

Public Employees Retirement Association of New Mexico

comprehensive annual financial report  
year ended June 30 **2007**

public trust funds of the state of new mexico



a g o l d e n y e a r





Public Employees Retirement Association of New Mexico

comprehensive annual financial report **20**  
year ended June 30 **07**

public trust funds of the state of new mexico

Prepared by PERA staff

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**Public Pension Coordinating Council**  
**Public Pension Standards**  
**2007 Award**

Presented to

**New Mexico Public Employees**  
**Retirement Association**

In recognition of meeting professional standards for  
plan design and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator

a golden year



**Public Employees  
Retirement Association**  
*of New Mexico*

# Introductory section





a g o l d e n y e a r



## The Mission Statement of the PERA Board

### PRESERVE, PROTECT AND ADMINISTER

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

## The Value Statement of the PERA Board

### EFFICIENT, EFFECTIVE, PRUDENT, VISIONARY

The Board will act with integrity in meeting its fiduciary responsibilities to the Trust. The Board will make efficient, effective, prudent and visionary decisions in fulfilling its mission. Board Members will be reliable, responsible, and will utilize opportunities to receive necessary training in order to be knowledgeable fiduciaries. The Board will engage in inclusive decision making processes, which support its expectation that the Board speaks with a unified voice.



a golden year



**Public Employees  
Retirement Association**  
*of New Mexico*



February 6, 2008

**DEAR PERA MEMBERS  
AND MEMBERS OF THE LEGISLATURE:**

Once again it is the Board's pleasure to report to you on the sound financial condition of our PERA fund. This Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007 provides you with information about the fund, its financial status and its membership.

For this reporting period, the PERA funds' assets had a positive investment return of 18.08%, \$2.04 billion, over the last twelve months, exceeding our actuarial benchmark of 8%, and bringing the fund's total net assets to \$13.6 billion. On a risk adjusted basis PERA's investment performance ranks among the highest of all public pension plans throughout the U.S.

This is good news for the fund and membership. We should take this good news to heart in a time when many other pension funds, public and private, are undergoing stress, underfunding and even termination.

Your elected PERA Board takes its fiduciary responsibilities most seriously and we make decisions only after thorough deliberation and due diligence, balancing our duties to grow the fund and control risk.

**TWO YEARS AGO, THE LEGISLATURE GAVE PERA THE AUTHORITY TO EXPAND THE TYPES OF INVESTMENTS WE MAKE WITH AN EYE TOWARD BETTER FUNDING YOUR BENEFITS. UNDER THE PRUDENT INVESTOR RULE, WE PROCEED CAUTIOUSLY WITH THE ASSISTANCE OF OUR EXPERT ADVISORS TO IMPLEMENT INVESTMENT OPPORTUNITIES. WE ARE ENCOURAGED BY THE EARLY RESULTS OF THESE EFFORTS.**

It is the Board's fiduciary responsibility and pleasure to serve the membership and we pledge our best efforts to continue the progress of the PERA fund.

Sincerely,

A handwritten signature in black ink that reads "Victor A. Montoya". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Victor A. Montoya  
PERA Board Chairman  
Retiree Member

Public Employees Retirement Association  
**Board Members**



**MR. VICTOR A. MONTAYA**  
CHAIR  
*Retired Member*



**MS. CYNTHIA BORREGO**  
VICE CHAIR  
City of Albuquerque  
*Municipal Member*



**MS. MARY HERRERA**  
Secretary of State  
*Ex-Officio Member*



**MR. JAMES B. LEWIS**  
State Treasurer  
*Ex-Officio Member*



**MR. JEFF RIGGS**  
Educational Retirement  
Association  
*State Member*



**MR. OSCAR AREVALO**  
Administrative Office  
of the Courts  
*State Member*



**MS. NANCY HEWITT**  
Public Defender  
Department  
*State Member*



**MR. JEFF VARELA**  
Administrative Office  
of the Courts  
*State Member*



**MR. DAVID A. BACA**  
Bernalillo County  
*County Member*



**MR. LOU HOFFMAN**  
City of Albuquerque  
*Municipal Member*



**MS. PATRICIA FRENCH**  
City of Albuquerque  
*Municipal Member*



**MS. LORETTA NARANJO-LOPEZ**  
*Retired Member*



February 6, 2008

**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, 2007 (FY07). 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).

PERA received the 2007 Government Finance Officers Association Certificate of Achievement and the Public Pension Coordinating Council's 2007 Public Pension Standards Award for its FY06 CAFR.

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 36.

**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 31.
- 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.

### ***Fiscal Year 2007 Highlights***

#### **SUMMARY OF FINANCIAL INFORMATION**

The following schedule is a summary of the Fund's additions and deductions for the years ended June 30, 2007, and June 30, 2006.

	June 30, 2007	June 30, 2006 (restated)
Additions	\$ 2,554,037,044	\$ 1,673,832,453
Deductions	(585,759,757)	(536,516,169)
<b>NET CHANGE</b>	<b>\$ 1,968,277,287</b>	<b>\$ 1,137,316,284</b>

Additions increased by \$880,204,591 primarily due to an increase in net investment income of \$831,681,402. Deductions increased by \$49,243,588 primarily due to an increase of \$45,809,859 in benefit payouts for the year. The fiscal year 2006 results were restated to include the financial statements of the Deferred Compensation (IRC 457) plan. See the note on restatement in the financial section for details of this change.

#### **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 pages 58–59. During the year ended June 30, 2007, the funded ratio of PERA, which covers 89,000 participants, was 93%. 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 18.08% for the year ended June 30, 2007. The policy benchmark return for the year was 16.71%. The fund has achieved its goal of adding value over its policy benchmark and, for the longer term, has continued to meet the actuarial target rate of an 8% annualized return.

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 2007 WAS 18.08%, ALLOWING PERA TO BEAT ITS POLICY TARGET BENCHMARK. IT IS ALSO WORTH NOTING THAT TOTAL INVESTMENT EARNINGS OVER THE PAST 10 YEARS EXCEEDED \$ 8.13 BILLION (BASED ON INVESTED ASSETS OF \$5.337 BILLION AS OF 6/30/97) AND THE ANNUALIZED RETURN OVER THE 10-YEAR PERIOD WAS 9.79% VS. THE POLICY BENCHMARK RETURN OF 7.88%.**



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

### **LEGISLATION ENACTED DURING THE 2007 LEGISLATIVE SESSION**

Although many PERA-related bills were introduced, no changes affecting PERA retirement or retirement plans passed. The memorials which passed involve studies to be performed in advance of the 2008 legislative session. Subjects to be studied by various legislative committees include:

1. Volunteer firefighter retirement – the concern is to establish more accurate reporting of service and membership information by volunteer firefighters. PERA has been working with the State Fire Marshal on improved reporting by fire departments.
2. The impact on the PERA fund of retirees returning to work for PERA employers.
3. Potential merging of the Educational Retirement Association (ERB) and PERA.

PERA has provided data and testimony to interim legislative committees as requested.

### **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, and investment returns. 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 Moss Adams, 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.

### **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.

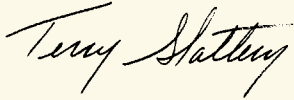
This report is a product of the combined efforts of the PERA staff and advisors functioning under the Board's guidance. It is intended to provide complete and reliable information, which will facilitate the management decision-making process, serve as a means for determining compliance with legal requirements,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

**Executive Director's Letter**

*(continued)*

I would like to acknowledge Mr. George Emkes, PERA Comptroller, for his work in coordinating the compilation of data and Ms. Patricia Thaxton, PERA Liaison Officer, for coordinating the preparation of this report. I also want to thank our various consultants who worked closely with Mr. Emkes and Mr. Robert Gish, PERA Director of Investments, to provide information presented in this report. There will be many challenges in the coming year. I believe we can meet the challenges and make them great opportunities.

Sincerely yours,



Terry Slattery, CEBS  
*Executive Director*





#### ADMINISTRATION

Terry Slattery, *Executive Director*  
Mary Frederick, *Deputy Director, Member Services*  
Kurt Weber, *Deputy Director, Operations*  
Jane Clifford, *Executive Assistant*  
Michael Hansen, *Internal Auditor*  
Gene Powers, *Building Project Manager*  
Patricia Thaxton, *Liaison Officer*  
Steve Voet, *Planning, Policy and Budget*

#### ADMINISTRATIVE SERVICES

George Emkes,  
*Director of Finance & Administration*  
Lynn Coles, *Staff Manager*  
Alex Coriz, *Accountant Auditor*  
Jodi Francisco, *Accountant Auditor*  
Sharon Moya, *Accountant Auditor*  
Vacant, *Account Auditor*

#### CONTRIBUTION ACCOUNTING

Herb Romero, *Staff Manager*  
Renee Baros, *Accountant Auditor*  
Christine Carillo, *Accountant Auditor*

#### DEFERRED COMPENSATION

JoAnn Garcia, *Line Manager*

#### HUMAN RESOURCES

Mary Ellen Trujillo,  
*Human Resource Administrator, Senior*

#### INFORMATION SYSTEMS

Greg Portillos, *Information Systems Mgr.*  
Mike Gonzales, *IT Generalist*  
Andres Martinez, *IT Technical Support Specialist 1*  
Leonard Martinez, *IT System Manager 4*  
Adrian Martinez, *IT Network Specialist 2*  
Vacant, *IT System Manager 3*

#### INVESTMENTS

Robert Gish, *Chief Investment Officer*  
Dominic Garcia,  
*Securities & Commodities Financial*  
Julian Baca, *Securities & Commodities Financial*  
Jason Goeller, *Securities & Commodities Financial*  
Debbie O'Dell, *Financial Analyst*  
Sandy Perez, *Financial Analyst*

#### LEGAL DIVISION

Susan Pittard, *Chief Legal Counsel*  
Christopher Bulman, *Lawyer*  
Maryanne Reilly, *Litigation Assistant*  
Judy Olson, *Paralegal*  
Theresa Vargas, *Legal Support*

#### MAINTENANCE

Eric Martinez, *Maintenance and Repair*

#### MEMBER SERVICES

Vince Jaramillo, *Staff Manager*

#### ALBUQUERQUE OFFICE

Vacant, *Public Relations Specialist*  
Bernadette Meyer, *Financial Specialist*  
Donna Morelos, *Business Operations*

#### CUSTOMER SERVICES

Rose Rael, *Administrative Services Coordinator*  
Monica Madrid, *Business Operations*  
Theresa Martinez, *Business Operations*  
Felicia Sena, *Business Operations*  
Melissa Shelley, *Business Operations*

#### REQUESTS

Christina Gauthier, *Financial Specialist*  
Natalia Manzanares, *Financial Specialist*  
Nicole Tapia, *Financial Specialist*

#### QUALITY CONTROL

Monica Varela, *Administrative Services Coordinator*  
Angela Romero,  
*Executive Secretary & Administrative Assistant*  
Jessica Maldonado, *Customer Service Representative*

#### RETIREMENTS

Claudine Serna,  
*Administrative Services Coordinator*  
Brenda Cordova, *Financial Specialist*  
Angel Lujan, *Financial Specialist*  
Jessica Perea, *Financial Specialist*  
Joyce Rivera, *Financial Specialist*  
Arlene Coriz, *Financial Specialist*  
Billy Maes, *Financial Specialist*

#### ANNUITANT PAYROLL

Nora Solano, *Administrative Services Coordinator*  
Denise Vialpando, *Business Operations*

#### USER ADMINISTRATION

Vacant, *Database Administrator*  
Carolyn Spidle, *Database Administrator*  
Xochitl Gutierrez,  
*Executive Secretary & Administrative Assistant*  
Leslie Miller, *Business Operations*

#### RECORDS

Mark Sanchez, *Administrative Services Coordinator*  
Albert Martinez, *Information Records Clerk*  
Joy Lujan, *Information Records Clerk*  
Sheila Martinez, *Office Clerk*  
Vacant, *Information Records Clerk*



PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

# Board



	June 30, 2006	June 30, 2007
<b>PERA MEMBERS</b>	60,904	60,712
State	26,980	25,597
Municipal	27,807	29,157
Judicial	129	129
Magistrate	63	65
Volunteer Firefighters	5,804	5,638
Legislative	121	126
<b>RETIRED MEMBERS AND BENEFICIARIES</b>	23,187	24,384
State	12,154	12,654
Municipal	10,408	11,046
Judicial	97	97
Magistrate	48	55
Volunteer Firefighters	343	388
Legislative	137	144
<b>RETIREMENT BENEFITS</b>	\$ 474,358,571	\$ 519,785,955
<b>CONTRIBUTION REFUNDS</b>	\$ 30,271,605	\$ 34,679,881
<b>PARTICIPATING EMPLOYERS</b>	691	714
State	118	119
Municipal	81	83
Counties	33	33
Housing Authorities	15	16
Special Districts	36	46
Hospitals/Clinics	2	3
Volunteer Fire Departments	373	389
Judicial	15	16
Magistrate	18	9
<b>CONTRIBUTIONS:</b>		
<b>MEMBER CONTRIBUTIONS</b>	\$ 170,707,950	\$ 180,477,181
<b>EMPLOYER CONTRIBUTIONS</b>	\$ 253,742,916	\$ 274,112,941
<b>DEFERRED COMPENSATION (IRC 457) FUND</b>	\$ 278,624,507	\$ 325,560,187
<b>TOTAL PERA NET ASSETS</b>	\$ 11,647,820,943	\$ 13,616,098,230

### 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 1,436 normal retirement applications, 179 disability and 281 survivor retirements in FY07.

The PERA staff is responsible for preparing benefit estimates, calculating the cost of purchasing withdrawn service credit and air time, assisting members with understanding retirement procedures, preparing military service calculations, processing refund repayment 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 80,000 copies of the PERA newsletter, La Voz, are distributed each quarter to active and retired members. La Voz informs members about their retirement plan, legislative updates, news from our Board and other relevant subjects. Special articles were published in La Voz after the legislative session, explaining the changes to PERA plans and how members and retirees would be affected. All PERA 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 updated on the PERA fund status and legislative changes. The executive director made presentations at meetings of the Revenue Stabilization and Taxation Interim Committee and the Permanent Fund Investments Task Force. PERA liaison officers also visited the following affiliates: the cities and towns of Alamogordo, Albuquerque, Angel Fire, Artesia, Bernalillo, Carlsbad, Carrizozo, Clovis, Farmington, Hobbs, Las Cruces, Las Vegas, Portales, Raton, Rio Rancho, Roswell, Ruidoso, Santa Fe, Taos, and Truth or Consequences; the counties of Bernalillo, Chavez, Dona Ana, Eddy, Lea, Lincoln, Luna, Otero, San Juan, Sandoval, Santa Fe, Taos and Valencia and various state agencies across the State.

### BENEFITS TRAINING

This year, the PERA liaison officers in the Santa Fe and Albuquerque offices conducted 55 seminars statewide. PERA continues to expand training sessions for members and affiliates.

### ANNUAL STATEMENTS AND 1099-R FORMS

Annual statements of account for individual active members are mailed directly to each active member, providing a summary of account transactions and member contribution balances. The FY07 Annual Member Statements were mailed in October 2007. Member 1099-R forms are mailed each January to retirees as well as to members who requested refunds of their member accounts. The 2007 annual notifications of Cost-of-Living Adjustments (COLAs) were mailed to retirees and beneficiaries in August.

### 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.pera.state.nm.us](http://www.pera.state.nm.us).

### PERA CUSTOMER SERVICE CENTER

The PERA Customer Service Center allows members and employers to speak directly to a customer service representative by calling or visiting the Santa Fe and Albuquerque offices. PERA strives to make the latest information available to its members, retirees and affiliates. The PERA Customer Service Center staff answered 64,274 calls in FY07.

**ACTUARY**

**Gabriel, Roeder, Smith & Co.**  
Consultants & Actuaries  
One Towne Square, Suite 800  
Southfield, Michigan 48076

**AUDITOR**

**Moss Adams, LLP**  
Consultants & Certified Public Accountants  
6100 Uptown Boulevard NE, Suite 400  
Albuquerque, New Mexico 87110

**INVESTMENT CONSULTANT**

**R.V. Kuhns & Associates**  
1000 SW Broadway, Ste. 1680  
Portland, Oregon 97205

**Cliffwater, LLC**  
Marina Towers  
4640 Admiralty Way, Suite 1101  
Marina del Rey, CA 90292-6623



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**Public Employees  
Retirement Association**  
*of New Mexico*

# Financial section





a g o l d e n y e a r





**Public Employees  
Retirement Association**  
*of New Mexico*

## MOSS ADAMS<sub>LLP</sub>

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

www.mossadams.com

### Independent Auditors' Report

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

T 505-830-6200  
F 505-830-6282

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, 2007, 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 did not audit the Deferred Compensation (IRC 457) Fund, which statements reflect total assets and revenues constituting 1.7 percent and 2.7 percent, respectively, of the related totals. The financial statements of the Deferred Compensation (IRC 457) Fund were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Deferred Compensation (IRC 457) Fund, is based solely on the reports of the other auditors.

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, 2007, 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.

6100 Uptown Blvd NE, Suite 400  
Albuquerque, NM 87110



a g o i d e n y e a r

MOSS ADAMS<sub>LLP</sub>

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

In our opinion, based on the report of our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the plan net assets of PERA as of June 30, 2007, and the respective changes in financial position of its plan net assets 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 position of the plan net assets of each of the individual funds administered by PERA as of June 30, 2007, and the respective changes in the financial position of the plan net assets of the individual funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, management determined that the Deferred Compensation (IRC 457) Fund should be part of the PERA reporting entity. Accordingly, the 2007 financial statements have been restated and an adjustment has been made to net assets as of July 1, 2006 to correct the error.

The 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.

*Moss Adams LLP*

February 4, 2008  
Albuquerque, New Mexico

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**Discussion and Analysis**

For the Fiscal Year Ended June 30, 2007

This discussion and analysis of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighter Retirement Fund, and the Deferred Compensation (IRC 457) Plan (collectively, the "Funds") of the Public Employees Retirement Association of New Mexico (PERA) for the year ended June 30, 2007 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 \$2.0 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 \$496.3 million and investment income of \$2.0 billion reduced by the cost of benefit payments, refunds, and other expenses. Administrative expenses decreased as a result of reduced costs associated with the maintenance of the Retirement Information On-line system (RIO).

Total assets increased by \$3.6 billion primarily through an increase in the investment and broker receivable amounts.

Benefit payments to retirees increased by \$45.8 million due to an increased number of retirees, while refunds of member contributions only slightly increased.

**PERA HIGHLIGHTS**

During the year ended June 30, 2007, PERA initiated its alternative investment program by making commitments totaling \$621 million or about 4.67% of total market value. This program, which will include investments in absolute return funds, private equity, real estate and real assets, will further diversify PERA's portfolio and reduce the overall risk compared to a portfolio consisting only of traditional assets. The target for alternative investments in the portfolio has been set at 15% which will take PERA several years to attain.

**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 and the Deferred Compensation Plan described below. The financial statements also include notes that explain the history and purpose of the funds, significant accounting policies, investment details, statutory disclosures and other required information regarding the financial position of the funds.

The Deferred Compensation Plan available to state employees is administered by a contracted third party. The assets of that plan are included in these financial statements as a separate fund. The net operating account used to pay administration expenses for deferred compensation is included in the Public Employees Retirement Fund.

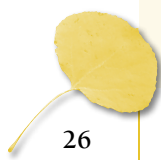
**COMPARATIVE SUMMARY STATEMENTS**

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

<b>ALL FUNDS</b>	<b>2007</b>	<b>2006 Restated</b>
Assets	\$ 18,853,498,070	\$ 15,275,550,626
Liabilities	(5,237,399,840)	(3,627,729,683)
Net Assets	\$ 13,616,098,230	\$ 11,647,820,943
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,968,277,287</b>	<b>\$ 1,137,316,284</b>

The increase in assets from fiscal year 2006 to fiscal year 2007 is due primarily to an increase in investments. Liabilities are increased because of a higher amount of payable due brokers. The total net

Fiscal Year Ended June 30, 2007



assets held by PERA increased during the fiscal year ended June 30, 2007 primarily due to investment revenue and contributions offset by benefit and refund payments. All four retirement funds participate in an investment pool and share in investment earnings based on the fund's equity percentage in the pool. The fiscal year 2006 assets and net assets were restated to include Deferred Compensation (IRC 457) Plan assets and net assets. See the note on restatement for details.

The most significant pension plan administered by PERA includes the following balances at the years ended June 30, 2007 and 2006:

<b>PUBLIC EMPLOYEES RETIREMENT FUND</b>	2007	2006
Cash & equivalents	\$ 704,385,966	\$ 786,032,122
Receivables	2,081,416,869	915,869,840
Investments	15,483,437,836	13,089,905,548
Capital Assets, Net	9,520,927	1,134,619
Other (Deposit on land purchase)	70,000	-
<b>TOTAL ASSETS</b>	<b>18,278,831,598</b>	<b>14,792,942,129</b>
Accounts Payable	2,971,070,686	1,486,028,194
Accrued Expenses & Other Liabilities	2,196,711,848	2,091,897,820
<b>TOTAL LIABILITIES</b>	<b>5,167,782,534</b>	<b>3,577,926,014</b>
<b>NET ASSETS HELD IN TRUST</b>	<b>\$ 13,111,049,064</b>	<b>\$ 11,215,016,115</b>

The net assets of the Public Employees Retirement Fund is 96.3% of the net assets of all funds.

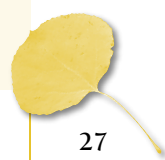
The receivable and payable accounts are significantly higher at June 30, 2007 due to increased activity in the securities market by brokers at fiscal year end.

The following schedule shows a comparison of changes in plan net assets for the most significant pension plan during fiscal years ended June 30, 2007 and 2006:

<b>PUBLIC EMPLOYEES RETIREMENT FUND</b>	2007	2006
<b>ADDITIONS:</b>		
Contributions	\$ 456,787,810	\$ 426,478,034
Investment Income (less Investment Expense)	372,381,326	322,417,094
Net Appreciation of Fair Value of Investments	1,611,782,980	854,078,101
Other Income	10,495,639	494,610
<b>TOTAL ADDITIONS</b>	<b>2,451,447,755</b>	<b>1,603,467,839</b>
<b>DEDUCTIONS:</b>		
Benefit Payments	(511,709,032)	(467,102,032)
Refunds	(34,589,598)	(30,245,512)
Administrative Expenses	(9,116,176)	(10,174,048)
<b>TOTAL DELETIONS</b>	<b>(555,414,806)</b>	<b>(507,521,592)</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,896,032,949</b>	<b>\$ 1,095,946,247</b>

**OTHER RETIREMENT FUNDS**

In FY2007, the total earnings on investments as a percentage of total additions ranged from 74.9% for the Judicial Fund to 90.7% for the Volunteer Firefighters Fund. In addition, the earnings on investments was the major cause for the increase in total assets as well as the increase in net assets. In these funds, the total assets and total liabilities also increased as a result of increased activity by the investment brokers at or near the fiscal year end.



**Discussion and Analysis***(continued)*

The following is a comparative summary of assets, liabilities, net assets and the related change in net assets for these retirement funds.

<b>JUDICIAL RETIREMENT FUND</b>	2007	2006
<b>TOTAL ASSETS</b>	\$ 124,449,479	\$ 102,415,357
<b>TOTAL LIABILITIES</b>	34,551,868	25,000,019
<b>NET ASSETS</b>	\$ 89,897,611	\$ 77,415,338
<b>ADDITIONS:</b>		
Contributions and Service Credit Purchases	\$ 4,496,460	\$ 3,851,188
Investment Income, Net of Related Expenses	13,487,797	8,136,951
Other Income	23,453	-
<b>TOTAL ADDITIONS</b>	18,007,710	11,988,139
<b>DEDUCTIONS:</b>		
Benefit and Refund Payments	5,504,841	5,139,337
Administrative Expenses	20,596	23,478
<b>TOTAL DEDUCTIONS</b>	5,525,437	5,162,815
<b>CHANGE IN NET ASSETS</b>	\$ 12,482,273	\$ 6,825,324
<b>MAGISTRATE JUDGES RETIREMENT FUND</b>	2007	2006
<b>TOTAL ASSETS</b>	\$ 56,457,019	\$ 46,823,358
<b>TOTAL LIABILITIES</b>	15,832,449	11,428,845
<b>NET ASSETS</b>	\$ 40,624,570	\$ 35,394,513
<b>ADDITIONS:</b>		
Contributions and Service Credit Purchases	\$ 1,205,944	\$ 1,057,721
Investment Income, Net of Related Expenses	6,186,550	3,719,253
Other Income	9,554	-
<b>TOTAL ADDITIONS</b>	7,402,048	4,776,974
<b>DEDUCTIONS:</b>		
Benefit and Refund Payments	2,163,654	1,738,251
Administrative Expenses	8,337	9,467
<b>TOTAL DEDUCTIONS</b>	2,171,991	1,747,718
<b>CHANGE IN NET ASSETS</b>	\$ 5,230,057	\$ 3,029,256

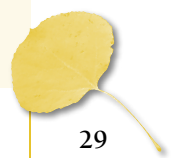
<b>VOLUNTEER FIREFIGHTERS RETIREMENT FUND</b>	2007	2006
<b>TOTAL ASSETS</b>	\$ 68,199,787	\$ 54,745,275
<b>TOTAL LIABILITIES</b>	19,232,989	13,374,805
<b>NET ASSETS</b>	\$ 48,966,798	\$ 41,370,470
<b>ADDITIONS:</b>		
Appropriation from the State of New Mexico		
Fire Protection Fund	\$ 750,000	\$ 750,000
Investment Income, net of related expenses	7,344,423	4,325,589
Other Income	616	-
<b>TOTAL ADDITIONS</b>	8,095,039	5,075,589
<b>DEDUCTIONS:</b>		
Benefit Payments	498,711	405,044
<b>TOTAL DEDUCTIONS</b>	498,711	405,044
<b>CHANGE IN NET ASSETS</b>	\$ 7,596,328	\$ 4,670,545

In addition to the above retirement funds, the comparative summary of assets, liabilities, net assets and the related change in net assets of the Deferred Compensation (IRC 457) Plan is presented below. The assets and liabilities of this plan are administered by the plan administrator under contract with PERA as indicated in note 2 to the financial statements.

<b>DEFERRED COMPENSATION (IRC 457) FUND</b>	2007	2006
<b>TOTAL ASSETS</b>	\$ 325,560,187	\$ 278,624,507
<b>TOTAL LIABILITIES</b>	-	-
<b>NET ASSETS</b>	\$ 325,560,187	\$ 278,624,507
<b>ADDITIONS:</b>		
Contributions by Members	\$ 33,088,042	\$ 25,622,347
Investment Income, Net of Related Expenses	35,866,360	22,691,046
Other Income	130,090	210,519
<b>TOTAL ADDITIONS</b>	69,084,492	48,523,912
<b>DEDUCTIONS:</b>		
Benefit Payments	21,158,190	20,775,715
Life Insurance Premiums	187,417	213,980
Administrative Expenses	803,205	689,305
<b>TOTAL DEDUCTIONS</b>	22,148,812	21,679,000
<b>CHANGE IN NET ASSETS</b>	\$ 46,935,680	\$ 26,844,912

**BUDGET HIGHLIGHTS ORIGINAL BUDGET – FINAL BUDGET COMPARISONS**

Due to the success of the investment program, the “Contractual services” original budget to the final budget expenditures in Administration increased primarily as a result in increase in investment managers’ fees. The increase in appropriations was necessary to cover those expenditures. Since interest income is substantial in comparison to expenditures, only amounts necessary to pay for PERA’s expenditures increased from the original budget to the final budget.



**BUDGET COMPARISONS – BUDGET TO ACTUAL**

Contractual services expenditures in Administration increased primarily as a result of an increase in investment managers' fees. Since interest income is substantial in comparison to expenditures, only amounts necessary to pay for PERA's expenditures were budgeted. In addition, the rental revenue and related expenses of the Maintenance Division were reduced as the building was sold to the General Services Department in December 2006.

All PERA's expenditures used to administer the retirement funds that are under management by PERA are appropriated in the Public Employees Retirement Fund. For trust accounting and financial statement purposes, allocations of the budgeted expenditures were made as follows:

	Judicial Fund	Magistrate Judges Fund	Volunteer Firefighters Fund	Total
Investment Expenses	\$ 188,964	86,570	103,574	379,108
Administrative Expenses	20,596	8,337	-	28,933
<b>TOTAL ALLOCATED EXPENSES</b>	<b>\$ 209,560</b>	<b>94,907</b>	<b>103,574</b>	<b>408,041</b>

The investment expenses were allocated based on each individual fund's equity in the investment pool. The administrative expenses were allocated based on each fund's number of the members participating in the plan to the total number of members.

**CAPITAL ASSETS**

In previous years, the PERA Building had been considered an investment of the Public Employees Retirement Fund. In FY07, the building was sold at the appraised value of \$23,500,000 which had been established in fiscal year 2005. Accordingly, no gain or loss was recognized as a result of the sale. Also, in FY07, PERA placed a deposit on land in anticipation of acquisition and the related construction of a new facility. The deposit is reported as an "Other asset" in the Statements of Net Assets at June 30, 2007.

Additional significant items include:

- Computer software relating to the Retirement Information On-line system (RIO) amounting to \$10,111,664, net of accumulated amortization of \$2,198,188 was added to the capital assets as of July 1, 2006. Because the amount is immaterial to the financial statements as a whole, the \$10,111,664 addition is reported as "Other income" in the Statement of Changes in Net Assets" for the year ended June 30, 2007 because the cost associated with the system had been expensed in previous fiscal years.
- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$4,107,249 including amortization on RIO of \$3,956,738 compared to \$206,139 in FY2006. The major increase results from the amortization of software.
- Assets with individual original cost less than \$5,000 were removed from capital assets as of July 1, 2006 since the State of New Mexico statutes no longer require that these be inventoried. The un-depreciated cost of the assets removed was \$252,552. The related original cost was \$874,083.

Capital assets, at carrying value, are listed for the years ended June 30, 2007 and 2006:

	2007	2006
Construction work in progress, not depreciated	\$ 423,197	\$ -
Capital Assets, net of depreciation and amortization:		
Computer Equipment and Software	9,019,714	1,021,989
Property and Equipment	78,016	112,630
<b>TOTAL</b>	<b>\$ 9,520,927</b>	<b>\$ 1,134,619</b>



**LONG-TERM DEBT**

The only long-term liability activity relates to compensated absences reported in Note 9.

**INFRASTRUCTURE**

PERA has no infrastructure assets to report.

**CURRENTLY KNOWN FACTS**

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

**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.

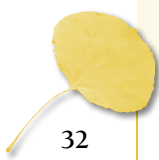


Statements of  
**Plan Net Assets**

For the Fiscal Year Ended June 30, 2007

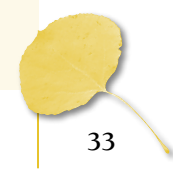
	Public Employees Retirement Fund	Judicial Retirement Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 704,385,966	7,396,913	
<b>RECEIVABLES</b>			
Accrued investment income	43,205,493	300,413	
Accounts receivable – brokers	2,013,962,466	13,408,838	
Contributions receivable	21,880,724	255,186	
Accounts receivable – other	1,991,464	4,005	
Participant loans receivable	-	-	
Interfund receivable	376,722	-	
	2,081,416,869	13,968,442	
<b>INVESTMENTS, AT FAIR VALUE</b>			
U.S. Government and agency securities	1,920,481,369	12,785,882	
Municipal bonds	3,012,657	20,057	
Fixed Earnings Investments (IRC 457)	-	-	
Corporate equity securities	5,455,270,542	36,319,251	
Variable Earnings Investments (IRC 457)	-	-	
Corporate obligations	1,644,854,658	10,950,858	
International securities	3,963,529,092	26,387,768	
Venture capital and partnerships	299,439,948	1,993,565	
	13,286,588,266	88,457,381	
Securities lending collateral investments	2,196,849,570	14,626,743	
	15,483,437,836	103,084,124	
<b>TOTAL INVESTMENTS</b>			
Capital assets, net	9,520,927	-	
Policyholder Account Value of Life Insurance	-	-	
Deposit on land purchase	70,000	-	
	\$ 18,278,831,598	124,449,479	
<b>LIABILITIES</b>			
Accounts payable – brokers	\$ 2,962,944,288	19,726,230	
Accounts payable – other	8,126,398	620	
Accrued expenses	218,179	15,035	
Compensated absences	248,771	-	
Interfund payable	-	187,266	
Securities lending liability	2,196,244,898	14,622,717	
	\$ 5,167,782,534	34,551,868	
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b> (A Schedule of Funding Progress for each fund is Presented on page 58)			
	\$ 13,111,049,064	89,897,611	

See Notes to Financial Statements



Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Deferred Compensation (IRC 457) Fund	Total
\$ 2,809,182	3,162,333	-	717,754,394
137,673	160,533	-	43,804,112
6,146,046	7,467,363	-	2,040,984,713
111,464	-	977,606	23,224,980
-	-	-	1,995,469
-	-	3,883,582	3,883,582
-	-	-	376,722
6,395,183	7,627,896	4,861,188	2,114,269,578
5,860,934	7,120,741	-	1,946,248,926
9,194	11,170	-	3,053,078
-	-	150,770,284	150,770,284
16,648,420	20,226,996	-	5,528,465,209
-	-	167,716,527	167,716,527
5,019,775	6,098,775	-	1,666,924,066
12,095,917	14,695,932	-	4,016,708,709
913,832	1,110,260	-	303,457,605
40,548,072	49,263,874	318,486,811	13,783,344,404
6,704,582	8,145,684	-	2,226,326,579
47,252,654	57,409,558	318,486,811	16,009,670,983
-	-	-	9,520,927
-	-	2,212,188	2,212,188
-	-	-	70,0000
\$ 56,457,019	68,199,787	325,560,187	18,853,498,070
\$ 9,042,327	10,985,974	-	3,002,698,819
1,502	-	-	8,128,520
-	-	-	233,214
-	-	-	248,771
85,883	103,573	-	376,722
6,702,737	8,143,442	-	2,225,713,794
\$ 15,832,449	19,232,989	-	5,237,399,840
\$ 40,624,570	48,966,798	325,560,187	13,616,098,230

B O R D E R

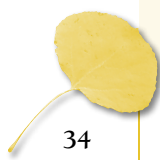


Statements of  
**Changes in Plan Net Assets**  
 For the Fiscal Year Ended June 30, 2007

	Public Employees Retirement Fund	Judicial Retirement Fund	
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS</b>			
Employer	\$ 269,570,850	3,622,535	
Member	179,316,868	873,925	
Appropriations from State of New Mexico —			
Fire Protection Fund	-	-	
Service Credits Purchased	7,900,092	-	
<b>TOTAL CONTRIBUTIONS</b>	<b>456,787,810</b>	<b>4,496,460</b>	
<b>INVESTMENT INCOME</b>			
Interest	209,510,137	1,401,565	
Dividends	183,681,928	1,245,798	
Real Estate Operating Income, Net	631,407	-	
Net Appreciation in Fair Value of Investments	1,611,782,980	10,976,649	
Securities Lending Income	117,906,740	785,012	
Other Investment Income	1,200,572	8,733	
	2,124,713,764	14,417,757	
Securities Lending Expenses	(111,293,117)	(740,996)	
Other Investment Expense	(29,256,341)	(188,964)	
<b>NET INVESTMENT INCOME</b>	<b>1,984,164,306</b>	<b>13,487,797</b>	
Other Income	10,495,639	23,453	
<b>TOTAL ADDITIONS</b>	<b>2,451,447,755</b>	<b>18,007,710</b>	
<b>DEDUCTIONS</b>			
Benefit Payments	511,709,032	5,494,467	
Refunds to Terminated Employees	34,589,598	10,374	
Life Insurance Premiums	-	-	
Administrative Expenses	9,116,176	20,596	
<b>TOTAL DEDUCTIONS</b>	<b>555,414,806</b>	<b>5,525,437</b>	
<b>INCREASE IN NET ASSETS</b>	<b>1,896,032,949</b>	<b>12,482,273</b>	
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of Year	11,215,016,115	77,415,338	
<b>END OF YEAR</b>	<b>\$ 13,111,049,064</b>	<b>89,897,611</b>	

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See Notes to Financial Statements



Statements of  
**Changes in Plan Net Assets**  
*(continued)*

Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Deferred Compensation (IRC 457) Fund	Total
\$ 919,556	-	-	274,112,941
286,388	-	33,088,042	213,565,223
-	750,000	-	750,000
-	-	-	7,900,092
1,205,944	750,000	33,088,042	496,328,256
651,475	766,841	5,590,782	217,920,800
570,824	680,475	-	186,179,025
-	-	-	631,407
5,027,438	5,971,734	30,275,578	1,664,034,379
359,831	437,189	-	119,488,772
3,208	4,421	-	1,216,934
6,612,776	7,860,660	35,866,360	2,189,471,317
(339,656)	(412,663)	-	(112,786,432)
(86,570)	(103,574)	-	(29,635,449)
6,186,550	7,344,423	35,866,360	2,047,049,436
9,554	616	130,090	10,659,352
7,402,048	8,095,039	69,084,492	2,554,037,044
2,083,745	498,711	21,158,190	540,944,145
79,909	-	-	34,679,881
-	-	187,417	187,417
8,337	-	803,205	9,948,314
2,171,991	498,711	22,148,812	585,759,757
5,230,057	7,596,328	46,935,680	1,968,277,287
35,394,513	41,370,470	278,624,507	11,647,820,943
\$ 40,624,570	48,966,798	325,560,187	13,616,098,230

B O I D E N Y E A R



**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS****A. 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 retirement funds, including the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund, 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 these 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 Deferred Compensation Fund, as more fully discussed in Note 2. Collectively, the four retirement funds and the Deferred Compensation Fund are known as “Funds”.

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.

**B. 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 is also presented in the financial statements. See Note 2 for information on the Deferred Compensation Fund and how to obtain separate 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 these criteria, management of PERA has determined that no other such entities should be included in its financial reporting entity.

The State of New Mexico, Department of Finance and Administration (DFA) codes for the PERA funds are as follows:

- Public Employees Retirement Fund - SHARE fund #606
- Public Employees Retirement Fund - Maintenance - SHARE fund #370<sup>1</sup>
- Judicial Retirement Fund - SHARE fund #603
- Magistrate Retirement Fund - SHARE fund #604
- Volunteer Firefighters Retirement Fund - SHARE fund #607
- Public Employees Retirement Fund - Building Capital Project Fund #608<sup>1</sup>
- Deferred Compensation Fund - Administration - SHARE fund #755<sup>1</sup> This fund is used strictly to account for expenses that are reimbursed by the Deferred Compensation Plan administrator

*Note:*

<sup>1</sup> These funds are combined with SHARE Fund #606 in the financial statements under “Public Employees Retirement Fund”

### C. DESCRIPTION OF THE FUNDS

**Public Employees Retirement Fund** is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire, and State Legislative Divisions, and offers 18 different coverage plans. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in 10-11-3, NMSA 1978. Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service. Members of the State Legislative Division may retire at any age with 14 years of credited service. Generally, the amount of normal retirement pension is based on final average salary, which is defined as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 100% of the final average salary, depending on the division. Legislative members who meet retirement eligibility requirements receive annual pensions equal to \$250 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 or \$200 for each year of credited service; employer contributions for members of the State Legislative Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$585,916.

**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 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 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 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 non-salaried 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 2007 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

**Deferred Compensation Plan** – The State of New Mexico offers its employees 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 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. 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 87504, or calling (505) 827-4700.



**D. MEMBERSHIP**

At June 30, 2007, the number of participating government employers were:

Public Employees Retirement Fund	
State Agencies	119
Cities	83
Counties	33
Special Districts and Councils of Government	30
Housing Authorities	16
Hospitals	3
Other	17
<b>TOTALS</b>	301
Judicial Retirement Fund	16
Magistrate Retirement Fund	9
Volunteer Firefighters Retirement Fund	389

At June 30, 2007, membership was as follows:

	PERA Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	VFF Retirement Fund
Retirees and beneficiaries receiving benefits	23,844	97	55	388
Terminated plan members not yet receiving benefits	3,235	12	13	N/A
Active plan members	51,645	117	52	5,638

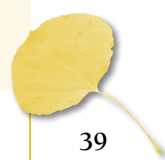
**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*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.* In accordance with the Uniform Prudent Investor Act, which is cited as (UPIA) and is in the NMSA 1978 Subsection 45-7-601 to 612, 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.

B O I D E U Y E R



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

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, dividend income, securities lending income, rental income, and investment expenses, which include investment management and custodial fees, securities lending 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, 2007, are as follows:

<b>POOL</b>	
Public Employees Retirement Fund	98.67 %
Magistrate Retirement Fund	0.30
Judicial Retirement Fund	0.66
Volunteer Firefighters Retirement Fund	0.37
<b>TOTAL</b>	<b>100.00 %</b>

**Capital Assets.** Capital assets costing \$5,000 or more used in PERA's operations consist of furniture and equipment. Intangible assets such as internally generated computer software used to maintain a membership data base are also capitalized. These are recorded at historical cost less accumulated depreciation or amortization. All such capital assets are depreciated over five to ten years, depending on the nature of the asset, using the straight-line method of depreciation.

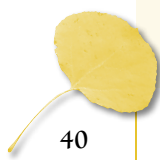
**Accrued Compensated Absences.** Accumulated vacation and sick leave earned but not taken at June 30 is recorded as a liability and expense in the Public Employees Retirement Fund.

**Accrued Expenses.** Accrued expenses consist primarily of accrued payroll.

**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, Subsections 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:

**Members 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 2007 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 determined by the Board for fiscal year 2007 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, 2007 are as follows:

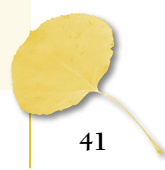
	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
Member Contribution Fund	\$ 1,851,057,920	6,192,967	2,253,925
Employers Accumulation Fund	2,537,088,594	33,955,074	18,661,445
Retirement Reserve Fund	8,722,902,550	49,749,570	19,709,200
<b>TOTAL</b>	<b>\$ 13,111,049,064</b>	<b>89,897,611</b>	<b>40,624,570</b>

**Deferred Compensation Plan** — At June 30, 2007, PERA had \$59,693 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 \$59,693 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.

**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, 2007, 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 change could materially affect the amounts reported in the statement of plan net assets.



**Federal Income Tax Status** — The four retirement funds are qualified plans under Section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a). The Deferred Compensation (IRC 457) Fund is an eligible deferred compensation plan as defined by Section 457 to the Internal Revenue Code. Accordingly, any compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

**NOTE 3. CASH AND CASH EQUIVALENTS**

As of June 30, 2007, cash and cash equivalents consisted of the following:

Interest in State General Fund Investment Pool (advance)	\$ (18,591,311)
Cash equivalents with the investment custodian	736,345,705
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 717,754,394</b>

**NOTE 4. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING COLLATERAL INVESTMENTS**

**Deposits** — Cash and cash equivalent balances reported in the Statements of Plan Net Assets include an interest in State General Fund Investment Pool maintained at 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.

The interest in State Treasurer Investment Pool is in accounts that are pooled with other state funds on deposit in the State Treasurer’s name at commercial banking and other financial institutions. Information regarding the adequacy of collateralization of deposits is not known to individual agencies and is the responsibility of the State Treasurer. To obtain pledged collateral, investment risk, and insurance coverage information for the Department’s State Treasurer deposits, a copy of separately issued financial statements can be obtained from the State Treasurer’s Office.

These amounts, listed below, are held in the name of the entity indicated and are fully collateralized.

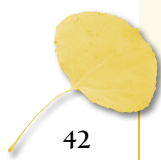
	Bank Balance	Carrying Amount
PERA Trust Administration (advance)	\$ (24,676,290)	(24,676,290)
PERA Building Maintenance	2,898,977	2,898,977
PERA Building Capital Project (advance)	(493,197)	(493,197)
Deferred Compensation Operating Account	59,693	59,693
Judicial Retirement Fund	2,559,490	2,559,490
Volunteer Firefighters Retirement Fund	468,265	468,265
Magistrate Retirement Fund	591,751	591,751
<b>TOTAL DEPOSITS AT STATE TREASURER’S OFFICE (ADVANCE)</b>	<b>\$ (18,591,311)</b>	<b>(18,591,311)</b>

Cash equivalents held by the investment custodian (Northern Trust Company) are invested in commercial paper, government agencies, and asset backed securities with Standard and Poor’s ratings of at least AA as presented in the schedule below.

**Investments**

**IRC 457 Fund.** Securities held in the IRC 457 Fund are excluded from the investment disclosures below because the investments are self-directed by participants. Further detail of the investments can be obtained by requesting a publicly available stand-alone financial report which can be obtained by writing

2007  
 Year  
 ended  
 6/30/07



to the Public Employees Retirement Association of New Mexico, 1120 Paseo de Peralta, Santa Fe, New Mexico 87504, or calling (505) 827-4700.

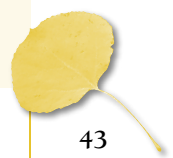
**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, PERA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mutual funds, external investment pools, and securities underlying reverse repurchase agreements are not exposed to custodial credit risk.

All of PERA's securities are held by PERA's own third-party custodian, independent of any Counterparty; therefore, there is no risk that PERA will not be able to recover the value of its investments or collateral securities held by a Counterparty.

The Custodian holds assets directly, through its agents, its sub-custodians, or designated clearing systems. The Custodian is accountable for registration of those designated assets in good delivery form, collection of income generated by those assets, and any corporate action notification. The Custodian is responsible for delivery and receipt of securities of the aforementioned transactions. The Custodian is responsible for the ongoing pricing and valuation of all assets; investment managers must reconcile their values to those of the Custodian. The Custodian is to cooperate with, and provide assistance to, PERA and its investment managers in the reconciliation process. The Custodian is required to provide online records and reports, performance reporting, accounting reports and other services included in the agreement. The Board may opt to designate other duties to the Custodian as stipulated in its agreement with the State Board of Finance.

Regarding Repurchase Agreements (REPOS) the policy states, "The Board shall utilize the services of the State Treasurer for holding PERA's assets. The State Treasurer at the direction of the Board shall deposit said assets with a bank or trust company for safe keeping or servicing. In addition, for cash management, the Board may utilize the services of the State treasurer for overnight investment of short-term assets and/or a separate or commingled short-term investment fund ("STIF") approved by the Board or administered by the Custody Bank designated by the State Treasurer or the State Board of Finance providing the STIF account only invests in those securities authorized by PERA's statutes, investment policy and investment guidelines. Investment managers shall invest all cash in PERA's approved STIF funds."

In addition the policy states, in part, "An investment manager under contract to PERA must preliminarily reconcile the differences between market values of securities as reported by the Custody Bank designated by the State Treasurer for safekeeping PERA's securities and the market values as shown on the monthly report of the investment manager's records."



Notes to  
**Financial Statements**  
 (continued)

A summary of the PERA's investments at June 30, 2007 and its exposure to custodial credit risk are as follows:

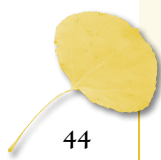
	Held in the name of the Fund by the Fund's custodian bank	Custody arrangements contracted by fund manager	Total
<b>ASSET TYPE</b>			
U.S. Government Bonds and agency securities	\$ 268,502,841		\$ 268,502,841
International Government Bonds and agency securities	124,322,308		124,322,308
U.S. Municipal Bonds	3,053,078		3,053,078
Corporate Bonds	806,173,033		806,173,033
International Corporate Bonds	118,270,435		118,270,435
U.S. Government MBS	1,628,509,741		1,628,509,741
Commercial MBS	265,670,629		265,670,629
Asset Backed Securities	342,024,678		342,024,678
Non-government C.M.O.	253,055,726		253,055,726
Index Linked Government Bonds	49,236,344		49,236,344
<b>TOTAL FIXED INCOME INVESTMENTS</b>	<b>3,858,818,813</b>		<b>3,858,818,813</b>
International Common Stock	3,709,810,553		3,709,810,553
Domestic Common Stock	5,498,749,794		5,498,749,794
US Venture Capital & Partnerships	303,457,605		303,457,605
International Preferred Stock	64,056,377		64,056,377
Domestic Preferred Stock	24,075,154		24,075,154
Domestic Convertible Equity	300,720		300,720
Domestic Corporate Convertible Bonds	5,339,544		5,339,544
International Unit Trust	140,058		140,058
International Rights/Warrants	108,975		108,975
<b>TOTAL EQUITIES</b>	<b>9,606,038,780</b>		<b>9,606,038,780</b>
Securities Lending		2,226,326,579	2,226,326,579
<b>TOTAL INVESTMENTS</b>			<b>\$ 15,691,184,172</b>

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PERA is required to disclose credit ratings of its investments in order to assess credit risk. U.S. obligations or investments guaranteed by the U.S. Government are excluded from this requirement.

PERA's investment policy restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations as follows:

Credit ratings are limited to:

1. Bonds, notes or other obligations issued by a state, its municipalities or other political subdivisions, that have received an investment grade [at least Baa or BBB] bond rating, and are registered by the SEC or the Municipal Securities Rulemaking Board (MSRB).
2. Bonds, notes, commercial paper or other obligations of any corporation organized and operating within the United States; provided that the securities shall have a minimum credit rating of CCC- according to Standard and Poor's rating system or Caa3 according to Moody's investors rating system



or their equivalents by a national rating agency approved by the Board; and provided that not more than ten percent of the funds for which the retirement board is trustee shall at any one time be invested in debt obligations of corporations with a credit rating less than BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or its equivalents. Investment managers may purchase securities that are not rated by a national rating agency, if stipulated in their contract, and provided that the investment manager's internal credit rating on the security is equivalent to at least CCC- according to Standard and Poor's or Caa3 according to Moody's.

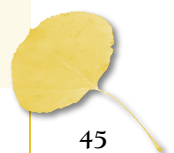
3. Debt obligations of non-United States governmental or quasi-governmental entities may be denominated in foreign currencies; obligations, including but not limited to bonds, notes or commercial paper with an investment grade [at least Baa or BBB] rating (unless otherwise approved by the Board) of any corporation organized outside of the United States. Currency transactions, including spot or cash basis currency transactions, forward contracts and buying or selling options or futures on foreign currencies, shall be permitted for the purposes of hedging foreign currency risk.

4. Collateralized obligations, including but not limited to mortgages, held in trust that; (1) are publicly traded and are registered by the SEC or other Self Regulatory Organization (SRO) and (2) have underlying collateral that is either an obligation of the United States government or else has a credit rating above or equal to BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or their equivalent by a national rating agency approved by the Board (unless otherwise approved by the Board)."

A summary of PERA's investments at June 30, 2007 and its exposure to credit risk are as follows:

Type	S & P ratings	Market Value	% of Bond Portfolio
Government Bonds:	AAA	\$ 261,158,215	6.77 %
	A	14,584,456	.38
	BBB	27,986,040	.73
	BB	7,058,869	.18
	Not Rated	16,826,403	.44
Government Agencies:	AAA	46,936,408	1.22
	AA	5,544,926	.14
	A	2,817,935	.07
	Not Rated	9,911,894	.26
Municipal Agencies:	AAA	909,952	.02
	AA	2,143,127	.06
Corporate Bonds:	AAA	46,140,924	1.20
	AA	79,387,669	2.06
	A	208,386,377	5.40
	BBB	300,599,689	7.79
	BB	93,772,927	2.43
	B	114,251,893	2.96
	CCC	20,125,304	.52
Not rated	61,778,685	1.60	

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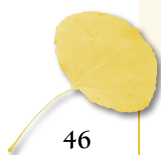
Notes to  
**Financial Statements**  
 (continued)

Type	S & P ratings	Market Value	% of Bond Portfolio
Government MBS	AAA	1,603,754,918	41.54
	Not Rated	24,754,823	.64
Commercial MBS:	AAA	198,574,674	5.15
	AA	35,819,855	.93
	A	3,009,192	.08
	BBB	2,096,446	.05
	Not Rated	26,170,462	.68
Asset Backed Securities:	AAA	270,864,672	7.02
	AA	38,424,637	1.00
	A	3,967,628	.10
	BBB	3,455,402	.09
	BB	476,463	.01
	Not Rated	24,835,877	.64
Non government Backed C.M.O.	AAA	\$ 198,513,720	5.14
	AA	2,215,075	.06
	A	1,395,279	.04
	Not Rated	50,931,653	1.32
Index Linked Government Bonds	AAA	49,236,344	1.28
		\$ 3,858,818,813	100.00 %

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income manager. The Investment Guidelines are attached to each investment manager's contract, or Professional Services Agreement (PSA), with PERA. Duration is loosely defined as the dollar weighted average time to recover all of principal in a fixed-income investment. For example, a "duration" of 4 years suggests a 1% increase in corresponding interest rates could cause a 4% decline in the market value of the portfolio. PERA's fixed-income managers are typically limited to a duration of plus or minus 1 year or 20% of the duration of the applicable portfolio benchmark. Such limitations are contained in the Investment Guidelines of all fixed income managers.

A summary of PERA's investments and its respective maturities at June 30, 2007 and its exposure to interest rate risk are as follows:

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Bond Category	WAM <sup>1</sup> in years	Percentage of Fixed Income Portfolio
Corporate Bonds	10.84	29.48 %
Government MBS <sup>2</sup>	24.48	25.69
Asset Backed Securities	19.30	10.91
Government Bonds	10.29	10.45
Commercial MBS	29.46	8.47
Non-Government Backed C.M.O.s	29.78	8.07
Government Agencies	10.28	2.08
Index Linked Government Bonds	10.95	1.57
Short Term Bills and Notes <sup>3</sup>	0.12	1.57
Commercial Paper <sup>3</sup>	0.03	1.44
Corporate Convertible Bonds <sup>4</sup>	3.65	0.17
Municipal Bonds	19.15	0.10
	17.98	100.00 %

**Concentration of Credit Risks.** Concentration Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of all total investments including components unit investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. PERA's policy over concentration of credit risks are contained in each investment manager's Investment Guidelines.

At June 30, 2007, PERA did not have 5% or more investment in any one issuer other than the Federal National Mortgage Association at 6.82% of the total investment in equity and fixed income securities.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

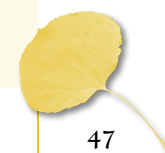
PERA's investment managers responsible for investing in non-U.S. equities are benchmarked to an index that is half-hedged. The benchmark is contained in each investment manager's Investment Guidelines, which are attached to each investment manager's contract or Professional Services Agreement (PSA).

A half-hedged benchmark means half of the losses attributable to a decline in the value of local (the non-U.S. currencies) versus the U.S. Dollar will be experienced by the PERA portfolio. Therefore, there is an incentive for PERA's investment managers of non-U.S. equities to hedge their local currency positions to the extent, in their expert opinion, a decline is likely to occur in a single currency in an amount that would significantly impact the value of the portfolio versus the half-hedged benchmark.

PERA's emerging markets (non-U.S. equity) mandate for non-developed countries is less than 4% of PERA's total combined-funds' assets. Since this portfolio is broadly diversified among many countries, the likelihood of a *decline* in the market value of a single local currency (the non-U.S. currency) or of several local currencies versus the U.S. dollar such that the impact on PERA's total assets is insignificant. For example, stocks in 1 local currency out of 20 would be 4%-8% of the mandate or 2.00% (\$300 million) of

**Notes:**

- <sup>1</sup> Weighted Average Maturity
- <sup>2</sup> Excludes \$822.9 million of securities that are part of interest rate swaps.
- <sup>3</sup> \$94.3 million reported as cash and cash equivalents
- <sup>4</sup> \$5.3 million reported as equity securities



Notes to  
**Financial Statements**

(continued)

PERA's total assets in a worse case scenario assuming the value of the currency would decline to zero.

Below is a summary of the PERA's investments exposed to foreign currency risk by currency and the respective values at June 30, 2007.

Non-U.S. dollar denominated investments and cash and cash equivalents at June 30, 2007 are as follows:

Market Value (included in investments)				
Currency	Equity	Fixed Income	Total	Deposits <sup>1</sup>
Australian Dollar	\$ 116,867,001	\$ -	\$ 116,867,001	\$ 555,587
Brazilian Real	64,525,479	-	64,525,479	-
Canadian Dollar	111,887,834	1,163,340	113,051,174	3,238,840
Swiss Franc	206,798,828	-	206,798,828	724,333
Czech Koruna	-	-	-	3,497
Danish Krone	14,327,046	-	14,327,046	318,927
Euro	1,199,109,505	5,001,863	1,204,111,368	20,728,362
British Pound Sterling	602,432,398	5,936,184	608,368,582	7,217,426
Hong Kong Dollar	116,909,812	-	116,909,812	1,667,114
Hungarian Forint	6,866,498	-	6,866,498	401,120
Indonesian Rupiah	2,651,046	3,755,450	6,406,496	-
New Israeli Shekel	21,183,949	-	21,183,949	380,920
Iceland Krona	-	1,955,138	1,955,138	229,361
Japanese Yen	741,519,343	-	741,519,343	8,404,559
South Korean Won	144,750,843	4,695,961	149,446,804	18,005
Mexican Peso	23,134,300	6,776,858	29,911,158	1,359,919
Malaysian Ringgit	2,209,667	16,514,652	18,724,319	524,915
Norwegian Krone	12,058,432	14,986,948	27,045,380	970,519
New Zealand Dollar	966,353	2,364,461	3,330,814	140,784
Philippine Peso	8,439,892	-	8,439,892	-
Polish Zloty	-	8,851,415	8,851,415	418,568
Swedish Krona	47,042,678	16,957,631	64,000,309	2,031,849
Singapore Dollar	22,300,101	22,285,783	44,585,884	1,440,244
Thai Baht	32,592,133	-	32,592,133	-
Turkish Lira	9,270,804	-	9,270,804	-
New Taiwan Dollar	67,514,673	-	67,514,673	4,727,393
South African Rand	54,348,589	2,519,422	56,868,011	950,603
	\$ 3,629,707,204	\$ 113,765,106	\$ 3,743,472,310	\$ 56,452,845
% of total investments or cash and cash equivalents			27.81%	7.86%

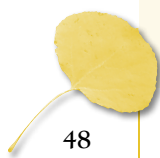
**NOTE 5. DERIVATIVES**

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

*Note:*

<sup>1</sup> Included in cash and cash equivalents

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**Government Agency Mortgage-backed Securities** — As of June 30, 2007, the Funds' investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of \$1,628,509,741, 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 the change in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

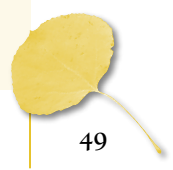
**Corporate Asset-backed Securities** — As of June 30, 2007, the Funds' investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of \$342,024,678. These securities represent interests in various trusts consisting of pooled 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, 2007, the Funds had outstanding forward exchange currency contracts to purchase foreign currencies of \$1,636,389,355 and to sell foreign currencies of \$1,636,389,355. The market values of these outstanding contracts at June 30, 2007, were \$1,645,923,445 and \$1,644,392,126, respectively. These contracts are not reflected in the Statement 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.

Additionally, the Funds have undertaken a Currency Alpha program, which buys and sells forward foreign currency contracts on a notional basis. The intention of the program is to provide incremental net income to the Funds through market value appreciation of the forward foreign currency contracts. As of June 30, 2007 the net market value unrealized gain/loss of the forward foreign currency contracts in the Currency Alpha program was \$2,140,954.

#### **NOTE 6. SECURITIES LENDING**

NMSA 1978 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, 2007, the Funds have no credit risk exposure to borrowers because the amounts the Funds owe the borrowers exceed the amounts the borrowers owe the Funds. PERA may invest cash collateral received in eligible securities as defined in the governing securities lending agreement; such investments are also held by PERA's custodial



agent. Securities received as collateral may not be pledged or sold without borrower default. There are no restrictions on the amount of loans that the securities lending agent may make. The cash collateral received, including fees and expenses, and the fair value of investments made with such collateral as of June 30, 2007 was \$2,225,713,794.

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, 2007, no such failures by any borrowers have occurred. Moreover, there were no losses during the fiscal year ended June 30, 2007, 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, its duration does not generally match the investments made with cash collateral.

#### **NOTE 7. ALTERNATIVE INVESTMENTS**

Alternative investments are generally described as investments that are not traditional investment assets such as: stocks, bonds and cash. Alternative investments for the purposes of PERA's portfolio are defined as investments in Absolute Return (hedge funds), Private Equity, Real "Tangible" Assets and Real Estate. Generally, investments in these asset classes are invested via Limited Partnership vehicles and contain different liquidity and investor terms than the traditional asset classes. In general, fees for Alternative Investments made via Limited Partnerships are paid as part of PERA's committed capital and are not subject to the normal budgetary process. The PERA Board adopted an allocation to Alternative Investments in calendar year 2006 of 5% to Absolute Return (hedge funds), 5% to Private Equity, 2.5% to Real Estate, and 2.5% to Real Assets.

**Absolute Return (hedge funds)** — Absolute Return is defined as investment assets in varying hedge fund strategies for the purpose of providing positive returns regardless of market direction. The stated target for Absolute Return investments is to produce returns at LIBOR + 3% to 5%. Funding for Absolute Return investments is from PERA's fixed income portfolio. PERA's Absolute Return portfolio is comprised 100% single manager or direct hedge funds in the following strategies:

**Market Neutral** — strategies such as equity market neutral, fixed income arbitrage, and convertible bond arbitrage.

**Credit** — strategies that typically invest in high yield bonds, bank loans, and structured credit products.

**Distressed** — strategies that seek to take advantage of corporate securities in default, under bankruptcy protection, in distress or heading toward such a condition or liquidation.

**Event Driven** — strategies that take advantage of transaction announcements and other one time events, including merger arbitrage, spin-offs and restructurings.

**Equity Long/Short** — strategies where there is a combination of long and short positions primarily in publicly traded equities, with a net market exposure less than that of the overall equity market. Strategies may be focused on US, non-US, and/or specialty mandates.

**Global Macro** — strategies such as all market portfolios, opportunistic long-only, managed futures, currency, dedicated short selling strategies or other specialty strategies.

**Multistrategy** — hedge funds that invest using a combination of previously described strategies.

As of June 30, 2007, PERA had a total market value of \$284,857,548 of assets invested in Absolute Return.

**Private Equity** — Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. PERA's Private Equity portfolio will likely have a "J-Curve Effect" whereby

there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. Funding for Private Equity is from PERA's public equity portfolio. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. PERA's Private Equity investments are made across the following strategies:

**Buyouts** — these include investments in acquisitions, growth equity, recovery investments, subordinated debt, and special situations and involve the purchase of a control position in an established company. The use of leverage is used. Investments may be made with companies in the US and with Non-US companies.

**Venture Capital** — these include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

**Distressed Debt** — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments and bank loans.

As of June 30, 2007, PERA had committed \$142,280,000 to Private Equity limited partnerships and funded only a portion of the total commitment for a market value of \$22,571,141.

**Real Estate and Real “Tangible” Assets** — These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments will include both private limited partnerships and publicly traded assets. Funding for Real Estate and Real Asset investments are from PERA's fixed income portfolio. Investments in Real Estate and Real Assets will include:

**Real Estate Investment Trusts (REITS)** — include equity investments in publicly traded securities of a company dedicated to owning, and/or operating income-producing real estate, including but not limited to apartments, shopping centers, offices and warehouses.

**Real Estate Partnerships** — include investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, and “opportunistic”, which derive their return primarily through appreciation.

**Commodities** — include investment to futures and/or swaps on individually traded commodities or indexes comprising groups of commodities, which may be an overlay strategy on Treasury Inflation Protected Securities (TIPS).

**Timber Partnerships** — include investments in limited partnerships or limited liability companies that have an ownership interest in properties where the majority value of the property is derived from income-producing timber.

**Energy Partnerships** — include investment in limited partnerships or limited liability companies that have an ownership interest in energy-related businesses. Investments may include those across the industry spectrum from upstream, midstream, and downstream.

As of June 30, 2007, PERA had committed \$20,000,000 to Real Asset limited partnerships and funded only a portion of the total commitment for a market value of \$1,211,359.

As of June 30, 2007, PERA had committed \$30,000,000 to Real Estate limited partnerships and funded only a portion of the total commitment for a market value of \$112,500.

2007 Year



**NOTE 8. CAPITAL ASSETS**

A summary of capital assets at June 30, 2007, is as follows:

	Balance June 30, 2006 <sup>1</sup>	Additions	Deletions	Balance June 30, 2007
Capital assets @ cost:				
Construction work in progress, not being depreciated	\$ -	423,197	-	\$ 423,197
Property and equipment	680,442	5,083	(263,855)	421,670
Computer equipment and software	4,092,405	12,365,907	(2,313,773)	14,144,539
	4,772,847	12,794,187	(2,577,628)	14,989,406
Accumulated depreciation:				
Property and equipment	(567,812)	(18,279)	242,437	(343,654)
Computer equipment and software	(3,070,416)	(4,088,970)	2,034,561	(5,124,825)
	(3,638,228)	(4,107,249)	2,276,998	(5,468,479)
<b>TOTAL</b>	<b>\$ 1,134,619</b>	<b>8,686,938</b>	<b>(300,630)</b>	<b>\$ 9,520,927</b>

The following significant additions and deletions are included in the above schedule.

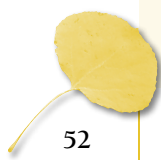
- Computer software relating to the Retirement Information On-line system (RIO) amounting to \$10,111,664, net of accumulated amortization of \$2,198,188 was added to the capital assets as of July 1, 2006. Because the amounts are immaterial to the financial statements as a whole, the \$10,111,664 addition is reported as “Other income” in the Statement of Changes in Net Assets” for the year ended June 30, 2007 because the cost associated with the implementation of the system had been expensed in previous fiscal years.
- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$4,107,249 including amortization of the RIO software amounting to \$3,956,738.
- Assets with an individual original cost less than \$5,000 were removed from capital assets as of July 1, 2006 since the State of New Mexico statutes no longer require that these be inventoried. The un-depreciated cost of the assets removed was \$252,552. The related original cost was \$874,083.
- Additional assets with a net book value of \$48,078, net of \$1,655,469 accumulated depreciation and amortization was removed during the year since those assets are no longer being used.
- In connection with the relocation of the PERA’s operations, PERA is in the process of acquiring land and constructing a building. As of June 30, 2007, PERA had incurred costs of \$423,197. PERA anticipates occupation of the new facility in April 2009.

**NOTE 9. COMPENSATED ABSENCES**

The following represents changes in long-term liabilities for the year ended June 30, 2007.

*Note:*

<sup>1</sup> Beginning balance amounts have been reclassified by category to conform to current year presentation.



	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Compensated absences	\$ 244,370	248,771	(244,370)	\$ 248,771

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.

**NOTE 10. CONTINGENCIES**

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

**NOTE 11. 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 non- generally accepted accounting principles (“non-GAAP”) basis which recognizes capital expenditures as current expenditures, does not recognize depreciation expense, and recognizes revenue on the accrual 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 (GAAP Basis) is included as additional information in this report.

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

PERA received a capital appropriation of \$3,203,431 in FY07 to allow PERA to begin the process of constructing a new office building. The appropriation authorization was based on a statutory amendment

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enacted in 2005 (Laws of 2005, Chapter 147, Section 1). The appropriation allocated \$2,250,000 for the acquisition of a building site and \$953,431 for the design of the new building. At the end of FY07, \$70,000 had been expended on land acquisition, and \$423,197 had been expended on the building design. The appropriation does not revert until the end of FY10. At June 30, 2007, the encumbrances relating to this appropriation was \$212,704 and the unencumbered amount was \$2,497,530.

PERA also received a capital appropriation of \$9,656,700 in FY07 for the actual construction of a new office building. The appropriation was authorized in Laws of 2007, Chapter 42, Section 92. Because construction of the building is scheduled to commence in FY08, no expenditures were made against this appropriation in FY07. The appropriation does not revert until the end of FY11. At June 30, 2007, no expenditures or encumbrance had been made. The unencumbered amount is \$9,656,700.

As these monies are appropriated from the Public Employees Retirement Fund, any unspent amount will revert to that same Fund and not to the State of New Mexico General Fund.

#### **NOTE 12. RETIREMENT PLANS**

**Plan Description.** Substantially all of the PERA's full-time employees participate in the 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. PERA's contributions to the PERA retirement plan for the years ending June 30, 2007, 2006, and 2005 were \$588,147, \$547,194, and \$533,897, respectively, equal to the amount of the required contributions from the employer for each year. In addition, the employees contributed an additional \$263,053, \$244,737, and \$238,789, respectively, equal to the amount of the required contributions from employees for each year.

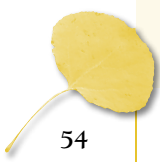
#### **NOTE 13. POST-EMPLOYMENT BENEFITS**

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 NMHCRA effective date, in which event the time period for contributions becomes the time between employee's effective date, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years.

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 medical plus basic life plan and an additional fee of \$5.00 if the eligible participant retired prior to the employers NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

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.

PERA is required to adopt GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008. As part of the State of New Mexico, PERA, through the Retiree Healthcare Authority, offers retiree healthcare (*other postemployment benefits*) (OPEB) as part of the total compensation offered. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB. Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports. The impact to PERA is unknown at this time.

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, 4308 Carlisle Blvd, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2007, the PERA remitted \$44,682 in employer contributions and \$22,341 in employee contributions.

#### **NOTE 14. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS**

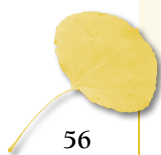
During the year ended June 30, 2000, PERA was required to adopt the provisions of GASB 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. At June 30, 2000, PERA determined that the provisions of GASB 32 were not applicable.

During the year ended June 30, 2007, PERA re-examined the provisions of GASB 32, the State of New Mexico Deferred Compensation Act (NMSA 1978, 10-7A), and the State of New Mexico Deferred Compensation Plan (as amended November 1, 2004) and determined that the trustee relationship that PERA had with the *State of New Mexico Public Employees Deferred Compensation (IRC 457) Plan* required that the plan assets and plan activity be included as part of the reporting entity. Therefore, PERA has included the IRC 457 plan in the June 30, 2007 financial statements. The effect of the previous exclusion was to understate the assets and net assets of PERA. Accordingly, the effect of the restatement as of July 1, 2006 is as follows:

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Notes to  
**Financial Statements**  
*(continued)*

	As Reported	Restatement	As Restated
<b>STATEMENT OF NET ASSETS</b>			
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 796,919,366	-	796,919,366
Receivable Accounts	928,435,462	3,755,519	932,190,981
Investments, at Fair Value	13,270,436,672	272,719,865	13,543,156,537
Other Assets	1,134,619	2,149,123	3,283,742
<b>TOTAL ASSETS</b>	<b>14,996,926,119</b>	<b>278,624,507</b>	<b>15,275,550,626</b>
Less Accounts Payable and Other Liabilities	3,627,729,683	-	3,627,729,683
<b>NET ASSETS</b>	<b>\$ 11,369,196,436</b>	<b>278,624,507</b>	<b>11,647,820,943</b>
<b>STATEMENT OF CHANGES IN NET ASSETS</b>			
<b>ADDITIONS</b>			
Contributions	\$ 432,136,943	25,622,347	457,759,290
Investment Income and Change in Fair Value of Investments	1,192,676,988	22,691,046	1,215,368,034
Other Income	494,610	210,519	705,129
<b>TOTAL ADDITIONS</b>	<b>1,625,308,541</b>	<b>48,523,912</b>	<b>1,673,832,453</b>
<b>DEDUCTIONS</b>			
Benefit Payments	474,358,571	20,775,715	495,134,286
Life Insurance Premium	-	213,980	213,980
Refunds to Terminated Employees	30,271,605	-	30,271,605
Administrative Expenses	10,206,993	689,305	10,896,298
<b>TOTAL DEDUCTIONS</b>	<b>514,837,169</b>	<b>21,679,000</b>	<b>536,516,169</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,110,471,372</b>	<b>26,844,912</b>	<b>1,137,316,284</b>

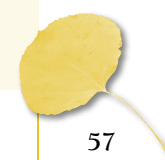


Schedules of Revenues, Appropriations, and Expenses  
**Budget and Actual – Public Employee Retirement Fund Only**

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES AND APPROPRIATIONS</b>				
<b>OTHER STATE FUNDS:</b>				
Interest income	\$ 26,636,300	37,950,100	209,510,137	\$ 171,560,037
Rental income	1,383,000	1,383,000	974,379	(408,621)
<b>TOTAL REVENUE AND APPROPRIATIONS</b>	<b>28,019,300</b>	<b>39,333,100</b>	<b>210,484,516</b>	<b>171,151,416</b>
<b>EXPENDITURES</b>				
<b>Administration</b>				
Contractual services	21,014,700	32,000,800	30,863,618	1,137,182
Personnel services and benefits	4,333,600	4,822,800	4,789,554	33,246
Other operating costs	1,288,000	1,126,500	978,833	147,667
<b>SUBTOTAL ADMINISTRATION DIVISION</b>	<b>26,636,300</b>	<b>37,950,100</b>	<b>36,632,005</b>	<b>1,318,095</b>
<b>Maintenance Division</b>				
Personnel services and benefits	690,300	690,300	199,884	490,416
Other operating costs	692,700	692,700	143,088	549,612
<b>SUBTOTAL MAINTENANCE DIVISION</b>	<b>1,383,000</b>	<b>1,383,000</b>	<b>342,972</b>	<b>1,040,028</b>
<b>TOTAL EXPENDITURES</b>	<b>28,019,300</b>	<b>39,333,100</b>	<b>36,974,977</b>	<b>2,358,123</b>
<b>CHANGE IN NET ASSETS, BUDGET ITEMS</b>	<b>\$ -</b>	<b>-</b>	<b>173,509,539</b>	<b>\$ 173,509,539</b>
<b>NON-BUDGET REVENUES AND EXPENSES:</b>				
Investment earnings and change in fair value			1,803,279,103	
Contributions from members and employers			456,787,810	
Other income			10,495,639	
Benefit payments to retirees and beneficiaries			(511,709,032)	
Refunds to terminated employees			(34,589,598)	
Expenditures allocated to other funds			408,041	
Expenditures capitalized			61,138	
Depreciation and amortization expense			(2,209,691)	
<b>INCREASE IN PLAN NET ASSETS</b>			<b>1,896,032,949</b>	
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Balance – beginning of year			11,215,016,115	
<b>BALANCE – END OF YEAR</b>			<b>\$ 13,111,049,064</b>	

B O I D E N Y E A R



Required Supplementary Information  
**Schedules of Funding Progress**  
 Year Ended June 30, 2007

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Unfunded (Excess) AAL (UAAL) (2) – (1)	(4) Funded Ratios (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
<b>PUBLIC EMPLOYEES RETIREMENT FUND<sup>1</sup></b>						
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	246,694,680	97.3	1,437,357,206	17.2
June 30, 2004	9,275,675,773	9,973,754,952	698,079,179	93.0	1,499,069,439	46.6
June 30, 2005	10,008,511,489	10,920,967,242	912,455,753	91.6	1,607,838,716	56.8
June 30, 2006	10,863,894,951	11,800,860,704	936,965,753	92.1	1,774,918,446	52.8
June 30, 2007	12,049,357,827	12,982,072,143	932,714,316	92.8	1,908,519,615	48.7
<b>JUDICIAL RETIREMENT FUND</b>						
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
June 30, 2005	68,780,617	87,175,211	18,394,594	78.9	9,882,659	186.1
June 30, 2006	74,003,122	95,216,477	21,213,355	77.7	10,059,893	210.9
June 30, 2007	82,569,524	104,040,035	21,470,511	79.4	11,754,248	182.7
<b>MAGISTRATE RETIREMENT FUND</b>						
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
June 30, 2005	31,303,435	31,384,962	81,527	99.7	3,196,052	2.6
June 30, 2006	33,694,422	33,362,138	(332,284)	101.0	3,149,560	-
June 30, 2007	37,241,627	36,964,449	(277,178)	109.6	3,464,587	-
<b>VOLUNTEER FIREFIGHTERS RETIREMENT FUND<sup>2</sup></b>						
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
June 30, 2005	35,651,070	25,151,577	(10,499,493)	141.7	N/A	N/A
June 30, 2006	39,511,723	23,742,890	(15,768,833)	166.4	N/A	N/A
June 30, 2007	44,960,981	16,536,060	(28,424,921)	271.9	N/A	N/A

**Notes:**

<sup>1</sup> Includes the Legislative Retirement Plan Data

<sup>2</sup> Volunteer Firefighters Retirement Fund benefits are not based on salary. Accordingly, payroll information has been excluded.

**Schedules of Contributions from Employers and Other Contributing Entities**

Year Ended June 30, 2007

<b>PUBLIC EMPLOYEES RETIREMENT FUND</b>			<b>JUDICIAL RETIREMENT FUND</b>	
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed
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
June 30, 2005	219,163,952	100.0	3,995,583	82.0
June 30, 2006	235,863,262	100.0	3,851,188	100.0
June 30, 2007	257,095,466	100.0	4,149,058	108.4

<b>MAGISTRATE RETIREMENT FUND</b>			<b>VOLUNTEER FIREFIGHTERS RETIREMENT FUND<sup>1</sup></b>	
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed <sup>2</sup>
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
June 30, 2005	927,233	100.8	0 – 565,000	132.7
June 30, 2006	1,009,203	104.8	406,000 – 1,370,000	54.7
June 30, 2007	943,884	127.8	0 – 446,000	168.2

**Notes:**<sup>1</sup> Contributions are appropriated from the State of New Mexico Fire Protection Fund<sup>2</sup> Using the high end of the range for the calculation

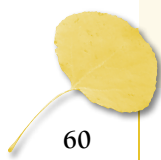
**Notes to Required Supplementary Information**

Year Ended June 30, 2007

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
Valuation date	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial cost method	Entry age	Entry age	Entry age	Unit credit
Amortization method	Level percent, open	Level percent, open	Level percent, open	Level dollar, open
Amortization period	13 years	30 years <sup>1</sup>	30 years <sup>2</sup>	30 years <sup>2</sup>
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market
Rate of return on investment of present and future assets*	8 %	8 %	8 %	8 %
Projected salary increases*	4.5 - 19%	5 %	5 %	N/A <sup>3</sup>
Post retirement benefit Increases	3 %	3 %	3 %	N/A <sup>3</sup>
* Includes inflation at	4.0 %	5 %	5 %	5 %

*Notes:*

- <sup>1</sup> The statutory contribution rate is not sufficient to meet PERA board's objective of funding over 30 years
- <sup>2</sup> Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.
- <sup>3</sup> Benefits are not based on salary and are not subject to cost of living increases.



The Public Employees Retirement Association Other Supplemental Schedules  
**Schedule of Administrative and Investment Expenses**  
 Year Ended June 30, 2007

<b>INVESTMENT EXPENSES:</b>	
Investment Manager Fees	\$ 27,211,530
Custodian Fees	1,415,533
Consultant Fees	595,767
Legal Fees	412,619
<b>TOTAL INVESTMENT EXPENSES</b>	<b>29,635,449</b>
<b>ADMINISTRATIVE EXPENSES:</b>	
<b>OTHER CONTRACTUAL SERVICES:</b>	
Information Technology Services	668,606
Legal Fees	138,178
Actuarial Services	132,998
Audit Fees	66,381
Medical Services	39,678
Miscellaneous other	108,214
<b>TOTAL OTHER CONTRACTUAL SERVICES</b>	<b>1,154,055</b>
<b>OTHER ADMINISTRATIVE SERVICES:</b>	
Personnel Services and Benefits	4,792,068
Other Operating Costs	989,295
Deferred Compensation Plan Expenses	803,205
Depreciation Expense	2,209,691
<b>TOTAL OTHER ADMINISTRATIVE SERVICES</b>	<b>8,794,259</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>9,948,314</b>
<b>TOTAL INVESTMENT AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 39,583,763</b>

a golden year



**Public Employees  
Retirement Association**  
*of New Mexico*



# Investment section





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**Public Employees  
Retirement Association**  
*of New Mexico*



February 6, 2008

**MEMBERS AND RETIREES OF NM PERA:**

For the fiscal year ending June 30, 2007 (FY07), PERA's total investment return including both stocks and bonds was 18.08% exceeding the policy target return of 16.71% by 1.37%. Total investment returns for each of the last five fiscal year ending June 30 were 3.73% in FY03, 15.55% in FY04, 9.85% in FY05, 11.76% in FY06 and 18.08% in FY07. The decline in stocks during FY01, FY02 and most of FY03 was halted when the U.S. stock market bottomed on March 11, 2003, eking out the meager positive return of 3.73% by June 30 that fiscal year. These returns are the equivalent of an 11.68% annualized return for the past five years, compared to PERA's policy target benchmark of 10.53%. This produced excess returns of 1.15% over the policy target benchmark and returns 3.68% higher in absolute terms than PERA's actuarial assumed long-term rate of return of 8%.

**IT WOULD BE FAIR TO SAY THAT EQUITY MARKETS HAVE BEEN VERY KIND TO INVESTORS SINCE THE TURN AROUND IN STOCK PRICES IN MARCH OF 2003. FOLLOWING THE STOCK MARKET DECLINE THAT BEGAN EARLY IN 2000 SUBSEQUENTLY FOLLOWED BY THE INFAMOUS TERRORIST ATTACK ON THE U.S. ON 9/11/01, THE CONSENSUS OF OPINION WAS THAT STOCK RETURNS WOULD LIKELY BE IN THE SINGLE DIGIT RATE FOR THE REMAINDER OF THE DECADE. FORTUNATELY FOR PERA AND ITS MEMBERS AND RETIREES, THOSE EXPECTATIONS PROVED TO BE WRONG.**

Focusing on U.S. stocks alone, PERA's actual U.S. stock market returns were (1.01%-loss) in FY03, 21.38% in FY04, 8.9% in FY05, 11.06% in FY06 and 19.23% in FY07. This produced five-year annualized domestic equity returns of 11.62%, slightly exceeding the policy target benchmark return of 11.53 by 0.09%. At the same time, Non-U.S. equity (foreign stock) returns were (7.35%-loss), 30.82%, 16.69%, 30.26% and 29.7%, respectively, producing five-year annualized returns of 19.03%. These non-U.S. stock returns exceeded the policy target benchmark return of 17.73% by the equivalent of 1.3% each year, compounded annually. Combining both U.S. and non-U.S. stock investments, PERA's returns were (3.10%-loss) in FY03, 23.72% in FY04, 11.10% in FY05, 17.61% in FY06 and 23.35% in FY07, producing a five-year annualized (compounded) total stock composite return of 14.08% versus 13.93% for the policy target benchmark return, equivalent to 0.15% of excess returns. Except for the fiscal year ending June 30, 2004, PERA had more funds allocated to both U.S. and non-U.S. equity investments than the long-term allocation strategy. The allocation effect of investing more in stocks than targeted produced excess returns for PERA in what has been a very favorable stock market for most of the past five years.

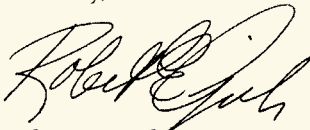
By contrast, PERA's fixed-income (bond) returns were 9.77% in FY03, 1.23% in FY04, 7.57% in FY05, 0.02% in FY06 and 6.62% in FY07, respectively, producing five-year annualized returns of 4.97% versus 4.48% for the policy target benchmark return, resulting in the equivalent of 0.49% of excess return each fiscal year for this asset class. Even though PERA's fixed-income (bond) allocations outperformed the policy target benchmark return, the annualized (compounded) returns of this asset class were significantly lower than PERA's actuarial assumed long-term rate of return of 8%. Therefore, considerable positive attribution to PERA's over all return objectives was achieved since PERA reduced its allocations to this asset class compared to the long-term target allocation.

These results, primarily due to PERA's participation in the huge rise in stock prices since March, 2003 following PERA's defensive investment allocation strategy (reduced allocations to stocks and increased allocations to bonds) preserved much of the corpus of the funds during the years from 2000 through 2002. Total fund assets subsequently reached an all-time fiscal year-end high of \$11.327 billion on June 30, 2006. In FY07 total fund assets grew to \$13.616 billion, an all time record in dollars, an increase of \$1.968 billion (before adjustments for distributions and agency expenses and manager fees net of contributions from employees and employers) for the fiscal year attributable to returns on investments of 18.08%.

The New Mexico Legislature repealed the so-called "legal list" of authorized investments for PERA replacing it with the Uniform Prudent Investor Act effective July 1, 2006. As a result, PERA issued RFPs for investment consultants and hired R.V. Kuhns and Associates, Inc. as general investment consultant and Cliffwater, LLC, as special consultant with gatekeeping responsibilities for investments in real estate, private equity and hedge funds. PERA began implementing a long-term allocation strategy including 2.5% in real estate, 2.5% in real "tangible" assets, 5% private equity and 5% in hedge funds during FY07 making its first investment in these assets on December 29, 2006.

The purpose of adding these assets to the long-term allocation strategy is to further diversify investments in assets classes with relatively low correlations to the historical experience of the stock and bond markets and to add incremental excess returns at a higher rate than the incremental increase in risk, improving the over all investment "information ratio" for PERA. When properly implemented, which implementation is monitored by the PERA Board and the investment consultants and staff, these changes should increase the probability PERA will generate the returns in excess of the actuarial target return of 8% at tolerable risk levels so sufficient assets will be available to secure PERA's obligations to its members and retirees in the future.

Sincerely,



Robert E. Gish

*Director of Investments*



### **GENERAL OBJECTIVES OF THE INVESTMENT POLICY**

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

The Board, in investing PERA assets according to the Investment Policy, acts with the care, skill, prudence and diligence of the provision of the "Uniform Prudent Investor Act" adopted by the New Mexico Legislature and effective July 1, 2005. Further, all transactions undertaken on behalf of PERA are for the sole benefit of the beneficiaries.

### **INVESTMENT CONSULTANTS**

The Board utilizes the services of two investment management consultants, one as the general investment consultant for traditional investments in stocks and bonds and a specialist consultant for alternative investments in real estate, real "tangible" or inflation-protected assets, private equity and absolute return hedge funds. The investment consultants provide performance review, asset allocation studies, manager screening and selection, and topical studies to the Board and Staff. The comments and recommendations of the consultants 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 annually approves a schedule of manager presentations in its open public forum for review and discussion. 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 Policy 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 Policy 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**

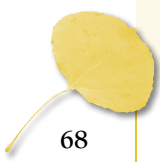
Effective July 1, 2005, the New Mexico Legislature repealed the provisions in NMSA 1978 Subsection 10-11-132 that set forth a list of allowable investments. It adopted the Uniform Prudent Investor Act, which is cited as (UPIA) and is in the NMSA 1978 Subsection 45-7-601 to 612. On December 29, 2005, PERA amended its investment policy adopting UPIA.

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 the Investment Policy or by approval of the Board.

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**ASSET ALLOCATIONS**

Asset allocation is the single largest contributor to the Investment Policy’s return and risk. Based on the factors identified in the Investment Policy, 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 Investment Policy to provide the Board with the flexibility to take advantage of market opportunities.

The Long-term Asset Allocation Investment Policy below was amended by the Board in 2006, providing for the objectives, terms and conditions for alternative investments, including real estate, real “tangible” inflation-protected assets, private equity and absolute return hedge fund investments in accordance with the requirements of IIB (3) of the Investment Policy.

Asset Classes	Target	Minimum	Maximum
<b>LONG-TERM ASSET ALLOCATION INVESTMENT POLICY REGARDING TRADITIONAL ASSETS:</b>			
Domestic Equities	40%	32%	48%
International Equities	25	20	30
Fixed Income	35	25 <sup>1</sup>	40 <sup>1</sup>
Cash Equivalents	0	0 <sup>1</sup>	5 <sup>1</sup>
<b>TOTAL</b>	<b>100%</b>		

The Investment Policy also includes a limitation that all traditional equity (publicly held stock) investments combined cannot exceed 75% for a period of at least two weeks. If this limitation is breached, rebalancing to bring the limits within the provisions of the Investment Policy is required.

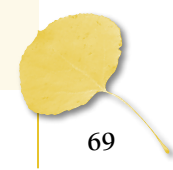
The Investment Policy as amended in 2006 also contains provisions for investment in alternative assets pursuant to adoption of the Uniform Prudent Investment Act (UPIA), including long-term allocation targets of up to 2.5% in real estate, 2.5% in real “tangible” inflation protected assets, 5% in private equity and 5% in absolute return hedge fund investments. The source of funding alternative investments will be fixed-income investments, except that private equity investments will be funded from either U.S. or non-U.S. equity investments. As actual funding of alternative investments occurs and equal reduction in the target allocations for the source of funding will be reduced accordingly with the rebalancing range percentages allowed for the traditional assets of stocks and bonds being adjusted accordingly, also.

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.

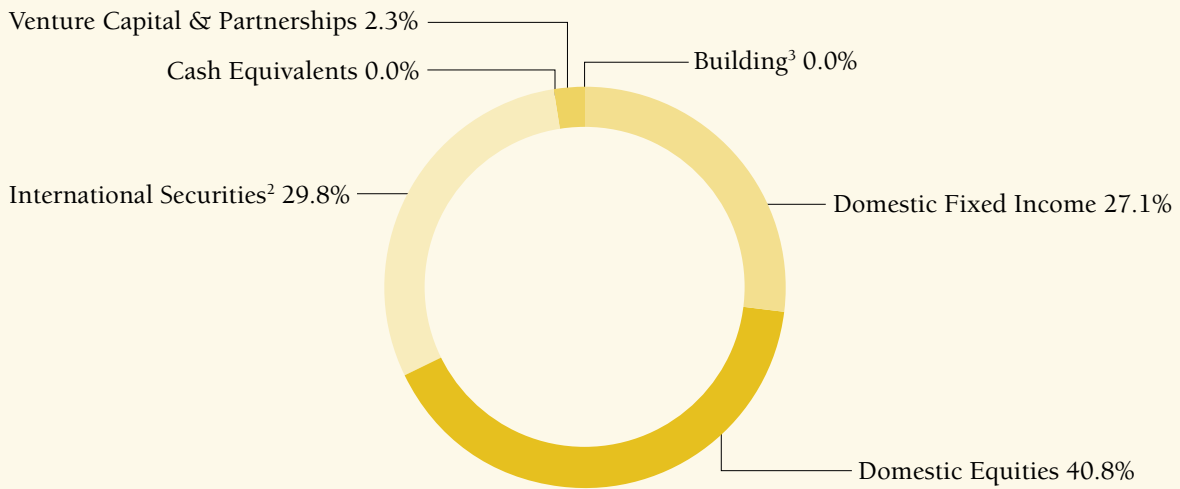
The Investment Policy assigns the target allocation to the classes of assets PERA can utilize and the ranges within which each can fluctuate as a percent of the total portfolio. This is expected to provide diversification of assets in an effort to maximize the investment return to PERA consistent with 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 Investment Policy.

*Note:*

<sup>1</sup> 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 25% and allocations to Fixed-Income and Cash Equivalents combined shall not exceed 45%.



Asset  
**Allocation**  
 June 30, 2007

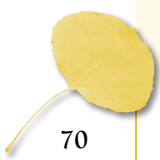


<b>FISCAL YEAR ENDED JUNE 30</b>	2007	2006 <sup>1</sup>	2005	2004	2003	2002	2001
Domestic Fixed Income	27.08%	30.92%	33.75%	34.43%	35.91%	43.15%	41.27%
Domestic Equities	40.84%	41.55%	45.33%	46.48%	49.97%	36.16%	43.95%
International Securities <sup>2</sup>	29.83%	27.32%	20.48%	18.21%	13.61%	15.18%	14.24%
Venture Capital & Partnerships	2.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Building <sup>3</sup>	0.00%	0.21%	0.23%	0.16%	0.19%	0.19%	0.19%
Cash Equivalents	0.00%	0.00%	0.21%	0.72%	0.32%	5.32%	0.35%
<b>TOTAL PORTFOLIO</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

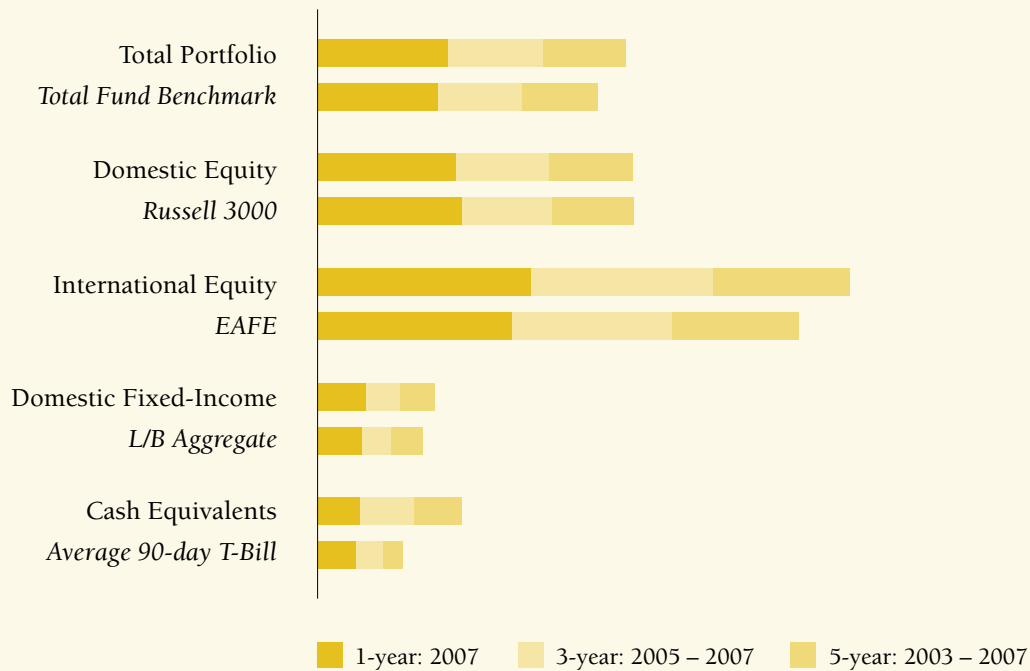
**Notes:**

- <sup>1</sup> Effective with fiscal year 2006, broker receivable, broker payable, accrued investment income and cash are excluded
- <sup>2</sup> Includes equity and fixed income securities
- <sup>3</sup> Although PERA does not invest in real estate, the agency did own a building in Santa Fe which housed PERA offices as well as offices leased by other state agencies.

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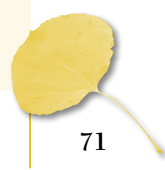
<b>INVESTMENT CATEGORY</b>	1-year	3-year	5-year
<i>Benchmark</i>	2007	2005 – 2007	2003 – 2007
Total Portfolio	18.08%	13.18%	11.68%
Total Fund Benchmark <sup>1</sup>	16.71%	11.71%	10.53%
Domestic Equity	19.23%	12.97%	11.62%
Russell 3000	20.07%	12.44%	11.53%
International Equity	29.70%	25.39%	19.03%
EAFE	27.00%	22.24%	17.73%
Domestic Fixed-Income	6.62%	4.68%	4.97%
L/B Aggregate	6.12%	3.98%	4.48%
Cash Equivalents	5.85%	7.40%	6.70%
Average 90-day T-Bill	5.21%	3.77%	2.76%

**Notes:**

Calculations were prepared using a time-weighted (daily-weighted) rate of return based on the market rate of return in accordance with the Global Investment Performance Standards adopted by the CFA Institute Board of Governors 4 February 2005.

<sup>1</sup> Total Fund Benchmark — 42% Russell 3000, 18% EAFE, 40% Lehman Aggregate

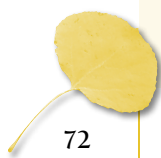
Global Year



**Investment Summary at Fair Value**

June 30, 2007

Type of Investment	Fair Value	% of Total Fair Value
<b>DOMESTIC EQUITY:</b>		
Large Cap	4,116,221,727	26.23%
Small/Mid Cap	1,382,528,067	8.81%
<b>TOTAL DOMESTIC EQUITY</b>	<b>5,498,749,794</b>	<b>35.04%</b>
Domestic Fixed Income	3,645,941,488	23.24%
International Equity	3,774,006,988	24.05%
International Fixed Income	242,592,743	1.55%
U.S. Venture Capital & Partnerships	303,457,605	1.93%
Cash Equivalents	108,975	0.00%
<b>TOTAL BEFORE OTHER INVESTMENTS</b>	<b>13,464,857,593</b>	<b>85.81%</b>
Securities Lending Collateral Investments	2,226,326,579	14.19%
<b>TOTAL INVESTMENTS</b>	<b>\$15,691,184,172</b>	<b>100.00%</b>



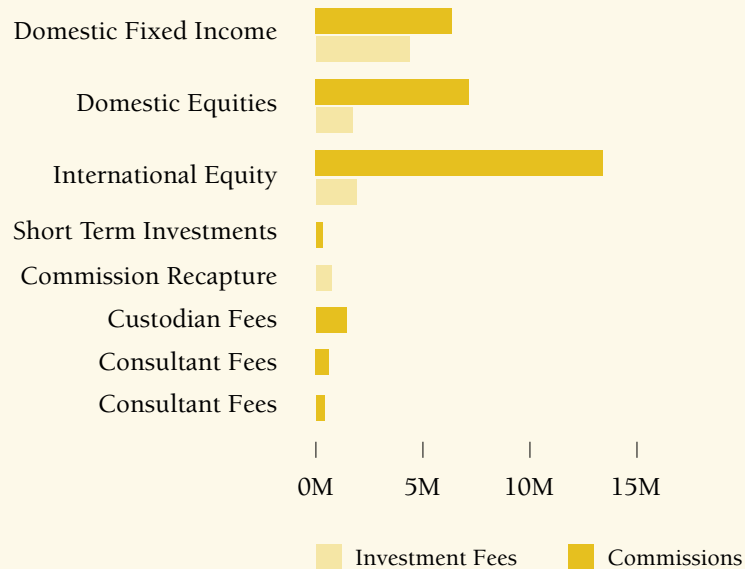
<b>TEN LARGEST STOCK HOLDINGS</b>	Shares	Fair Value
GENERAL ELECTRIC CO. COMMON	2,538,000	\$ 97,154,640
EXXON MOBILE CORP. COMMON	1,029,177	86,327,367
CITIGROUP INC. COMMON	1,631,076	83,657,888
AT&T INC. COMMON	1,992,203	82,676,425
BANK AMERICA CORP. COMMON	1,498,029	73,238,638
TOTAL EUR2.5	867,851	70,629,308
MICROSOFT CORP. COMMON	2,329,820	68,659,795
J.P. MORGAN CHASE & CO. COMMON	1,232,219	59,701,011
CHEVRON CORP. COMMON	683,600	57,586,464
VODAFONE GROUP	15,427,309	51,938,434

<b>TEN LARGEST BOND HOLDINGS</b>	Par Value	Fair Value
FNMA Single Family Mortgage 5.0% 30 years settles Jul	\$ 240,269,000	\$ 225,102,019
FHLMC Gold TBA Pool # 9999999 6.5% 08/01/2029	183,192,000	184,852,086
FHLMC Gold Single Family 5.5% 30 Years Settles Jul	77,071,000	74,325,346
FNMA 30 year Pass-through 5.5% 30 years settles Jul	66,900,000	64,516,688
FNMA 30 years Single Family Mtg 6% 30 years settles Jul	63,300,000	62,607,625
FNMA Single Family Mortgage 5.0% 30 years settles Aug	58,000,000	54,320,596
FNMA Pool #894009 5.5% 10-01-2036 BEO	53,864,376	51,976,968
FNMA Single Family Mortgage 5.0% 15 years settles Jul	53,100,000	51,307,875
FNMA TBA 30 yr pass-throughs 6.5% 30 years settles Jul	48,340,000	48,793,188
GNMA TBA Pool 6% 30 years Jul Sedol	40,300,000	40,085,926



Schedule of  
**Investment Fees and Commissions**

For Year Ended June 30, 2007

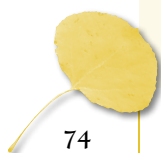


	Investment Fees	Commissions
Domestic Fixed Income	\$ 6,362,404	\$ 4,383,487 <sup>1</sup>
Domestic Equities	7,146,677	1,695,000
International Equity	13,407,083	1,907,000
Short Term Investments	295,366	-
Commission Recapture	-	(716,859)
<b>TOTAL</b>	<b>27,211,530</b>	<b>7,268,628</b>
Custodian Fees	1,415,533	N/A
Consultant Fees	595,767	N/A
Legal Fees	412,619	N/A
<b>TOTAL</b>	<b>\$ 29,635,449</b>	<b>\$ 7,268,628</b>

Note:

<sup>1</sup> Estimated

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# Actuarial section





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Gabriel Roeder Smith & Company  
Consultants & Actuaries

One Towne Square  
Suite 800  
Southfield, MI 48076-3723

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248.799.9020 fax  
www.gabrielroeder.com

October 18, 2007

Board of Trustees  
Public Employees Retirement Association of 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, 2007**

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. Also 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) determine 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, 2007, 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	32.43
Municipal General Division	21.36
Municipal Police Division	33.75
Municipal Fire Division	37.03

The actuarial valuation of the system benefits is based upon financial and participant data, which is prepared by the 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.

2007  
October 18, 2007



Board of Trustees  
October 18, 2007  
Page 2

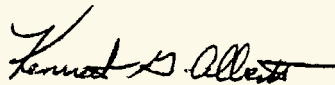
The data is reviewed by us for internal and year-to-year consistency and general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. Several inconsistencies with the data provided this year compared to prior years' data were identified. System staff is continuing to work to resolve these inconsistencies.

The assumptions were adopted by the Board of Trustees pursuant to an experience study for the four-year period ending June 30, 2004. 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, the Solvency Test for System benefits that is found in the Actuarial Section, the Schedule of Funding Progress and the Schedule of Required Contributions in the Financial Section.

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

Respectfully submitted,



Kenneth G. Alberts

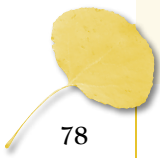


David Kausch, FSA, EA, MAAA

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Gabriel Roeder Smith & Company





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

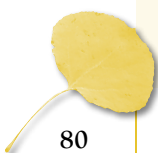
### PERCENTS RETIRING AT INDICATED AGES (BY COVERAGE PLAN)

Retirement Age	State General		State Police	State Corrections	Municipal General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
60	35%	35%	50%	20%	30%	20%	40%	20%
61	35%	35%	50%	20%	30%	25%	25%	15%
62	50%	45%	50%	20%	35%	35%	20%	55%
63	40%	35%	75%	30%	30%	25%	20%	50%
64	20%	30%	75%	40%	30%	23%	25%	50%
65	50%	40%	100%	50%	35%	40%	50%	100%
66	25%	30%		50%	20%	23%	50%	
67	30%	35%		50%	20%	18%	50%	
68	30%	15%		50%	14%	20%	50%	
69	25%	35%		50%	14%	25%	50%	
70	30%	40%		100%	15%	20%	100%	
71	15%	40%			10%	20%		
72	20%	30%			15%	20%		
73	15%	20%			20%	20%		
74	15%	20%			40%	75%		
75	50%	40%			40%	75%		
76	50%	50%			40%	75%		
77	60%	50%			40%	75%		
78	60%	75%			50%	75%		
79	60%	75%			50%	100%		
80	100%	100%			100%			

### PERCENTS RETIRING AT INDICATED SERVICE (BY COVERAGE PLAN)

Retirement Service	State General		State Police	State Corrections	Municipal General		Municipal Police		Municipal Fire	
	Male	Female			Male	Female	Plans 1, 2	Plans 3, 4, 5	Plans 1, 2	Plans 3, 4, 5
20			10%					30%		20%
21			10%					25%		15%
22			10%					30%		25%
23			10%					20%		25%
24			10%					10%		12%
25	45%	45%	25%	40%	40%	40%	30%	30%	15%	15%
26	35%	35%	25%	60%	25%	30%	15%	15%	10%	10%
27	25%	25%	25%	50%	20%	15%	25%	25%	15%	15%
28	15%	15%	25%	50%	15%	20%	20%	20%	15%	15%
29	20%	20%	50%	50%	15%	25%	30%	30%	15%	15%
30	20%	10%	50%	50%	15%	20%	75%	75%	15%	15%
31	15%	15%	50%	50%	20%	10%	75%	75%	15%	15%
32	10%	10%	50%	50%	20%	10%	100%	100%	55%	55%
33	10%	10%	100%	50%	30%	50%			75%	75%
34	15%	30%		100%	30%	75%			100%	100%
35	20%	30%			30%	75%				
36	20%	50%			30%	75%				
37	20%	50%			30%	75%				
38	50%	50%			30%	75%				
39	50%	50%			30%	75%				
40	100%	100%			100%	100%				

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**PERCENT BECOMING DISABLED AT INDICATED AGES**

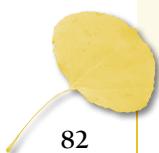
Sample Ages	State General		State Police	State Corrections	State General		Municipal Police	Municipal Fire
	Male	Female			Male	Female		
20	0.02%	0.02%	0.08%	0.06%	0.00%	0.00%	0.10%	0.04%
25	0.03%	0.02%	0.08%	0.10%	0.03%	0.02%	0.13%	0.04%
30	0.05%	0.04%	0.16%	0.15%	0.04%	0.03%	0.14%	0.04%
35	0.08%	0.07%	0.25%	0.27%	0.10%	0.07%	0.21%	0.04%
40	0.14%	0.10%	0.63%	0.38%	0.15%	0.11%	0.30%	0.14%
45	0.22%	0.21%	0.75%	0.57%	0.24%	0.17%	0.46%	0.14%
50	0.47%	0.42%	1.23%	0.91%	0.49%	0.35%	0.74%	0.60%
55	0.68%	0.57%	2.83%	1.54%	0.69%	0.49%	1.29%	0.60%
60	0.63%	0.73%	0.00%	2.21%	0.74%	0.53%	2.14%	2.15%
65	0.29%	0.50%	0.00%	1.97%	0.00%	0.00%	2.31%	0.00%



Rate of  
Separation from Active Membership

PERCENT OF ACTIVE MEMBERS TERMINATING DURING YEAR

Sample Ages	Years of Service	State General		State Police	State Corrections		Municipal General		Municipal Police		Municipal Fire	
		Men	Women		Men	Women	Men	Women	Men	Women	Men	Women
ALL	0	40.0%	40.0%	11.5%	35.0%	25.0%	40.0%	42.0%	33.0%	35.0%	20.0%	20.0%
	1	20.0%	20.0%	7.0%	25.0%	40.0%	20.0%	20.0%	12.5%	12.0%	9.5%	30.0%
	2	12.0%	12.0%	3.0%	15.0%	11.0%	12.0%	13.0%	9.0%	10.0%	5.5%	15.0%
	3	10.0%	10.0%	6.0%	9.0%	10.0%	10.5%	11.0%	8.0%	9.0%	4.3%	7.5%
	4	7.0%	7.0%	3.0%	5.0%	13.0%	7.0%	8.0%	7.5%	6.0%	3.2%	7.0%
	5		6.0%	0.0%		13.0%	6.0%	6.5%				
	6			0.0%		13.0%						
	7					10.0%						
	Over Select Period											
20		20.3%	8.0%	3.3%	9.6%	9.5%	4.4%	14.0%	3.6%	1.9%	3.5%	3.5%
25		20.3%	5.2%	3.9%	9.6%	9.5%	4.4%	9.1%	3.6%	1.9%	3.5%	3.5%
30		17.5%	3.4%	3.4%	7.5%	8.1%	4.4%	5.9%	3.6%	1.9%	3.0%	3.0%
35		13.3%	2.3%	2.6%	5.1%	6.6%	3.5%	4.0%	2.8%	1.9%	2.2%	2.2%
40		9.7%	1.8%	2.3%	3.5%	6.2%	2.5%	3.1%	2.0%	1.9%	1.7%	1.7%
45		6.7%	1.6%	2.1%	2.4%	5.8%	2.2%	2.8%	1.8%	1.9%	1.5%	1.5%
50		4.5%	1.5%	2.1%	1.9%	5.0%	2.2%	2.6%	1.8%	1.9%	1.5%	1.5%
55		2.9%	1.2%	1.3%	1.9%	0.0%	2.2%	2.2%	1.8%	1.9%	1.5%	1.5%
60		2.1%	1.2%	1.2%	1.9%	0.0%	2.2%	2.1%	1.8%	1.9%	1.5%	1.5%
65		2.0%	1.2%	1.2%	1.9%	0.0%	2.2%	2.1%	1.8%	1.9%	1.5%	1.5%

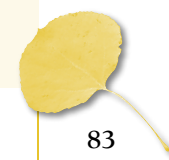


Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
<b>STATE GENERAL</b>										
2002	N/A	N/A	N/A	N/A	7.42%	16.59%				
2003	N/A	N/A	N/A	N/A	7.42%	16.59%				
2004	N/A	N/A	N/A	N/A	7.42%	16.59%				
2005	N/A	N/A	N/A	N/A	7.42%	16.59%				
2006	N/A	N/A	N/A	N/A	7.42%	16.59%				
2007	N/A	N/A	N/A	N/A	7.42%	16.59%				
<b>STATE POLICE AND ADULT CORRECTIONS (PLAN 1)</b>										
2002	7.60%	25.10%								
2003	7.60%	25.10%								
2004	7.60%	25.10%								
2005	7.60%	25.10%								
2006	7.60%	25.10%								
2007	7.60%	25.10%								
<b>JUVENILE CORRECTIONS (PLAN 2)</b>										
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%						
2005	N/A	N/A	4.78%	25.72%						
2006	N/A	N/A	4.78%	25.72%						
2007	N/A	N/A	4.78%	25.72%						
<b>MUNICIPAL GENERAL</b>										
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%		
2005	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
2006	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
2007	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
<b>MUNICIPAL POLICE</b>										
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%
2005	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
2006	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
2007	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
<b>MUNICIPAL FIRE</b>										
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%
2005	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
2006	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
2007	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
<b>JUDICIAL*</b>										
2002	5.00%	9.00%								
2003	5.00%	9.00%								
2004	5.00%	9.00%								
2005	6.50%	10.00%								
2006	7.50%	12.00%								
2007	7.50%	12.00%								
<b>MAGISTRATE*</b>										
2002	5.00%	9.00%								
2003	5.00%	9.00%								
2004	5.00%	9.00%								
2005	6.50%	10.00%								
2006	7.50%	11.00%								
2007	7.50%	11.00%								

**Notes:**

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



**Valuation Data**

As of June 30, 2007

Year	Number of Participating Employers	Number of Active Members	Annual Payroll <sup>1</sup>	Average Pay	% Increase in Avg Pay
<b>STATE GENERAL</b>					
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 <sup>2</sup>	693,532,722	34,727	2.63%
2005	116	20,647	728,031,257	35,261	1.54%
2006	116	23,080	795,195,389	34,454	-2.29%
2007	116	21,783	854,098,264	39,209	13.80%
<b>STATE POLICE/HAZARDOUS DUTY</b>					
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%
2005	3	2,071	65,026,576	31,399	1.62%
2006	3	1,951	61,422,860	31,483	0.27%
2007	3	1,903	83,460,844	43,858	39.31%
<b>MUNICIPAL GENERAL</b>					
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%
2005	169	19,805	592,445,696	29,914	-1.32%
2006	169	21,245	668,632,509	31,472	5.21%
2007	169	22,375	705,762,180	31,542	0.22%
<b>MUNICIPAL POLICE</b>					
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 <sup>2</sup>	126,208,845	37,969	-3.43%
2005	98	3,400	145,849,480	42,897	12.98%
2006	98	3,759	173,833,996	46,245	7.80%
2007	98	3,524	171,701,392	48,723	5.36%
<b>MUNICIPAL FIRE</b>					
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 <sup>2</sup>	66,503,690	39,704	-2.96%
2005	35	1,788	76,485,708	42,777	7.74%
2006	35	1,571	75,833,692	48,271	12.84%
2007	35	1,962	93,496,935	47,654	-1.28%

Year	Number of Participating Employers	Number of Active Members	Annual Payroll <sup>1</sup>	Average Pay	% Increase in Avg Pay
<b>LEGISLATIVE</b>					
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
2005	1	88	N/A	N/A	N/A
2006	1	93	N/A	N/A	N/A
2007	1	98	N/A	N/A	N/A
<b>JUDICIAL</b>					
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%
2005	15	106	9,882,659	93,233	6.86%
2006	15	110	10,059,893	91,454	-1.91%
2007	15	117	11,754,248	100,464	9.85%
<b>MAGISTRATE</b>					
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%
2005	18	50	3,196,052	63,921	6.45%
2006	18	50	3,149,560	62,991	-1.45%
2007	18	52	3,464,587	66,627	5.77%
<b>VOLUNTEER FIREFIGHTER</b>					
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
2005	373	6,282	N/A	N/A	N/A
2006	373	5,804	N/A	N/A	N/A
2007	373	5,638	N/A	N/A	N/A

**Notes:**

<sup>1</sup> Actual payroll is projected to a full-year salary for actuarial calculations

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

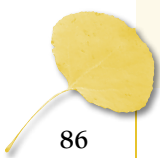


Schedule of  
**Retirees and Beneficiaries**

at June 30

Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
<b>STATE GENERAL</b>							
2002	597	323	9,965	169,971,950	7.96%	17,057	4.99%
2003	729	308	10,386	186,081,438	9.48%	17,917	5.04%
2004	766	293	10,859	205,195,034	10.27%	18,896	5.47%
2005	564	582	10,841	213,908,780	4.25%	19,731	4.42%
2006	599	171	11,269	231,738,272	8.34%	20,564	4.22%
2007	619	196	11,692	250,974,817	8.30%	21,466	4.38%
<b>STATE POLICE/HAZARDOUS DUTY</b>							
2002	43	9	610	13,959,650	8.77%	22,885	2.70%
2003	42	6	646	15,205,851	8.93%	23,538	2.86%
2004	56	11	691	16,880,297	11.01%	24,429	3.78%
2005	44	2	733	17,821,343	5.57%	24,313	-0.47%
2006	159	7	885	22,286,587	25.06%	25,183	3.58%
2007	77	0	962	24,603,084	10.39%	25,575	1.56%
<b>MUNICIPAL GENERAL</b>							
2002	406	160	5,861	90,621,858	10.19%	15,462	5.56%
2003	470	180	6,151	100,245,897	10.62%	16,297	5.40%
2004	566	164	6,553	112,941,045	12.66%	17,235	5.75%
2005	490	148	6,895	122,239,269	8.23%	17,729	2.86%
2006	479	86	7,288	135,066,523	10.49%	18,533	4.54%
2007	525	120	7,693	148,449,316	9.91%	19,297	4.12%
<b>MUNICIPAL POLICE</b>							
2002	121	21	1,361	36,696,595	12.39%	26,963	4.13%
2003	133	28	1,466	41,322,216	12.61%	28,187	4.54%
2004	133	7	1,592	46,675,260	12.95%	29,319	4.01%
2005	195	10	1,777	50,548,837	8.30%	28,446	-2.98%
2006	129	0	1,906	55,733,766	10.26%	29,241	2.79%
2007	160	0	2,066	62,486,941	12.12%	30,245	3.43%
<b>MUNICIPAL FIRE</b>							
2002	50	17	927	25,793,500	7.82%	27,825	3.98%
2003	65	11	981	28,242,218	9.49%	28,789	3.47%
2004	67	13	1,035	30,823,461	9.14%	29,781	3.45%
2005	125	10	1,150	32,619,986	5.83%	28,365	-4.75%
2006	64	0	1,214	35,571,801	9.05%	29,301	3.30%
2007	81	8	1,287	39,032,316	9.73%	30,328	3.50%

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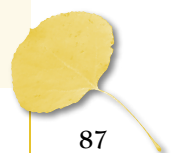
Schedule of  
**Retirees and Beneficiaries**  
*(continued)*

Year	Number Added	Number Removed	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
<b>LEGISLATIVE</b>							
2002	5	1	93	295,881	6.81%	3,182	2.20%
2003	6	1	98	319,946	8.13%	3,265	2.62%
2004	33	3	128	726,460	127.06% <sup>1</sup>	5,675	73.84%
2005	19	15	132	816,710	12.42%	6,187	9.02%
2006	12	7	137	902,879	10.55%	6,590	6.52%
2007	10	3	144	1,033,250	14.44%	7,175	8.88%
<b>JUDICIAL</b>							
2002	3	2	79	3,687,587	3.64%	46,678	2.33%
2003	10	2	87	4,417,272	19.79%	50,773	8.77%
2004	4	3	88	4,589,006	3.89%	52,148	2.71%
2005	5	4	89	4,714,551	2.74%	52,972	1.58%
2006	12	4	97	5,254,601	11.45%	54,171	2.26%
<b>MAGISTRATE</b>							
2002	1	0	37	1,234,244	7.38%	33,358	4.48%
2003	9	0	46	1,594,404	29.18%	34,661	3.91%
2004	0	2	44	1,647,239	3.31%	37,437	8.01%
2005	1	1	44	1,657,108	0.60%	37,662	0.60%
2006	6	2	48	1,824,031	10.07%	38,001	0.90%
2007	7	0	55	2,174,981	19.24%	39,545	4.06%
<b>VOLUNTEER FIREFIGHTER</b>							
2002	20	4	216	256,768	9.17%	1,189	1.08%
2003	19	1	234	277,960	8.25%	1,188	-0.07%
2004	40	2	272	326,752	17.55%	1,201	1.13%
2005	28	2	298	369,544	13.10%	1,240	3.23%
2006	49	4	343	429,944	16.34%	1,253	1.08%
2007	47	2	388	491,944	14.42%	1,268	1.15%

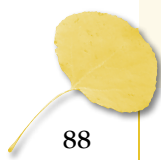
*Note:*

<sup>1</sup> New legislative plans implemented with larger benefits

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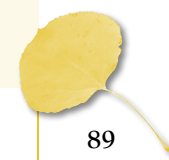
Year	Aggregate Accrued Liabilities			TOTAL (4)
	Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	
<b>STATE GENERAL</b>				
2002	\$ 476,552,721	\$ 2,243,623,595	\$ 1,441,607,100	\$ 4,161,783,416
2003	512,272,905	2,448,673,878	1,502,411,000	4,463,357,783
2004	549,227,388	2,698,298,630	1,415,737,376	4,663,263,394
2005	583,146,453	2,766,461,744	1,649,982,371	4,999,590,568
2006	625,760,105	2,990,413,402	1,693,434,620	5,309,608,127
2007	666,818,026	3,270,427,324	1,937,119,315	5,874,364,665
<b>STATE POLICE/HAZARDOUS DUTY</b>				
2002	\$ 37,658,994	\$ 197,684,474	\$ 148,785,082	\$ 384,128,550
2003	40,444,420	213,324,522	198,112,321	451,881,263
2004	43,223,992	236,364,990	213,573,411	493,162,393
2005	46,274,613	253,559,215	203,504,075	503,337,903
2006	44,180,688	320,946,819	199,106,064	564,233,571
2007	46,580,045	349,049,033	293,977,200	689,606,278
<b>MUNICIPAL GENERAL</b>				
2002	\$ 566,969,660	\$ 1,211,873,457	\$ 706,093,035	\$ 2,484,936,152
2003	612,857,678	1,337,083,714	755,733,653	2,705,675,045
2004	662,011,140	1,510,127,026	748,105,929	2,920,244,095
2005	695,969,808	1,631,538,147	942,017,218	3,269,525,173
2006	746,704,453	1,801,463,475	1,018,974,499	3,567,142,427
2007	796,973,246	1,985,667,232	1,083,417,103	3,866,057,581
<b>MUNICIPAL POLICE</b>				
2002	\$ 164,455,165	\$ 559,859,958	\$ 176,175,068	\$ 900,490,191
2003	174,101,971	628,847,417	178,832,138	981,781,526
2004	185,219,198	709,882,406	279,184,904	1,174,286,508
2005	192,945,781	780,263,875	377,248,454	1,350,458,110
2006	206,888,487	858,760,869	462,921,097	1,528,570,453
2007	215,378,136	948,915,908	451,077,455	1,615,371,499
<b>MUNICIPAL FIRE</b>				
2002	\$ 86,410,010	\$ 388,190,768	\$ 92,812,594	\$ 567,413,372
2003	93,862,473	421,561,947	97,825,447	613,249,867
2004	102,326,449	458,520,345	138,421,112	699,267,906
2005	108,757,669	484,973,626	186,125,726	779,857,021
2006	117,907,283	526,463,519	167,796,858	812,167,660
2007	124,684,425	572,948,781	219,447,000	917,080,206
<b>LEGISLATIVE</b>				
2002	\$ 108,638	\$ 3,144,000	\$ 3,926,362	\$ 7,179,000
2003	124,517	3,312,823	4,219,838	7,657,178
2004	710,612	7,583,534	15,236,510	23,530,656
2005	576,795	7,584,395	10,037,277	18,198,467
2006	641,965	8,805,152	9,986,388	19,433,505
2007	624,041	9,467,633	9,500,240	19,591,914
<b>JUDICIAL</b>				
2002	\$ 4,387,293	\$ 41,576,215	\$ 29,994,990	\$ 75,958,498
2003	4,108,598	50,680,275	31,162,723	85,951,596
2004	4,634,853	51,938,705	31,046,596	87,620,154
2005	5,035,241	52,838,347	29,301,623	87,175,211
2006	5,316,135	59,913,319	29,987,023	95,216,477
2007	6,192,967	63,099,060	34,748,008	104,040,035
<b>MAGISTRATE</b>				
2002	\$ 1,613,881	\$ 14,056,788	\$ 13,288,758	\$ 28,959,427
2003	1,650,781	18,728,541	8,698,728	29,078,050
2004	1,850,875	19,465,866	9,033,596	30,350,337
2005	2,030,058	19,498,351	9,856,553	31,384,962
2006	2,246,383	21,057,235	10,058,520	33,362,138
2007	2,253,925	25,128,887	9,581,637	36,964,449
<b>VOLUNTEER FIREFIGHTER</b>				
2002	\$ 0	\$ 2,777,192	\$ 13,350,402	\$ 16,127,594
2003	0	2,974,933	14,083,319	17,058,252
2004	0	3,465,970	14,312,175	17,778,145
2005	0	3,719,977	21,431,600	25,151,577
2006	0	4,322,414	19,420,476	23,742,890
2007	0	4,936,000	11,599,000	16,535,000



Portion of Accrued Liabilities Covered by Reported Assets

Reported Assets	(1)	(2)	(3)	(4)
\$ 3,727,073,225	100%	100%	70%	90%
3,796,352,279	100%	100%	56%	85%
3,899,517,518	100%	100%	46%	84%
4,182,402,262	100%	100%	50%	84%
4,518,903,504	100%	100%	53%	85%
4,999,146,905	100%	100%	55%	85%
\$ 613,483,181	100%	100%	100%	160%
631,739,543	100%	100%	100%	140%
656,821,978	100%	100%	100%	133%
712,970,765	100%	100%	100%	142%
775,889,322	100%	100%	100%	138%
863,466,963	100%	100%	100%	125%
\$ 2,743,565,146	100%	100%	100%	110%
2,824,747,052	100%	100%	100%	104%
2,935,512,684	100%	100%	100%	101%
3,187,083,937	100%	100%	91%	97%
3,477,139,848	100%	100%	91%	97%
3,862,281,520	100%	100%	100%	100%
\$ 1,116,959,306	100%	100%	100%	124%
1,145,661,536	100%	100%	100%	117%
1,186,512,980	100%	100%	100%	101%
1,281,973,844	100%	100%	82%	95%
1,393,242,801	100%	100%	71%	91%
1,547,245,078	100%	100%	85%	96%
\$ 562,362,823	100%	100%	95%	99%
572,580,393	100%	100%	58%	93%
588,902,910	100%	100%	20%	84%
633,053,802	100%	100%	21%	81%
685,041,627	100%	100%	24%	84%
760,074,408	100%	100%	28%	83%
\$ 5,791,000	100%	100%	65%	81%
5,826,618	100%	100%	57%	76%
8,407,702	100%	100%	1%	36%
11,026,880	100%	100%	29%	61%
13,677,848	100%	100%	42%	70%
17,142,953	100%	100%	74%	88%
\$ 61,686,378	100%	100%	52%	81%
65,223,266	100%	100%	33%	76%
66,208,769	100%	100%	31%	76%
68,780,617	100%	100%	37%	79%
74,003,122	100%	100%	29%	78%
82,569,524	100%	100%	38%	79%
\$ 32,039,588	100%	100%	100%	111%
29,629,462	100%	100%	100%	102%
30,071,628	100%	100%	97%	99%
31,303,435	100%	100%	99%	100%
33,694,422	100%	100%	100%	101%
37,241,628	100%	100%	100%	101%
\$ 29,784,088	N/A	100%	100%	185%
31,221,546	N/A	100%	100%	183%
33,000,250	N/A	100%	100%	186%
35,651,070	N/A	100%	100%	142%
39,511,723	N/A	100%	100%	166%
44,961,000	N/A	100%	100%	272%

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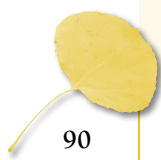
Analysis of  
Financial Experience

PERA FUND	Experience Gain (or Loss) for Year (in Thousands)					
	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$ 931,506	\$ 905,283	\$ 682,956	\$ 244,865	\$ (264,692)	\$ (426,245)
Normal Cost for Year	380,777	344,461	316,767	294,026	282,233	262,248
Contributions (net of Refunds)	(419,756)	(393,790)	(367,322)	(347,742)	(337,298)	(322,530)
Interest Accrual	72,961	70,449	52,615	17,439	(23,378)	(36,512)
Expected UAAL before Non-Recurring Adjust	965,488	926,403	685,016	208,588	(343,135)	(523,039)
Effect of Assumption Changes	0	(49,497)	262,861	0	0	0
Effect of New Employers, Benefit Changes & Plan Coverage Shifts	0	0	0	0	42,295	0
Effect of Asset Method Restart	0	0	(12,056)	0	0	0
Non-Recurring Audit Adjustment	0	0	0	0	0	0
Expected UAAL after Audit Adjustment	965,488	876,906	935,821	208,588	(300,840)	(523,039)
Actual UAAL	930,265	931,506	905,283	682,956	244,865	(264,692)
Gain (Loss)	\$ 35,223	\$ (54,600)	\$ 30,538	\$ (474,368)	\$ (545,705)	\$ (258,347)

JUDICIAL FUND	Experience Gain (or Loss) for Year					
	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$ 21,213,355	\$ 18,394,594	\$ 21,411,385	\$ 20,728,330	\$ 14,272,120	\$ 11,081,455
Normal Cost for Year	3,868,130	3,866,393	3,441,427	3,085,658	2,649,262	2,489,954
Contributions (net of Refunds)	(4,496,459)	(3,851,188)	(3,278,223)	(3,129,038)	(2,490,122)	(2,429,583)
Interest Accrual	1,671,935	1,472,176	1,719,439	1,656,531	1,148,135	888,931
Expected UAAL before Non-Recurring Adjust	22,256,961	19,881,975	23,294,028	22,341,481	15,579,395	12,030,757
Transfer of Judges from Magistrate Ret Fund	0	0	0	0	245,658	0
Change in data load <sup>1</sup>	0	(904,342)	0	0	0	0
Effect of Assumption Changes	0	0	0	0	0	0
Expected UAAL after Adjustments	22,256,961	18,977,633	23,294,028	22,341,481	15,825,053	12,030,757
Actual UAAL	21,470,512	21,213,355	18,394,594	21,411,385	20,728,330	14,272,120
Gain (Loss)	\$ 786,449	\$ (2,235,722)	\$ 4,899,434	\$ 930,096	\$ (4,903,277)	\$ (2,241,363)

Note:

<sup>1</sup> Change in data load from 5% of active member accrued liability to 2% of active member accrued liability

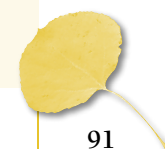


<b>MAGISTRATE FUND</b>	Experience Gain (or Loss) for Year					
	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$ (332,284)	\$ 81,527	\$ 122,955	\$ (551,412)	\$ (3,080,161)	\$ (3,572,815)
Normal Cost for Year	1,208,723	1,223,210	1,056,102	1,084,041	1,267,815	1,144,211
Contributions (net of Refunds)	(1,205,943)	(1,057,722)	(935,027)	(928,011)	(1,347,811)	(1,339,240)
Interest Accrual	(26,472)	13,142	14,679	(37,872)	(249,613)	(293,626)
Expected UAAL before Non-Recurring Adjust	(355,976)	260,157	258,709	(433,254)	(3,409,770)	(4,061,470)
Transfer of Judges to Judicial Retire Fund	0	0	0	0	61,246	0
Effect of Assumption Changes	0	0	0	0	0	0
Expected UAAL after Audit Adjustment	(355,976)	260,157	258,709	(433,254)	(3,348,524)	(4,061,470)
Actual UAAL	(277,179)	(332,284)	81,527	122,955	(551,412)	(3,080,161)
Gain (Loss)	\$ (78,797)	\$ 592,441	\$ 177,182	\$ (556,209)	\$ (2,797,112)	\$ (981,309)

<b>VOLUNTEER FIREFIGHTER FUND</b>	Experience Gain (or Loss) for Year					
	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$ (15,768,833)	\$ (10,499,493)	\$ (15,222,105)	\$ (14,163,294)	\$ (13,656,494)	\$ (12,184,790)
Normal Cost for Year	1,892,952	2,345,000	1,865,323	1,890,280	1,819,655	1,813,230
Contributions (net of Refunds)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(500,000)
Interest Accrual	(1,215,789)	(776,159)	(1,173,155)	(1,087,452)	(1,049,733)	(922,254)
Expected UAAL before Non-Recurring Adjust	(15,841,670)	(9,680,652)	(15,279,937)	(14,110,466)	(13,636,572)	(11,793,814)
Effect of Assumption Changes <sup>1</sup>	(6,595,642)	0	0	0	0	0
Expected UAAL after Audit Adjustment	(22,437,312)	(9,680,652)	(15,279,937)	(14,110,466)	(13,636,572)	(11,793,814)
Actual UAAL	(28,424,921)	(15,768,833)	(10,499,493)	(15,222,105)	(14,163,294)	(13,656,494)
Gain (Loss)	\$ 5,987,609	\$ 6,088,181	\$ (4,780,444)	\$ 1,111,639	\$ 526,722	\$ 1,862,680

**Note:**

<sup>1</sup> Based on an experience study done as of June 30, 2006



**SUMMARY OF PERA PLAN PROVISIONS<sup>1</sup>**

**Membership Eligibility** — The Public Employees Retirement Association of New Mexico includes employees of the State of New Mexico and employees of affiliated public employers. Employees excluded from PERA membership include: seasonal employees; student employees; part-time employees who work less than 20 hours per week; independent contractors; and retirees of the Educational, Judicial, or Magistrate Retirement Systems. 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.

The service credit for members of State Police and Adult Correctional Officer Member Coverage Plan 1 shall be increased by twenty percent for service credit earned while under the plan. To qualify for retirement under the plan, adult correctional officers were required to contribute 18 months under the plan beginning July 1, 2004 and ending December 31, 2005 for those first eligible.

The service credit for members of Municipal Detention Officer Member Coverage Plan 1 shall be increased by 20% for service credit earned while under the plan. To qualify for retirement under the plan, municipal detention officers are required to contribute a minimum of 18 months under the plan. Members employed by municipalities which adopted the plan effective July 1, 2004 were first eligible after December 31, 2005.

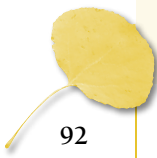
**Service Benefit Formula** — Final average salary (calculated with highest 36 consecutive months salary) multiplied by years of service multiplied by the applicable plan pension factor, up to the maximum allowable pension.

**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

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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 under form of payment B using the actual amount of service credit attributable to the deceased member at the time of death; 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 under form of payment B with the oldest eligible surviving child as the survivor beneficiary using the actual amount of service credit attributable to the deceased member at the time of death; or 2) 30% of final average salary.

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

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

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

**Interest** — 5.25% on member contributions.

## SUMMARY OF JUDICIAL PLAN PROVISIONS

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

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

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

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

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

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

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

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

**Contribution Rates** — The contribution rate for judges and justices prior to July 1, 2005 was 5.5% of salary, and from July 1, 2005 to June 30, 2006 the contribution rate for judges and justices is 6.5% of salary. Prior to July 1, 2005 the employer contributes 9% of salary and from July 1, 2005 to June 30, 2006 the employer contributes 10.5%, plus \$38 from each civil case docket fee paid in the district court, \$25 from each civil case docket fee paid in metropolitan court and \$10 from each jury fee paid in metropolitan court.

**Interest** — 5.25% on member contributions.

#### **SUMMARY OF MAGISTRATE PLAN PROVISIONS**

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

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

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

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

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

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

**Purchase of Service Credit** — An MRA member or current contributing member of PERA, ERA, or JRA 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 prior to July 1, 2005 was 5.5% of salary, and from July 1, 2005 to June 30, 2006 the contribution rate of members is 6.5% of salary. Prior to July 1, 2005 the employer contributes 9% of salary and from July 1, 2005 to June 30, 2006 the employer contributes 10% of salary, plus \$25 from each civil case docket fee and \$10 from each jury fee paid in the magistrate or metropolitan court.

**Interest** — 5.25% on member contributions.

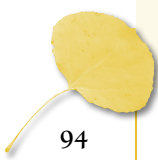
#### **SUMMARY OF VOLUNTEER FIREFIGHTER PLAN PROVISIONS**

**Membership Eligibility** — The Volunteer Firefighters Retirement Plan of New Mexico includes any active volunteer unsalaried firefighter whose first year of service credit was earned during or after the year he or she attained age 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;

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and 3) participated in at least 50% of all emergency response calls which the fire department held him or her responsible to attend.

**Adjusted Service Credit** — For service credit that was earned, but not credited, prior to January 1, 2005, a member may post or adjust one to five years of additional service credit by filing the correction with PERA no later than December 31, 2005.

**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 Cost of Living Adjustment.

**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 2006 was \$750,000.

### SUMMARY OF LEGISLATIVE PLAN PROVISIONS

**Membership Eligibility** — The New Mexico Legislative Retirement Plans include any state legislators and lieutenant governors.

### RETIREMENT ELIGIBILITY

#### State Legislator Member Coverage Plan 1

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

#### State Legislator Member Coverage Plan 2

Age	Years of Credited Service
Any	10 or more
65+	5 or more

#### Service Benefit Formula

The annual pension for State Legislator Member Coverage Plan 1 is \$500 multiplied by the years of credited service.

The annual pension for State Legislator Member Coverage Plan 2 is 11% of the per diem rate in effect multiplied by 60 and further multiplied by the member's service credit.

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



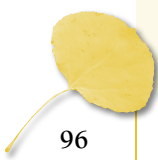
**Death Benefits** — There is no annuity for the surviving spouse, children, or beneficiary.

**Contributions** — Members contribute \$100 for each year of credited service under State Legislator Member Coverage Plan 1 and \$500 for each year of credited service less the amount of any prior contributions made under State Legislator Member Coverage Plan 2. An additional annual appropriation to the Legislative Retirement Fund is determined by the actuarial valuation.

**Interest** — 5.25% on member contributions.

**Note:**

<sup>1</sup> **IMPORTANT NOTICE:** This summary is intended to provide basic background about PERA plan provisions. As a result, the information contained herein is of a general nature and may not apply to all situations. Additionally, future changes to the N.M. State statutes or PERA rules that govern these provisions may make some of the information obsolete. In all situations the provisions of the Public Employees Retirement, the Judicial Retirement, the Magistrate Retirement, and the Volunteer Firefighters Retirement Acts, along with the rules of the Association, control and override any statement or information contained in this summary. This summary is not a contract. It is not intended to and cannot be considered to create any contractual obligation on the part of PERA.



**Statistical**  
section





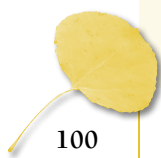
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**Public Employees  
Retirement Association**  
*of New Mexico*

The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

<b>PERA RETIREMENT FUND</b> (in thousands of dollars)	1998	1999	2000
<b>ADDITIONS:</b>			
Contributions:			
Employers	\$ 165,249	\$ 174,324	\$ 182,000
Members	113,693	119,377	125,929
Purchased service credits by members	1,750	2,448	2,054
<b>TOTAL CONTRIBUTIONS</b>	280,692	296,149	309,983
Investment income:			
Interest	120,381	108,086	215,028
Dividends	76,761	102,137	56,048
Net change in fair value of investments	801,482	725,277	575,346
Securities lending income	27,394	15,442	21,662
Rental income	907	829	360
Other investment income	573	1	-
	1,027,498	951,772	868,444
less investment expenses			
Securities lending expenses	-	-	-
Brokerage fees and other investment expenses	(33,706)	(22,524)	(33,682)
<b>NET INVESTMENT INCOME</b>	993,792	929,248	834,762
Other income	1,773	2,070	2,599
<b>TOTAL ADDITIONS</b>	1,276,257	1,227,467	1,147,344
<b>DEDUCTIONS:</b>			
Benefit payments	212,130	237,555	264,480
Refunds to terminated employees	25,001	25,612	26,811
Administrative expenses	4,348	4,876	3,273
<b>TOTAL DEDUCTIONS</b>	241,479	268,043	294,564
<b>NET INCREASE (DECREASE) IN PLAN NET ASSETS</b>	1,034,778	959,424	852,780
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	5,305,766	6,340,544	7,299,968
End of year	\$ 6,340,544	\$ 7,299,968	\$ 8,152,748

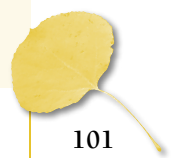


The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

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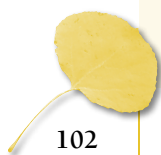
2001	2002	2003	2004	2005	2006	2007
\$ 196,544	\$ 204,734	\$ 213,713	\$ 223,059	\$ 234,232	\$ 249,740	\$ 269,571
135,594	140,857	146,589	151,568	160,639	169,802	179,317
2,002	2,976	3,224	3,856	3,964	6,936	7,900
334,140	348,567	363,526	378,483	398,835	426,478	456,788
243,653	198,016	173,605	179,322	152,764	177,827	209,510
65,088	71,688	77,227	103,261	137,366	154,683	183,682
(459,348)	(430,901)	39,708	975,692	629,892	854,078	1,611,782
15,621	10,236	6,916	4,443	8,610	71,657	117,907
407	1,070	641	891	584	1,342	631
-	-	-	-	-	6,648	1,201
(134,579)	(149,891)	298,097	1,263,609	929,216	1,266,235	2,124,713
-	-	-	(2,843)	(6,635)	(66,168)	(111,293)
(31,845)	(25,170)	(19,783)	(13,003)	(21,446)	(23,572)	(29,256)
(166,424)	(175,061)	278,314	1,247,763	901,135	1,176,495	1,984,164
1,052	157	199	257	(450)	495	10,496
168,768	173,663	642,039	1,626,503	1,299,520	1,603,468	2,451,448
291,118	318,441	349,178	387,307	427,084	467,102	511,709
27,358	25,624	25,986	28,146	29,417	30,246	34,590
3,993	3,815	6,756	8,257	11,691	10,174	9,116
322,469	347,880	381,920	423,710	468,192	507,522	555,415
(153,701)	(174,217)	260,119	1,202,793	831,328	1,095,946	1,896,033
8,152,748	7,999,047	7,824,830	8,084,949	9,287,742	10,119,070	11,215,016
\$ 7,999,047	\$ 7,824,830	\$ 8,084,949	\$ 9,287,742	\$ 10,119,070	\$ 11,215,016	\$ 13,111,049

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The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

<b>JUDICIAL RETIREMENT FUND</b> (in thousands of dollars)	1998	1999	2000
<b>ADDITIONS:</b>			
Contributions:			
Employers	\$ 2,043	\$ 2,046	\$ 2,120
Members	340	323	343
Transfer from the Magistrates Retirement Fund	-	-	-
Purchased service credits by members	5	-	22
<b>TOTAL CONTRIBUTIONS</b>	2,388	2,369	2,485
Investment income:			
Interest	527	28	1,565
Dividends	1,036	1,708	412
Net change in fair value of investments	6,866	5,140	4,153
Securities lending income	-	-	158
Other investment income	-	-	-
	8,429	6,876	6,288
less investment expenses			
Securities lending expenses	-	-	-
Brokerage fees and other investment expenses	(6)	(10)	(189)
<b>NET INVESTMENT INCOME</b>	8,423	6,866	6,099
Other income	19	-	-
<b>TOTAL ADDITIONS</b>	10,830	9,235	8,584
<b>DEDUCTIONS:</b>			
Benefit payments	2,794	2,945	3,185
Refunds to terminated employees	-	-	9
Administrative expenses	7	8	8
<b>TOTAL DEDUCTIONS</b>	2,801	2,953	3,202
<b>NET INCREASE (DECREASE) IN PLAN NET ASSETS</b>	8,029	6,282	5,382
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	39,952	47,981	54,263
End of year	\$ 47,981	\$ 54,263	\$ 59,645



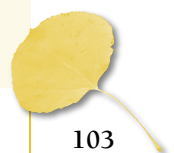


The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

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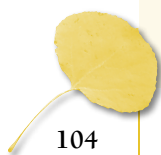
2001	2002	2003	2004	2005	2006	2007
\$ 2,159	\$ 2,051	\$ 2,118	\$ 2,594	\$ 2,735	\$ 3,154	\$ 3,623
359	378	372	455	543	697	874
-	-	-	3,291	-	-	-
-	-	-	80	-	-	-
2,518	2,429	2,490	6,420	3,278	3,851	4,497
1,757	1,388	1,183	1,151	1,051	1,222	1,402
471	510	536	700	965	1,075	1,246
(3,318)	(3,079)	208	6,649	4,358	5,956	10,976
112	72	48	31	60	497	785
-	-	-	-	-	46	9
(978)	(1,109)	1,975	8,531	6,434	8,796	14,418
-	-	-	(20)	(46)	(459)	(741)
(229)	(179)	(137)	(89)	(156)	(201)	(189)
(1,207)	(1,288)	1,838	8,422	6,232	8,136	13,488
-	-	-	-	-	-	23
1,311	1,141	4,328	14,842	9,510	11,987	18,008
3,427	3,499	4,030	4,451	4,686	5,113	5,494
-	-	-	31	-	26	10
8	9	12	13	21	23	21
3,435	3,508	4,042	4,495	4,707	5,162	5,525
(2,124)	(2,367)	286	10,347	4,803	6,825	12,483
59,645	57,521	55,154	55,440	65,787	70,590	77,415
\$ 57,521	\$ 55,154	\$ 55,440	\$ 65,787	\$ 70,590	\$ 77,415	\$ 89,898

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The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

<b>MAGISTRATES RETIREMENT FUND</b> (in thousands of dollars)	1998	1999	2000
<b>ADDITIONS:</b>			
Contributions:			
Employers	\$ 1,072	\$ 1,078	\$ 940
Members	164	160	175
Purchased service credits by members	-	1	6
<b>TOTAL CONTRIBUTIONS</b>	1,236	1,239	1,121
Investment income:			
Interest	231	42	794
Dividends	459	821	197
Net change in fair value of investments	3,380	2,397	1,982
Securities lending income	-	-	76
Other investment income	-	-	-
	4,070	3,260	3,049
less investment expenses			
Securities lending expenses	-	-	-
Brokerage fees and other investment expenses	(3)	(5)	(172)
<b>NET INVESTMENT INCOME</b>	4,067	3,255	2,877
Other income	-	-	3
<b>TOTAL ADDITIONS</b>	5,303	4,494	4,001
<b>DEDUCTIONS:</b>			
Benefit payments	712	895	1,065
Contribution to the Judicial Retirement Fund	-	-	-
Refunds to terminated employees	24	40	-
Administrative expenses	5	6	6
<b>TOTAL DEDUCTIONS</b>	741	941	1,071
<b>NET INCREASE (DECREASE) IN PLAN NET ASSETS</b>	4,562	3,553	2,930
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	18,393	22,955	26,508
End of year	\$ 22,955	\$ 26,508	\$ 29,438

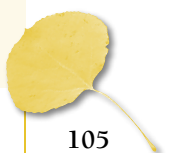


The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

(continued)

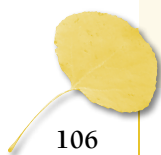
2001	2002	2003	2004	2005	2006	2007
\$ 1,282	\$ 1,146	\$ 1,143	\$ 779	\$ 763	\$ 849	\$ 920
180	193	196	149	172	209	286
15	-	9	-	-	-	-
1,477	1,339	1,348	928	935	1,058	1,206
908	722	636	620	469	558	651
228	257	282	375	443	492	571
(1,612)	(1,536)	150	3,550	2,015	2,726	5,028
55	37	25	15	28	227	360
-	-	-	-	-	21	3
(421)	(520)	1,093	4,560	2,955	4,024	6,613
-	-	-	(9)	(22)	(210)	(340)
(112)	(91)	(73)	(48)	(72)	(95)	(87)
(533)	(611)	1,020	4,503	2,861	3,719	6,186
-	-	-	-	-	-	10
944	728	2,368	5,431	3,796	4,777	7,402
1,122	1,197	1,462	1,591	1,624	1,738	2,084
-	-	-	3,291	-	-	-
14	2	-	-	-	-	80
6	6	10	6	9	9	8
1,142	1,205	1,472	4,888	1,633	1,747	2,172
(198)	(477)	896	543	2,163	3,030	5,230
29,438	29,240	28,763	29,659	30,202	32,365	35,395
\$ 29,240	\$ 28,763	\$ 29,659	\$ 30,202	\$ 32,365	\$ 35,395	\$ 40,625

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The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**

<b>VOLUNTEER FIREFIGHTERS RETIREMENT FUND</b> (in thousands of dollars)	1998	1999	2000
<b>ADDITIONS:</b>			
Contributions:			
Employers	\$ -	\$ -	\$ -
Members	-	-	-
Appropriations from the State of New Mexico Fire Protection Fund	1,000	1,000	1,250
Purchased service credits by members	-	-	-
<b>TOTAL CONTRIBUTIONS</b>	1,000	1,000	1,250
Investment income:			
Interest	204	19	734
Dividends	398	749	178
Net change in fair value of investments	2,855	2,186	1,791
Securities lending income	-	-	69
Other investment income	-	-	-
	3,457	2,954	2,772
less investment expenses			
Securities lending expenses	-	-	-
Brokerage fees and other investment expenses	(2)	(4)	(112)
<b>NET INVESTMENT INCOME</b>	3,455	2,950	2,660
Other income	-	-	-
<b>TOTAL ADDITIONS</b>	4,455	3,950	3,910
<b>DEDUCTIONS:</b>			
Benefit payments	147	172	212
Administrative expenses	-	-	-
<b>TOTAL DEDUCTIONS</b>	147	172	212
<b>NET INCREASE (DECREASE) IN PLAN NET ASSETS</b>	4,308	3,778	3,698
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	15,053	19,361	23,139
End of year	\$ 19,361	\$ 23,139	\$ 26,837



The Public Employees Retirement Association  
**Changes in Plan Net Assets — Last Ten Fiscal Years**  
*(continued)*

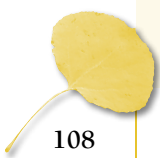
2001	2002	2003	2004	2005	2006	2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,000	500	750	750	750	750	750
-	-	-	-	-	-	-
1,000	500	750	750	750	750	750
855	670	600	608	542	651	767
218	241	270	368	500	574	680
(1,575)	(1,447)	189	3,472	2,267	3,159	5,973
52	34	24	16	31	266	437
-	-	-	-	-	25	4
(450)	(502)	1,083	4,464	3,340	4,675	7,861
-	-	-	(10)	(24)	(246)	(413)
(107)	(84)	(69)	(47)	(78)	(104)	(103)
(557)	(586)	1,014	4,407	3,328	4,325	7,345
-	-	-	-	-	-	1
443	(86)	1,764	5,157	3,988	5,075	8,096
232	247	271	307	346	405	499
-	-	-	-	-	-	-
232	247	271	307	346	405	499
211	(333)	1,493	4,850	3,642	4,670	7,597
26,837	27,048	26,715	28,208	33,058	36,700	41,370
\$ 27,048	\$ 26,715	\$ 28,208	\$ 33,058	\$ 36,700	\$ 41,370	\$ 48,967

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**Schedule of Retired Members by Type of Benefit Option**

<b>BENEFIT OPTION</b>	2001	2002	2003	2004	2005	2006	2007
Normal single life pension terminating on death	6,835	7,125	7,421	7,782	7,898	8,249	8,611
Normal two-life 100% survivor pension for retiree & survivor	6,667	7,016	7,433	7,928	8,307	8,928	9,485
Normal two-life 50% survivor pension for retiree & survivor	2,826	2,935	3,052	3,207	3,331	3,495	3,641
Normal single life with temporary child survivor pension	88	96	116	127	140	145	149
Disability single life pension terminating on death	292	210	200	205	206	200	219
Disability two-life 100% survivor pension for retiree & survivor	491	470	504	536	595	570	600
Disability two-life 50% survivor pension for retiree & survivor	88	87	98	105	113	108	108
Disability single life with temporary child survivor pension	14	13	14	17	18	18	18
Pre-retirement survivor pension	736	772	792	823	788	849	869
Legislative retirement	89	93	98	128	132	137	144
<b>TOTAL PERA FUND</b>	<b>18,126</b>	<b>18,817</b>	<b>19,728</b>	<b>20,858</b>	<b>21,528</b>	<b>22,699</b>	<b>23,844</b>
Judicial retirement	78	79	87	88	89	97	97
Magistrate retirement	36	37	46	44	44	48	55
Volunteer firefighter retirement	200	216	234	272	298	343	388
<b>TOTAL</b>	<b>18,440</b>	<b>19,149</b>	<b>20,095</b>	<b>21,262</b>	<b>21,959</b>	<b>23,187</b>	<b>24,384</b>

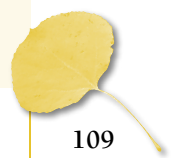


The Public Employees Retirement Association  
**Schedule of Average Benefit Payments**  
*Fiscal Year Ended June 30*

Div/Plan	Years of Credited Service						
	4-10	10-15	15-20	20-25	25-30	30+	
<b>PERA FUND 2001</b>	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	*	*	*	*	*	*
2005	Average Monthly Benefit	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*
2006	Average Monthly Benefit	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*
2007	Average Monthly Benefit	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*

*Note:*

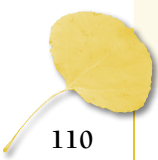
\* Information not available in breakdown of years of service.



**Participating Employers**

*Current Year and Nine Years Ago*

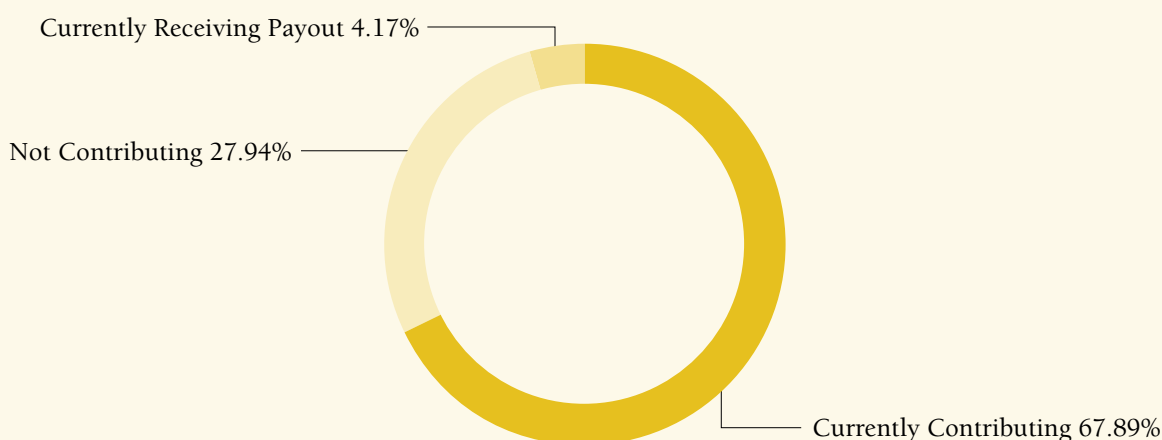
	2007	1998
<b>PUBLIC EMPLOYEES RETIREMENT FUND:</b>		
State Agencies	119	116
Municipalities	83	73
Counties	33	33
Special Districts and Council of Governments	30	27
Housing Authorities	16	18
Hospitals	3	1
Other	17	0
<b>JUDICIAL RETIREMENT FUND</b>	16	15
<b>MAGISTRATE RETIREMENT FUND</b>	9	18
<b>VOLUNTEER FIREFIGHTERS FUND</b>	389	348
<b>TOTAL</b>	715	649
<b>PRINCIPAL EMPLOYERS:</b>		
State of New Mexico		
City of Albuquerque, NM		
County of Bernalillo in NM		





**Deferred Compensation Plan — Section 457**

Numbers Extracted from Nationwide Retirement Solutions Report

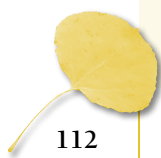
**PARTICIPANTS AT JUNE 30, 2007**

Total Plan Participants	13,872
Currently Contributing	9,418
Not Contributing	3,876
Currently Receiving Payout	578

<b>ASSET ALLOCATION BY ASSET CLASS</b>	Assets as of June 30, 2007	% of Total Assets
<b>DOMESTIC EQUITY FUNDS:</b>		
Large Cap Funds	\$ 111,435,505	34.23%
Mid Cap Funds	12,491,464	3.84%
Small Cap Funds	8,633,875	2.65%
<b>INTERNATIONAL EQUITY FUNDS</b>	24,452,441	7.51%
<b>BALANCED FUNDS</b>	21,041,883	6.46%
<b>FIXED INCOME FUNDS</b>	5,165,288	1.59%
<b>STABLE VALUE</b>	117,781,749	36.18%
<b>ASSET ALLOCATION</b>	12,284,040	3.77%
<b>LOANS AND OTHER ASSETS</b>	5,796,026	1.78%
<b>POLICYHOLDER ACCOUNT VALUE OF UL CONTRACTS</b>	2,212,188	0.68%
<b>NW FIXED PAYOUT ASSETS</b>	2,919,351	0.90%
<b>NW VARIABLE PAYOUT ASSETS</b>	31,122	0.01%
<b>CONTRIBUTIONS RECEIVABLE</b>	977,606	0.30%
<b>SUSPENSE</b>	(58,411)	-0.02%
<b>SV AUDIT ADJUSTMENT FOR DIVIDENDS IN-TRANSIT</b>	396,346	0.12%
<b>ROUNDING DIFFERENCES:</b>		
Euro-Pacific Growth	(276)	0.00%
Fid. Low Priced Stock	(8)	0.00%
Income Fund of America	(2)	0.00%
<b>TOTAL</b>	<b>\$ 325,560,187</b>	<b>100.00%</b>

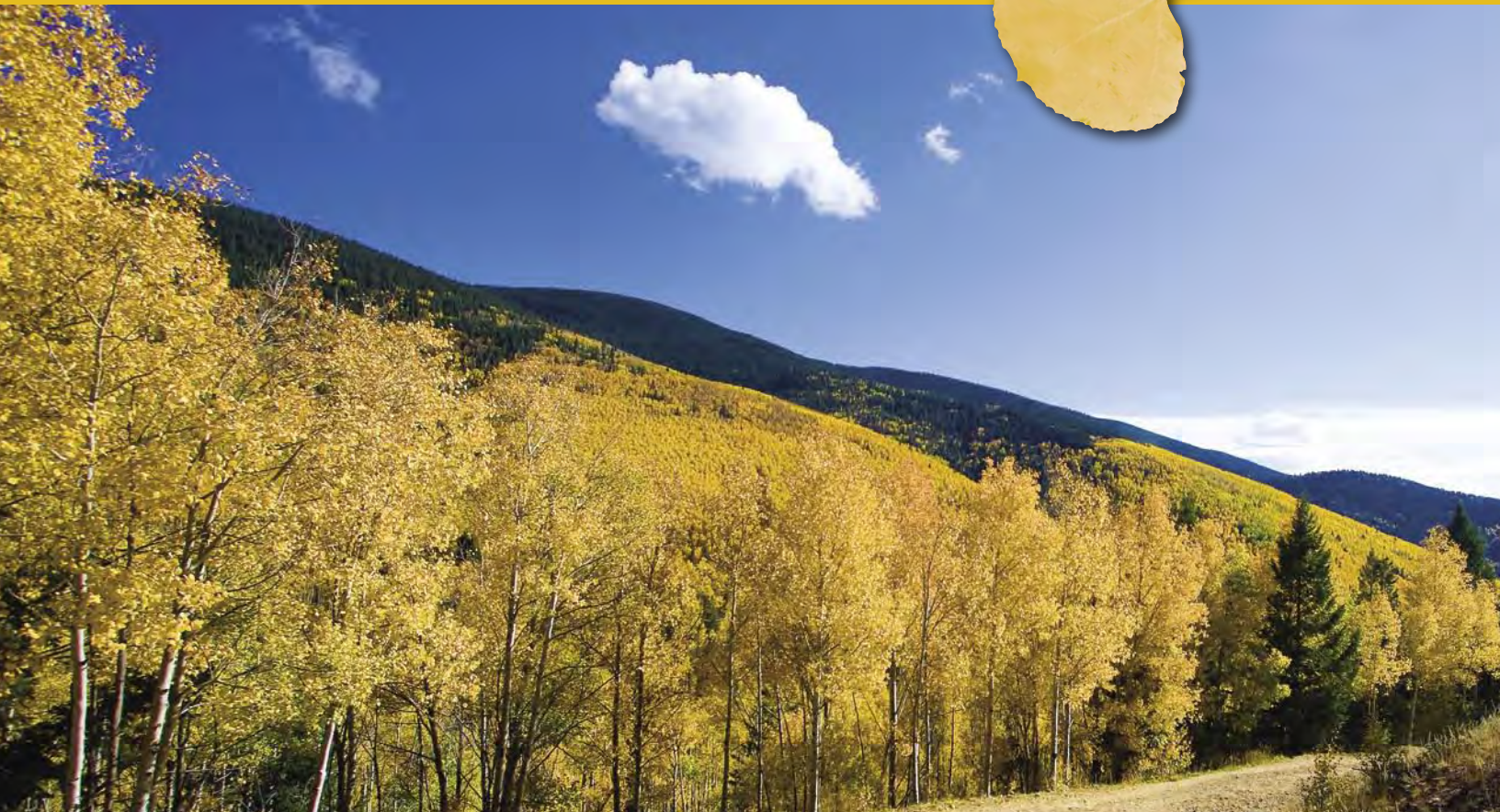
Deferred Compensation Program  
**Comparative Investment Results**  
 Fiscal Year Ended June 30, 2007

Manager	1-year 2007	3-year 2005-2007	5-year 2003-2007
<b>LARGE CAP FUNDS</b>			
Calvert Social Invest Equity Fund	14.6%	8.8%	8.4%
Growth Fund of America	18.3%	14.3%	14.0%
Dodge & Cox Stock Fund	19.7%	16.0%	14.8%
Fidelity Contrafund	17.0%	15.3%	13.7%
Victory Inst'l Diversified Stock	21.7%	12.7%	12.4%
Vanguard Institutional Index	20.6%	11.7%	10.7%
<b>SMALL CAP FUNDS</b>			
Fidelity Low Priced Stock fund	22.3%	16.8%	16.1%
Lord Abbett Small Cap Blend	20.2%	15.1%	16.9%
<b>MID CAP FUNDS</b>			
Vanguard Strategic Equity	18.5%	15.9%	16.4%
T. Rowe Price Mid Cap Growth	21.5%	15.8%	15.2%
<b>INTERNATIONAL FUNDS</b>			
American EuroPacific Growth Fund	27.6%	23.7%	18.7%
Fidelity Diversified Int'l	25.7%	22.1%	19.0%
<b>FIXED-INCOME FUNDS</b>			
Vanguard Total Bond Index Fund	6.1%	3.8%	4.2%
<b>BALANCED FUNDS</b>			
Dodge and Cox	15.2%	11.6%	11.8%
Income Fund of America	20.1%	13.8%	12.7%
<b>STABLE VALUE FUND</b>			
	4.6%	4.3%	4.4%
<b>ASSET ALLOCATION</b>			
Conservative Portfolio	8.9%	N/A	N/A
LifeCycle 2015 Portfolio	14.8%	N/A	N/A
LifeCycle 2025 Portfolio	16.3%	N/A	N/A
LifeCycle 2035 Portfolio	18.2%	N/A	N/A
LifeCycle 2045 Portfolio	19.8%	N/A	N/A
LifeCycle 2055 Portfolio (added May, 2007)	N/A	N/A	N/A



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**Public Employees  
Retirement Association**  
*of New Mexico*

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