



Public Employees
Retirement Association
of New Mexico

Annual Actuarial
Valuation
June 30, 2001

October 25, 2001

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

Dear Board Members:

This report contains the results of an actuarial valuation of the statutory obligations associated with PERA benefits and their relationship to the Association's statutory funding resources.

The valuation was made as of June 30, 2001 using financial and individual people information furnished by the Association.

The report is divided into parts and sections as follows:

PART I

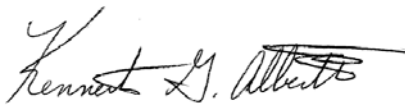
- o **Section 1** Purpose of the Valuation, Valuation Results, Comments and Conclusions
- o **Section 2** Summary of Financial and People Information
- o **Section 3** Summary of Benefit Provisions
- o **Section 4** Summary of Actuarial Cost Methods, Estimates of Future Fiscal and People Activities, and Definitions of Technical Terms
- o **Section 5** Information for Governmental Accounting Standards Board Statements No. 25 and No. 27

PART II

- o **Section 1** State Division Data Schedules
- o **Section 2** Municipal Division Data Schedules

This report was prepared under the supervision of a Member of the American Academy of Actuaries with significant experience valuing public employee retirement plans.

Respectfully submitted,


Kenneth G. Alberts



Norman S. Losk, FSA.

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Part 1-- Section 1

Purpose of Valuation
Valuation Results
Comments and Conclusions

PURPOSE OF THE ACTUARIAL VALUATION

PERA statutory obligations are:

- pension payments to current and future retired members, vested former members and survivor pension beneficiaries
- refunds of member contributions to non-vested former members
- administrative and investment expenses incurred in the operation of PERA

PERA statutory funding resources are:

- member contributions (fixed statutory rates)
- affiliated public employer contributions (fixed statutory rates)
- investment earnings of PERA assets

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

- costs allocated to the current year attributable to service rendered by PERA members in the current year (Normal Cost)
- costs allocated to prior years attributable to service rendered by PERA members in prior years (Unfunded Actuarial Accrued Liability)

Board policy is to finance unfunded actuarial accrued liability over a period not to exceed 30 years. This policy was adopted in October of 1996.

The actuarial valuation measures: (1) the relationship between PERA obligations and funding resources to determine if the funding objective is being met; and (2) the contribution rate needed to comply with the 30 year objective for financing the unfunded actuarial accrued liability.

PERA STATUTORY OBLIGATIONS -- JUNE 30, 2001

The statutory obligations of PERA were calculated to have an actuarial present value of \$10,738,377,924 on June 30, 2001. The funding value of PERA assets available to meet these obligations totaled \$8,302,819,833.

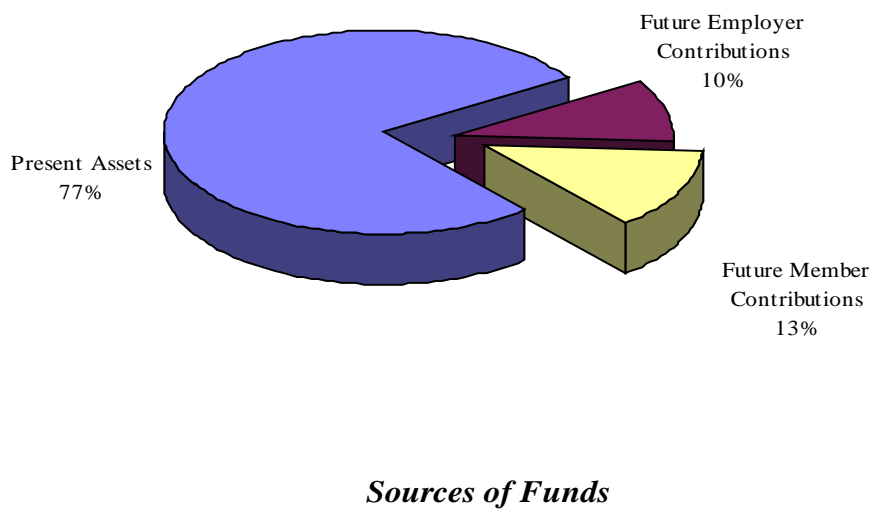
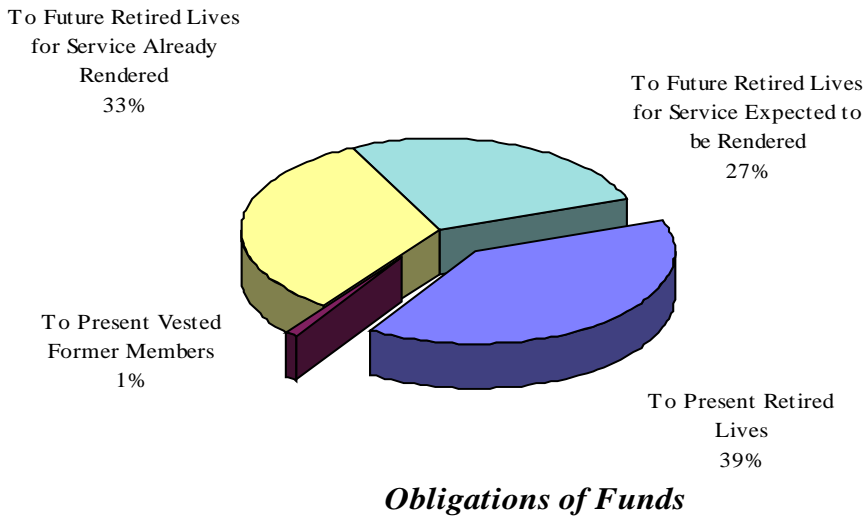
	Actuarial Accrued Liability	Future Normal Cost	Total Actuarial Obligation
Retired members	\$ 4,227,515,710	none	\$ 4,227,515,710
Vested Former members	121,354,733	none	121,354,733
Active members	3,527,704,450	\$ 2,861,803,031	6,389,507,481
Total Actuarial Obligation	7,876,574,893	\$ 2,861,803,031	\$ 10,738,377,924
Less Funding Value of Assets	8,302,819,833		
Unfunded Actuarial Accrued Liability	(\$ 426,244,939)		

Actuarial Accrued Liability	Future Normal Cost	Actuarial Present Value of Statutory Obligations
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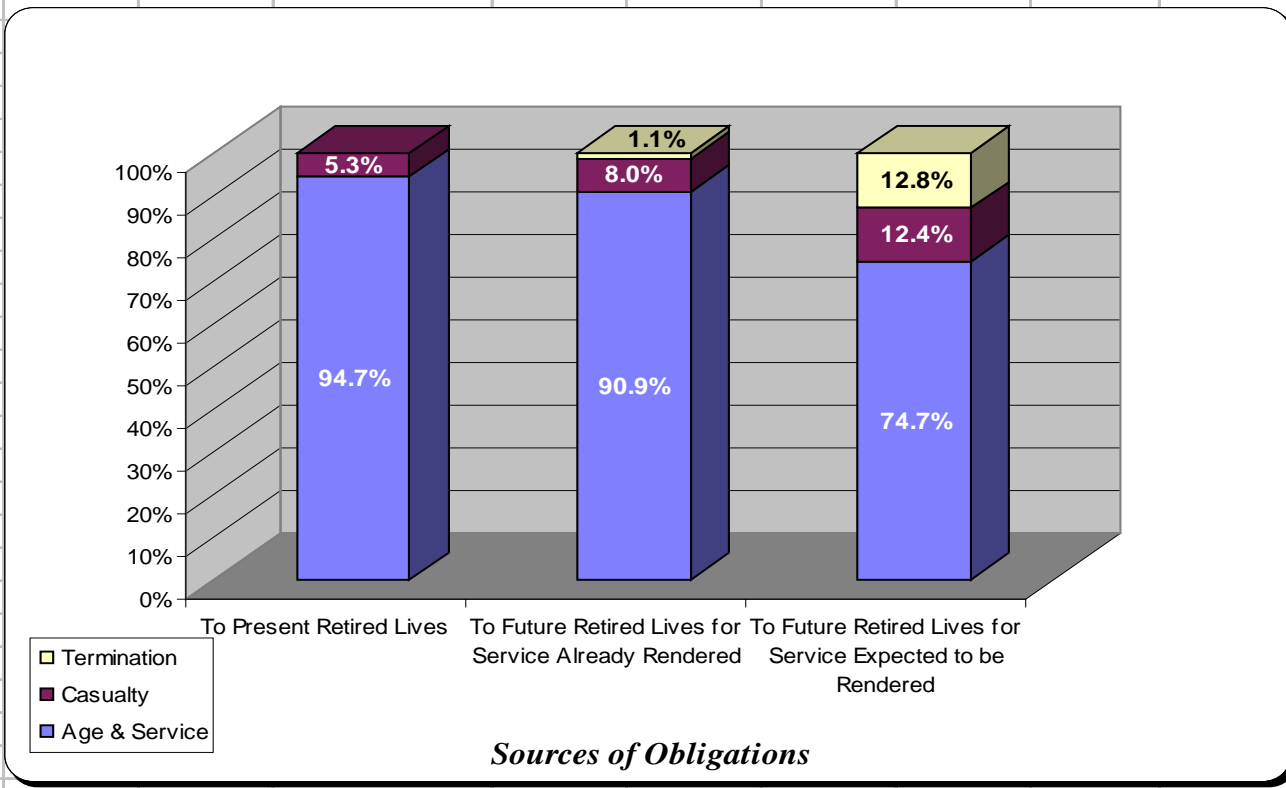
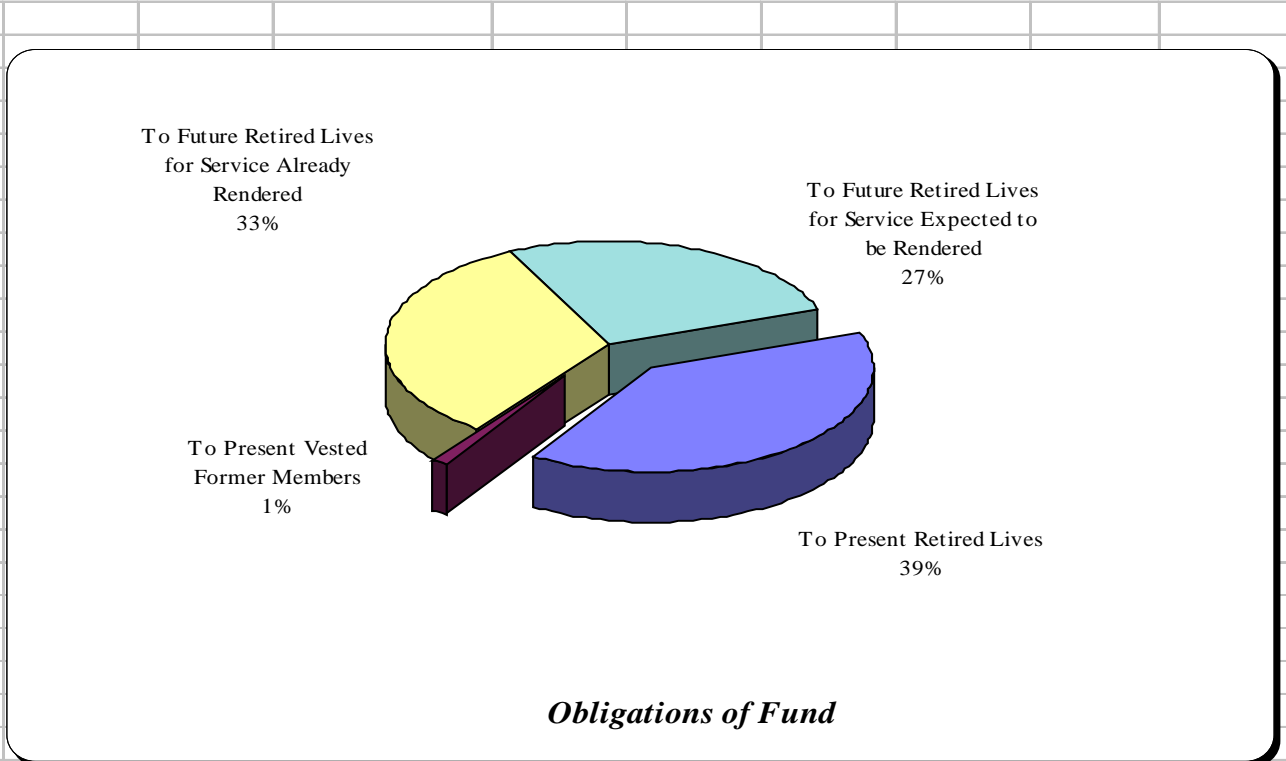
Derivation of the funding value of assets is shown on page 16.

The report excludes Legislative Division reported assets of \$5,189,608 (\$5,390,186 funding value) and the corresponding statutory obligations. An actuarial valuation of Legislative assets and statutory obligations is detailed in a separate report.

STATUTORY OBLIGATIONS AND SOURCES OF FUNDS JUNE 30, 2001



STATUTORY OBLIGATIONS JUNE 30, 2001



ACTUARIAL PRESENT VALUE OF STATUTORY OBLIGATIONS BY DIVISION JUNE 30, 2001

The actuarial present value of statutory obligations and funding value of assets, by PERA division, is as follows:

Division and Coverage Plans	Accrued Liability		Future Normal Cost	APV of Statutory Obligations	Assets
	Retired	Active*			
STATEDIVISION					
General coverage plan	\$2,084,302,740	\$1,747,233,392	\$1,294,356,597	\$5,125,892,729	\$3,548,110,976
Less Funding Value of Assets	2,084,302,740	1,463,808,236			
Unfunded Act. Accr. Liab	none	283,425,156			
Police/Haz. Duty coverage plan	182,225,515	176,503,810	113,485,907	472,215,232	578,649,166
Less Funding Value of Assets	182,225,515	396,423,651			
Unfunded Act. Accr. Liab	none	(219,919,841)			
MUNICIPAL DIVISION					
General coverage plan	1,100,388,240	1,199,178,079	989,034,530	3,288,600,849	2,583,878,504
Less Funding Value of Assets	1,100,388,240	1,483,490,264			
Unfunded Act. Accr. Liab	none	(284,312,186)			
Police coverage plan	497,975,415	345,691,623	284,415,908	1,128,082,946	1,056,049,368
Less Funding Value of Assets	497,975,415	558,073,953			
Unfunded Act. Accr. Liab	none	(212,382,330)			
Fire coverage plan	362,623,800	180,452,280	180,510,089	723,586,169	536,131,819
Less Funding Value of Assets	362,623,800	173,508,019			
Unfunded Act. Accr. Liab	none	6,944,260			
PERA TOTALS					
All coverage plans	\$4,227,515,710	\$3,649,059,183	\$2,861,803,031	\$10,738,377,924	\$8,302,819,833
Less Funding Value of Assets	4,227,515,710	4,075,304,123			
Unfunded Act. Accr. Liab	none	(\$426,244,940)			

* Including vested former members.

STATUTORY CONTRIBUTION RATES

PERA member and employer contribution rates are defined by statute in terms of percents of active member payroll. The following rates were in effect on June 30, 2001:

Division and Coverage Plan	Contribution Rates	
	Member	Employer
STATE DIVISION		
General coverage plan 3	7.42%	16.59%
Police coverage plan 1	7.60	25.10
Hazardous Duty coverage plan 2	4.78	25.72
Weighted average for Police/Haz. Duty*	6.07	25.44
MUNICIPAL DIVISION		
General coverage plans		
Plan 1	7.00	7.00
Plan 2	9.15	9.15
Plan 3	13.15	9.15
Plan 4	15.65	11.65
Weighted average*	11.22	8.89
Police coverage plans		
Plan 1	7.00	10.00
Plan 2	7.00	15.00
Plan 3	7.00	18.50
Plan 4	12.35	18.50
Plan 5	16.30	18.50
Weighted average*	15.26	17.94
Fire coverage plans**		
Plan 1	8.00	11.00
Plan 2	8.00	17.50
Plan 3	8.00	21.25
Plan 4@	12.80	21.25
Plan 5	16.20	21.25
Weighted average*	16.11	21.17

* PERA financial records do not provide an asset breakdown by coverage plan which necessitates the use of a weighted average contribution rate for the purpose of comparing assets to the actuarial accrued liability and determining the financing period for the unfunded actuarial accrued liability.

** These contribution rates include the 1% increase pursuant to 1998 legislation.

@ As of June 30, 2001 no agencies were reported under these coverage plans.

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2001 STATE DIVISION

The following schedule indicates utilization of the member and employer funding resource in meeting the actuarial present value of PERA statutory obligations and the financing period applicable to the unfunded actuarial accrued liability.

		General	Police/Haz. Duty
FUNDING RESOURCE			
	Members	7.42%	6.07%
	Affiliated Public Employers	16.59%	25.44%
	Total Funding Resource (Weighted Average)	24.01%	31.51%
UTILIZATION OF FUNDING RESOURCE			
	Normal Cost:		
	Age & Service	16.41%	20.97%
	Disability	1.14%	2.44%
	Pre-retirement Survivors	1.33%	1.07%
	Refunds	0.82%	0.74%
	Total Normal Cost	19.70%	25.23%
	Unfunded Actuarial Accrued Liability	4.31%	6.28%
	Total Utilized	24.01%	31.51%
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
FINANCING PERIOD*			
	Current Valuation	12 years	# years
	Last Year's Valuation	6 years	# years
	Change Since Last Year's Valuation	6 years	- years**
	Change Since 1990	-53 years	-20 years
FUNDING POLICY OBJECTIVE@		0.00%	0.00%

* The number of years required to fund the unfunded actuarial accrued liability based on current statutory contribution rates and allocation of liability to accrued service in accordance with the individual entry-age actuarial cost method.

@ The additional percent-of-payroll funding resource needed to finance the unfunded actuarial accrued liability over 30 years.

There was no unfunded actuarial accrued liability in the Police/Hazardous Duty division.

** Change is not measurable - only direction of change can be determined (i.e., positive or negative).

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2001 MUNICIPAL DIVISION

The following schedule indicates utilization of the member and employer funding resource in meeting the actuarial present value of PERA statutory obligations and the financing period applicable to the unfunded actuarial accrued liability.

		General	Police	Fire
FUNDING RESOURCE				
	Members	11.22%	15.26%	16.11%
	Affiliated Public Employers	8.89%	17.94%	21.17%
	Total Funding Resource (Weighted Average)	20.11%	33.20%	37.28%
UTILIZATION OF FUNDING RESOURCE				
	Normal Cost:			
	Age & Service	14.46%	24.79%	26.63%
	Disability	0.96%	1.91%	1.95%
	Pre-retirement Survivors	1.39%	1.38%	1.64%
	Refunds	1.19%	1.06%	0.47%
	Total Normal Cost	17.99%	29.13%	30.68%
	Unfunded Actuarial Accrued Liability	2.11%	4.07%	6.59%
	Total Utilized	20.11%	33.20%	37.28%
UNFUNDED ACTUARIAL ACCRUED LIABILITY				
FINANCING PERIOD*				
	Current Valuation	# years	# years	2 years
	Last Year's Valuation	# years	0 years	3 years
	Change Since Last Year's Valuation	-7 years	# years	-1 years
	Change Since 1990	-43 years	-80 years	- years**
FUNDING POLICY OBJECTIVE@				
		0.00%	0.00%	0.00%

* The number of years required to fund the unfunded actuarial accrued liability based on current statutory contribution rates and allocation of liability to accrued service in accordance with the individual entry-age actuarial cost method.

@ The additional percent-of-payroll funding resource needed to finance the unfunded actuarial accrued liability over 30 years.

** Change is not measurable - only direction of change can be determined (i.e., positive or negative).

There was no unfunded actuarial accrued liability in the Municipal General and Municipal Police divisions.

FUNDING PROGRESS

No all-encompassing measure of funding progress and funded status exists. The schedule on the next page shows four indicators. It is important to keep the Interpretive Note in mind when assessing the indicators for prior years.

First Indicator - the trend in the financing period for the unfunded actuarial accrued liability. The financing period is expected to remain steady or slowly decrease in the absence of benefit enhancements.

Second Indicator – prior to 1999, the ratio of assets available to finance benefits to the actuarial present value of credited projected benefits (APVCPB). The APVCPB is independent of the actuarial cost method selected to implement the PERA basic funding objective and was the basis of the Pension Benefit Obligation used for financial reporting under Statement No. 5, Governmental Accounting Standards Board. Beginning in 1999, the actuarial accrued liability based on the entry-age actuarial cost method used for funding purposes is used rather than the APVCPB. This is in conformance with Statement No. 25 of the Governmental Accounting Standards Board, which supercedes Statement No. 5.

The ratio is expected to remain steady or slowly increase in the absence of benefit enhancements.

Third Indicator - the ratio of the unfunded APVCPB to active member payroll. Under the PERA basic funding objective, the unfunded APVCPB is controlled in terms of inflation-adjusted dollars and should not increase in relationship to active member payroll in the absence of benefit enhancements or a diminishing work force size.

Fourth Indicator - the experience gain (loss) realized during the year preceding the actuarial valuation, expressed as a percent of the actuarial accrued liability at the beginning of the year. Gains and losses are expected to offset each other over long periods of time.

Interpretive Note - *PERA benefits have undergone a long series of legislated enhancements. Each time benefits were enhanced the funded status of PERA was diminished because the benefit obligation was immediately increased but the offsetting assets were only gradually increased by the higher contributions of members and/or affiliated public employers. A similar diminishment occurs each time a previously legislated coverage plan is adopted by an affiliated public employer.*

FUNDING PROGRESS INDICATORS -- HISTORICAL COMPARISON
(DOLLAR AMOUNTS IN THOUSANDS)

Valuation Date	FIRST INDICATOR		SECOND INDICATOR			THIRD	FOURTH	
	Financing Period	Funding Value of Assets	APVCPB@	Percent Funded	Unfunded APVCPB	Valuation Payroll	Payroll Ratio	Experience Gain (Loss)
1978	18 yrs.	\$ 270,782	\$ 287,716	94%	\$ 16,934	\$ 257,423	7%	%
1979	19	309,046	356,894	87	47,848	281,849	17	
1980	20	355,247	420,874	84	65,627	317,301	21	
1981	57	422,581	644,489	66	221,908	375,226	59	
1982	31	510,426	753,770	68	243,344	416,655	58	
1983	32	636,764	921,331	69	284,567	465,053	61	
1984	29	763,783	1,020,245	75	256,462	485,408	53	
1985	45	899,133	1,280,402	70	381,269	584,280	65	
1986	45	1,077,411	1,431,839	75	354,428	572,685	62	
1987*								
1988	55	1,447,499	1,937,662	75	490,163	644,664	76	
1989	63	1,649,238	2,207,009	75	557,771	682,245	82	(1.9)
1990	57	1,865,707	2,472,000	75	606,294	760,639	80	(1.3)
1991	57	2,104,450	2,730,199	77	625,749	825,006	76	0.2
1992	50	2,399,346	2,981,655	80	582,309	843,915	69	2.7
1993	40	2,696,511	3,202,244	84	505,733	909,242	56	1.7
1994	43	2,974,816	3,641,320	82	666,504	943,330	71	(1.6)
1995	38	3,364,452	4,240,843	79	876,391	1,043,575	84	(0.9)
1996	40	3,845,138	4,688,085	82	842,947	1,098,636	77	2.2
1997	30	4,560,312	5,171,481	88	611,169	1,102,082	55	5.3
1998	13	5,487,476	5,604,745	98	117,269	1,146,991	10	10.5
1999	9	6,490,295	6,548,103	99	57,808	1,200,565	5	9.7
2000	4	7,522,348	7,112,380	106	(409,968)	1,253,305	(33)	6.4
2001	7	8,302,820	7,876,575	105	(426,245)	1,318,275	(32)	2.4

* No actuarial valuation performed

In calculating this aggregate number, only assets up to the accrued liabilities for each division were considered.

@ Beginning in 1999 based on accrued liability used for funding purposes, consistent with GASB Statement No. 25.

COMMENT A

Effective with the June 30, 2001 a new set of actuarial assumptions was used to value PERA. This set of assumptions was the result of GRS recommendations emanating from the 8/27/01 Experience Study Report adopted by the Retirement Board. In this study all the economic and demographic assumptions were reviewed and compared with PERA's actual experience. Assumptions were then modified to more closely coincide with PERA's actual experience. Assumptions that were reviewed and/or modified include the following:

- Rate of Investment Return
- Rate of Inflation
- Rates of Mortality
- Rates of Disability
- Rates of Withdrawal
- Rates of Retirement
- Rates of Salary Increases

The changes in assumptions resulted in a net increase in accrued liability of \$249 million.

COMMENT B

In aggregate, fund experience was more favorable than expected, producing an experience gain for the year ending June 30, 2001. The primary sources of the experience gain were a rate of return on the funding value of assets greater than assumed (10.2% vs. 8%) and pay increases less than assumed (3.4% vs. 5.5%). Note that experience for the year ending June 30, 2001 is compared with the "old" assumptions for purposes of determining a gain or loss. In future years the comparison will be made against the new assumptions.

The rate of return on the funding value of assets was greater than assumed, as discussed in the previous comment. This occurred even though the rate of return on a market value basis was actually negative during the year. The funding value of assets uses a smoothing technique that smoothes gains and losses out over a four year period. One quarter of this year's investment loss has been recognized in this year's funding value and one quarter of it will be recognized in each of the next three years. Past gains that have yet to be fully recognized in the funding value more than offset this year's loss. It is likely however, that this year's loss will have a larger impact on results in future years, after the past gains have been fully recognized.

In aggregate, the experience gains resulted in a decrease in accrued liabilities of approximately \$171 million, or 2.4% of beginning of year accrued liabilities.

This gain was slightly more than offset by the changes resulting from the changes in assumptions. As a result, PERA's aggregate funding percent dropped slightly from 105.8% to 105.4% and the remaining amortization years increased from 4 years to 7 years.

COMMENT C

Active populations in the State General and Municipal General divisions increased by approximately 2% during the year ending June 30, 2001. Active populations for Municipal Police and Municipal Fire remained relatively level during the year. However, some shifting occurred between State Police and Hazardous Duty (State Corrections). The table below indicates the active population for these two groups over the past 3 years.

	Active Members		
	6/30/1999	6/30/2000	6/30/2001
State Police	435	432	481
Hazardous Duty	958	862	805

CONCLUSIONS

Our conclusions based on the June 30, 2001 annual actuarial valuation of PERA are as follows:

- PERA funding status remained strong during the year ended June 30, 2001, with the aggregate funding ratio of accrued valuation assets to accrued liabilities at 105%. This is the measure used by Governmental Accounting Standards Board Statement No. 25 for financial reporting.
- Future funding progress will be primarily determined by rates of investment earnings and salary increases. Retirement rates are also expected to have a significant impact in all Divisions. Of lesser but important influence are mortality decreases and member withdrawals.
- PERA has an actuarial balance between resources and obligations.
- The financing periods for all Divisions are within the 30 year period targeted under the Retirement Board's funding policy.
- Future ability to properly monitor PERA's actuarial balance is dependent upon continued diligence with respect to data quality and a period of benefit stability permitting derivation of underlying benefit utilization patterns.

STATUTORY RESERVE TRANSFERS

NMSA 10-11-126.B. provides:

- B. Each year following receipt of the report of the annual actuarial valuation, the excess, if any, of the reported actuarial present value of pensions being paid and likely to be paid to retired members and survivor pension beneficiaries and residual refunds likely to be paid to refund beneficiaries of retired members and to survivor pension beneficiaries over the balance in the retirement reserve fund (RRF) shall be transferred to the retirement reserve fund from the employers accumulation fund (EAF).

Division	Reported Fund Balances**	Actuarial Present Value of Pensions Being Paid	Transfer
STATE GENERAL			
MCF*	\$ 437,155,361		
EAF	1,114,169,414		(219,547,771)
RRF	1,864,754,969	\$2,084,302,740	219,547,771
STATE POLICE/HAZ. DUTY			
MCF	\$ 35,046,826		
EAF	237,114,176		0
RRF	284,955,647	182,225,515	0
MUNICIPAL GENERAL			
MCF	\$ 517,836,633		
EAF	619,548,374		0
RRF	1,350,342,992	1,100,388,240	0
MUNICIPAL POLICE			
MCF	\$ 154,355,667		
EAF	265,443,684		0
RRF	596,952,628	497,975,415	0
MUNICIPAL FIRE			
MCF	\$ 77,923,592		
EAF	89,849,292		(14,215,239)
RRF	348,408,561	362,623,800	14,215,239
	\$7,993,857,814		

* *Members contribution fund.*

** *At market value.*

EXPERIENCE GAIN (LOSS) -- YEAR ENDED JUNE 30, 2001
(DOLLAR AMOUNTS IN THOUSANDS)

DERIVATION	State Division		Municipal Division			Totals
	General	Pol / HD.	General	Police	Fire	
(1) UAAL at start of year	\$ 182,633	\$(197,316)	\$(224,978)	\$(183,000)	\$ 12,692	\$ (409,969)
(2) Normal Cost for year (NC x Pays from 2000 val'n)	115,948	10,337	83,620	24,071	13,051	247,027
(3) EE and ER contributions (net of refunds)	(144,692)	(17,030)	(89,295)	(35,369)	(20,149)	(306,535)
(4) Interest Accrual	13,605	(16,250)	(18,334)	(15,249)	742	(35,486)
(5) Expected UAAL before changes	167,494	(220,259)	(248,987)	(209,547)	6,336	(504,963)
(6) Effect of assumption changes*	162,135	17,026	39,935	18,017	12,351	249,464
(7) Effect of benefit changes	0	0	0	0	0	0
(8) Effect of new employers and plan coverage shifts	0	0	0	0	0	0
(9) Expected UAAL after changes	329,629	(203,233)	(209,052)	(191,530)	18,687	(255,499)
(10) Actual UAAL	283,425	(219,920)	(284,312)	(212,382)	6,944	(426,245)
(11) Gain (Loss)	46,204	16,687	75,260	20,852	11,743	170,746
(12) As % of beginning of year AAL	1.35%	5.12%	3.58%	2.70%	2.34%	2.40%

* Effect of the audit adjustment is spread over 3 years in the derivation of the Funding Value of Assets.

AAL represents actuarial accrued liability.

UAAL represents unfunded actuarial accrued liability.

Note: Numbers may not add due to rounding to nearest \$1,000's.

Part 1-- Section 2

Summary of Financial and People Information Used for the Valuation

SUMMARY OF FISCAL INFORMATION FURNISHED FOR THE VALUATION

	6-30-01	6-30-00
Fund balance beginning of year	\$8,152,748,384	\$7,299,968,088
Revenues		
a. Member contributions	135,594,355	125,928,866
b. Employer contributions	196,544,110	182,000,473
c. Purchases of service	2,002,209	2,054,098
d. Investment Income		
1. Adjustments of inv to market value	(651,921,819)	(357,241,441)
2. Interest, dividends, etc.	309,832,765	271,076,498
3. Realized gains/(losses)	192,573,518	932,586,802
e. Other Income	1,459,548	4,901,266
f. Total revenues	\$186,084,686	\$1,161,306,562
Expenditures		
a. Pensions paid	291,118,491	264,480,078
b. Refunds of member contributions	27,357,500	26,811,590
c. Administrative and investment expenses	21,309,656	17,234,598
d. Total expenditures	\$ 339,785,647	\$ 308,526,266
Audit Adjustment	0	0
Fund balance end of year (Market value)	\$7,999,047,423	\$8,152,748,384
ASSETS AND LIABILITIES	2001	2000
Cash & Receivables	\$ 32,821,049	n/a
Property & Equipment	16,097,219	n/a
Short Terms & Accruals	241,715,441	n/a
US Gov't & Agency Securities	1,858,305,666	n/a
Corporate Bonds	3,505,136,198	n/a
Corporate Stocks	1,046,714,458	n/a
International Stocks	1,297,506,237	n/a
Other Investments	751,155	n/a
Net Assets	\$ 7,999,047,423	\$8,152,748,384

Fiscal information was furnished by PERA prior to availability of audited financial statements and may differ from information contained in the audited financial statements.

DERIVATION OF FUNDING VALUE OF RETIREMENT SYSTEM ASSETS

	Fiscal Years Ending June 30,				
	1997	1998	1999	2000	2001
A. Funding Value Beginning of Year	\$3,847,878,140	\$4,563,326,404	\$5,490,941,333	\$6,494,486,751	\$7,527,280,315
B. Market Value End of Year	5,305,765,738	6,340,544,208	7,299,968,088	8,152,748,384	7,999,047,423
C. Market Value Beginning of Year	4,367,164,910	5,305,765,738	6,340,544,208	7,299,968,088	8,152,748,384
D. Non-Investment Net Cash Flow	77,306,397	43,561,876	32,982,104	18,691,769	15,664,683
E. Investment Income					
E1. Market Total: B - C - D	861,294,431	991,216,594	926,441,776	834,088,527	(169,365,644)
E2. Amount for Immediate Recognition	315,685,249	372,769,227	446,634,626	526,151,649	608,078,109
E3. Amount for Phased-In Recognition E1-E2	545,609,182	618,447,367	479,807,150	307,936,878	(777,443,753)
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	136,402,296	154,611,842	119,951,788	76,984,220	(194,360,938)
F2. First Prior Year	110,362,961	136,402,296	154,611,842	119,951,788	76,984,220
F3. Second Prior Year	107,306,926	110,362,961	136,402,296	154,611,842	119,951,788
F4. Third Prior Year	(34,215,366)	107,306,926	110,362,961	136,402,296	154,611,842
F5. Total Recogn. Phased -In Investment Gain	319,856,817	508,684,025	521,328,887	487,950,146	157,186,912
G. Audit Adjustment Phase-In	2,599,801	2,599,801	2,599,801	0	0
H. Funding Value End of Year: A + D + E2 + F5 +	4,563,326,404	5,490,941,333	6,494,486,751	\$ 7,527,280,315	\$ 8,308,210,019
	4	5	7	9	10
Difference between Market & Funding Value	742,439,334	849,602,875	805,481,337	625,468,069	(309,162,596)
I. Recognized Rate of Return	16.42%	19.28%	17.62%	15.59%	10.16%

Asset information was furnished by PERA prior to availability of audited financial statements and may differ from information contained in the audited financial statements.

ALLOCATION OF FUNDING VALUE OF ASSETS BY DIVISION -- JUNE 30, 2001

	State Division			Municipal Division			PERA Totals	PERA Totals w/o Legislative
	General	Police	Legislative	General	Police	Fire		
Member Contribution Fund	\$ 437,155,361	\$ 35,046,826	\$ 102,842	\$ 517,836,633	\$ 154,355,667	\$ 77,923,592	\$1,222,420,919	\$1,222,318,078
Employer Accumulation Fund	1,114,169,414	237,114,176	2,369,545	619,548,374	265,443,684	89,849,292	2,328,494,485	2,326,124,940
Retirement Reserve Fund	1,864,754,969	284,955,647	2,717,222	1,350,342,992	596,952,628	348,408,561	4,448,132,019	4,445,414,797
Total Fund Balances	3,416,079,744	557,116,648	5,189,608	2,487,727,999	1,016,751,979	516,181,444	7,999,047,423	7,993,857,814
Funding Value Adjustment	132,031,232	21,532,518	200,578	96,150,505	39,297,389	19,950,375	309,162,596	308,962,018
Total Funding Value of Asse	\$3,548,110,976	\$578,649,166	\$5,390,186	\$2,583,878,504	\$1,056,049,368	\$536,131,819	\$8,308,210,019	\$8,302,819,833

Fund information was furnished by PERA prior to availability of audited financial statements and may differ from information contained in the audited financial statements.

* *The funding value adjustment is the difference between the funding value of assets derived on page 18 and the total fund balance at market value. It was allocated to funding groups in proportion to the Total Fund Balances.*

**SUMMARY OF RETIRED MEMBER AND
SURVIVOR PENSION BENEFICIARY INFORMATION**

There were 15,619 retired members and 2,418 survivor beneficiaries reported for the June 30, 2001 valuation, involving an annual pension payroll of \$309,090,461. The distribution by division and group was:

STATE DIVISION	Retired Members			Survivor Pension Benefit		
	No.	Annual Pension	Avg. Age	No.	Annual Pension	Avg. Age
General	8,472	\$146,914,496	66.7	1,219	\$ 10,525,124	69.1
Police/Haz Duty	495	11,759,222	61.6	81	1,075,174	57.4
Totals	8,967	158,673,718	66.5	1,300	11,600,298	68.3
MUNICIPAL DIVISION						
General	4,740	74,902,976	66.7	875	7,338,117	68.0
Police	1,109	30,709,238	56.9	152	1,942,883	61.1
Fire	803	22,476,149	58.2	91	1,447,082	65.5
Totals	6,652	128,088,363	64.0	1,118	10,728,082	66.9
PERA TOTALS	15,619	\$286,762,081	65.4	2,418	\$22,328,380	67.7

Retired member and survivor pension beneficiaries added during the year ended June 30, 2001 and included in the preceding schedule totaled 1,302 with an annualized pension payroll of \$25,665,563. The distribution by division and group was:

STATE DIVISION	Retired Members			Survivor Pension Benefit		
	No.	Annual Pensions	Avg. Age	No.	Annual Pensions	Avg. Age
General	580	\$12,353,405	56.5	84	\$943,562	61.3
Police/Haz Duty	33	773,891	54.2	3	17,690	59.9
Totals	613	13,127,296	56.3	87	961,252	61.3
MUNICIPAL DIVISION						
General	380	6,383,934	59.2	58	624,571	64.7
Police	111	3,146,818	49.0	11	192,862	54.7
Fire	35	1,109,716	47.6	7	119,113	63.7
Totals	526	\$10,640,468	56.3	76	\$936,546	63.1

**RETIRED MEMBERS AND SURVIVOR PENSION BENEFICIARIES
HISTORICAL DEVELOPMENT OF PENSION PAYROLL**

June 30	Pension Recipients		Pension Payroll		
	Number	Percent Increase (1)	Annual Amount	Percent Increase (1)	Average Amount
1955	217	n.a.%	\$ 251,900	n.a.%	\$ 1,161
1960	593	22.3	717,200	23.3	1,209
1965	1,072	12.6	1,440,800	15.0	1,344
1970	1,730	10.0	2,949,300	15.4	1,705
1975	2,883	10.8	6,885,000	18.5	2,388
1980	4,252	8.1	12,896,700	13.4	3,033
1985	6,698	9.5	37,478,500	23.8	5,595
1990	10,216	8.8	92,567,196	19.8	9,061
1991	10,751	8.2	102,307,842	17.2	9,516
1992	11,209	6.7	112,397,776	14.3	10,027
1993	11,466	4.9	121,856,712	10.8	10,628
1994	12,378	4.8	142,425,282	10.7	11,506
1995	13,028	5.0	158,150,864	11.3	12,139
1996	13,400	4.5	169,346,648	10.6	12,638
1997	14,631	5.5	201,694,430	12.4	13,785
1998	15,440	6.1	226,128,019	13.2	14,646
1999	16,370	5.7	253,914,635	12.3	15,511
2000	17,181	5.7	280,495,600	12.1	16,326
2001	18,037	6.1	309,090,461	12.8	17,136

(1) Annual rate of increase during the preceding 5 years.

**RETIRED MEMBERS AND SURVIVOR PENSION BENEFICIARIES
DISPLAYED BY TYPE OF PENSION BEING PAID -- JUNE 30, 2001**

Type of Pension	Number	Pension	Average
<i>Normal Retirement Pensions</i>			
Single life pension terminating on death (options A, 1, and 2)	6,835	\$120,807,036	\$17,675
Two life 100% survivor pension (options B and 3)			
Retired member recipient	5,528	107,261,709	19,403
Survivor recipient	1,139	11,924,033	10,469
Two life 50% survivor pension (options C and 4)			
Retired member recipient	2,386	48,345,115	20,262
Survivor recipient	440	2,846,292	6,469
Single life with temporary child survivor pension (option D)			
Retired member recipient	86	2,093,376	24,342
Child recipient	<u>2</u>	<u>25,836</u>	12,918
Total Normal Retirement Pensions	16,416	293,303,397	17,867
<i>Disability Retirement Pensions</i>			
Single life pension terminating on death (options A, 1, and 2)	292	3,020,112	10,343
Two life 100% survivor pension (options B and 3)			
Retired member recipient	414	4,367,125	10,549
Survivor recipient	77	735,382	9,550
Two life 50% survivor pension (options C and 4)			
Retired member recipient	73	803,011	11,000
Survivor recipient	15	67,256	4,484
Single life with temporary child survivor pension (option D)			
Retired member recipient	14	144,277	10,306
Child recipient	<u>-</u>	<u>-</u>	<u>-</u>
Total Disability Retirement Pensions	885	9,137,164	10,324
Pre-retirement Survivor Pensions	<u>736</u>	<u>6,649,877</u>	9,035
Total Pensions Being Paid	8,037	\$309,090,461	\$17,136

**RETIRED MEMBERS AND SURVIVOR BENEFICIARIES
DISPLAYED BY ATTAINED AGE - JUNE 30, 2001**

Attained Age	State Division		Municipal Division		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
Under 20	34	\$ 181,107	26	\$ 169,627	60	\$ 350,734
20-24	6	37,599	1	2,720	7	40,319
25-29	7	46,761	8	83,219	15	129,980
30-34	15	139,967	18	162,014	33	301,981
35-39	47	492,860	38	471,355	85	964,215
40-44	115	1,883,813	224	5,388,085	339	7,271,898
45-49	533	11,896,390	629	16,214,308	1,162	28,110,698
50-54	1,219	29,350,011	1,024	26,339,300	2,243	55,689,311
55-59	1,132	25,907,365	949	22,926,336	2,081	48,833,701
60-64	1,549	29,289,162	1,128	21,906,958	2,677	51,196,120
65-69	1,722	26,909,814	1,302	19,534,812	3,024	46,444,626
70-74	1,400	19,565,167	1,013	13,367,342	2,413	32,932,510
75-79	1,180	14,442,390	729	7,642,507	1,909	22,084,896
80-84	715	6,222,040	408	3,139,768	1,123	9,361,808
85-89	398	2,746,490	182	1,023,858	580	3,770,348
90-94	127	787,208	63	334,040	190	1,121,248
95 & Over	67	372,663	27	103,894	94	476,557
Grand Total	10,267	170,274,017	7,770	138,816,444	18,037	309,090,461

**FORMER MEMBERS DISPLAYED BY DIVISION
JUNE 30, 2001**

VESTED FORMER MEMBERS

Division	Estimated Number	Average	
		Age	Service
State Division			
General	1,493	48.6	9.7
Police/Haz. Duty	<u>63</u>	44.6	11.1
Total State Division	1,556	48.7	9.8
Municipal Division			
General	793	49.1	9.9
Police	55	46.4	10.2
Fire	<u>10</u>	45.6	9.2
Total Municipal Division	858	48.9	9.9
Total PERA	2,414	48.8	9.8

**ACTIVE MEMBERS DISPLAYED BY DIVISION AND COVERAGE PLAN
JUNE 30, 2001**

Divisions/Coverage Plan	Number	Payroll	Averages*		
			Age	Service	Pay
State Division					
General	20,513	642,701,705	42.5	8.2	31,331
Police	481	18,483,535	35.6	10.9	38,427
Hazardous Duty	<u>805</u>	<u>21,916,404</u>	42.5	11.7	27,225
Total State Division	21,799	683,101,645	42.3	8.4	31,336
Municipal Division					
General Cov. Plan 1	3,179	79,248,853	41.0	6.4	24,929
General Cov. Plan 2	5,095	131,477,879	41.9	7.0	25,805
General Cov. Plan 3	9,163	280,179,390	42.1	9.1	30,577
General Cov. Plan 4	<u>628</u>	<u>15,120,262</u>	43.7	7.2	24,077
Total General	18,065	506,026,384	41.9	8.0	28,011
Police Cov. Plan 1	172	4,740,087	38.9	6.6	27,559
Police Cov. Plan 2	71	1,852,054	38.3	6.2	26,085
Police Cov. Plan 3	34	1,115,651	42.3	9.0	32,813
Police Cov. Plan 4	122	3,766,106	38.2	8.3	30,870
Police Cov. Plan 5	<u>1,846</u>	<u>71,936,010</u>	37.6	10.5	38,969
Total Police	2,245	83,409,907	37.9	9.9	37,154
Fire Cov. Plan 1	15	336,350	31.9	6.0	22,423
Fire Cov. Plan 2	2	58,994	43.7	16.5	29,497
Fire Cov. Plan 3	4	128,995	27.0	3.2	32,249
Fire Cov. Plan 4	-	1	0.0	0.0	
Fire Cov. Plan 5	<u>1,167</u>	<u>45,212,242</u>	37.8	10.5	38,742
Total Fire	1,188	45,736,582	37.7	10.4	38,499
Total Municipal Division	21,498	635,172,872	41.2	8.3	29,546
Total PERA	43,297	1,318,274,517	41.8	8.3	30,447

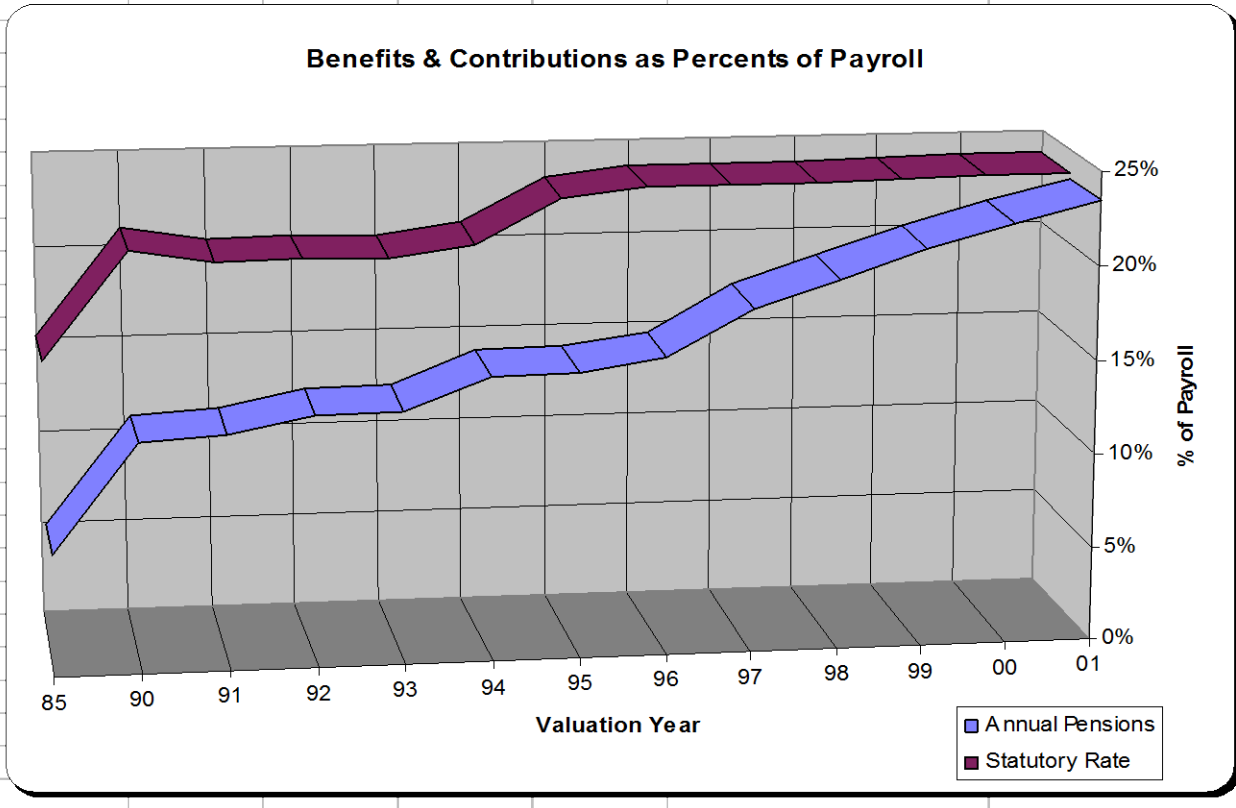
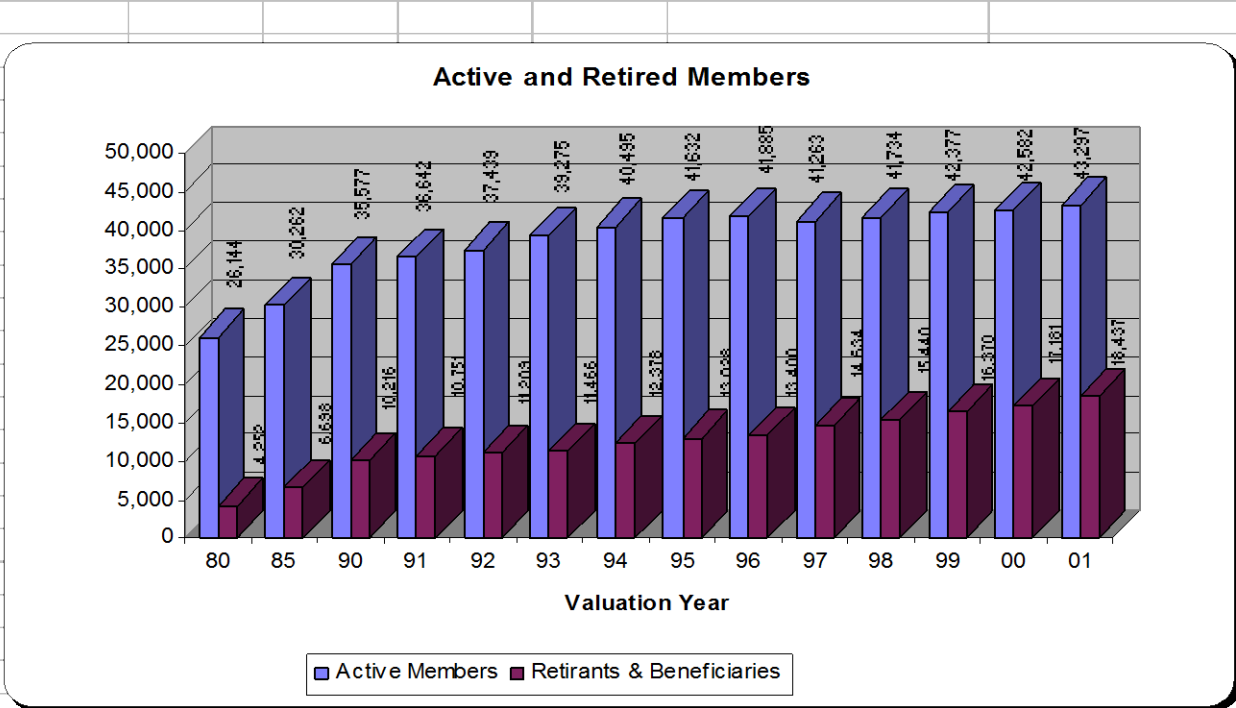
* Averages are shown because of general interest. The valuation process utilizes individual information.

ACTIVE MEMBERS -- HISTORICAL DEVELOPMENT

June 30	Number	Payroll	Averages*		
			Age	Service	Pay
1956	8,632	\$ 28,998,712	n.a.	n.a.	\$ 3,359
1966	16,286	76,447,968	n.a.	n.a.	4,694
1972	18,148	127,685,808	n.a.	n.a.	7,036
1976	24,713	208,275,180	n.a.	n.a.	8,428
1980	26,144	317,301,000	39.2	6.9	12,137
1981	27,499	375,226,000	39.1	7.0	13,645
1982	27,251	416,655,000	39.6	7.4	15,290
1983	28,232	465,053,000	39.4	7.3	16,473
1984	28,071	485,408,000	39.2	7.4	17,292
1985	30,262	584,280,000	39.2	7.5	19,307
1986	31,092	572,685,000	39.9	7.5	18,419
1987#					
1988	32,620	644,663,769	39.3	7.2	19,763
1989	33,400	682,244,826	39.4	7.2	20,426
1990	35,577	760,639,320	39.6	7.4	21,380
1991	36,642	825,005,795	39.8	7.5	22,515
1992	37,439	843,978,100	39.9	7.5	22,543
1993	39,275	909,241,989	40.5	7.6	23,151
1994	40,495	943,330,328	40.6	7.7	23,295
1995	41,632	1,043,574,707	40.7	7.9	25,067
1996	41,885	1,098,635,667	41.1	8.3	26,230
1997	41,263	1,102,082,081	41.2	8.3	26,708
1998	41,692	1,146,991,018	41.3	8.2	27,511
1999	42,377	1,200,564,605	41.4	8.2	28,331
2000	42,582	1,253,305,021	41.6	8.3	29,433
2001	43,297	1,318,274,516	41.8	8.3	30,447

* Averages are shown because of general interest. The valuation process utilizes individual information.

No actuarial valuation was performed.



ACTIVE MEMBERS
STATE DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2001

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
15-19	45	-	-	-	-	-	-	45	\$ 921,255
20-24	859	11	-	-	-	-	-	870	17,162,934
25-29	1,470	335	9	-	-	-	-	1,814	44,177,586
30-34	1,651	861	328	10	-	-	-	2,850	79,131,397
35-39	1,340	839	745	338	14	-	-	3,276	99,382,236
40-44	1,091	774	761	606	317	11	-	3,560	116,525,834
45-49	1,012	745	673	512	463	69	-	3,474	118,511,977
50-54	815	639	601	433	376	82	15	2,961	105,510,822
55-59	463	389	424	335	215	45	14	1,885	65,829,476
60	44	60	73	47	26	6	3	259	8,361,934
61	45	63	59	40	9	4	-	220	7,538,916
62	31	41	44	22	19	1	1	159	5,310,674
63	27	44	42	11	12	1	2	139	4,626,893
64	15	27	20	17	2	3	-	84	2,994,354
65	16	14	12	6	3	2	-	53	1,841,830
66	11	10	11	2	2	1	1	38	1,398,864
67	7	5	4	2	-	-	1	19	757,109
68	4	5	1	5	2	-	-	17	648,250
69	3	3	1	-	1	1	-	9	276,629
70	4	3	3	1	1	1	-	13	485,142
71	2	3	3	-	-	-	-	8	302,304
72	3	2	1	-	-	-	-	6	137,337
73	2	3	2	1	-	-	1	9	302,893
74	1	3	1	1	-	-	2	8	307,045
75	-	1	-	-	-	-	1	2	74,554
76	-	2	1	2	-	-	-	5	138,430
77	1	1	-	-	1	-	-	3	101,862
79	1	-	-	1	-	-	-	2	46,546
	2	3	3	-	-	-	1	9	248,276
Totals	8,965	4,886	3,822	2,392	1,463	227	42	21,797	\$683,053,359

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	1,089	1,468	2,557	\$ 64,578,147	25,255
1	875	1,118	1,993	49,280,583	24,727
2	911	1,020	1,931	50,914,784	26,367
3	629	863	1,492	41,836,121	28,040
4	449	543	992	29,623,427	29,862
5	376	454	830	24,988,470	30,107
6	535	576	1,111	34,968,219	31,475
7	572	556	1,128	35,741,244	31,686
8	459	511	970	31,462,031	32,435
9	457	390	847	29,134,558	34,397
10	443	476	919	32,315,847	35,164
11	429	373	802	27,672,564	34,504
12	405	406	811	27,930,457	34,440
13	344	367	711	24,659,585	34,683
14	311	268	579	20,788,162	35,904
15 & Up	2,214	1,910	4,124	157,159,160	38,108
Totals	10,498	11,299	21,797	\$683,053,359	31,337

ACTIVE MEMBERS
MUNICIPAL DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2001

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-25	20-24	25-29	30 Plus	No.	Valuation Payroll
15-19	89	-	-	-	-	-	-	89	\$ 1,766,944
20-24	1,000	15	-	-	-	-	-	1,015	21,031,000
25-29	1,614	479	11	-	-	-	-	2,104	51,680,325
30-34	1,621	1,057	448	18	-	-	-	3,144	86,846,676
35-39	1,281	828	862	486	18	-	-	3,475	105,159,783
40-44	1,083	689	790	764	320	6	-	3,652	116,909,233
45-49	863	605	561	550	394	67	-	3,040	98,728,999
50-54	693	472	452	399	272	67	4	2,359	76,628,710
55-59	366	324	295	294	173	39	15	1,506	47,125,899
60	54	41	38	37	25	4	-	199	6,224,603
61	42	43	44	40	18	5	1	193	5,681,806
62	44	28	34	23	15	4	-	148	3,970,242
63	33	30	19	12	8	3	-	105	2,863,456
64	21	23	16	18	4	1	3	86	2,197,456
65	25	13	12	10	5	4	2	71	1,879,690
66	16	15	14	4	3	-	1	53	1,360,912
67	15	12	8	8	-	2	-	45	1,114,465
68	12	9	5	2	2	-	-	30	616,473
69	12	10	5	-	-	1	1	29	556,054
70	6	11	1	3	5	-	-	26	557,487
71	10	5	7	-	1	-	-	23	356,826
72	8	3	5	-	-	-	1	17	334,835
73	8	6	6	1	-	-	-	21	383,272
74	4	8	3	1	1	-	-	17	254,459
75	1	4	1	-	-	-	-	6	90,674
76	2	3	-	-	-	-	-	5	56,072
77	2	3	2	-	-	-	-	7	70,082
78	3	2	-	-	-	-	-	5	61,424
79	4	9	9	2	2	-	1	27	613,243
Totals	8,932	4,747	3,648	2,672	1,266	203	29	21,497	\$635,121,099

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	1,529	1,198	2,727	\$ 63,860,107	\$23,418
1	1,100	834	1,934	41,678,241	21,550
2	1,060	616	1,676	40,006,134	23,870
3	920	509	1,429	35,788,085	25,044
4	753	413	1,166	30,321,265	26,005
5	768	383	1,151	31,545,379	27,407
6	693	394	1,087	30,185,520	27,770
7	635	332	967	27,821,831	28,771
8	521	261	782	23,059,931	29,488
9	514	246	760	23,268,380	30,616
10	547	232	779	24,902,346	31,967
11	593	254	847	28,757,451	33,952
12	576	230	806	28,263,679	35,067
13	446	184	630	22,838,271	36,251
14	409	177	586	21,382,840	36,489
15 & Up	2,960	1,210	4,170	161,441,640	38,715
Totals	14,024	7,473	21,497	\$635,121,099	\$29,545

Part 1-- Section 3

Summary of Benefit Provisions

SUMMARY OF BENEFIT PROVISIONS - - JUNE 30, 2001

NORMAL RETIREMENT ELIGIBILITY CONDITIONS

Applicable to all members:

- Any age with 25 or more years of credited service; or
- Age 60 or older with 20 or more years of credited service; or
- Age 61 or older with 17 or more years of credited service; or
- Age 62 or older with 14 or more years of credited service; or
- Age 63 or older with 11 or more years of credited service; or
- Age 64 or older with 8 or more years of credited service; or
- Age 65 or older with 5 or more years of credited service.

Applicable to police and fire members under one of the following coverage plans:

- Municipal Police Coverage Plan 3
- Municipal Police Coverage Plan 4
- Municipal Police Coverage Plan 5
- Municipal Fire Coverage Plan 3
- Municipal Fire Coverage Plan 4
- Municipal Fire Coverage Plan 5

Any age with 20 or more years of credited service.

NORMAL RETIREMENT PENSION AMOUNT

The amount of normal retirement pension is based on:

- Final average salary, which is the average of salary for the 36 consecutive months of credited service producing the largest average;
- Credited service (years and months); and the
- Coverage plan.

The pension accrual factor and maximum pension, as a percent of final average salary, under each coverage plan are:

Coverage Plan	Pension Factor Per Year of Credited Service	Maximum Pension as Percent of Final Average Salary
State General Member Coverage Plan 3	3.0%	80%
State Police Member Coverage Plan 1	3.0	80
State Hazardous Duty Member Coverage Plan 2	3.0	100
Municipal General Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	75
Coverage Plan 3	3.0	80
Coverage Plan 4	3.0	80
Municipal Police Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	100
Coverage Plan 3	2.5	100
Coverage Plan 4	3.0	80
Coverage Plan 5	3.5	80
Municipal Fire Member Coverage Plan 1	2.0	60
Coverage Plan 2	2.5	100
Coverage Plan 3	2.5	100
Coverage Plan 4	3.0	80
Coverage Plan 5	3.5	80

VESTED TERMINATION OF MEMBERSHIP (EMPLOYMENT)

Termination of employment and membership with at least 5 years of credited service. Accumulated member contributions must be left on deposit. Payment of the pension is available upon eligibility for normal retirement. In addition, certain disability and survivor pension provisions apply.

NORMAL AND OPTIONAL FORMS OF PAYMENT

The normal form of payment is for life. Optional contingent survivor beneficiary forms of payment are available on an actuarial equivalent basis. Pension payments can never aggregate less than the member's accumulated contributions.

SURVIVOR PENSIONS - DEATH IN THE LINE-OF-DUTY

Pensions are paid to the eligible spouse and eligible children if survivor coverage has not been elected under the Elective Survivor Pension Beneficiary provision. The amount of pension payable for life to an eligible spouse is 50% of final average salary, or, if larger, 80% of the accrued normal retirement pension. The amount of pension payable to each eligible child is an equal share of 25% of final average salary. If there is not an eligible spouse or the eligible spouse dies, and if there are 2 or more eligible children, the amount of pension payable to each eligible child is an equal share of 50% of final average salary. An eligible child is an unmarried natural or adopted child who is under age 18 years. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.

DEATH NOT IN THE LINE-OF-DUTY

Requires 5 years of credited service. Benefit applies to members and vested former members who have not elected coverage under the Elective Survivor Pension Beneficiary provision. Pensions are paid to an eligible spouse OR eligible children. The amount of pension payable for the life of an eligible spouse is 30% of final average salary, or if larger, 80% of accrued normal retirement pension. An eligible child pension is paid if there is not an eligible spouse or following the death of an eligible spouse. The amount of pension payable to each eligible child is an equal share, with each other child, of 25% of final average salary, or, if greater, 50% of accrued normal retirement pension. An eligible child is an unmarried natural or adopted child who is under age 18 years. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.

ELECTIVE SURVIVOR PENSION BENEFICIARY PENSION

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

DISABILITY RETIREMENT

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

COST-OF-LIVING INCREASES

Pensions are increased each July 1 by 3% if retirement has been in effect for at least 2 full calendar years. If retired on account of disability or if at least age 65, the 2 calendar year waiting period is reduced to 1 full calendar year.

CONTRIBUTIONS BY MEMBERS AND EMPLOYERS

Contributions by members and affiliated public employers are at the following rates.

	Percent of Salary Member	Contribution Rate Employer
State General Member Coverage Plan 3	7.42%	16.59%
State Police Member Coverage Plan 1	7.60	25.10
State Hazardous Duty Member Coverage Plan 2	4.78	25.72
Municipal General Member Coverage Plan 1	7.00	7.00
Municipal General Member Coverage Plan 2	9.15	9.15
Municipal General Member Coverage Plan 3	13.15	9.15
Municipal General Member Coverage Plan 4	15.65	11.65
Municipal Police Member Coverage Plan 1	7.00	10.00
Municipal Police Member Coverage Plan 2	7.00	15.00
Municipal Police Member Coverage Plan 3	7.00	18.50
Municipal Police Member Coverage Plan 4	12.35	18.50
Municipal Police Member Coverage Plan 5	16.30	18.50
Municipal Fire Member Coverage Plan 1	8.00	11.00
Municipal Fire Member Coverage Plan 2	8.00	17.50
Municipal Fire Member Coverage Plan 3	8.00	21.25
Municipal Fire Member Coverage Plan 4	12.80	21.25
Municipal Fire Member Coverage Plan 5	16.20	21.25

Interest is credited to member contributions, on each June 30, at the rates set annually by the Retirement Board. The current rate is 5.25%.

Part 1-- Section 4

Description of Actuarial Cost
Methods

Summary of Estimates of Future
Experience Used for the Valuation
Definitions of Technical Terms

ACTUARIAL COST METHODS USED FOR THE VALUATION

An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for the PERA valuation is known as the individual entry-age actuarial cost method, and has the following characteristics:

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

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

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. The period of time needed to finance the unfunded actuarial accrued liability with current statutory contribution rates is determined using a level percent of payroll amortization technique.

Active member payroll was projected to increase 5.0% a year for the purpose of determining the financing period. This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values.

ESTIMATES FOR FUTURE PERA EXPERIENCE USED FOR THE VALUATION

Funding objective contribution requirements and actuarial present values are calculated by applying estimates of future plan activities (actuarial assumptions) to the benefit provisions and people information of PERA, using the actuarial cost methods described on the previous page.

The principal areas of activity which require estimates are:

- (i) long-term rates of investment return to be generated by the assets of PERA
- (ii) patterns of pay increases to members
- (iii) rates of mortality among members, retired members, and beneficiaries
- (iv) rates of withdrawal of active members
- (v) rates of disability among active members
- (vi) the age patterns of actual retirements.

In making a valuation, the monetary effect of each activity is calculated for as long as a present covered person survives - - - a period of time which can be as long as a century.

Actual activities of PERA will not coincide exactly with estimated activities, due to the nature of the activities. Each valuation provides a complete recalculation of estimated future activities and takes into account the effect of past differences between estimated and actual activities. The result is a continual series of adjustments (usually small). From time to time one or more of the estimates are modified to reflect experience trends (but not random or temporary year to year fluctuations).

The estimates of future INFLATION, REAL INVESTMENT RETURN in excess of inflation and SALARY INCREASES were first used for the June 30, 1985 actuarial valuation. The fiscal estimates are used in combination with the demographic estimates to determine the present value of amounts expected to be paid in the future.

Inflation. Four and one-half percent per annum, compounded annually. This is the rate at which growth in the supply of money and credit is assumed to exceed growth in the supply of goods and services. It may be thought of as the rate of depreciation of the purchasing power of the dollar. There are a number of indices for measuring the inflation rate. The recent inflation rate, as measured by the Consumer Price Index, has been:

	Year Ended June 30						Average for		
	2001	2000	1999	1998	1997	1996	Last 5 Yrs.	Last 10 Yrs.	Last 30 Yrs.
Actual	3.2%	3.7%	2.0%	1.7%	2.3%	2.8%	2.5%	2.7%	5.1%

Real Investment Return. Three and one-half percent per annum, compounded annually. This is the rate of return (net of administrative and investment expenses) to be produced by investing a pool of assets in an inflation-free environment.

Salary Increases. Salary increases occur in recognition of (i) individual merit and longevity, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) and other factors such as productivity gains and competition from other employers for personnel. A schedule of long-term rates of increase is used to project salaries from valuation salaries to final average salaries upon which pensions are based. Rates of increase for sample ages follow.

Attributable to:		Annual Rates of Salary Increase for Sample Years of Service				
		1	5	10	15	20
General Increase in Wage Level Due to:						
	Inflation	4.5%	4.5%	4.5%	4.5%	4.5%
	Other Factors	0.5	0.5	0.5	0.5	0.5
	State General	9.0	3.0	2.0	1.0	0.5
	State Police	10.0	8.0	6.2	5.0	2.0
	State Corrections	9.5	2.2	1.5	0.5	0.5
	Municipal General	8.0	4.0	1.7	1.0	0.5
	Municipal Police	10.0	3.7	3.7	2.5	2.5
	Municipal Fire	10.5	7.7	4.7	2.0	2.2

Mortality Table. The 2000 Group Annuity Mortality Table (1971 GAM projected), set back 2 years for men and 7 years for women for healthy lives. Special disabled mortality is used for disabled lives.

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

Retired Life Non-Disabled Mortality Table						
Sample Ages	Present Value of \$1 Monthly for Life		Present Value of \$1.00/Mo. for Two Years Increasing 3%/Yr. Thereafter		Future Life Expectancy Years	
	Men	Women	Men	Women	Men	Women
	40	\$143.69	\$147.07	\$197.99	\$206.58	39.41
45	139.09	143.69	187.52	197.99	34.67	39.41
50	133.15	139.09	175.25	187.52	30.06	34.67
55	125.85	133.15	161.34	175.25	25.67	30.06
60	116.89	125.85	145.67	161.34	21.50	25.67
65	105.91	116.89	128.13	145.67	17.57	21.50
70	93.21	105.91	109.43	128.13	13.99	17.57
75	79.97	93.21	91.19	109.43	10.91	13.99
80	66.37	79.97	73.63	91.19	8.29	10.91
85	53.86	66.37	58.33	73.63	6.23	8.29

Retired Life Disabled Mortality Table						
Sample Ages	Present Value of \$1 Monthly for Life		Present Value of \$1.00/Mo. for Two Years Increasing 3%/Yr. Thereafter		Future Life Expectancy Years	
	Men	Women	Men	Women	Men	Women
	40	\$117.97	\$145.01	\$155.18	\$201.37	27.71
45	118.90	140.94	154.36	191.71	26.19	36.49
50	115.65	135.50	147.56	180.13	23.65	31.83
55	110.58	128.78	138.32	166.93	20.89	27.36
60	104.12	120.72	127.39	152.27	18.11	23.16
65	96.18	110.99	114.90	135.95	15.36	19.18
70	86.79	99.18	101.11	117.83	12.71	15.45
75	76.18	85.84	86.48	98.87	10.25	12.08
80	64.75	71.36	71.65	79.77	8.02	9.13
85	53.12	57.15	57.36	62.20	6.09	6.72

Rates of Retirement. These rates are used to measure the probability of an eligible member retiring at the indicated ages or indicated service.

Percents Retiring at Indicated Ages (by Coverage Plan)								
Retirement Ages	State General		State	State	Municipal General		Municipal	Municipal
	Male	Female	Police	Corrections	Male	Female	Police	Fire
60	25%	30%	20%	20%	25%	10%	20%	10%
61	25	35	20	20	30	15	20	10
62	50	50	40	20	30	25	40	50
63	35	35	50	30	30	25	20	50
64	35	35	50	40	30	25	25	50
65	60	40	100	80	40	35	100	100
66	30	35		50	25	25		
67	30	50		100	20	15		
68	30	20			15	20		
69	35	35			15	20		
70	20	30			20	20		
71	20	30			10	25		
72	20	30			10	25		
73	20	20			15	25		
74	20	20			50	50		
75	100	100			100	100		

Percents Retiring at Indicated Service (by Coverage Plan)								
Retirement Service	State General		State	State	Municipal General		Municipal	Municipal
	Male	Female	Police	Corrections	Male	Female	Police	Fire
20	%	%	10%	%	%	%	10%	10%
21			10				10	10
22			10				6	10
23			10				6	10
24			10				6	10
25	10	10	10	40	5	5	10	10
26	10	10	10	60	5	5	10	10
27	10	10	10	50	10	5	15	10
28	10	10	10	50	5	5	15	10
29	10	10	50	50	5	5	30	10
30	20	10	100	50	5	10	100	10
31	10	18		50	10	10		10
32	20	10		50	10	10		50
33	10	10		50	100	100		50
34	10	35		100				50
35	15	35						100
36	25	100						
37	100	100						
38								
39								
40								

Rates of Separation From Active Membership. The rates are used to measure probabilities of active members terminating that status for a reason other than disability or death. The rates do not apply to members who are within the retirement rate range. Separation rates are presumed to be service related during the first 5 to 7 years of employment and age related thereafter.

Sample Ages	Years of Service	Percent of Active Members Terminating During Year										
		State General		State Police	State Corrections		Municipal General		Municipal Police		Municipal Fire	
		Men	Women		Men	Women	Men	Women	Men	Women	Men	Women
All	0	35.0%	33.0%	12.0%	44.0%	20.0%	35.0%	40.0%	30.0%	25.0%	15.0%	10.0%
	1	20.0	18.0	4.0	35.0	55.0	20.0	20.0	15.0	10.0	10.0	25.0
	2	12.0	13.0	3.0	25.0	13.0	11.0	13.0	9.0	10.0	5.0	10.0
	3	11.0	11.0	6.0	20.0	20.0	9.5	11.0	9.0	12.0	4.0	8.0
	4	8.0	9.0	4.5	9.0	20.0	7.0	8.0	9.0	5.0	3.5	7.0
	5	n/a	5.0	4.5		10.0	5.0	5.5				
	6			4.5		10.0						
	7					10.0						
	Over Select Period											
20		8.0	10.0	1.5	9.0	6.0	2.0	12.0	10.0	10.0	3.6	3.6
25		5.6	6.5	1.5	9.0	6.0	2.0	7.8	6.5	6.5	3.6	3.6
30		4.2	4.2	1.5	7.0	6.0	2.0	5.0	4.1	4.1	2.8	2.8
35		3.3	2.9	1.5	4.8	6.0	2.0	3.4	2.5	2.5	1.9	1.9
40		2.5	2.2	1.5	3.3	6.0	2.0	2.7	1.5	1.5	1.3	1.3
45		2.0	2.0	1.5	2.2	6.0	2.0	2.4	1.0	1.0	0.9	0.9
50		1.7	1.9	1.5	1.8	6.0	2.0	2.3	0.9	0.9	0.7	0.7
55		1.6	1.5	1.5	1.8	6.0	2.0	1.9	0.9	0.9	0.7	0.7
60		1.6	1.5	1.5	1.8	6.0	2.0	1.8	0.9	0.9	0.7	0.7
65		1.6	1.5	1.5	1.8	6.0	2.0	1.8	0.5	0.5	0.7	0.7

Rates of Disability. The rates are used to measure the probabilities of active members becoming disabled. Rates for sample ages follow.

Sample Ages	Percent Becoming Disabled at Indicated Ages	
	State General and Municipal General	State Police/Hazardous Duty Municipal Police/Fire
20	0.04%	0.15%
25	0.05	0.18
30	0.06	0.20
35	0.08	0.29
40	0.13	0.42
45	0.19	0.65
50	0.31	1.05
55	0.55	1.84
60	0.92	3.06
65	0.99	3.30

Administrative and Investment Expenses. All expenses are deducted from gross investment income.

Active Member Group Size. The valuation is based on a stationary group size.

DEFINITIONS OF TECHNICAL TERMS

Accrued Service. Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between the actuarial present value of future benefits payments and the actuarial present value of future normal costs. Also referred to as “accrued liability” or “prior service liability.”

Actuarial Experience Estimates. Estimates of expected future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Demographic estimates (rates of mortality, disability, turnover and retirement) are generally based on past experience, modified for projected changes in conditions. Fiscal estimates (salary increases, inflation and real investment return) consist of the underlying rates in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liability. Sometimes referred to as the “actuarial valuation cost method.”

Actuarial Equivalent. A single amount or series of amounts of equal actuarial present value to another single amount or series of amounts, computed on the basis of appropriate actuarial experience estimates.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment. Also referred to as “present value.”

Actuary. A person who is trained in the applications of probability and compound interest to problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events.

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

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

Normal Cost. The actuarial cost allocated to the current year by the actuarial cost method. Sometimes referred to as “current service cost.”

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and the funding value of assets. Sometimes referred to as “unfunded past service liability,” “unfunded accrued liability” or “unfunded supplemental present value.”

Most retirement systems have an unfunded actuarial accrued liability. An amount arises each time new benefits are added, an affiliated public employer adopts a new coverage plan, and an experience loss occurs.

The existence of an unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. An unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is control of the amount of unfunded actuarial accrued liability and the trend in the amount (after due allowance for devaluation of the dollar from inflation and deliberate actions affecting the amount).

Part 1-- Section 5

**Disclosures and Supplementary
Information Required by
Statements No. 25 and No. 27
of the Governmental
Accounting Standards Board**

Actuarial Accrued Liability

The actuarial accrued liability is a measure intended to help users assess (i) a pension fund's funded status on a going concern basis, and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the individual entry-age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the System's level percent of payroll annual required contribution between entry-age and assumed exit age. Entry-age was established by subtracting credited service from current age on the valuation date.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2001. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.00% per year compounded annually, (b) projected salary increases of 5.0% per year compounded annually (4.5% attributable to inflation and 0.5% attributable to productivity), and (c) additional projected salary increases of 0.0% to 10.5% per year attributable to seniority/merit.

Actuarial Accrued Liability:	
Active members	\$3,527,154,791
Retired members and beneficiaries currently receiving benefits	4,227,515,710
Vested terminated members not yet receiving benefits	<u>121,904,392</u>
Total Actuarial Accrued Liability	7,876,574,893
Actuarial Value of Assets (market value was \$7,999,047,423)	<u>8,302,819,833</u>
Assets in Excess of Actuarial Accrued Liability	\$(426,244,939)

During the year ended June 30, 2001, the Plan experienced a net change of \$764,195,231 in the actuarial accrued liability. There were several changes in actuarial assumptions during the year as a result of the Experience Study that was performed (see report dated 8/27/2001). The changes in actuarial assumptions resulted in an increase on actuarial accrued liability of \$248,646,475.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year ended June 30,	Actuarial Valuation Date	Annual Required Contribution
1992	6/30/1991	111,127,910
1993	6/30/1992	114,480,195
1994	6/30/1993	125,240,793
1995	6/30/1994	136,944,079
1996	6/30/1995	158,085,666
1997	6/30/1996	162,495,955
1998	6/30/1997	165,248,661
1999	6/30/1998	174,324,518
2000	6/30/1999	182,000,473
2001	6/30/2000	196,544,110
2002	6/30/2001*	186,521,489

* *Projected amount: Actual required contribution dollar amount will be based on the statutory contribution rate and the actual pensionable payroll for the period.*

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-EA	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
6/30/1992	2,399,346,019	3,277,968,426	878,622,407	73.2%	843,915,100	104.1%
6/30/1993	2,696,510,607	3,561,049,838	864,539,231	75.7%	909,241,989	95.1%
6/30/1994	2,974,815,939	3,976,512,076	1,001,696,137	74.8%	943,330,328	106.2%
6/30/1995	3,364,452,385	4,646,242,538	1,281,790,153	72.4%	1,043,574,707	122.8%
6/30/1996	3,845,137,772	5,054,258,029	1,209,120,257	76.1%	1,098,635,667	110.1%
6/30/1997	4,560,312,444	5,558,679,193	998,366,749	82.0%	1,102,082,081	90.6%
6/30/1998	5,487,475,524	6,000,438,884	512,963,360	91.5%	1,146,991,018	44.7%
6/30/1999	6,490,295,227	6,548,102,870	57,807,643	99.1%	1,146,991,019	5.0%
6/30/2000	7,522,348,007	7,112,379,662	(409,968,345)	105.8%	1,253,305,021	-
6/30/2001	8,302,819,833	7,876,574,893	(426,244,939)	105.4%	1,318,274,517	-

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS**

Valuation Date				June 30, 2001	
Actuarial Cost Method				Individual Entry Age	
Amortization Method				Level Percent of Payroll, open	
Remaining Amortization Period				7 years	
Asset Valuation Method				4-year smoothed market	
Actuarial Assumptions:					
	Investment Rate of Return*			8.00%	
	Projected Salary Increases*			5.00% - 15.50%	
	*Includes Inflation at			4.50%	
	Cost-of-Living Adjustments			3.00%	

October 25, 2001 FX

Mr. Terry Slattery, Executive Director
New Mexico PERA
1120 Paseo de Peralta
Santa Fe, New Mexico 87501

Dear Mr. Slattery:

Enclosed are 5 copies of the report of an actuarial valuation as of June 30, 2001 of PERA New Mexico. The balance of the reports will be sent after we have finalized the new format. Please note that we have excluded part 2 from this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kenneth G. Alberts". The signature is written in a cursive style with a horizontal line extending from the end.

Kenneth G. Alberts

KGA:kga
Enclosures

CC: Mr. Kurt Weber, Deputy Executive Secretary
Ms. Mary Frederick, Deputy Executive Secretary
Ms. Lee Ann Rael, Comptroller
Ms. Tracy Hughes, General Council
Deloitte & Touche, LLP (+ 1 report copy)
Attn: Mr. Dan Whitnah, Senior Manager
Human Capital Advisory Services
55 Seventeenth Street, Suite 3600
Denver, Colorado 80202-3942