	Taos County
Taos International School	Charter School	20435	Taos County
Truth or Consequences Municipal Schools	Public School	21063	Sierra County
Southwest Rec #10	State Agency	21150	Sierra County
Estancia Municipal Schools	Public School	22065	Torrance County
Moriarty-Edgewood School District	Public School	22066	Torrance County
Mountainair Public Schools	Public School	22067	Torrance County
Estancia Valley Classical Academy	Charter School	22201	Torrance County
Lordsburg Municipal Schools	Public School	23070	Hidalgo County
Animas Public Schools	Public School	23121	Hidalgo County
Santa Rosa Consolidated Schools	Public School	24072	Guadalupe County
Vaughn Municipal Schools	Public School	24073	Guadalupe County
Magdalena Municipal Schools	Public School	25075	Socorro County
Socorro Consolidated Schools	Public School	25076	Socorro County
NM Institute of Mining & Tech	Universities and Colleges	25106	Socorro County
Cottonwood Valley Charter	Charter School	25319	Socorro County
Capitan Municipal Schools	Public School	26077	Lincoln County
Carrizozo Municipal Schools	Public School	26078	Lincoln County

Employer Name	Category	Employer Code	County
Corona Public Schools	Public School	26079	Lincoln County
Hondo Valley Public Schools	Public School	26080	Lincoln County
Ruidoso Municipal Schools	Public School	26081	Lincoln County
Regional Education Coop IX	State Agency	26150	Lincoln County
Fort Sumner Municipal Schools	Public School	27083	De Baca County
Quemado	Public School	28084	Catron County
Reserve Independent Schools	Public School	28085	Catron County
Bernalillo Public Schools	Public School	29086	Sandoval County
Cuba Independent Schools	Public School	29087	Sandoval County
Jemez Valley Public Schools	Public School	29088	Sandoval County
Jemez Mountain School District	Public School	29122	Sandoval County
Rio Rancho Public Schools	Public School	29123	Sandoval County
Nw Regional Education Cooperative #2	State Agency	29150	Sandoval County
Sandoval Academy of Bilingual Education	Charter School	29303	Sandoval County
San Diego Riverside Charter	Charter School	29305	Sandoval County
Walatowa	Charter School	29330	Sandoval County
The Ask Academy	Charter School	29408	Sandoval County
Mora Independent Schools	Public School	30089	Mora County
Wagon Mound Public Schools	Public School	30090	Mora County
Mosquero Municipal Schools	Public School	31091	Harding County
Roy Municipal Schools	Public School	31092	Harding County
Los Alamos Schools	Public School	32093	Los Alamos County

GLOSSARY OF ACRONYMS

Glossary of Acronyms

AC – Audit Committee

The NMERB AC is a subcommittee of the Board of Trustees charged with oversight of the financial and internal controls of the agency.

ARC – Annual Required Contribution

The employer's periodic 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.

ARP – Alternative Retirement Plan

NMERB's Alternative Retirement Plan is a Defined Contribution Plan offered at colleges and universities. Under the provisions of this Plan participating Employers remit 3% of the annual employee's gross salary to NMERB. The balance of the employer and employee contributions are remitted to the ARP vendor and credited to the participants' accounts.

BOT – Board of Trustees

The governing board of NMERB is composed of seven (7) members. The Educational Retirement Act defines the composition of the BOT in Section 22-11-3 NMSA, 1978; duties and powers of the BOT are addressed in Sections 22-11-4 through 22-11-14.

CAFR – Comprehensive Annual Financial Report

U.S. government financial statements comprising the financial report of a state, municipal, or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board. GASB provides standards for the content of a CAFR in its annually updated publication *Codification of Governmental Accounting and* Financial Reporting Standards.

COLA – Cost of Living Adjustment

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit.

DBP – Defined Benefit Plan

A defined benefit plan is a pension plan in which a sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

DCP – Defined Contribution Plan

A defined contribution plan is a retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts plus any investment earnings on the money in the account.

DFA – New Mexico Department of Finance and Administration

DFA is the fiscal agency in New Mexico charged with the mission to provide budgetary and fiscal oversight for State agencies.

DR/BCF – Disaster Recovery and Business Continuity Plan

A disaster recovery and business continuity plan is a documented process or set of procedures intended to recover and protect the information technology infrastructure in the event of a disaster.

ENC – 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.

NMERB – New Mexico Educational Retirement Board

NMERB is the agency of the State of New Mexico which administers the Educational Retirement Plan.

GASB – Government Accounting Standards Board

GASB is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

GFOA – Government Finance Officers Association

A professional membership organization open to those whose career, studies, or interests involve government financial management. The organization established the Certificate of Achievement for Excellence in Financial Reporting Program to ensure users of governmental financial statements have the information they need to assess the health of participating governments.

GL – General Ledger

A GL is the complete record of financial transactions over the life of the entity, holding the account information needed to prepare financial statements.

IC – Investment Committee

The NMERB IC is a subcommittee of the Board of Trustees charged with oversight of the investment function of the Plan.

IPA – Independent Public Accountant

The IPA is the certified public accounting firm used to audit the agency's books and records.

MD&A – Management Discussion and Analysis

Management's discussion and analysis is required supplementary information in an entity's annual report that introduces the financial statements and provides an analytical overview of financial activities.

NASRA – National Association of State Retirement Administrators

NASRA is a non-profit association whose members are the directors of the nation's state, territorial and largest statewide public retirement systems. NASRA members oversee retirement systems that hold more than two-thirds of the $3.8 trillion held in trust for fifteen million working and eight million retired employees of state and local government.

NAV – Net Asset Value

NAV is the value of an entity's assets minus the value of its liabilities.

NCPERS – National Conference on Public Retirement Systems

NCPERS is the largest trade association for public sector pension funds, representing more than 500 funds throughout the United States and Canada.

NCTR – National Council on Teacher Retirement

The NCTR is an independent organization dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong and to promoting the rights and benefits of all present and future members of the systems.

NMAC – New Mexico Administrative Code

The NMAC represents the administrative laws of the State of New Mexico.

NMSA - New Mexico Statutes Annotated

The NMSA represents state statutes enacted by legislation.

NPL – Net Pension Liability

The NPL is the amount by which the total pension liability exceeds the pension plan's net assets.

PPCC – Pension Planning Coordinating Council

The PPCC is a coalition of three national associations that represent public retirement systems and administrators: National Association of State Retirement Administrators, National Council on Teacher Retirement, and National Conference on Public Employee Retirement Systems.

TPL – Total Pension Liability

The TPL is the total actuarial value of projected pension benefits attributable to past periods of employee service.

UAAL – Unfunded Actuarial Accrued Liability

The UAAL is the difference between accrued liabilities and the actuarial value of assets accumulated to finance an obligation, expressed in dollar amounts.

VD – Valuation Date, or Actuarial Valuation Date

The date as of which the value of the 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.

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NMERB is providing secure retirement benefits for New Mexico's educational employees – past, present, and future.

NMERB NEW MEXICO EDUCATIONAL RETIREMENT BOARD

This publication can be found on the NMERB's website.