



Public Employees Retirement Association of New Mexico

Annual Actuarial Valuation
June 30, 2004

October 20, 2004

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, 2004 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.

KGA:lr

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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, 2004

The statutory obligations of PERA were calculated to have an actuarial present value of \$13,287,899,741 on June 30, 2004. The funding value of PERA assets available to meet these obligations totaled \$9,267,268,071.

	Actuarial Accrued Liability	Future Normal Cost	Actuarial Present Value of Statutory Obligations
Retired members	\$ 5,613,193,397	none	\$ 5,613,193,397
Vested Former members	158,681,941	none	158,681,941
Active members	4,178,348,958	\$ 3,337,675,445	7,516,024,403
Total Actuarial Obligation	9,950,224,296	\$ 3,337,675,445	\$ 13,287,899,741
Less Funding Value of Assets @	9,267,268,071		
Unfunded Actuarial Accrued Liability	\$682,956,225		

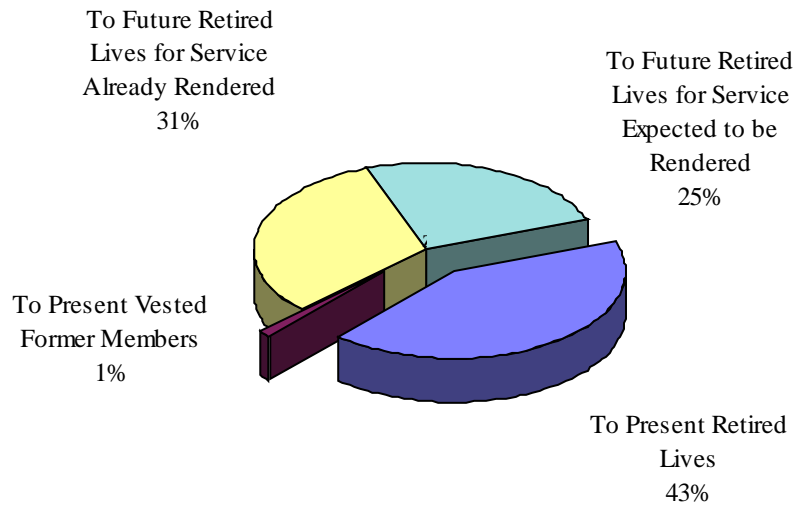
Derivation of the funding value of assets is shown on page 16.

The report excludes Legislative Division reported assets of \$8,418,640 (\$8,407,702 funding value) and the corresponding statutory obligations. An actuarial valuation of Legislative assets and statutory obligations is detailed in a separate report.

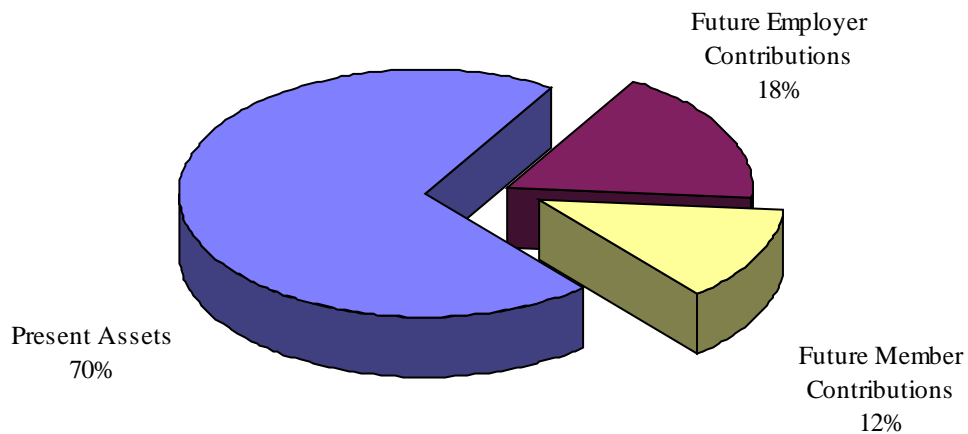
@ Currently the market value of assets exceeds the actuarial value (AV) by \$12,066,726. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a 4-year period (see page 16).

STATUTORY OBLIGATIONS AND SOURCES OF FUNDS
JUNE 30, 2004

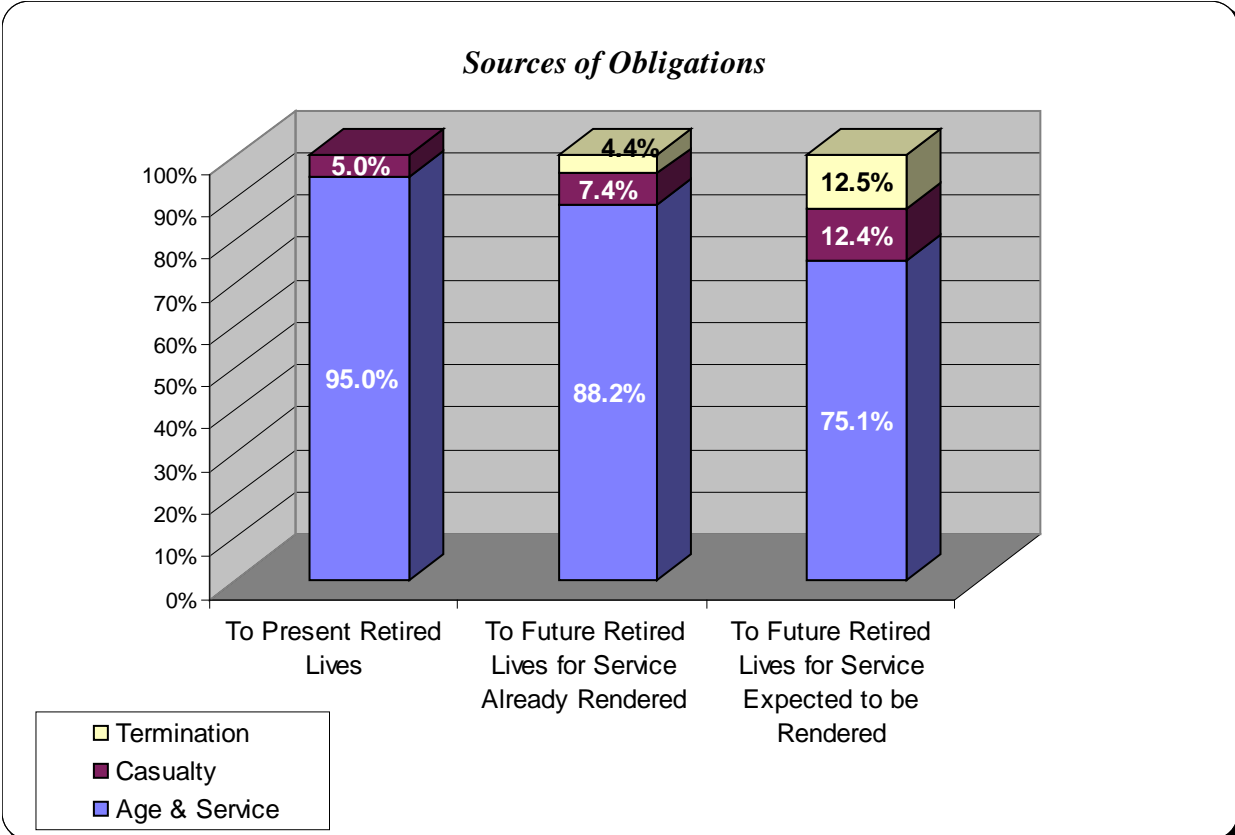
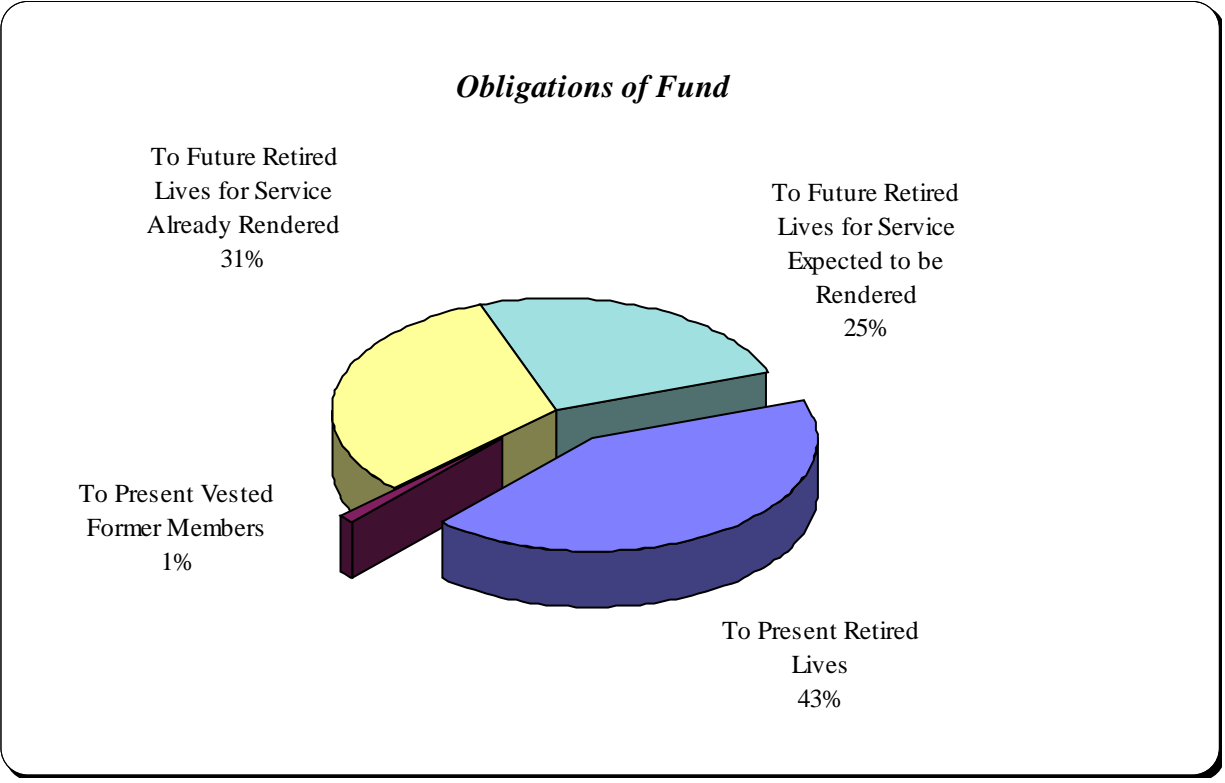
Obligations of Funds



Sources of Funds



STATUTORY OBLIGATIONS JUNE 30, 2004



ACTUARIAL PRESENT VALUE OF STATUTORY OBLIGATIONS BY DIVISION JUNE 30, 2004

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	\$2,698,298,630	\$1,964,964,764	\$1,362,229,644	\$6,025,493,038	\$3,899,517,518
Less Funding Value of Assets	2,698,298,630	1,201,218,888			
Unfunded Act. Accr. Liab	none	763,745,876			
Police/Corrections coverage plan	236,364,990	256,797,403	154,954,865	648,117,258	656,821,978
Less Funding Value of Assets	236,364,990	420,456,988			
Unfunded Act. Accr. Liab	none	(163,659,585)			
MUNICIPAL DIVISION					
General coverage plan	1,510,127,026	1,410,117,069	1,079,978,533	4,000,222,628	2,935,512,684
Less Funding Value of Assets	1,510,127,026	1,425,385,658			
Unfunded Act. Accr. Liab	none	(15,268,589)			
Police coverage plan	709,882,406	464,404,102	464,107,160	1,638,393,668	1,186,512,980
Less Funding Value of Assets	709,882,406	476,630,574			
Unfunded Act. Accr. Liab	none	(12,226,472)			
Fire coverage plan	458,520,345	240,747,561	276,405,243	975,673,149	588,902,910
Less Funding Value of Assets	458,520,345	130,382,565			
Unfunded Act. Accr. Liab	none	110,364,996			
PERA TOTALS					
All coverage plans	\$5,613,193,397	\$4,337,030,899	\$3,337,675,445	\$13,287,899,741	\$9,267,268,070
Less Funding Value of Assets	5,613,193,397	3,654,074,673			
Unfunded Act. Accr. Liab	none	\$ 682,956,226			

* Including vested former members.

@ Currently the market value of assets exceeds the actuarial value (AV) by \$12,066,726. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a 4-year period (see page 16).

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, 2004:

Division and Coverage Plan	Contribution Rates	
	Member	Employer
STATE DIVISION		
General coverage Plan 3	7.42%	16.59%
Police and Adult Corrections Plan 1	7.60	25.10
Hazardous Duty (Juvenile Correctional Officer) Plan 2	4.78	25.72
Weighted average for Police/Corrections*	7.26	25.17
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
Detention Officer Plan 1	16.65	16.65
Weighted average*	11.50	9.22
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*	15.45	18.12
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*	16.07	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, 2004 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/Corrections
FUNDING RESOURCE		
Members	7.42%	7.19%
Affiliated Public Employers	16.59%	25.19%
Total Funding Resource (Weighted Average)	24.01%	32.38%
UTILIZATION OF FUNDING RESOURCE		
Normal Cost:		
Age & Service	16.70%	20.23%
Disability	1.16%	2.28%
Pre-retirement Survivors	1.33%	0.99%
Refunds	0.84%	1.32%
Total Normal Cost	20.03%	24.82%
Unfunded Actuarial Accrued Liability	3.98%	7.56%
Total Utilized	24.01%	32.38%

UNFUNDED ACTUARIAL ACCRUED LIABILITY

FINANCING PERIOD*

Current Valuation	51 years	# years
Last Year's Valuation	35 years	# years
From 6/30/1990 Valuation	65 years	20 years
Change Since Last Year's Valuation	16 years	+ years**

FUNDING POLICY OBJECTIVE@

1.33% 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/Corrections division.

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

UTILIZATION OF STATUTORY CONTRIBUTION RATES -- JUNE 30, 2004 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	12.05%	15.32%	16.03%
Affiliated Public Employers	9.32%	18.07%	21.12%
Total Funding Resource (Weighted Average)	21.37%	33.39%	37.15%
UTILIZATION OF FUNDING RESOURCE			
Normal Cost:			
Age & Service	15.28%	24.85%	26.52%
Disability	1.01%	1.99%	1.99%
Pre-retirement Survivors	1.45%	1.42%	1.65%
Refunds	1.32%	1.06%	0.47%
Total Normal Cost	19.06%	29.31%	30.64%
Unfunded Actuarial Accrued Liability	2.30%	4.08%	6.51%
Total Utilized	21.37%	33.39%	37.15%
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
FINANCING PERIOD*			
Current Valuation	# years	# years	43 years
Last Year's Valuation	# years	# years	16 years
From 6/30/1990 Valuation	43 years	91 years	90 years
Change Since Last Year's Valuation	+ years**	+ years**	27 years

FUNDING POLICY OBJECTIVE@	0.00%	0.00%	1.49%
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* 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 INDICATOR	
	Financing Period #	Funding Value of Assets	APVCPB @	Percent Funded	Unfunded APVCPB	Valuation Payroll	Payroll Ratio
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
1990	57	1,865,707	2,472,000	75	606,294	760,639	80
1991	57	2,104,450	2,730,199	77	625,749	825,006	76
1992	50	2,399,346	2,981,655	80	582,309	843,915	69
1993	40	2,696,511	3,202,244	84	505,733	909,242	56
1994	43	2,974,816	3,641,320	82	666,504	943,330	71
1995	38	3,364,452	4,240,843	79	876,391	1,043,575	84
1996	40	3,845,138	4,688,085	82	842,947	1,098,636	77
1997	30	4,560,312	5,171,481	88	611,169	1,102,082	55
1998	13	5,487,476	5,604,745	98	117,269	1,146,991	10
1999	9	6,490,295	6,548,103	99	57,808	1,200,565	5
2000	4	7,522,348	7,112,380	106	(409,968)	1,253,305	(33)
2001	7	8,302,820	7,876,575	105	(426,245)	1,318,275	(32)
2002	10	8,763,444	8,498,752	103	(264,692)	1,396,209	(19)
2003**	17	8,971,081	9,215,945	97	244,864	1,437,357	17
2004	21	9,267,268@@	9,950,224	93	682,956	1,499,069	46

* No actuarial valuation performed

** Plan Change.

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.

@@ Currently the market value of assets exceeds the actuarial value (AV) by \$12,066,726. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a 4-year period (see page 16).

COMMENT A – METHODS AND ASSUMPTIONS

Methods and assumptions used in the June 30, 2004 were unchanged from the prior valuations.

COMMENT B -- EXPERIENCE

In aggregate, fund experience was less favorable than expected, producing an experience loss for the year ending June 30, 2004. The primary sources of the experience loss were a rate of return on the funding value of assets less than assumed (3.8 vs. 8.0%), retirements greater than assumed and losses related to data cleansing. Losses were partially offset by gains due to turnover (more people left employment than expected).

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 gain 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 losses that have yet to be fully recognized in the funding value more than offset this year's gain.

In aggregate, the system had an experience loss of \$474 million. Of that, \$381 was related to the investment loss and \$93 million was related to losses on liabilities. The liability loss is approximately 1.3% of beginning of year accrued liability.

COMMENT C – LOOK AHEAD

Looking ahead to next year we can see we have a net loss of \$186 million for past investment losses scheduled to 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 2004/05 fiscal year and incurs no other liability gains or losses (an unlikely situation) then the 6/30/2005 valuation results will show a loss of approximately \$186 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 to approximately 90%
- Overall PERA amortization period will increase to just under 30 years
- State General amortization period will increase to near 65 years
- Municipal General funding ratio will drop below 100%
- Municipal Police funding ratio will drop below 100%
- Municipal Fire amortization will increase to just under 55 years

Comment D -- Data

This year, PERA underwent significant data cleansing. The result of this data cleansing was to more accurately account for members under the plans they were contributing in. This had the affect of reducing the significantly reducing the number of members reported in the State General division and significantly increasing the number of members reported in the Municipal Police and Municipal Fire divisions.

Legislation passed in 2003 created 2 new coverage plans: State Police and Adult Corrections Officers Coverage Plan 1 and Municipal Detention Officers Coverage Plan 1. Members covered under these plans are now eligible for the same benefits as State Police members were entitled to prior to the legislation. Data submitted for the proposal valuations were used to identify the members affected by the benefit changes in the June 30, 2003 valuation data. For the June 30, 2004 valuation, data was specifically provided to identify the members who are participating in these new plans.

CONCLUSIONS

Our conclusions based on the June 30, 2004 annual actuarial valuation of PERA are as follows:

- PERA funding status remained strong during the year ended June 30, 2004, with the aggregate funding ratio of accrued valuation assets to accrued liabilities at 93.1%. 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.
- 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.
- A temporary increase in contribution rates may be necessary over the next couple of years in order to prevent the overall PERA amortization period from exceeding the 30-year target established by Board policy and maintain a strong funding status.

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*	\$ 549,227,388		
EAF	575,687,428		\$0
RRF	2,779,675,584	\$2,698,298,630	0
STATE POLICE/CORRECTIONS			
MCF	\$ 43,223,992		
EAF	286,851,642		0
RRF	327,600,804	236,364,990	0
MUNICIPAL GENERAL			
MCF	\$ 662,011,140		
EAF	643,671,155		0
RRF	1,633,649,197	1,510,127,026	0
MUNICIPAL POLICE			
MCF	\$ 185,219,198		
EAF	252,937,511		0
RRF	749,899,806	709,882,406	0
MUNICIPAL FIRE			
MCF	\$ 102,326,449		
EAF	14,514,330		0
RRF	472,828,235	458,520,345	0
TOTAL	\$9,279,323,859		

* *Members contribution fund.*

** *At market value.*

EXPERIENCE GAIN (LOSS) -- YEAR ENDED JUNE 30, 2004
(DOLLAR AMOUNTS IN THOUSANDS)

DERIVATION	State Division		Municipal Division			Totals
	General	Pol / HD.	General	Police	Fire	
(1) UAAL at start of year	\$ 667,006	\$(179,858)	\$(119,072)	\$(163,880)	\$ 40,669	\$ 244,865
(2) Normal Cost for year (NC x Pays from 2002 val'n)	139,983	14,563	100,095	24,659	14,726	294,026
(3) EE and ER contributions (net of refunds)	(161,262)	(20,049)	(99,841)	(42,088)	(24,502)	(347,742)
(4) Interest Accrual	52,509	(14,608)	(9,516)	(13,808)	2,862	17,439
(5) Expected UAAL before changes	698,236	(199,952)	(128,334)	(195,117)	33,755	208,588
(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	698,236	(199,952)	(128,334)	(195,117)	33,755	208,588
(10) Actual UAAL	763,746	(163,660)	(15,269)	(12,226)	110,365	682,956
(11) Gain (Loss)	(65,510)	(36,292)	(113,065)	(182,891)	(76,610)	(474,368)
(12) As % of beginning of year AAL	(1.47%)	(8.03%)	(4.18%)	(18.63%)	(12.49%)	(5.15%)

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

	6-30-04	6-30-03
Fund balance beginning of year	\$8,084,949,036	\$7,824,829,633
Revenues		
a. Member contributions	151,568,208	146,589,464
b. Employer contributions	223,058,779	213,712,566
c. Purchases of service	3,855,869	3,224,480
d. Investment Income		
1. Adjustments of inv to market value	732,721,180	161,421,761
2. Interest, dividends, etc.	282,582,452	250,831,693
3. Realized gains/(losses)	242,971,072	(121,713,633)
e. Other Income	2,748,940	2,535,827
f. Total revenues	\$1,639,506,500	\$656,602,158
Expenditures		
a. Pensions paid	387,306,615	349,178,208
b. Refunds of member contributions	28,146,201	25,985,842
c. Administrative and investment expenses	21,260,221	21,318,705
d. Total expenditures	\$ 436,713,037	\$ 396,482,755
Audit Adjustment	0	0
Fund balance end of year (Market value)	\$9,287,742,499	\$8,084,949,036
ASSETS AND LIABILITIES	2004	2003
Cash & Receivables	\$29,453,646	\$ 34,303,450
Property & Equipment	1,474,467	892,442
Building	15,500,000	15,500,000
Short Terms & Accruals	266,051,942	(59,120,267)
US Gov't & Agency Securities	2,160,921,672	1,878,807,290
Corporate Bonds	4,288,723,342	4,023,590,194
Corporate Stocks	697,901,523	956,223,833
International Stocks	1,827,715,907	1,234,306,678
Other Investments	0	445,416
Net Assets	\$ 9,287,742,499	\$ 8,084,949,036

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,				
	2000	2001	2002	2003	2004
A. Funding Value Beginning of Year	\$6,494,486,751	\$7,527,280,315	\$8,308,210,019	\$8,725,679,753	\$8,976,907,422
B. Market Value End of Year	8,152,748,384	7,999,047,423	7,650,611,843	8,084,949,036	9,287,742,499
C. Market Value Beginning of Year	7,299,968,088	8,152,748,384	7,999,047,423	7,650,611,843	8,084,949,036
D. Non-Investment Net Cash Flow	18,691,769	15,664,683	4,501,228	(11,637,540)	(36,969,960)
E. Investment Income					
E1. Market Total: B - C - D	834,088,527	(169,365,644)	(352,936,808)	445,974,733	1,239,763,423
E2. Amount for Immediate Recognition	526,151,649	608,078,109	664,836,851	697,588,879	716,673,795
E3. Amount for Phased-In Recognition E1-E2	307,936,878	(777,443,753)	(1,017,773,659)	(251,614,146)	523,089,628
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	76,984,220	(194,360,938)	(254,443,415)	(62,903,537)	130,772,407
F2. First Prior Year	119,951,788	76,984,220	(194,360,938)	(254,443,415)	(62,903,537)
F3. Second Prior Year	154,611,842	119,951,788	76,984,220	(194,360,938)	(254,443,415)
F4. Third Prior Year	136,402,296	154,611,842	119,951,788	76,984,220	(194,360,939)
F5. Total Recogn. Phased -In Investment Gain	487,950,146	157,186,912	(251,868,345)	(434,723,670)	(380,935,484)
G. Audit Adjustment Phase-In	0	0	0	0	0
H. Funding Value End of Year: A + D + E2 + F5 +G	7,527,280,315	8,308,210,019	\$8,725,679,753	\$8,976,907,422	\$9,275,675,773
Difference between Market & Funding Value	625,468,069	(309,162,596)	(1,075,067,910)	(891,958,386)	12,066,726
I. Recognized Rate of Return	15.59%	10.16%	4.97%	3.01%	3.75%

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, 2004

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

	State Division			Municipal Division			PERA Totals	PERA Totals w/o Legislative
	General	Police	Legislative	General	Police	Fire		
Member Contribution Fund	\$ 549,227,388	\$ 43,223,992	\$ 710,612	\$ 662,011,140	\$185,219,198	\$102,326,449	\$1,542,718,779	\$1,542,008,167
Employer Accumulation Fund	575,687,428	286,851,642	5,018,224	643,671,155	252,937,511	14,514,330	1,778,680,290	1,773,662,066
Retirement Reserve Fund	2,779,675,584	327,600,804	2,689,804	1,633,649,197	749,899,806	472,828,235	5,966,343,430	5,963,653,626
Total Fund Balances	3,904,590,400	657,676,438	8,418,640	2,939,331,492	1,188,056,515	589,669,014	9,287,742,499	9,279,323,859
Funding Value Adjustment	(5,072,882)	(854,460)	(10,938)	(3,818,808)	(1,543,535)	(766,104)	(12,066,726)	(12,055,788)
Total Funding Value of Assets	\$3,899,517,518	\$656,821,978	\$8,407,702	\$2,935,512,684	\$1,186,512,980	\$588,902,910	\$9,275,675,773	\$9,267,268,071

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 17,890 retired members and 2,840 survivor beneficiaries reported for the June 30, 2004 valuation, involving an annual pension payroll of \$412,515,097. 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	9,440	\$190,460,824	66.7	1,419	\$ 14,734,210	69.3
Police/Haz Duty	585	15,342,870	62.4	106	1,537,427	57.9
Totals	10,025	205,803,694	66.5	1,525	16,271,637	68.5
MUNICIPAL DIVISION						
General	5,527	102,755,258	66.5	1,026	10,185,787	68.6
Police	1,406	43,872,868	56.8	186	2,802,392	60.8
Fire	932	28,832,195	58.7	103	1,991,266	67.4
Totals	7,865	175,460,321	63.8	1,315	14,979,445	67.4
PERA TOTALS	17,890	\$381,264,015	65.3	2,840	\$31,251,082	68.0

Retired member and survivor pension beneficiaries added during the year ended June 30, 2004 and included in the preceding schedule totaled 1,588 with an annualized pension payroll of \$36,978,484. 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	667	\$16,075,353	56.0	99	\$1,207,127	64.5
Police/Haz Duty	52	1,344,799	53.0	4	75,642	50.7
Totals	719	17,420,152	55.8	103	1,282,769	64.0
MUNICIPAL DIVISION						
General	481	10,824,006	56.2	85	987,841	61.6
Police	129	4,282,685	46.7	4	63,908	71.1
Fire	60	1,929,359	45.9	7	187,765	64.0
Totals	670	\$17,036,050	53.4	96	\$1,239,513	62.2
PERA TOTALS	1,389	\$34,456,202		199	\$2,522,282	

**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
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
2003	19,630	4.9	371,097,620	10.4	18,905
2004	20,730	4.8	412,515,097	10.2	19,899

(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, 2004**

Type of Pension	Number	Pension	Average
<i>Normal Retirement Pensions</i>			
Single life pension terminating on death (options A, 1, and 2)	7,782	\$161,530,769	\$20,757
Two life 100% survivor pension (options B and 3)			
Retired member recipient	6,597	146,251,668	22,169
Survivor recipient	1,331	16,974,321	12,753
Two life 50% survivor pension (options C and 4)			
Retired member recipient	2,665	61,247,679	22,982
Survivor recipient	542	4,206,597	7,761
Single life with temporary child survivor pension (option D)			
Retired member recipient	127	3,436,160	27,056
Child recipient	-	-	-
Total Normal Retirement Pensions	19,044	\$393,647,194	\$20,670
<i>Disability Retirement Pensions</i>			
Single life pension terminating on death (options A, 1, and 2)	205	\$ 2,477,314	\$12,084
Two life 100% survivor pension (options B and 3)			
Retired member recipient	423	5,086,284	12,024
Survivor recipient	113	1,176,254	10,409
Two life 50% survivor pension (options C and 4)			
Retired member recipient	87	1,141,735	13,123
Survivor recipient	18	84,672	4,704
Single life with temporary child survivor pension (option D)			
Retired member recipient	17	175,338	10,314
Child recipient	-	-	-
Total Disability Retirement Pensions	863	10,141,597	11,752
Pre-retirement Survivor Pensions	823	8,726,306	10,603
Total Pensions Being Paid	20,730	\$412,515,097	\$19,899

**RETIRED MEMBERS AND SURVIVOR BENEFICIARIES
DISPLAYED BY ATTAINED AGE - JUNE 30, 2004**

Attained Ages	State Division		Municipal Division		Totals	
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions
Under 20	30	\$ 151,861	24	\$ 196,425	54	\$ 348,286
20-24	8	68,848	5	68,352	13	137,200
25-29	12	95,351	4	41,156	16	136,507
30-34	21	226,027	20	260,118	41	486,145
35-39	29	312,735	46	659,143	75	971,878
40-44	131	2,404,834	243	6,884,821	374	9,289,655
45-49	478	11,725,614	701	20,229,779	1,179	31,955,393
50-54	1,144	30,874,084	1,115	31,458,566	2,259	62,332,650
55-59	1,584	41,744,047	1,256	34,798,455	2,840	76,542,502
60-64	1,691	36,945,954	1,300	30,267,537	2,991	67,213,491
65-69	1,958	35,667,479	1,469	26,586,381	3,427	62,253,860
70-74	1,602	26,604,682	1,178	18,287,676	2,780	44,892,358
75-79	1,258	18,365,155	935	12,670,417	2,193	31,035,572
80-84	894	11,119,991	516	5,369,159	1,410	16,489,150
85-89	455	3,931,822	251	2,040,989	706	5,972,811
90-94	184	1,425,458	84	442,751	268	1,868,209
95 & Over	71	411,389	33	178,041	104	589,430
Grand Total	11,550	\$222,075,331	9,180	\$190,439,766	20,730	\$412,515,097

**FORMER MEMBERS DISPLAYED BY DIVISION
JUNE 30, 2004**

VESTED FORMER MEMBERS

State Division	Estimated Number	Average Age	Service
General	1,806	50.0	9.5
Police/Corrections	103	43.6	10.4
Total State Division	1,909	49.6	9.6
Municipal Division			
General	1,170	49.5	9.9
Police	135	43.8	10.0
Fire	25	44.2	10.4
Total Municipal Division	1,330	48.8	9.9
Total PERA	3,239	49.3	9.7

OUTSTANDING REFUNDS

Division	Estimated Number	Accumulated Contributions
State Division		
General	27	\$ 89,900.00
Police/Corrections	2	13,308.00
Total State Division	29	\$ 103,208.00
Municipal Division		
General	40	193,274.00
Police	2	6,600.00
Fire	1	37,032.00
Total Municipal Division	43	\$ 236,906.00
Total PERA	72	\$ 340,114.00

**ACTIVE MEMBERS DISPLAYED BY DIVISION AND COVERAGE PLAN
JUNE 30, 2004**

Divisions/Coverage Plan	Number	Payroll	Averages*		
			Age	Service	Pay
State Division					
General	19,971	\$ 693,532,722	43.8	8.6	\$ 34,727
Police	556	20,784,291	36.1	10.3	37,382
Corrections	<u>1,511</u>	<u>43,079,135</u>	38.4	8.5	28,510
Total State Division	22,038	757,396,148	43.3	8.7	34,368
Municipal Division					
General Cov. Plan 1	1,566	36,952,576	43.2	4.2	23,597
General Cov. Plan 2	4,430	121,125,039	44.2	7.5	27,342
General Cov. Plan 3	10,859	354,853,382	43.2	9.2	32,678
General Cov. Plan 4	711	19,800,401	44.1	7.1	27,849
Detention Officers Plan 1	<u>544</u>	<u>16,229,358</u>	38.6	6.7	29,833
Total General	18,110	548,960,756	43.3	8.2	30,313
Police Cov. Plan 1	192	5,333,831	38.5	5.2	27,780
Police Cov. Plan 2	96	2,491,742	37.1	6.1	25,956
Police Cov. Plan 3	101	3,035,458	39.0	7.2	30,054
Police Cov. Plan 4	165	5,653,078	38.3	8.4	34,261
Police Cov. Plan 5	<u>2,770</u>	<u>109,694,736</u>	36.7	9.1	39,601
Total Police	3,324	126,208,845	36.9	8.7	37,969
Fire Cov. Plan 1	24	726,273	36.0	4.8	30,261
Fire Cov. Plan 2	10	276,004	32.7	7.2	27,600
Fire Cov. Plan 3	8	267,640	33.4	3.7	33,455
Fire Cov. Plan 4	7	238,250	35.6	8.0	34,036
Fire Cov. Plan 5	<u>1,626</u>	<u>64,995,523</u>	36.8	9.5	39,973
Total Fire	1,675	66,503,690	36.8	9.4	39,704
Total Municipal Division	23,109	741,673,291	41.9	8.4	32,095
Total PERA	45,147	\$ 1,499,069,439	42.6	8.5	\$ 33,204

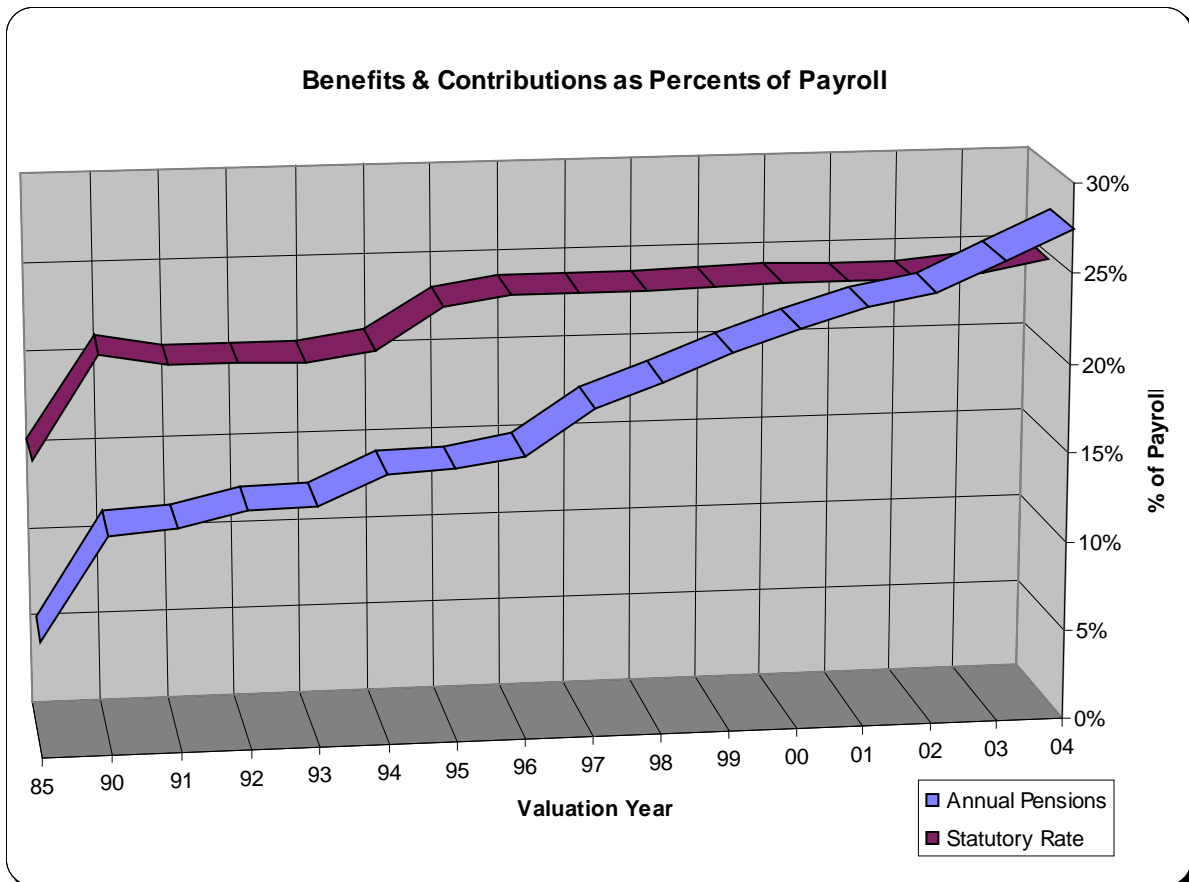
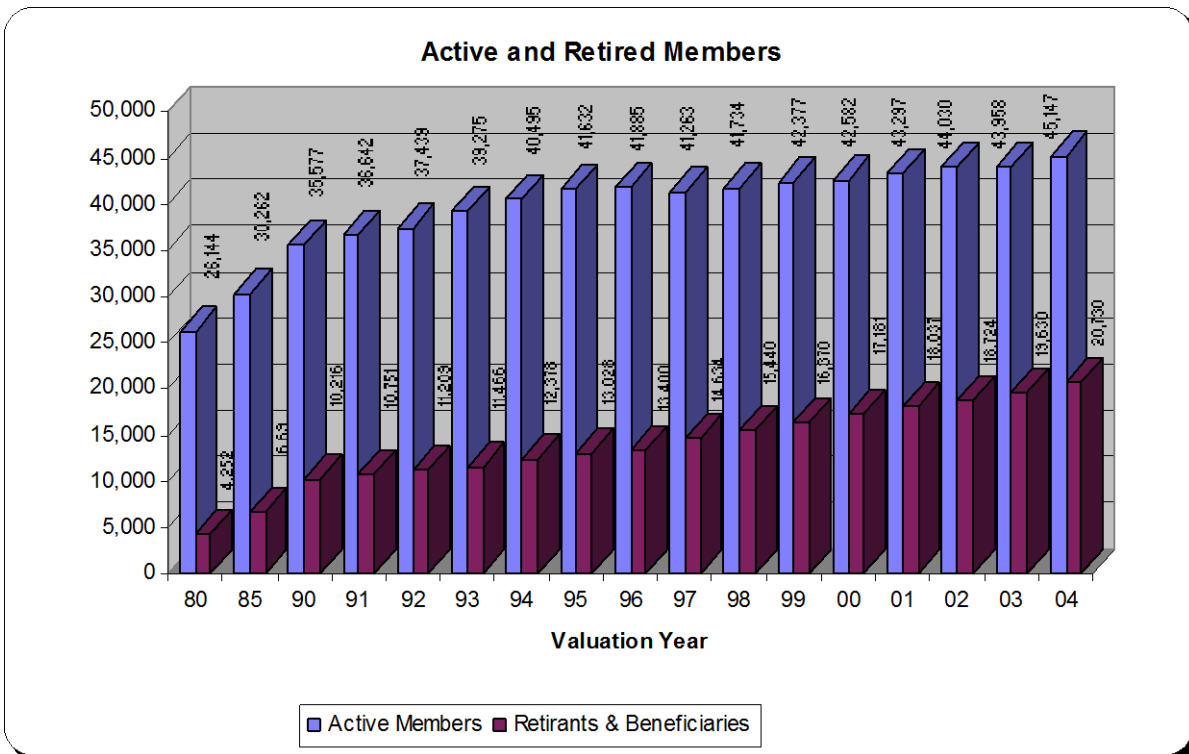
* Averages are shown because of general interest. The valuation process utilizes individual information.

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	42.1	8.4	31,710
2003	43,958	1,437,357,206	42.4	8.6	32,698
2004	45,147	1,499,069,439	42.6	8.5	33,204

* 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, 2004

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	\$ 1,138,473
20-24	810	12	-	-	-	-	-	822	18,755,959
25-29	1,355	367	10	-	-	-	-	1,732	45,447,232
30-34	1,428	845	307	13	-	-	-	2,593	78,584,857
35-39	1,277	705	667	307	11	-	-	2,967	97,838,092
40-44	1,183	686	729	676	345	7	-	3,626	128,139,239
45-49	1,075	653	666	594	456	71	5	3,520	129,606,935
50-54	893	567	632	517	372	76	7	3,064	116,434,673
55-59	634	428	484	452	267	49	14	2,328	89,698,370
60	78	55	70	67	32	8	3	313	12,338,935
61	68	44	63	65	23	3	5	271	10,486,226
62	48	51	68	40	21	6	7	241	8,855,280
63	42	26	39	24	10	3	2	146	5,747,898
64	23	26	27	14	6	-	-	96	3,466,913
65	13	26	22	5	5	3	-	74	2,900,919
66	12	15	14	6	2	-	1	50	1,804,900
67	8	6	13	8	4	1	1	41	1,747,954
68	6	9	7	3	1	1	-	27	1,019,734
69	6	2	7	2	2	-	1	20	799,312
70	4	2	2	3	-	-	-	11	569,313
71	2	1	2	1	3	1	-	10	353,308
72	3	1	1	-	1	-	-	6	238,953
73	5	1	-	1	-	-	-	7	271,361
74	3	1	3	1	-	-	-	8	308,622
75	1	3	-	-	-	-	-	4	83,615
76	2	1	2	2	-	-	1	8	305,964
77	1	-	1	1	-	-	2	5	223,838
78	-	-	-	-	-	-	-	-	-
79	3	-	2	-	1	-	-	6	229,273
Totals	9,025	4,533	3,838	2,802	1,562	229	49	22,038	\$ 757,396,148

ACTIVE MEMBERS STATE DIVISION
JUNE 30, 2004

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	915	1,545	2,460	\$ 72,954,380	\$ 29,656
1	889	1,097	1,986	61,013,176	30,722
2	758	946	1,704	49,596,645	29,106
3	675	804	1,479	44,495,491	30,085
4	614	782	1,396	43,274,225	30,999
5	587	657	1,244	39,474,473	31,732
6	461	586	1,047	33,812,054	32,294
7	337	424	761	26,580,523	34,928
8	306	335	641	22,307,242	34,801
9	386	454	840	29,413,566	35,016
10	430	444	874	31,282,152	35,792
11	375	419	794	29,332,693	36,943
12	372	342	714	27,472,597	38,477
13	374	392	766	29,654,905	38,714
14	361	329	690	26,888,087	38,968
15 & Up	2,389	2,253	4,642	189,843,939	40,897
Totals	10,229	11,809	22,038	\$ 757,396,148	\$ 34,368

ACTIVE MEMBERS
MUNICIPAL DIVISION BY ATTAINED AGE AND YEARS OF SERVICE
JUNE 30, 2004

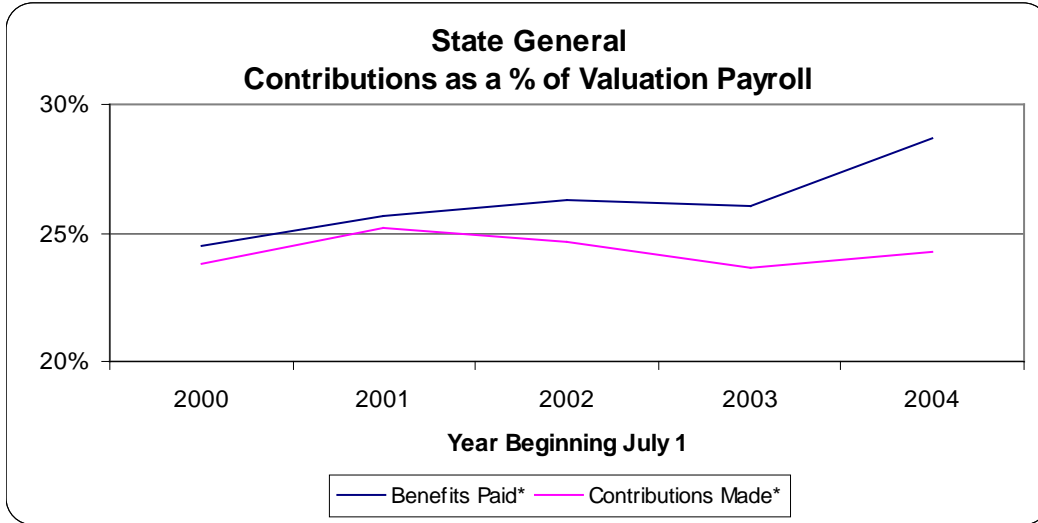
Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Valuation Payroll
15-19	54	-	-	-	-	-	-	54	\$ 1,100,605
20-24	1,024	18	-	-	-	-	-	1,042	24,587,030
25-29	1,652	478	7	-	-	-	-	2,137	57,907,162
30-34	1,630	1,151	396	17	-	-	-	3,194	95,272,989
35-39	1,363	888	806	454	18	-	-	3,529	115,130,081
40-44	1,201	730	693	837	345	6	-	3,812	130,846,668
45-49	1,043	645	589	639	423	72	3	3,414	117,529,996
50-54	820	512	473	446	320	78	10	2,659	91,975,265
55-59	529	324	389	353	219	52	17	1,883	65,404,324
60	83	49	41	55	32	13	2	275	8,870,655
61	67	47	51	42	23	7	2	239	8,030,728
62	55	49	39	48	20	1	4	216	7,170,283
63	46	39	23	13	11	2	1	135	4,200,175
64	39	26	18	17	10	3	-	113	3,445,062
65	21	27	16	14	7	3	-	88	2,537,771
66	23	14	7	3	2	2	-	51	1,323,704
67	15	10	8	9	-	1	2	45	1,230,912
68	16	13	5	1	2	2	1	40	924,739
69	10	9	9	5	1	1	1	36	976,078
70	9	4	5	2	2	1	1	24	634,848
71	13	6	4	2	-	-	-	25	602,477
72	6	3	5	-	-	-	1	15	269,790
73	9	3	2	1	4	1	-	20	505,932
74	7	1	4	1	-	1	-	14	296,935
75	2	3	5	-	-	-	1	11	262,617
76	2	4	3	1	-	-	-	10	155,554
77	4	2	1	1	1	-	-	9	185,956
78	6	-	-	1	-	-	-	7	108,788
79	3	4	4	1	-	-	-	12	186,167
Totals	9,752	5,059	3,603	2,963	1,440	246	46	23,109	\$741,673,291

**ACTIVE MEMBERS MUNICIPAL DIVISION
JUNE 30, 2004**

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	1,700	1,422	3,122	\$ 81,712,708	\$ 26,173
1	1,172	802	1,974	47,091,360	23,856
2	1,012	634	1,646	42,823,974	26,017
3	1,015	625	1,640	45,376,367	27,669
4	838	532	1,370	39,152,015	28,578
5	765	385	1,150	34,186,781	29,728
6	741	369	1,110	33,965,603	30,600
7	653	323	976	30,785,933	31,543
8	619	260	879	28,828,696	32,797
9	608	336	944	31,287,755	33,144
10	545	269	814	27,829,229	34,188
11	493	240	733	25,621,504	34,954
12	462	187	649	24,066,334	37,082
13	448	202	650	23,583,236	36,282
14	520	237	757	29,457,707	38,914
15 & Up	3,289	1,406	4,695	195,904,089	41,726
Totals	14,880	8,229	23,109	\$741,673,291	\$32,095

State General Division

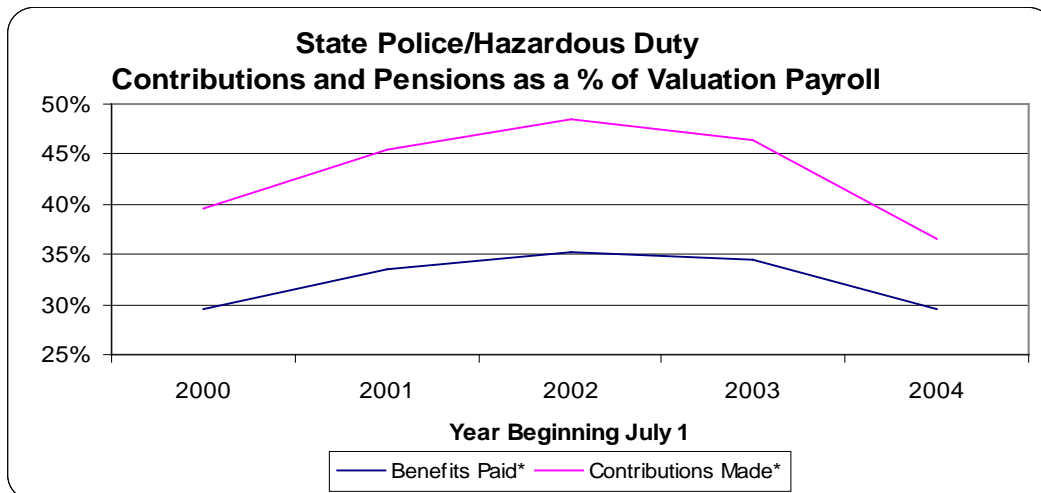
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2000	\$581,855,790	\$142,536,772	24.50%	\$138,315,298	23.77%
2001	607,374,322	155,937,504	25.67%	152,849,983	25.17%
2002	642,701,705	168,692,266	26.25%	158,412,415	24.65%
2003	698,626,579	181,992,344	26.05%	164,948,041	23.61%
2004	704,491,713	201,855,101	28.65%	170,732,489	24.23%



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

State Police/Corrections Division

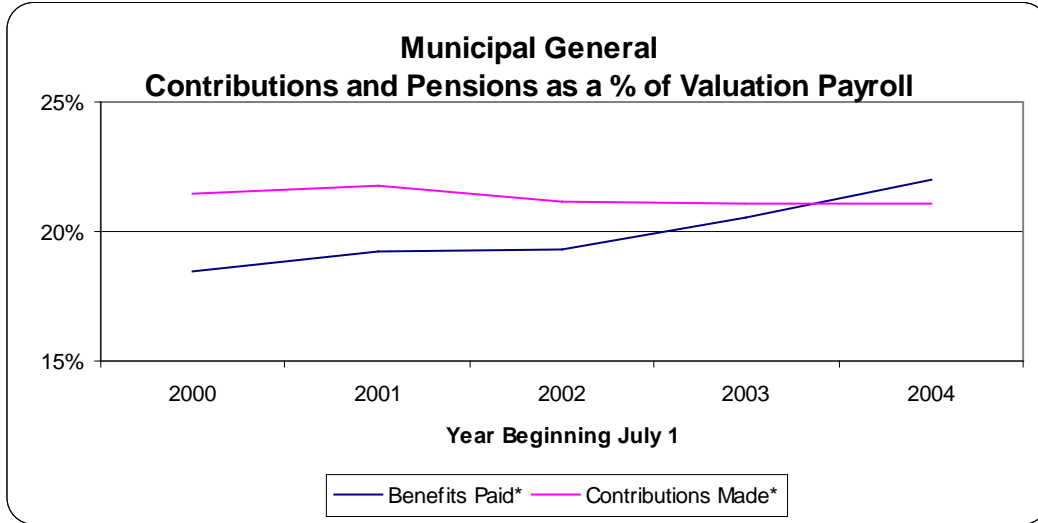
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2000	\$41,567,067	\$12,279,427	29.54%	\$16,484,254	39.66%
2001	39,215,882	13,180,233	33.61%	17,852,316	45.52%
2002	40,399,940	14,197,401	35.14%	19,589,208	48.49%
2003	44,346,818	15,266,699	34.43%	20,537,182	46.31%
2004	57,130,556	16,889,948	29.56%	20,856,272	36.51%



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

Municipal General Division

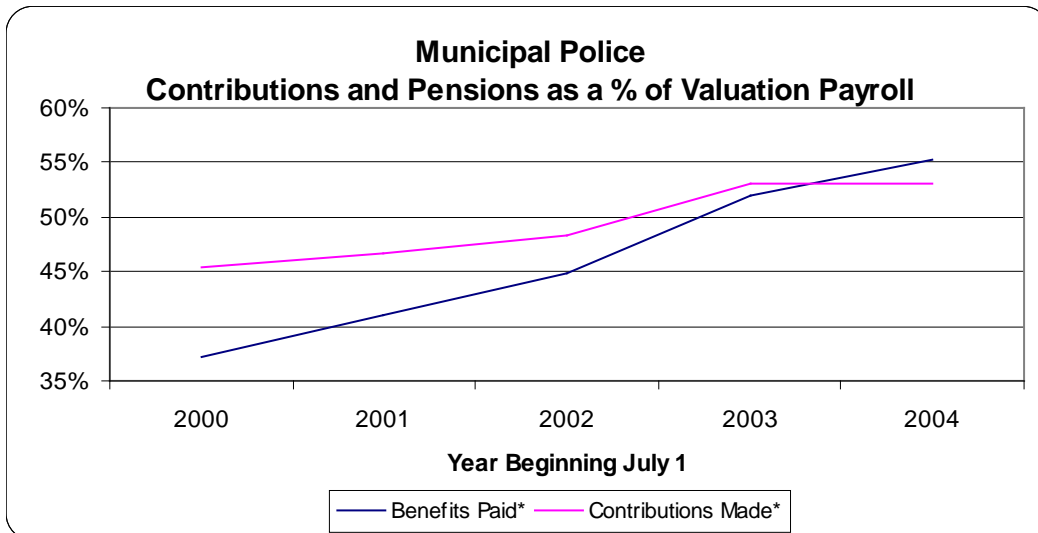
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2000	\$454,028,899	\$83,947,791	18.49%	\$97,331,885	21.44%
2001	475,745,977	91,318,357	19.19%	103,481,792	21.75%
2002	506,026,384	97,877,822	19.34%	107,160,858	21.18%
2003	527,857,221	108,367,775	20.53%	111,157,484	21.06%
2004	543,994,722	119,879,152	22.04%	114,719,362	21.09%



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

Municipal Police Division

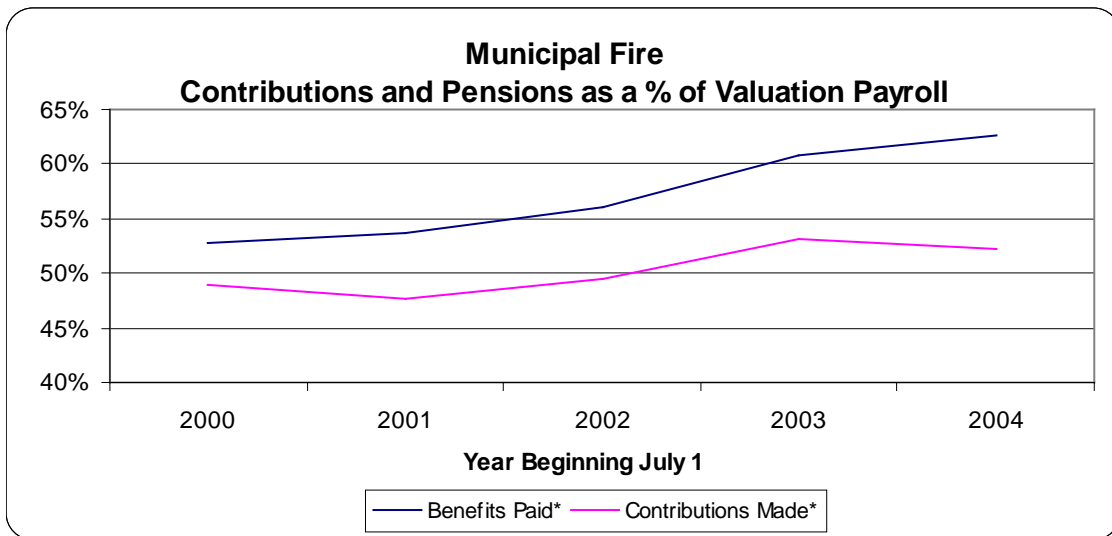
Year Beginning July 1,	Prior June 30 Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
2000	\$80,903,851	\$30,030,646	37.12%	\$36,803,948	45.49%
2001	81,903,288	33,605,401	41.03%	38,248,938	46.70%
2002	83,409,907	37,407,611	44.85%	40,347,363	48.37%
2003	80,091,903	41,619,437	51.96%	42,518,040	53.09%
2004	83,789,775	46,268,096	55.22%	44,517,533	53.13%



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

Municipal Fire Division

Year	Prior June 30 Beginning July 1, Valuation Payroll	Benefits Paid*		Contributions Made*	
		Dollars	% of Val Pay	Dollars	% of Val Pay
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%
2003	45,386,480	27,617,507	60.85%	24,123,863	53.15%
2004	47,950,440	30,059,862	62.69%	25,060,585	52.26%



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

Section 3

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS - - JUNE 30, 2004

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 and Adult Corrections Officers Member Coverage Plan 1	3.0	80
Hazardous Duty (Juvenile Corrections Officer) 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 Detention Officer Coverage Plan 1	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 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.

SERVICE CREDIT

Members in the State Police and Adult Corrections Officers Coverage Plan and members in the Municipal Detention Officers Coverage Plan receive 1.2 years of credited service for each year of service rendered.

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 and Adult Correctional Officer Member Coverage Plan 1	7.60	25.10
Hazardous Duty (Juvenile Corrections) 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 Detention Officer Member Coverage Plan 1	16.65	16.65
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		
	2004	2003	2002	2001	2000	Last 5 Yrs.	Last 10 Yrs.	Last 30 Yrs.
Actual	3.3%	2.1%	1.1%	3.2%	3.7%	2.7%	2.5%	4.6%

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. Sample rates 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

In the following schedules, State Corrections includes Adult Corrections Officers and Juvenile Corrections Officers. Municipal General includes Municipal Detention Officers.

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 Police	State Corrections	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
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 Police	State Corrections	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
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								

It was assumed that in addition to the State Corrections rates, Adult Corrections Officers would have a 25% probability of retiring upon attaining 20-24 years of service. Municipal Detention Officers were assumed to retire in accordance with the Municipal Fire rates.

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 Svc	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 Corrections	State Police/ Municipal Police/Fire
20	0.04%	0.14%	0.15%
25	0.05	0.18	0.18
30	0.06	0.20	0.20
35	0.08	0.28	0.29
40	0.13	0.42	0.42
45	0.19	0.64	0.65
50	0.31	1.04	1.05
55	0.55	1.84	1.84
60	0.92	3.06	3.06
65	0.99	3.30	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, 2004. 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

Retired members and beneficiaries currently receiving benefits

Vested terminated members not yet receiving benefits

Total Actuarial Accrued Liability

Actuarial Value of Assets (market value was \$9,287,742,499)

Assets in Excess of Actuarial Accrued Liability

During the year ended June 30, 2004, the Plan experienced a net change of \$734,278,812 in the actuarial accrued liability. Of that amount \$0 was due to plan changes. There were no changes in actuarial assumptions during the year.

[@] *Currently the market value of assets exceeds the actuarial value (AV) by \$12,066,726. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a four year period (see page 16).*

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year ended June 30,	Actuarial Valuation Date
1996	6/30/1995
1997	6/30/1996
1998	6/30/1997
1999	6/30/1998
2000	6/30/1999
2001	6/30/2000
2002	6/30/2001
2003	6/30/2002
2004	6/30/2003
2005	6/30/2004*

* *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
6/30/1995	\$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	-
6/30/2003*	8,971,080,804	9,215,945,484	244,864,680	97.3%	1,437,357,206	17.0%
6/30/2004	9,267,268,071 @	9,950,224,296	682,956,225	93.1%	1,499,069,439	45.6%

* *Plan Change.*

@ *Currently the market value of assets exceeds the actuarial value (AV) by \$12,066,726. The AV of assets is based on a smoothing method which phases in the difference between the assumed rate of return and the actual rate of return each year over a four year period (see page 16).*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2004
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll, open
Remaining Amortization Period	21 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 20, 2004 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 draft June 30, 2004 actuarial valuation report of PERA New Mexico.

Sincerely yours,

Kenneth G. Alberts

KGA:kga:lr
Enclosures

cc: Mr. Kurt Weber, Deputy Executive Secretary
Ms. Mary Frederick, Deputy Executive Secretary
Ms. Lee Ann Rael, Comptroller
Ms. Susan Pittard, General Council
Neff & Ricci LLP (+ 1 report copy)
Attn: Mr. Mr. Scott Eliason
6100 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110