



Public Employees
Retirement Association
of New Mexico

Annual Actuarial Valuation
June 30, 2002

January 25, 2002

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.

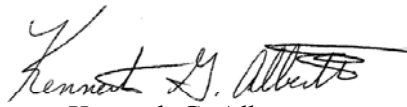
The valuation was made as of June 30, 2002 using financial and individual people information furnished by the Association.

The report is divided into parts and sections as follows:

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

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

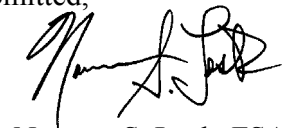

Norman S. Losk, FSA.

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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, 2002

The statutory obligations of PERA were calculated to have an actuarial present value of \$11,500,396,681 on June 30, 2002. The funding value of PERA assets available to meet these obligations totaled \$8,498,751,682.

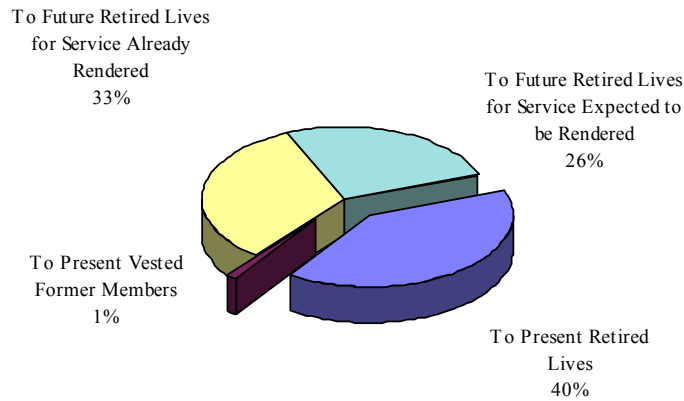
	Actuarial Accrued Liability		Value of Statutory
	Actuarial Accrued Liability	Future Normal Cost	Total Actuarial Obligation
Retired members	\$ 4,601,232,252	none	\$ 4,601,232,252
Vested Former members	141,948,576	none	141,948,576
Active members	3,755,570,854	\$ 3,001,644,999	6,757,215,853
Total Actuarial Obligation	8,498,751,682	\$ 3,001,644,999	\$ 11,500,396,681
Less Funding Value of Assets	8,763,443,681		
Unfunded Actuarial Accrued Liability	(\$264,691,999)		

Derivation of the funding value of assets is shown on page 16.

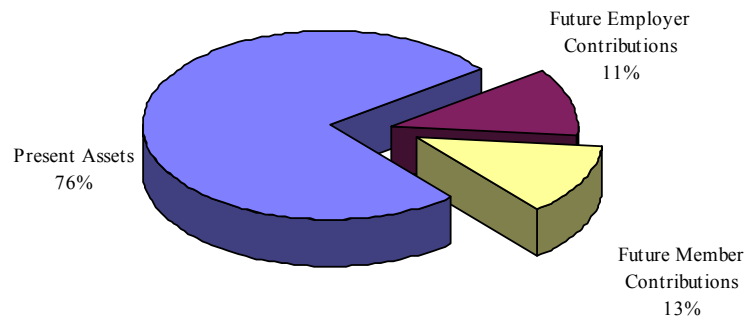
The report excludes Legislative Division reported assets of \$5,166,909 (\$5,790,520 funding value) and the corresponding statutory obligations. An actuarial valuation of Legislative assets and statutory obligations is detailed in a separate report.

STATUTORY OBLIGATIONS AND SOURCES OF FUNDS JUNE 30, 2002

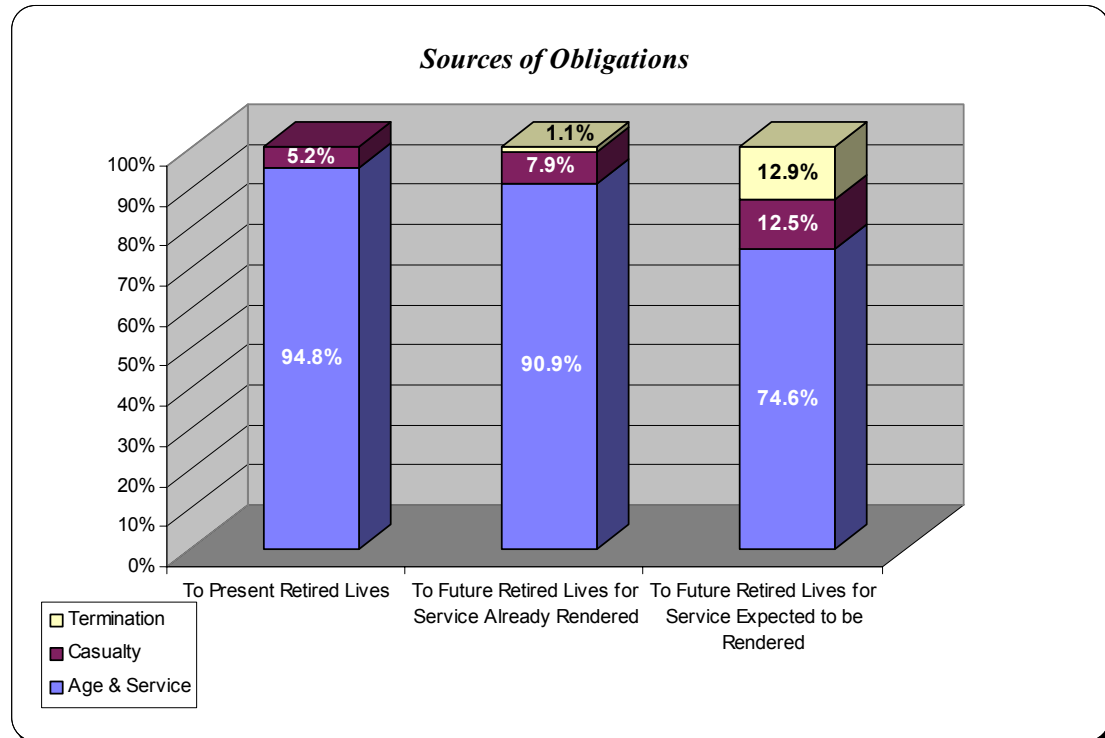
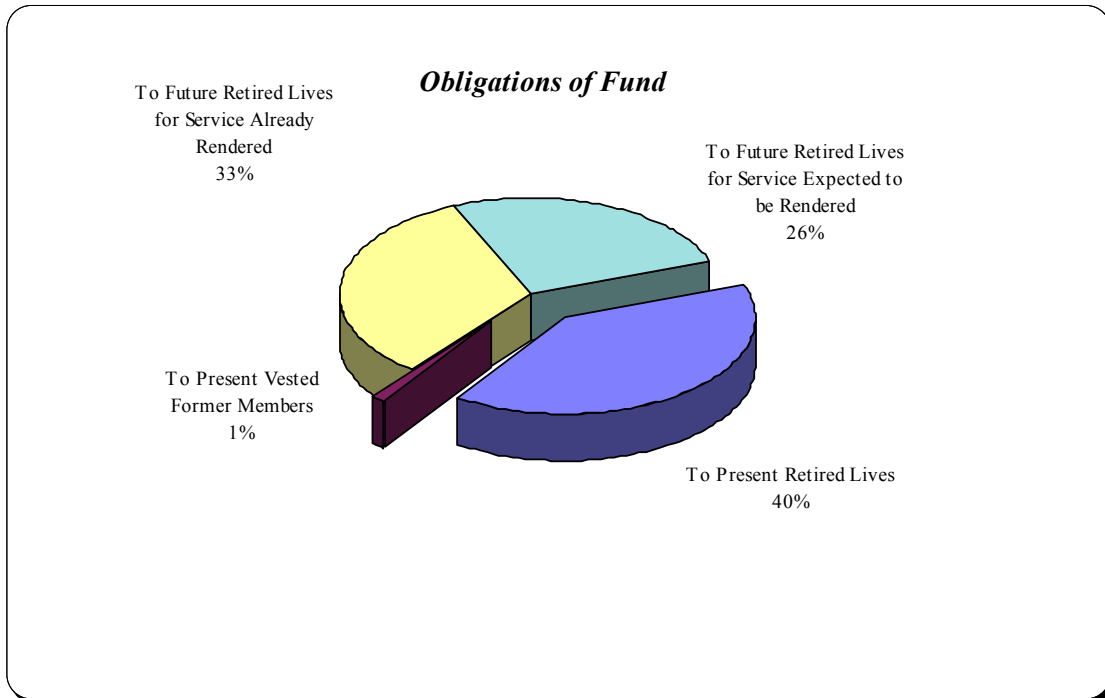
Obligations of Funds



Sources of Funds



STATUTORY OBLIGATIONS JUNE 30, 2002



ACTUARIAL PRESENT VALUE OF STATUTORY OBLIGATIONS BY DIVISION JUNE 30, 2002

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*			
STATE DIVISION					
General coverage plan	\$2,243,623,595	\$1,918,159,821	\$1,399,106,723	\$5,560,890,139	\$3,727,073,225
Less Funding Value of Assets	2,243,623,595	1,483,449,630			
Unfunded Act. Accr. Liab	none	434,710,191			
Police/Haz. Duty coverage plan	197,684,474	186,444,076	126,491,370	510,619,920	613,483,181
Less Funding Value of Assets	197,684,474	415,798,707			
Unfunded Act. Accr. Liab	none	(229,354,630)			
MUNICIPAL DIVISION					
General coverage plan	1,211,873,457	1,273,062,695	1,028,410,987	3,513,347,139	2,743,565,146
Less Funding Value of Assets	1,211,873,457	1,531,691,689			
Unfunded Act. Accr. Liab	none	(258,628,994)			
Police coverage plan	559,859,958	340,630,233	270,794,035	1,171,284,226	1,116,959,306
Less Funding Value of Assets	559,859,958	557,099,348			
Unfunded Act. Accr. Liab	none	(216,469,115)			
Fire coverage plan	388,190,768	179,222,604	176,841,884	744,255,256	562,362,823
Less Funding Value of Assets	388,190,768	174,172,055			
Unfunded Act. Accr. Liab	none	5,050,549			
PERA TOTALS					
All coverage plans	\$4,601,232,252	\$3,897,519,430	\$3,001,644,999	\$11,500,396,681	\$8,763,443,680
Less Funding Value of Assets	4,601,232,252	4,162,211,428			
Unfunded Act. Accr. Liab	none	(\$264,691,998)			

* 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, 2002:

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*	6.06	24.92
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*	11.26	8.92
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*	15.36	18.07
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*	16.09	21.18

* 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.

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2002

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%	6.06%
	Affiliated Public Employers	16.59%	25.44%
	Total Funding Resource (Weighted Average)	24.01%	31.50%
UTILIZATION OF FUNDING RESOURCE			
	Normal Cost:		
	Age & Service	16.49%	20.81%
	Disability	1.14%	2.49%
	Pre-retirement Survivors	1.33%	1.10%
	Refunds	0.82%	0.75%
	Total Normal Cost	19.78%	25.15%
	Unfunded Actuarial Accrued Liability	4.23%	6.35%
	Total Utilized	24.01%	31.50%
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
FINANCING PERIOD*			
	Current Valuation	18 years	# years
	Last Year's Valuation	12 years	# years
	Change Since Last Year's Valuation	6 years	+ years**
	Change Since 1990	-47 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, 2002 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	11.26%	15.36%	16.09%
	Affiliated Public Employers	8.92%	18.07%	21.18%
	Total Funding Resource (Weighted Average)	20.18%	33.43%	37.27%
UTILIZATION OF FUNDING RESOURCE				
	Normal Cost:			
	Age & Service	14.54%	24.91%	26.63%
	Disability	0.96%	1.96%	1.97%
	Pre-retirement Survivors	1.40%	1.41%	1.65%
	Refunds	1.20%	1.06%	0.47%
	Total Normal Cost	18.09%	29.33%	30.72%
	Unfunded Actuarial Accrued Liability	2.09%	4.09%	6.55%
	Total Utilized	20.18%	33.43%	37.27%
UNFUNDED ACTUARIAL ACCRUED LIABILITY				
FINANCING PERIOD*				
	Current Valuation	# years	# years	2 years
	Last Year's Valuation	# years	# years	2 years
	Change Since Last Year's Valuation	+ years**	+ years**	0 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	Funding Value of Assets	APVCPB@	SECOND INDICATOR	Unfunded APVCPB	Valuation Payroll	THIRD INDICATOR	FOURTH INDICATOR
	Financing Period #			Percent Funded			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
2002	10	8,763,444	8,498,752	103	(264,692)	1,396,209	(19)	(3.3)

* 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

Methods and assumptions used in the June 30, 2002 were used unchanged from the prior valuations.

COMMENT B

In aggregate, fund experience was less favorable than expected, producing an experience loss for the year ending June 30, 2002. The primary sources of the experience loss were a rate of return on the funding value of assets less than assumed (5.5% vs. 8%) and retirements greater than assumed. Losses were partially offset by gains due to pay increases (members who were active at the beginning and end of the year had pay increases of 5.8% compared with an assumed increased of 7.9%).

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 partially offset this year's and last year's losses.

In aggregate, the system had an experience loss of \$2.58 million.

COMMENT C

Looking ahead to next year we can see that we have a loss of \$328 million for three of the four years of investment activity that will flow into the recognized gain/loss in next year's actuarial value of assets. Essentially this means that if the fund earns exactly 8% on investments during the 2002/03 and the 2003/04 fiscal years and incurs no other liability gains or losses (an unlikely situation) then the 6/30/2003 and 6/30/2004 valuation results will each show a loss of approximately \$328 million. If a loss of this magnitude does occur next year, we believe that effect will approximate the following:

- Overall PERA funding ratio will drop below 100%
- Overall PERA amortization period will increase to around 20 years
- State General amortization period will increase to near 30 years
- Municipal General funding ratio will drop from 110% to approximately 105%
- Municipal Fire amortization increase to around 10 years

COMMENT D

Active populations in the State General, State Police/Hazardous Duty and Municipal General divisions increased by approximately 3.5% during the year ending June 30, 2002. Active populations for Municipal Police and Municipal Fire dropped by 5% - 7% during the year. However, some shifting has occurred between State Police and Hazardous Duty (State Corrections) over the past several years. The table below indicates the active population for these two groups over the past 4 years.

	Active Members			
	6/30/1999	6/30/2000	6/30/2001	6/30/2002
State Police	435	432	481	537
Hazardous Duty	958	862	805	819

CONCLUSIONS

Our conclusions based on the June 30, 2002 annual actuarial valuation of PERA are as follows:

- PERA funding status remained strong during the year ended June 30, 2002, with the aggregate funding ratio of accrued valuation assets to accrued liabilities at 103%. 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*	\$ 476,552,721		
EAF	1,223,130,613		(\$617,621,658)
RRF	1,626,001,937	\$2,243,623,595	617,621,658
STATE POLICE/HAZ. DUTY			
MCF	\$ 37,658,994		
EAF	253,092,221		0
RRF	256,662,762	197,684,474	0
MUNICIPAL GENERAL			
MCF	\$ 566,969,660		
EAF	665,638,077		0
RRF	1,215,488,569	1,211,873,457	0
MUNICIPAL POLICE			
MCF	\$ 164,455,165		
EAF	287,215,206		(14,862,196)
RRF	544,997,762	559,859,958	14,862,196
MUNICIPAL FIRE			
MCF	\$ 86,410,010		
EAF	102,619,141		(75,420,880)
RRF	312,769,888	388,190,768	75,420,880
	\$7,819,662,725		

* *Members contribution fund.*

** *At market value.*

EXPERIENCE GAIN (LOSS) -- YEAR ENDED JUNE 30, 2002
(DOLLAR AMOUNTS IN THOUSANDS)

DERIVATION	State Division		Municipal Division			Totals
	General	Pol / H.D.	General	Police	Fire	
(1) UAAL at start of year	\$ 283,425	\$(219,920)	\$(284,312)	\$(212,382)	\$ 6,944	\$(426,245)
(2) Normal Cost for year (NC x Pays from 2001 val'n)	122,692	10,193	91,034	24,297	14,032	262,248
(3) EE and ER contributions (net of refunds)	(150,662)	(18,743)	(93,937)	(37,446)	(21,742)	(322,530)
(4) Interest Accrual	21,555	(17,936)	(22,861)	(17,517)	247	(36,512)
(5) Expected UAAL before changes	277,010	(246,406)	(310,076)	(243,048)	(519)	(523,039)
(6) Effect of assumption changes	0	0	0	0	0	0
(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	277,010	(246,406)	(310,076)	(243,048)	(519)	(523,039)
(10) Actual UAAL	434,710	(229,355)	(258,629)	(216,469)	5,051	(264,692)
(11) Gain (Loss)	(157,700)	(17,051)	(51,447)	(26,579)	(5,570)	(258,347)
(12) As % of beginning of year AAL	(4.12%)	(4.75%)	(2.24%)	(3.15%)	(1.03%)	(3.28%)

AAL represents actuarial accrued liability.

UAAL represents unfunded actuarial accrued liability.

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

Section 2

Summary of Financial and People
Information Used for the Valuation

SUMMARY OF FISCAL INFORMATION FURNISHED FOR THE VALUATION

	6-30-02	6-30-01
Fund balance beginning of year	\$7,999,047,423	\$8,152,748,384
Revenues		
a. Member contributions	140,856,619	135,594,355
b. Employer contributions	204,734,125	196,544,110
c. Purchases of service	2,976,083	2,002,209
d. Investment Income		
1. Adjustments of inv to market value	(418,591,091)	(651,921,819)
2. Interest, dividends, etc.	269,703,263	309,832,765
3. Realized gains/(losses)	(12,309,525)	192,573,518
e. Other Income	3,206,076	1,459,548
f. Total revenues	\$190,575,550	\$186,084,686
Expenditures		
a. Pensions paid	318,441,086	291,118,491
b. Refunds of member contributions	25,624,513	27,357,500
c. Administrative and investment expenses	20,727,741	21,309,656
d. Total expenditures	\$ 364,793,340	\$ 339,785,647
Audit Adjustment	0	0
Fund balance end of year (Market value)	\$7,824,829,633	\$7,999,047,423
ASSETS AND LIABILITIES	2002	2001
Cash & Receivables	\$33,774,584	\$ 32,821,049
Property & Equipment	989,324	16,097,219
Building	15,500,000	
Short Terms & Accruals	567,029,401	241,715,441
US Gov't & Agency Securities	2,031,364,184	1,858,305,666
Corporate Bonds	2,819,907,421	3,505,136,198
Corporate Stocks	1,062,166,470	1,046,714,458
International Stocks	1,293,495,960	1,297,506,237
Other Investments	602,288	751,155
Net Assets	\$ 7,824,829,632	\$ 7,999,047,423

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,				
	1998	1999	2000	2001	2002
A. Funding Value Beginning of Year	\$4,563,326,404	\$5,490,941,333	\$6,494,486,751	\$7,527,280,315	\$8,308,210,019
B. Market Value End of Year	6,340,544,208	7,299,968,088	7,999,047,423	7,999,047,423	7,824,829,633
C. Market Value Beginning of Year	5,305,765,738	6,340,544,208	7,299,968,088	8,152,748,384	7,999,047,423
D. Non-Investment Net Cash Flow	43,561,876	32,982,104	15,664,683	15,664,683	4,501,228
E. Investment Income					
E1. Market Total: B - C - D	991,216,594	926,441,776	683,414,652	(169,365,644)	(178,719,018)
E2. Amount for Immediate Recognition	372,769,227	446,634,626	526,030,565	608,078,109	664,836,851
E3. Amount for Phased-In Recognition E1-E2	618,447,367	479,807,150	157,384,087	(777,443,753)	(843,555,869)
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	154,611,842	119,951,788	39,346,022	(194,360,938)	(210,888,967)
F2. First Prior Year	136,402,296	154,611,842	119,951,788	76,984,220	(194,360,938)
F3. Second Prior Year	110,362,961	136,402,296	154,611,842	119,951,788	76,984,220
F4. Third Prior Year	107,306,926	110,362,961	136,402,296	154,611,842	119,951,788
F5. Total Recogn. Phased -In Investment Gain	508,684,025	521,328,887	450,311,948	157,186,912	(208,313,897)
G. Audit Adjustment Phase-In	2,599,801	2,599,801	0	0	-
H. Funding Value End of Year: A + D + E2 + F5 +G	5,490,941,333	6,494,486,751	\$7,486,493,947	\$8,308,210,019	\$8,769,234,201
Difference between Market & Funding Value	849,602,875	805,481,337	512,553,476	(309,162,596)	(944,404,568)
I. Recognized Rate of Return	19.28%	17.62%	15.02%	10.16%	5.49%

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, 2002

	State Division			Municipal Division			PERA Totals	PERA Totals w/o Legislative
	General	Police	Legislative	General	Police	Fire		
Member Contribution Fund	\$ 476,552,721	\$ 37,658,994	\$ 108,638	\$ 566,969,660	\$ 164,455,165	\$ 86,410,010	\$1,332,155,189	\$1,332,046,551
Employer Accumulation Fund	1,223,130,613	253,092,221	2,774,224	665,638,077	287,215,206	102,619,141	2,534,469,481	2,531,695,257
Retirement Reserve Fund	1,626,001,937	256,662,762	2,284,046	1,215,488,569	544,997,762	312,769,888	3,958,204,964	3,955,920,917
Total Fund Balances	3,325,685,271	547,413,978	5,166,909	2,448,096,306	996,668,133	501,799,038	7,824,829,634	7,819,662,725
Funding Value Adjustment	401,387,954	66,069,203	623,611	295,468,840	120,291,173	60,563,785	944,404,567	943,780,956
Total Funding Value of Assets	\$3,727,073,225	\$613,483,181	\$5,790,520	\$2,743,565,146	\$1,116,959,306	\$562,362,823	\$8,769,234,201	\$8,763,443,681

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 16 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 16,171 retired members and 2,553 survivor beneficiaries reported for the June 30, 2002 valuation, involving an annual pension payroll of \$337,043,553. The distribution by division and group was:

		Retired Members			Survivor Pension Benefit		
STATE DIVISION		No.	Annual Pension	Avg. Age	No.	Annual Pension	Avg. Age
	General	8,676	\$158,063,913	66.8	1,289	\$ 11,908,037	69.2
	Police/Haz Duty	517	12,673,937	61.9	93	1,285,713	56.4
	Totals	9,193	170,737,850	66.5	1,382	13,193,750	68.3
MUNICIPAL DIVISION							
	General	4,949	82,490,862	66.7	912	8,130,996	68.0
	Police	1,196	34,417,170	56.8	165	2,279,425	60.4
	Fire	833	24,170,146	58.5	94	1,623,354	66.0
	Totals	6,978	141,078,178	64.0	1,171	12,033,775	66.8
PERA TOTALS		16,171	\$311,816,028	65.4	2,553	\$25,227,525	67.6

Retired member and survivor pension beneficiaries added during the year ended June 30, 2002 and included in the preceding schedule totaled 1,217 with an annualized pension payroll of \$25,341,647. The distribution by division and group was:

		Retired Members			Survivor Pension Benefit		
STATE DIVISION		No.	Annual Pensions	Avg. Age	No.	Annual Pensions	Avg. Age
	General	473	\$10,287,782	57.2	124	\$1,324,421	64.5
	Police/Haz Duty	30	778,070	52.2	13	193,150	39.5
	Totals	503	11,065,852	56.9	137	1,517,571	62.1
MUNICIPAL DIVISION							
	General	335	6,852,153	57.5	71	791,060	60.7
	Police	105	3,304,618	47.6	16	301,308	50.4
	Fire	43	1,325,661	47.2	7	183,424	57.3
	Totals	483	\$11,482,431	54.4	94	\$1,275,792	58.7

**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
2002	18,724	5.1	337,043,554	10.8	18,001

(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, 2002**

Type of Pension	Number	Pension	Average
<i>Normal Retirement Pensions</i>			
Single life pension terminating on death (options A, 1, and 2)	7,125	132,346,509	17,356
Two life 100% survivor pension (options B and 3)			
Retired member recipient	5,816	117,332,017	18,831
Survivor recipient	1,200	13,512,169	10,251
Two life 50% survivor pension (options C and 4)			
Retired member recipient	2,459	52,073,082	19,674
Survivor recipient	476	3,306,709	6,195
Single life with temporary child survivor pension (option D)			
Retired member recipient	96	2,409,035	22,683
Child recipient	-	-	-
Total Normal Retirement Pensions	17,172	320,979,521	17,411
<i>Disability Retirement Pensions</i>			
Single life pension terminating on death (options A, 1, and 2)	210	2,373,741	11,304
Two life 100% survivor pension (options B and 3)			
Retired member recipient	384	4,299,895	11,198
Survivor recipient	86	833,283	9,689
Two life 50% survivor pension (options C and 4)			
Retired member recipient	73	881,620	12,077
Survivor recipient	14	64,613	4,615
Single life with temporary child survivor pension (option D)			
Retired member recipient	13	125,631	9,664
Child recipient	-	-	-
Total Disability Retirement Pensions	780	8,578,784	10,998
Pre-retirement Survivor Pensions	772	7485248.4	9,696
Total Pensions Being Paid	18,724	\$337,043,554	\$18,001

**RETIRED MEMBERS AND SURVIVOR BENEFICIARIES
DISPLAYED BY ATTAINED AGE - JUNE 30, 2002**

Attained Age	State Division		Municipal Division		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
Under 20	34	\$ 163,030	27	\$ 196,248	61	\$ 359,277
20-24	5	29,696	2	22,849	7	52,545
25-29	11	74,456	9	95,246	20	169,702
30-34	18	172,514	17	178,858	35	351,372
35-39	40	378,844	44	676,979	84	1,055,823
40-44	111	1,743,719	241	6,045,163	352	7,788,882
45-49	517	11,863,818	653	17,195,550	1,170	29,059,368
50-54	1,220	30,558,599	1,063	28,273,428	2,283	58,832,028
55-59	1,271	30,138,509	989	25,328,499	2,260	55,467,008
60-64	1,626	32,174,960	1,214	24,536,943	2,840	56,711,904
65-69	1,704	27,262,280	1,306	21,287,439	3,010	49,049,719
70-74	1,470	21,771,116	1,084	14,931,990	2,554	36,703,106
75-79	1,178	15,336,068	776	8,861,877	1,954	24,197,945
80-84	747	7,416,249	420	3,611,820	1,167	11,028,069
85-89	411	2,991,156	200	1,365,288	611	4,356,444
90-94	140	960,938	72	373,235	212	1,334,173
95 & Over	72	395,648	32	130,540	104	526,189
Grand Total	10,575	183,931,600	8,149	153,111,954	18,724	337,043,554

**FORMER MEMBERS DISPLAYED BY DIVISION
JUNE 30, 2002**

VESTED FORMER MEMBERS

State Division		Estimated Number	Average	
			Age	Service
	General	1,631	49.1	9.7
	Police/Haz. Duty	65	44.5	10.9
Total State Division		1,696	49.0	9.7
Municipal Division				
	General	949	48.7	10.1
	Police	76	44.6	10.7
	Fire	15	43.6	7.4
Total Municipal Division		1,040	48.4	10.1
Total PERA		2,736	48.7	9.9

OUTSTANDING REFUNDS

Division		Estimated Number	Accumulated Contributions
State Division			
	General	51	212,105.36
	Police/Haz. Duty	3	19,729.07
Total State Division		54	\$ 231,834.43
Municipal Division			
	General	92	428,174.05
	Police	78	2,959.07
	Fire	10	0.33
Total Municipal Division		180	\$ 431,133.45
Total PERA		234	\$ 662,967.88

**ACTIVE MEMBERS DISPLAYED BY DIVISION AND COVERAGE PLAN
JUNE 30, 2002**

Divisions/Coverage Plan	Number	Payroll	Averages*		
			Age	Service	Pay
State Division					
General	21,311	698,626,579	42.8	8.3	32,782
Police	537	20,186,052	35.4	9.9	37,590
Hazardous Duty	<u>819</u>	<u>24,160,765</u>	41.8	11.3	29,500
Total State Division	22,667	742,973,396	42.6	8.4	32,778
Municipal Division					
General Cov. Plan 1	2,895	77,769,797	41.0	6.7	26,863
General Cov. Plan 2	5,286	140,734,146	42.5	7.2	26,624
General Cov. Plan 3	9,242	291,076,130	42.3	9.1	31,495
General Cov. Plan 4	<u>695</u>	<u>18,277,147</u>	43.4	6.8	26,298
Total General	18,118	527,857,221	42.2	8.1	29,134
Police Cov. Plan 1	129	3,441,719	38.9	5.2	26,680
Police Cov. Plan 2	60	1,565,664	38.8	6.3	26,094
Police Cov. Plan 3	39	1,187,215	40.1	8.8	30,441
Police Cov. Plan 4	137	4,474,866	39.9	9.1	32,663
Police Cov. Plan 5	<u>1,744</u>	<u>69,422,438</u>	38.0	10.5	39,806
Total Police	2,109	80,091,903	38.2	10.0	37,976
Fire Cov. Plan 1	11	252,962	31.4	4.6	22,997
Fire Cov. Plan 2	6	167,553	31.0	8.7	27,926
Fire Cov. Plan 3	5	166,325	26.0	2.0	33,265
Fire Cov. Plan 4	2	59,472	44.7	17.5	
Fire Cov. Plan 5	<u>1,112</u>	<u>44,640,168</u>	38.0	10.6	40,144
Total Fire	1,136	45,286,480	37.8	10.5	39,865
Total Municipal Division	21,363	653,235,603	41.6	8.4	30,578
Total PERA	44,030	1,396,209,000	42.1	8.4	31,710

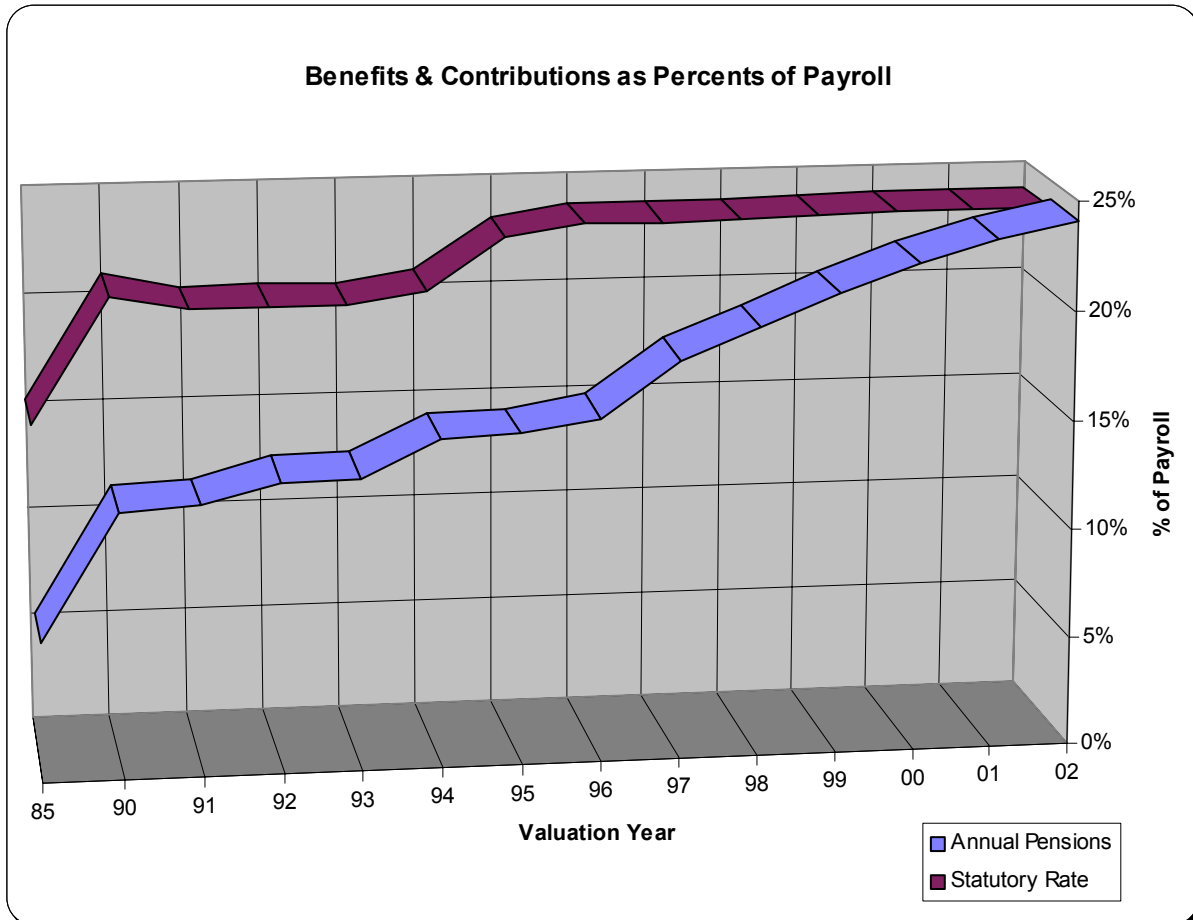
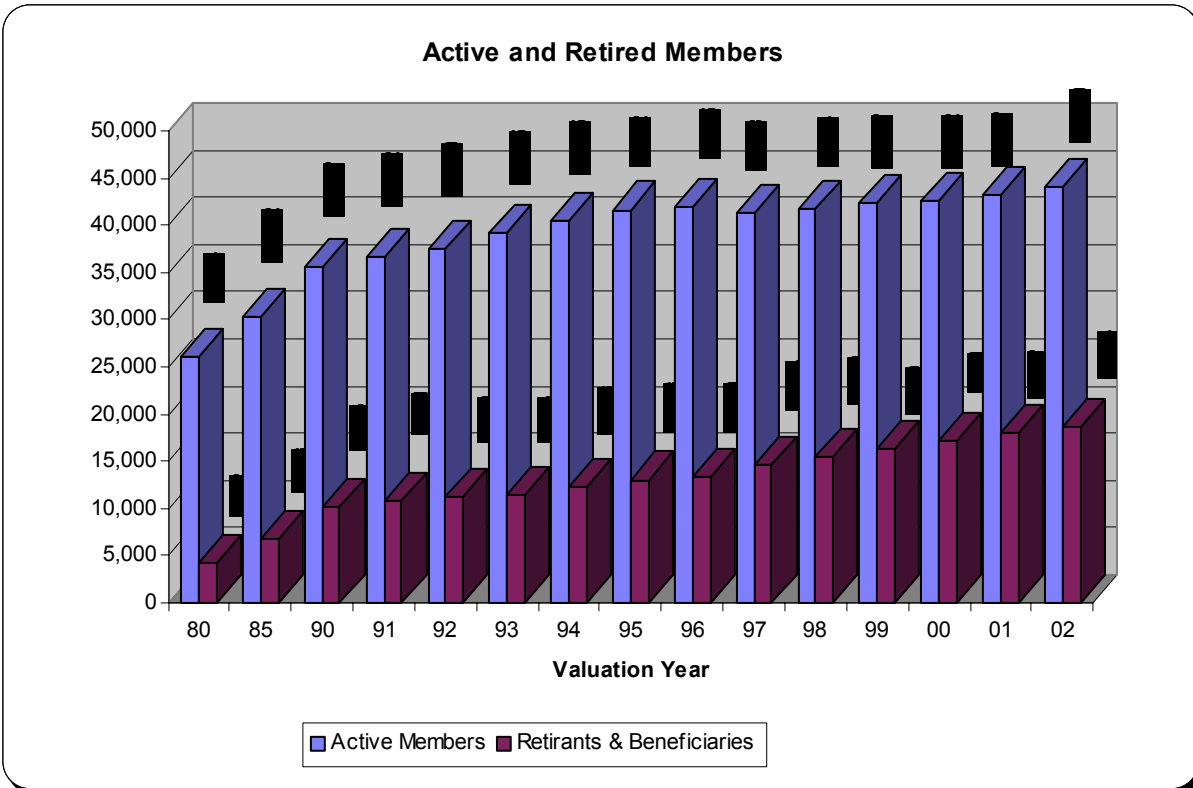
* Averages are shown because of general interest. The valuation process utilizes individual information.

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
2002	44,030	1,396,209,000	42.07	8.4	31,710

* 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, 2002

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	42	-	-	-	-	-	-	42	758,017
20-24	955	12	-	-	-	-	-	967	21,093,962
25-29	1,564	318	7	-	-	-	-	1,889	47,766,207
30-34	1,592	833	315	6	-	-	-	2,746	79,606,553
35-39	1,510	775	750	296	16	-	-	3,347	105,474,668
40-44	1,215	779	768	617	341	10	-	3,730	127,419,272
45-49	1,085	703	682	522	479	81	-	3,552	126,110,139
50-54	917	595	620	446	382	86	14	3,060	113,327,694
55-59	554	395	469	366	268	41	15	2,108	77,443,171
60	60	65	82	69	36	8	5	325	11,623,441
61	45	56	61	50	19	7	2	240	8,448,230
62	39	55	50	36	7	3	-	190	6,807,161
63	26	30	31	18	12	3	1	121	4,334,130
64	22	33	24	9	10	-	2	100	3,609,244
65	14	19	19	16	4	2	-	74	2,853,186
66	8	13	12	1	2	1	-	37	1,301,929
67	7	6	12	3	2	-	1	31	1,199,087
68	10	5	3	2	-	-	1	21	861,982
69	3	3	2	4	3	-	-	15	587,861
70	5	2	2	-	1	1	-	11	324,832
71	8	2	3	-	1	-	-	14	490,889
72	-	2	4	-	-	-	-	6	253,241
73	2	2	1	-	-	-	-	5	124,265
74	3	1	2	1	-	-	1	8	266,874
75	1	2	1	-	1	-	2	7	295,262
76	-	-	-	-	-	-	1	1	44,221
77	2	1	1	1	1	-	-	6	171,910
78	1	-	-	-	1	-	-	2	63,645
79	5	2	4	1	-	-	-	12	312,321
Totals	9,695	4,709	3,925	2,464	1,586	243	45	22,667	742,973,396

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	1,148	1,379	2,527	66,095,189	94,156
1	972	1,251	2,223	58,962,531	104,992
2	803	980	1,783	49,396,142	101,675
3	808	901	1,709	49,440,152	109,530
4	618	835	1,453	44,095,957	119,566
5	423	504	927	30,265,555	121,158
6	347	415	762	24,777,245	121,848
7	500	554	1,054	35,516,611	126,739
8	543	510	1,053	35,589,934	129,886
9	429	484	913	31,814,289	130,088
10	459	377	836	30,384,498	131,547
11	417	457	874	32,166,443	135,301
12	412	357	769	28,189,665	137,923
13	391	377	768	28,234,206	111,045
14	328	350	678	24,988,630	136,782
15 & Up	2,319	2,019	4,338	173,056,349	157,359
Totals	10,917	11,750	22,667	742,973,396	127,266

ACTIVE MEMBERS
MUNICIPAL DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2002

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	74	-	-	-	-	-	-	74	1,332,154
20-24	991	15	-	-	-	-	-	1,006	22,192,057
25-29	1,544	438	11	-	-	-	-	1,993	50,519,514
30-34	1,595	1,033	401	18	-	-	-	3,047	86,388,944
35-39	1,218	815	804	456	9	-	-	3,302	102,886,647
40-44	1,107	699	744	780	323	12	-	3,665	121,168,714
45-49	903	624	583	542	389	46	1	3,088	101,796,905
50-54	703	468	460	418	290	72	7	2,418	80,961,970
55-59	407	313	321	308	197	36	16	1,598	52,976,335
60	122	56	54	54	27	4	4	261	8,246,040
61	108	43	38	31	22	4	-	185	5,871,862
62	97	33	37	34	10	7	-	155	4,799,174
63	94	28	25	17	10	2	-	113	3,075,950
64	93	20	17	9	8	1	-	84	2,249,452
65	83	20	13	17	4	1	2	75	1,910,145
66	85	14	7	7	4	2	2	55	1,368,802
67	79	14	8	5	2	-	1	42	1,136,969
68	81	9	6	5	1	2	-	36	924,760
69	80	5	4	3	2	-	-	25	655,903
70	79	7	6	-	-	-	2	24	496,059
71	78	7	2	2	5	-	-	23	537,305
72	80	5	6	-	1	-	-	20	340,050
73	79	3	5	-	-	-	1	15	296,363
74	79	3	6	1	-	-	-	15	298,542
75	79	3	1	1	1	-	-	10	172,527
76	80	2	1	-	-	-	-	7	109,092
77	78	2	-	-	-	-	-	3	42,334
78	79	2	1	1	-	-	-	5	63,160
79	83	9	2	1	1	1	-	18	408,880
Totals	8,868	4,690	3,563	2,710	1,307	189	36	21,363	653,235,604

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	1,394	1,116	2,510	63,305,227	314,541
1	1,263	874	2,137	47,985,714	256,095
2	912	661	1,573	38,243,855	278,653
3	929	503	1,432	36,967,268	314,191
4	800	416	1,216	32,649,057	291,343
5	691	369	1,060	30,076,597	333,318
6	703	331	1,034	30,163,063	323,437
7	617	345	962	28,636,874	307,128
8	607	292	899	27,503,271	284,661
9	490	245	735	22,989,516	328,099
10	491	223	714	23,120,650	327,769
11	506	225	731	24,712,369	296,738
12	554	241	795	28,546,370	366,035
13	538	209	747	27,503,201	377,617
14	405	171	576	21,772,972	349,964
15 & Up	2,967	1,275	4,242	169,059,596	451,234
Totals	13,867	7,496	21,363	653,235,602	421,032

State General Division					
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
1998	530,379,924	117,076,696	22.07%	126,218,876	23.80%
1999	550,442,610	129,234,642	23.48%	132,330,360	24.04%
2000					24.77%
2001					25.17%
2002					26.65%

State General
Contributions and Pensions as a % of Valuation Payroll

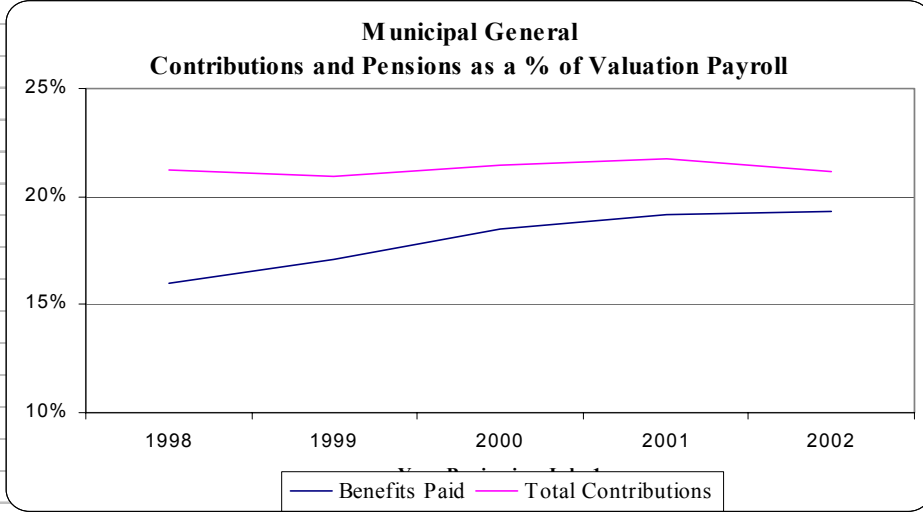
Year	Benefits Paid (%)	Total Contributions (%)
1998	22.07	23.80
1999	23.48	24.04
2000		24.77
2001		25.17
2002		26.65

State Police/Hazardous Duty Division					
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
1998	40,982,290	10,572,491	25.80%	15,815,445	38.59%
1999	39,352,589	11,365,084	28.88%	16,951,300	43.08%
2000	41,567,067	12,279,427	29.54%	16,484,254	39.66%
2001	39,215,882	13,180,233	33.61%	17,852,316	45.52%
2002	40,399,940	14,197,401	35.14%	19,589,208	48.49%

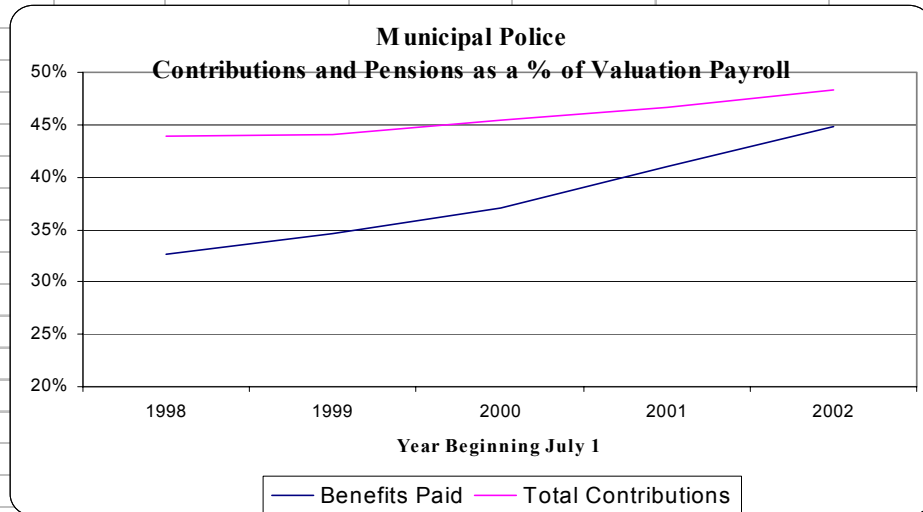
State Police/Hazardous Duty
Contributions and Pensions as a % of Valuation Payroll

Year	Benefits Paid (%)	Total Contributions (%)
1998	25.80	38.59
1999	28.88	43.08
2000	29.54	39.66
2001	33.61	45.52
2002	35.14	48.49

Municipal General Division					
Year	Prior June 30	Benefits Paid*		Contributions Made*	
Beginning July 1,	Valuation Payroll	Dollars	% of Val Pay	Dollars	% of Val Pay
1998	415,916,190	66,579,717	16.01%	88,217,366	21.21%
1999	437,341,401	74,755,609	17.09%	91,464,051	20.91%
2000	454,028,899	83,947,791	18.49%	97,331,885	21.44%
2001	475,745,977	91,318,357	19.19%	103,481,792	21.75%
2002	506,026,384	97,877,822	19.34%	107,160,858	21.18%



Municipal Police Division					
Year	Prior June 30	Benefits Paid*		Contributions Made*	
Beginning July 1,	Valuation Payroll	Dollars	% of Val Pay	Dollars	% of Val Pay
1998	75,331,831	24,608,372	32.67%	33,034,973	43.85%
1999	79,313,544	27,515,732	34.69%	34,973,334	44.10%
2000	80,903,851	30,030,646	37.12%	36,803,948	45.49%
2001	81,903,288	33,605,401	41.03%	38,248,938	46.70%
2002	83,409,907	37,407,611	44.85%	40,347,363	48.37%



Municipal Fire Division					
Year	Prior June 30	Benefits Paid*		Contributions Made*	
Beginning July 1,	Valuation Payroll	Dollars	% of Val Pay	Dollars	% of Val Pay
1998	39,471,846	18,069,661	45.78%	17,308,625	43.85%
1999	40,540,874	20,061,958	49.49%	20,057,876	49.48%
2000	42,208,998	22,242,092	52.70%	20,689,892	49.02%
2001	45,065,551	24,175,958	53.65%	21,458,884	47.62%
2002	45,736,582	25,609,513	55.99%	22,645,384	49.51%

**Municipal Fire
Contributions and Pensions as a % of Valuation Payroll**

Year	Benefits Paid (%)	Total Contributions (%)
1998	45.78%	43.85%
1999	49.49%	49.48%
2000	52.70%	49.02%
2001	53.65%	47.62%
2002	55.99%	49.51%

*Benefits paid include refunds. Contributions made include service purchases.

Section 3

Summary of Benefit Provisions

SUMMARY OF BENEFIT PROVISIONS - - JUNE 30, 2002

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%.

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		
	2002	2001	2000	1999	1998	Last 5 Yrs.	Last 10 Yrs.	Last 30 Yrs.
Actual	1.1%	3.2%	3.7%	2.0%	1.7%	2.1%	2.5%	5.0%

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.

			Annual Rates of Salary Increase for Sample Years of Service				
			1	5	10	15	20
Attributable to:							
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		Present Value of		Future Life	
	\$1 Monthly for Life		\$1.00/Mo. for Two Years		Expectancy Years	
	Men	Women	Men	Women	Men	Women
40	\$143.69	\$147.07	\$197.99	\$206.58	39.41	44.22
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		Present Value of		Future Life	
	\$1 Monthly for Life		\$1.00/Mo. for Two Years		Expectancy Years	
	Men	Women	Men	Women	Men	Women
40	\$117.97	\$145.01	\$155.18	\$201.37	27.71	41.25
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	
		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%
	1	20.0	18.0	4.0	35.0	55.0	20.0	20.0	15.0	10.0
	2	12.0	13.0	3.0	25.0	13.0	11.0	13.0	9.0	10.0
	3	11.0	11.0	6.0	20.0	20.0	9.5	11.0	9.0	12.0
	4	8.0	9.0	4.5	9.0	20.0	7.0	8.0	9.0	5.0
	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
25		5.6	6.5	1.5	9.0	6.0	2.0	7.8	6.5	6.5
30		4.2	4.2	1.5	7.0	6.0	2.0	5.0	4.1	4.1
35		3.3	2.9	1.5	4.8	6.0	2.0	3.4	2.5	2.5
40		2.5	2.2	1.5	3.3	6.0	2.0	2.7	1.5	1.5
45		2.0	2.0	1.5	2.2	6.0	2.0	2.4	1.0	1.0
50		1.7	1.9	1.5	1.8	6.0	2.0	2.3	0.9	0.9
55		1.6	1.5	1.5	1.8	6.0	2.0	1.9	0.9	0.9
60		1.6	1.5	1.5	1.8	6.0	2.0	1.8	0.9	0.9
65		1.6	1.5	1.5	1.8	6.0	2.0	1.8	0.5	0.5

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).

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, 2002. 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	\$3,755,570,854
Retired members and beneficiaries currently receiving benefits	4,601,232,252
Vested terminated members not yet receiving benefits	<u>141,948,576</u>
Total Actuarial Accrued Liability	8,498,751,682
Actuarial Value of Assets (market value was \$7,824,829,633)	<u>8,763,443,681</u>
Assets in Excess of Actuarial Accrued Liability	\$(264,691,999)

During the year ended June 30, 2002, the Plan experienced a net change of \$622,176,789 in the actuarial accrued liability. There were no changes in actuarial assumptions during the year.

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	204,734,125
2003	6/30/2002*	198,327,634

* 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	-
6/30/2002	8,763,443,681	8,498,751,682	(264,691,999)	103.1%	1,396,209,000	-

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

Valuation Date				June 30, 2002	
Actuarial Cost Method				Individual Entry Age	
Amortization Method				Level Percent of Payroll, open	
Remaining Amortization Period				10 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%	

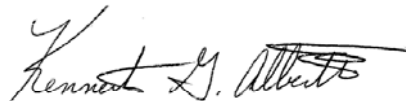
January 25, 2001 FX

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

Dear Mr. Slattery:

Enclosed are 25 copies of the final June 30, 2001 actuarial valuation report of PERA New Mexico.

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 to the right.

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. Susan Pittard, 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