

P E R A

Public Employees Retirement Association of New Mexico

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2001



Comprehensive Annual Financial Report
Public Employees Retirement Association
of New Mexico
for the fiscal year ended June 30, 2001

Prepared by PERA Staff

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Mexico Public Employees Retirement Association

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda Arave
President

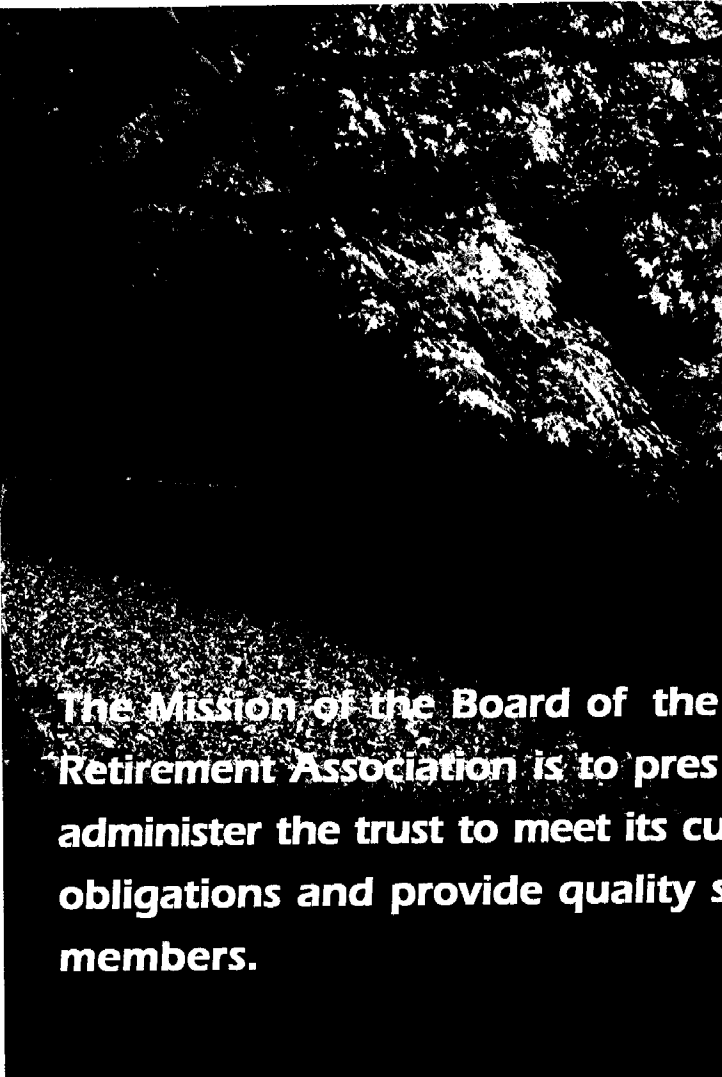
Jeffrey L. Esser
Executive Director

Introduction



Roswell Firefighters **Members, Municipal firefighters plan**

Board Mission Statement



The Mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.

Letter from the Board Chair

November 1, 2001

I am pleased to be able to report that the initial comprehensive annual financial report (CAFR) compiled for the Public Retirement Association of New Mexico (PERA) by its staff for the fiscal year ended June 30, 2000 received the valued Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). This award is tangible evidence that the financial information PERA discloses to its members, employers and to the public is of the highest quality and that such disclosure conforms to rigorous professional and legal standards.

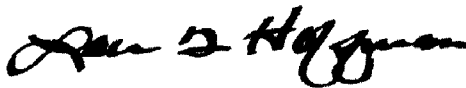
Following this cover letter is PERA's second CAFR, which covers the fiscal year ended June 30, 2001. During this period PERA's actuary, Gabriel, Roeder, Smith & Company completed the experience study that we reported to you last year. This was also the first time PERA has conducted an experience study in order to back test or confirm actuarial assumptions formed in prior years. The results, discussed in the actuarial section of this CAFR, are reassuring. Modest changes to actuarial assumptions have been subsequently adopted by your Board. The adjustments that resulted had no material impact on the funded status of PERA.

Of more concern has been performance of the stock market. Just last year, after the great bull market run of the '90s, PERA's actuary concluded that PERA had earned \$410 million more than was needed to pay for all of the local and state public employee retirement benefits that had been earned up to that time. Questions about reducing future employer contribution rates had already begun to surface in anticipation of that result. It may now be easier to see that those funds were not surplus, but only a buffer for the economic downturn that was to come.

In the long run, PERA's investment strategy is designed to earn 8% per year. The most recent three year average investment return for PERA was 7.88%, placing PERA in the upper 8th percentile of other large pension funds included in the Callan Associates peer group database. This is not bad considering the market's performance during this period. For example, the S&P 500 stock index lost 14.83 % for the twelve months ended June 30, 2001. As discussed in Mr. Robert Gish's investment letter that follows, you will find that PERA's overall investment return for the twelve months ending June 30, 2001 was a respectable minus 1.85% with losses of only \$160 million which is \$182 million less than losses incurred by the median public pension plan.

Finally, is it possible that PERA may experience a further erosion of its assets in the unsettled market following the tragedies of September 11, 2001? Yes. It all depends on the economy. But, taxpayers and PERA members, alike, should take comfort in the knowledge that PERA is professionally managing your assets with the highest level of skill and that PERA will be there for our members when they retire.

Lou Hoffman



Chairman, NMPERA

PERA Board Members

Municipal member



Mr. Lou Hoffman, chair
City of Albuquerque
768.3396

State member



Mr. Jeff Varela, vice chair
Regulation and Licensing Dept.
476.7097

Municipal member



Ms. Stephanie Jorgensen
City of Albuquerque
924.3803

Retiree member



Mr. Fabian Chavez
988.2573

Ex-Officio member



Ms. Rebecca Vigil-Giron
Secretary of State
827.3600

State member



Mr. Michael Hansen
Energy, Minerals & Natural
Resources Dept
476.3226

Ex-Officio member



Mr. Michael Montoya
State Treasurer
955.1122

State member



Ms. Angela Adams
Children Youth and Families Dept.
827.8400

Retiree member



Mr. Victor Montoya
474.3831

State member



Mr. Danny Sandoval
Children, Youth and Families Dept.
827.8069

County member



Mr. David Baca
Risk Mgmt. Administrator
Bernalillo County
761.4270

Municipal member



Ms. Susan Biernacki
City of Albuquerque
768.4500

Letter of Transmittal from the Executive Director

October 31, 2001

To: Board of Trustees and Members of the New Mexico Public Employees Retirement Association

The Staff of the New Mexico Public Employees Retirement Association (PERA) is pleased to present this Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2001 (FY01). As the information in this report demonstrates, PERA continues to safeguard and strengthen your retirement benefits. This continues to be the primary goal of the staff and Board of Trustees (Board).

Management is responsible for the accuracy of the data and the presentation contained in this report. To the best of our knowledge, the report is materially accurate and presents fairly the financial position and results of operations of PERA. The report includes all retirement plans administered by PERA covering the following public employees: State, Municipal, Legislative, Judicial, Magistrate and Volunteer Firefighters. (Note: The teachers' retirement plan is administered by the Educational Retirement Association.)

The Report is presented in five sections. The Introductory Section includes the transmittal letter, the Board Chairman's letter and PERA's administrative organization. The Financial Section contains the opinion of the independent certified public accountants, the financial statements and footnotes. The Investment Section includes an outline of investment policies, asset allocation and comparative returns, and a list of the largest holdings. The Actuarial Section contains the independent consulting actuary's certification letter, summary of actuarial assumptions and methods, summary of plan provisions and other statistics. The Statistical Section contains membership information.

New Executive Director for PERA

I became PERA's Executive Director on June 4, 2001. I appreciate the Board's confidence in selecting me for this position of trust. I have also been impressed with the professional excellence of the PERA staff and their dedication to serving the PERA membership.

CAFR for FY00

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Mexico Public Employees Retirement Association for its comprehensive annual financial report for the fiscal year ended June 30, 2000. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Significant Long Term Project: Pension Administration System

PERA issued a Request for Proposal (RFP) to replace the existing pension administration system on November 10, 2000 and retained L.R. Wechsler, Ltd. as its external project manager to assist PERA staff in the implementation of the new pension administration system. Contract negotiations are in progress at this time. We anticipate implementation in three to four phases over eighteen to thirty-six months from the date a contract is signed. Senior management has been and will continue to be very involved and committed to this project. It is essential to the efficient and accurate processing of increasing member retirements and inquiries.

Actuarially Speaking

The PERA staff and Board continue to manage the plans to provide for the long-term security of the pension benefits. The actuarial reports are prepared by Gabriel, Roeder, Smith & Company based on data provided by PERA. They also serve as a technical advisor to staff on actuarial issues. More detailed information for all the plans can be found in the Actuarial Section of this report.

Independent Audit

An annual audit of PERA's Financial Statements has been performed the last four years by the independent accounting firm of Deloitte & Touche LLP in conjunction with the New Mexico State Auditor's Office. PERA once again received an unqualified opinion. The auditors' report on the financial statements is included in the Financial Section of this report.

Acknowledgements

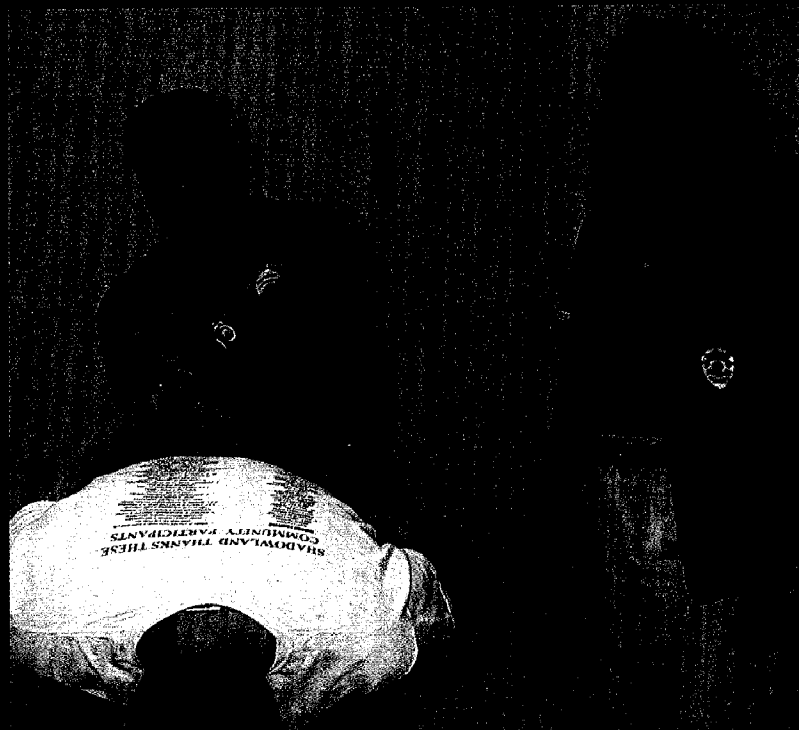
I would like to acknowledge the Board's time, effort and support throughout the year. The preparation of this report represents the combined efforts of many staff members. I would like to acknowledge Ms. Lee Ann Rael, PERA Comptroller, for her work in coordinating the compilation of data. I also want to thank our various consultants who worked closely with Ms. Rael and Mr. Robert Gish, PERA Director of Investments, to provide information presented in this report. There will be many challenges in the coming year. I believe we can meet the challenges and make them great opportunities.

Sincerely yours,



Terry Slattery, CEBS
Executive Director

About PERA



JoAnn Martinez-Baker and Michael Monroe
Members, Hazardous Duty Plan

PERA Staff as of October 1, 2001

ADMINISTRATION

Terry Slattery, *executive director*
Mary Frederick, *deputy director, member services*
Kurt Weber, *deputy director, operations*
Jane Clifford, *executive assistant*
Athena Khalsa, *liaison officer*
Leslie Miller, *administrative secretary*
Steve Voet, *planning, policy and budget*

ADMINISTRATIVE SERVICES

Lee Ann Rael, *comptroller*
Lynn Coles, *financial manager*
Alex Coriz, *accountant auditor*
Mark Lovato, *accountant auditor*
Sharon Moya, *accountant auditor*
Art Trujillo, *accountant auditor*

ANNUITANT PAYROLL

Nora Solano, *manager IV*

CONTRIBUTION ACCOUNTING

Herb Romero, *bureau chief*
Renee Baros, *accountant and auditor*
Denise Vialpando, *accountant and auditor*

CUSTOMER SERVICES

Patricia Thaxton, *manager IV*
Ramona Moore, *clerk specialist*
Angela Romero, *receptionist*
Maria Roybal, *clerk specialist*
Delila Gachupin, *clerk IV*

DEFERRED COMPENSATION

JoAnn Garcia, *manager*

HUMAN RESOURCES

Arlene Coriz, *human resource admin. senior*

INFORMATION SYSTEMS

Greg Portillos, *information systems mgr.*
Mike Gonzales, *programmer analyst II*
Leonard Martinez, *computer systems analyst*
Michael Martinez, *IS network administrator I*
Fermin Montoya, *IS manager II*
Reyna Munoz, *IS network specialist I*
Kevin Payne, *software engineer*

INVESTMENTS

Robert Gish, *director of investments*
Fred Reynolds, *deputy director of investments*
Debbie O'dell, *investment officer*
Barbara Montoya, *investment officer*
Sandy Perez, *investment officer*

LEGAL DIVISION

Tracy Hughes, *general counsel*
Sophia Collaros, *assistant general counsel*
Judy Olson, *administrator III*
Susan Pittard, *deputy general counsel*
Theresa Vargas, *legal assistant II*

MAINTENANCE

Gene Powers, *property manager*
Lillian Baca, *custodial worker*
Becky Chavez, *custodial worker*
Victor M. Diaz, *custodial worker*
James Ferguson, *maintenance and repair*
Sergio Gutierrez, *maintenance and repair*
Ronald La Point, *maintenance and repair*
Robert Loera, *custodial worker*
Eric Martinez, *maintenance and repair*
Jake Martinez, *maintenance and repair*
Marie McClure, *custodial worker*
Nicole Montoya, *office clerk*
Chris Quintana, *maintenance and repair*
Rick Serna, *custodial worker*
Val Ulibarri, *custodial worker*
Benny Vigil, *custodial worker*
David Wright, *maintenance and repair*
John Waterman, *custodial worker*
Joe Zamora, *custodial worker*

MEMBER SERVICES

Andrew Clark, *bureau chief*
Rose Ellen Guillen, *management analyst*
Vince Jaramillo, *data base administrator I*

QUALITY CONTROL

Monica Varela, *quality control manager*
Adriana Montoya, *clerk specialist*
Rose Rael, *administrator II*

RECORDS

Mark Sanchez, *records/imaging administrator*
Kenzy Caraballo, *clerk IV*
Mando Lujan, *clerk IV*
Vanessa Ytuarte, *clerk specialist*

RETIREMENTS

Claudine Serna, *manager IV*
Pam Bustos, *financial specialist*
Rose Butler, *financial specialist*
Brenda Cordova, *financial specialist III*
Joyce Rivera, *financial specialist III*

Organization as of June 30, 2001

Public Employees Retirement Association Board

Exec. Asst.

Jane Clifford

**Executive
Director**

Terry Slattery

**Deputy Dir.
Operations**

Kurt Weber

**Dir. Of
Investments**

Robert Gish

**General
Counsel**

Tracy Hughes

**Deputy Dir.
Member Serv.**

Mary Frederick

Human Resources

Arlene Coriz

Member Serv.

Andrew Clark

**Information
Systems**

Greg Portillos

Records/Imaging

Mark Sanchez

Comptroller

Lee Ann Rael

Liaison Officer

Vacant

**Administrator
Deferred Comp.**

Vacant

Property Mgmt.

Gene Powers

PERA at a Glance

June 30, 2001

PERA Members.....	48,703
State.....	21,797
Municipal.....	21,477
Judicial.....	86
Magistrate.....	61
Volunteer Firefighters.....	5,170
Legislative.....	112
Retired Members and Beneficiaries.....	18,463
State.....	10,290
Municipal.....	7,770
Judicial.....	78
Magistrate.....	36
Volunteer Firefighters.....	200
Legislative.....	89
Retirement Benefits.....	\$295,900,794
Contribution Refunds.....	\$27,371,483
Participating Employers.....	667
State.....	119
Municipal.....	72
Counties.....	33
Housing Authorities.....	22
Special Districts.....	26
Hospitals.....	1
Volunteer Fire Departments.....	361
Judicial.....	15
Magistrate.....	18
Contributions:	
Member contributions.....	\$138,150,738
Employer contributions.....	\$200,985,514
Total PERA Assets.....	\$8,112,856,342

Member Communications

Member Services

Providing quality customer service to our members is one of the most important functions of PERA. The staff of the Member Services Division serves PERA's active members and retirees. The benefits counselors and support staff provide information over the telephone, through written correspondence, by personal counseling appointments and through group presentations.

The staff at PERA is responsible for preparing retirement benefits estimates, assisting members with fulfilling retirement procedures, preparing uniformed service calculations, processing refund requests, replying in writing to written and telephone inquiries and assisting members with death benefit claims. In FY01 the PERA staff processed over 1,078 retirement applications. Member Services also prepares adjustments to retiree pension checks to reflect the yearly Cost-of-Living Adjustments (COLA) granted by the New Mexico State Legislature.

Newsletters

Approximately 50,000 copies of the PERA newsletter, *La Voz*, are distributed each quarter. *La Voz* informs members about their retirement plan, legislative updates, news from our board and other relevant subjects. The retiree edition includes this information and a new column that gives the retirees an opportunity to share the fun aspects of retirement with each other.

Member and Employer Education

The executive director began, when he was hired at the end of the fiscal year, to travel to employer's sites around the state. PERA staff conduct member and employer seminars at locations throughout the state. In addition to the seminars, PERA representatives are available to counsel individual members about retirement benefits. New members receive the detailed member handbook. A comprehensive retirement kit is mailed to members on request.

Annual Statements and 1099-R Forms

Annual statements of account for individual members are mailed directly to each active member in July. The statement provides a summary of account transactions and member contribution balances. Member 1099-R forms are mailed out each January to retirees as well as annual notifications of cost-of-living adjustments.

PERA's Website

PERA's website contains updated, valuable information concerning PERA current events, administration, investments and member services. Please visit the website at: www.state.nm.us/pera.

PERA Call Center

The PERA Call Center allows members to speak directly to a benefits counselor. The counselors can provide information to members on the following topics:

- ◆ Current member account balances
- ◆ The status of refund checks
- ◆ Retirement information
- ◆ Account changes such as a change of address
- ◆ Purchasing service credit
- ◆ Changes in pension deductions
- ◆ How a death in the family affects the pension
- ◆ How to fill out forms correctly

Professional Consultants

Actuary

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

Auditor

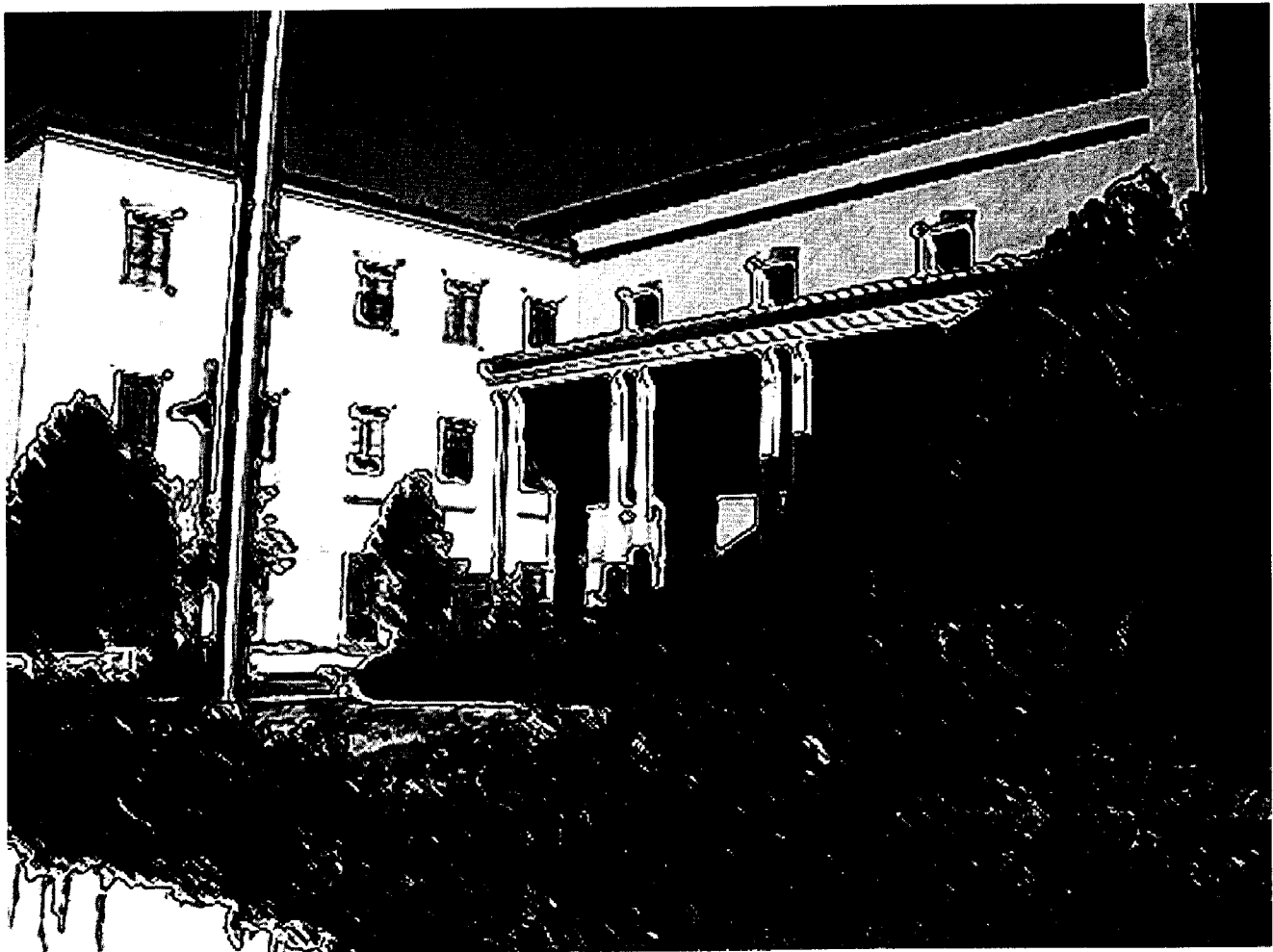
Deloitte & Touche LLP
Chase Tower, Suite 1600
Dallas, Texas 75201-6778

Investment Consultant

Callan Associates
550 East 8th Avenue
Denver, Colorado 80203

Pension Administration System Consultant

L.R. Wechsler, Ltd.
10394 Democracy Lane
Fairfax, Virginia 22030



The west entrance of PERA.

Financial Section



State Police on the firing range
State Police Plan members

Management's Discussion and Analysis

June 30, 2001

This discussion and analysis of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (collectively, the "Funds") of the Public Employees Retirement Association of New Mexico (PERA) for the year ended June 30, 2001 provides a summary of the financial position of the Funds, including highlights and comparisons. For more detailed information regarding the PERA financial activities, the reader should also review the actual financial statements, including the notes and supplementary schedules.

Financial Highlights

- ◆ Net assets held in trust for pension benefits (net assets) for all funds in total decreased during the fiscal year by \$155.8 million. All individual pension funds except one experienced a decrease in net assets. The Volunteer Firefighters Retirement Fund managed a very small increase in net assets.
- ◆ The major reason for the decrease in net assets was the downward turn of the stock market, which resulted in a \$465.9 million decrease in the fair value of investments. PERA's losses were less than if the investments had only performed at the targeted levels reported to the PERA Board. This decrease in investment values was partially offset by earnings of \$310.6 million and contributions.
- ◆ Benefit payments to retirees increased slightly due to an increased number of retirees, and refunds of member contributions and administrative costs increased also.

PERA Highlights

PERA received an appropriation of \$8 million to purchase and implement a retirement membership information system. PERA issued a request for proposals in the fall of 2000. Proposals were received and evaluated in the spring of 2001. A contract for software and implementation services will be issued in fiscal year 2002.

Financial Statements

The financial statements of the funds of PERA include Statements of Plan Net Assets and Changes in Plan Net Assets for the four retirement funds administered by the Agency. The financial statements also include notes which explain the history and purpose of the funds, significant accounting policies, investment details, statutory disclosures and other required information regarding the financial position of the funds.

The Deferred Compensation Plan available to state employees is administered by a contracted third party, and therefore, the assets of that plan are not included in these financial statements. However, the net operating account used to pay administration expenses for deferred compensation is included in the Public Employees Retirement Fund.

Comparative Summary Statements

The following table displays the total assets, liabilities, net assets, and changes in net assets for all four retirement funds in total:

All Funds	2001	2000
Assets	\$ 9,268,361,009	\$9,181,783,016
Liabilities	1,155,504,667	913,114,472
Net Assets	8,112,856,342	8,268,668,544
Changes in Net Assets	(155,812,202)	864,791,017

The small increase in assets from fiscal year 2000 to fiscal year 2001 is due primarily to an increase in investments, but the liability amount rose by a higher amount resulting in a lower net asset balance in fiscal year 2001. Liabilities are higher due to an increased Broker Payable amount. The total net assets held by PERA decreased during the fiscal year ended June 30, 2001 by \$155,812,202, primarily due to losses on investments offset by employee and employer contributions to the funds. All four funds participate in an investment pool and share in investment earnings based on each fund's equity percentage in the pool. The fair value of investments decreased during fiscal year 2001 due to the market deflation.

The most significant pension plan administered by PERA included the following balances at the years ended June 30, 2001 and 2000:

PERA FUND	2001	2000
Cash & Equivalents	\$ 524,443,068	\$ 879,329,267
Receivables	651,930,228	374,363,999
Investments	7,960,884,172	7,798,170,685
Property & Equipment	1,097,219	1,189,729
Other	26,255	27,988
Total Assets	9,138,380,942	9,053,081,668
Accounts Payable	900,620,965	425,428,201
Accrued Exp & Oth Liab	238,712,554	474,905,078
Total Liabilities	1,139,333,519	900,333,279
Net Assets Held in Trust	\$7,999,047,423	\$8,152,748,389

The following schedule shows a comparison of changes in plan net assets for the PERA fund during fiscal years ended June 30, 2001 and 2000:

	2001	2000
Contributions	\$ 334,140,672	\$ 309,983,437
Invest Income (less Inv Exp)	292,923,798	259,416,715
Net (Depreciation)Appreciation of FV Invest	(459,348,301)	575,345,361
Other Income	1,052,352	2,599,218
Benefit Payments	(291,118,491)	(264,480,078)
Refunds	(27,357,500)	(26,811,590)
Administrative Expenses	(3,993,496)	(3,272,761)
Net Increase/(Decrease)	\$ (153,700,966)	\$ 852,780,302

Individual Fund Comparative Balances

Other than the Volunteer Firefighters Retirement Fund, the individual funds decreased their net assets due to the investment losses across the funds. The Volunteer Firefighters Retirement Fund received a \$1 million appropriation which offset much of the investment loss in the fund. Other funds were dependent on contributions to offset losses:

NET ASSETS	2001	2000	% Increase (Decrease)
Public Employees Retirement Fund	\$ 7,999,047,423	\$ 8,152,748,389	(1.9 %)
Judicial Retirement Fund	57,520,683	59,645,234	(3.7 %)
Magistrate Retirement Fund	29,240,378	29,437,761	(0.7 %)
Volunteer Firefighters Retirement Fund	27,047,858	26,837,160	0.8 %
Total - All Funds	\$ 8,112,856,342	\$ 8,268,668,544	

Budget Comparisons

There were no significant budgetary variations during the fiscal year ended June 30, 2001.

Capital Assets

The PERA Building is considered an investment to the PERA fund and therefore is not accounted for as a capital asset. The building was appraised in fiscal year 2000 at \$15,000,000 and is carried at that amount in the Investment section of the assets. The other capital assets are listed for the years ended June 30, 2001 and 2000:

	2001	2000
Carrying Value		
Property & Equipment	\$ 1,033,288	\$ 1,103,194
Computer Improvement Plan	63,931	86,535
Total	\$ 1,097,219	\$ 1,189,729

Financial Contact

Any questions regarding the financial statements of PERA should be directed to the PERA Comptroller, P.O. Box 2123, Santa Fe, NM 87504-2123.

Independent Auditor's Report

Members of the Retirement Board of the
Public Employees Retirement Association of New Mexico
Santa Fe, New Mexico

We have audited the accompanying statements of plan net assets and statements of changes in plan net assets of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (collectively, the "Funds") administered by the Public Employees Retirement Association of New Mexico ("PERA") as of and for the year ended June 30, 2001, as listed in the foregoing table of contents. These financial statements are the responsibility of PERA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements of PERA are intended to present the net assets and changes in net assets of only that portion of the funds of the State of New Mexico (the "State") which are attributable to the transactions of the Funds administered by PERA.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of PERA, as of June 30, 2001, and changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the individual financial statements of each Fund referred to in the first paragraph present fairly, in all material respects, the financial status of each of the individual Funds administered by PERA as of June 30, 2001, and changes in financial status of such Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2001, on our consideration of PERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the individual Fund financial statements taken as a whole. The Required Supplementary Information as well as the additional information listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The unaudited information in the Investments Section, Actuarial Section and Statistical Section was not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Deloitte & Touche LLP

September 27, 2001

Statements of Plan Net Assets

June 30, 2001

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Assets					
Cash and cash equivalents	\$ 524,443,068	\$ 4,017,620	\$ 3,026,043	\$ 2,167,447	\$ 533,654,178
Receivables:					
Accrued investment income	44,307,138	318,300	155,462	148,481	44,929,381
Accounts receivable - brokers	585,344,765	4,204,987	2,053,825	1,961,594	593,565,171
Contributions receivable	19,864,986	177,033	170,216		20,212,235
Accounts receivable - other	2,154,950				2,154,950
Interfund receivable	258,389				258,389
Investments, at fair value:					
U.S. Government and agency securities	1,858,305,666	13,349,657	6,520,319	6,227,511	1,884,403,153
Corporate equity securities	3,505,136,198	25,180,123	12,298,627	11,746,332	3,554,361,280
Corporate obligations	1,046,714,458	7,519,365	3,672,653	3,507,726	1,061,414,202
International securities	1,297,506,237	9,320,992	4,552,618	4,348,173	1,315,728,020
Mortgage investments	751,155				751,155
Total	7,708,413,714	55,370,137	27,044,217	25,829,742	7,816,657,810
Securities lending collateral investments	237,470,458	1,705,935	833,223	795,805	240,805,421
Investment in building	15,000,000				15,000,000
Total investments	7,960,884,172	57,076,072	27,877,440	26,625,547	8,072,463,231
Property and equipment, net	1,097,219				1,097,219
Other assets	26,255				26,255
Total assets	9,138,380,942	65,794,012	33,282,986	30,903,069	9,268,361,009
Liabilities					
Accounts payable - brokers	895,660,558	6,434,227	3,142,644	3,001,517	908,238,946
Accounts payable - other	4,960,407				4,960,407
Accrued expenses and other	1,284,255				1,284,255
Interfund payable		133,470	66,889	58,030	258,389
Securities lending liability	237,428,299	1,705,632	833,075	795,664	240,762,670
Total liabilities	1,139,333,519	8,273,329	4,042,608	3,855,211	1,155,504,667
Net Assets Held in Trust For Pension Benefits					
(A schedule of funding progress for each fund is presented on page 35)	\$ 7,999,047,423	\$ 57,520,683	\$ 29,240,378	\$ 27,047,858	\$ 8,112,856,342

See Notes to Financial Statements

Statements of Changes in Plan Net Assets

Year Ended June 30, 2001

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
ADDITIONS					
Contributions:					
Employer	\$ 196,544,110	\$ 2,159,063	\$1,282,341		\$199,985,514
Member	135,594,354	359,386	179,805		136,133,545
Appropriation from State of New Mexico - Fire Protection Fund				\$1,000,000	1,000,000
Service credits purchased	2,002,208		14,985		2,017,193
Total contributions	334,140,672	2,518,449	1,477,131	1,000,000	339,136,252
Investment income:					
Interest	243,653,196	1,757,409	907,893	854,607	247,173,105
Dividends	65,087,943	470,714	228,377	217,725	66,004,758
Real estate operating income, net	407,194				407,194
Net depreciation in fair value of investments	(459,348,301)	(3,317,806)	(1,611,736)	(1,574,691)	(465,852,534)
Securities lending income	15,620,795	112,271	54,809	52,329	15,840,204
	(134,579,174)	(977,412)	(420,657)	(450,030)	(136,427,273)
Less investment expense	(31,845,329)	(229,477)	(111,739)	(106,720)	(32,293,265)
Net investment loss	(166,424,503)	(1,206,889)	(532,396)	(556,750)	(168,720,538)
Other Income	1,052,352				1,052,352
Total additions	168,768,521	1,311,560	944,735	443,250	171,468,066
DEDUCTIONS					
Benefit payments	291,118,491	3,427,332	1,122,419	232,552	295,900,794
Refunds to terminated employees	27,357,500	413	13,570		27,371,483
Administrative expenses	3,993,496	8,366	6,129		4,007,991
Total deductions	322,469,487	3,436,111	1,142,118	232,552	327,280,268
Net Increase (Decrease)	(153,700,966)	(2,124,551)	(197,383)	210,698	(155,812,202)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Beginning of year	8,152,748,389	59,645,234	29,437,761	26,837,160	8,268,668,544
End of year	\$ 7,999,047,423	\$57,520,683	\$29,240,378	\$27,047,858	\$8,112,856,342

See Notes to Financial Statements

Notes to Financial Statements

For the Year Ended June 30, 2001

1. General Description of the Association and Retirement Funds

General

The Public Employees Retirement Association ("PERA") was created by legislation enacted in 1947. Upon enactment, members were required to contribute 3.5% of their gross salary and their employers matched employee contributions with an equal amount. The maximum annuity any member could expect to receive was \$150 per month.

PERA is now the administrator of four pension plan funds, including the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (collectively, the "Funds"), offering an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators. The laws governing the administration of the Funds are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 ("NMSA 1978") and applicable Replacement Pamphlets. PERA also has limited administrative responsibilities with respect to the State of New Mexico Social Security Fund and the State of New Mexico Deferred Compensation Fund, as more fully discussed in Note 2.

PERA is directed by the Public Employees Retirement Board (the "Board") which consists of twelve members. Ten of the Board members are elected by PERA active and retired members under state and municipal coverage plans. Two Board members, the Secretary of State and the State Treasurer, are ex-officio members.

Reporting Entity

PERA is an agency of the State of New Mexico. The Funds administered by PERA are considered part of the State of New Mexico financial reporting entity and are pension trust funds of the State of New Mexico. The State of New Mexico Deferred Compensation Fund meets the criteria for exclusion from the PERA financial statements set forth in Statement No. 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and, accordingly, is not presented in the financial statements. See Note 2 for information on the Deferred Compensation Fund and how to obtain financial statements of the Deferred Compensation Fund.

PERA has developed criteria to determine whether other state agencies, boards or commissions which benefit the members of PERA should be included within its financial reporting entity. The criteria include, but are not limited to, whether PERA exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on this criteria, management of PERA has determined that no other such entities should be included in its financial reporting entity.

The DFA codes for the PERA Accounts are as follows:

Public Employees Retirement Fund - CAS #606

Public Employees Retirement Fund - Maintenance - CAS #370 *

Judicial Retirement Fund - CAS #603

Magistrate Retirement Fund - CAS #604

Volunteer Firefighters Retirement Fund - CAS #607

Deferred Compensation Account - Administration - CAS #755 *

Social Security Account - CAS #608 *

* These accounts are combined with #606 in the financial statements under "Public Employees Retirement Fund".

Description of the Funds

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire, and State Legislative Divisions, and offers 18 different coverage plans. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in Section 10-11-3, NMSA 1978. Except as provided for in the Volunteer Firefighters Retirement Act (Sections 10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (Sections 10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (Sections

10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978), governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service. Members of the State Legislative Division may retire at any age with 14 years of credited service. Generally, the amount of normal retirement pension is based on: final average salary, which is defined as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 100% of the final average salary, depending on the division. Legislative members who meet retirement eligibility requirements receive annual pensions equal to \$250 multiplied by the number of years of credited service. Benefits for duty and non-duty death, disability and post-retirement survivors are also available.

Current member contributions for all plans, except the State Legislative Division, are based upon a percentage of salary and range from 4.78% to 16.30%, depending upon the division and coverage plan. Employer contributions also vary with the different divisions and coverage plans and are based upon a percentage of salaries paid, ranging from 9.15% to 25.72%. Contribution rates are established by State statute for all members. Members of the State Legislative Division contribute \$100 for each year of credited service; employer contributions for members of the State Legislative Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2001, was determined by the actuary to be between \$123,000 and \$226,000.

Judicial Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in Section 10-12B-4, NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75% of the salary received during the last year in office prior to retirement multiplied by the number of years of service, not to exceed ten years, divided by ten. For those individuals who became members subsequent to July 1, 1980, the annual pension amount is determined as 75% of salary received during the last year in office prior to retirement multiplied by 5% for each year of service, not exceeding 15 years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits.

Members contribute at a rate of 5% of their salaries, and the member's court contributes at a rate of 9% of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Section 10-12C-4, NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of five years. Retirement is available at age 60 to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75% of the salary received during the last year in office prior to retirement by 5% of the number of years of service, not exceeding 15 years, plus five years.

Member contributions are based on 5% of salaries and the State of New Mexico, through the Administrative Office of the Courts, contributes at a rate of 9% of the member's salary. Additionally, the magistrate and metropolitan courts contribute \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid. Contribution rates are established by State statute.

Volunteer Firefighters Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan with a special funding mandate. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Section 10-11A-2, NMSA 1978. Any volunteer, nonsalaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement Fund, unless specifically excluded.

Benefits are available at age 55 or older to any member having served as a volunteer firefighter for a minimum of ten years. Benefits are \$100 per month with at least ten but less than 25 years of service or \$200 per month with 25 or more years of service. Benefits for post-retirement surviving spouse annuities are also available.

Members of the Volunteer Firefighters Retirement Fund do not make contributions. State statutes required that the State Treasurer transfer \$750,000 during the 2001 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund; however, due to an oversight by the transferring agency, the actual transfer made was \$1,000,000.

Membership

At June 30, 2001:

The number of participating employers were:

Public Employees Retirement Fund:	
State Agencies	119
Cities	72
Counties	33
Special Districts	26
Housing Authorities	22
Hospitals	1
Total	273
Judicial Retirement Fund	15
Magistrate Retirement Fund	18
Volunteer Firefighters Retirement Fund	361

The membership was as follows:

Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
Retirees and beneficiaries receiving benefits			
18,149	78	36	200
Terminated plan members not yet receiving benefits			
2,468	11	8	N/A
Active plan members			
43,386	86	61	5,170

2. Summary of Significant Accounting Policies

Method of Accounting - The financial statements of the Funds presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in NMSA 1978.

Cash and Cash Equivalents - Cash and cash equivalents include demand-deposit accounts and all short-term instruments with maturities at purchase of 90 days or less. Cash and short-term investments are stated at amortized cost, which approximates fair value.

Investments - Allowable investments are set forth in Section 10-11-132, NMSA 1978. PERA primarily invests in obligations of the United States Treasury, obligations of federal agencies guaranteed by or for which the credit of the United States government is pledged for payment of principal and interest, corporate bonds, stocks and international securities. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

All investment securities are reported at fair value as determined by the custodial agent. The agent's determination of fair values includes, among other things, published market prices, prices obtained from pricing services, and prices quoted by independent brokers at current exchange rates. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. The investment in the building is stated at fair value based on an appraisal performed during fiscal year 2000.

There are certain market risks, credit risks, foreign exchange currency risks or event risks which may subject the Funds' investment portfolios to economic changes occurring in certain industries, sectors or geographies.

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

In an effort to maximize the benefits of investment diversification and investment earnings, the Judicial, Magistrate, and Volunteer Firefighters Retirement Funds participate with the Public Employees Retirement Fund in an investment pool. The fair value of PERA's investments in short-term investment pools is the same as the value of the pool shares. All investments in the short-term investment pools are SEC registered or are exempt from SEC registration under exemption 3a3 or 4(2) of SEC regulations. Each fund's equity percentage in the pool is based on that fund's investment in the pool and will only increase or decrease by additional deposits or withdrawals. Ownership percentages (rounded to the nearest hundredth of a percent) at June 30, 2001, are as follows:

	Investment Pool
Public Employees Retirement Fund	98.61%
Magistrate Retirement Fund	0.35
Judicial Retirement Fund	0.71
Volunteer Firefighters Retirement Fund	0.33
<hr/>	
Total	100.00 %

Property and Equipment - Property and equipment costing in excess of \$1000, used in the plan operations consists of furniture and equipment, which are recorded at historical cost less accumulated depreciation. All such assets are depreciated over five to ten years, depending on the nature of the asset, using the straight-line method of depreciation.

Accrued Compensated Absences - Accumulated vacation and sick leave earned but not taken at June 30 is recorded as a liability and expense in the Public Employees Retirement Fund.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between the Funds for goods provided and services rendered. These receivables and payables are expected to be repaid in the subsequent fiscal year and are not eliminated in the financial statements.

Required Reserves - Sections 10-11-123, 10-12B-3, and 10-12C-3, NMSA 1978, set forth required accounting policies for reserves to be maintained within net assets available for benefits for the Public Employees Retirement Fund, the Judicial Retirement Fund, and the Magistrate Retirement Fund, respectively. State statutes do not specifically require separate accounting for the Volunteer Firefighters Retirement Fund. The funds to be maintained are as follows:

Member Contribution Fund represents the accumulated contributions deducted from members' compensation, less refunds and transfers of contributions as provided for in the statute. Annually on June 30, the members' accounts are credited with interest on member contributions and previously earned interest at a rate determined by the Board. The rate for the 2001 fiscal year was 5.25%.

Employers Accumulation Fund represents the accumulated contributions made by affiliated public employers. Each year following receipt of the report of the annual actuarial valuation, the excess, if any, of the reported actuarial present value of benefits to be paid over the balance in the Retirement Reserve Fund, discussed below, is transferred to the Retirement Reserve Fund from the Employers Accumulation Fund.

Retirement Reserve Fund represents the accumulated balance available to pay pension benefits to retired members and eligible survivors of deceased members or retirees and to pay residual refunds due to eligible beneficiaries and survivors as provided for in the statute.

Income Fund represents the accumulation of interest, dividends, rents and other income of PERA, less administrative expenses paid out of this fund. At least annually, the balance in this fund is transferred to other funds in a manner determined by the Board. The distribution rate as determined by the Board for fiscal year 2001 was 5.25% of member account balances to the Member Contribution Fund. The remaining balance of the Income Fund was distributed to the Retirement Reserve Fund.

Fund balances as of June 30, 2001, are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
Member Contribution Fund	\$ 1,222,420,919	\$ 3,911,338	\$ 1,397,473
Employers Accumulation Fund	2,328,494,485	17,629,839	13,050,147
Retirement Reserve Fund	4,448,132,019	35,979,506	14,792,758
Total	\$ 7,999,047,423	\$ 57,520,683	\$ 29,240,378

Social Security Account - The Social Security Account was established to account for moneys collected by PERA from the State of New Mexico and its political subdivisions and instrumentalities on behalf of the Social Security Administration. As of January 1, 1987, PERA was no longer responsible for making these collections. Activity subsequent to January 1, 1987, relates primarily to adjustments, refunds, and rebates of previously collected amounts. At June 30, 2001, the Social Security Account had assets of \$485,331. This amount is recorded in assets and liabilities in the Public Employees Retirement Fund.

Deferred Compensation Plan - The State of New Mexico offers its employees a deferred compensation plan under Sections 10-7A-1 through 10-7A-12, NMSA 1978, the "Deferred Compensation Act," in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their income until future years. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. PERA is the trustee of the Deferred Compensation Plan (the "Plan"); however, the Plan is administered by a third-party administrator (the "Administrator") acting under contract with PERA. The Administrator has authority to control and manage the operation of the Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Plan, and has certain discretionary authority to decide all matters under the Plan. As Plan trustee, PERA's primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property and rights under the executed Plan Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan. At June 30, 2001, PERA had \$360,907 in an operating account maintained for the sole purpose of paying administrative expenses associated with the Deferred Compensation Fund. This cash account is maintained by the State Treasurer. Accrued expenses and other liabilities associated with administrative operations of \$465 are reflected in the financial statements of the Public Employees Retirement Fund. The net of cash held, accrued income earned on cash deposits, and accrued expenses are reflected as liabilities in the Public Employees Retirement Fund. The Deferred Compensation Fund issues a publicly available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, P.O. Box 2123, Santa Fe, New Mexico 87504-2123, or calling (505) 827-4700.

Actuarial Valuation - The actuarial information included in the required supplementary information as listed in the table of contents is based on the actuarial valuations performed as of June 30, 2001, which is the latest available information. Significant actuarial assumptions used in the valuations are included in the notes to the Required Supplementary Information.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net assets during the reported period. Actual results could differ from those estimates. The Funds utilize various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets.

Federal Income Tax Status - The Funds are qualified plans under Section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

New Accounting Standard - The Governmental Accounting Standards Board adopted Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." PERA has chosen to implement this new standard early for fiscal year 2001. The only significant change to PERA's financial statements required by this standard is the addition of Management's Discussion and Analysis as Required Supplementary Information.

3. Deposits, Investments, and Securities Lending Collateral Investments

The following is a reconciliation of cash and investments as presented in the Statements of Plan Net Assets and deposits and investments as presented in the schedules below:

As presented in the statements of Plan Net Assets:	
Cash and cash equivalents	\$ 533,654,178
Investments	8,072,463,231
<hr/>	
Total	\$8,606,117,409
<hr/>	
As presented in the schedules below:	
Carrying amount of deposits at State Treasurer's Office	\$18,842,508
Investments	8,587,274,901
<hr/>	
Total	\$8,606,117,409
<hr/>	

Deposits - Cash balances reported in the Statements of Plan Net Assets include amounts on deposit with the State Treasurer's Office and amounts held by the investment custodian. All deposit accounts maintained at the State Treasurer's Office participate in an overnight repurchase agreement program administered by the State Treasurer. These amounts, listed below, are held in the name of the entity indicated and are fully collateralized.

Account	Bank Balance	Carrying Amount
PERA Trust Administration	\$ 34,342,229	\$ 9,258,731
PERA Building Maintenance	6,688,749	6,685,498
Deferred Compensation Operating Account	360,907	360,907
Judicial Retirement Fund	653,721	370,545
Volunteer Firefighters Retirement Fund	486,814	466,115
Magistrate Retirement Fund	1,342,448	1,244,717
Social Security Fund	455,995	455,995
Total deposits at State Treasurer's Office	\$ 44,330,863	\$ 18,842,508

The difference between the bank balance and the carrying amount of deposits is due to reconciling items, such as outstanding warrants.

Cash held by the investment custodian is invested in commercial paper, which is included in the schedule of investments below.

Investments

The table which follows provides information about the custodial credit risk associated with the Funds' investments and investments made with cash collateral received on securities loaned as part of the securities lending program discussed in Note 5. Investments, including investments made with securities lending collateral, are categorized as follows:

- Category 1: The custodian is the Funds' agent and is not the counterparty or the counterparty financial institution's trust department. The custodian holds the securities in the Funds' names.
- Category 2: The custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian holds the securities in the Funds' name.
- Category 3: The custodian is the counterparty, regardless of whether it holds the securities in the Funds' names; or the custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian does not hold the securities in the Funds' names.

	Category 1	Category 2	Category 3	Total
Categorized:				
Commercial paper	\$ 93,282,073			\$ 93,282,073
U. S. Government and agency securities	1,006,756,641			1,006,756,641
Corporate equity securities	1,837,477,949	\$ 1,497,033,967		3,334,511,916
Corporate obligations	1,183,456,232			1,183,456,232
International securities	1,276,463,635			1,276,463,635
Total categorized	5,397,436,530	1,497,033,967		6,894,470,497
Uncategorized:				
Pending transactions:				
U. S. Government Equities				697,794,956
Corporate				200,537,501
International				1,995,020
Short-term investment pool				7,911,469
Investment in building				514,811,666
Miscellaneous investments - mutual funds				15,000,000
Total uncategorized				1,462,288,065
Investments made with cash collateral received on securities loans:				
Categorized:				
U. S. Government and agency securities			\$179,851,556	179,851,556
Corporate obligations			19,311,862	19,311,862
International securities			31,352,921	31,352,921
Total categorized			230,516,339	230,516,339
Total investments	\$ 5,397,436,530	\$ 1,497,033,967	\$ 230,516,339	\$ 8,587,274,901

4. Derivatives

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. The following provides information about derivatives held in the Funds' investment portfolio.

Government Agency Mortgage-backed Securities - As of June 30, 2001, the Funds' investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of approximately \$848 million, at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the Funds will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

Corporate Asset-backed Securities - As of June 30, 2001, the Funds' investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of approximately \$192 million. These securities represent interests in various trusts consisting of pooled financial assets conveyed by the issuing parties. The Funds' ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Forward Currency Contracts - The Funds may enter into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U. S. dollar and the ability of the counterparty to perform. At June 30, 2001, the Funds had outstanding forward exchange currency contracts to purchase foreign currencies of approximately \$5,926,000 and to sell foreign currencies of approximately \$7,508,000. The market values of these outstanding contracts at June 30, 2001, were approximately \$5,913,000 and \$7,167,000, respectively. These contracts are not reflected in the statements of plan net assets. Gains and losses on forward currency may occur to the extent that the market value of the contracts varies from the actual contract amount and are recorded as incurred.

5. Securities Lending

Section 10-11-132, NMSA 1978, and Board policies permit PERA to use the Funds' investments to enter into securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to the governing securities lending agreement, the securities lending agent may loan United States government and agency securities, international securities, domestic equity securities, and corporate obligations owned by the Funds in exchange for cash and securities issued or guaranteed by the United States government as collateral. Collateral for these loans is held by PERA's custodial agent and must be equal to: a) 102% of the market value of the loaned securities in the case of loaned securities denominated in United States dollars or whose primary trading market is located in the United States or sovereign debt issued by foreign governments; or b) 105% in the case of loaned securities not denominated in United States dollars or whose primary trading market is not located in the United States. Securities on loan at year-end are presented as Category 3 in the preceding schedule in Note 3. At June 30, 2001, the Funds have no credit risk exposure to borrowers because the amounts the Funds owe the borrowers exceed the amounts the borrowers owe the Funds. PERA may invest cash collateral received in eligible securities as defined in the governing securities lending agreement; such investments are also held by PERA's custodial agent. Securities received as collateral may not be pledged or sold without borrower default. There are no restrictions on the amount of loans that the securities lending agent may make. The collateral received and the market value of securities on loan as of June 30, 2001, were \$240,805,422 and \$230,516,339 respectively.

The lending agent has indemnified PERA by agreeing to purchase replacement securities or return cash collateral in the event that a borrower fails to return a loaned security or pay distributions thereon. As of June 30, 2001, no such failures by any borrowers have occurred. Moreover, there were no losses during the fiscal year ended June 30, 2001, resulting from borrower default. PERA and the borrowers maintain the right to terminate all securities lending transactions on demand. Because the loans are terminable at will, their duration does not generally match the investments made with cash collateral.

6. Property and Equipment

A summary of property and equipment at June 30, 2001, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Property and Equipment	2,469,224	170,382	-	2,639,606
Computer Improvement Plan	1,715,185	-	-	1,715,185
Accumulated Depreciation	(2,994,680)	(262,892)	-	(3,257,572)
Total	1,189,729	(92,510)	-	1,097,219

7. Contingencies

PERA has been named as a defendant in various lawsuits arising in the normal course of business primarily related to disability and retirement benefits. Management of PERA intends to vigorously defend the actions, and it is their opinion as well as the opinion of legal counsel that the resolution of these matters will not have a material effect on these financial statements.

8. Statutory Disclosures

The following disclosures are required by 2 NMAC 2.2, *Requirements for Contracting and Conducting Audits of Agencies*, issued by the Office of the State Auditor.

Budgets and Budgetary Accounting (Public Employees Retirement Fund only)

Formal budgetary integration is employed as a management control device over the Public Employees Retirement Fund. Administrative expenses, rental income and a small portion of interest income are budgeted while significant revenues and nonadministrative expenses are not. The budget is prepared on a budgetary, "not generally accepted accounting principles" (non-GAAP) basis which recognizes encumbrances and capital expenditures as current expenditures, does not recognize depreciation expense, and recognizes revenue on the cash basis. Because all funds are budgeted from the PERA trust funds, there are no reversions to the State General Fund. All unexpended funds revert to the appropriate PERA fund. Formal budgets are not provided for the Judicial, Magistrate, or Volunteer Firefighters Retirement Funds.

PERA follows these procedures in establishing budgetary data for the Public Employees Retirement Fund:

1. By September 1, PERA prepares a budget appropriation request by category to be presented to the next state legislature.
2. The appropriation request is submitted to the Department of Finance and Administration (DFA) Budget Division and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request, which becomes part of the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also making recommendations and adjustments before presentation to the Legislature.
5. Both the DFA and the LFC recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the category level and changes are approved by DFA.
A Statement of Revenues, Appropriations, and Expenses - Budget and Actual (Non-GAAP Basis) is included as additional information.

Reserves for Encumbrances and Encumbrances Reconciliation (Public Employees Retirement Fund only)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the Public Employees Retirement Fund. Encumbrances for the year ended June 30, 2001, as recorded in the general ledger of PERA, differ from amounts reported by the DFA due to encumbrances canceled and encumbrances included in accounts payable by PERA. Encumbrances per DFA were \$4,790,008 for which PERA canceled \$91,007 and included \$389,734 in accounts payable and maintained a \$4,309,268 reserve for encumbrances.

Reconciliation of Generally Accepted Accounting Principles (GAAP) to Budgetary Basis (Public Employees Retirement Fund only)

The following is a reconciliation of the net decrease in net assets, GAAP basis, to the net increase in net assets, budgetary basis for the year ended June 30, 2001:

Net decrease in net assets, GAAP basis	\$ (153,700,966)
Non-budget revenues	57,975,709
CY accrual - revenues	(44,307,138)
PY accrual - revenues	49,771,710
Benefit payments	291,118,491
Refunds to terminated employees	27,357,500
CY encumbrances	(4,699,899)
PY encumbrances paid in the CY	4,729,892
CY accounts payable	5,115,054
PY accounts payable	(4,500,800)
Expenditures capitalized	(170,383)
Depreciation expenses	262,892
Expenses allocated to other funds	(258,389)
<hr/>	
Net increase in net assets, budgetary basis	\$ 228,693,673

Special, Deficiency, and Specific Appropriations (Public Employees Retirement Fund only)

PERA received an appropriation of \$500,000 for re-engineering the imaging process and for training, software, hardware upgrade and implementation (Chapter 5, Laws of 2000, Section 8, Item 4). PERA encumbered \$125,000 and expended \$55,478 during fiscal year 2001.

PERA received an appropriation of \$6 million to purchase and implement a retirement membership information system (Chapter 5, Laws of 2000, Section 8, Item 5). This appropriation was extended through fiscal year 2002. An additional \$2 million was appropriated in Chapter 64, Laws of 2001, Section 8, Item 12 to be used in fiscal year 2001 and fiscal year 2002 for the retirement system. PERA is still in the process of procuring a retirement system and therefore, has not encumbered or spent any of the above appropriations.

As the monies are appropriated from the Public Employees Retirement Fund, any unspent amounts do not revert to the State of New Mexico General Fund.

9. Subsequent Event

Subsequent to June 30, 2001, the domestic and international capital markets have experienced volatility with respect to certain investments and as a result, the Funds' management believes that there has been significant fluctuations in the values of the Funds' investments.

Required Supplementary Information

Schedules of Funding Progress

Year Ended June 30, 2001

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Unfunded (Excess) AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
PUBLIC EMPLOYEES RETIREMENT FUND*						
June 30, 1996	\$ 3,847,878,140	\$ 5,057,471,004	\$ 1,209,592,864	76.1 %	\$ 1,098,635,667	110.1%
June 30, 1997	4,563,468,302	5,564,571,089	1,001,102,787	82.0	1,102,082,081	90.8
June 30, 1998	5,490,941,333	6,006,718,131	515,776,798	91.4	1,146,991,018	45.0
June 30, 1999	6,494,486,731	6,554,553,017	60,066,266	99.1	1,200,564,605	5.0
June 30, 2000	7,527,280,315	7,118,974,671	(408,305,644)	106.0	1,253,305,021	-
June 30, 2001	8,308,210,019	7,883,446,910	(424,763,108)	105.4	1,318,274,517	-
JUDICIAL RETIREMENT FUND						
June 30, 1996	\$ 32,052,720	\$ 46,742,000	\$ 14,689,280	68.6%	\$6,155,985	238.6%
June 30, 1997	36,598,077	51,355,994	14,757,917	71.3	6,536,617	225.8
June 30, 1998	41,974,146	56,176,261	14,202,115	74.7	6,644,159	213.8
June 30, 1999	47,776,452	58,189,239	10,412,787	82.1	6,734,534	154.6
June 30, 2000	54,726,003	63,315,547	8,589,544	86.4	6,754,084	127.2
June 30, 2001	59,522,634	70,604,089	11,081,455	84.3	7,059,793	157.0
MAGISTRATE RETIREMENT FUND						
June 30, 1996	\$ 14,067,911	\$ 16,538,891	\$ 2,470,980	85.1%	\$ 3,361,667	73.5%
June 30, 1997	16,677,602	18,435,375	1,757,773	90.5	3,178,106	55.3
June 30, 1998	19,988,167	20,388,281	400,114	98.0	3,136,017	12.8
June 30, 1999	23,368,704	21,644,891	(1,723,813)	108.0	3,263,639	-
June 30, 2000	27,097,375	23,737,784	(3,359,591)	114.2	3,485,366	-
June 30, 2001	30,258,095	26,685,280	(3,572,815)	113.4	3,650,670	-
VOLUNTEER FIREFIGHTERS RETIREMENT FUND						
June 30, 1996	\$ 10,555,595	\$ 12,737,460	\$ 2,181,865	82.9%	N/A**	N/A
June 30, 1997	12,894,310	13,905,714	1,011,404	92.7	N/A	N/A
June 30, 1998	16,247,858	14,897,045	(1,350,813)	109.1	N/A	N/A
June 30, 1999	20,246,292	16,160,748	(4,085,544)	125.3	N/A	N/A
June 30, 2000	24,641,415	17,303,150	(7,338,265)	142.4	N/A	N/A
June 30, 2001	27,991,582	15,806,792	(12,184,790)	177.1	N/A	N/A

*Includes the Legislative Retirement Plan Data

**Volunteer Firefighters Retirement Fund benefits are not based on salary. Accordingly, payroll information has been excluded.

Required Supplementary Information

Schedules of Contributions From Employers and Other Contributing Entities

Year Ended June 30, 2001

Public Employees Retirement Fund			Judicial Retirement Fund		
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed	
June 30, 1996	\$158,085,666	100.0 %	\$ 2,134,519	89.9 %	
June 30, 1997	162,495,955	100.0	2,229,695	102.5	
June 30, 1998	165,248,660	100.0	2,540,432	80.4	
June 30, 1999	174,324,519	100.0	2,374,190	86.2	
June 30, 2000	182,000,473	100.0	2,682,454	79.0	
June 30, 2001	196,544,110	100.0	2,342,478	92.2	

Magistrate Retirement Fund			Volunteer Firefighters Retirement Fund*		
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed**	
June 30, 1996	\$ 947,204	128.7 %	\$1,834,500 - 2,692,900	18.6 %	
June 30, 1997	936,778	115.9	1,825,300 - 2,940,400	25.5	
June 30, 1998	911,332	117.6	1,940,800 - 3,197,400	31.3	
June 30, 1999	803,083	134.2	1,907,000 - 3,266,000	30.6	
June 30, 2000	750,572	125.2	1,867,000 - 3,346,000	37.4	
June 30, 2001	730,852	175.5	1,788,000 - 3,385,000	29.5	

* Contributions are appropriated from the Fire Protection Fund

**Using the high end of the range for the calculation

Notes to Required Supplementary Information

Year Ended June 30, 2001

The actuarial present value of benefit obligations of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund and the Volunteer Firefighters Retirement Fund was determined as part of actuarial valuations at June 30, 2001. Actuarial and economic assumptions include the following:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
Valuation date	June 30, 2001	June 30, 2001	June 30, 2001	June 30, 2001
Actuarial cost method	Entry age	Entry age	Entry age	Unit credit cost
Amortization method	Level percent open	Level percent open	Level percent open	Level percent open
Amortization period	7 years	30 years	0 years	30 years
Asset valuation method	Smoothed market 4 years	Smoothed market 4 years	Smoothed market 4 years	Smoothed market 4 years
Rate of return on investment of present and future assets*	8 %	8 %	8 %	8 %
Inflation increase	4.5 %	5 %	5 %	5 %
Post retirement benefit increases	3 %	3 %	3 %	N/A+
Projected salary increases*	5.0 - 15.5%**	5.0 %	5.0 %	N/A+

* Includes inflation at 5.00%.

** Projected salary increases, attributable to seniority/merit, vary from 0.00% to 3.8% based on age of employee and division in which employed.

+ Benefits are not based on salary and are not subject to cost-of-living increases.

**Schedule of Revenues, Appropriations and Expenses -
Budget and Actual (non-GAAP Basis)
Public Employees Retirement Fund**

For the Year Ended JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues, Appropriations and Other State Funds:			
Interest income	\$ 27,822,200	\$249,117,769	\$ 221,295,569
Rental income	1,495,700	2,131,877	636,177
Total revenues and appropriations	29,317,900	251,249,646	221,931,746
Expenses:			
Administration division:			
Contractual services	22,426,200	16,550,134	5,876,066
Personal services	2,034,800	1,971,550	63,250
Other operating costs	842,100	630,365	211,735
Employee benefits	679,000	637,136	41,864
Maintenance and repairs	78,100	44,267	33,833
Capital outlay	463,200	96,502	366,698
Supplies	91,300	62,111	29,189
Travel in-state	33,300	21,630	11,670
Travel out-of-state	44,700	29,449	15,251
Other costs	3,400	3,178	222
Other financial uses	1,126,100	1,126,080	20
Subtotal administration division expenses	27,822,200	21,172,402	6,649,798
Maintenance division:			
Contractual services	19,325	19,325	
Personal services	423,900	405,589	18,311
Other operating costs	321,300	281,769	39,531
Employee benefits	151,200	137,204	13,996
Maintenance and repairs	547,200	518,709	28,491
Capital outlay	11,500	5,000	6,500
Supplies	10,400	8,164	2,236
Travel in-state	10,475	7,411	3,064
Other financial uses	400	400	
Subtotal maintenance division expenses	1,495,700	1,383,571	112,129
Total expenses	29,317,900	22,555,973	6,761,927
Net increase in net assets, budgetary basis	\$ -	\$ 228,693,673	\$ 228,693,673

Additional Information

Schedule of Cash and Cash Equivalent Accounts

June 30, 2001

Account Name	Depository Name	Account Type	Fund Number	Reconciled PERA Balance at June 30, 2001	Subsequent Items Processed by DFA June 30, 2001	DFA Balance June 30, 2001
Public Employees Retirement Fund - Administration Account	State Treasurer	Checking	606	\$ 9,258,735	\$ 0	\$ 9,258,735
Public Employees Retirement Fund - Short-term Invest. Fund	Bankers Trust	Interest-bearing		514,811,666	0	514,811,666
Public Employees - Retirement Fund Maintenance Account	State Treasurer	Checking	370	6,685,498	0	6,685,498
Public Employees - Retirement Fund Maintenance Account		Petty Cash	N/A	0	0	0
Judicial Retirement Fund	State Treasurer	Checking	603	370,545	0	370,545
Magistrate Retirement Fund	State Treasurer	Checking	604	1,244,717	0	1,244,717
Volunteer Firefighters Retire. Fund	State Treasurer	Checking	607	466,115	0	466,115
PERA - Deferred Compensation - Administration Account	State Treasurer	Checking	755	360,907	0	360,907
Social Security Account	State Treasurer	Checking	608	455,995	0	455,995
Total				\$ 533,654,178	\$ 0	\$ 533,654,178

Schedule of Administrative and Investment Expenses

For the Year Ended June 30, 2001

<i>Investment Expenses</i>	
Investment Managers	16,322,433
Custodian Fees	1,026,707
Consultant Fees	210,913
Total Investment Fees	17,560,053
Securities Lending Expense	14,733,212
Total Investment Expenses	32,293,265
<i>Other Contractual Services</i>	
Medical Services	30,252
Actuarial Services	118,300
Investment System Maint/Pricing	84,256
Imaging System Maint & Consulting	152,838
Audit	69,000
Legal Fees	81,441
Misc. Contractual Services	60,421
Pension System Requirements	35,287
Prior year accruals reversed	(279,346)
Total Other Contractual Services	352,449
<i>Other Administrative Services</i>	
Personal services	1,959,873
Other operating costs	631,302
Employee benefits	640,353
Maintenance and repairs	39,320
Supplies	66,364
Travel in-state	21,630
Travel out-of-state	29,553
Other costs	3,175
Other financial uses	1,080
Depreciation	262,892
Total Other Administrative Expenses	3,655,542
Total Administrative Expenses	4,007,991
<i>Total Investment & Administrative Expenses</i>	36,301,256

Investment Section



Judge Art Encinias
Member, Judicial Plan



PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT BOARD

P.O. Box 2123
Santa Fe, New Mexico 87504-2123
(505) 827-4700

LOU HOFFMAN, Chair
Municipal Member

TERRY SLATTERY, CEBS
Executive Director

October 13, 2001

Members of the New Mexico Public Employees Retirement System:

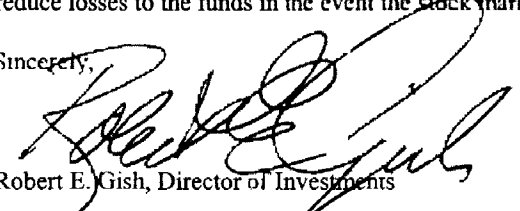
The U.S. and non-U.S. stock markets were not kind to investors last year. Quarterly returns of 0.77% in the September quarter, -1.34% in the December quarter, -4.63% in the March quarter and a positive 3.51% in the June quarter combined to produced total Funds' returns of -1.85% for the fiscal year ending June 30, 2001. Nevertheless, PERA fared better than most public pension funds. As a result of declines in U.S. stocks, where 39% of PERA's assets were invested, and stock indexes such as the S&P 500 that declined 14.83%, PERA endured a loss of 1.85% (\$160 million of \$8.244 billion) for the fiscal year. Compared to the high stock market returns of recent years, even fiscal year 2000 when total Funds' returns were 11.41%, economic conditions that began to slow early in the fall of 2000 finally impacted all stock portfolios. Even so, due in part to over-weightings in value versus growth stocks in combination with an \$800 million reduction in PERA's allocation to the S&P 500 Index and the Russell 1000 Growth Index accounts, PERA outperformed the median fund by 2.21% (median fund returns were -4.06%) and its own investment target by 4.25% (the target return was -6.1%). PERA temporarily invested the \$800 million in short-term investments that earned a positive 6.01%. For the fiscal year, PERA's U.S stocks were down 6.22% compared to -13.93% for the Russell 3000 Index, a broader measure.

PERA's losses, though significant, were \$182 million less than those incurred by the median public pension plan and \$350 million less than they would have been had PERA's returns only performed at the targeted level. PERA's non-U.S. stock investments also had a negative-return year, -24.88% compared to the EAFE Index target of -23.83%. Fortunately, PERA only had about 16% of its assets allocated to this negative-performing asset class. On the positive side, fixed-income (bond) returns were 11.61% for PERA, where, on average, 39% of PERA's assets were also allocated, compares to 11.22% for the Lehman Aggregate Index.

Investment returns of -1.85% for the year placed PERA in the upper 25th percentile compared to other large pension funds included in the database of Callan Associates, Inc., PERA's investment consultant. This performance, combined with PERA's performance in the previous three-year periods, placed PERA in the upper 21st percentile for two years, upper 8th percentile for three years, upper 7th percentile for five years, upper 6th percentile for seven years and upper 13th percentile for ten years. Achieving these overall rankings was a milestone for PERA. From a historical perspective, during the fiscal year ending June 30, 2000, U.S. stocks as measured by the major U.S. stock indexes declined to single-digit numbers for the first time since June 30, 1994, when the S&P 500 Index returned a meager, but positive, 7.24%, compared to 19.67% and 23.8% for the previous three and five-year periods.

The long-term success of the Fund will be determined by asset allocations, which are regularly reviewed and approved by the Board. Current allocations among asset classes are based on a study conducted by Callan that was completed in the fall of 1999. Accordingly, the Funds should have a high probability of meeting their long-term obligations to members and retirees. PERA's current allocations are somewhat more conservative than most funds in part as a defensive strategy to reduce losses to the funds in the event the stock market declines continue.

Sincerely,



Robert E. Gish, Director of Investments

Investment Plan Summary

General Objective

PERA's overall objective is to provide adequate retirement and death benefits to its beneficiaries through the investment of contributions and other PERA assets, in a manner designed to maintain adequate funding of the liabilities over time. The general investment objective is to obtain a reasonable long-term total return consistent with the degree of risk assumed.

The Board, in investing PERA assets according to the Investment Plan, acts with the care, skill, prudence and diligence of the "prudent man" stipulation. Further, all transactions undertaken on behalf of PERA are for the sole benefit of the beneficiaries.

Investment Consultant

The Board utilizes the services of an investment management consultant for the purpose of performance review, asset allocation studies, manager screening and selection, and topical studies. The comments and recommendations of the consultant are considered by the Board in conjunction with other available information for the purpose of making informed and prudent decisions.

Professional Investment Managers

Professional investment managers are retained by PERA to assist in managing PERA's assets. Investments are sufficiently diversified to minimize the risk of large losses. Each investment manager must be a registered adviser under the Investment Advisers Act of 1940 (or appropriately exempt from registration) and functions under a formal contract that delineates the manager's responsibilities and appropriate performance expectations. A formal set of investment guidelines and administrative requirements for management of each portfolio is to be provided to each manager. Normally, the Board reviews the investment performance of these managers against their stated objectives at least quarterly. As part of the review of performance, the Board meets with managers no less than annually. The individual managers are judged according to benchmarks that reflect the objectives and characteristics of the strategic role their portfolio is to fulfill. Investment managers must act in accordance with PERA's Investment Plan and applicable State and federal statutes.

PERA's external managers are delegated responsibility for purchases and sales, investment selection and implementation of investment strategies, subject to compliance with PERA's Investment Plan and applicable State and federal statutes. Each manager operates under a set of guidelines specific to the strategic role its portfolio is to fulfill in the overall investment structure.

Prohibitions

The following transactions are prohibited: purchase of non-negotiable securities, short sales, transactions on margin, straddles, options and futures (except currency futures options and forward contracts are authorized pursuant to Section 10-11-132(F), NMSA 1978, for purposes of hedging foreign currency exposure only and not for speculation or leverage.) Letter stock transactions are also prohibited, except that international securities qualified under SEC Rule 144A for institutional investors are authorized as long as they comply with the requirements of Section 10-11-132(F), NMSA 1978.

Transactions that involve a broker acting as a "principal" where the broker is also the investment manager who is making the transaction are prohibited.

Investments will not be made to the detriment of long term investment results regardless of the apparent rationale for social good or the immediate needs of the local, state or national economy.

No investment or action relating to an investment may be taken unless permitted by the Plan or by action of the Board.

Asset Allocations

Asset allocation is the single largest contributor to the Retirement Plan's return and risk. Based on the factors identified in the Investment Plan, the Board has established strategic asset allocation targets and ranges for domestic equities, international equities, fixed income instruments and cash or cash equivalents on a market value basis. Ranges for each asset class are included in the Asset Allocation Plan to provide the Board with the flexibility to take advantage of market opportunities.

The strategic Asset Allocation Plan as described below was adopted by the Board on January 27, 2000 in accordance with the requirements of IIB (3) of the Investment Plan.

Asset Allocation Plan Effective July 1, 2000:			
<i>Asset Classes</i>	<i>Target</i>	<i>Minimum</i>	<i>Maximum</i>
Domestic Equities	42%	37%	47%
Large Cap Mandate	33%	28%	38%
Small Cap Mandate	9%	4%	14%
International Equities	18%	13%	23%
Fixed Income	40%	35%	45%
Core-Plus Mandate*	16%	11%	21%
Passive Gov/Corp. Mandate	12%	7%	17%
Mortgage-Backed Mandate	12%	7%	17%
Cash Equivalents	0%	0%	5%
TOTAL	100%		

(* Including non-dollar bonds, no high yield)

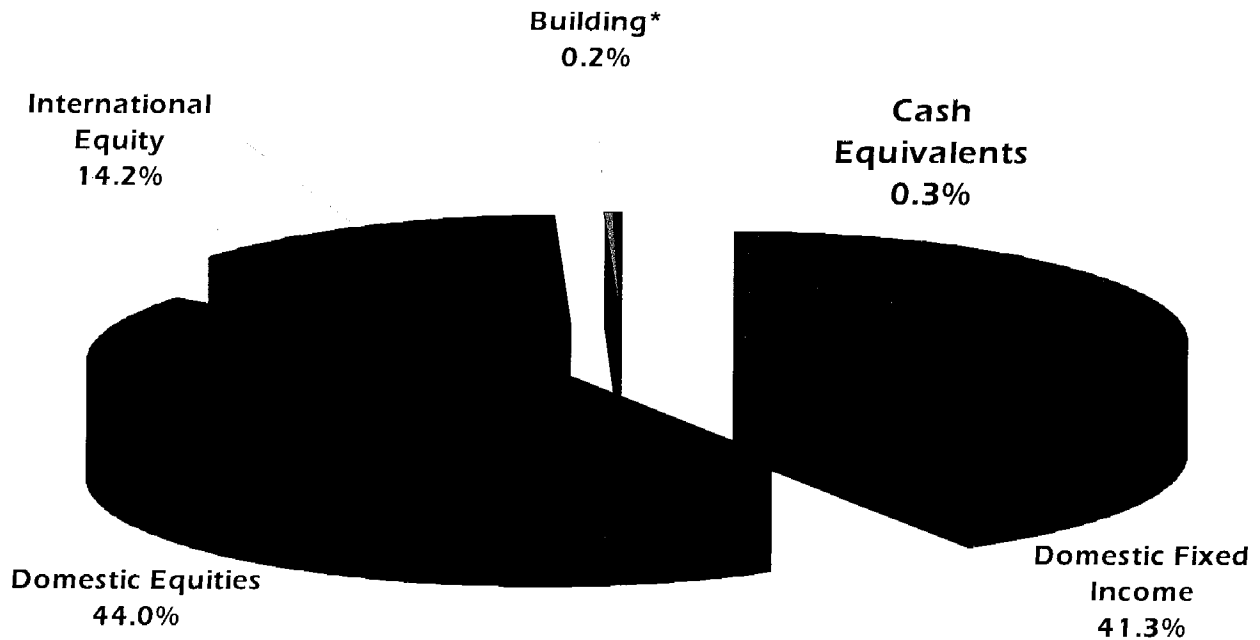
The allocation of assets among various asset classes is approved by the Board and is predicated on factors such as: (1) the historical performance of capital markets adjusted for the perception of the future short- and long-term market performance, (2) the correlation of returns among the relevant asset classes, (3) the projected liability stream of benefits and the costs of funding to both covered employees and employers and (4) the relationship between the current and projected assets and the projected actuarial liability stream.

The Plan assigns the target allocation to the classes of assets PERA can utilize and the ranges within which each can fluctuate as a percent of the total portfolio. This is expected to provide diversification of assets in an effort to maximize the investment return to PERA consistent with prudent market and economic risk. PERA assets are fully invested at all times in either cash equivalents or other asset classes as designated by the Plan.

Asset Allocations

	2001	2000	1999	1998	1997	1996
Domestic Fixed Income	41.27%	35.58%	35.81%	37.39%	40.60%	45.00%
Domestic Equities	43.95%	37.18%	48.60%	52.65%	49.70%	48.00%
International Equity	14.24%	17.86%	12.52%	8.86%	9.70%	7.00%
Building*	0.19%	0.18%	0.16%	0.18%	0.00%	0.00%
Cash Equivalents	0.35%	9.20%	2.91%	0.92%	0.00%	0.00%
Total Portfolio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

*Although PERA does not invest in real estate, the agency owns a building in Santa Fe which houses PERA offices as well as offices leased by other state agencies.



Comparative Investment Results

Fiscal Year Ended June 30, 2001

Investment Category Benchmark	1-year 2001	3-year 1999-2001	5-year 1997-2001
Total Portfolio	-1.85%	7.88%	12.27%
Total Fund Benchmark*	-6.10%	5.34%	10.47%
Domestic Equity	-6.22%	8.35%	15.69%
Russell 3000	-13.93%	4.24%	13.77%
International Equity	-24.88%	7.75%	12.04%
EAFE	-25.96%	-1.34%	2.83%
Domestic Fixed-Income	11.61%	6.28%	7.79%
Lehman Aggregate	11.22%	6.25%	7.48%
Cash Equivalents	6.08%	5.50%	5.43%
Average 90-day T-Bill	5.25%	5.05%	5.10%

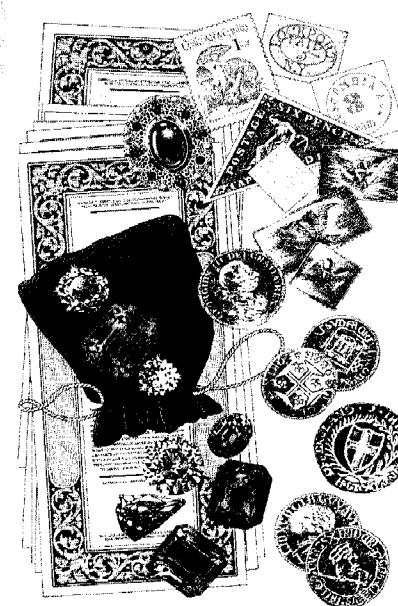
FOOTNOTE: Calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards.

*Total Fund Benchmark - 42% Russell 3000, 18% EAFE, 40% Lehman Aggregate

Investment Summary at Fair Value

June 30, 2001

Type of Investment	Fair Value	% of Total Fair Value
Domestic Equity:		
Large Cap	\$ 2,691,340,289	33.25%
Small/Mid Cap	866,630,818	10.71%
Total Domestic Equity	3,557,971,107	43.95%
Domestic Fixed Income	3,340,641,315	41.27%
International Equity	1,152,404,538	14.24%
Cash Equivalents	9,956,972	0.12%
Total Before Other Investments	8,060,973,932	99.58%
Building	15,000,000	0.19%
Cash in State Treasury	18,842,508	0.23%
Total Investments	\$ 8,094,816,440 *	100.00%



*This total includes cash and equivalents, accrued investment income, broker receivables and payables, securities lending liabilities, and cash timing differences between financial statements and investment reports.

List of Largest Assets Held

June 30, 2001

Ten Largest Stock Holdings		
	Shares	Fair Value
General Electric Co.	2,621,200	\$ 127,783,500
Microsoft Corp.	1,420,200	103,674,600
Pfizer Inc.	1,601,450	64,138,073
AOL Time Warner	1,163,136	61,646,208
Intel Corp.	1,717,460	50,235,705
Exxon Mobil Corp.	549,731	48,019,003
Johnson & Johnson	858,152	42,907,600
Wal Mart Stores Inc.	851,700	41,562,960
American Intl. Group Inc.	485,952	41,310,780
International Business Machine Corp.	361,322	40,829,386

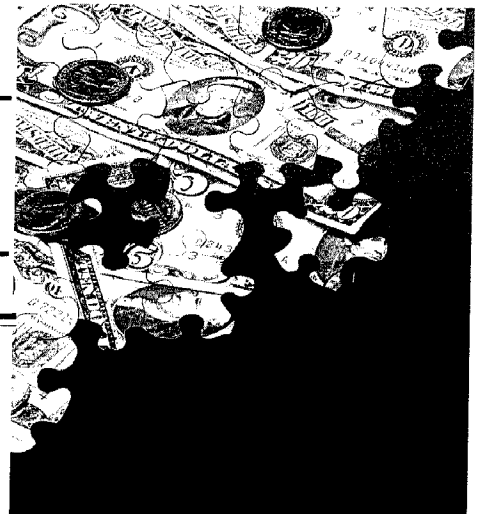
Ten Largest Bond Holdings		
	Par Value	Fair Value
Federal Home Loan Mortgage Corp., 6.5% TBA, DUE 8/1/2030	\$ 93,350,000.000	\$ 91,920,531.45
U. S. Treasury Notes, 6.25%, Due 5/15/2030	65,155,000.000	68,881,214.45
U. S. Treasury Notes, 5.25%, Due 5/15/2004	54,360,000.000	55,294,448.40
Federal Natl. Mtg Assn, Pool #572172, 7.5%, Due 1/1/2031	44,620,846.340	45,527,095.73
U. S. Treasury Notes, 7.0 %, Due 7/15/2006	36,446,000.000	39,526,780.38
U. S. Treasury Notes, 4.625%, Due 5/15/2006	37,790,000.000	37,264,341.10
Federal Natl. Mtg Assn, 5.5% TBA, Due 1/1/2014	37,000,000.000	35,728,125.00
Federal Natl. Mtg Assn, 5.125% NOTES, Due 2/13/2004	33,245,000.000	33,400,919.05
Federal Natl. Mtg Assn, 6.5% TBA, Due 1/1/2029	32,000,000.000	31,489,984.00
Federal Home Loan Mortgage Corp., 6.0% TBA, Due 8/16/2016	31,600,000.000	31,155,609.20

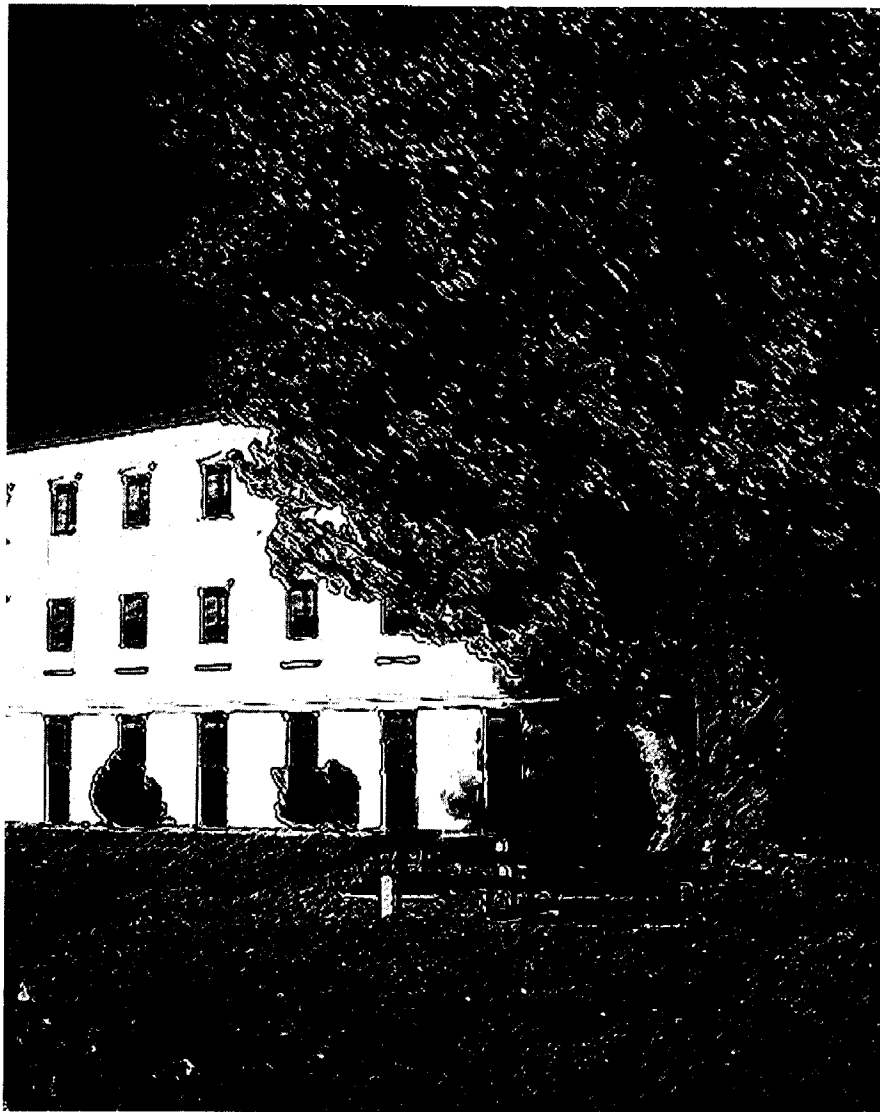
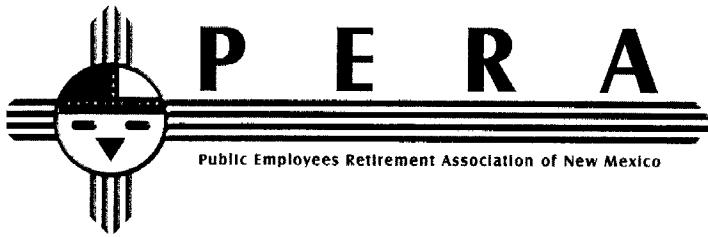
Schedule of Investment Fees and Commissions

Fiscal Year Ended June 30,2001

	Investment Fees	Commissions
Domestic Fixed Income	\$ 2,398,909	\$ 5,423,760 *
Domestic Equities	7,419,072	2,471,793
International Equity	6,504,452	1,439,316
Total	16,322,433	9,334,869
Custodian Fees	1,026,707	N/A
Consultant Fees	210,912	N/A
TOTAL	\$ 17,560,052	\$ 9,334,869

*Estimated





The south side of the PERA building.

Actuarial Section





GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

November 16, 2001

Board of Trustees
PERA New Mexico
1120 Paseo De Peralta
Santa Fe, New Mexico 87504-2123

Attention: Mr. Terry Slattery, Executive Director

Re: Actuarial Valuation as of June 30, 2001

Dear Board Members:

The basic financial objective of the Public Employees Retirement Association of New Mexico (PERA) is to establish and receive contributions which when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of New Mexico, and which when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of PERA.

In order to measure progress toward this fundamental objective, PERA has an actuarial valuation performed each year. The valuations (i) measure present financial position, and (ii) determines if the Statutory contribution rates are sufficient to meet the Board's established funding objective of providing for the current cost and level percent of payroll amortization of unfunded actuarial accrued liability over a period not to exceed 30 years. The latest valuation, performed as of June 30, 2001, indicates that the Statutory contribution rates for benefits then in effect, meet the basic financial objective. The statutory employer and employee contribution rates are:

State General Division	24.01%
State Police Division	31.51
Municipal General Division	20.11
Municipal Police Division	33.20
Municipal Fire Division	37.28

The actuarial valuation of the basic benefits is based upon financial and participant data which is prepared by Retirement System staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among PERA members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and

The Board of Trustees
Page 2

November 16, 2001

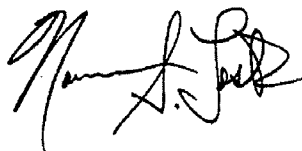
tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees pursuant to an experience study for the four-year period ending June 30, 2001. Assets are valued according to a method that fully recognizes expected investment return and averages unanticipated market return over a four-year period. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Plan Summary. There have been no changes made since the last valuation.

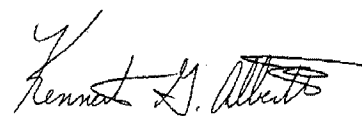
We provided some of the information used in the schedules of Active Member Valuation Data, Retirants and Beneficiaries, Analysis of Financial Experience, and the Solvency Test for basic benefits that are found in the Actuarial Section, and the Schedule of Funding Progress and Schedule of Required Contributions in the Financial Section.

Based upon the results of the valuation of the basic benefits, it is our opinion that the Public Employees Retirement Association of New Mexico continues to be in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,



Norman S. Losk, F.S.A.
Senior Consultant



Kenneth G. Alberts
Actuarial Consultant

NSL/cml

Summary of Assumptions and Methods

June 30, 2001

The method used for the PERA valuation is called the individual entry-age actuarial cost method, and it has the following characteristics:

- ◆ The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement
- ◆ 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 (UAAL). 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.

Assumptions used by the professional actuaries in valuing PERA's actuarial position were adopted by the PERA Board based on recommendations from the actuary on September 27, 2001. Plan assets are valued at market value for purposes of actuarial valuation. The 2000 Group Annuity Mortality Table (1971 GAM projected) is set back 2 years for healthy men and 7 years for healthy women. A special table reflects disabled persons' mortality.

In addition, the following assumptions were used in calculating the actuarial liability:

- ◆ Active member payroll in the PERA fund was projected to increase 4% per year due to inflation and .5% per year due to other factors such as productivity. Other projected salary increases of up to 10% per year are attributed to seniority and merit.
- ◆ Benefit payments are increased by cost-of-living adjustments of 3% per year for those retirees who have been retired for two full-calendar years.
- ◆ Rate of return on the investment of present and future assets of 8% per year compounded annually, is made up of a 4.5% assumed inflation rate and a 3.5% assumed real rate of return.
- ◆ Other assumptions in the following tables and schedules (see following pages):
 - Rates of Retirement
 - Rate of Separation of Active Membership
 - Rates of Disability
 - Member and Employer Contribution Rates

Rate of Retirement

Percents Retiring at Indicated Ages (by Coverage Plan)

Retirement Age	State General		State Police	Haz. Duty	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%	50%
66	30%	35%		50%	25%	25%		100%
67	30%	50%		100%	20%	15%		
68	30%	20%			15%	20%		
69	35%	35%			20%	20%		
70	20%	30%			10%	25%		
71-72	20%	30%			15%	25%		
73	20%	20%			50%	50%		
74	20%	20%			100%	100%		
75	100%	100%						

Percents Retiring at Indicated Service (by Coverage Plan)

Retirement Service	State General		State Police	Haz. Duty	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
20-21			10%				10%	10%
22-24			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%						

Rates of Disability

Percent Becoming Disabled at Indicated Ages

Sample Ages	State General and Municipal General		State Police/Hazard Duty Municipal Fire/Police	
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%	

Rate of Separation From Active Membership

Percent of Active Members Terminating During Year Ending June 30, 2001

Sample Ages	Yrs. of Service	State General		State Police	Haz. Duty		Municipal General		Munic. Police		Munic. 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		5.0%	4.5%		10.0%	5.0%	5.5%				
	6			4.5%		10.0%						
	7					10.0%						
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		1.7%	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%

Member and Employer Contribution Rates

June 30, 2001

Div/Plan	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
Year	Member	Emp.	Member	Emp.	Member	Emp.	Member	Emp.	Member	Emp.
State General										
1996	N/A	N/A	N/A	N/A						
1997	N/A	N/A	N/A	N/A	7.42%	16.59%				
1998	N/A	N/A	N/A	N/A	7.42%	16.59%				
1999	N/A	N/A	N/A	N/A	7.42%	16.59%				
2000	N/A	N/A	N/A	N/A	7.42%	16.59%				
2001	N/A	N/A	N/A	N/A	7.42%	16.59%				
State Police										
1996	7.60%	25.10%								
1997	7.60%	25.10%								
1998	7.60%	25.10%								
1999	7.60%	25.10%								
2000	7.60%	25.10%								
2001	7.60%	25.10%								
Hazardous Duty										
1996	N/A	N/A	4.78%	25.72%						
1997	N/A	N/A	4.78%	25.72%						
1998	N/A	N/A	4.78%	25.72%						
1999	N/A	N/A	4.78%	25.72%						
2000	N/A	N/A	4.78%	25.72%						
2001	N/A	N/A	4.78%	25.72%						
Municipal General										
1996	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
1997	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	5.65%	11.65%		
1998	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
1999	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
2000	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
2001	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
Municipal Police										
1996	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
1997	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
1998	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
1999	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
2000	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
2001	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
Municipal Fire										
1996	7.00%	10.00%	7.00%	16.50%	7.00%	20.25%	11.80%	20.25%	15.20%	20.25%
1997	7.00%	10.00%	7.00%	16.50%	7.00%	20.25%	11.80%	20.25%	15.20%	20.25%
1998	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
1999	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
2000	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
2001	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
Judicial										
1996	5.00%	9.00%	*							
1997	5.00%	9.00%	*							
1998	5.00%	9.00%	*							
1999	5.00%	9.00%	*							
2000	5.00%	9.00%	*							
2001	5.00%	9.00%	*							
Magistrate										
1996	5.00%	9.00%	*							
1997	5.00%	9.00%	*							
1998	5.00%	9.00%	*							
1999	5.00%	9.00%	*							
2000	5.00%	9.00%	*							
2001	5.00%	9.00%	*							

NOTE: Legislative member contribution for the Legislative Division is \$100.00 for every year of service.

*Employers are also required to remit a portion of docket fees.

Active Member Valuation Data

June 30, 2001

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
State General	1996	115	19,747	\$543,619,091	\$27,529	2.69%
	1997	115	19,008	\$530,379,924	\$27,903	1.36%
	1998	116	19,315	\$550,442,610	\$28,498	2.13%
	1999	116	19,879	\$581,855,790	\$29,270	2.71%
	2000	116	20,108	\$607,374,322	\$30,206	3.20%
	2001	116	20,513	\$642,701,705	\$31,331	3.73%
State Police/ Hazardous Duty	1996	3	1,731	\$44,321,543	\$25,605	2.52%
	1997	3	1,554	\$40,982,290	\$26,372	3.00%
	1998	3	1,444	\$39,352,589	\$27,252	3.34%
	1999	3	1,393	\$41,567,067	\$29,840	9.49%
	2000	3	1,294	\$39,215,882	\$30,306	1.56%
	2001	3	1,286	\$40,399,939	\$31,415	3.66%
Municipal General	1996	151	16,808	\$397,237,804	\$23,634	8.34%
	1997	152	17,193	\$415,916,190	\$24,191	2.36%
	1998	153	17,450	\$437,341,401	\$25,063	3.60%
	1999	156	17,601	\$454,028,899	\$25,796	2.93%
	2000	158	17,734	\$479,745,977	\$27,052	4.87%
	2001	160	18,065	\$506,026,384	\$28,011	3.55%
Municipal Police	1996	92	2,386	\$73,411,601	\$30,768	5.45%
	1997	93	2,350	\$75,331,831	\$32,056	4.19%
	1998	94	2,344	\$79,313,544	\$33,837	5.56%
	1999	95	2,334	\$80,903,851	\$34,663	2.44%
	2000	97	2,257	\$81,903,288	\$36,289	4.69%
	2001	98	2,245	\$83,409,907	\$37,154	2.38%
Municipal Fire	1996	34	1,213	\$40,045,629	\$33,014	4.01%
	1997	34	1,158	\$39,471,846	\$34,086	3.25%
	1998	34	1,139	\$40,540,874	\$35,593	4.42%
	1999	33	1,170	\$42,208,998	\$36,076	1.36%
	2000	35	1,189	\$45,065,551	\$37,902	5.06%
	2001	35	1,188	\$45,736,582	\$38,499	1.57%
Legislative	1996	1	77	N/A	N/A	N/A
	1997	1	111	N/A	N/A	N/A
	1998	1	112	N/A	N/A	N/A
	1999	1	112	N/A	N/A	N/A
	2000	1	112	N/A	N/A	N/A
	2001	1	112	N/A	N/A	N/A

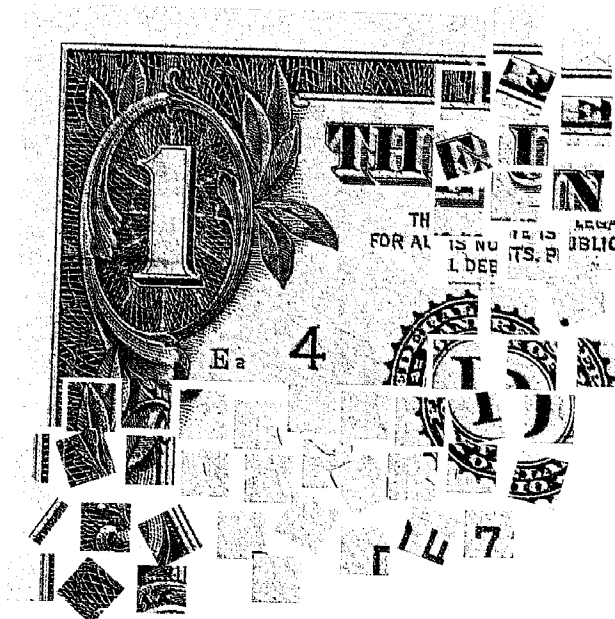
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Active Member Valuation Data continued

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
Judicial	1996	15	83	\$6,155,985	\$74,168	
	1997	15	86	\$6,536,617	\$76,007	2.00%
	1998	15	87	\$6,644,159	\$76,370	2.48%
	1999	15	89	\$6,734,533	\$75,669	0.48%
	2000	15	86	\$6,754,084	\$78,536	-0.92%
	2001	15	86	\$7,059,793	\$82,091	3.79%
Magistrate	1996	18	62	\$3,361,667	\$54,220	
	1997	18	58	\$3,178,106	\$54,795	-2.43%
	1998	18	57	\$3,136,017	\$55,018	1.06%
	1999	18	59	\$3,263,642	\$55,316	0.41%
	2000	18	60	\$3,485,366	\$58,089	0.54%
	2001	18	61	\$3,650,670	\$59,847	5.01%
Volunteer Firefighter	1996	346	8,495	N/A	N/A	
	1997	347	9,590	N/A	N/A	N/A
	1998	347	10,402	N/A	N/A	N/A
	1999	350	11,304	N/A	N/A	N/A
	2000	352	12,135	N/A	N/A	N/A
	2001	367	5,170**	N/A	N/A	N/A

*Actual payroll is projected to a full-year salary for actuarial calculations

**Number of active volunteer firefighters was significantly reduced due to new criteria used by actuary. Only those firefighters with service credit earned in the last ten years are considered active members of the plan.



Schedule of Retirees and Beneficiaries

June 30, 2001

Div/Plan Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
State General						
1996	306	226	7,093	\$80,389,181	4.34%	\$11,334
1997*	1,084	215	7,962	\$102,453,160	27.45%	\$12,868
1998	747	294	8,415	\$115,649,920	12.88%	\$13,743
1999	681	198	8,898	\$129,510,162	11.98%	\$14,555
2000	868	486	9,280	\$142,714,724	10.20%	\$15,379
2001	664	253	9,691	\$157,439,620	10.32%	\$16,246
State Police/ Hazardous Duty						
1996	25	10	428	\$8,008,269	8.23%	\$18,711
1997	41	8	461	\$8,974,457	12.06%	\$19,467
1998	45	5	501	\$10,200,302	13.66%	\$20,360
1999	19	8	512	\$10,767,064	5.56%	\$21,029
2000	44	-	556	\$1,952,426	11.01%	\$21,497
2001	36	16	576	\$2,834,396	7.38%	\$22,282
Municipal General						
1996	328	125	4,318	\$47,194,721	10.06%	\$10,930
1997	348	128	4,538	\$52,604,652	11.46%	\$11,592
1998	375	148	4,765	\$58,911,188	11.99%	\$12,363
1999	439	148	5,056	\$67,032,879	13.79%	\$13,258
2000	520	249	5,327	\$74,697,748	11.43%	\$14,022
2001	438	150	5,615	\$82,241,093	10.10%	\$14,647
Municipal Police						
1996	55	15	897	\$19,278,361	9.01%	\$21,492
1997	57	6	948	\$21,097,069	9.43%	\$22,254
1998	60	11	997	\$23,103,478	9.51%	\$23,173
1999	95	12	1,080	\$26,002,015	12.55%	\$24,076
2000	118	42	1,156	\$28,866,576	11.02%	\$24,971
2001	122	17	1,261	\$32,652,121	13.11%	\$25,894
Municipal Fire						
1996	42	8	664	\$14,476,114	10.13%	\$21,801
1997	71	13	722	\$16,565,092	14.43%	\$22,943
1998	52	12	762	\$18,263,130	10.25%	\$23,967
1999	69	7	824	\$20,602,515	12.81%	\$25,003
2000	82	44	862	\$22,264,126	8.07%	\$25,828
2001	42	10	894	\$23,923,231	7.45%	\$26,760

continued on next page

Schedule of Retirees and Beneficiaries

Div/Plan Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
Legislative						
1996	12	6	36	\$102,524	48.59%	\$2,848
1997	35	1	70	\$198,613	93.72%	\$2,837
1998	5	1	74	\$211,646	6.56%	\$2,860
1999	9	1	82	\$240,012	13.40%	\$2,927
2000	4	2	84	\$254,384	5.99%	\$3,028
2001	6	1	89	\$277,024	8.90%	\$3,113
Judicial						
1996	7	4	64	\$2,291,854	9.22%	\$35,810
1997	10	1	73	\$2,746,299	19.83%	\$37,621
1998	3	2	74	\$2,891,539	5.29%	\$39,075
1999	5	5	74	\$3,053,711	5.61%	\$41,266
2000	6	2	78	\$3,427,474	12.24%	\$43,942
2001	2	2	78	\$3,558,140	3.81%	\$45,617
Magistrate						
1996	-	1	22	\$550,642	-3.72%	\$25,029
1997	4	-	26	\$704,576	27.96%	\$27,099
1998	1	-	27	\$759,609	7.81%	\$28,134
1999	8	-	35	\$1,079,080	42.06%	\$30,831
2000	-	-	35	\$1,113,919	3.23%	\$31,826
2001	1	-	36	\$1,149,365	3.18%	\$31,927
Volunteer Firefighter						
1996	39	-	82	\$98,400	90.70%	\$1,200
1997	29	-	111	\$132,800	34.96%	\$1,196
1998	19	-	130	\$155,600	17.17%	\$1,197
1999	27	-	157	\$188,000	20.82%	\$1,197
2000	27	-	184	\$220,000	17.02%	\$1,196
2001	16	-	200	\$235,192	6.91%	\$1,176

*State General Member Coverage Plan 3 went into effect on July 1, 1995. In order to retire with the increased benefits provided under Plan 3, a member was required to accrue 18 months of service credit under the new plan. Thus, a large number of members deferred retirement until December 31, 1996 to qualify for benefits under the new plan.

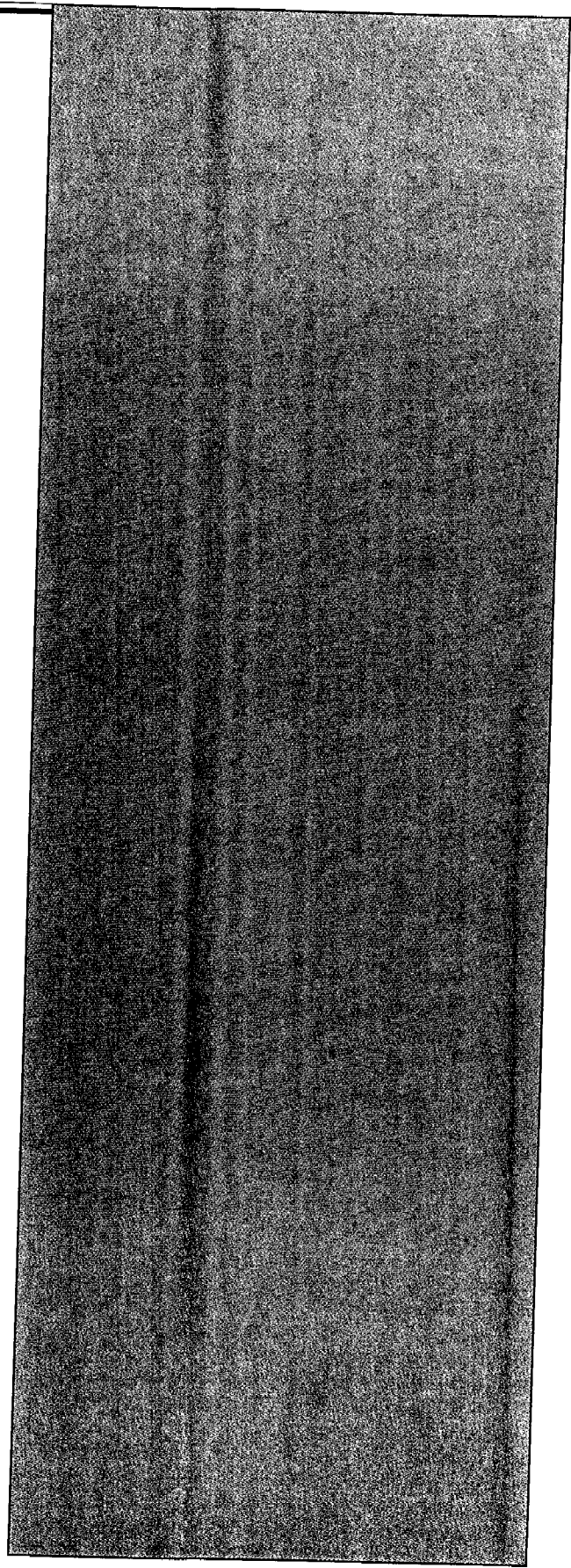
Solvency Test

DIVISION/PLAN	Date	Aggregate Accrued Liabilities			TOTAL (4)
		Active Members Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	
State General	6/30/1996	325,929,262	932,528,943	1,196,847,693	2,455,305,898
	6/30/1997	330,829,963	1,243,986,273	1,121,663,790	2,696,480,026
	6/30/1998	351,092,732	1,420,397,896	1,114,396,269	2,885,886,897
	6/30/1999	375,802,477	1,601,679,038	1,167,841,617	3,145,323,132
	6/30/2000	406,838,352	1,781,807,027	1,221,302,125	3,409,947,504
	6/30/2001	437,155,361	2,084,302,740	1,310,078,031	3,831,536,132
State Police/Hazardous Duty	6/30/1996	25,675,223	106,833,787	124,516,510	257,025,520
	6/30/1997	27,320,859	120,605,816	123,573,143	271,499,818
	6/30/1998	28,433,519	137,849,710	120,758,014	287,041,243
	6/30/1999	31,198,438	145,142,802	138,635,100	314,976,340
	6/30/2000	32,659,443	160,531,044	132,599,251	325,789,738
	6/30/2001	35,046,826	182,225,515	141,456,984	358,729,325
Municipal General	6/30/1996	312,183,197	587,633,100	543,860,211	1,443,676,508
	6/30/1997	352,189,813	605,927,725	582,532,796	1,540,650,334
	6/30/1998	392,610,907	746,574,363	610,464,727	1,749,649,997
	6/30/1999	429,559,335	852,279,589	632,361,833	1,914,200,757
	6/30/2000	470,696,205	950,795,636	681,289,470	2,102,781,311
	6/30/2001	517,836,633	1,100,388,240	681,341,446	2,299,566,319
Municipal Police	6/30/1996	96,928,138	280,030,916	168,371,095	545,330,149
	6/30/1997	109,223,360	307,621,174	178,968,675	595,813,209
	6/30/1998	122,277,680	264,576,888	196,265,405	583,119,973
	6/30/1999	132,949,956	377,728,892	201,403,829	712,082,677
	6/30/2000	145,031,446	418,751,588	208,145,591	771,928,625
	6/30/2001	154,355,667	497,975,415	191,335,956	843,667,038
Municipal Fire	6/30/1996	51,856,858	208,225,982	92,837,114	352,919,954
	6/30/1997	56,969,185	240,725,454	96,541,167	394,235,806
	6/30/1998	62,611,751	264,576,888	96,636,974	423,825,613
	6/30/1999	67,969,431	298,159,951	95,390,581	461,519,963
	6/30/2000	70,339,968	321,416,741	110,175,775	501,932,484
	6/30/2001	77,923,592	362,623,800	102,528,688	543,076,080
Legislative	6/30/1996	*	*	*	*
	6/30/1997	101,652	2,082,842	3,707,402	5,891,896
	6/30/1998	110,831	2,173,903	3,994,513	6,279,247
	6/30/1999	94,763	2,452,309	3,903,075	6,450,147
	6/30/2000	101,494	2,529,277	3,964,238	6,595,009
	6/30/2001	102,842	2,955,000	3,814,158	6,872,000
Judicial	6/30/1996	2,568,243	23,526,623	20,958,380	47,053,246
	6/30/1997	2,611,594	27,217,961	21,526,439	51,355,994
	6/30/1998	2,947,911	29,562,781	23,665,569	56,176,261
	6/30/1999	3,226,872	32,460,600	22,501,767	58,189,239
	6/30/2000	3,494,452	36,606,808	23,214,287	63,315,547
	6/30/2001	3,911,336	40,366,909	26,325,844	70,604,089
Magistrate	6/30/1996	625,430	6,272,724	9,640,737	16,538,891
	6/30/1997	784,657	7,924,060	9,726,658	18,435,375
	6/30/1998	952,207	8,513,562	10,922,512	20,388,281
	6/30/1999	972,568	12,209,396	8,462,927	21,644,891
	6/30/2000	1,177,625	12,776,549	9,783,610	23,737,784
	6/30/2001	1,397,474	13,659,061	11,628,745	26,685,280
Volunteer Firefighter	6/30/1996	N/A	1,059,648	11,677,812	12,737,460
	6/30/1997	N/A	1,418,295	12,487,419	13,905,714
	6/30/1998	N/A	1,647,540	13,249,505	14,897,045
	6/30/1999	N/A	1,981,904	14,178,844	16,160,748
	6/30/2000	N/A	2,300,937	15,002,213	17,303,150
	6/30/2001	N/A	2,679,840	13,126,952	15,806,792

*Information not available

Solvency Test

Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
	(1)	(2)	(3)	(4)
1,679,925,513	100%	100%	35%	68%
1,987,177,857	100%	100%	37%	74%
2,378,303,414	100%	100%	54%	82%
2,798,466,633	100%	100%	70%	89%
3,227,314,750	100%	100%	85%	95%
3,548,110,976	100%	100%	78%	93%
265,729,086	100%	100%	100%	103%
315,219,685	100%	100%	100%	116%
379,772,520	100%	100%	100%	132%
450,626,548	100%	100%	100%	143%
523,105,280	100%	100%	100%	161%
578,649,166	100%	100%	100%	161%
1,162,351,832	100%	100%	48%	81%
1,383,308,981	100%	100%	73%	90%
1,677,906,201	100%	100%	88%	96%
1,996,556,855	100%	100%	100%	104%
2,327,759,530	100%	100%	100%	111%
2,583,878,504	100%	100%	100%	112%
482,641,756	100%	100%	63%	89%
571,043,433	100%	100%	86%	96%
690,283,619	100%	100%	100%	118%
819,924,713	100%	100%	100%	115%
954,928,130	100%	100%	100%	124%
1,056,049,368	100%	100%	100%	125%
254,489,585	100%	97%	-6%	72%
303,562,488	100%	100%	6%	77%
361,209,770	100%	100%	35%	85%
427,720,478	100%	100%	65%	93%
489,240,300	100%	100%	88%	97%
536,131,819	100%	100%	93%	99%
*	N/A	N/A	N/A	N/A
3,155,858	100%	100%	26%	54%
3,465,809	100%	100%	30%	55%
4,191,524	100%	100%	42%	65%
4,932,308	100%	100%	58%	75%
5,390,000	100%	100%	61%	78%
32,052,720	100%	100%	28%	68%
36,598,077	100%	100%	31%	71%
41,974,146	100%	100%	40%	75%
47,776,452	100%	100%	54%	82%
54,726,003	100%	100%	63%	86%
59,522,634	100%	100%	58%	84%
14,067,911	100%	100%	74%	85%
16,677,602	100%	100%	82%	90%
19,988,167	100%	100%	96%	98%
23,368,704	100%	100%	100%	108%
27,097,375	100%	100%	100%	114%
30,258,095	100%	100%	100%	113%
9,572,712	N/A	N/A	73%	75%
12,894,310	N/A	N/A	92%	93%
16,247,858	N/A	N/A	100%	109%
20,246,292	N/A	N/A	100%	125%
24,641,415	N/A	N/A	100%	142%
27,991,582	N/A	N/A	100%	177%



Analysis of Financial Experience

PERA FUND

Experience Gain (or Loss) for Year (in Thousands)

	2001	2000	1999	1998	1997	1996
UAAL at Beginning of Year	\$(409,969)	\$ 57,807	\$512,964	\$998,366	\$1,209,119	\$1,281,790
Normal Cost for Year	247,027	235,860	237,771	215,829	213,785	189,018
Contributions (net of Refunds)	(306,535)	(282,813)	(270,179)	(255,576)	(259,460)	(263,342)
Interest Accrual	(35,486)	2,824	40,150	79,544	96,411	101,347
Expected UAAL before Non-Recurring Adjustment	(504,963)	13,678	520,706	1,038,163	1,259,855	1,308,813
Effect of Assumption Changes*	249,464	-	-	-	-	-
Effect of New Employers & Plan Coverage Shifts	-	-	-	6,138	6,964	1,960
Non-Recurring Audit Adjustment	-	(2,599)	(2,597)	(2,801)	(2,802)	
Expected UAAL after Audit Adjustment	(255,499)	11,079	518,109	1,041,500	1,264,017	1,310,773
Actual UAAL	(426,245)	(409,969)	57,807	512,964	998,366	1,209,120
Gain (Loss)	\$170,746	\$421,048	\$460,302	\$528,536	\$265,651	\$ 101,653

JUDICIAL FUND

Experience Gain (or Loss) for Year

	2001	2000	1999	1998	1997	1996
UAAL at Beginning of Year	\$8,589,544	\$10,412,787	\$14,202,115	\$14,757,917	\$14,689,280	\$13,040,941
Normal Cost for Year	2,231,077	2,226,740	2,072,313	2,037,464	1,910,818	1,836,439
Contributions (net of Refunds)	(2,518,036)	(2,475,549)	(2,388,822)	(2,388,822)	(2,595,477)	(2,185,172)
Interest Accrual	685,985	838,673	1,145,570	1,196,462	1,177,157	1,059,031
Expected UAAL before Non-Recurring Adjustment	8,988,570	11,002,651	15,031,176	15,603,021	15,181,778	13,751,239
Effect of New Employers & Plan Coverage Shifts	-	-	-	-	-	-
Effect of Assumption Changes*	4,278,629	-	-	-	-	-
Expected UAAL, after Audit Adjustment	13,267,199	11,002,651	15,031,176	15,603,021	15,181,778	13,751,239
Actual UAAL	11,081,455	8,589,544	10,412,787	14,202,115	14,757,917	14,689,280
Gain (Loss)	\$2,185,744	\$ 2,413,107	\$ 4,618,389	\$ 1,400,906	\$ 423,861	\$ (938,041)

*Based on Experience Study completed in 2001.

MAGISTRATE FUND

Experience Gain (or Loss) for Year

	2001	2000	1999	1998	1997	1996	1995
UAAL at Beginning of Year	\$(3,359,591)	\$(1,723,813)	\$ 400,114	\$1,757,773	\$2,470,980	\$2,917,814	\$ 2,587,795
Normal Cost for Year	1,039,336	967,734	922,616	954,067	1,010,516	1,062,502	950,654
Contributions (net of Refunds)	(1,477,130)	(1,120,748)	(1,235,793)	(1,235,793)	(1,252,639)	(1,383,397)	(1,349,868)
Interest Accrual	(286,279)	(144,026)	19,482	129,353	187,994	220,589	191,362
Expected UAAL before Non-Recurring Adjustment	(4,083,664)	(2,020,853)	106,419	1,605,400	2,416,851	2,817,508	2,379,943
Effect of New Employers & Plan Coverage Shifts	-	-	-	-	-	-	-
Effect of Assumption Changes*	1,350,572	-	-	-	-	-	-
Expected UAAL after Audit Adjustment	(2,733,092)	(2,020,853)	106,419	1,605,400	2,416,851	2,817,508	2,379,943
Actual UAAL	(3,572,815)	(3,359,591)	(1,723,813)	400,114	1,757,773	2,470,980	2,917,814
Gain (Loss)	\$ 839,723	\$ 1,338,738	\$1,830,232	\$1,205,286	\$ 659,078	\$ 346,528	\$ (537,871)

* Based on an Experience Study completed in 2001

Summary of PERA Plan Provisions*

Membership Eligibility – The Public Employees Retirement System of New Mexico includes employees of the State of New Mexico and employees of affiliated public employers. Employees excluded from PERA membership include: seasonal employees; student employees; part-time employees who work less than 20 hours per week; independent contractors; and retirees of the Educational, Judicial, or Magistrate Retirement Systems. PERA retirees who return to work with an affiliated employer and do not earn over \$15,000 per year may exempt themselves from membership. Elected officials become members unless they submit a written application for exemption from membership.

Vesting – Retirement benefits become vested upon the member's completion of five years of qualifying service with accumulated member contributions remaining on deposit with the Association.

Retirement Eligibility –	<u>Age</u>	<u>Years of Credited Service</u>
	Any	25 or more
	60+	20 or more
	61+	17 or more
	62+	14 or more
	63+	11 or more
	64+	8 or more
	65+	5 or more

The municipal police and fire coverage plans 3, 4 and 5 require any age with 20 or more years of credited service.

Service Benefit Formula – Final average salary (calculated with highest 36 consecutive months salary) multiplied by years of service multiplied by the applicable plan pension factor, up to the maximum allowable pension.

Cost-of-Living Adjustment – Pensions are increased each July 1 by 3% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two-calendar-year waiting period is reduced to one full calendar year.

Death Benefits – An active member's death benefits depend on whether or not the death occurred in the line of duty:

Death in the Line-Of-Duty – A survivor pension is paid to the eligible spouse and children if the member has not designated a different survivor beneficiary under the "designated survivor pension beneficiary" provision. A spouse is eligible to receive a pension if married to the member at the time of death. The pension payable for life to an eligible beneficiary is the greater of: 1) the amount as calculated under the applicable coverage plan as though the deceased member had retired the day preceding death under form of payment B using the actual amount of service credit attributable to the deceased member at the time of death; or 2) 50% of final average salary. Each eligible child is allowed an equal share of either: 1) 50% of final average salary if an eligible surviving spouse is not paid a pension; or 2) 25% of final average salary if an eligible surviving spouse is paid a pension.

Death NOT in the Line-Of-Duty – Requires five years of credited service for eligibility. A survivor pension is paid to the eligible spouse or children if the member has not designated a different survivor beneficiary under the "designated survivor pension beneficiary" provision. A spouse is eligible to receive a pension if married to the member at the time of death. The pension payable for life to an eligible beneficiary is the greater of: 1) the amount as calculated under the applicable coverage plan as though the deceased member had retired the day preceding death with the 100% joint survivor option based on the deceased member's actual service credit; or 2) 30% of final average salary. If there is no surviving eligible beneficiary or spouse, each eligible child is allowed an equal share of the greater of: 1) The amount as calculated under the applicable coverage plan as though the deceased member had retired the day preceding death with the 100% joint survivor option based on the deceased member's actual service credit; or 2) 30% of final average salary.

* IMPORTANT NOTICE: This summary is intended to provide basic background about PERA plan provisions. As a result, the information contained herein is of a general nature and may not apply to all situations. Additionally, future changes to the N.M. State statutes or PERA rules that govern these provisions may make some of the information obsolete. In all situations the provisions of the Public Employees Retirement, the Judicial Retirement, the Magistrate Retirement, and the Volunteer Firefighters Retirement Acts, along with the rules of the Association, control and override any statement or information contained in this summary. This summary is not a contract. It is not intended to and cannot be considered to create any contractual obligation on the part of PERA.

Refunds – A terminated member is eligible for a 100% refund of member contributions plus interest after being unemployed by an affiliated public employer for 30 days or more. There is a 30 to 45 day refund processing period after the completed application is received by PERA.

Purchase of Service Credit – A PERA member or current contributing member of ERA may purchase previously refunded service credit by paying a lump sum amount plus interest.

Contribution Rates – Applicable member contribution rates are dependent on the plan adopted by the affiliated public employer.

Interest – 5.25% on member contributions.

Summary of Judicial Plan Provisions

Membership Eligibility – The Judicial Retirement Plan of New Mexico includes all justices of the Supreme Court and judges of district courts and the Court of Appeals.

Retirement Eligibility – A judge or justice may retire at: 1) Age 64 with five or more years of service; or 2) Age 60 with 15 or more years of service.

Service Benefit Formula – Final average salary (calculated using the last 12 months of salary received in office prior to retirement) multiplied by a minimum of 37.5% up to a maximum of 75% depending on years of service.

Early Retirement Pension – Applicable to judges or justices between the ages of 50 and 60 with 18 or more years of service. The pension is 70% of final average salary (received during the last year in office prior to retirement) plus 0.5% of final average salary multiplied by the number of complete years the age at retirement exceeds age 50.

Cost of Living Adjustment – Pensions are increased each July 1 by 3% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two-calendar-year waiting period is reduced to one full calendar year.

Death Benefits – The surviving beneficiary of an active or retired member would receive 75% of the member's vested pension until death. The pension is payable to the deceased member's minor and dependent children if there is no eligible surviving spouse or designated survivor beneficiary.

Refunds – A terminated member is eligible for a 100% refund of member contributions plus interest. There is a 30 to 45 day refund processing period after the completed application is received by PERA.

Purchase of Service Credit – A PERA member or current contributing member of ERA may purchase previously refunded service credit by paying a lump sum amount plus interest.

Contribution Rates – The contribution rate for judges and justices is 5% of salary, and the employer contributes 9% of salary, plus \$38 from each civil case docket fee paid in the district court.

Interest – 5.25% on member contributions.

Summary of Magistrate Plan Provisions

Membership Eligibility – The Magistrate Retirement Plan of New Mexico includes all magistrates and metropolitan court judges.

Retirement Eligibility – A member may retire at: 1) Age 64 with five or more years of service; 2) Age 60 with 15 or more years of service; or 3) Any age with 24 or more years of service.

Service Benefit Formula – Final average salary (calculated by using the last 12 months of salary received in office prior to retirement) multiplied by a minimum of 37.5% up to a maximum of 75% depending on years of service.

Cost of Living Adjustment – Pensions are increased each July 1 by 3% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two-calendar-year waiting period is reduced to one full calendar year.

Death Benefits – The surviving beneficiary of an active or retired member would receive 75% of the member's vested pension until death. The pension is payable to the deceased member's minor and dependent children if there is no eligible surviving spouse or beneficiary.

Refunds – A terminated member is eligible for a 100% refund of member contributions plus interest. There is a 30 to 45 day refund processing period after the completed application is received by PERA.

Purchase of Service Credit – A PERA member or current contributing member of ERA may purchase previously refunded service credit if employed by an affiliated public employer at the time of purchase by paying a lump sum amount plus interest.

Contribution Rates – The contribution rate of members is 5% of salary, and the employer contributes 9% of salary, plus \$25 from each civil case docket fee and \$10 from each civil jury fee paid in the magistrate or metropolitan court.

Interest – 5.25% on member contributions.

Summary of Volunteer Firefighter Plan Provisions

Membership Eligibility – The Volunteer Firefighters Retirement Plan of New Mexico includes any active volunteer unsalaried firefighter whose first year of service credit was earned between the ages of 16 and 45. Volunteer firefighters who are retired under another retirement plan sponsored by the State (except State Police) are excluded from membership.

Service Credit – A year of service credit may be granted upon required certification for each year the member: 1) Attended 75% of all scheduled fire drills; 2) Attended 75% of all scheduled business meetings; and 3) Participated in at least 50% of all emergency response calls which the fire department held him or her responsible to attend.

Service Benefit Formula – The full retirement annuity is \$200 per month. The reduced retirement annuity is \$100 per month.

Cost of Living Adjustment – Retired volunteer firefighters are not eligible for a COLA.

Retirement Eligibility – A member may retire with a full retirement annuity at age 55 with 25 or more years of service credit or with a reduced retirement annuity at age 55 with at least 10 but less than 25 years of service credit.

Death Benefits – The surviving spouse of a deceased annuitant receives a pension equal to two-thirds of the retirement annuity being paid at the time of death. The annuity ceases upon the surviving spouse's marriage or death.

Contributions – Funding from the State's Fire Protection Fund is transferred annually to the Volunteer Firefighter Retirement Fund. The amount transferred in FY 2001 was \$1,000,000.

Summary of Legislative Plan Provisions

Membership Eligibility – The Legislative Retirement Plan of New Mexico includes any state legislators and lieutenant governors.

Retirement Eligibility –	<u>Age</u>	<u>Years of Credited Service</u>
	Any	14 or more
	60+	12 or more
	63+	11 or more
	64+	8 or more
	65+	5 or more

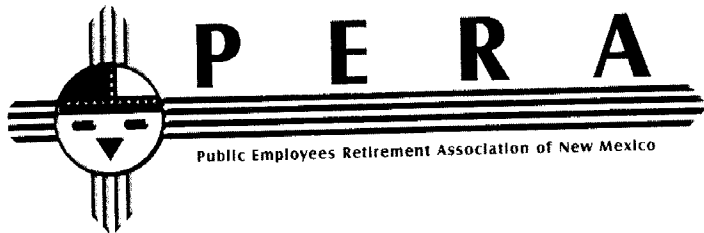
Service Benefit Formula – The annual pension is \$250 multiplied by the years of credited service.

Cost of Living Adjustment – Pensions are increased each July 1 by 3% if the retirement has been in effect for at least two full calendar years. If retired because of disability or if at least age 65, the two-calendar-year waiting period is reduced to one full calendar year.

Death Benefits – There is no annuity for the surviving spouse, children, or beneficiary.

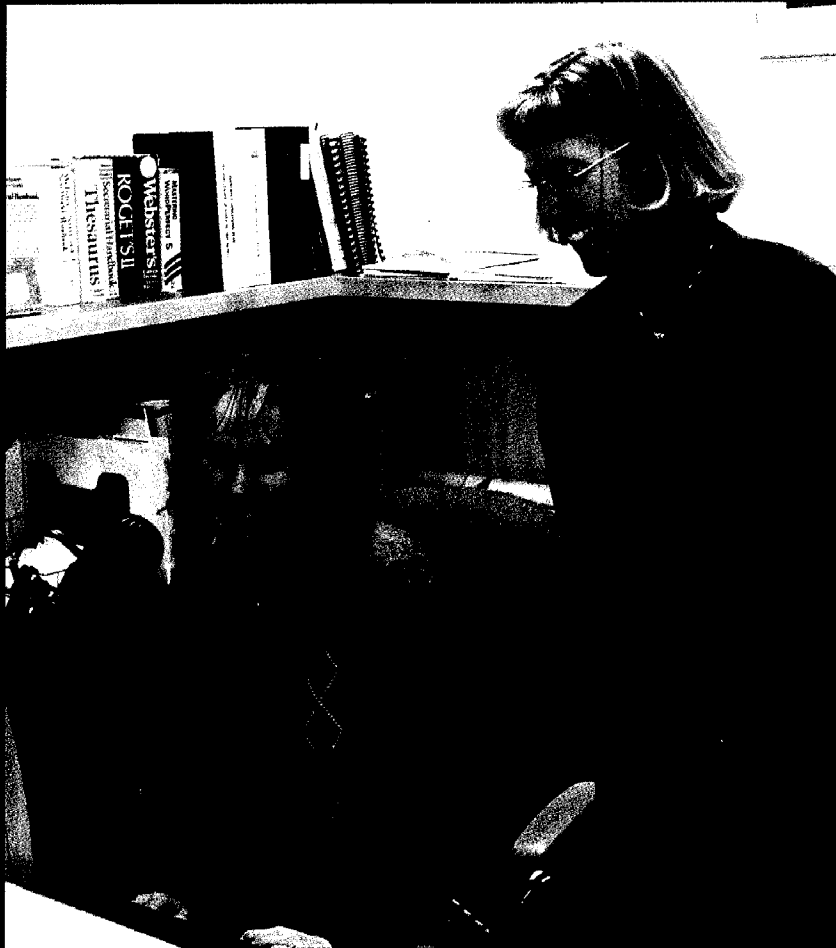
Contributions – Members contribute \$100 for each year of credited service. An additional annual appropriation to the Legislative Retirement Fund is determined by the actuarial valuation.

Interest – 5.25% on member contributions.



Looking west from the south side of the PERA building.

Statistical Section



Laura Vigil and Jacqueline Lucero

Members, Municipal Plan 3

Schedule of Revenues by Source

Year Ended June 30, 2001

Div/Plan	Member	Employer Contrib.	Docket Fees/ Approp	Employer Contrib. as a percent of Covered Payroll	Net Investment Income	Other Income	Total Additions
Year	Contrib.	Contrib.					
PERA							
1996	\$106,844,256	\$158,085,666	-	14.48%	\$742,081,914	\$1,904,100	\$1,008,915,936
1997	118,514,247	162,495,955	-	14.57%	871,875,359	2,029,972	1,154,915,533
1998	115,442,526	165,248,660	-	14.63%	993,791,111	1,773,069	1,276,255,366
1999	121,824,801	174,324,519	-	14.57%	929,248,330	2,069,678	1,227,467,328
2000	127,982,964	182,000,473	-	14.50%	834,762,076	2,599,213	1,147,344,726
2001	137,596,562	196,544,110	-	15.01%	(166,424,503)	1,052,352	168,768,521
Judicial							
1996	\$ 306,658	\$ 541,605	\$1,377,554	9.12%	\$4,369,421	\$ -	\$6,595,238
1997	309,851	557,742	1,727,884*	9.04%	6,827,177	242,922	9,665,576
1998	345,866	612,815	1,430,142	9.31%	8,423,063	18,482	10,830,368
1999	323,107	582,103	1,464,123	8.84%	6,865,968	-	9,235,301
2000	365,059	617,537	1,502,163	9.07%	6,099,713	-	8,584,472
2001	359,386	646,499	1,512,564	9.09%	(1,206,889)	-	1,311,560
Magistrate							
1996	\$ 164,331	\$ 296,578	\$922,487	8.78%	\$2,026,393	\$ -	\$3,409,790
1997	166,568	299,831	786,240	9.03%	3,323,900	-	4,576,539
1998	164,205	295,577	776,012	9.03%	4,067,633	-	5,303,427
1999	160,971	288,541	789,156	9.03%	3,255,547	-	4,494,215
2000	181,283	315,523	623,942	9.08%	2,877,319	2,848	4,000,915
2001	194,790	323,354	958,987	9.00%	(532,396)	-	944,735
Volunteer Firefighter							
1996	\$ -	\$ -	\$ 500,000	N/A	\$1,719,794	\$ -	\$2,219,794
1997	-	-	750,000	N/A	2,792,829	-	3,542,829
1998	-	-	1,000,000	N/A	3,455,180	-	4,455,180
1999	-	-	1,000,000	N/A	2,950,023	-	3,950,023
2000	-	-	1,250,000	N/A	2,659,693	-	3,909,693
2001	-	-	1,000,000	N/A	(556,750)	-	443,250

*Includes \$329,120 one-time appropriation for Judicial Fund for prior year unremitted contributions

Schedule of Expenses by Type

Year Ended June 30, 2001

Div/ Plan	Year	Benefit Payments	Refunds	Administrative Expenses	TOTAL
PERA					
	1996	\$ 161,927,472	\$ 19,316,936	\$ 11,081,177	\$ 192,325,585
	1997	182,216,991	21,486,814	12,610,900	216,314,705
	1998	212,129,746	24,999,564	4,347,585 *	241,476,895
	1999	237,554,751	25,612,467	4,876,232	268,043,450
	2000	264,480,078	26,811,590	3,272,761	294,564,429
	2001	291,118,491	27,357,500	3,993,496	322,469,487
Judicial					
	1996	\$ 2,172,963	\$ 38,645	\$ 13,817	\$ 2,225,425
	1997	2,461,266	-	12,026	2,473,292
	1998	2,794,381	-	7,335 *	2,801,716
	1999	2,945,389	-	7,931	2,953,320
	2000	3,184,925	9,210	7,858	3,201,993
	2001	3,427,332	413	8,366	3,436,111
Magistrate					
	1996	\$ 550,958	\$ -	\$ 10,209	\$ 561,167
	1997	653,661	-	7,634	661,295
	1998	712,069	24,311	4,975 *	741,355
	1999	895,589	39,558	6,225	941,372
	2000	1,064,999	141	5,666	1,070,806
	2001	1,122,419	13,570	6,129	1,142,118
Volunteer Firefighter					
	1996	\$ 78,400	\$ N/A	\$ 6,045	\$ 84,445
	1997	118,685	N/A	1,153	119,838
	1998	146,668	N/A	- *	146,668
	1999	172,400	N/A	-	172,400
	2000	211,565	N/A	-	211,565
	2001	232,552	N/A	-	232,552

*Reflects the change in accounting method to record investment expenditures as a part of net investment income

Schedule of Retired Members by Type of Benefit Option

Benefit Option	1996	1997	1998	1999	2000	2001
Normal single life pension terminating on death	5,149	5,565	5,887	6,210	6,497	6,835
Normal two-life 100% survivor pension for retiree & survivor	4,543	5,061	5,402	5,847	6,288	6,667
Normal two-life 50% survivor pension for retiree & survivor	2,021	2,258	2,395	2,539	2,702	2,826
Normal single life with temporary child survivor pension	38	50	59	68	79	88
Disability single life pension terminating on death	409	404	374	346	295	292
Disability two-life 100% survivor pension for retiree & survivor	473	489	518	534	480	491
Disability two-life 50% survivor pension for retiree & survivor	86	96	98	102	93	88
Disability single life with temporary child survivor pension	14	15	15	15	14	14
Preretirement survivor pension	667	693	692	709	733	736
Judicial retirement	64	73	74	74	78	78
Magistrate retirement	22	26	27	35	35	36
Volunteer firefighter retirement	82	111	130	157	184	200
Legislative retirement	36	70	74	82	84	89
TOTAL	13,604	14,911	15,745	16,718	17,562	18,440

Schedule of Average Benefit Payments

Year Ended June 30, 2001

Div/Plan		Years of Credited Service						
		4-10	10-15	15-20	20-25	25-30	30+	
PERA	1996	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1997	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1998	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1999	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2000	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
2001	Average Monthly Benefit	*	*	*	*	*	*	
	Average Final Average Salary	*	*	*	*	*	*	
	Number of Active Retired	*	*	*	*	*	*	
Judicial	1996	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1997	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1998	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1999	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2000	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
2001	Average Monthly Benefit	*	*	*	*	*	*	
	Average Final Average Salary	*	*	*	*	*	*	
	Number of Active Retired	*	*	*	*	*	*	

continued on next page

Schedule of Average Benefit Payments

Year Ended June 30, 2001

Div/Plan		Years of Credited Service						
		4-10	10-15	15-20	20-25	25-30	30+	
Magistrate	1996	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1997	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1998	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1999	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2000	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2001	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
Volunteer Firefighters	1996	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1997	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1998	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1999	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2000	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2001	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*

*Information not available in breakdown of years of service. The new retirement information system will start accumulating years of service information for retirees.

Participating Employers

June 30, 2001

Public Employees Retirement Fund:

State Agencies	119
Cities	72
Counties	33
Special Districts	26
Housing Authorities	22
Hospitals	1
Judicial Retirement Fund	15
Magistrate Retirement Fund	18
Volunteer Firefighters Fund	361
TOTAL	667

State of New Mexico Deferred Compensation Plan - Section 457

(numbers extracted from ING Aetna report to PERA Board)

Participants at June 30, 2001

Total Plan Participants	12,705
Currently Contributing	10,339
Not Contributing	2,366
Currently Receiving Payout	1,041

Asset Allocation by Asset Class

	Assets as of June 30, 2001	% of Total Assets
Domestic Equity Funds:		
Large Cap Funds (14)	\$100,159,928	46.00%
Mid Cap Funds (2)	2,981,337	1.37%
Small Cap Funds (1)	768,517	0.35%
International Equity Funds	3,913,621	1.80%
Balanced Funds	4,264,166	1.96%
Fixed Income Funds	7,035,019	3.22%
Stable Value	98,633,254	45.30%
TOTAL	\$217,755,842	100%

Deferred Compensation Program Comparative Investment Results

FISCAL YEAR ENDED June 30, 2001

Manager	1-year 2001	3-year 1999-2001	5-year 1997-2001
Aggressive Growth Funds			
American Century Grown Fund	-30.87%	3.26%	13.47%
American Century Ultra Fund	-24.09%	3.86%	12.37%
Fidelity OTC	-40.94%	8.65%	13.48%
Janus Fund	-27.56%	7.87%	15.18%
Growth Funds			
American Century Select Fund	-20.84%	3.77%	14.36%
Dreyfus Third Century	-27.31%	1.97%	12.71%
Growth Fund of America	-12.87%	19.25%	21.79%
MFS Mass. Investors Growth	-25.30%	6.59%	19.21%
Small Cap Funds			
Drewfus Emerging Leaders	-2.54%	13.94%	19.43%
Value Funds			
Fidelity Equity and Income	10.07%	5.19%	13.33%
Core Equity Funds			
Fidelity Contrafund	-15.11%	5.49%	13.61%
Fidelity Growth & Income Fund	-8.29%	4.09%	13.38%
Fidelity Magellan Fund	-15.45%	6.12%	14.18%
Nationwide Fund	-12.84%	-1.39%	12.95%
Vanguard 500 Index	-14.85%	3.91%	14.45%
Mid Cap Funds			
MAS Mid Cap Value Fund	6.33%	12.71%	21.59%
Neuberger & Berman Manhttn Fund	-36.33%	3.19%	11.26%
International Funds			
American EuroPacific Growth Fund	-21.42%	7.02%	10.46%
T. Rowe Price International Fund	-27.74%	-1.57%	3.28%
Fixed-Income Funds			
Bond Fund of America	8.46%	4.64%	6.66%
Deutsche Cash Management Fund	5.97%	5.60%	5.55%
Dwight Stable Value Fund	6.46%	-	-
Fidelity Capital & Income	-9.99%	-0.54%	5.38%
MFS High Income	-5.74%	-1.22%	4.51%
Balanced Funds			
Evergreen Equity Income	11.45%	6.82%	10.78%
Income Fund of America	16.58%	6.14%	11.33%
Stable Value Fund	5.78%*		

*New fund (October 1999) Average blended rate