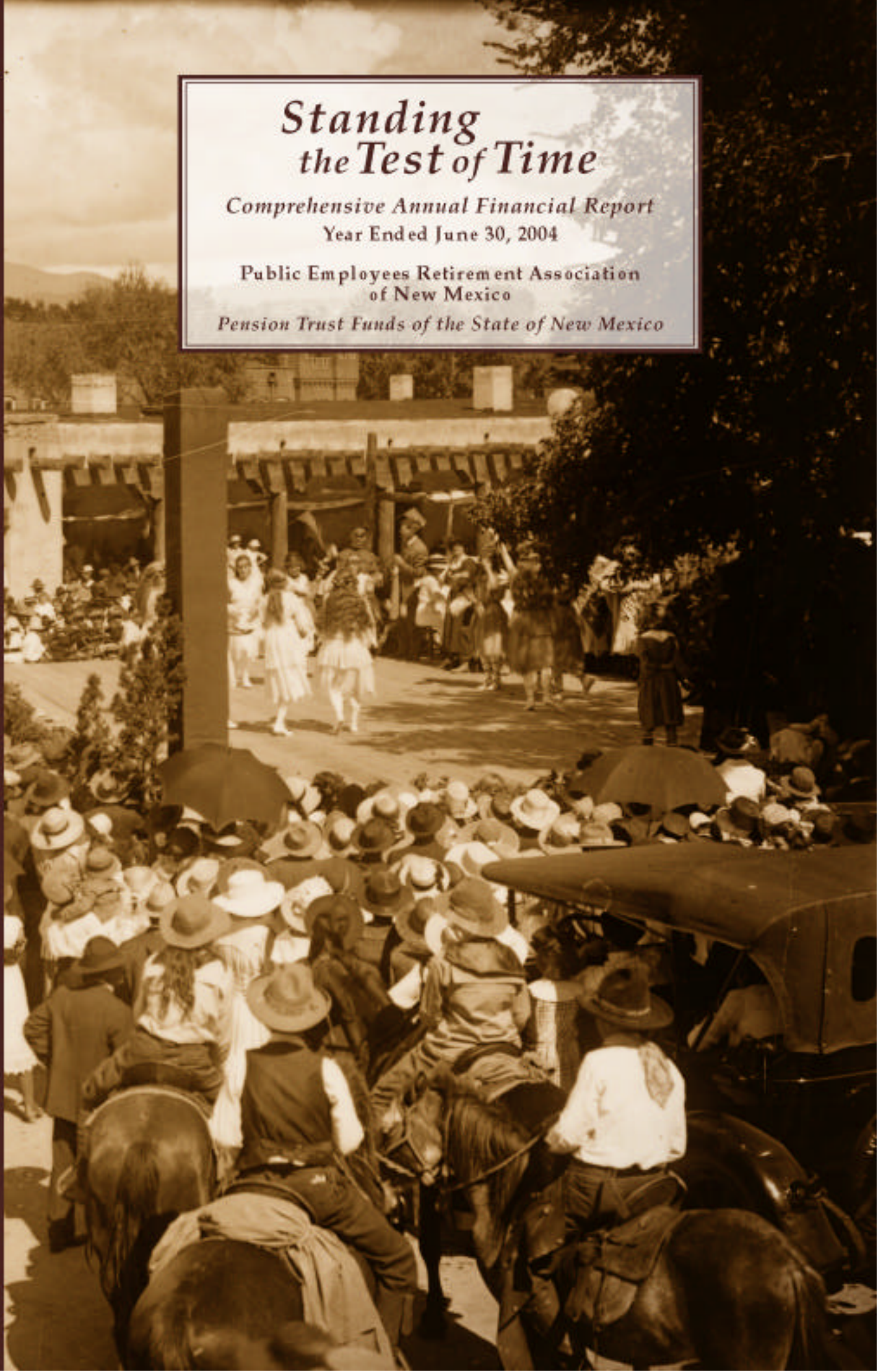


Standing the Test of Time

*Comprehensive Annual Financial Report
Year Ended June 30, 2004*

**Public Employees Retirement Association
of New Mexico**

Pension Trust Funds of the State of New Mexico



Comprehensive Annual Financial Report

Public Employees Retirement Association of New Mexico
Pension Trust Funds of the State of New Mexico

For the Fiscal Year ended June 30, 2004

Prepared by PERA staff

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Mexico Public Employees Retirement Association

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.



Edward Hanafin
President

Jeffrey R. Enos
Executive Director



**Public Employees
Retirement Association**
of New Mexico

INTRODUCTORY SECTION



Mescalero Apache Camp Tularosa Valley, Circa 1885



*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

PERA BOARD CHAIRMAN'S LETTER



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
www.state.nm.us/pera/home.htm

JEFF A. VARELA, Chairman
State Member

TERRY SLATTERY, CEBS
Executive Director

November 19, 2004

Dear PERA Members and Members of the Legislature:

Once again it is my pleasure to report to you that for another fiscal year, our PERA fund overall is in sound condition.

Evidence of PERA's sound financial condition is provided for in this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004.

For this reporting period the PERA fund had a positive investment return of 15.55%, exceeding our actuarial benchmark of 8%, and bringing the fund's total net assets to \$9.4 billion. PERA's investment performance continues to place PERA in the top quartile of large public pension funds throughout the U.S.

While this is good news for the fund and membership, we must continue to be prudent and disciplined into the future. Your elected PERA Board continues to adhere to its fiduciary responsibilities and provide the policy guidance for PERA staff to execute. We cannot make commitments and promises for enhanced benefits and new retirement plans before we ensure that we are paying for current benefits to retirees and future benefits for active employees!

As I depart from the Chairmanship and from the PERA Board, I wish to extend my sincere appreciation to you and the PERA staff for the experience of serving on the Board.

It has been my pleasure to have served as Chairman for 3 of my 6-year tenure on the Board.

Good luck to all of you!

Sincerely,

A handwritten signature in black ink that reads "Jeff A. Varela".

Jeff A. Varela
PERA Board Chairman
State Member

1120 Paseo de Peralta, Santa Fe, NM 87501-2700

Toll Free in New Mexico 1-800-342-3422

PERA BOARD MEMBERS



Jeff A. Varela
Chair
Administrative Office
of the Courts
State Member



David A. Baca
Vice Chair
County of Bernalillo
County Member



**The Honorable
Rebecca Vigil-Giron**
Secretary of State
Ex-Officio Member



**The Honorable
Robert E. Vigil**
State Treasurer
Ex-Officio Member



Danny Sandoval
Children, Youth &
Families Department
State Member



Jeff Riggs
Department of Finance
and Administration
State Member



Hamish Thomson
Office of
Attorney General
State Member



Susan H. Biernacki
City of Albuquerque
Municipal Member



Lou Hoffman
City of Albuquerque
Municipal Member



Cynthia Borrego
City of Albuquerque
Municipal Member



Jerry J. Rael
Retired Member



Victor A. Montoya
Retired Member



PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO PUBLIC EMPLOYEES RETIREMENT BOARD

P.O. Box 2123
Santa Fe, New Mexico 87504-2123
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JEFF A. VARELA, Chairman
State Member

TERRY SLATTERY, CEBS
Executive Director

October 31, 2004

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, 2004(FY04). 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 31.

Fiscal Year 2004 Highlights

New federal legislation went into effect January 1, 2002 that enabled members to directly roll over funds from their deferred compensation plan to purchase service credit in PERA. This resulted in a significant increase in service purchases processed by PERA staff in Fiscal Years 2002, 2003 and 2004. Furthermore, legislation passed during the 2003 New Mexico legislative session permits PERA members to purchase up to twelve months of service credit independent of time worked ("air time"), subject to certain conditions. These purchases can be made with rollover deferred compensation funds. Although the effective date of the legislation was July 1, 2003, it is anticipated that the trend of increased service credit purchases will continue to rise as a result of the federal and New Mexico legislation.

Report Contents and Structure

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 26 to 28.
- 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.

Summary of Financial Information

The following schedule is a summary of the Fund's additions and deductions for the years ended June 30, 2004, and June 30, 2003.

	June 30, 2004	June 30, 2003
Additions	\$1,626,503,334	\$642,039,295
Deductions	(423,709,871)	(381,919,894)
Net Change	\$1,202,793,463	\$260,119,401

Additions increased by \$984,464,039 primarily due to an increase in net investment income of \$969,148,722. Deductions increased by \$41,789,977 primarily due to an increase of \$38,128,407 in benefit payouts for the year.

Plan Financial Condition

The funding objective of PERA is to meet long-term benefit promises through contributions, which remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on page 45. During the year ended June 30, 2004, the funded ratio of PERA, which covers approximately 75,000 participants, decreased from 97% to 93%, primarily as a result of plan investment

PERA EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

experience during the 2000-2002 period. Additional information regarding the financial condition of the various component funds of PERA can be found in the Actuarial Section of this report.

Investment Activity

PERA's investment portfolio produced a total return, gross of expenses, of 15.55% for the year ended June 30, 2004. The policy benchmark return for the year was 14.17%. The fund has achieved its goal of adding value over its policy benchmark and, for the longer term, has exceeded the actuarial target rate of an 8% annualized return by 3.22% in absolute terms and 40.25% in relative terms (11.22% vs. 8.0%).

The Board receives formal reports twice monthly on the status of PERA's investments. The investments are tracked daily by the Investment Division staff. External investment managers who are underperforming can be summoned to make special appearances before the Board to account for their underperformance and to describe remedial steps the manager proposes to take. Placement on a "watch list" and contract termination are further options for underperforming investment managers.

The investment return in FY 2004 was 15.55%, allowing PERA to beat its policy target benchmark. It is also worth noting that total investment earnings over the past 10 years exceeded \$ 5.844 billion (based on total combined assets of all funds administered by PERA of \$3.081 on June 30, 1994) and the annualized return over the 10-year period was 11.22%.

Additional information regarding the investment results for the year is included in the Investment Section of this report.

Legislation Enacted During the 2004 Legislative Session

In 2004 the New Mexico Legislature modified the requirement for re-employed PERA retirees. As of March 2004, PERA retirees who return to work for affiliated employers are required to pay PERA contributions on all earnings exceeding \$25,000.00 in a calendar year until the termination of employment with the affiliated employer. The requirement of employer contributions for re-employed PERA retirees was unchanged, and is still required from the inception of that employment. At the end of 2006, however, contributions by the re-employed PERA retirees will no longer be required, and the actuarially determined contributions on behalf of re-employed PERA retirees will be paid solely by the affiliated employers employing them. As an exception to these requirements, legislation was also enacted to exempt retired PERA members who are employed by the Legislature during a legislative session from making PERA contributions.

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 continuously with PERA staff to oversee the design and construction of the system. Implementation of the Phase I of the new system is anticipated to occur in early 2005. 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.

Management Responsibility for Financial Reporting

PERA has established and maintains a system of internal controls designed to provide reasonable assurance that assets are properly safeguarded, transactions are properly executed, and financial statements are reliable. In addition, internal audit personnel provide a continuing review of the internal controls and operations of PERA, and the Internal Auditor regularly reports to the PERA Board's Audit & Budget Committee. The Committee reviews the audit findings and recommendations for improvements in internal control and operational efficiency and the actions of management to implement such recommendations.

Independent Audit

An annual audit of PERA's Financial Statements has been performed this year by the independent accounting firm of Neff & Ricci 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.

CAFR for FY03

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, 2003. This was the fourth year that PERA had applied for the GFOA award and the fourth 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.

PERA EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

Conclusion

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. 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
Xochitl Costales, administrative secretary
Patricia Thaxton, liaison officer
Steve Voet, planning, policy and budget

ADMINISTRATIVE SERVICES

Lee Ann Rael, comptroller
Lynn Coles, financial manager
Alex Coriz, accountant auditor
Jodi Francisco, accountant auditor
Sheila Martinez, mailroom
Sharon Moya, accountant auditor
Art Trujillo, accountant auditor
vacant, accountant auditor

CONTRIBUTION ACCOUNTING

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

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
Kevin Payne, software engineer
vacant, IS network specialist I

INVESTMENTS

Robert Gish, director of investments
Dominic Garcia, deputy director of investments
Fred Reynolds, deputy director of investments
Debbie O'Dell, investment officer
Barbara Montoya, investment officer
Sandra Perez, investment officer

LEGAL DIVISION

Susan Pittard, general counsel
Christopher Bulman, assistant general counsel
Maryanne Reilly, assistant general counsel
Judy Olson, administrator III
Theresa Vargas, legal assistant II

RECORDS

Mark Sanchez, records/imaging administrator
Albert Martinez, clerk IV
Joy Lujan, clerk IV
Vanessa Ytuarte, clerk specialist

MAINTENANCE

Gene Powers, property manager
Miguel Archuleta, maintenance and repair
Lillian Baca, custodial worker
Becky Chavez, custodial worker
Victor M. Diaz, custodial worker
Monica Fresquez, custodial worker
Anselmo Gomez, custodial worker
Sergio Gutierrez, maintenance and repair
Richard Kelly, custodial worker
Ronald La Pointe, maintenance and repair
Thomas Lopez, maintenance and repair
Eric Martinez, maintenance and repair
Nicole Montoya, office clerk
Armando Munoz, custodial worker
Chris Quintana, maintenance and repair
Steve Quintana, maintenance and repair
Benny Vigil, custodial worker
William Vigil, custodial worker
John Waterman, custodial worker
Joe Zamora, maintenance and repair

MEMBER SERVICES

Andrew Clark, bureau chief
Janice Campos, public relations specialist
Carla Romero, customer service representative

CUSTOMER SERVICES

Jackie Nielsen, manager IV
Linda Dominguez, customer service representative
Mandy Garcia, customer service representative
Angel Lujan, customer service representative
Ramona Moore, customer service representative
vacant, customer service representative

QUALITY CONTROL

Monica Varela, manager IV
Rose Rael, disability administrator
Angela Romero, 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

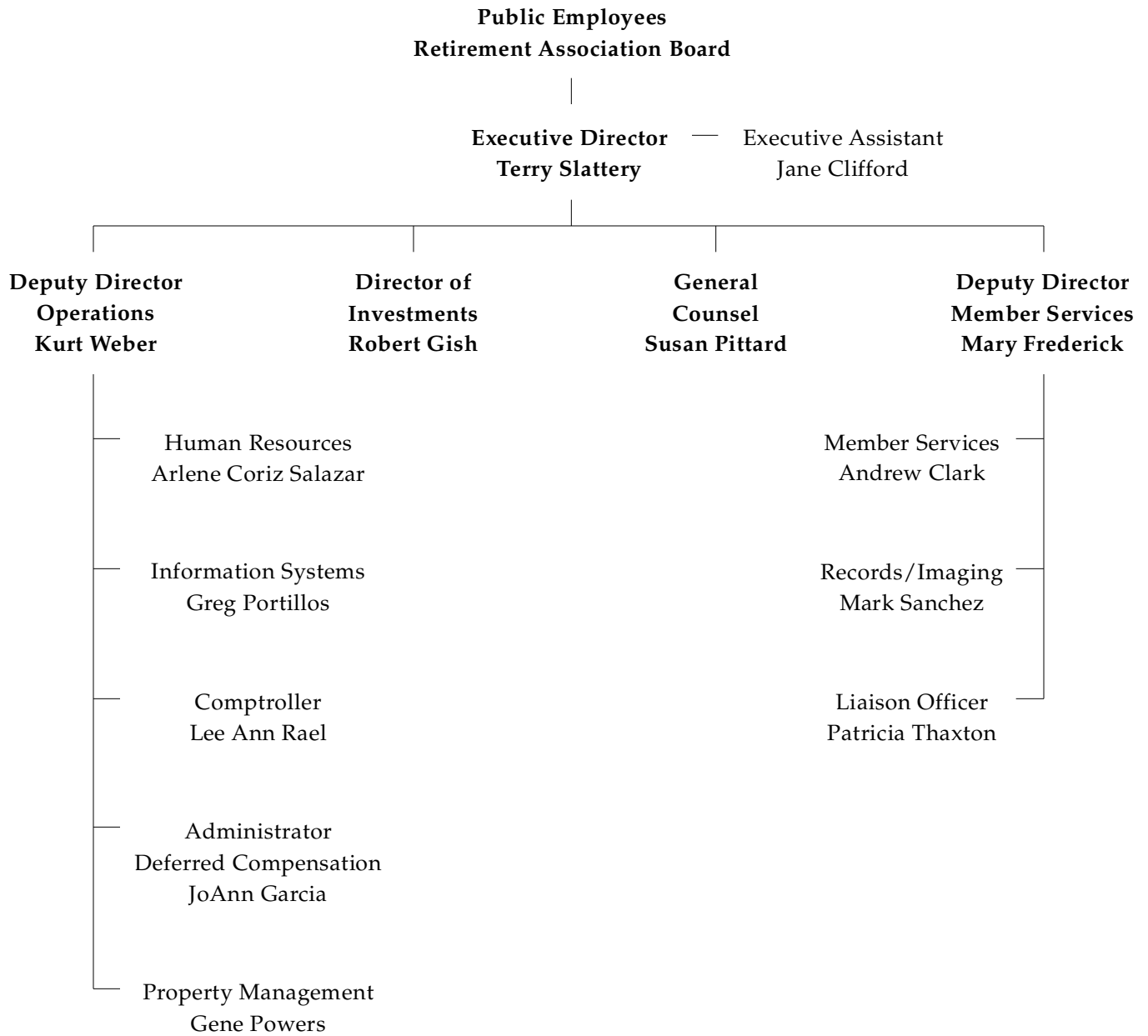
USER ADMINISTRATION

Vince Jaramillo, database administrator I
Leslie Miller, computer support specialist
Jessica Perea, management analyst
Jim Risinger, computer database administrator

ANNUITANT PAYROLL

Nora Solano, manager IV
Christy Trujillo, office clerk

PERA ORGANIZATIONAL CHART



PERA AT A GLANCE

June 30, 2004

	June 30, 2004	June 30, 2003
PERA Members	50,684	49,583
State	22,038	22,624
Municipal	23,109	21,334
Judicial	104	84
Magistrate	50	67
Volunteer Firefighters	5,274	5,362
Legislative	109	112
Retired Members and Beneficiaries	21,262	20,095
State	11,550	11,032
Municipal	9,180	8,598
Judicial	88	87
Magistrate	44	46
Volunteer Firefighters	272	234
Legislative	128	98
Retirement Benefits	\$393,655,714	\$354,941,367
Contribution Refunds	\$28,176,794	\$25,985,842
Participating Employers	688	686
State	119	119
Municipal	77	75
Counties	33	33
Housing Authorities	22	22
Special Districts	30	30
Hospitals	1	1
Volunteer Fire Departments	373	373
Judicial	15	15
Magistrate	18	18
Contributions		
Member contributions	\$152,171,839	\$147,158,261
Employer contributions	\$226,432,022	\$216,973,218
Total PERA Net Assets	\$9,416,788,939	\$8,198,255,352

MEMBER COMMUNICATIONS

Member Services

Providing quality customer service to our members is one of the most important functions of PERA.

The Member Services Division staff 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. PERA staff processed over 1,382 retirement applications in FY04.

The PERA staff is responsible for preparing benefit estimates, assisting members with understanding retirement procedures, preparing military service calculations, processing refund requests and assisting members with death benefit claims. Member Services also prepares adjustments to PERA retiree pension checks to reflect the yearly Cost-of-Living Adjustment (COLA).

Publications

Approximately 66,000 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. Special publications were distributed to active members and retirees after the legislative session, explaining the changes to PERA plans and how members and retirees would be affected. PERA created a new brochure to assist members with questions about divorce and their PERA benefits. All publications are available on the PERA website or by contacting PERA at the numbers listed at the front of this report.

Public Relations

Executive Director Terry Slattery has continued his mission of meeting with agency affiliates throughout the state. City and county managers, financial

directors and governing commissions and councils were updates on the PERA fund status and legislative changes. The executive director visited the following affiliates: the cities and towns of Moriarty, Santa Rosa, Bernalillo, Fort Sumner, and Las Vegas; Los Alamos, Guadalupe, Otero, DeBaca, Colfax and Mora counties and the New Mexico Municipal League and the Carlsbad Irrigation District as a potential affiliate. He also made a presentation at the annual meeting of the New Mexico Association of Counties in Farmington.

Benefits Training

This year, the PERA liaison officers in the Santa Fe and Albuquerque offices conducted over 29 seminars statewide. PERA continues to expand training sessions for members and affiliates.

Annual Statements and 1099-R Forms

Annual statements of account for individual members are mailed directly to each active member in July, providing a summary of account transactions and member contribution balances. Member 1099-R forms are mailed each January to retirees as well as annual notifications of Cost-of Living Adjustments (COLAs).

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. PERA strives to make the latest information available to its members, retirees and affiliates.

PROFESSIONAL CONSULTANTS

Actuary

Gabriel, Roeder, Smith & Co.
One Towne Square, Suite 800
Southfield, Michigan 48076-3723

Auditor

Neff & Ricci, LLP
Consultants & Certified Accountants
6100 Uptown Blvd. NE Suite 400
Albuquerque, New Mexico 87110

Investment Consultant

Callan Associates, Inc.
1660 Wynkoop, Suite 950
Denver, Colorado 80202

Pension Administration System Consultant

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

FINANCIAL SECTION



Bridge Street, Las Vegas, Circa 1890



**Public Employees
Retirement Association**
of New Mexico



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 Firefighter 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, 2004, as listed in the 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, 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 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 of New Mexico as of June 30, 2004, and the changes in its financial position, 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, 2004, and changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the individual financial statements of each Fund referred to above present fairly, in all material respects, the financial status of each of the individual funds administered by PERA as of June 30, 2004, 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.

INDEPENDENT AUDITORS' REPORT

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

Management's Discussion and Analysis and 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 Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the individual Fund financial statements that collectively comprise PERA's financial statements. The additional information listed in the table of contents, is presented for purposes of additional analysis and is 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.

Neff + Ricci LLP

October 15, 2004
Albuquerque, New Mexico

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

This discussion and analysis of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighter Retirement Fund (collectively, the "Funds") of the Public Employees Retirement Association of New Mexico (PERA) for the year ended June 30, 2004 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 increased during the fiscal year by \$1.22 billion. All individual pension funds experienced an increase in net assets.
- The increase in net assets was due to a combination of contributions revenue of \$383.3 million and investment income of \$1.26 billion then reduced by the cost of benefit payments, refunds, and other expenses.
- Total assets were increased by \$2.11 billion due primarily to an increase in the cash, investments and broker receivable amounts.
- Benefit payments to retirees increased due to an increased number of retirees, and refunds of member contributions only slightly increased.

PERA Highlights

Since fiscal year 2001, PERA has received appropriations of \$14.7 million to purchase and implement a retirement membership information system. PERA issued a request for proposals in the fall of 2000. Proposals were received and evaluated in the spring of 2001, 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. Phase 1 was delayed and is scheduled for conversion during FY05; the final phase is also projected for

conversion during FY05. 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 Funds of PERA include Statements of Plan Net Assets and Changes in Plan Net Assets for the four retirement funds administered by the Agency. The financial statements also include notes 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 and affiliates, 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	2004	2003
Assets	\$11,483,271,098	\$9,376,839,789
Liabilities	2,066,482,159	1,178,584,437
Net Assets	9,416,788,939	8,198,255,352
Change in Net Assets	\$1,218,533,587	\$262,794,015

The increase in assets from fiscal year 2003 to fiscal year 2004 is due primarily to an increase in cash and investments. Liabilities are also higher due to a increased securities lending liability and broker payables. The total net assets held by PERA increased during the fiscal year ended June 30, 2004 by \$1,218,533,587, primarily due to investment revenue and contributions offset by benefit and refund payments. All four funds participate in an investment pool and share in investment earnings based on the fund's equity percentage in the pool.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The most significant pension plan administered by PERA included the following balances at the years ended June 30, 2004 and 2003:

PERA FUND	2004	2003
Cash & equivalents	\$780,173,575	\$428,728,707
Receivables	942,145,851	479,217,485
Investments	9,601,605,488	8,338,214,333
Property & Equipment	1,475,560	893,753
Other	26,255	26,255
Total Assets	\$11,325,426,729	\$9,247,080,533
Accounts Payable	1,425,770,335	931,706,951
Accrued Exp & Other Liabilities	611,913,895	230,424,546
Total Liabilities	\$2,037,684,230	\$1,162,131,497
Net Assets Held in Trust	\$9,287,742,499	\$8,084,949,036

The following schedule shows a comparison of changes in plan net assets for the major fund during fiscal years ended June 30, 2004 and 2003:

PERA FUND	2004	2003
ADDITIONS:		
Contributions	\$378,482,858	\$363,526,510
Invest Income (less Inv Exp)	272,070,899	238,606,301
Net Appreciation of FV Invest	975,692,252	39,708,128
Other Income	257,325	198,358
Total Additions	\$1,626,503,334	\$642,039,297
DELETIONS:		
Benefit Payments	(387,306,615)	(349,178,208)
Refunds	(28,146,201)	(25,985,842)
Administrative Expenses	(8,257,055)	(6,755,844)
Total Deletions	(423,709,871)	(381,919,894)
Net Increase/(Decrease)	\$1,202,793,463	\$260,119,403

MANAGEMENT'S DISCUSSION AND ANALYSIS

Individual Fund Comparative Balances

The individual funds increased their net assets due to the investment gains and contributions across the funds. The gains were offset by benefit and refund payments, as well as by other administrative expenses. Administrative expenses increased because of the professional services contracts to design and implement a new retirement system:

NET ASSETS	2004	2003	% Increase
Public Employees Retirement Fund	\$9,287,742,499	\$8,084,949,036	14.9 %
Judicial Retirement Fund	65,786,811	55,439,591	18.0 %
Magistrate Retirement Fund	30,201,556	29,659,210	3.0 %
Volunteer Firefighter Fund	33,058,073	28,207,515	17.2 %
Total – All Funds	\$9,416,788,939	\$8,198,255,352	

The Magistrate Retirement Fund did not increase at the same rate as the other funds due to a legislative transfer of judges from the Magistrate Retirement Plan to the Judicial Retirement Plan. Net assets of \$3,290,962 actuarially associated with the transferred judges was transferred out of the Magistrate Retirement Fund and into the Judicial Retirement Fund.

Budget Comparisons

PERA has no general fund; budgetary variances are therefore not discussed.

Capital Assets

The PERA Building is considered an investment to the PERA Fund and therefore is not accounted for as a capital asset. The building was appraised in fiscal year 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, 2004 and 2003:

Carrying Value	2004	2003
Property & Equipment	\$1,466,701	\$869,529
Computer Improvement Plan	8,859	24,224
Total	\$1,475,560	\$893,753

Long-Term Debt

There was no long-term debt activity.

Infrastructure

PERA has no infrastructure to report.

Financial Contact

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

STATEMENTS OF PLAN NET ASSETS

June 30, 2004

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Assets					
Cash and cash equivalents	\$780,173,575	\$5,503,124	\$2,682,126	\$2,759,095	\$791,117,920
Receivables:					
Accrued investment income	35,381,470	237,354	128,634	126,607	35,874,065
Accounts receivable – brokers	883,799,876	6,238,121	2,899,247	3,164,224	896,101,468
Contributions receivable	20,823,255	209,212	117,087		21,149,554
Accounts receivable – other	1,937,806	2,839			1,940,645
Interfund receivable	203,444	348,326			551,770
Investments, at fair value:					
U.S. Government and agency securities	2,160,921,672	15,252,424	7,088,760	7,736,638	2,190,999,494
Corporate equity securities	4,288,723,342	30,271,077	14,068,872	15,354,699	4,348,417,990
Corporate obligations	697,901,523	4,925,995	2,289,420	2,498,661	707,615,599
International securities	1,827,715,908	12,913,003	5,982,818	6,543,694	1,853,155,423
Total	\$8,975,262,445	\$63,362,499	\$29,429,870	\$32,133,692	\$9,100,188,506
Securities lending collateral investments	\$610,843,043	\$4,311,417	\$2,003,925	\$2,186,970	\$619,345,355
Investment in building	15,500,000				15,500,000
Total Investments	\$9,601,605,488	\$67,673,916	\$31,433,795	\$34,320,662	\$9,735,033,861
Capital assets, net	\$1,475,560				\$1,475,560
Other assets	26,255				26,255
Total Assets	\$11,325,426,729	\$80,212,892	\$37,260,889	\$40,370,588	\$11,483,271,098
Liabilities					
Accounts payable – brokers	\$1,418,661,336	\$10,013,331	\$4,653,824	\$5,079,161	\$1,438,407,652
Accounts payable – other	7,108,999				7,108,999
Accrued expenses and other liabilities	1,045,764				1,045,764
Compensated absences	202,393				202,393
Interfund payable		102,491	402,261	47,018	551,770
Securities lending liability	610,665,738	4,310,259	2,003,248	2,186,336	619,165,581
Total Liabilities	\$2,037,684,230	\$14,426,081	\$7,059,333	\$7,312,515	\$2,066,482,159
Net Assets Held in Trust for Pension Benefits					
(A Schedule of Funding Progress for each fund is presented on page 45)	\$9,287,742,499	\$65,786,811	\$30,201,556	\$33,058,073	\$9,416,788,939

See notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

June 30, 2004

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Additions					
Contributions:					
Employer	\$223,058,780	\$2,594,232	\$779,011		\$226,432,023
Member	151,568,209	454,630	149,000		152,171,839
Appropriation from State of New Mexico – Fire Protection Fund				\$750,000	750,000
Service credits purchased	3,855,869	80,178			3,936,047
Total Contributions	\$378,482,858	\$3,129,040	\$928,011	\$750,000	\$383,289,909
Investment income:					
Interest	\$179,321,674	\$1,151,456	\$619,993	\$608,199	\$181,701,322
Dividends	103,260,777	699,535	375,143	368,589	104,704,044
Real estate operating income, net Net appreciation in fair value of investments	891,535				891,535
Securities lending income	975,692,252	6,649,002	3,549,509	3,472,425	989,363,188
	4,443,010	30,890	15,144	5,895	4,504,939
	\$1,263,609,248	\$8,530,883	\$4,559,789	\$4,465,108	\$1,281,165,028
Less securities lending expenses	(2,842,931)	(20,066)	(9,326)	(10,178)	(2,882,501)
Less other investment expense	(13,003,166)	(89,281)	(47,712)	(47,018)	(13,187,177)
Net Investment Income	\$1,247,763,151	\$8,421,536	\$4,502,751	\$4,407,912	\$1,265,095,350
Other Income	\$257,325				\$257,325
Total Additions	\$1,626,503,334	\$11,550,576	\$5,430,762	\$5,157,912	\$1,648,642,584
Deductions					
Benefit payments	\$387,306,615	\$4,450,515	\$1,591,230	\$307,354	\$393,655,714
Refunds to terminated employees	28,146,201	30,593			28,176,794
Administrative expenses	8,257,055	13,210	6,224		8,276,489
Transfers, net		(3,290,962)	3,290,962		
Total Deductions	\$423,709,871	\$1,203,356	\$4,888,416	\$307,354	\$430,108,997
Net Increase	\$1,202,793,463	\$10,347,220	\$542,346	\$4,850,558	\$1,218,533,587
Net Assets Held in Trust for Pension Benefits					
Beginning of year	\$8,084,949,036	\$55,439,591	\$29,659,210	\$28,207,515	\$8,198,255,352
End of year	\$9,287,742,499	\$65,786,811	\$30,201,556	\$33,058,073	\$9,416,788,939

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

1. General Description of the Association and Retirement Funds

General

The Public Employee 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 funds are as follows:

Public Employees Retirement Fund –
CAS fund #606

Public Employees Retirement Fund –
Maintenance – CAS fund #370 *

Judicial Retirement Fund – CAS fund #603

Magistrate Retirement Fund – CAS fund #604

Volunteer Firefighters Retirement Fund –
CAS fund #607

Deferred Compensation Fund –
Administration – CAS fund #755 *

Social Security Fund – CAS fund #608 *

* These funds are combined with fund #606 in 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.

NOTES TO FINANCIAL STATEMENTS

Eligibility for membership in the Public Employees Retirement Fund is set forth in Section 10-11-3, NMSA 1978. Except as provided for in the Volunteer Firefighters Retirement Act (Sections 10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (Sections 10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (Sections 10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service. Members of the State Legislative Division may retire at any age with 14 years of credited service. Generally, the amount of normal retirement pension is based on final average salary, which is defined as the average of salary for the 36 consecutive months of credited service producing the highest 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 or \$500 multiplied by the number of years of credited service. Benefits for duty and non-duty death and disability and for post retirement survivors' annuities 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 7% to

25.72%. Contribution rates are established by State statute for all members. Members of the State Legislative Division contribute \$100, \$200 or \$500 for each year of credited service depending on the plan; 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, 2004, was determined by the actuary to be \$1,678,409.

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

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

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

Magistrate Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Section 10-12C-4, to

NOTES TO FINANCIAL STATEMENTS

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 5 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 5 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 or 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 situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in NMSA 1978 10-11A-2. 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 fire fighter 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 2004 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

Membership

At June 30, 2004, the number of participating government employers were:

State Agencies	119
Cities	77
Counties	33
Special Districts	30
Housing Authorities	22
Hospitals	1
Total	282
Judicial Retirement Fund	15
Magistrate Retirement Fund	18
Volunteer Firefighters Retirement Fund	373

At June 30, 2004, membership was as follows:

Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
Retirees and Beneficiaries Receiving Benefits			
20,858	88	44	272
Terminated Plan Members Not Yet Receiving Benefits			
3,333	15	12	N/A
Active Plan Members			
42,256	104	50	5,274

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.

NOTES TO FINANCIAL STATEMENTS

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 value 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 in the fair value of investments, interest income, divi-

dend income, securities lending income, rental income, and investment expenses, which include 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 Employee 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 pool are either 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, 2004, are as follows:

	Investment Pool
Public Employees Retirement Fund	98.63%
Magistrate Retirement Fund	.32
Judicial Retirement Fund	.70
Volunteer Firefighters Retirement Fund	.35
Total	100.00%

Capital Assets — Capital assets costing in excess of \$1,000 used in the plan operations consist 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.

NOTES TO FINANCIAL STATEMENTS

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 — New Mexico Statutes Annotated 1978, Sections 10-11-123, 10-12B-3, and 10-12C-3, 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 2004 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 expense 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 of interest as deter-

mined by the Board for fiscal year 2004 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, 2004 are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
Member Contribution Fund	\$1,542,718,779	\$4,634,854	\$1,850,875
Employers Accumulation Fund	1,778,680,290	24,444,164	16,129,838
Retirement Reserve Fund	5,966,343,430	36,707,793	12,220,843
Total	\$9,287,742,499	\$65,786,811	\$30,201,556

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, 2004, the Social Security Fund had assets of \$507,852. 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 and affiliates a deferred compensation plan under NMSA 1978, Sections 10-7A-1 through 10-7A-12, the "Deferred Compensation Act," in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their income until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. PERA is the trustee of the Deferred Compensation Plan (the "Plan"); however, the Plan is administered by a third-party

NOTES TO FINANCIAL STATEMENTS

administrator (the “Administrator”) acting under contract with PERA. The Administrator has authority to control and manage the operation of the Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Plan, and has certain discretionary authority to decide all matters under the Plan. As Plan trustee, PERA’s primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan. At June 30, 2004, PERA had \$406,141 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 \$4,323 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, 1120 Paseo de Peralta, Santa Fe, New Mexico 87501, or calling (505) 827-4700.

Actuarial Valuation — The information included in

the required supplementary information as listed in the foregoing table of contents is based on the actuarial valuations performed as of June 30, 2004, 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. Cash and Cash Equivalents

As of June 30, 2004, cash consisted of the following:

Depository Name	Account Type	Account Number	Reconciled PERA Balance at June 30, 2004	Subsequent Items Processed by DFA	DFA Balance at June 30, 2004
State Treasurer	Checking	366-01	\$11,504,388	—	\$11,504,388
State Treasurer	Checking	366-02	2,427,286	—	2,427,286
State Treasurer	Checking	202-02	101,025	—	101,025
State Treasurer	Checking	366-07	171,432	—	171,432
State Treasurer	Checking	366-05	18,935	—	18,935
State Treasurer	Checking	366-03	406,141	—	406,141
State Treasurer	Checking	368-01	481,134	—	481,134
			\$15,110,340	—	\$15,110,340

NOTES TO FINANCIAL STATEMENTS

4. 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	\$791,117,920
Investments	\$9,735,033,861
Total	\$10,526,151,781

As Presented in the Schedules Below:

Carrying Amount of Deposits at State Treasurer's Office	\$15,110,341
Investments	10,511,041,440
Total	\$10,526,151,781

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. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments. 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	\$41,032,794	\$11,504,388
PERA Building Maintenance	2,427,428	2,427,286
Deferred Compensation Operating Account	406,141	406,141
Judicial Retirement Fund	429,737	101,025
Volunteer Firefighters Retirement Fund	47,261	18,935
Magistrate Retirement Fund	286,400	171,432
Social Security Fund	481,134	481,134
Total Deposits at State Treasurer's Office	\$45,110,895	\$15,110,341

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 6.

NOTES TO FINANCIAL STATEMENTS

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 Investments:				
U.S. Government and Agency Securities	\$1,779,205,891			\$1,779,205,891
Corporate Equity Securities	3,873,487,697			3,873,487,697
Corporate Obligations	424,472,694			424,472,694
International Securities	1,584,614,570			1,584,614,570
Total Categorized Investments	\$7,661,780,852	\$0	\$0	\$7,661,780,852
Uncategorized Investments:				
Pending Transactions:				
U.S. Government				\$411,793,603
Equities				474,930,293
Corporate				283,142,905
International				268,540,853
Short-term Investment Pool				776,007,582
Investment in Building				15,500,000
Miscellaneous Investments — Mutual Funds				
Total Uncategorized Investments				\$2,229,915,236
Investments Made with Cash Collateral Received on Securities Loans:				
Categorized:				
U.S. Government and Agency Securities			\$348,636,265	\$348,636,265
Corporate Equity Securities			118,838,457	118,838,457
International Securities			151,873,630	151,873,630
Total Categorized			\$619,345,352	\$619,345,352
Total Investments	\$7,661,780,852	\$0	\$619,345,352	\$10,511,041,440

NOTES TO FINANCIAL STATEMENTS

5. 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, 2004, the Funds' investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of \$1,063,325,693, 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, 2004, the Funds' investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of approximately \$147,271,656. 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, 2004, the Funds had outstanding forward exchange currency contracts to purchase foreign currencies of approximately \$170,550,828 and to sell foreign currencies of \$170,550,828. The market values of these outstanding contracts at June 30, 2004, were \$170,543,859 and \$172,406,284, 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.

6. Securities Lending

NMSA 1978, Section 10-11-132 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 uncategorized in the preceding schedule in Note 3. At June 30, 2004, 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

NOTES TO FINANCIAL STATEMENTS

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, 2004, were \$619,345,355 and \$619,165,581 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, 2004, no such failures by any borrowers have occurred. Moreover, there were no losses during the fiscal year ended June 30, 2004, 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.

7. Capital Assets

A summary of capital assets at June 30, 2004, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Property and Equipment	\$2,862,384	\$901,994	\$(803,658)	\$2,960,720
Computer Improvement Plan	1,715,185	0	0	1,715,185
	4,577,569	901,994	(803,658)	4,675,905
Accum Depr — Prop & Eq	(1,993,138)	\$(206,893)	\$706,012	(1,494,019)
Accum Depr — Comp Impr	(1,690,961)	(15,365)	0	(1,706,326)
	(3,684,099)	(222,258)	706,012	(3,200,345)
Total	\$893,470	\$679,736	\$(97,646)	\$1,475,560

8. Compensated Absences

The following represents changes in long-term liabilities for the year ended June 30, 2004.

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Compensated Absences	\$171,852	\$189,488	\$158,947	\$202,393

Management estimates that compensated absences are due within one year. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

9. 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,

NOTES TO FINANCIAL STATEMENTS

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.

10. 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 non-administrative expenses are not. The budget is prepared on a budgetary, non-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 in this report.

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, 2004, 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 \$14,075,815 for which PERA canceled \$39,669 and included \$3,791,677 in accounts payable and maintained a \$10,244,469 reserve for encumbrances.

NOTES TO FINANCIAL STATEMENTS

	Category	Encumbrance Per DFA	Canceled	Reclassified to A/P	Reserve for Enc
PERA Administration					
Contractual Services	300	\$13,596,124	\$12,870	\$3,716,320	\$9,866,934
Other Operating	400	100,392	25,422	13,630	61,340
Subtotal		13,696,516	\$38,292	\$3,729,950	\$9,928,274
Building Maintenance					
Contractual Services	300	\$12,345			\$12,345
Other Operating	400	366,954	1,377	61,727	303,850
Subtotal		\$379,299	\$1,377	\$61,727	\$316,195
Total		\$14,075,815	\$39,669	\$3,791,677	\$10,244,469
Deferred Compensation					
Other Operating	400	\$1,631	\$1,509	\$61	\$61
Total		\$1,631	\$1,509	\$61	\$61

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

The following is a reconciliation of the net increase in net assets, GAAP basis, to budgetary basis for the year ended June 30, 2004:

Net Increase in Net Assets, GAAP Basis	\$1,202,793,463
Non-budget Revenues	(1,459,293,291)
CY Accrual — Revenues	(35,381,470)
PY Accrual — Revenues	30,476,937
Benefit Payments	387,306,615
Refunds to Terminated Employees	28,146,201
CY Encumbrances	(14,039,182)
PY Encumbrances Paid in the CY	6,233,492
CY Accounts Payable	7,321,331
PY Accounts Payable	(3,864,552)
Expenditures Capitalized	(892,148)
Depreciation Expenses	231,597
Loss on Disposal of Assets	78,450
Expenses Allocated to Other Funds	(203,444)
Net Increase in Net Assets, Budgetary Basis	\$148,913,999

NOTES TO FINANCIAL STATEMENTS

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

PERA received an appropriation of \$6,000,000 for expenditure in FY01 to purchase and implement a retirement membership information system (Chapter 5, Laws of 2000, Section 8, Item 5). This appropriation was subsequently extended through FY02, FY03, and FY04. An additional \$2,000,000 was appropriated in Chapter 64, Laws of 2001, Section 8, Item 12 to be used in FY01 and FY02 for the retirement system. This appropriation was subsequently extended through FY03 and FY04. PERA budgeted \$509,200 in FY02, and the entire amount was expended by the end of FY03. An additional pension system appropriation of \$6,700,000 was made in Chapter 76, Laws of 2003, Section 7, Item 8. In FY03, PERA budgeted \$5,022,300 and had encumbered \$2,753,775 and expended \$1,259,423 at the end of FY03. During FY04, \$2,441,233 was expended and \$312,542 was remaining in an encumbrance. In FY04, an additional \$5,000,000 was budgeted, and during FY04 \$1,127,898 was expended and \$3,525,379 was encumbered.

An emergency budget increase of \$107,400 was made based on authorization contained in Chapter 76, Laws of 2003, Section 10 of which \$39,082 was expended and \$68,318 remains encumbered. This appropriation was for building repairs to the water main, courtyard entrances and fire sprinkler system.

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.

11. Retirement Plans

Plan Description. Substantially all of the PERA's full-time employees participate in public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. PERA is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and PERA are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The PERA's contributions to the PERA retirement plan for the years ending June 30, 2004, 2003, and 2002 were \$491,628, \$470,008 and \$435,658, respectively, equal to the amount of the required contributions for each year.

12. Post-Employment Benefits

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Fire Fighters' Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer for contributions shall become the period of time between the employer's effective date, and

NOTES TO FINANCIAL STATEMENTS

the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the Fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the Fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium of seventy-two dollars and sixty-five cents (\$72.65) for the basic single plan and five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990 and made no contributions to the plan.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree

Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. This report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo Rd., Santa Fe, NM 87505.

For the fiscal year ended June 30, 2004, the PERA remitted \$38,421 in employer contributions and \$19,210 in employee contributions to the Retiree Health Care Authority.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress

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 Fund¹						
June 30, 1998	\$5,490,941,333	\$6,006,718,131	\$515,776,798	91.4%	\$1,146,991,018	45.0%
June 30, 1999	6,494,486,731	6,554,553,017	60,066,266	99.1	1,200,564,605	5.0
June 30, 2000	7,527,280,315	7,118,974,671	(408,305,644)	106.0	1,253,305,021	—
June 30, 2001	8,308,210,019	7,883,446,910	(424,763,108)	105.4	1,318,274,517	—
June 30, 2002	8,769,234,201	8,505,930,677	(263,303,524)	103.1	1,396,209,000	—
June 30, 2003	8,976,907,804	9,223,602,484	246,695,680	97.3	1,437,357,206	17.2
June 30, 2004	9,275,675,733	9,973,754,952	698,079,179	93.0	1,499,069,439	46.6
Judicial Retirement Fund						
June 30, 1998	\$41,974,146	\$56,176,261	\$14,202,115	74.7%	\$6,644,159	213.8%
June 30, 1999	47,776,452	58,189,239	10,412,787	82.1	6,734,534	154.6
June 30, 2000	54,726,003	63,315,547	8,589,544	86.4	6,754,084	127.2
June 30, 2001	59,522,634	70,604,089	11,081,455	84.3	7,059,793	157.0
June 30, 2002	61,686,378	75,958,498	14,272,120	81.2	7,507,013	190.1
June 30, 2003	65,223,266	85,951,596	20,728,330	75.9	8,575,202	241.7
June 30, 2004	66,208,769	87,620,154	21,411,385	75.6	9,074,078	236.0
Magistrate Retirement Fund						
June 30, 1998	\$19,988,167	\$20,388,281	\$400,114	98.0%	\$3,136,017	12.8%
June 30, 1999	23,368,704	21,644,891	(1,723,813)	108.0	3,263,639	—
June 30, 2000	27,097,375	23,737,784	(3,359,591)	114.2	3,485,366	—
June 30, 2001	30,258,095	26,685,280	(3,572,815)	113.4	3,650,670	—
June 30, 2002	32,039,588	28,959,427	(3,080,161)	110.6	3,996,832	—
June 30, 2003	29,629,462	29,078,050	(551,412)	101.9	3,081,850	—
June 30, 2004	30,071,628	30,194,583	122,955	99.6	3,002,422	4.1%
Volunteer Firefighters Retirement Fund						
June 30, 1998	\$16,247,858	\$14,897,045	\$(1,350,813)	109.1%	N/A ²	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
June 30, 2003	31,221,546	17,058,252	(14,163,294)	183.0	N/A	N/A
June 30, 2004	33,000,250	17,778,145	(15,222,105)	185.6	N/A	N/A

NOTES:

¹ Includes the Legislative Retirement Plan Data

² 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

Fiscal Year Ended	Public Employees Retirement Fund		Judicial Retirement Fund	
	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed
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
June 30, 2003	213,712,566	100.0	2,812,687	75.3
June 30, 2004	206,835,702	100.0	3,720,692	69.7

Fiscal Year Ended	Magistrate Retirement Fund		Volunteer Firefighters Retirement Fund ¹	
	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed ²
June 30, 1998	\$911,332	117.6%	\$1,940,800 – 3,197,400	31.3%
June 30, 1999	803,083	134.2	1,907,000 – 3,266,000	30.6
June 30, 2000	750,572	125.2	1,867,000 – 3,346,000	37.4
June 30, 2001	730,852	175.5	1,788,000 – 3,385,000	29.5
June 30, 2002	778,882	147.1	51,000 – 953,000	52.5
June 30, 2003	881,229	129.7	0 – 653,000	114.9
June 30, 2004	894,349	87.1	0 – 680,000	110.3

NOTES:

¹ Contributions are appropriated from the Fire Protection Fund

² Using the high end of the range for the calculation

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
Valuation Date	June 30, 2004	June 30, 2004	June 30, 2004	June 30, 2004
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Unit Credit Cost
Amortization Method	Level Percent Open	Level Percent Open	Level Percent Open	Level Percent Open
Amortization Period	21 Years	30 Years	30 Years	30 Years ¹
Asset Valuation Method	Smoothed Market 4 Years	Smoothed Market 4Years	Smoothed Market 4 Years	Smoothed Market 4 Years
Rate of Return on Investment of Present and Future Assets	8%	8%	8%	8%
Inflation Increase	4.5%	5%	5%	5%
Post Retirement Benefit Increases	3%	3%	3%	N/A ⁴
Projected Salary Increases ²	5.0 – 15.5% ³	5%	5%	N/A ⁴

NOTES:

¹ Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

² Includes inflation

³ Projected salary increases, attributable to seniority/merit, vary from 0.00% to 3.8% based on age of employee and division in which employed.

⁴ Benefits are not based on salary and are not subject to cost of living increases.

**SCHEDULE OF REVENUES, APPROPRIATIONS, AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)**

For the Year Ended June 30, 2004

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND APPROPRIATIONS OTHER STATE FUNDS				
Interest Income	\$28,824,700	\$29,085,600	\$174,417,142	\$145,331,542
Rental Income	1,472,300	1,579,700	2,124,741	545,041
Total Revenue and Appropriations	\$30,297,000	\$30,665,300	\$176,541,883	\$145,876,583
EXPENDITURES				
Administration				
Contractual services	\$22,887,100	\$23,566,300	\$20,946,499	\$2,619,801
Personal services / Benefits	3,607,200	3,607,200	3,526,281	80,919
Other operating costs	2,330,400	1,912,100	1,665,163	246,937
Subtotal Administration Division Expenses	\$28,824,700	\$29,085,600	\$26,137,943	\$2,947,657
Maintenance Division				
Contractual services	\$60,000	\$22,500	\$22,233	\$267
Personal services / Benefits	630,100	630,100	575,538	54,562
Other operating costs	782,200	927,100	892,171	34,929
Subtotal Maintenance Division Expenses	\$1,472,300	\$1,579,700	\$1,489,941	\$89,759
Total Expenses	\$30,297,000	\$30,665,300	\$27,627,884	\$3,037,416
Net Increase in Net Assets, Budgetary Basis	\$ —	\$ —	\$148,913,999	\$148,913,999

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES

For Year Ended June 30, 2004

INVESTMENT EXPENSES

Investment Managers	\$11,682,345
Custodian Fees	1,255,056
Consultant Fees	249,776
Total Investment Expenses	\$13,187,177

OTHER CONTRACTUAL SERVICES

Medical Services	\$36,870
Actuarial Services	86,994
Pension System Requirements – LR Wechler	839,684
Pension System – Covansys	2,021,446
Audit	112,669
Legal Fees	52,281
Misc. Contractual Services	248,486
Total Other Contractual Services	\$3,398,430

OTHER ADMINISTRATIVE EXPENSES

Personal services/benefits	\$3,565,329
Other operating costs	1,001,925
Loss on disposal of assets	88,765
Depreciation	222,039
Total Other Administrative Expenses	\$4,878,059
Total Administrative Expenses	\$8,276,489
Total Investment and Administrative Expenses	\$21,463,666



**Public Employees
Retirement Association**
of New Mexico

INVESTMENT SECTION



Albuquerque, circa 1893



**Public Employees
Retirement Association**
of New Mexico



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
www.state.nm.us/pera/home.htm

JEFF A. VARELA, Chairman
State Member

TERRY SLATTERY, CEBS
Executive Director

October 15, 2004

Members and Retirees of NM PERA:

Due to the turnaround in stock prices that began last year and continued into three of four quarters this year, PERA's growth reached \$9.384 billion in total assets ending June 30, 2004. The return on the combined funds administered by PERA was 15.55% for fiscal year '04, almost double the long-term actuarial assumed rate of return of 8% for the funds. This was the first time since fiscal year '00 that the return on the funds exceeded the 8% target that is necessary to pay retirement benefits to members and retirees over the long-term. For fiscal years '00, '01, '02, '03 and '04 the returns were +11.81%, -1.85%, -2.07%, +3.73% and +15.55, respectively. These returns are prepared in accordance with AIMR standards.

PERA's total funds' return of 15.55% was 138 basis points (1.38%) greater than PERA's investment policy target return of 14.17% for the fiscal year. This placed PERA's investment performance in the 38th percentile, or well above the median of other large public pension plans for the fiscal year. Nevertheless, these results following the worst three years of stock market performance since 1929-32, PERA's five-year and ten-year annualized returns, +5.12% and +11.22%, respectively, ranked in the upper 13th and 2nd percentiles, respectively, of the Callan database of large public pension plans. Callan Associates, Inc., is PERA's investment consultant.

During fiscal years '00 and '01, PERA reduced allocations to equities. As a result, PERA avoided the significant declines in total assets experienced by most public pensions plans since the stock market decline that began in March of 2000. PERA returned to its long-term stock allocation targets during the 2nd quarter of 2003 and most of the rise in stock market gains that year. Because much of the corpus of the fund was preserved during those three difficult years and since PERA also participated in the upside, total assets reached \$9.535 billion, their fiscal year high, on 3/4/04, a status obtained by only a few funds in the nation.

Although the recovery of the U.S. economy appears on track, the primary concern now is whether U.S. job growth will be sufficient to sustain income, sales and profit growth levels

PERA DIRECTOR OF INVESTMENTS' LETTER (CONTINUED)

that will justify future higher stock prices. Accordingly, the PERA board and investment staff will continue to focus on maintaining a diversified portfolio of investments, including an allocation structure using an optimum balance of active and passive investment products. Using this strategy, PERA's long-term goal of remaining a top-performing fund, with acceptable levels of risk, for five- and ten-year periods remains intact.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Gish". The signature is fluid and cursive, with the first name "Robert" being the most prominent.

Robert E. Gish
Director of Investments

THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

INVESTMENT PLAN SUMMARY

General Objectives of the Plan

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 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 such 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 this Plan or by action of the Board.

Asset Allocations

Asset allocation is the single largest contributor to the 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

THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION INVESTMENT PLAN SUMMARY

provide the Board with the flexibility to take advantage of market opportunities.

The Long-term Asset Allocation Plan below was adopted by the Board on October 31, 2003 in accordance with the requirements of IIB (3) of this Plan.

Asset Classes	Target	Minimum	Maximum
Long-Term Asset Allocation Plan:			
Domestic Equities	42%	33%	51%
International Equities	18%	13%	23%
Fixed Income	40%	35% ¹	45% ¹
Cash Equivalents	0%	0%	5% ¹
Total	100%		

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.

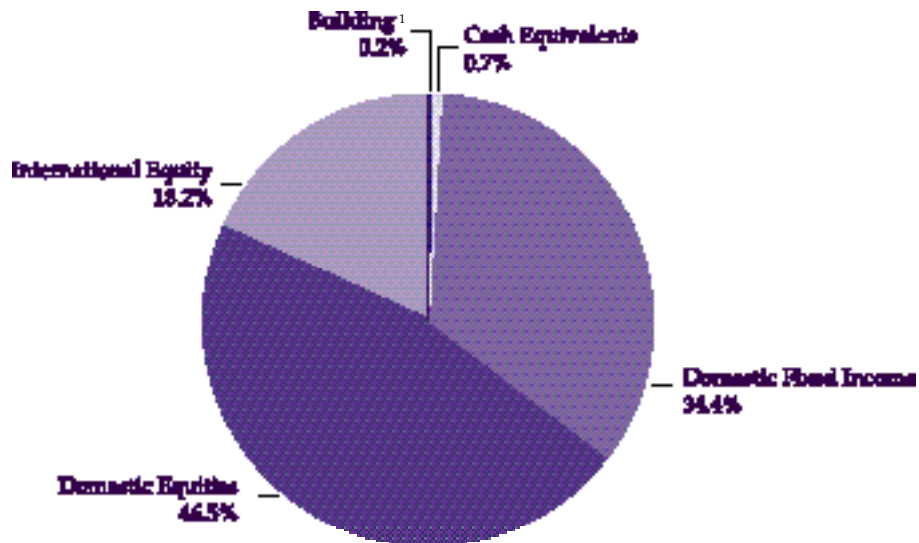
The Plan assigns the target allocation to the classes of assets PERA can utilize and the ranges within which each can fluctuate as a percent of the total portfolio. This is expected to provide diversification of assets in an effort to maximize the investment return to PERA consistent with prudent market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

NOTE:

¹ Regardless of the allocation limits to U.S. and non-U.S. equities, allocations to Fixed-Income and Cash Equivalents combined shall not be less than 35% and allocations to Fixed-Income and Cash Equivalents combined shall not exceed 50%.

ASSET ALLOCATION

June 30, 2004



FISCAL YEAR ENDED JUNE 30

	2004	2003	2002	2001	2000	1999	1998
Domestic Fixed Income	34.43%	35.91%	43.15%	41.27%	35.58%	35.81%	37.39%
Domestic Equities	46.48%	49.97%	36.16%	43.95%	37.18%	48.60%	52.65%
International Equity	18.21%	13.61%	15.18%	14.24%	17.86%	12.52%	8.86%
Building ¹	0.16%	0.19%	0.19%	0.19%	0.18%	0.16%	0.18%
Cash Equivalents	0.72%	0.32%	5.32%	0.35%	9.20%	2.91%	0.92%
Total Portfolio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

NOTE:

¹ Although PERA does not invest in real estate, the agency owns a building in Santa Fe which houses PERA offices as well as offices leased by other state agencies.

COMPARATIVE INVESTMENT RESULTS

Fiscal Year Ended June 30, 2004¹

Investment Category Benchmark	1-year 2004	3-year 2002–2004	5-year 2000–2004
Total Portfolio	15.55%	5.49%	5.12%
<i>Total Fund Benchmark²</i>	<i>14.17%</i>	<i>4.06%</i>	<i>2.92%</i>
Domestic Equity	21.38%	2.76%	2.23%
<i>Russell 3000</i>	<i>20.46%</i>	<i>0.15%</i>	<i>-1.07%</i>
International Equity	30.82%	3.55%	2.75%
<i>EAFE</i>	<i>32.37%</i>	<i>3.87%</i>	<i>0.06%</i>
Domestic Fixed-Income	1.23%	6.37%	7.04%
<i>L/B Aggregate</i>	<i>0.32%</i>	<i>6.36%</i>	<i>6.95%</i>
Cash Equivalents	7.55%	5.50%	5.60%
<i>Average 90-day T-Bill</i>	<i>0.97%</i>	<i>1.51%</i>	<i>3.02%</i>

INVESTMENT SUMMARY AT FAIR VALUE

June 30, 2004

Type of Investment	Fair Value	% of Total Fair Value
Domestic Equity:		
Large Cap	\$3,330,353,048	35.43%
Small/Mid Cap	1,039,026,867	11.05%
Total Domestic Equity	\$4,369,379,915	46.48%
Domestic Fixed Income	3,236,813,851	34.43%
International Equity	1,711,769,141	18.21%
Cash Equivalents	51,801,057	0.55%
Total Before Other Investments	\$9,369,763,964	99.67%
Building	15,500,000	0.17%
Cash in State Treasury	15,110,341	0.16%
Total Investments	\$9,400,374,305³	100.00%

NOTES:

¹ 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.

² Total Fund Benchmark – 42% Russell 3000, 18% EAFE, 40% Lehman Aggregate

³ This total includes cash and equivalents, accrued investment income, broker receivables and payables, securities lending liabilities, and cash timing differences between financial statements and investment reports.

LIST OF LARGEST ASSETS HELD

June 30, 2004

Ten Largest Stock Holdings	Shares	Fair Value
EXXON MOBIL CORP	1,848,660	\$82,098,990.60
CITIGROUP INC	1,657,936	44,094,024.00
PFIZER INC	2,148,970	73,666,691.60
MICROSOFT CORP	2,362,900	67,484,424.00
BANK OF AMERICA CORP	747,503	63,253,703.86
GENERAL ELECTRIC CO	1,750,000	57,302,900.00
AMERICAN INTL GROUP INC	783,438	55,843,460.64
JOHNSON & JOHNSON	935,352	52,099,106.40
INTEL CORP	1,672,760	46,168,176.00
VODAFONE GROUP ORD	20,087,147	44,379,554.39

Ten Largest Bond Holdings	Par Value	Fair Value
FEDERAL HOME LOAN MORTGAGE CORP, 5.5%, 30Yr TBA	\$112,000,000	\$111,474,944.00
U. S. TREASURY NOTES, 4.0%, DUE 6/15/2009	84,000,000	84,718,620.00
FEDERAL NATL MTG ASSN, 6.5%, 30 Yr TBA	81,000,000	84,315,978.00
U. S. TREASURY NOTES, 1.75%, DUE 12/31/2004	70,000,000	70,019,110.00
FEDERAL NATL MTG ASSN, 5.0%, MBS POOL #725205, DUE 3/1/2034	64,718,090	62,721,860.05
U. S. TREASURY BOND, 5.375%, DUE 2/15/2031	55,545,000	56,020,187.48
FEDERAL NATL MTG ASSN, 5.5%, 30 Yr TBA	55,904,000	55,624,480.00
GOVERNMENT NATL MTG ASSN, 5.0%, 30Yr TBA	41,300,000	40,009,375.00
FEDERAL HOME LOAN MORTGAGE CORP, 5.0%, 30Yr TBA	41,000,000	39,565,000.00
U. S. TREASURY NOTES, 5.625%, DUE 5/15/2008	35,717,000	38,445,993.10

A complete list of portfolio holdings is available upon request.

SCHEDULE OF INVESTMENT FEES AND COMMISSIONS

For Year Ended June 30, 2004

	Investment Fees	Commissions ¹
Domestic Fixed Income	\$2,802,943	\$5,275,867
Domestic Equities	5,527,973	2,488,000
International Equity	3,123,190	1,834,000
Short Term Investments	283,289	—
Commission Recapture		(797,289)
Total	\$11,737,395	\$8,800,578
Custodian Fees	1,255,056	N/A
Consultant Fees	249,775	N/A
Total	\$13,242,226	\$8,800,578

NOTE:

¹ Estimated



**Public Employees
Retirement Association**
of New Mexico

ACTUARIAL SECTION



Acquia Madre, Santa Fe, Circa 1915



**Public Employees
Retirement Association**
of New Mexico



GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

One Towne Square • Suite 800 • Southfield, Michigan 48076 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

October 22, 2004

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, 2004

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, 2004, indicates that the statutory contribution rates for benefits, meet the basic financial objective for PERA, in aggregate. The statutory employer and employee contribution rates are:

State General Division	24.01%
State Police/Corrections Division	32.38
Municipal General Division	21.37
Municipal Police Division	33.39
Municipal Fire Division	37.15

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


ACTUARIES CERTIFICATION LETTER

also summarized and 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.

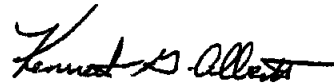
We have provided some of the information used in the schedules of Active Member Valuation Data, Retirants and Beneficiaries, Analysis of Financial Experience, and the Solvency Test for basic benefits that are found in the Actuarial Section, and the Schedule of Funding Progress and Schedule of Required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

Respectfully submitted,



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



Kenneth G. Alberts
Actuarial Consultant

NSL/lr

GABRIEL, ROEDER, SMITH & COMPANY

SUMMARY OF ASSUMPTIONS AND METHODS

As of June 30, 2004

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 on a market related basis for purposes of the actuarial valuation. The 2000 Group Annuity Mortality table (1971 GAM projected), set back 2 years for healthy men and 7 years for healthy women. A special table reflects disabled person's 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	State General		State Police	Hazardous Duty	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
60	25%	30%	20%	20%	25%	10%	20%	10%
61	25%	35%	20%	20%	30%	15%	20%	10%
62	50%	50%	40%	20%	30%	25%	40%	50%
63	35%	35%	50%	30%	30%	25%	20%	50%
64	35%	35%	50%	40%	30%	25%	25%	50%
65	60%	40%	100%	80%	40%	35%	100%	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	State General		State Police	Hazardous Duty	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
20-21			10%				10%	10%
22-24			10%				6%	10%
25	10%	10%	10%	40%	5%	5%	10%	10%
26	10%	10%	10%	60%	5%	5%	10%	10%
27	10%	10%	10%	50%	10%	5%	15%	10%
28	10%	10%	10%	50%	5%	5%	15%	10%
29	10%	10%	50%	50%	5%	5%	30%	10%
30	20%	10%	100%	50%	5%	10%	100%	10%
31	10%	18%		50%	10%	10%		10%
32	20%	10%		50%	10%	10%		50%
33	10%	10%		50%	100%	100%		50%
34	10%	35%		100%				50%
35	15%	35%						100%
36	25%	100%						
37	100%	100%						

RATES OF DISABILITY

Percent Becoming Disabled at Indicated Ages

Sample Ages	State General & Municipal General	State Police/ Hazardous Duty	Municipal Fire/ Police
20	0.04%	0.14%	0.15%
25	0.05%	0.18%	0.18%
30	0.06%	0.20%	0.20%
35	0.08%	0.28%	0.29%
40	0.13%	0.42%	0.42%
45	0.19%	0.64%	0.65%
50	0.31%	1.04%	1.05%
55	0.55%	1.84%	1.84%
60	0.92%	3.06%	3.06%
65	0.99%	3.30%	3.30%

RATES OF SEPARATION FROM ACTIVE MEMBERSHIP

Percent of Active Members Terminating During Year

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

MEMBER AND EMPLOYER CONTRIBUTION RATES

	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
State General										
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%				
2003	N/A	N/A	N/A	N/A	7.42%	16.59%				
2004	N/A	N/A	N/A	N/A	7.42%	16.59%				
State Police										
1999	7.60%	25.10%								
2000	7.60%	25.10%								
2001	7.60%	25.10%								
2002	7.60%	25.10%								
2003	7.60%	25.10%								
2004	7.60%	25.10%								
Hazardous Duty										
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%						
2003	N/A	N/A	4.78%	25.72%						
2004	N/A	N/A	4.78%	25.72%						
Municipal General										
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%		
2003	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
2004	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
Municipal Police										
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%
2002	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
2003	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
2004	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
Municipal Fire										
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%
2003	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
2004	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
Judicial										
1999	5.00%	9.00%		*						
2000	5.00%	9.00%		*						
2001	5.00%	9.00%		*						
2002	5.00%	9.00%		*						
2003	5.00%	9.00%		*						
2004	5.00%	9.00%		*						
Magistrate										
1999	5.00%	9.00%		*						
2000	5.00%	9.00%		*						
2001	5.00%	9.00%		*						
2002	5.00%	9.00%		*						
2003	5.00%	9.00%		*						
2004	5.00%	9.00%		*						

NOTE:

Legislative member contribution for the Legislative Division is \$100 or \$200 for every year of credited service
 * Employers are also required to remit a portion of docket fees

ACTIVE MEMBER VALUATION DATA

As of June 30, 2004

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll ¹	Average Pay	% Increase in Avg Pay
State General	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%
	2003	116	20,820	704,491,713	33,837	3.22%
	2004	116	19,971 ²	693,532,722	34,727	2.63%
State Police/ Hazardous Duty	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%
	2003	3	1,804	57,130,556	31,669	-3.17%
	2004	3	2,067	63,863,426	30,897	-2.44%
Municipal General	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%
	2003	167	18,031	543,994,722	30,170	3.55%
	2004	169	18,110	548,960,756	30,313	0.47%
Municipal Police	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%
	2003	98	2,131	83,789,775	39,319	3.54%
	2004	98	3,324 ²	126,208,845	37,969	-3.43%
Municipal Fire	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	35	1,136	45,286,480	39,865	3.55%
	2003	35	1,172	47,950,440	40,913	2.63%
	2004	35	1,675	66,503,690	39,704	-2.96%
Legislative	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
	2003	1	112	N/A	N/A	N/A
	2004	1	109	N/A	N/A	N/A
Judicial	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%
	2003	15	99	8,575,202	86,618	-0.77%
	2004	15	104	9,074,078	87,251	0.73%

ACTIVE MEMBER VALUATION DATA

As of June 30, 2004

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll ¹	Average Pay	% Increase in Avg Pay
Magistrate	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%
	2003	18	52	3,081,850	59,266	-6.58%
	2004	18	50	3,002,422	60,048	1.32%
Volunteer Firefighter	1998	347	10,402	N/A	N/A	N/A
	1999	350	11,304	N/A	N/A	N/A
	2000	352	12,135	N/A	N/A	N/A
	2001	367	5,170 ³	N/A	N/A	N/A
	2002	373	5,176	N/A	N/A	N/A
	2003	373	5,362	N/A	N/A	N/A
	2004	373	5,274	N/A	N/A	N/A

NOTES:

¹ Actual Payroll is projected to a full-year salary for actuarial calculations

² Data cleansing efforts during FY04 resulted in correctly accounting for members under Municipal plans that had previously been accounted for under other plans

³ Number of active volunteer firefighters was significantly reduced due to new criteria used by actuary.

SCHEDULE OF RETIREES AND BENEFICIARIES

At June 30, 2004

Div/Plan	Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
State General	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
	2003	729	308	10,386	186,081,438	9.48%	17,917
	2004	766	293	10,859	205,195,034	10.27%	18,896
State Police/ Hazardous Duty	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
	2003	42	6	646	15,205,851	8.93%	23,538
	2004	56	11	691	16,880,297	11.01%	24,429
Municipal General	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
	2003	470	180	6,151	100,245,897	10.62%	16,297
	2004	566	164	6,553	112,941,045	12.66%	17,235
Municipal Police	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
	2003	133	28	1,466	41,322,216	12.61%	28,187
	2004	133	7	1,592	46,675,260	12.95%	29,319
Municipal Fire	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
	2003	65	11	981	28,242,218	9.49%	28,789
	2004	67	13	1,035	30,823,461	9.14%	29,781
Legislative	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
	2003	6	1	98	319,946	8.13%	3,265
	2004	33	3	128	726,460	127.06% ¹	5,675

SCHEDULE OF RETIREES AND BENEFICIARIES

At June 30, 2004

Div/Plan	Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
Judicial	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
	2003	10	2	87	4,417,272	19.79%	50,773
	2004	4	3	88	4,589,006	3.89%	52,148
Magistrate	1998	1	—	27	\$759,609	7.81%	\$28,134
	1999	8	—	35	1,079,080	42.06%	30,831
	2000	—	—	35	1,113,919	3.23%	31,826
	2001	1	—	36	1,149,365	3.18%	31,927
	2002	1	—	37	1,234,244	7.38%	33,358
	2003	9	—	46	1,594,404	29.18%	34,661
	2004	—	2	44	1,647,239	3.31%	37,437
Volunteer Firefighter	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
	2003	18	—	234	277,960	8.25%	1,188
	2004	38	—	272	326,752	17.55%	1,201

NOTE:

¹ New legislative plans implemented with larger benefits

SOLVENCY TEST

Division/Plan	Date	Aggregate Accrued Liabilities		
		Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)
State General	6/30/1998	\$351,092,732	\$1,420,397,896	\$1,114,396,269
	6/30/1999	375,802,477	1,601,679,038	1,167,841,617
	6/30/2000	406,838,352	1,781,807,027	1,221,302,125
	6/30/2001	437,155,361	2,084,302,740	1,310,078,031
	6/30/2002	476,552,721	2,243,623,595	1,441,607,100
	6/30/2003	512,272,905	2,448,673,878	1,502,411,000
	6/30/2004	549,227,388	2,698,298,630	1,415,737,376
	State Police/ Hazardous Duty	6/30/1998	\$28,433,519	\$137,849,710
6/30/1999		31,198,438	145,142,802	138,635,100
6/30/2000		32,659,443	160,531,044	132,599,251
6/30/2001		35,046,826	182,225,515	141,456,984
6/30/2002		37,658,994	197,684,474	148,785,082
6/30/2003		40,444,420	213,324,522	198,112,321
6/30/2004		43,223,992	236,364,990	213,573,411
Municipal General		6/30/1998	\$392,610,907	\$746,574,363
	6/30/1999	429,559,335	852,279,589	632,361,833
	6/30/2000	470,696,205	950,795,636	681,289,470
	6/30/2001	517,836,633	1,100,388,240	681,341,446
	6/30/2002	566,969,660	1,211,873,457	706,093,035
	6/30/2003	612,857,678	1,337,083,714	755,733,653
	6/30/2004	662,011,140	1,510,127,026	748,105,929
	Municipal Police	6/30/1998	\$122,277,680	\$264,576,888
6/30/1999		132,949,956	377,728,892	201,403,829
6/30/2000		145,031,446	418,751,588	208,145,591
6/30/2001		154,355,667	497,975,415	191,335,956
6/30/2002		164,455,165	559,859,958	176,175,068
6/30/2003		174,101,971	628,847,417	178,832,138
6/30/2004		185,219,198	709,882,406	279,184,904
Municipal Fire		6/30/1998	\$62,611,751	\$264,576,888
	6/30/1999	67,969,431	298,159,951	95,390,581
	6/30/2000	70,339,968	321,416,741	110,175,775
	6/30/2001	77,923,592	362,623,800	102,528,688
	6/30/2002	86,410,010	388,190,768	92,812,594
	6/30/2003	93,862,473	421,561,947	97,825,447
	6/30/2004	102,326,449	458,520,345	138,421,112
	Legislative	6/30/1998	\$110,831	\$2,173,903
6/30/1999		94,763	2,452,309	3,903,075
6/30/2000		101,494	2,529,277	3,964,238
6/30/2001		102,842	2,955,000	3,814,158
6/30/2002		108,638	3,144,000	3,926,362
6/30/2003		124,517	3,312,823	4,219,838
6/30/2004		710,612	7,583,534	15,236,510
Judicial		6/30/1998	\$2,947,911	\$29,562,781
	6/30/1999	3,226,872	32,460,600	22,501,767
	6/30/2000	3,494,452	36,606,808	23,214,287
	6/30/2001	3,911,336	40,366,909	26,325,844
	6/30/2002	4,387,293	41,576,215	29,994,990
	6/30/2003	4,108,598	50,680,275	31,162,723
	6/30/2004	4,634,853	51,938,705	31,046,596
	Magistrate	6/30/1998	\$952,207	\$8,513,562
6/30/1999		972,568	12,209,396	8,462,927
6/30/2000		1,177,625	12,776,549	9,783,610
6/30/2001		1,397,474	13,659,061	11,628,745
6/30/2002		1,613,881	14,056,788	13,288,758
6/30/2003		1,650,781	18,728,541	8,698,728
6/30/2004		1,850,875	19,465,866	9,033,596
Volunteer Firefighter		6/30/1998	N/A	\$1,647,540
	6/30/1999	N/A	1,981,904	14,178,844
	6/30/2000	N/A	2,300,937	15,002,213
	6/30/2001	N/A	2,679,840	13,126,952
	6/30/2002	N/A	2,777,192	13,350,402
	6/30/2003	N/A	2,974,933	14,083,319
	6/30/2004	N/A	3,465,970	14,312,175

TOTAL (4)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
		(1)	(2)	(3)	(4)
\$2,885,886,897	\$2,378,303,414	100%	100%	54%	82%
3,145,323,132	2,798,466,633	100%	100%	70%	89%
3,409,947,504	3,227,314,750	100%	100%	85%	95%
3,831,536,132	3,548,110,976	100%	100%	78%	93%
4,161,783,416	3,727,073,225	100%	100%	70%	90%
4,463,357,783	3,796,352,279	100%	100%	56%	85%
4,663,263,394	3,899,517,518	100%	100%	46%	84%
\$287,041,243	\$379,772,520	100%	100%	100%	132%
314,976,340	450,626,548	100%	100%	100%	143%
325,789,738	523,105,280	100%	100%	100%	161%
358,729,325	578,649,166	100%	100%	100%	161%
384,128,550	613,483,181	100%	100%	100%	160%
451,881,263	631,739,543	100%	100%	100%	140%
493,162,393	656,821,978	100%	100%	100%	133%
\$1,749,649,997	\$1,677,906,201	100%	100%	88%	96%
1,914,200,757	1,996,556,855	100%	100%	100%	104%
2,102,781,311	2,327,759,530	100%	100%	100%	111%
2,299,566,319	2,583,878,504	100%	100%	100%	112%
2,484,936,152	2,743,565,146	100%	100%	100%	110%
2,705,675,045	2,824,747,052	100%	100%	100%	104%
2,920,244,095	2,935,512,684	100%	100%	100%	101%
\$583,119,973	\$690,283,619	100%	100%	100%	118%
712,082,677	819,924,713	100%	100%	100%	115%
771,928,625	954,928,130	100%	100%	100%	124%
843,667,038	1,056,049,368	100%	100%	100%	125%
900,490,191	1,116,959,306	100%	100%	100%	124%
981,781,526	1,145,661,536	100%	100%	100%	117%
1,174,286,508	1,186,512,980	100%	100%	100%	101%
\$423,825,613	\$361,209,770	100%	100%	35%	85%
461,519,963	427,720,478	100%	100%	65%	93%
501,932,484	489,240,300	100%	100%	88%	97%
543,076,080	536,131,819	100%	100%	93%	99%
567,413,372	562,362,823	100%	100%	95%	99%
613,249,867	572,580,393	100%	100%	58%	93%
699,267,906	588,902,910	100%	100%	20%	84%
\$6,279,247	\$3,465,809	100%	100%	30%	55%
6,450,147	4,191,524	100%	100%	42%	65%
6,595,009	4,932,308	100%	100%	58%	75%
6,872,000	5,390,000	100%	100%	61%	78%
7,179,000	5,791,000	100%	100%	65%	81%
7,657,178	5,826,618	100%	100%	57%	76%
23,530,656	8,407,702	100%	100%	1%	36%
\$56,176,261	\$41,974,146	100%	100%	40%	75%
58,189,239	47,776,452	100%	100%	54%	82%
63,315,547	54,726,003	100%	100%	63%	86%
70,604,089	59,522,634	100%	100%	58%	84%
75,958,498	61,686,378	100%	100%	52%	81%
85,951,596	65,223,266	100%	100%	33%	76%
87,620,154	66,208,769	100%	100%	31%	76%
\$20,388,281	\$19,988,167	100%	100%	96%	98%
21,644,891	23,368,704	100%	100%	100%	108%
23,737,784	27,097,375	100%	100%	100%	114%
26,685,280	30,258,095	100%	100%	100%	113%
28,959,427	32,039,588	100%	100%	100%	111%
29,078,050	29,629,462	100%	100%	100%	102%
30,350,337	30,071,628	100%	100%	97%	99%
\$14,897,045	\$16,247,858	N/A	100%	100%	109%
16,160,748	20,246,292	N/A	100%	100%	125%
17,303,150	24,641,415	N/A	100%	100%	142%
15,806,792	27,991,582	N/A	100%	100%	177%
16,127,594	29,784,088	N/A	100%	100%	185%
17,058,252	31,221,546	N/A	100%	100%	183%
17,778,145	33,000,250	N/A	100%	100%	186%

ANALYSIS OF FINANCIAL EXPERIENCE

PERA Fund	Experience Gain (or Loss) for Year (in Thousands)					
	2004	2003	2002	2001	2000	1999
UAAL at Beginning of Year	\$244,865	\$(264,692)	\$(426,245)	\$(409,969)	\$57,807	\$512,964
Normal Cost for Year	294,026	282,233	262,248	247,027	235,860	237,771
Contributions (net of Refunds)	(347,742)	(337,298)	(322,530)	(306,535)	(282,813)	(270,179)
Interest Accrual	17,439	(23,378)	(36,512)	(35,486)	2,824	40,150
Expected UAAL before Non-Recurring Adjust	208,588	(343,135)	(523,039)	(504,963)	13,678	520,706
Effect of Assumption Changes ¹	—	—	—	249,464	—	—
Effect of New Employers, Benefit Changes & Plan Coverage Shifts	—	42,295	—	—	—	—
Non-Recurring Audit Adjustment	—	—	—	—	(2,599)	(2,597)
Expected UAAL after Audit Adjustment	208,588	(300,840)	(523,039)	(255,499)	11,079	518,109
Actual UAAL	682,956	244,865	(264,692)	(426,245)	(409,969)	57,807
Gain (Loss)	\$(474,368)	\$(545,705)	\$(258,347)	\$170,746	\$421,048	\$460,302

Judicial Fund	Experience Gain (or Loss) for Year					
	2004	2003	2002	2001	2000	1999
UAAL at Beginning of Year	\$20,728,330	\$14,272,120	\$11,081,455	\$8,589,544	\$10,412,787	\$14,202,115
Normal Cost for Year	3,085,658	2,649,262	2,489,954	2,231,077	2,226,740	2,072,313
Contributions (net of Refunds)	(3,129,038)	(2,490,122)	(2,429,583)	(2,518,036)	(2,475,549)	(2,388,822)
Interest Accrual	1,656,531	1,148,135	888,931	685,985	838,673	1,145,570
Expected UAAL before Non-Recurring Adjust	22,341,481	15,579,395	12,030,757	8,988,570	11,002,651	15,031,176
Transfer of Judges from Magistrate Retirement Fund	—	245,658	—	—	—	—
Effect of Assumption Changes ¹	—	—	—	4,278,629	—	—
Expected UAAL after Adjustments	22,341,481	15,825,053	12,030,757	13,267,199	11,002,651	15,031,176
Actual UAAL	21,411,385	20,728,330	14,272,120	11,081,455	8,589,544	10,412,787
Gain (Loss)	\$930,096	\$(4,903,277)	\$(2,241,363)	\$2,185,744	\$2,413,107	\$4,618,389

NOTE:

¹ Based on Experience Study completed in 2001

ANALYSIS OF FINANCIAL EXPERIENCE

Magistrate Fund	Experience Gain (or Loss) for Year					
	2004	2003	2002	2001	2000	1999
UAAL at Beginning of Year	\$(551,412)	\$(3,080,161)	\$(3,572,815)	\$(3,359,591)	\$(1,723,813)	\$400,114
Normal Cost for Year	1,084,041	1,267,815	1,144,211	1,039,336	967,734	922,616
Contributions (net of Refunds)	(928,011)	(1,347,811)	(1,339,240)	(1,477,130)	(1,120,748)	(1,235,793)
Interest Accrual	(37,872)	(249,613)	(293,626)	(286,279)	(144,026)	19,482
Expected UAAL before Non-Recurring Adjust	(433,254)	(3,409,770)	(4,061,470)	(4,083,664)	(2,020,853)	106,419
Transfer of Judges to Judicial Retire Fund	—	61,246				
Effect of Assumption Changes ¹	—	—	—	1,350,572		—
Expected UAAL after Audit Adjustment	(433,254)	(3,348,524)	(4,061,470)	(2,733,092)	(2,020,853)	106,419
Actual UAAL	122,955	(551,412)	(3,080,161)	(3,572,815)	(3,359,591)	(1,723,813)
Gain (Loss)	\$(556,209)	\$(2,797,112)	\$(981,309)	\$839,723	\$1,338,738	\$1,830,232

Volunteer Firefighter Fund	Experience Gain (or Loss) for Year					
	2004	2003	2002	2001	2000	1999
UAAL at Beginning of Year	\$(14,163,294)	\$(13,656,494)	\$(12,184,790)	*	*	*
Normal Cost for Year	1,890,280	1,819,655	1,813,230	*	*	*
Contributions (net of Refunds)	(750,000)	(750,000)	(500,000)	*	*	*
Interest Accrual	(1,087,452)	(1,049,733)	(922,254)	*	*	*
Expected UAAL before Non-Recurring Adjust	(14,110,466)	(13,636,572)	(11,793,814)	*	*	*
Effect of Assumption Changes ¹	—	—	—	*	*	*
Expected UAAL after Audit Adjustment	(14,110,466)	(13,636,572)	(11,793,814)	*	*	*
Actual UAAL	(15,222,105)	(14,163,294)	(13,656,494)	*	*	*
Gain (Loss)	\$1,111,639	\$526,722	\$1,862,680	*	*	*

NOTES:

¹ Based on Experience Study completed in 2001

* Information not available for years prior to 2002

PERA COMPREHENSIVE ANNUAL FINANCIAL REPORT

1. Summary of PERA Plan Provisions¹

Membership Eligibility — The Public Employees Retirement System of New Mexico includes employees of the State of New Mexico and employees of affiliated public employers. Employees excluded from PERA membership include: seasonal employees; student employees; part-time employees who work less than 20 hours per week; independent contractors; and retirees of the Educational, Judicial, or Magistrate Retirement Systems. PERA retirees who return to work with an affiliated public employer may earn up to \$25,000 without making member contributions. Once a retired member earns \$25,000 in a calendar year, they must make non-refundable member contributions until the subsequent employment is terminated. Elected officials become members unless they submit a written application for exemption from membership.

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

RETIREMENT ELIGIBILITY	
Age	Years of Credited Service
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 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.

PERA COMPREHENSIVE ANNUAL FINANCIAL REPORT

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.

2. Summary of Judicial Plan Provisions

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

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. For metropolitan court judges, the court clerk pays \$25 from each court docket fee plus \$10 from each filing fee in addition to employee and employer contributions of 5% and 9% respectively.

Interest — 5.25% on member contributions.

3. Summary of Magistrate Plan Provisions

Membership Eligibility — The Magistrate Retirement Plan of New Mexico includes all magistrates.

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

PERA COMPREHENSIVE ANNUAL FINANCIAL REPORT

two-calendar-year waiting period is reduced to one full calendar year.

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

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

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

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

Interest — 5.25% on member contributions.

4. Summary of Volunteer Firefighters 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 after attaining the age of 16.

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.

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.

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 2004 was \$750,000.

5. Summary of Legislative Plan Provisions

Membership Eligibility — There are two (2) Legislative Retirement Plans of New Mexico that include state legislators and lieutenant governors.

RETIREMENT ELIGIBILITY

Age	Plan 1 Years of Credited Service	Plan 2 Years of Credited Service
Any	14 or more	10 or more
60+	12 or more	10 or more
63+	11 or more	10 or more
64+	8 or more	10 or more
65+	5 or more	5 or more

Service Benefit Formula — The annual pension for Plan 1 is either \$250 or \$500 multiplied by the years of credited service, dependent on the amount of contributions the member has decided upon. The annual pension for Plan 2 is equal to 11% of the per

PERA COMPREHENSIVE ANNUAL FINANCIAL REPORT

diem rate in effect at the time of retirement multiplied by sixty (60) and further multiplied by credited service as a legislator or lieutenant governor.

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 — Death benefits depend on whether or not the death occurred in the line of

duty. (See death benefits section under PERA plan provisions).

Contributions — Members contribute \$100 or \$200 for each year of credited service under Plan 1. Members contribute \$500 for each year of credited service under Plan 2. An additional annual appropriation to the Legislative Retirement Fund is determined by the actuarial valuation.

Interest — 5.25% on member contributions.

IMPORTANT NOTICE:

¹ 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.



**Public Employees
Retirement Association**
of New Mexico

STATISTICAL SECTION



Near Santa Fe, Circa 1935

SCHEDULE OF REVENUES BY SOURCE

	Member Contributions	Employer Contributions		Employer Contribution as a Percent of Covered Payroll	Net Investment Income	Other Income	Total Additions
		Contrib	Docket Fees/ Approp				
PERA							
1999	\$121,824,801	\$174,324,519	\$ —	14.57%	\$929,248,330	\$2,069,678	\$1,227,467,328
2000	127,982,964	182,000,473	—	14.50%	834,762,076	2,599,213	1,147,344,726
2001	137,596,564	196,544,110	—	15.01%	(166,424,502)	1,052,354	168,768,526
2002	143,832,702	204,734,125	—	14.65%	(175,298,706)	157,259	173,425,380
2003	149,813,944	213,712,566	—	14.71%	278,314,427	198,358	642,039,295
2004	155,424,078	223,058,780	—	14.90%	1,247,763,151	257,325	1,626,503,334
Judicial							
1999	\$323,107	\$582,103	\$1,464,123	8.84%	\$6,865,968	\$ —	\$9,235,301
2000	365,059	617,537	1,502,163	9.07%	6,099,713	—	8,584,472
2001	359,386	646,499	1,512,564	9.09%	(1,206,890)	—	1,311,559
2002	378,579	681,365	1,369,639	9.00%	(1,288,210)	—	1,141,373
2003	372,344	670,204	1,447,573	9.07%	1,837,249	—	4,327,370
2004	534,808	869,634	1,775,910	9.68%	8,421,536	—	11,601,888
Magistrate							
1999	\$160,971	\$288,541	\$789,156	9.03%	\$3,255,547	\$ —	\$4,494,215
2000	181,283	315,523	623,942	9.08%	2,877,319	2,848	4,000,915
2001	194,790	323,354	958,987	9.00%	(532,395)	—	944,736
2002	193,464	347,788	797,989	9.01%	(610,933)	—	728,308
2003	204,936	353,613	789,261	8.96%	1,020,305	—	2,368,115
2004	149,000	268,197	510,814	6.79%	4,502,751	—	5,430,762
Volunteer Firefighter							
1999	\$ —	\$ —	\$1,000,000	N/A	\$2,950,023	\$ —	\$3,950,023
2000	—	—	1,250,000	N/A	2,659,693	—	3,909,693
2001	—	—	1,000,000	N/A	(556,750)	—	443,250
2002	—	—	500,000	N/A	(586,530)	—	(86,530)
2003	—	—	750,000	N/A	1,013,993	—	1,763,993
2004	—	—	750,000	N/A	4,407,912	—	5,157,912

SCHEDULE OF EXPENSES BY TYPE

Fiscal Year Ended June 30

	Payments	Benefit Refunds	Administrative Expenses	Total
PERA				
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
2003	349,178,208	25,985,842	6,755,844	381,919,894
2004	387,306,615	28,146,201	8,257,055	423,709,871
Judicial				
1999	\$2,945,389	\$ —	\$7,931	\$2,953,320
2000	3,184,925	9,210	7,858	3,201,993
2001	3,427,332	413	8,367	3,436,112
2002	3,498,724	—	9,113	3,507,837
2003	4,029,986	—	12,012	4,041,998
2004	4,450,515	30,593	13,210	4,494,318
Magistrate				
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	6,130	1,142,118
2002	1,196,982	2,020	6,754	1,205,756
2003	1,462,139	—	9,697	1,471,836
2004	1,591,230	—	6,224	1,597,454
Volunteer Firefighter				
1999	\$172,400	N/A	\$ —	\$172,400
2000	211,565	N/A	—	211,565
2001	232,552	N/A	—	232,552
2002	246,773	N/A	—	246,773
2003	271,034	N/A	—	271,034
2004	307,354	N/A	—	307,354

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION

Benefit Option	1999	2000	2001	2002	2003	2004
Normal single life pension terminating on death	6,210	6,497	6,835	7,125	7,421	7,782
Normal two-life 100% survivor pension for retiree & survivor	5,847	6,288	6,667	7,016	7,433	7,928
Normal two-life 50% survivor pension for retiree & survivor	2,539	2,702	2,826	2,935	3,052	3,207
Normal single life with temporary child survivor pension	68	79	88	96	116	127
Disability single life pension terminating on death	346	295	292	210	200	205
Disability two-life 100% survivor pension for retiree & survivor	534	480	491	470	504	536
Disability two-life 50% survivor pension for retiree & survivor	102	93	88	87	98	105
Disability single life with temporary child survivor pension	15	14	14	13	14	17
Preretirement survivor pension	709	733	736	772	792	823
Judicial retirement	74	78	78	79	87	88
Magistrate retirement	35	35	36	37	46	44
Volunteer firefighter retirement	157	184	200	216	234	272
Legislative retirement	82	84	89	93	98	128
Total	16,718	17,562	18,440	19,149	20,095	21,262

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Fiscal Year Ended June 30

	Years of Credited Service					
	4-10	10-15	15-20	20-25	25-30	30+
ALL PLANS						
1999						
Average Monthly Benefit	*	*	*	*	*	*
Average Final Average Salary	*	*	*	*	*	*
Number of Active Retired	*	*	*	*	*	*
2000						
Average Monthly Benefit	*	*	*	*	*	*
Average Final Average Salary	*	*	*	*	*	*
Number of Active Retired	*	*	*	*	*	*
2001						
Average Monthly Benefit	*	*	*	*	*	*
Average Final Average Salary	*	*	*	*	*	*
Number of Active Retired	*	*	*	*	*	*
2002						
Average Monthly Benefit	*	*	*	*	*	*
Average Final Average Salary	*	*	*	*	*	*
Number of Active Retired	*	*	*	*	*	*
2003						
Average Monthly Benefit	*	*	*	*	*	*
Average Final Average Salary	*	*	*	*	*	*
Number of Active Retired	*	*	*	*	*	*
2004						
Average Monthly Benefit	*	*	*	*	*	*
Average Final Average Salary	*	*	*	*	*	*
Number of Active Retired	*	*	*	*	*	*

NOTE:

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

PARTICIPATING EMPLOYERS

As of June 30, 2004

Employer/Category	Total
Public Employees Retirement Fund:	
State Agencies	119
Municipalities	77
Counties	33
Special Districts	30
Housing Authorities	22
Hospitals	1
Judicial Retirement Fund	15
Magistrate Retirement Fund	18
Volunteer Firefighters Fund	373
Total	688

STATE OF NEW MEXICO
DEFERRED COMPENSATION PLAN — SECTION 457
(numbers extracted from Nationwide Retirement Solutions report)

Participants at June 30, 2004

Total Plan Participants	12,755
Currently Contributing	8,488
Not Contributing	2,771
Currently Receiving Payout	1,496

Asset Allocation by Asset Class

	Assets as of June 30, 2004	% of Total Assets
Domestic Equity Funds:		
Large Cap Funds	\$89,310,477	38.57%
Mid Cap Funds	5,011,659	2.16%
Small Cap Funds	4,411,542	1.91%
International Equity Funds	5,958,563	2.59%
Balanced Funds	9,086,176	3.92%
Fixed Income Funds	4,356,321	1.87%
Stable Value	113,408,681	48.98%
Total	\$231,543,419	100.00%

DEFERRED COMPENSATION PROGRAM COMPARATIVE INVESTMENT RESULTS

Fiscal Year Ended June 30, 2004

Manager	1-year 2004	3-year 2002-2004	5-year 2000-2004
Large Cap Funds			
American Century Ultra Fund	17.7%	-1.6%	-2.6%
Calvert Social Invest Equity Fund	13.3%	1.8%	4.8%
Growth Fund of America	21.6%	0.4%	4.6%
Dodge & Cox Stock Fund	27.1%	8.2%	9.5%
Fidelity Equity and Income	21.6%	2.2%	1.7%
Fidelity Contrafund	24.2%	6.1%	2.3%
Fidelity Growth & Income Fund	13.0%	-1.3%	-1.7%
Fidelity Magellan Fund	15.0%	-2.9%	-3.2%
Vanguard 500 Index	18.9%	-0.8%	-2.3%
Small Cap Funds			
Fidelity Low Priced Stock fund	32.4%	15.2%	15.8%
Fidelity Small Cap Stock Fund	38.2%	10.5%	13.8%
Mid Cap Funds			
Ariel Appreciation Fund Growth	19.9%	8.5%	8.5%
T. Rowe Price Mid Cap Growth	26.1%	5.4%	6.8%
International Funds			
American EuroPacific Growth Fund	30.7%	4.3%	3.5%
Fidelity Diversified Int'l	32.2%	9.1%	8.0%
Fixed-Income Funds			
Vanguard Total Bond Index Fund	0.2%	5.5%	6.5%
MFS High Income	9.7%	7.5%	3.6%
Balanced Funds			
Dodge and Cox	18.9%	8.9%	9.6%
Income Fund of America	16.2%	7.1%	6.5%
Stable Value Fund	4.0%	5.2%	5.8%



**Public Employees
Retirement Association**
of New Mexico

CREDITS

Archival Photographs

Cover/Back Cover

Archival Photo, Fiesta Santa Fe, Circa 1910
Courtesy Museum of New Mexico, Neg. No. 14060

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Archival Photo, Bland, NM, Circa 1890s
Courtesy Museum of New Mexico, Neg. No. 8697
Detail

Introductory Section

Archival Photo, Circa 1885, Photographer J. R. Riddle
Courtesy Museum of New Mexico, Neg. No. 14524

Financial Section

Archival Photo, Circa 1890
Courtesy Museum of New Mexico, Neg. No. 14700

Investment Section

Archival Photo, Circa 1893, Photographer George Ben Wittick
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Detail, Photo Altered

Actuarial Section

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Statistical Section

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Array Design Studio

Photography/Digital Retouching

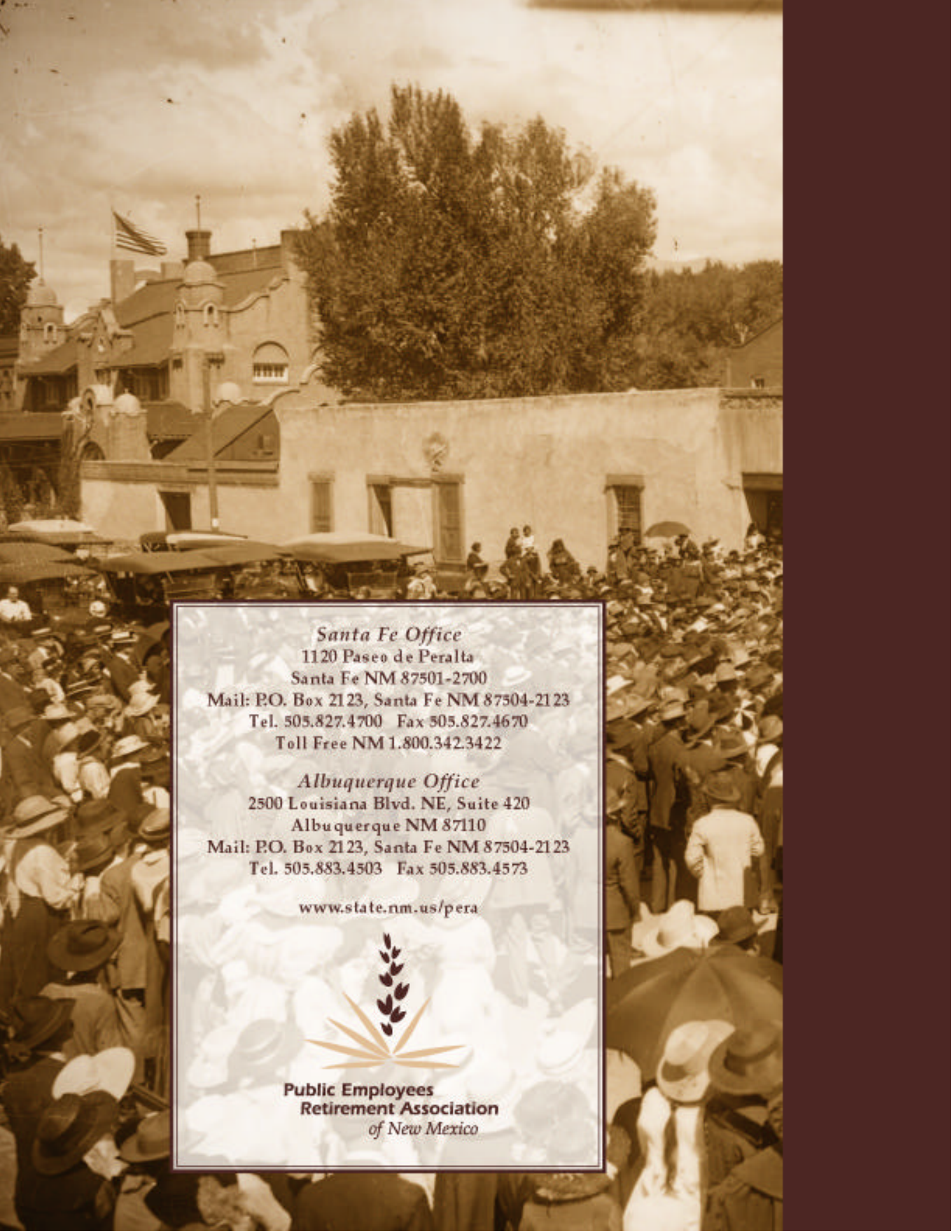
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