

Comprehensive Annual Financial Report

Public Employees Retirement Association
of New Mexico
for the fiscal year ended June 30, 2002

Prepared by PERA staff

PO Box 2123, 1120 Paseo de Peralta
Santa Fe, New Mexico 87504-2123
505.827.4700, toll free 800.342.3422
website: state.nm.us/pera

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Cover photo: Clayton Lake state park manager, Charles Jordan, helps young visitors make fish prints during the park's annual trout derby.

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, 2001

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.



William Patrick Pate
President


Jeffrey L. Essler
Executive Director

Introduction



The State Economic Development Department staff work to create, retain and expand job opportunities in New Mexico. Bringing film productions to the state is one way this is achieved.

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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT BOARD

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

JEFF VARELA, Chair
State Member

TERRY SLATTERY, CEBS
Executive Director

November 21, 2002

Dear PERA Members:

It is with pleasure and confidence that the PERA Board and staff issue the annual Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002.

This annual financial report represents the sound financial position of the PERA fund and its operations. The PERA fund and its activities and services provide a public retirement system that covers 27 retirement plans affecting 75,000 active and retired members.

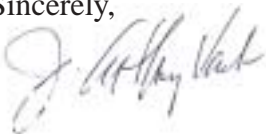
Despite the recent downturns in the stock market and the economy, the PERA Board, along with the Investment Officer and staff, has positioned the investment portfolio of the fund to endure minimal losses. Despite these losses, the PERA fund remains in the top quartile of public pension funds throughout the United States. The fund overall still maintains net assets of about \$7.9 billion and has a 103% funding ratio.

There are some plans within the PERA fund that will receive closer attention from the Board in the near future because of actuary and funding concerns. The Judicial Retirement plan will be faced with contribution deficiencies and the State General plan has encountered minor Unfunded Actuarial Accrued Liability (UAAL) concerns. With some prudent decisions from their memberships, the Board and the Legislature, these plan issues can be resolved expeditiously.

Your elected PERA Board members and ex-officio members along with PERA staff are very active on your behalf ensuring that the fund remains intact and that member services continue to improve.

It has been my pleasure to serve as chairman of the Board and on behalf of the entire PERA Board, we extend our appreciation to the staff, the Legislature and the members for another year of success.

Sincerely,



Jeff A. Varela
PERA Board Chairman
State Member

PERA Board Members

State Member



Mr. Jeff Varela, chair
Reg. and Licensing Dept.
476.7097

County Member



Mr. David Baca
vice chair
Bernillo County
314.0440

Ex-Officio Member



Ms. Rebecca Vigil-Giron
Secretary of State
827-3600

Ex-Officio Member



Mr. Michael Montoya
State Treasurer
955-1122

State Member



Mr. Danny Sandoval
Child, Youth & Families
827.8069

State Member



Mr. Michael Hansen
Energy, Minerals &
Natural Resources
476.3226

State Member



Mr. Hamish Thomson
Office of the Attorney
General 222.9020

Municipal Member



Ms. Susan Biernacki
City of Albuquerque
768-4537

Municipal Member



Mr. Lou Hoffman
City of Albuquerque
768.3396

Municipal Member



Mr. Rafael Salas
Village of Ruidoso
257.5030

Retired Member



Mr. Fabian Chavez
988.2573

Retired Member



Mr. Victor Montoya
474.3831



PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT BOARD

P.O. Box 2123
Santa Fe, New Mexico 87504-2123
(505) 827-4700 Voice (505) 827-4670 Fax

JEFF A. VARELA, Chairman
State Member

TERRY SLATTERY, CEBS
Executive Director

October 31, 2002

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, 2002 (FY02). 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 Educational Retirement Association administers the teachers' retirement plan.)

PERA was established by statute in 1947. For further discussion of the background of PERA, see the Notes to Financial Statements at page 25.

The Report is presented in five sections.

- The Introductory Section, which contains general information regarding the operations of PERA. It includes the transmittal letter, the Board Chairman's letter and PERA's administrative organization.
- The Financial Section, which contains the financial statements, schedules and supplementary financial information regarding the funds administered by PERA, including the opinion of the independent certified public accountants and footnotes. This section also includes the Management's Discussion and Analysis at pages 18 to 21.
- The Investment Section, which contains information pertaining to the management of the investments of the pension trust funds. It includes an outline of investment policies, asset allocation and comparative returns, and a list of the largest holdings.
- The Actuarial Section, which contains information regarding the financial condition and financial position of the retirement plans administered by the system. It contains the independent consulting actuary's certification letter, summary of actuarial assumptions and methods, summary of plan provisions and other statistics.
- The Statistical Section, which contains general statistical information regarding system participants and finances.

PERA Executive Director

I became PERA's Executive Director on June 4, 2001 and have completed almost one and a half years as Director. I appreciate the Board's guidance and support. I have also been impressed with the professional excellence of the PERA staff and their dedication to serving the PERA membership.

CAFR for FY01

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, 2001. This was the second year that PERA had applied for the GFOA award and the second year that we received it. 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 has retained Covansys, Inc. as its contractor to design and build a new pension administration system. L.R. Wechsler, Ltd. continues as PERA's external project manager to assist with this project. Covansys and Wechsler have been meeting with PERA staff to begin the system design. 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 funding objective of PERA pension trust funds is to meet long-term benefit promises through contributions, which remain approximately level as a percent of member payroll over decades of time. 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 five 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.

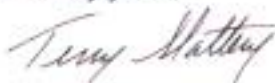
Acknowledgements

I would like to acknowledge the Board's time, effort and support throughout the year, as they have provided direction and leadership to the system.

This report is a product of the combined efforts of the PERA staff and advisors functioning under the Board's guidance. It is intended to provide complete and reliable information, which will facilitate the management decision-making process, serve as a means for determining compliance with legal requirements, and allow for the evaluation of responsible stewardship of the funds of the system.

I would like to acknowledge Ms. Lee Ann Rael, PERA Comptroller, for her work in coordinating the compilation of data, and Ms. Athena Khalsa, PERA Liaison Officer, who prepared the design and layout of the report. I also want to thank our various consultants who worked closely with Ms. Rael and 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



PERA Staff

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
Adriana Montoya, accountant auditor
Sharon Moya, accountant auditor
Art Trujillo, accountant auditor
Sheila Martinez, mailroom

ANNUITANT PAYROLL

Nora Solano, manager IV
Jessica Perea, office clerk

CONTRIBUTION ACCOUNTING

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

Susan Pittard, general counsel
Maryanne Reilly, assistant general counsel
Judy Olson, administrator III
vacant, 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 Pointe, maintenance and repair
Robert Loera, custodial worker
Eric 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
Rose Rael, administrator II
Angela Romero, clerk specialist

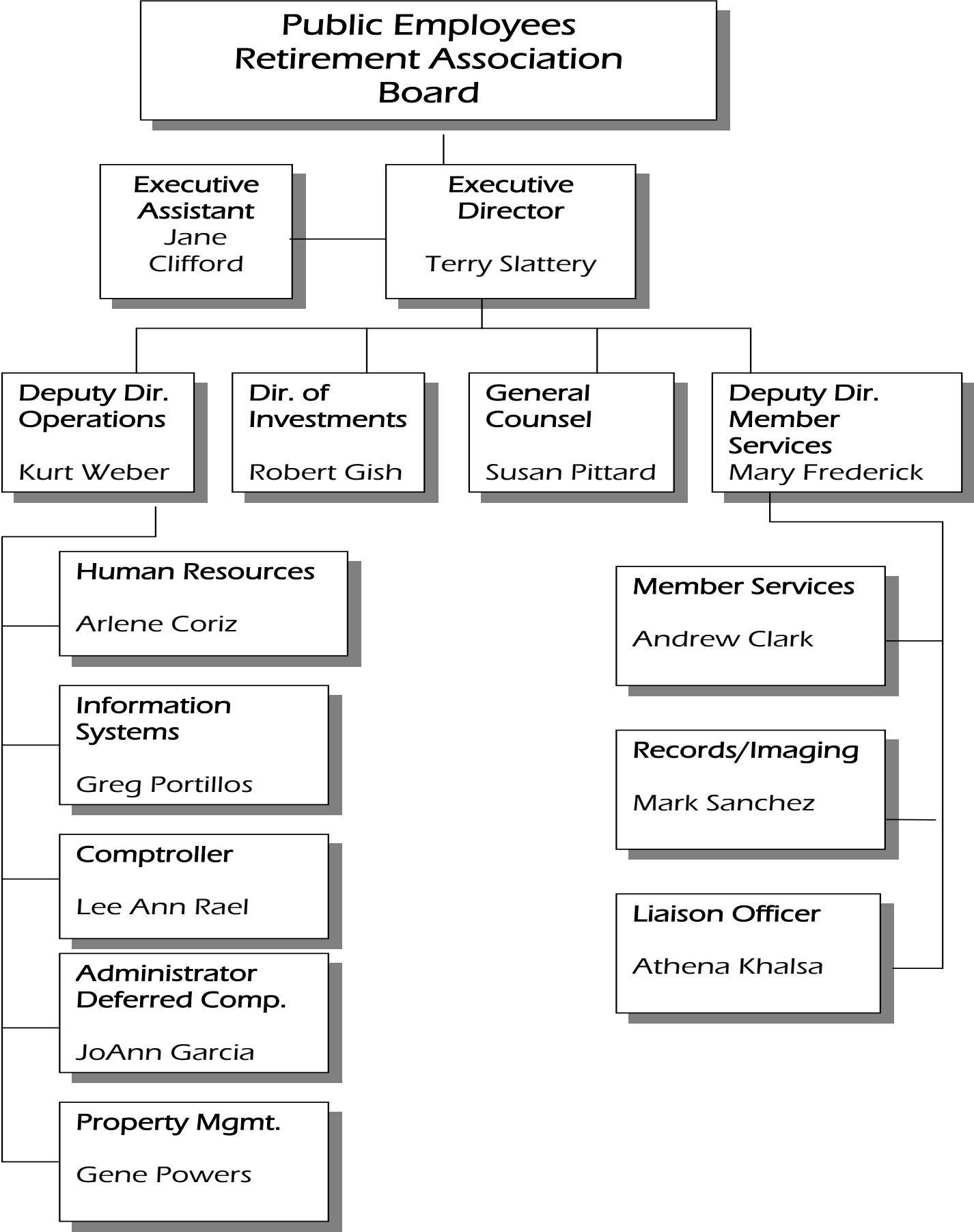
RECORDS

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

Organizational Chart



PERA at a Glance

June 30, 2002

PERA Members.....49,466

State.....22,667
Municipal.....21,363
Judicial.....86
Magistrate.....63
Volunteer Firefighters.....5,176
Legislative.....111

Retired Members and Beneficiaries.....19,149

State.....10,575
Municipal.....8,149
Judicial.....79
Magistrate.....37
Volunteer Firefighters.....216
Legislative.....93

Retirement Benefits.....\$323,383,565

Contribution Refunds.....\$25,626,533

Participating Employers.....683

State.....119
Municipal.....74
Counties.....33
Housing Authorities.....22
Special Districts.....28
Hospitals.....1
Volunteer Fire.....373
Judicial.....15
Magistrate.....18

Contributions:

Member contributions.....\$144,404,744

Employer contributions.....\$208,430,907

Total PERA Assets.....\$7,935,461,337

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 benefit estimates, assisting members with fulfilling retirement procedures, preparing military service calculations, processing refund requests, replying in writing to written and telephone inquiries and assisting members with death benefit claims. In FY02 the PERA staff processed over 975 retirement applications. Member Services also prepares adjustments to retiree pension checks to reflect the yearly Cost-of-Living Adjustment (COLA) granted by the New Mexico State Legislature.

Publications

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. Two new brochures were produced that provide information for members of specific occupations: a brochure for volunteer firefighters, and one to inform former military personnel how to purchase service credit.

Public Relations

One of the most important missions for Executive Director Terry Slattery in his first year with PERA was to visit with agency affiliates throughout the state. City managers, financial directors and governing commissions were updated on the status of the PERA fund and the needs of the affiliates were discussed. The executive director visited the following affiliates: the cities and towns of Texico, Portales, Clovis, Albuquerque, Santa Fe, Deming, Silver City, Bloomfield, Aztec and Farmington; Roosevelt, Santa Fe, Luna and San Juan counties. He also attended meetings held by the Gallup Chapter of the Retired Public Employees of New Mexico (RPENM) and RPENM's Board of Director's meeting in Raton and the New Mexico Fire Chiefs Association meeting at the Annual Conference of the New Mexico Municipal League in Gallup.

Benefits Training

This year the PERA liaison officer and staff conducted 20 seminars to educate members around the state about their benefits. The locations that received training include; Roswell, Las Cruces, Silver City, Farmington, Ft. Bayard, Aztec, Albuquerque, Deming, Santa Fe and Bernalillo.

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, and 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, Inc.
550 East 8th Avenue
Denver, Colorado 80203

Pension Administration System Consultant

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

Financial



Andy Shreve adjusts a laser-based spectroscopic instrument that is being developed as part of an early warning system for influenza. LANL scientists are working with the Department of Health and the UNM School of Medicine on this project.

photo courtesy of Leroy N. Sanchez, LANL

Management's Discussion and Analysis

June 30, 2002

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, 2002 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 \$177.4 million. All individual pension funds experienced a decrease in net assets.
- ◆ The major reason for the decrease in net assets was the continuing downward turn of the stock market, which resulted in a net decrease of \$177.5 million in investment income. PERA's losses were less than if the investments had only performed at the targeted levels as reported to the PERA Board. This decrease in investment values was partially offset by contributions and earnings on investments.
- ◆ Benefit payments to retirees increased due to an increased number of retirees, but refunds of member contributions and administrative costs decreased slightly.

PERA Highlights

PERA received an appropriation of \$8 million to purchase and implement a pension administration system. PERA issued a request for proposals in the fall of 2000. Proposals were received and evaluated in the spring of 2001, but the RFP was subsequently cancelled. A new request for proposals was issued in January 2002 and the proposals were received in March 2002. As a result of this procurement, a contract for software and implementation services was signed in August 2002. Implementation will be done in two phases over a 32-month period. One major enhancement of the new system will be electronic reporting and editing of data by the employers.

Financial Statements

The financial statements of the PERA funds 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 that 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	2002	2001
Assets	\$9,610,913,475	\$ 9,268,361,009
Liabilities	1,675,452,138	1,155,504,667
Net Assets	7,935,461,337	8,112,856,342
Changes in Net Assets	(177,395,005)	(155,812,202)

The small increase in assets from fiscal year 2001 to fiscal year 2002 is due primarily to an increase in cash and short-term investments, but the liability amount rose by a higher amount resulting in a lower net asset balance in fiscal year 2002. Liabilities are higher due to an increased securities lending liability. The total net assets held by PERA decreased during the fiscal year ended June 30, 2002 by \$177,395,005, 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 PERA's investments decreased during fiscal year 2002 due to the market deflation.

The most significant pension plan administered by PERA included the following balances at the years ended June 30, 2002 and 2001:

PERA FUND	2002	2001
Cash & Equivalents	\$ 995,401,845	\$ 524,443,068
Receivables	548,017,257	651,930,228
Investments	7,932,470,909	7,960,884,172
Property & Equipment	989,324	1,097,219
Other	26,255	26,255
Total Assets	9,476,905,590	9,138,380,942
Accounts Payable	941,860,508	900,620,965
Accrued Exp & Other Liab.	710,215,449	238,712,554
Total Liabilities	1,652,075,957	1,139,333,519
Net Assets Held in Trust	\$ 7,824,829,633	\$7,999,047,423

The following schedule shows a comparison of changes in plan net assets for the PERA fund during fiscal years ended June 30, 2002 and 2001:

	2002	2001
Contributions	\$ 348,566,827	\$ 334,140,672
Invest Income (less Inv Exp)	255,839,522	292,923,798
Net (Depreciation)Appreciation of FV Invest	(430,900,616)	(459,348,301)
Other Income	157,259	1,052,352
Benefit Payments	(318,441,086)	(291,118,491)
Refunds	(25,624,513)	(27,357,500)
Administrative Expenses	(3,815,183)	(3,993,496)
Net Increase/(Decrease)	\$ (174,217, 790)	\$ (153,700,966)

Individual Fund Comparative Balances

The individual funds decreased their net assets due to the investment losses across the funds. The funds were dependent on contributions to offset losses:

NET ASSETS	2002	2001	% Increase (Decrease)
Public Employees Retirement Fund	\$ 7,824,829,633	\$ 7,999,047,423	(2.2%)
Judicial Retirement Fund	55,154,219	57,520,683	(4.2%)
Magistrate Retirement Fund	28,762,930	29,240,378	(1.6 %)
Volunteer Firefighters Retirement Fund	26,714,555	27,047,858	(1.2 %)
Total – All Funds	\$ 7,935,461,337	\$ 8,112,856,342	

Budget Comparisons

There were no significant budgetary variations during the fiscal year ended June 30, 2002.

Capital Assets

The PERA Building is considered an investment of the PERA fund and therefore is not accounted for as a capital asset. The building was appraised in fiscal year 2002 at \$15,500,000 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, 2002 and 2001:

	2002	2001
Carrying Value		
Property & Equipment	\$ 946,105	\$ 1,033,288
Computer Improvement Plan	43,219	63,931
Total	<u>\$ 989,324</u>	<u>\$ 1,097,219</u>

Financial Contact

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

Independent Auditors' Report



INDEPENDENT AUDITORS' 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, 2002, 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. 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. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2002, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of PERA, as of June 30, 2002, 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, 2002, 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.

Management's Discussion and Analysis and the Required Supplementary Schedules of Funding Progress and of Contributions from Employers and Other Contributing Entities are not a required part of the financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the individual Fund financial statements taken as a whole. 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 Introductory, Investments, Actuarial and Statistical Sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion or other form of assurance on them.

Deloitte & Touche LLP

September 27, 2002

Statements of Plan Net Assets

June 30, 2002

Assets	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Cash and cash equivalents	\$995,401,845	\$7,095,477	\$3,958,785	\$3,962,837	\$1,010,418,944
Receivables:					
Accrued investment income	41,399,694	292,457	150,776	138,915	41,981,842
Accounts receivable-brokers	484,029,883	3,419,292	1,762,814	1,624,140	490,836,129
Contribution receivable	20,484,695	169,713	115,672		20,770,080
Accounts receivable-other	1,849,181				1,849,181
Interfund receivable	253,804				253,804
Investments, at fair value:					
U.S. Government and agency securities	2,031,364,184	14,349,997	7,398,132	6,816,151	2,059,928,464
Corporate equity securities	2,819,907,421	19,920,438	10,269,969	9,462,072	2,859,559,900
Corporate obligations	1,062,166,470	7,503,374	3,868,361	3,564,052	1,077,102,257
International securities	1,293,495,962	9,137,538	4,710,853	4,340,266	1,311,684,619
Mortgage investments	602,288				602,288
Total	7,207,536,325	50,911,347	26,247,315	24,182,541	7,308,877,528
Securities lending collateral investments	709,434,584	5,011,600	2,583,728	2,380,476	719,410,388
Investment in building	15,500,000				15,500,000
Total investments	7,932,470,909	55,922,947	28,831,043	26,563,017	8,043,787,916
Property and equipment, net	989,324				989,324
Other assets	26,255				26,255
Total assets	9,476,905,590	66,899,886	34,819,090	32,288,909	9,610,913,475
Liabilities					
Accounts payable-brokers	935,466,667	6,608,340	3,406,926	3,138,916	948,620,849
Accounts payable-other	6,393,841				6,393,841
Accrued expenses and other liabilities	1,321,902				1,321,902
Interfund payable		129,549	67,477	56,778	253,804
Securities lending liability	708,893,547	5,007,778	2,581,757	2,378,660	718,861,742
Total liabilities	1,652,075,957	11,745,667	6,056,160	5,574,354	1,675,452,138
Net Assets Held in Trust For Pension Benefits	\$7,824,829,633	\$55,154,219	\$28,762,930	\$26,714,555	\$7,935,461,337

(A schedule of funding progress for each fund is presented on page 35)

See *Notes to Financial Statements*

Statements of Changes in Plan Net Assets

Year Ended June 30, 2002

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Additions					
Contributions:					
Employer	\$204,734,125	\$2,051,004	\$1,145,778		\$207,930,907
Member	140,856,619	378,579	193,218		141,428,416
Appropriation from New Mexico Fire Protection Fund				\$500,000	500,000
Service credits purchased	2,976,083		245		2,976,328
Total contributions	348,566,827	2,429,583	1,339,241	500,000	352,835,651
Investment income(loss):					
Interest	198,015,676	1,387,888	721,927	669,930	200,795,421
Dividends	71,687,587	509,711	257,471	240,445	72,695,214
Real estate operating income, net	1,069,924				1,069,924
Net depreciation in fair value of investments	(430,900,616)	(3,079,469)	(1,536,685)	(1,446,764)	(436,963,534)
Securities lending income	10,236,039	72,427	37,149	34,343	10,379,958
Subtotal	(149,891,390)	(1,109,443)	(520,138)	(502,046)	(152,023,017)
Less Investment Expense	(25,169,704)	(178,767)	(90,795)	(84,484)	(25,523,750)
Net Investment Income	(175,061,094)	(1,288,210)	(610,933)	(586,530)	(177,546,767)
Other Income	157,259				157,259
Total Additions	173,662,992	1,141,373	728,308	(86,530)	175,446,143
Deductions					
Benefit payments	318,441,086	3,498,724	1,196,982	246,773	323,383,565
Refund to terminated employees	25,624,513		2,020		25,626,533
Administrative expenses	3,815,183	9,113	6,754		3,831,050
Total Deductions	347,880,782	3,507,837	1,205,756	246,773	352,841,148
Net Decrease	(174,217,790)	(2,366,464)	(477,448)	(333,303)	(177,395,005)
Net Assets Held in Trust for Pension Benefits					
Beginning of year	7,999,047,423	57,520,683	29,240,378	27,047,858	8,112,856,342
End of year	\$7,824,829,633	\$55,154,219	\$28,762,930	\$26,714,555	\$7,935,461,337

See Notes to Financial Statements

Notes to Financial Statements

JUNE 30, 2002

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 (Sections 22-11-1 to 22-11-53, 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 members having served a minimum of five years, and at age 60 to members 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 10 years, divided by 10. 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 members' court contributes at a rate of 9% of the members' 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 10 years. Benefits are \$100 per month with at least 10 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 2002 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund; however, because the transferring agency actually transferred \$250,000 too much in fiscal year 2001, the transfer for fiscal year 2002 was reduced by that amount resulting in an actual transfer during the 2002 fiscal year of \$500,000.

Participating employers at June 30, 2002:		Membership at June 30, 2002:			
Public Employees Retirement Fund		Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
State Agencies	119				
Cities	74				
Counties	33				
Special Districts	28				
Housing Authorities	22				
Hospitals	1				
Total	277				
Judicial Retirement Fund	15	Retirees and beneficiaries receiving benefits			
Magistrate Retirement Fund	18	18,817	79	37	216
Volunteer Firefighters Retirement Fund	373	Terminated plan members not yet receiving benefits			
		2,796	12	10	N/A
		Active plan members			
		44,141	86	63	5,176

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 2002.

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, 2002, are as follows:

Investment Pool	
Public Employees Retirement Fund	98.61%
Magistrate Retirement Fund	0.36
Judicial Retirement Fund	0.70
Volunteer Firefighters Retirement Fund	0.33
Total	<u>100.00 %</u>

Property and Equipment - Property and equipment 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 2002 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 2002 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, 2002 are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
Member Contribution Fund	\$ 1,332,155,189	\$ 4,347,826	\$ 1,617,323
Employers Accumulation Fund	2,534,469,481	19,680,842	14,346,133
Retirement Reserve Fun	3,958,204,963	31,125,550	12,799,474
Total	\$ 7,824,829,633	\$ 55,154,219	\$ 28,762,930

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, 2002, the Social Security Account had assets of \$496,019. 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 for the future. 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. 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, 2002, PERA had \$409,126 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 \$10,128 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, 2002, 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).

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	\$ 1,010,418,944
<u>Investments</u>	<u>8,043,787,916</u>
<u>Total</u>	<u>\$ 9,054,206,860</u>
As presented in the schedules below:	
Carrying amount of deposits at State Treasurer’s Office	\$ 20,161,956
<u>Investments</u>	<u>9,034,044,904</u>
<u>Total</u>	<u>\$ 9,054,206,860</u>

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	\$ 36,994,939	\$ 10,055,651
PERA Building Maintenance	7,942,525	7,942,525
Deferred Compensation Operating Account	409,126	409,126
Judicial Retirement Fund	502,415	197,089
Volunteer Firefighters Retirement Fund	708,448	686,151
Magistrate Retirement Fund	500,586	402,325
Social Security Fund	469,089	469,089
Total deposits at State Treasurer’s Office	\$ 47,527,128	\$ 20,161,956

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	\$ 344,122,358			\$ 344,122,358
U. S. Government and agency securities	811,600,960			811,600,960
Corporate equity securities	1,853,860,144	\$ 828,036,098		2,681,896,242
Corporate obligations	1,332,970,072			1,332,970,072
International securities	1,125,289,453			1,125,289,453
Total categorized	5,467,842,987	828,036,098		6,295,879,085
Uncategorized:				
Pending transactions:				
U. S. Government				834,298,390
Equities				64,539,221
Corporate				12,619,290
International				37,363,946
Short-term investment pool				990,256,988
Investment in building				15,500,000
Miscellaneous investments - mutual funds				87,443,811
Total uncategorized				2,041,821,646
Investments made with cash collateral received on securities loans:				
Categorized:				
U. S. Government and agency securities			\$ 434,188,516	434,188,516
Corporate obligations			113,124,441	113,124,441
International securities			149,031,216	149,031,216
Total categorized			696,344,173	696,344,173
Total investments	\$ 5,467,842,987	\$ 828,036,098	\$ 696,344,173	\$9,034,044,904

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, 2002, the Funds' investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of approximately \$887 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, 2002, the Funds' investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of approximately \$611 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, 2002, the Funds had outstanding forward exchange currency contracts to purchase foreign currencies of approximately \$8,199,000 and to sell foreign currencies of approximately \$15,237,000. The market values of these outstanding contracts at June 30, 2002, were approximately \$8,383,000 and \$16,440,000 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, 2002, 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 fair value of investments made with such collateral as of June 30, 2002, was \$719,410,388 and \$718,253,157 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, 2002, no such failures by any borrowers have occurred. Moreover, there were no losses during the fiscal year ended June 30, 2002, 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, 2002, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Property and Equipment	\$ 2,639,606	\$ 114,217	-	\$ 2,753,823
Computer Improvement Plan	1,715,185			1,715,185
Accumulated Depreciation	(3,257,572)	(222,112)	-	(3,479,684)
Total	\$ 1,097,219	\$ (92,510)	-	\$ 989,324

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, 2002, 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 \$7,850,249 for which PERA canceled \$121,174 and included \$2,111,612 in accounts payable and maintained a \$5,617,463 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, 2002:

Net decrease in net assets, GAAP basis	\$ (174,217,790)
Non-budget revenues	8,510,049
CY accrual - revenues	(41,399,694)
PY accrual - revenues	44,307,138
Benefit payments	318,441,086
Refunds to terminated employees	25,624,513
CY encumbrances	(7,729,074)
PY encumbrances paid in the CY	4,268,960
CY accounts payable	6,557,686
PY accounts payable	(5,115,054)
Expenditures capitalized	(114,216)
Depreciation expenses	222,112
Expenses allocated to other funds	(253,805)
<u>Net increase in net assets, budgetary basis</u>	<u>\$ 179,101,911</u>

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

PERA received an appropriation of \$54,200 for re-engineering the imaging conversion process (Chapter 64, Laws of 2001, Section 11, Subsection). PERA encumbered \$54,200 and expended \$0 during fiscal year 2002 .

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 budgeted \$509,200, encumbered \$353,879 and expended \$155,321 as of the end of fiscal year 2002.

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.

Required Supplementary Information

Schedules of Funding Progress

Year Ended June 30, 2002

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued 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, 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)	105.7	1,253,305,021	-
June 30, 2001	8,308,210,019	7,883,446,910	(424,763,108)	105.4	1,318,274,517	-
June 30, 2002	8,769,234,201	8,505,930,677	(263,303,524)	103.1	1,396,209,000	-
JUDICIAL RETIREMENT FUND						
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	7,071,261	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
June 30, 2002	61,686,378	75,958,498	14,272,120	81.2	7,507,013	190.1
MAGISTRATE RETIREMENT FUND						
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	3,426,820	-
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	-
June 30, 2002	32,039,588	28,959,427	(3,080,161)	110.6	3,996,832	-
VOLUNTEER FIREFIGHTERS RETIREMENT FUND						
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
June 30, 2002	29,784,088	16,127,594	(13,656,494)	184.7	N/A	N/A

*Includes 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, 2002

	Public Employees Retirement Fund		Judicial Retirement Fund	
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed
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
June 30, 2002	204,734,125	100.0	2,737,126	74.9
	Magistrate Retirement Fund		Volunteer Firefighters Retirement Fund*	
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed**
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	101.5	1,867,000 - 3,346,000	37.4
June 30, 2001	730,852	175.5	1,788,000 - 3,385,000	29.5
June 30, 2002	725,873	157.8	51,000 - 953,000	52.5

*Contributions are appropriated from the Fire Protection Fund

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

Notes to Required Supplementary Information

Year Ended June 30, 2002

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, 2002. 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, 2002	June 30, 2002	June 30, 2002	June 30, 2002
Actuarial cost method	Entry age	Entry age	Entry age	Unit credit cost
Amortization method	Level % open	Level %open	Level % open	Level %open
Amortization period	10 years	30 years	0 years#	30 years
Asset valuation method	Smoothed mkt 4 years	Smoothed mkt 4 years	Smoothed mkt 4 years	Smoothed mkt 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 increase at 4.5%.

** 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.

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

Schedule of Revenues, Appropriations and Expenses - Budget and Actual (non-GAAP Basis)

For the Year Ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance Favorable
Revenues, Appropriations and Other State Funds:				
Interest Income	\$19,362,800	\$22,957,735	\$200,923,120	\$177,965,385
Rental Income	1,429,000	1,441,900	2,133,811	691,911
Total Revenue & Other	20,791,800	24,399,635	203,056,931	178,657,296
Expenses:				
Administrative Division:				
Contractual Services	14,130,900	17,694,300	17,639,267	55,033
Personal Services/Benefits	2,947,000	2,978,535	2,959,731	18,804
Other Operating Costs	1,133,700	1,133,700	956,181	177,519
Other Financial Uses	1,151,200	1,151,200	1,151,200	-
Subtotal	19,362,800	22,957,735	22,706,379	251,356
Maintenance Division:				
Contractual Services	20,000	42,500	42,305	195
Personal Services/Benefits	591,800	604,700	560,011	44,689
Other Operating Costs	816,800	794,300	645,925	148,375
Other Financial Uses	400	400	400	-
Subtotal	1,429,000	1,441,900	1,248,641	193,259
Total Expenses	20,791,800	24,399,635	23,955,020	444,615
Net Increase in Net Assets, Budgetary Basis	\$ -	\$ -	\$179,101,911	\$179,101,911

Additional Information

Schedule of Cash and Cash Equivalent

June 30, 2002

Account Name	Depository Name	Account Type	Fund Number	Reconciled PERA Balance at June 30, 2002	Subsequent Items Processed by DFA	DFA Balance June 30, 2002
Public Employees Retirement Fund - Administration Account	State Treasurer	Checking	606	\$10,055,651	\$ (44)	\$10,055,607
Public Employees Retirement Fund - Short-Term Investment	Bankers Trust	Interest-Bearing		990,256,988		990,256,988
Public Employees Retirement Fund - Maintenance Account	State Treasurer	Checking	370	7,942,525		7,942,525
Judicial Retirement Fund	State Treasurer	Checking	603	197,089		197,089
Magistrate Retirement Fund	State Treasurer	Checking	604	402,325		402,325
Volunteer Firefighters Retirement Fund	State Treasurer	Checking	607	686,151		686,151
PERA - Deferred Compensation Administration Account	State Treasurer	Checking	755	409,126		409,126
Social Security Account	State Treasurer	Checking	608	469,089		469,089
TOTAL				\$1,010,418,944	\$ (44)	\$1,010,418,900

Schedule of Administrative and Investment Expenses

For the Year Ended June 30, 2002

Investment Expenses

Investment Managers	\$15,887,152
Custodian Fees	1,053,995
Consultant Fees	209,348
Total Investment Fees	17,150,495
Securities Lending Expense	8,373,255
Total Investment Expenses	25,523,750

Other Contractual Services

Medical Services	30,368
Actuarial Services	119,500
Actuarial Audit	38,000
Audit	75,600
Legal Fees	81,792
Misc. Contractual Services	288,414
Pension System Requirements	191,685
Total Other Contractual Services	825,359

Other Administrative Services

Personal Services/Benefits	2,976,750
Other Operating Costs	846,873
Other Financial Uses	16,074
Depreciation	222,112
Total Other Administrative Expenses	4,061,809
Prior Year Invest Exp/Accrual Reversal	(1,056,118)
Total Administrative Expenses	3,831,050
Total Investment & Administrative Expenses	\$29,354,800



Investments



The state Office of Space has been a forerunner in the quest with NASA to create a spaceport for Reusable Launch Vehicles.



**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT BOARD**

P.O. Box 2123
Santa Fe, New Mexico 87504-2123
(505) 827-4700 Voice (505) 827-4670 Fax

Jeff Varela, Chairman
State Member

Terry Slattery, CEBS
Executive Director

October 25, 2002

Members of the New Mexico Public Employees Retirement System:

For the second year in a row, the U.S. and non-U.S. stock markets were not kind to investors. Negative quarterly returns of $\bar{n}6.87\%$ in the September quarter, $+6.84\%$ in the December quarter, $+1.24\%$ in the March quarter and $\bar{n}2.78\%$ in the June quarter combined to produce total Funds' returns of $\bar{n}2.07\%$ for the fiscal year ending June 30, 2002 vs. $\bar{n}1.85\%$ for the previous fiscal year. The economy began to show signs of slowing early in the fall of 2000. This was followed by the attack on the World Trade Center and the resultant stock declines for the past two years, although stocks rallied sharply one week after 9/11 and into the December quarter. Primarily due to PERA's over-weightings in fixed-income investments and in value versus growth stocks, including both large and small capitalization issues, and a relative underweighting in both total U.S. and non-U.S. stocks, PERA outperformed the median fund (whose returns were $\bar{n}5.51\%$) by 3.44% and its own investment target by 3.24% (the target return was -5.3%). The good news is that PERA's U.S. stocks outperformed the benchmark for its stock investments by 7.24% with time-weighted returns of -9.7% vs. -17.24% for the Russell 3000 Index. This was a major factor contributing to PERA's outperformance compared to peer public pension funds. Also, PERA's allocation to fixed-income securities that returned a $+8.31\%$ vs. the Lehman Aggregate Bond Index return of 8.63% , was a significant factor in reducing PERA's losses vs. its investment benchmark and peers.

Investment returns of $\bar{n}2.07\%$ for the year placed PERA in the upper 10th 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 four years, placed PERA in the upper 19th percentile for two years, upper 14th percentile for three years, upper 4th percentile for four years, upper 1st percentile for five through eight years and upper 3rd percentile for the ninth and tenth years. Achieving these overall rankings was another milestone for PERA. From a historical perspective, during the fiscal years ending on June 30 each year, U.S. stocks as measured by the S&P 500 Index returned -17.99% in 2002 vs. $\bar{n}14.83\%$ in 2001, and positive returns of 7.25% in 2000, 19.67% in 1999 and 23.8% in 1998.

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 and updated in December of 2001. In spite of the negative returns of the past two years of $\bar{n}1.96\%$, annualized, PERA's returns over the past five and ten-year periods, respectively, were 7.92% and 10.66% , annualized. As a result, PERA was the only large public pension plan in the Callan database whose returns nearly met the five-year objective of earning the equivalent of 8% on investments each year. PERA's allocations to stocks were somewhat more conservative than most funds during the last two and one-half years, as a result of its strategy to reduce losses to the funds in the event of a declining stock market. Given PERA's current conservative investment structure, the Funds should be able to meet their long-term obligations to members and retirees in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert E. Gish".

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)

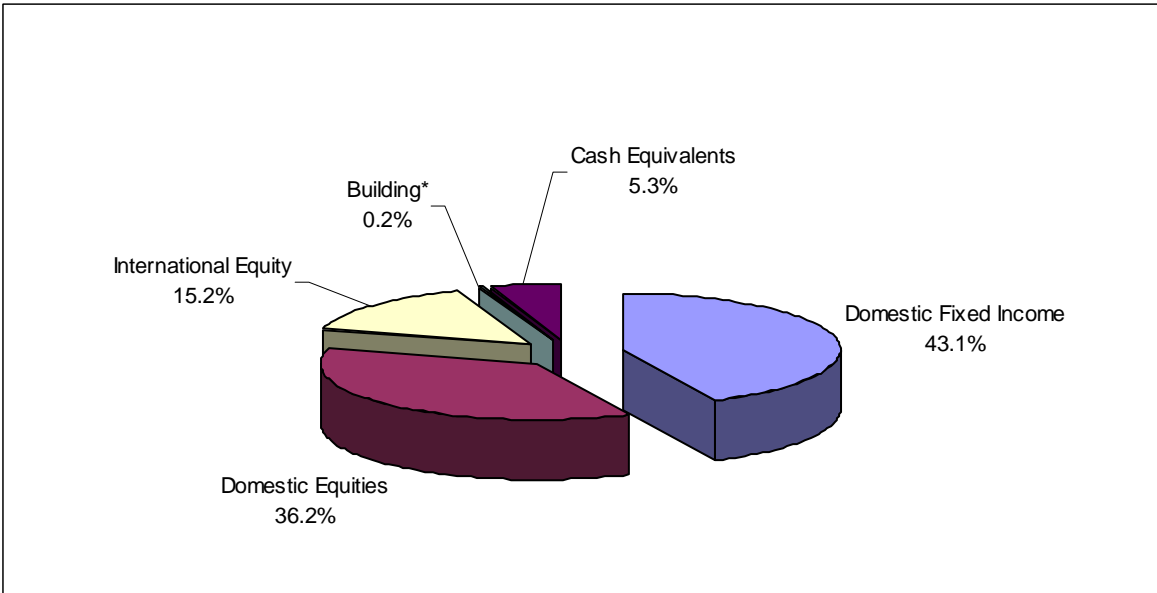
The allocation of assets among various asset classes is approved by the Board and is predicated on factors such as: (1) the historical performance of capital markets adjusted for the perception of the future short- and long-term market performance, (2) the correlation of returns among the relevant asset 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

	2002	2001	2000	1999	1998	1997
Domestic Fixed Income	43.15%	41.27%	35.58%	35.81%	37.39%	40.60%
Domestic Equities	36.15%	43.95%	37.18%	48.60%	52.65%	49.70%
International Equity	15.18%	14.24%	17.86%	12.52%	8.86%	9.70%
Building*	0.20%	0.19%	0.18%	0.16%	0.18%	0.00%
Cash Equivalents	5.32%	0.35%	9.20%	2.91%	0.92%	0.00%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*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

For the Year Ended June 30, 2002

Investment Category Benchmark	1-year 2002	3-year 2000-2002	5-year 1998-2002
Total Portfolio	-2.07%	2.31%	7.92%
<i>Total Fund Benchmark*</i>	-5.3%	-0.99%	5.30%
Domestic Equity	-9.70%	-2.42%	7.76%
<i>Russell 3000</i>	-17.24%	-7.92%	3.85%
International Equity	-8.38%	-1.88%	4.50%
<i>EAFE</i>	-9.49%	-6.78%	-1.55%
Domestic Fixed-Income	8.31%	8.14%	7.78%
<i>LehmanAggregate</i>	8.63%	8.10%	7.57%
Cash Equivalents	5.21%	5.56%	5.42%
<i>Average 90-day T-Bill</i>	2.19%	3.72%	4.27%

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

For the Year Ended June 30, 2002

Type of Investment	Fair Value	% of Total Fair Value
Domestic Equity:		
Large Cap	\$1,806,809,846	22.82%
Small/Mid Cap	1,055,848,369	13.33%
Total Domestic Equity	2,862,658,215	36.15%
Domestic Fixed Income	3,416,662,395	43.15%
International Equity	1,202,029,444	15.18%
Cash Equivalents	401,379,296	5.07%
Total Before Other Investments	7,882,729,350	99.55%
Building	15,500,000	0.20%
Cash in State Treasury	20,161,956	0.25%
Total Investments	\$7,918,391,306*	100.0%

*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

For the Year Ended June 30, 2002

Ten Largest Stock Holdings	Shares	Fair Value
Exxon Mobile Corp.	1,548,390	\$ 63,360,118
Citigroup Inc.	1,152,576	44,662,320
General Electric Co.	1,310,400	38,067,120
Pfizer Inc.	1,085,150	37,980,250
Microsoft Corp.	634,800	34,723,560
Bank of America Corp.	432,866	30,456,452
WalMart Stores Inc.	440,700	24,242,907
American Intl Group Inc.	355,238	24,237,889
Philip Morris Cos Inc.	524,600	22,914,528
Procter & Gamble Co.	240,900	21,512,370

Ten Largest Bond Holdings	Par Value	Fair Value
Federal Natl Mtg Assn, 7.0%, 30Yr TBA	130,375,000	\$135,039,980
Federal Natl Mtg Assn, 6.5%, 30Yr TBA	91,622,000	93,039,278
Federal Natl Mtg Assn, 7.0%, 30Yr TBA	57,190,000	59,843,973
U.S. Treasury Notes, 4.375%, Due 5/15/2007	51,355,000	52,061,131
U.S. Treasury Notes, 5.875%, Due 11/15/2004	45,446,000	48,336,082
Federal Natl Mtg Assn, 7.5%, 30Yr TBA	44,040,000	46,083,731
U.S. Treasury Bond, 5.375%, Due 2/15/2031	45,910,000	44,963,106
U.S. Treasury Notes, 3.0%, Due 1/31/2004	39,300,000	39,557,808
Federal Natl Mtg Assn, 7.0%, MBS Pool #622547, Due 9/1/2031	36,358,844	37,653,946
Federal Home Loan Mortgage Corp. , 7.0%, 30Yr TBA	36,000,000	37,299,375

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees and Commissions

Fiscal Year Ended June 30, 2002

	Investment Fees	Commissions
Domestic Fixed Income	\$ 2,518,309	\$ 6,529,324 *
Domestic Equities	8,559,760	3,147,000
International Equity	3,752,965	856,431
Total	14,831,034	10,532,765
Custodian Fees	1,068,812	N/A
Consultant Fees	210,130	N/A
TOTAL	\$16,109,977	\$10,532,755

*Estimated

Actuarial



The Surface Water Quality Bureau of the Environment Department is overseeing the drilling of monitoring wells on the CERCLA Superfund site.



GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

One Towne Square • Suite 800 • Southfield, Michigan 48076 • 248-799-8000 • 800-521-0496 • fax 248-799-9020

October 24, 2002

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, 2002

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, 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, 2002, 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	31.50
Municipal General Division	20.18
Municipal Police Division	33.43
Municipal Fire Division	37.27

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 and general reasonableness prior to its use in the actuarial valuations. It is also summarized and

October 24, 2002

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/bd

Summary of Assumptions and Methods

June 30, 2002

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

Rates of Retirement

Percents Retiring at Indicated Ages (by Coverage Plan)

Retirement Age	<u>State General</u>		State Police	Haz. Duty	<u>Municipal General</u>		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
60	25%	30%	20%	20%	25%	10%	20%	10%
61	25%	35%	20%	20%	30%	15%	20%	10%
62	50%	50%	40%	20%	30%	25%	40%	50%
63	35%	35%	50%	30%	30%	25%	20%	50%
64	35%	35%	50%	40%	30%	25%	25%	50%
65	60%	40%	100%	80%	40%	35%	100%	100%
66	30%	35%		50%	25%	25%		
67	30%	50%		100%	20%	15%		
68	30%	20%			15%	20%		
69	35%	35%			15%	20%		
70	20%	30%			20%	20%		
71-72	20%	30%			10%	25%		
73	20%	20%			15%	25%		
74	20%	20%			50%	50%		
75	100%	100%			100%	100%		

Percents Retiring at Indicated Service (by Coverage Plan)

Retirement Service	<u>State General</u>		State Police	Haz. Duty	<u>Municipal General</u>		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%

Rates of Separation From Active Membership

Percent of Active Members Terminating During Year Ending June 30, 2002

Sample Ages	Yrs. of Service	State General		State	Haz. Duty		Municipal General		Munic. Police		Munic. Fire	
		Men	Women	Police	Men	Women	Men	Women	Men	Women	Men	Women
All	0		35.0%	12.0%	44.0%	20.0%	35.0%	40.0%	30.0%	25.0%	15.0%	10.0%
	1		20.0%	4.0%	35.0%	55.0%	20.0%	20.0%	15.0%	10.0%	10.0%	25.0%
	2		12.0%	3.0%	25.0%	13.0%	11.0%	13.0%	9.0%	10.0%	5.0%	10.0%
	3		11.0%	6.0%	20.0%	20.0%	9.5%	11.0%	9.0%	12.0%	4.0%	8.0%
	4		8.0%	4.5%	9.0%	20.0%	7.0%	8.0%	9.0%	5.0%	3.5%	7.0%
	5			4.5%		10.0%	5.0%	5.5%				
	6			4.5%		10.0%						
	7					10.0%						
20			8.0%	1.5%	9.0%	6.0%	2.0%	12.0%	10.0%	10.0%	3.6%	3.6%
25			5.6%	1.5%	9.0%	6.0%	2.0%	7.8%	6.5%	6.5%	3.6%	3.6%
30			4.2%	1.5%	7.0%	6.0%	2.0%	5.0%	4.1%	4.1%	2.8%	2.8%
35			3.3%	1.5%	4.8%	6.0%	2.0%	3.4%	2.5%	2.5%	1.9%	1.9%
40			2.5%	1.5%	3.3%	6.0%	2.0%	2.7%	1.5%	1.5%	1.3%	1.3%
45			2.0%	1.5%	2.2%	6.0%	2.0%	2.4%	1.0%	1.0%	0.9%	0.9%
50			1.7%	1.5%	1.8%	6.0%	2.0%	2.3%	0.9%	0.9%	0.7%	0.7%
55			1.7%	1.5%	1.8%	6.0%	2.0%	1.9%	0.9%	0.9%	0.7%	0.7%
60			1.6%	1.5%	1.8%	6.0%	2.0%	1.8%	0.9%	0.9%	0.7%	0.7%
65			1.6%		1.8%	6.0%	2.0%	1.8%	0.5%	0.5%	0.7%	0.7%

Member and Employer Contribution Rates

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											
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%					
2002	N/A	N/A	N/A	N/A	7.42%	16.59%					
State Police											
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%									
2002	7.60%	25.10%									
Hazardous Duty											
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%							
2002	N/A	N/A	4.78%	25.72%							
Municipal General											
1997	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%			
1998	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	5.65%	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%			
2002	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											
1997	7.00%	10.00%	7.00%	16.50%	7.00%	20.25%	11.80%	20.25%	15.20%	20.25%	
1998	7.00%	10.00%	7.00%	16.50%	7.00%	20.25%	11.80%	20.25%	15.20%	20.25%	
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%	
2002	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%	
Judicial											
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%	*								
2002	5.00%	9.00%	*								
Magistrate											
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%	*								
2002	5.00%	9.00%	*								

NOTE: Legislative member contribution for the Legislative Division is \$100 for every year of service.

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

Active Member Valuation Data

June 30, 2002

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Average Pay
State General	1997	115	18,008	\$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%
	2002	116	21,311	698,626,579	32,782	4.63%
State Police/ Hazardous Duty	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%
	2002	3	1,356	44,346,817	32,704	4.10%
Municipal General	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%
	2002	164	18,118	527,857,221	29,134	4.01%
Municipal Police	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%
	2002	98	2,109	80,091,903	37,976	2.21%
Municipal Fire	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%
	2002	355	1,136	45,286,480	39,865	3.55%
Legislative	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
	2002	1	111	N/A	N/A	N/A

Active Member Valuation Data

continued

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Average Pay
Judicial	1997	15	86	\$6,536,617	\$76,007	2.48%
	1998	15	87	6,644,159	76,370	0.48%
	1999	15	89	6,734,533	75,669	0.92%
	2000	15	86	6,754,084	78,536	3.79%
	2001	15	86	7,059,793	82,091	4.53%
	2002	15	86	7,507,013	87,291	6.33%
Magistrate	1997	18	58	\$3,178,106	\$54,795	1.06%
	1998	18	57	3,136,017	55,018	0.41%
	1999	18	59	3,263,642	55,316	0.54%
	2000	18	60	3,485,366	58,089	5.01%
	2001	18	61	3,650,670	59,847	3.03%
	2002	18	63	3,996,832	63,442	6.01%
Volunteer FireFighter	1997	346	9,590	N/A	N/A	N/A
	1998	347	10,402	N/A	N/A	N/A
	1999	347	11,304	N/A	N/A	N/A
	2000	350	12,135	N/A	N/A	N/A
	2001	352	5,170 **	N/A	N/A	N/A
	2002	367	5,176	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, 2002

Div/Plan	Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
State General	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
	2002	597	323	9,965	169,971,950	7.96%	17,057
State Police/ Hazardous Duty	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	11,952,426	11.01%	21,497
	2001	36	16	576	12,834,396	7.38%	22,282
	2002	43	9	610	13,959,650	8.77%	22,885
Municipal General	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
	2002	406	160	5,861	90,621,858	10.19%	15,462
Municipal Police	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
	2002	121	21	1,361	36,696,595	12.39%	26,963
Municipal Fire	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
	2002	50	17	927	25,793,500	7.82%	27,825

*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.

Schedule of Retirees and Beneficiaries

continued

Div/Plan	Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
Legislative	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
	2002	5	1	93	295,881	6.81%	3,182
Judicial	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
	2002	3	2	79	3,687,587	3.64%	46,678
Magistrate	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	0	-	35	1,113,919	3.23%	31,826
	2001	1	-	36	1,149,365	3.18%	31,927
	2002	1	-	37	1,234,244	7.38%	33,358
Volunteer	1997	29	-	111	\$132,800	34.96%	\$1,196
Firefighters	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
	2002	16	-	216	256,768	9.17%	1,189

Solvency Test

Aggregate Accrued Liabilities

Division/Plan	Date	Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)
State General	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
	6/30/2002	476,552,721	2,243,623,595	1,441,607,100	4,161,783,416
State Police/ Hazardous Duty	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	162,225,515	141,456,984	358,729,325
	6/30/2002	37,658,994	197,684,474	148,785,082	384,128,550
Municipal General	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
	6/30/2002	566,969,660	1,211,873,457	706,093,035	2,484,936,152
Municipal Police	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
	6/30/2002	164,455,165	559,859,958	176,175,068	900,490,191
Municipal Fire	6/30/1997	56,969,185	240,825,454	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
	6/30/2002	86,410,010	388,190,768	92,812,594	567,413,372
Legislative	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
	6/30/2002	108,638	3,144,000	3,926,362	7,179,000
Judicial	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
	6/30/2002	4,387,293	41,576,215	29,994,990	75,958,498
Magistrate	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
	6/30/2002	1,613,881	14,056,788	13,288,758	28,959,427
Volunteer Firefighter	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
	6/30/2002	N/A	2,777,192	13,350,402	16,127,594

Solvency Test

Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
	(1)	(2)	(3)	(4)
\$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%
3,727,073,225	100%	100%	70%	90%
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%
613,483,181	100%	100%	100%	160%
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%
2,743,565,146	100%	100%	100%	110%
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%
1,116,959,306	100%	100%	100%	124%
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%
562,362,823	100%	100%	95%	99%
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%
5,791,000	100%	100%	65%	81%
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%
61,686,378	100%	100%	52%	81%
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%
32,039,588	100%	100%	100%	111%
12,894,310	N/A	100%	92%	93%
16,247,858	N/A	100%	100%	109%
20,246,292	N/A	100%	100%	125%
24,641,415	N/A	100%	100%	142%
27,991,582	N/A	100%	100%	177%
29,784,088	N/A	100%	100%	185%

Analysis of Financial Experience

PERA FUND	Experience Gain (or Loss) for Year (In Thousands)					
	2002	2001	2000	1999	1998	1997
UAAL at Beginning of Year	\$(426,245)	\$(409,969)	\$ 57,807	\$512,964	\$998,366	\$1,209,119
Normal Cost for Year	262,248	247,027	235,860	237,771	215,829	213,785
Contributions (net of Refunds)	(322,530)	(306,535)	(282,813)	(270,179)	(255,576)	(259,460)
Interest Accrual	(36,512)	(35,486)	2,824	40,150	79,544	96,411
Expected UAAL before Non-Recurring Adjustment	(523,039)	(504,963)	13,678	520,706	1,038,163	1,259,855
Effect of Assumption Changes*	-	249,464	-	-	-	-
Effect of New Employers & Plan Coverage Shifts	-	-	-	-	6,138	6,964
Non-Recurring Audit Adjustment	-	-	(2,599)	(2,597)	(2,801)	(2,802)
Expected UAAL after Adjustments	(523,039)	(255,499)	11,079	518,109	1,041,500	1,264,017
Actual UAAL	(264,692)	(426,245)	(409,969)	57,807	512,964	998,366
Gain (Loss)	\$(258,347)	\$170,746	\$421,048	\$460,302	\$528,536	\$ 265,651

JUDICIAL FUND	Experience Gain (or Loss) for Year					
	2002	2001	2000	1999	1998	1997
UAAL at Beginning of Year	\$11,081,455	\$ 8,589,544	\$10,412,787	\$14,202,115	\$14,757,917	\$14,689,280
Normal Cost for Year	2,489,954	2,231,077	2,226,740	2,072,313	2,037,464	1,910,818
Contributions (net of Refunds)	(2,429,583)	(2,518,036)	(2,475,549)	(2,388,822)	(2,388,822)	(2,595,477)
Interest Accrual	888,931	685,985	838,673	1,145,570	1,196,462	1,177,157
Expected UAAL before Non-Recurring Adjustment	12,030,757	8,988,570	11,002,651	15,031,176	15,603,021	15,181,778
Effect of Assumption Changes*	-	4,278,629	-	-	-	-
Expected UAAL after Adjustments	12,030,757	13,267,199	11,002,651	15,031,176	15,603,021	15,181,778
Actual UAAL	14,272,120	11,081,455	8,589,544	10,412,787	14,202,115	14,757,917
Gain (Loss)	\$(2,241,363)	\$ 2,185,744	\$ 2,413,107	\$ 4,618,389	\$ 1,400,906	\$ 423,861

*Based on experience study completed in 2001

MAGISTRATE FUND	Experience Gain (or Loss) for Year					
	2002	2001	2000	1999	1998	1997
UAAL at Beginning of Year	\$(3,572,815)	\$(3,359,591)	\$(1,723,813)	\$ 400,114	\$1,757,773	\$2,470,980
Normal Cost for Year	1,144,211	1,039,336	967,734	922,616	954,067	1,010,516
Contributions (net of Refunds)	(1,339,240)	(1,477,130)	(1,120,748)	(1,235,793)	(1,235,793)	(1,252,639)
Interest Accrual	(293,626)	(286,279)	(144,026)	19,482	129,353	187,994
Expected UAAL before Non-Recurring Adjustment	(4,061,470)	(4,083,664)	(2,020,853)	106,419	1,605,400	2,416,851
Effect of Assumption Changes*	-	1,350,572	-	-	-	-
Expected UAAL after Adjustments	(4,061,470)	(2,733,092)	(2,020,853)	106,419	1,605,400	2,416,851
Actual UAAL	(3,080,161)	(3,572,815)	(3,359,591)	(1,723,813)	400,114	1,757,773
Gain (Loss)	\$ (981,309)	\$ 839,723	\$ 1,338,738	\$ 1,830,232	\$ 1,205,286	\$ 659,078

VOLUNTEER FIREFIGHTER FUND	Experience Gain (or Loss) for Year					
	2002	2001	2000	1999	1998	1997
UAAL at Beginning of Year	\$(12,184,790)	**	**	**	**	**
Normal Cost for Year	1,813,230	**	**	**	**	**
Contributions (net of Refunds)	(500,000)	**	**	**	**	**
Interest Accrual	(922,254)	**	**	**	**	**
Expected UAAL	(11,793,814)	**	**	**	**	**
Actual UAAL	(13,656,494)	**	**	**	**	**
Gain (Loss)	\$ 1,862,680	**	**	**	**	**

*Based on experience study completed in 2001

**Information not available for years prior to 2002.

Summary of PERA Plan Provisions*

Membership Eligibility – The Public Employees Retirement Association 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 public 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 within 30 days of taking office.

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 – PERA death benefits depend on whether or not the active member’s 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.

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 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 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.

* 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.



Statistical



Biologists from the State Environment Department investigate fish populations to determine the water quality of our rivers.

Schedules of Revenues by Source

Division/Plan	Year	Member Contrib	Employer Contributions		Employer Contrib as a Percent of Covered Payroll	Net Investment Income	Other Income	Total Additions
			Contrib	Docket Fees/ Approp				
PERA	1997	\$118,514,247	\$162,495,955	0	14.57%	\$871,875,359	\$2,029,972	\$1,154,915,533
	1998	115,442,526	165,248,660	0	14.63%	993,791,111	1,773,069	1,276,255,366
	1999	121,824,801	174,324,519	0	14.57%	929,248,330	2,069,678	1,227,467,328
	2000	127,982,964	182,000,473	0	14.50%	834,762,076	2,599,213	1,147,344,726
	2001	137,596,564	196,544,110	0	15.01%	(166,424,502)	1,052,354	168,768,526
	2002	143,832,702	204,734,125	0	14.65%	(175,061,094)	157,259	173,662,992
JUDICIAL	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	0	9,235,301
	2000	365,059	617,537	1,502,163	9.07%	6,099,713	0	8,584,472
	2001	359,386	646,499	1,512,564	9.09%	(1,206,890)	0	1,311,559
	2002	378,579	681,365	1,369,639	9.00%	(1,288,210)	0	1,141,373
MAGISTRATE	1997	166,568	299,831	786,240	9.03%	3,323,900	0	4,576,539
	1998	164,205	295,577	776,012	9.03%	4,067,633	0	5,303,427
	1999	160,971	288,541	789,156	9.03%	3,255,547	0	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%	(532,395)	0	944,736
	2002	193,464	347,788	797,990	9.01%	(610,933)	0	728,308
Volunteer Firefighters	1997	0	0	750,000	N/A	2,792,829	0	3,542,829
	1998	0	0	1,000,000	N/A	3,455,180	0	4,455,180
	1999	0	0	1,000,000	N/A	2,950,023	0	3,950,023
	2000	0	0	1,250,000	N/A	2,659,693	0	3,909,693
	2001	0	0	1,000,000	N/A	(556,750)	0	443,250
	2002	0	0	500,000	N/A	(586,530)	0	(86,530)

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

Schedule of Expenses by Type

Year Ended June 30, 2002

DIV/PLAN	YEAR	Benefit Payments	Refunds	Administrative Expenses		TOTAL
PERA	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
	2002	318,441,086	25,624,513	3,815,183		347,880,782
JUDICIAL	1997	\$2,461,266	\$ 0	\$ 12,026		\$2,473,292
	1998	2,794,381	0	7,335	*	2,801,716
	1999	2,945,389	0	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
	2002	3,498,724	0	9,113		3,507,837
MAGISTRATE	1997	\$ 653,661	\$ 0	\$ 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	1,122,418	13,570	6,129		1,142,118
	2002	1,196,982	2,020	6,754		1,205,756
VOLUNTEER FIREFIGHTER	1997	\$ 118,685	N/A	\$ 1,153		\$ 119,838
	1998	146,668	N/A	0	*	146,668
	1999	172,400	N/A	0		172,400
	2000	211,565	N/A	0		211,565
	2001	232,552	N/A	0		232,552
	2002	246,773	N/A	0		246,773

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

Schedule of Retired Members by Type of Benefit Option

Benefit Option	1997	1998	1999	2000	2001	2002
Normal single life pension terminating on death	5,565	5,887	6,210	6,497	6,835	7,125
Normal two-life 100% survivor pension for retiree & survivor	5,061	5,402	5,847	6,288	6,667	7,016
Normal two-life 50% survivor pension for retiree & survivor	2,258	2,395	2,539	2,702	2,826	2,935
Normal single life with temporary child survivor pension	50	59	68	79	88	96
Disability single life pension terminating on death	404	374	346	295	292	210
Disability two-life 100% survivor pension for retiree & survivor	489	518	534	480	491	470
Disability two-life 50% survivor pension for retiree & survivor	96	98	102	93	88	87
Disability single life with temporary child survivor pension	15	15	15	14	14	13
Preretirement survivor pension	693	692	709	733	736	772
Judicial retirement	73	74	74	78	78	79
Magistrate retirement	26	27	35	35	36	37
Volunteer firefighter retirement	111	130	157	184	200	216
Legislative retirement	70	74	82	84	89	93
TOTAL	14,911	15,745	16,718	17,562	18,440	19,149

Schedule of Average Benefit Payments

Year Ended June 30, 2002

Div/Plan	Year		Years of Credited Service					
			4-10	10-15	15-20	20-25	25-30	30+
ALL PLANS	1997	Average Monthly Benefits	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1998	Average Monthly Benefits	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	1999	Average Monthly Benefits	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2000	Average Monthly Benefits	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2001	Average Monthly Benefits	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2002	Average Monthly Benefits	*	*	*	*	*	*
		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

As of June 30, 2002

Public Employees Retirement Fund:	
State Agencies	119
Municipalities	74
Counties	33
Special Districts	28
Housing Authorities	22
Hospitals	1
Judicial Retirement Fund	15
Magistrate Retirement Fund	18
Volunteer Firefighters Fund	373
TOTAL	683

Deferred Compensation Plan - Section 457

(numbers extracted from ING Aetna report to PERA Board)

Participants at June 30, 2002

Total Plan Participants	12,982
Currently Contributing	8,611
Not Contributing	3,162
Currently Receiving Payout	1,209

Asset Allocation by Asset Class

	Assets as of June 30, 2002	% of Total Assets
Domestic Equity Funds:		
Large Cap Funds	\$82,009,069	40.19%
Mid Cap Funds	2,196,547	1.08%
Small Cap Funds	1,064,904	0.52%
International Equity Funds	3,506,022	1.72%
Balanced Funds	4,322,599	2.12%
Fixed Income Funds	5,973,879	2.92%
Stable Value	104,980,420	51.45%
TOTAL	\$204,053,440	100%

Deferred Compensation Plan Comparative Investment Results

Fiscal Year Ended June 30, 2002

Manager	1-year 2002	3-year 2000-2002	5-year 1998-2002
Aggressive Growth Funds			
American Century Growth	-21.46%	-11.05%	3.23%
American Century Ultra	-17.73%	-8.93%	3.87%
Fidelity OTC	-25.38%	-11.87%	3.26%
Janus Fund	-29.48%	13.46%	3.16%
Growth Funds			
American Century Select	-19.96%	-10.78%	3.16%
Dreyfus Third Century	-25.97%	-13.93%	0.43%
Growth Fund of America	-21.27%	-0.87%	11.50%
MFS Mass Investors Growth	-26.17%	-10.95%	5.41%
Small Cap Funds			
Dreyfus Emerging Leaders	-12.83%	2.45%	10.05%
Large Cap Value Funds			
Fidelity Equity and Income	-10.19%	-3.00%	5.19%
Core Equity Funds			
Fidelity Contrafund	-3.57%	-3.30%	7.99%
Fidelity Growth & Income	-13.18%	-6.04%	4.61%
Fidelity Magellan Fund	-20.11%	-9.48%	4.25%
Nationwide Fund	-9.89%	-9.01%	3.59%
Vanguard 500 Index	-18.11%	-9.21%	3.63%
Mid Cap Funds			
MAS Midcap Value	-20.29%	-1.57%	8.25%
Neuberger Berman Manhattan	-31.10%	-9.96%	-0.73%
International Funds			
American EuroPacific Growth	-8.53%	-1.45%	3.83%
T. Rowe Price International	-10.28%	-7.02%	-2.24%
Fixed-Income Funds			
Bond Fund of America	3.25%	5.03%	5.24%
Deutsche Cash Management	2.45%	4.71%	4.96%
Fidelity Capital & Income	-14.40%	-8.40%	-0.27%
MFS High Income	-3.67%	-2.58%	-0.95%
Balanced Funds			
Evergreen Equity Income	-9.81%	-0.38%	4.94%
Income Fund of America	-0.19%	3.61%	7.11%
Invesco Industrial Income	-13.92%	-5.22%	3.51%
Stable Value Fund	5.67%	5.69%	5.86%



Members of the New Mexico Environment Department at work.

www.state.nm.us/pera

Please access our website for more information on benefits seminars, to read recent press releases, learn more about our Board and Board meetings, the administrative staff, and to download forms for employees, employers, and retirees. Information on investments is updated four times a year. Member services receives email at memberservices@pera.state.nm.us, Board members at peraboard@pera.state.nm.us, the liaison officer at peratraining@pera.state.nm.us.