



sowing the seeds of HARVEST

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
Comprehensive Annual Financial Report

Year Ended June 30, 2008



public trust funds of the state of new mexico





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seeds of HARVEST



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Comprehensive Annual Financial Report

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PREPARED BY PERA STAFF

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Our thanks to the following farms for allowing us to photograph their harvests:

*Beneficial Farm
Glorieta, New Mexico*

*Dixon's Apples
Peña Blanca, New Mexico*

*El Rincon Farm
Chimayo, New Mexico*

*Schwebach Farm
Moriarty, New Mexico*

*The Salmon Raspberry Ranch
Mora, New Mexico*

*Wagner's Farm
Corrales, New Mexico*



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2008***

Presented to

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

In recognition of meeting professional standards for
plan funding 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 cursive script that reads "Alan H. Winkle".

Alan H. Winkle

Program Administrator

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Public Employees Retirement
Association of New Mexico

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



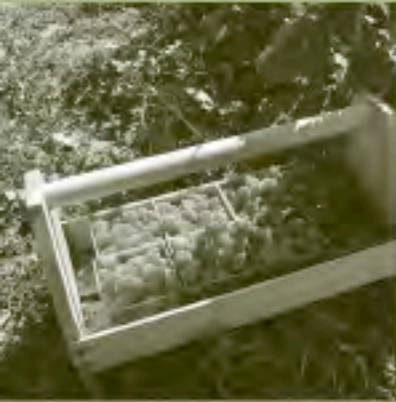
A handwritten signature in black ink, appearing to read "M. L. Post".


President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

INTRODUCTORY
section




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{ Mission Statement }

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

{ Value Statement }

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. 

Public Employees Retirement Association
Board Chair's Letter

December 15, 2008

Dear PERA Members and Members of the Legislature:

Once again the Board reports to you on the financial condition of our PERA fund. This Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008 provides you with information about the fund, its financial status and its membership.



VICTOR A. MONTOYA
PERA BOARD CHAIR
RETIREE MEMBER

During this reporting period, PERA's fund assets had an investment return of -7.4%, a loss of approximately \$980 million, for the last twelve months, versus our actuarial benchmark of +8%. The fund's total assets as of June 30, 2008 were \$12.2 billion versus \$13.3 billion last year. The difference between the \$980 million and \$1.1 billion (approximately \$120 million) is due to retiree monthly benefits paid that exceeded new funds from employee and employer contributions coming into the fund.

This past fiscal year ended June 30, 2008, was a period of financial stress worldwide. Since June 30 the financial stresses of the global economy and on PERA's investments and funding status have increased. At this time with the unpredictability and volatility of the market, we cannot forecast with certainty how PERA's investments will perform between now and the end of our fiscal year June 30, 2009.

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. We take this opportunity to remind you that we are long term investors and according to our Investment Advisors the fund is well diversified to take advantage of any positive market corrections. We must take care not to realize our losses unless absolutely necessary to protect the fund. During this period, PERA has been weighing the advice of our consultants and proceeding cautiously in our investment decisions.

It is the Board's fiduciary responsibility to serve the membership and protect and administer our trust fund; we pledge our best efforts to ensure the soundness and progress of the PERA fund.

Sincerely,

A handwritten signature in cursive script that reads "Victor A. Montoya".

Victor A. Montoya
PERA Board Chair
Retiree Member

Public Employees Retirement Association
Board Members



Mr. Victor A. Montoya
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. Francis Page
Corrections
Department
State Member



Mr. Oscar Arevalo
Administrative Office
of the Courts
State Member



Ms. Nancy Hewitt
Public Defender
Department
State Member



**Ms. Annette
Martinez-Varela**
13th Judicial District
Attorney's Office
State Member



Mr. David A. Baca
Bernalillo County
County Member



Ms. Susan Biernacki
City of Albuquerque
Municipal Member



Ms. Patricia French
City of Albuquerque
Municipal Member



**Ms. Loretta
Naranjo-Lopez**
Retired Member

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December 15, 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, 2008 (FY08). 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).



TERRY SLATTERY, CEBS
EXECUTIVE DIRECTOR

PERA received the 2008 Government Finance Officers Association Certificate of Achievement and the Public Pension Coordinating Council's 2008 Public Pension Standards Award for Funding and Administration for its FY07 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 Chair'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 24 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 2008 Highlights

Summary of Financial Information

The following schedule is a summary of the Fund's additions and deductions for the years ended June 30, 2008, and June 30, 2007 (excluding the Deferred Compensation (IRC 457) Fund).

	June 30, 2008	June 30, 2007
Additions	\$ (583,270,715)	\$ 2,484,952,552
Deductions	(607,293,915)	(563,610,945)
Net Change	\$ (1,190,564,630)	\$ 1,921,341,607

Additions decreased by \$ 3,068,223,267 primarily due to a decrease in net investment income of \$ 3,096,609,441. Deductions increased by \$ 43,682,970 primarily due to an increase of \$ 46,143,985 in benefit payouts for the year.

Plan Financial Condition

The funding objective of PERA is to meet long-term benefit promises through contributions, which remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 57–58. During the year ended June 30, 2008, the funded ratio of PERA, which covers 85,583 participants, was 92%. 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 -7.40% for the year ended June 30, 2008. The policy benchmark return for the year was -4.06%. The portfolio underperformed its benchmark for the year by 3.34% and this was the first time in the past ten years that the portfolio measurably underperformed its benchmark.

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.

It should be noted that since June 30, 2008 the U.S. and international investment markets have experienced considerable volatility and declines. PERA's portfolio has also been negatively impacted during this time with losses of total market value exceeding 25% at the time of this writing. However, it is necessary to mention that PERA is a very long-term investor and our portfolio is constructed to weather financial storms such as what is presently occurring through diversification. We believe our portfolio is positioned to take advantage of the market turnaround when it comes.

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

Legislation Enacted During the 2008 Legislative Session

Although twelve pieces of legislation were introduced that affected either PERA or PERA administered benefits, only one bill and one memorial were enacted. The enacted bill allows active legislators who did not previously enroll in State Legislator Plan 2 to do so during the remainder of calendar year 2008 provided they pay the required contributions on all past service. The memorial which passed instructs PERA, the State Fire Marshal and several other entities to work in conjunction to propose amendments to the Volunteer Firefighter Retirement Act for the purpose of improved reporting to PERA and general updates as deemed necessary. PERA has worked with the State Fire Marshal on mutually acceptable revisions to the statute which will be introduced in the 2009 legislative session.

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. Moss Adams, LLP incorporated the audit done by Clifton and Gunderson in regard to the Deferred Compensation (IRC 457) Fund, which PERA administers.

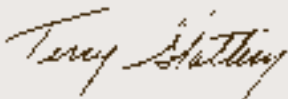
Conclusion

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

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

I would like to acknowledge Ms. Renae Herndon, PERA Comptroller, for her 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 Ms. Herndon 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

Public Employees Retirement Association Staff

Administration

Terry Slattery, *Executive Director*
Mary Frederick, *Deputy Director, Member Services*
Kurt Weber, *Deputy Director, Operations*
Patrick Alarid, *Planning, Policy And Budget*
Jane Clifford, *Executive Assistant*
Michael Hansen, *Internal Auditor*
Vince Jaramillo, *Public Relations Coordinator*
Sharon Martinez, *Office Clerk*
Gene Powers, *Building Project Manager*
Patricia Thaxton, *Liaison Officer*

Administrative Services

Renae Herndon, *Comptroller*
Lynn Coles, *Financial Manager*
Alex Coriz, *Accountant Auditor*
Yvonne Montoya, *Accountant Auditor*
Sharon Moya, *Accountant Auditor*
Vacant, *Accountant Auditor*

Contribution Accounting

Herb Romero, *Bureau Chief*
Renee Baros, *Accountant Auditor*
Christine Carrillo, *Accountant Auditor*

Deferred Compensation

Joann Garcia, *Manager*

Human Resources

Madeline Armijo, *Human Resource Administrator, Senior*

Information Systems

Greg Portillos, *Information Systems Manager*
Gabriel Baca, *IS Network Administrator I*
Mike Gonzales, *Programmer Analyst II*
Andres Martinez, *IS Network Specialist I*
Leonard Martinez, *Computer Systems Analyst*
Adrian Martinez, *Software Engineer*
Frank Martinez, *IS Network Administrator I*

Investments

Robert Gish, *Director of Investments*
Dominic Garcia, *Deputy Director of Investments*
Julian Baca, *Portfolio Management*
Jason Goeller, *Portfolio Management*
Debbie O'dell, *Financial Analyst*
Sandy Perez, *Financial Analyst*

Legal Division

Susan Pittard, *General Counsel*
Christopher Bulman, *Assistant General Counsel*
Maryanne Reilly, *Assistant General Counsel*
Karen Risku, *Attorney*

Legal Division (continued)

Judy Olson, *Administrator III*
Theresa Vargas, *Legal Assistant II*

Maintenance

Eric Martinez, *Maintenance And Repair*

Member Services

Vacant, *Bureau Chief*

Albuquerque Office

Christina Gauthier, *Public Relations Specialist*
Bernadette Meyer, *Financial Specialist*
Vacant, *Customer Service Representative*

Customer Services

Rose Rael, *Manager*
Theresa Martinez, *Customer Service Representative*
Felicia Sena, *Customer Service Representative*
Sandra Serrato, *Customer Service Representative*
Vacant, *Customer Service Representative*

Requests

Joyce Rivera, *Manager*
Donna Morelos, *Financial Specialist*
Nicole Tapia, *Financial Specialist*

Quality Control

Monica Varela, *Manager*
Angela Romero, *Disability Administrator*
Arlene Coriz, *Clerk Specialist*

Retirements

Claudine Serna, *Manager*
Brenda Cordova, *Financial Specialist*
Angel Lujan, *Financial Specialist*
Jessica Maldonado, *Financial Specialist*
Jodi Trujillo, *Financial Specialist*

Annuitant Payroll

Nora Solano, *Manager*
Natalia Manzanares, *Office Clerk*
Xochitl Costales, *Office Clerk*

User Administration

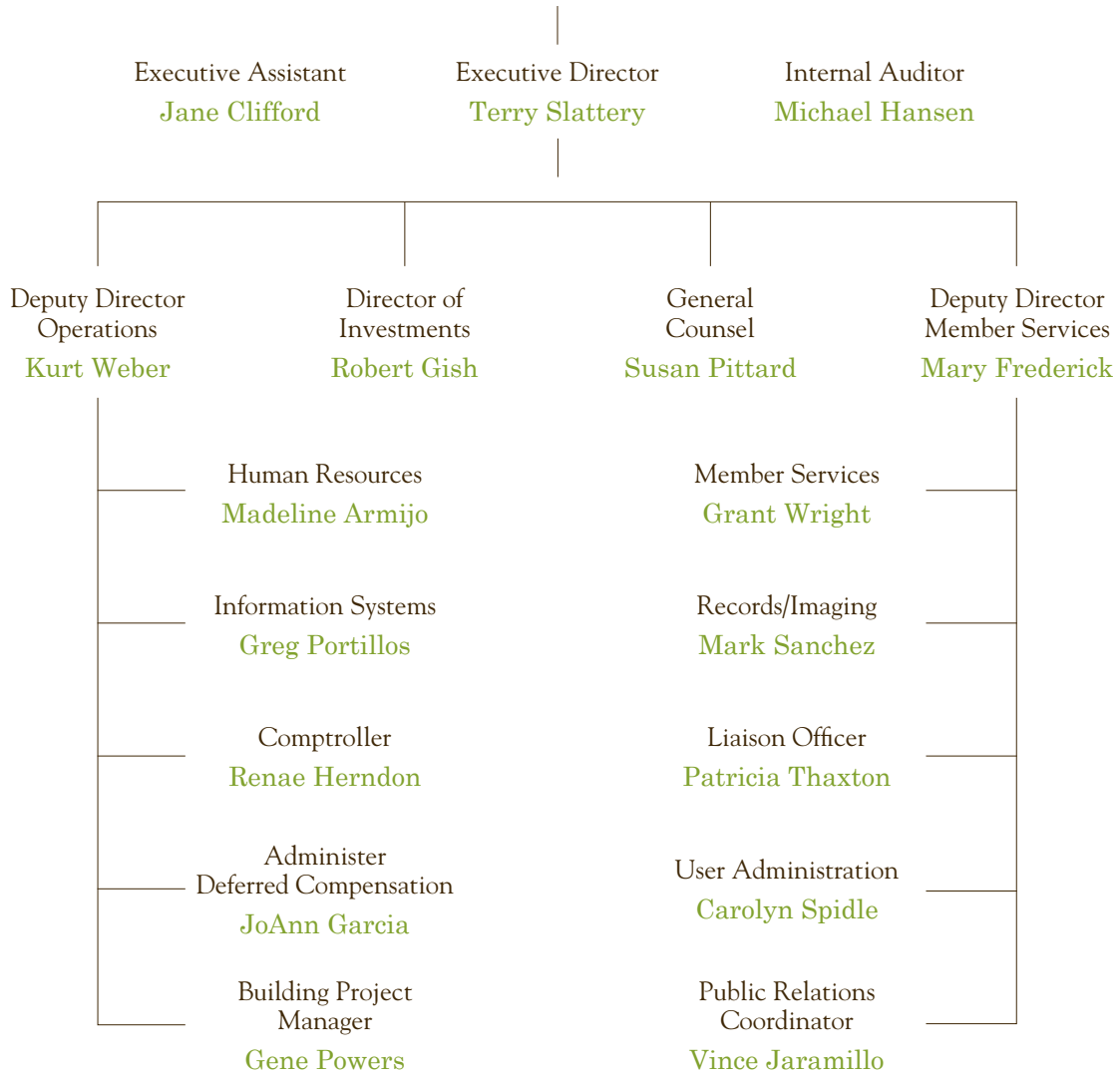
Carolyn Spidle, *Database Administrator*
Jessica Perea, *Computer Database Administrator*
Vacant, *Administrative Secretary*
Leslie Miller, *Computer Support Specialist*

Records

Mark Sanchez, *Records/imaging Administrator*
Albert Martinez, *Clerk IV*
Joy Lujan, *Clerk IV*
Sheila Martinez, *Mailroom*
Vacant, *Clerk Specialist*



PUBLIC EMPLOYEES RETIREMENT ASSOCIATION BOARD



Public Employees Retirement Association

At a Glance

As of June 30, 2008



	June 30, 2007	June 30, 2008
PERA Members	60,712	60,077
State	25,597	26,102
Municipal	29,157	29,437
Judicial	129	128
Magistrate	65	64
Volunteer Firefighters	5,638	4,216
Legislative	126	130
Retired Members and Beneficiaries	24,384	25,506
State	12,654	13,081
Municipal	11,046	11,682
Judicial	97	105
Magistrate	55	56
Volunteer Firefighters	388	435
Legislative	144	147
Retirement Benefits	\$ 519,785,955	\$ 565,929,940
Contribution Refunds	\$ 34,679,881	\$ 31,374,683
Participating Employers	714	766
State	119	126
Municipal	83	85
Counties	33	33
Housing Authorities	16	16
Special Districts	46	43
Hospitals / Clinics	3	3
Volunteer Fire Department	389	435
Judicial	16	16
Magistrate	9	9
Contributions:		
Member Contributions	\$ 180,477,181	\$ 192,844,978
Employer Contributions	\$ 274,112,941	\$ 297,381,212
Deferred Compensation (IRC 57) Fund	\$ 325,560,187	\$ 324,091,732
Total PERA Net Assets	\$ 13,616,098,230	\$ 12,424,065,145

Member Communications

Member Services

Providing quality customer service to our members is one of the most important functions of PERA. The Member Services Division staff serves PERA's active members and retirees. The benefits counselors and support staff provide information over the telephone, through written correspondence, by personal counseling appointments and through group presentations. PERA staff processed 1,540 normal retirement applications, 209 disability and 316 survivor retirements in FY08.

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, Artesia, Bernalillo, Carlsbad, Carrizozo, Clovis, Espanola, Farmington, Grants, Hobbs, Las Cruces, Portales, Raton, Red River, 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 FY08 Annual Member Statements were mailed in October 2008. Member 1099-R forms are mailed each January to retirees as well as to members who requested refunds of their member accounts. The 2008 annual notifications of Cost-of-Living Adjustments (COLAs) were mailed to retirees and beneficiaries in July.

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.

PERA Customer Service Center

The PERA Customer Service Center allows members, retirees 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 62,935 calls in FY08.

Professional Consultants

Actuary

Gabriel, Roeder, Smith & Co.

Consultants & Actuaries
One Towne Square, Suite 800
Southfield, Michigan 48076

Auditors

Moss Adams, LLP

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

Clifton and Gunderson, LLP

Deferred Compensation Auditors
9515 Deereco Road, Suite 500
Baltimore, MD 21093

Investment Consultants

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

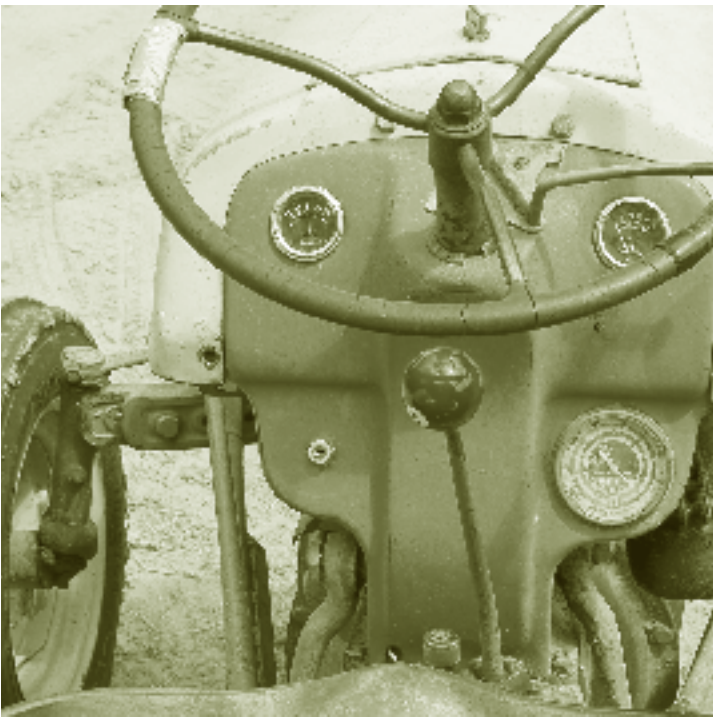
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Independent Auditors' Report

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, 2008, as listed in the table of contents. We have also audited the Schedule of Revenues, Appropriations and Expenses – Budget and Actual (Non-GAAP) for the Public Employees Retirement Fund shown as supplemental information as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements and schedule are the responsibility of PERA's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 2008, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on 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



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Suite 400
Albuquerque, NM 87110

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CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

plan net assets of PERA as of June 30, 2008, 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, 2008, 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. Also, in our opinion, the Schedule of Revenues, Appropriations and Expenses – Budget and Actual, (Non-GAAP Basis) – Public Employees Retirement Fund presents fairly the revenues, appropriations and expenses on the basis of accounting as described in Note 10, for the year ended June 30, 2008.

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, Investment, 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 on it.

Moss Adams LLP

November 24, 2008
Albuquerque, New Mexico

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008



This discussion and analysis of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, 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 years ended June 30, 2008 and 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

- The net assets held in trust to pay pension benefits were \$12.4 billion as of June 30, 2008. This amount reflects a decrease of \$1.2 billion from the prior fiscal year. This change is primarily the result of the net depreciation in the fair value of the investment portfolio. See Note 13 regarding subsequent events for further details.
- PERA's funding objective is to meet long-term benefit obligations through member and employer contributions and investment earnings.
- Retirement benefits paid this year totaled \$587 million to 25,506 annuitants as compared to \$541 million to 24,384 annuitants for last year. The increase in benefits paid is due to the number of new retirees and cost-of-living allowances.
- PERA's investments reported a total return of (7.40%) for the current year and 18.04% for last year. (This percentage does not include the investments administered by the Deferred Compensation Plan's contracted third party.)

PERA Highlights

Overview of Financial Statements

- The financial statements of the funds of PERA include Statements of Plan Net Assets and Statement of Changes in Plan Net Assets for the four retirement funds administered by the Agency and the Deferred Compensation Plan (DC 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 required supplementary information and the additional supplementary information that appear after the notes to the financial statements are not a required part of the financial statements, but represent supplementary information required by the Governmental Accounting Standards Board.
- The Deferred Compensation (DC Plan) available to state employees is administered by a contracted third party with oversight by the PERA Board and staff. The assets of that plan are included in these financial statements as a separate fund. The net operating account is funded by fees collected from the DC Plan participants and is used to pay administration expenses for the DC Plan. These amounts are included in the Public Employees Retirement Fund.
- The Statement of Plan Net Assets reflects the resources available at the end of the fiscal year to pay members, retirees, and beneficiaries. This statement also provides information about the fair value and composition of net assets.
- The Statement of Changes in Plan Net Assets presents the changes to PERA's net assets for the fiscal year, including investment income, net appreciation in fair value of the investment portfolio and contributions from members and employers.
- The notes to the financial statements are an integral part of the basic financial statements and provide additional information about the plans of PERA. Notes include plan descriptions, significant accounting policies, contributions, funding policies, investment risk disclosure, investment credit risk, security lending program, commitments and contingencies.

Management's Discussion and Analysis

(continued)

- The additional supplementary information includes schedules of administrative, investment and consulting fee expenditures.

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:

All Funds:

	2008	2007	Dollar Change	Percentage Change
Assets	\$ 16,990,724,416	\$ 18,853,498,070	(1,862,773,654)	(9.88)%
Liabilities	(4,566,659,271)	(5,237,399,840)	670,740,569	(12.80)%
Net Assets Held in Trust	\$ 12,424,065,145	\$ 13,616,098,230	(1,192,033,085)	(8.75)%
Change in Net Assets	\$ (1,192,033,085)	\$ 1,968,277,287	(3,160,310,372)	(160.56)%

The decrease in assets from fiscal year 2007 to fiscal year 2008 is due primarily to a decrease in net assets. The total net assets held by PERA decreased during the fiscal year ended June 30, 2008 primarily as a result of the net depreciation of the fair value of the investment portfolio. 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 most significant pension plan administered by PERA includes the following balances at the years ended June 30, 2008 and 2007:

Public Employees Retirement Fund:

Statement of Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Assets				
Cash and equivalents	\$ 248,732,026	\$ 704,385,966	(455,653,940)	(64.69)
Receivables	2,474,915,619	2,081,416,869	393,498,750	18.91%
Investments	13,708,413,598	15,483,437,836	(1,775,024,238)	(11.46)%
Capital Assets, Net	12,376,075	9,590,927	2,785,148	28.37%
Total Assets	16,444,437,318	18,278,831,598	(1,834,394,280)	(10.03)%
Liabilities				
Accounts Payable	2,769,684,347	2,971,070,686	(201,386,339)	(6.78)%
Other Liabilities	1,738,037,374	2,196,711,848	(458,674,474)	(20.88)%
Total Liabilities	4,507,721,721	5,167,782,534	(660,060,813)	(12.77)%
Net Assets Held in Trust	\$ 11,936,715,597	\$ 13,111,049,064	(1,174,333,467)	(8.96)%

The net assets of the Public Employees Retirement Fund is 96.08% of the total net assets of all funds.

Management's Discussion and Analysis

(continued)

Statement of Changes in Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Additions				
Contributions	\$ 491,227,906	\$ 456,787,810	34,440,096	7.54%
Net Investment Income	337,455,999	372,381,326	(34,925,327)	(9.38)%
Net (Depreciation)				
Appreciation in Fair Value of Investments	(1,408,701,295)	1,611,782,980	(3,020,484,275)	(187.40)%
Other Income	4,139,887	10,495,639	(6,355,752)	(60.56)%
Total Additions	(575,877,503)	2,451,447,755	(3,027,325,258)	(123.49)%
Deductions				
Benefit Payments	(557,189,873)	(511,709,032)	(45,480,841)	8.89%
Refunds	(31,328,433)	(34,589,598)	3,261,165	(9.43)%
Administrative Expenses	(9,937,658)	(9,116,176)	(821,482)	9.01%
Total Deductions	(598,455,964)	(555,414,806)	(43,041,158)	7.75%
Change in Net Assets	\$ (1,174,333,467)	\$ 1,896,032,949	(3,070,366,416)	(161.94)%

Judicial Retirement Fund

Statement of Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Assets				
Cash and equivalents	\$ 1,603,155	\$ 7,396,913	(5,793,758)	(78.33)%
Receivables	15,928,668	13,968,442	1,960,226	14.03%
Investments	93,139,039	103,084,124	(9,945,085)	(9.65)%
Total Assets	110,670,862	124,449,479	(13,778,617)	(11.07)%
Liabilities				
Accounts Payable	17,832,057	19,726,850	(1,894,793)	(9.61)%
Other Liabilities	11,122,816	14,825,018	(3,702,202)	(24.97)%
Total Liabilities	28,954,873	34,551,868	(5,596,995)	(16.20)%
Net Assets Held in Trust	\$ 81,715,989	\$ 89,897,611	(8,181,622)	(9.10)%

Management's Discussion and Analysis

(continued)

Statement of Changes in Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Additions				
Contributions	\$ 4,758,254	\$ 4,496,460	261,794	5.82%
Net Investment Income	2,198,299	2,511,148	(312,849)	(12.46)%
Net (Depreciation)				
Appreciation in Fair Value of Investments	(9,198,527)	10,976,649	(20,175,176)	(183.80)%
Other Income	27,552	23,453	4,099	17.48%
Total Additions	(2,214,422)	18,007,710	(20,222,132)	(112.30)%
Deductions				
Benefit Payments	(5,907,420)	(5,494,467)	(412,953)	7.52%
Refunds	(25,849)	(10,374)	(15,475)	149.17%
Administrative Expenses	(33,931)	(20,596)	(13,335)	64.75%
Total Deductions	(5,967,200)	(5,525,437)	(441,763)	8.00%
Change in Net Assets	\$ (8,181,622)	\$ 12,482,273	(20,663,895)	(165.55)%

Magistrate Judges Retirement Fund

Statement of Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Assets				
Cash and equivalents	\$ 731,749	\$ 2,809,182	(2,077,433)	(73.95)%
Receivables	7,297,711	6,395,183	902,528	14.11%
Investments	41,515,160	47,252,654	(5,737,494)	(12.14)%
Total Assets	49,544,620	56,457,019	(6,912,399)	(12.24)%
Liabilities				
Accounts Payable	8,139,319	9,043,829	(904,510)	(10.00)%
Other Liabilities	5,072,456	6,788,620	(1,716,164)	(25.28)%
Total Liabilities	13,211,775	15,832,449	(2,620,674)	(16.55)%
Net Assets Held in Trust	\$ 36,332,845	\$ 40,624,570	(4,291,725)	(10.56)%

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Management's Discussion and Analysis

(continued)

Statement of Changes in Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Additions				
Contributions	\$ 1,224,020	\$ 1,205,944	18,076	1.50%
Net Investment Income	1,006,398	1,159,112	(152,714)	(13.18)%
Net (Depreciation) Appreciation in Fair Value of Investments	(4,203,032)	5,027,438	(9,230,470)	(183.60)%
Other Income	12,962	9,554	3,408	35.67%
Total Additions	(1,959,652)	7,402,048	(9,361,700)	(126.47)%
Deductions				
Benefit Payments	(2,293,969)	(2,083,745)	(210,224)	10.09%
Refunds	(20,401)	(79,909)	59,508	(74.47)%
Administrative Expenses	(17,703)	(8,337)	(9,366)	112.34%
Total Deductions	(2,332,073)	(2,171,991)	(160,082)	7.37%
Change in Net Assets	\$ (4,291,725)	\$ 5,230,057	(9,521,782)	(182.06)%

Volunteer Firefighters Retirement Fund

Statement of Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Assets				
Cash and equivalents	\$ 930,222	\$ 3,162,333	(2,232,111)	(70.58)%
Receivables	9,166,182	7,627,896	1,538,286	20.17%
Investments	51,883,480	57,409,558	(5,526,078)	(9.63)%
Total Assets	61,979,884	68,199,787	(6,219,903)	(9.12)%
Liabilities				
Accounts Payable	10,346,955	10,985,974	(639,019)	(5.82)%
Other Liabilities	6,423,947	8,247,015	(1,823,068)	(22.11)%
Total Liabilities	16,770,902	19,232,989	(2,462,087)	(12.80)%
Net Assets Held in Trust	\$ 45,208,982	\$ 48,966,798	(3,757,816)	(7.67)%

Management's Discussion and Analysis

(continued)

Statement of Changes in Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Additions				
Appropriations from State	\$ 750,000	\$ 750,000	–	–
Net Investment Income	1,266,317	1,372,689	(106,372)	(7.75)%
Net (Depreciation)				
Appreciation in Fair Value of Investments	(5,250,524)	5,971,734	(11,222,258)	(187.92)%
Other Income	15,069	616	14,453	2346.27%
Total Additions	(3,219,138)	8,095,039	(11,314,177)	(139.77)%
Deductions				
Benefit Payments	(538,678)	(498,711)	(39,967)	8.01%
Total Deductions	(538,678)	(498,711)	(39,967)	8.01%
Change in Net Assets	\$ (3,757,816)	\$ 7,596,328	(11,354,144)	(149.47)%

Deferred Compensation (IRC 457) Fund

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.

Statement of Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Assets				
Receivables	\$ 5,806,492	\$ 4,861,188	945,304	19.45%
Policyholder value of life				
Insurance	2,130,189	2,212,188	(81,999)	(3.71)%
Investments	316,155,051	318,486,811	(2,331,760)	(0.73)%
Total Assets	324,091,732	325,560,187	(1,468,455)	(0.45)%
Net Assets Held in Trust	\$ 324,091,732	\$ 325,560,187	(1,468,455)	(0.45)%

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Management's Discussion and Analysis

(continued)

Statement of Changes in Plan Net Assets as of June 30, 2008, as compared to June 30, 2007, follows:

	2008	2007	Dollar Change	Percentage Change
Additions				
Contributions	\$ 31,078,463	\$ 33,088,042	(2,009,579)	(6.07)%
Net Investment Income	5,460,542	5,590,782	(130,240)	(2.33)
Net (Depreciation)				
Appreciation in Fair Value of Investments	(15,914,649)	30,275,578	(46,190,227)	(152.57)%
Other Income	–	130,090	(130,090)	(100.00)%
Total Additions	20,624,356	69,084,492	(48,460,136)	(70.15)%
Deductions				
Benefit Payments	(21,078,846)	(21,158,190)	79,344	(0.38)%
Life Insurance Premiums	(170,645)	(187,417)	16,772	(8.95)%
Administrative Expenses	(843,320)	(803,205)	(40,115)	4.99%
Total Deductions	(22,092,811)	(22,148,812)	56,001	(0.25)%
Change in Net Assets	\$ (1,468,455)	\$ 46,935,680	(48,404,135)	(103.13)%

Investments:

Investment Category	2008	2007	Dollar Change	Percentage Change
U.S. Government & Agency				
Securities	\$ 1,615,701,045	\$ 1,946,248,926	(330,547,881)	(16.98)%
Municipal Bonds	13,390,763	3,053,078	10,337,685	338.60%
Fixed Income Investments (IRC 457)	316,155,051	318,486,811	(2,331,760)	(.73)%
Corporate Equity Securities	4,491,289,720	5,528,465,209	(1,037,175,489)	(18.76)%
Corporate Obligations	1,611,253,215	1,666,924,066	(55,670,791)	(3.34)%
International Securities	3,247,747,860	4,016,708,709	(768,960,849)	(18.97)%
Venture Capital and Partnerships	991,828,335	303,457,605	688,370,730	226.84%
Other Alternative Investments	287,160,027	–	287,160,027	–
Total Investments	\$ 12,574,526,016	\$ 13,783,344,404	(1,208,818,328)	(8.77)%

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.

The largest positive changes to the invested assets were in municipal bonds and venture capital and partnerships, which represented .1% and 8% of the total investments, respectively, and collectively increased \$698.7 million from the previous fiscal year. Corporate Equity Securities and International Securities, representing 36% and 26%, respectively, suffered the largest decreases of 19%, and collectively decreased \$1.8 billion.

In the US, the sub-prime mortgage situation and subsequent liquidity crisis, coupled with rising commodity prices and concerns about a recession, all contributed to weak and declining equity markets.

Management's Discussion and Analysis

(continued)

Congress enacted a \$700 billion bailout packet along with the Federal Reserve Bank cutting interest rates, but as of yet, these items have not been enough to help both domestic and international equities.

Budget Highlights Original Budget – Final Budget Comparisons

The contractual services original budget to the final budget expenditures in Administration increased as a result of an increase in investment managers' fees and an increase in IT contracts for the computer system, RIO. An increase in appropriations was necessary to cover those expenditures.

An increase was also done to increase personnel salaries and benefits along with other additional costs on the anticipation of an increase in benefits and also an increase in operating costs. Those increases were not needed versus the actual 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.

Capital Assets

Significant items include:

- Construction in Progress increased by \$2,640,692 due to the new PERA building under construction. The anticipated completion date is May 2009.
- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$1,912,858.

Capital assets, at carrying value, are listed for the years ended June 30, 2008 and 2007:

	2008	2007
Land	\$ 1,478,990	\$ 70,000
Construction work in progress, not depreciated	2,993,889	353,197
Capital Assets, net of depreciation and amortization:		
Computer Equipment and Software	7,764,005	9,019,714
Property and Equipment	139,191	78,016
Total	\$ 12,376,075	\$ 9,520,927

Long-Term Debt

The only long-term liability activity relates to compensated absences reported in Note 8.

Infrastructure

PERA has no infrastructure assets to report.

Currently Known Facts and Conditions

As discussed in Note 13, during fiscal year 2008, financial markets as a whole have incurred significant declines in values. PERA's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of losses that PERA will recognize in our future financial statements, if any, cannot be determined.

PERA has invested the cash collateral from securities. With the financial markets being extremely volatile and significant declines in values are occurring, PERA could have a potential loss on these collateral investments resulting in PERA liquidating assets to offset the loss.

Financial Contact

Any questions regarding the financial statements of PERA should be directed to the PERA Comptroller at (505)827-4709 or by mail at P.O. Box 2123, Santa Fe, NM 87504.

Public Employees Retirement Association
 Statements of Plan Net Assets
 June 30, 2008



	Public Employees Retirement Fund	Judicial Retirement Fund
Assets		
Cash and cash equivalents	\$ 248,732,026	1,603,155
Receivables		
Accrued investment income	44,431,891	308,940
Accounts receivable – brokers	2,406,800,942	15,512,583
Contributions receivable	23,009,216	98,468
Accounts receivable – other	280,292	8,677
Participant loans receivable	–	–
Interfund receivable	393,278	–
	2,474,915,619	15,928,668
Investment in State General Fund Investment Pool	–	4,783,984
Investments, at fair value		
U.S. Government and agency securities	1,594,766,309	10,278,819
Municipal bonds	13,217,259	85,189
Fixed earnings investments (IRC 457)	–	–
Corporate equity securities	4,433,096,079	28,572,687
Corporate obligations	1,590,376,207	10,250,471
International securities	3,205,666,792	20,661,522
Venture capital and partnerships	978,977,215	6,309,814
Other alternative investments	283,439,294	1,826,855
	12,099,539,155	82,769,341
Securities lending collateral investments	1,608,874,443	10,369,698
Total investments	13,708,413,598	93,139,039
Capital assets, net	12,376,075	–
Policyholder account value of life insurance	–	–
Total assets	\$ 16,444,437,318	110,670,862
Liabilities		
Accounts payable – brokers	\$ 2,766,670,917	17,832,057
Accounts payable – other	3,013,430	–
Accrued expenses	8,064,399	15,035
Compensated absences	295,220	–
Interfund payable	–	202,375
Deficit in Investment in State General Fund Investment Pool	37,687,407	–
Securities lending liability	1,691,990,348	10,905,406
	\$ 4,507,721,721	28,954,873
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress for each fund is presented on page 57)	\$ 11,936,715,597	81,715,989

See Accompanying Notes to the Financial Statements

Public Employees Retirement Association
 Statements of Plan Net Assets
 (continued)

Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Deferred Compensation (IRC 457) Fund	Total
\$ 731,749	930,222	—	251,997,152
141,580	165,090	—	45,047,501
7,080,612	9,001,092	—	2,438,395,229
75,519	—	—	23,183,203
—	—	—	288,969
—	—	5,806,492	5,806,492
—	—	—	393,278
7,297,711	9,166,182	5,806,492	2,513,114,672
1,186,231	615,818	—	6,586,033
4,691,568	5,964,349	—	1,615,701,045
38,884	49,431	—	13,390,763
—	—	316,155,051	316,155,051
13,041,807	16,579,147	—	4,491,289,720
4,678,757	5,947,780	—	1,611,253,215
9,430,810	11,988,736	—	3,247,747,860
2,880,071	3,661,235	—	991,828,335
833,855	1,060,023	—	287,160,027
36,781,983	45,866,519	316,155,051	12,581,112,049
4,733,177	6,016,961	—	1,629,994,279
41,515,160	51,883,480	316,155,051	14,211,106,328
—	—	—	12,376,075
—	—	2,130,189	2,130,189
\$ 49,544,620	61,979,884	324,091,732	16,990,724,416
\$ 8,139,319	10,346,955	—	2,802,989,248
—	—	—	3,013,430
—	—	—	8,079,434
—	—	—	295,220
94,758	96,145	—	393,278
—	—	—	37,687,407
4,977,698	6,327,802	—	1,714,201,254
\$ 13,211,775	16,770,902	—	4,566,659,271
\$ 36,332,845	45,208,982	324,091,732	12,424,065,145

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Public Employees Retirement Association
 Statements of Changes in Plan Net Assets
 For the Year Ended June 30, 2008



	Public Employees Retirement Fund	Judicial Retirement Fund
Additions		
Contributions		
Employer	\$ 292,568,566	3,831,753
Member	191,706,820	895,031
Appropriations from State of New Mexico – Fire Protection Fund	–	–
Service credits purchased	6,952,520	31,470
Total contributions	491,227,906	4,758,254
Investment income (loss)		
Interest	166,134,536	1,075,931
Dividends	186,773,004	1,223,118
Net depreciation in fair value of investments	(1,408,701,295)	(9,198,527)
Securities lending income	86,760,242	559,197
Other investment income	309,823	2,988
	(968,723,690)	(6,337,293)
Securities lending expense	(76,721,059)	(494,491)
Other investment expense	(25,800,547)	(168,444)
Net investment loss	(1,071,245,296)	(7,000,228)
Other income	4,139,887	27,552
Total (deductions) additions	(575,877,503)	(2,214,422)
Deductions		
Benefit payments	557,189,873	5,907,420
Refunds to terminated employees	31,328,433	25,849
Life insurance premiums	–	–
Administrative expenses	9,937,658	33,931
Total deductions	598,455,964	5,967,200
Decrease in net assets	(1,174,333,467)	(8,181,622)
Net Assets Held in Trust For Pension Benefits		
Beginning of year	13,111,049,064	89,897,611
End of year	\$ 11,936,715,597	81,715,989

Public Employees Retirement Association
 Statements of Changes in Plan Net Assets
 (continued)



Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Deferred Compensation (IRC 457) Fund	Total
\$ 980,893	—	—	297,381,212
243,127	—	31,078,463	223,923,441
—	750,000	—	750,000
—	—	—	6,983,990
1,224,020	750,000	31,078,463	529,038,643
492,067	628,422	5,460,542	173,791,498
559,634	695,491	—	189,251,247
(4,203,032)	(5,250,524)	(15,914,649)	(1,443,268,027)
255,242	324,471	—	87,899,152
2,217	1,004	—	316,032
(2,893,872)	(3,601,136)	(10,454,107)	(992,010,098)
(225,707)	(286,926)	—	(77,728,183)
(77,055)	(96,145)	—	(26,142,191)
(3,196,634)	(3,984,207)	(10,454,107)	(1,095,880,472)
12,962	15,069	—	4,195,470
(1,959,652)	(3,219,138)	20,624,356	(562,646,359)
2,293,969	538,678	21,078,846	587,008,786
20,401	—	—	31,374,683
—	—	170,645	170,645
17,703	—	843,320	10,832,612
2,332,073	538,678	22,092,811	629,386,726
(4,291,725)	(3,757,816)	(1,468,455)	(1,192,033,085)
40,624,570	48,966,798	325,560,187	13,616,098,230
\$ 36,332,845	45,208,982	324,091,732	12,424,065,145

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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.

PERA is 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 section C 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. PERA does not have any component units.

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 #60600
- Public Employees Retirement Fund - Maintenance - SHARE fund #37000 ¹
- Judicial Retirement Fund - SHARE fund #60300
- Magistrate Retirement Fund - SHARE fund #60400
- Volunteer Firefighters Retirement Fund - SHARE fund #60700
- Public Employees Retirement Fund - Building Capital Project Fund #60800 ¹
- Deferred Compensation Fund - Administration - SHARE fund # 75500 ¹ This fund is used strictly to account for expenses that are reimbursed by the Deferred Compensation Plan administrator

PERA does not receive General Appropriations from the State of New Mexico. PERA is self funded through investment income and therefore is a non-reverting fund. PERA is not required to follow New Mexico Statute (6-5-10, NMSA 1978), which defines reverting funds.

Note

¹ These funds are combined with SHARE fund #60600 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 the Public Employees Retirement Act (Chapter 10, Article 11, 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 16.65%, depending upon the division and coverage plan of their gross salary— i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officers. 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%. The contribution requirements of plan members and PERA are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Members of the State Legislative Division contribute \$500 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, 2008 was determined by the actuary to be \$545,655.

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.

For individuals that became a member prior to July 1, 2005, 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, 2005, 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 individuals that become a member after July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 55 to anyone having served at least 16 years. For those individuals who became members subsequent to July 1, 2005, 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 or one-twelfth of the salary received during the last year in office prior to retirement multiplied by the

product of three and seventy-five hundredths percent times the sum of the number of years of service; provided that a pension calculated shall not exceed seventy-five percent of one-twelfth of the salary received during the last year in office. 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 7.5% of their salaries and the member's court contributes at a rate of 12% of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid in the district court, \$25 from each civil docket fee paid in metropolitan court and \$10 for each jury fee paid in metropolitan court. 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 7.5% of salaries and the State of New Mexico, through the administrative office of the courts, contributes at a rate of 11% 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 in magistrate court. 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 2008 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.

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

D. Membership

At June 30, 2008, the number of participating government employers were:

Public Employees Retirement Fund	
State Agencies	126
Cities	85
Counties	33
Special Districts and Councils of Government	39
Housing Authorities	16
Hospitals	3
Other	4
Totals	306
Judicial Retirement Fund	16
Magistrate Retirement Fund	9
Volunteer Firefighters Retirement Fund	435

At June 30, 2008, membership in the plans was as follows:

	PERA Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	VFF Retirement Fund
Retirees and beneficiaries receiving benefits	24,910	105	56	435
Terminated plan members not yet receiving benefits	3,162	13	19	N/A
Active plan members	52,507	115	45	4,216

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.

Public Employees Retirement Association
 Notes to the Financial Statements
 (continued)

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 (loss) includes net appreciation (depreciation) 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, 2008, are as follows:

Pool	
Public Employees Retirement Fund	98.70 %
Magistrate Retirement Fund	0.29
Judicial Retirement Fund	0.64
Volunteer Firefighters Retirement Fund	0.37
Total	100.00 %

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:

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

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 2008 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 2008 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, 2008 are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
Member Contribution Fund	\$ 1,959,672,736	6,831,374	2,591,066
Employers Accumulation Fund	2,830,931,521	37,786,827	19,642,337
Retirement Reserve Fund	7,146,111,340	37,097,788	14,099,442
Total	\$ 11,936,715,597	81,715,989	36,332,845

Deferred Compensation Plan – At June 30, 2008, PERA had \$102,163 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 \$102,163 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, 2008, 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. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING COLLATERAL INVESTMENTS

Deposits

Investment 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. 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 the 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 (deficit)	\$ (37,162,182)	\$ (37,162,182)
PERA Building Maintenance	2,898,977	2,898,977
PERA Building Capital Project (deficit)	(3,526,365)	(3,526,365)
Deferred Compensation Operating	102,163	102,163
Judicial Retirement Fund	4,783,984	4,783,984
Volunteer Firefighters Retirement Fund	615,818	615,818
Magistrate Retirement Fund	1,186,231	1,186,231
Total deposits at State Treasurer’s Office	\$ (31,101,374)	(31,101,374)

Cash and cash equivalent balances reported in the Statements of Plan Net Assets consist of amounts held by the investment custodian. 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.

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 are detailed in a publicly available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, P.O. Box 2123, Santa Fe, New Mexico 87504-2123, or calling (505) 827-4700.

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

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

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."

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

PERA's investments (summarized) at June 30, 2008 and its exposure to custodial credit risk are as follows:

Asset Type	Held in the name of the Fund by the Fund's custodian bank	Custody arrangements contracted by fund manager	Total
U.S. Government Bonds and agency securities	\$ 258,767,647	-	\$ 258,767,647
International Government Bonds and agency securities	118,150,235	-	118,150,235
U.S. Municipal Bonds	13,390,763	-	13,390,763
International Municipal Bonds	4,298,430	-	4,298,430
Corporate Bonds	865,037,571	-	865,037,571
International Corporate Bonds	21,251,633	-	21,251,633
U.S. Government MBS	1,337,758,168	-	1,337,758,168
Commercial MBS	310,735,806	-	310,735,806
Asset Backed Securities	240,315,313	-	240,315,313
Non-government C.M.O.	195,164,525	-	195,164,525
Domestic Corporate Conv Bonds	3,925,481	-	3,925,481
Index Linked Government Bonds	19,175,229	-	19,175,229
Total Fixed Income Investments	3,387,970,801	-	3,387,970,801
International Common Stock	3,034,097,758	-	3,034,097,758
Domestic Common Stock	4,426,239,354	-	4,426,239,354
US Venture Capital & Partnerships	991,842,635	-	991,842,635
Other Alternative Investments	287,160,027	-	287,160,027
Other Equity Assets	2,001,812	-	2,001,812
International Preferred Stock	59,765,335	-	59,765,335
Domestic Preferred Stock	42,887,417	-	42,887,417
Domestic Convertible Equity	159,120	-	159,120
Domestic Unit Trust	1,214,469	-	1,214,469
International Unit Trust	9,793,170	-	9,793,170
Domestic Rights/Warrants	14,862,067	-	14,862,067
International Rights/Warrants	377,000	-	377,000
Total Equities	8,870,400,164	-	8,870,400,164
Securities Lending		1,629,994,279	1,629,994,279
Total Investments			\$ 13,888,365,244
Total Investments as Presented Above			\$ 13,888,365,244
IRC 457 Fund Investments Directed by Participants			316,155,051
Investments in State General Fund Investment Pool			6,586,033
Total Investments per the Statement of Plan Net Assets:			\$ 14,211,106,328

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

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, 2008 and its exposure to credit risk are as follows:

Type	S & P ratings	Market Value	% of Bond Portfolio
Government Bonds:	AAA	\$ 236,214,603	6.97%
	A	7,100,400	0.21%
	BBB	17,835,028	0.53%
	BB	3,423,000	0.10%
	Not Rated	22,828,701	0.67%
	US Gov Guaranteed	14,830,659	0.44%
Government Agencies:	AAA	46,302,520	1.37%
	AA	7,339,815	0.22%
	A	2,882,190	0.09%
	BBB	1,430,880	0.04%

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

Type	S & P ratings	Market Value	% of Bond Portfolio
Government Agencies (cont.):	Not Rated	\$ 9,303,002	0.27%
	US Gov Guaranteed	7,427,083	0.22%
Municipal Agencies:	AAA	4,548,842	0.13%
	BBB	13,140,351	0.39%
Corporate Bonds:	AAA	15,475,690	0.46%
	AA	103,414,397	3.05%
	A	228,186,995	6.74%
	BBB	268,939,927	7.94%
	BB	93,130,688	2.75%
	B	104,001,494	3.07%
	CCC	26,021,313	0.77%
	Not rated	47,118,701	1.39%
Government MBS	AAA	5,212,129	0.15%
	Not Rated	13,749,582	0.41%
	US Gov Guaranteed	1,318,796,457	38.93%
Commercial MBS:	AA	245,932,898	7.26%
	A	19,454,910	0.57%
	A	—	0.00%
	BB	1,511,375	0.04%
	Not Rated	43,836,623	1.29%
	Asset Backed Securities:	AA	202,281,725
Index Linked Government Bonds	A	21,253,395	0.63%
	A	3,523,012	0.10%
	BB	3,843,618	0.11%
	B	1,494,841	0.04%
	Not Rated	7,918,721	0.23%
	Corporate Convertible Bonds	BB	97,925
B		894,081	0.03%
Non government Backed C.M.O	B	2,933,475	0.09%
	AA	166,889,250	4.93%
	A	7,593,952	0.22%
	A	541,865	0.02%
	B	4	0.00%
	Not Rated	20,139,454	0.59%
		\$ 3,387,970,801	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,

Public Employees Retirement Association

Notes to the Financial Statements

(continued)

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, 2008 and its exposure to interest rate risk are as follows:

Bond Category	WAM ¹ in years	Market Value	Percentage of Fixed Income Portfolio
Corporate Bonds	12.075	\$ 886,289,205	28.45%
Government MBS ²	25.321	1,055,279,152	33.88%
Asset Backed Securities	15.538	240,315,313	7.72%
Government Bonds	8.762	302,232,392	9.70%
Commercial MBS	32.032	310,735,806	9.98%
Non-Government Backed C.M.O.s	29.035	195,164,525	6.27%
Government Agencies	9.824	74,685,490	2.40%
Index Linked Government Bonds	15.804	19,175,229	0.62%
Short Term Bills and Notes ³	0.266	4,220,455	0.14%
Commercial Paper ³	0.041	5,194,843	0.17%
Corporate Convertible Bonds ⁴	10.146	3,925,481	0.13%
Municipal Bonds	12.158	17,689,193	0.54%
Average WAM	14.250	\$ 3,114,907,084	100.00%

WAM Factor 19.493

Concentration of Credit Risk. 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 managers Investment Guidelines.

At June 30, 2008, PERA did have 5% or more investments in any one issuer (2 in total):

6.949% Macquaire Group LTD

5.607% Federal National Mortgage Association

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 maybe are benchmarked to an index that is half-hedged. The benchmark is contained in each investment manager’s Investment Guidelines, which are

Notes

¹ Weighted Average Maturity

² Excludes \$286.4 million of securities that are part of interest rate swaps.

³ \$9.4 million reported as cash and cash equivalents

⁴ \$3.9 million reported as equity securities

Public Employees Retirement Association
Notes to the Financial Statements
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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 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, 2008.

Non-U.S. dollar denominated investments and cash and cash equivalents at June 30, 2008 are as follows:

Market Value (included in investments)					
Currency		Equity	Fixed Income	Total	Deposits ¹
AUD	Australian Dollar	\$ 163,854,617	\$ 4,298,430	\$ 168,153,047	\$ 1,423,840
BWP	Botswana Pula	361,678	—	361,678	—
BRL	Brazilian Real	61,752,897	6,126,918	67,879,814	5,026
GBP	British Pound Sterling	500,681,896	364,551	501,046,447	2,797,214
CAD	Canadian Dollar	62,027,377	1,091,326	63,118,704	1,118,115
CLP	Chilean Peso	5,194,641	—	5,194,641	15,873
COP	Columbian Peso	811,410	—	811,410	1
HRK	Croatia Kuna	1,504,785	—	1,504,785	—
CZK	Czech Koruna	6,293,170	—	6,293,170	4,905
DKK	Danish Krone	33,361,097	—	33,361,097	244,061
EUR	Euro	1,011,712,872	46,571,829	1,058,284,701	16,460,258
GHS	Ghanaian Cedi	728,450	—	728,450	—
HKD	Hong Kong Dollar	101,953,693	—	101,953,693	1,465,841
HUF	Hungarian Forint	5,721,194	—	5,721,194	41,996
ISK	Iceland Krona	—	289,538	289,538	—
IDR	Indonesian Rupiah	15,573,213	3,669,968	19,243,181	10,410
JPY	Japanese Yen	541,992,220	—	541,992,220	6,285,884
KES	Kenyan Shilling	1,789,407	—	1,789,407	5,223
LVL	Latvia Lats	691,211	—	691,211	—
LTL	Lithuanian Litas	1,380,451	—	1,380,451	1,489
MYR	Malaysian Ringgit	4,964,576	17,063,842	22,028,417	2,043,278
MUR	Mauritian Rupee	1,979,049	—	1,979,049	—
MXN	Mexican Peso	23,250,355	7,407,793	30,658,148	51,876

Note

¹ Included in cash and cash equivalents

Public Employees Retirement Association
Notes to the Financial Statements
(continued)

		Market Value (included in investments)			
Currency		Equity	Fixed Income	Total	Deposits ¹
MAD	Moroccan Dirham	\$ 2,856,761	\$ —	\$ 2,856,761	\$ —
ILS	New Israeli Shekel	21,889,236	—	21,889,236	195,864
TWD	New Taiwan Dollar	56,979,285	—	56,979,285	188,764
NZD	New Zealand Dollar	1,613,011	2,335,091	3,948,102	189,066
NOK	Norwegian Krone	39,846,746	17,225,448	57,072,195	3,844,454
PKR	Pakistan Rupee	1,023,055	—	1,023,055	—
PEN	Peruvian Nuevo Sol	1,384,265	—	1,384,265	—
PHP	Philippine Peso	5,860,174	—	5,860,174	—
PLN	Polish Zloty	10,702,012	—	10,702,012	68,855
SGD	Singapore Dollar	22,705,539	4,438,365	27,143,904	692,736
ZAR	South African Rand	42,783,494	2,139,291	44,922,785	264,707
KRW	South Korean Won	95,553,446	11,615,383	107,168,829	197,078
SEK	Swedish Krona	58,981,788	19,062,507	78,044,295	1,959,209
CHF	Swiss Franc	163,394,688	—	163,394,688	779,936
THB	Thai Baht	26,788,137	—	26,788,137	—
TRY	Turkish Lira	10,990,999	—	10,990,999	41,520
		\$ 3,110,932,896	\$ 143,700,278	\$ 3,254,633,174	\$ 40,697,480
% of total investments or cash and cash equivalents				26.55%	16.15%

NOTE 4. 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.

Government Agency Mortgage-backed Securities — As of June 30, 2008, the Funds' investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of \$1,337,758,168, 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, 2008, the Funds' investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of \$240,315,313. 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

Note

¹ Included in cash and cash equivalents

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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, 2008, the Funds had outstanding forward exchange currency contracts to purchase foreign currencies of \$1,967,794,714 and to sell foreign currencies of \$1,967,794,714. The market values of these outstanding contracts at June 30, 2008, were \$1,974,822,547 and \$1,972,519,831, 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.

NOTE 5. 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, 2008, 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, 2008 was \$1,714,201,254 (carrying value of \$1,711,951).

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, 2008, no such failures by any borrowers have occurred. Moreover, there were no losses during the fiscal year ended June 30, 2008, 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. The cash collateral has been invested and therefore could result in potential realized losses, which would mean PERA would have to liquidate assets to cover the deficit.

NOTE 6. 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, 2008, PERA had a total market value of \$1,012,131,501 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, 2008, PERA had committed \$489,780,000 to Private Equity limited partnerships and funded only a portion of the total commitment for a market value of \$91,600,901.

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:

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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, 2008, PERA had committed \$140,000,000 to Real Asset limited partnerships and funded only a portion of the total commitment for a market value of \$13,394,420.

As of June 30, 2008, PERA had committed \$105,000,000 to Real Estate limited partnerships and funded only a portion of the total commitment for a market value of \$23,638,690.

NOTE 7. CAPITAL ASSETS

A summary of capital assets at June 30, 2008, is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets @ cost:				
Assets not being depreciated				
Construction in progress	\$ 353,197	2,640,692	—	2,993,889
Land	70,000	1,408,990	—	1,478,990
Assets being depreciated				
Property and equipment	421,670	76,279	—	497,949
Computer equipment and software	14,144,539	642,045	—	14,786,584
	\$ 14,989,406	4,768,006	—	19,757,412
Accumulated depreciation:				
Property and equipment	\$ (343,654)	(15,104)	—	(358,758)
Computer equipment and software	(5,124,825)	(1,897,754)	—	(7,022,579)
	(5,468,479)	(1,912,858)	—	(7,381,337)
Total	\$ 9,520,927	2,855,148	—	12,376,075

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

- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$1,912,858.

- In connection with the relocation of the PERA's operations, PERA is in the process of constructing a building. As of June 30, 2008, PERA had incurred costs of \$4,472,879. PERA anticipates occupation of the new facility in May 2009.

NOTE 8. COMPENSATED ABSENCES

The following represents changes in long-term liabilities for the year ended June 30, 2008.

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Compensated absences	\$ 248,771	295,220	(248,771)	295,220

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 9. CONTINGENCIES

PERA has been named as a defendant in various lawsuits arising in the normal course of business primarily related to disability and retirement benefits. Management of PERA intends to vigorously defend the actions, 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 10. STATUTORY DISCLOSURES

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

Budgets and Budgetary Accounting (Public Employees Retirement Fund only)

Formal budgetary integration is employed as a management control device over the Public Employees Retirement Fund. Administrative expenses, rental income and a small portion of interest income are budgeted while significant revenues and non-administrative expenses are not. The budget is prepared on a 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 (Non-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

Public Employees Retirement Association
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a new office building. The appropriation authorization was based on a statutory amendment 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.

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.

	FY07 Budget	FY07 Expenditures	Beginning FY08 Budget
Acquisition of Building Site	\$ 2,250,000	(70,000)	2,180,000
Construction of New PERA Building	9,656,700	(423,197)	9,233,503
	\$ 11,906,700	(493,197)	11,413,503

PERA received a capital appropriation of \$1,500,000 in FY08 for the construction of the new office building. The appropriation was authorized in Laws 2008, Chapter 92, Senate Floor Substitute for Senate Bill 471, with emergency clause Section 74. The appropriation does not revert until the end of FY12.

	New FY08 Appropriation	FY08 Actual Expenditures	Beginning FY09 Budget
Acquisition of Building Site	\$ -	(1,478,990)	701,010
Construction of New PERA Building	1,500,000	(2,500,692)	8,232,811
	\$ 1,500,000	(3,979,682)	8,933,821

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 11. 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary (ranges from 4.78% to 16.65% depending on the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer). PERA is required to contribute 16.59% of the gross covered salary (ranges from 7.0% to 25.72% depending upon the plan). The contribution requirements of plan members and PERA are established in State statute 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, 2008, 2007, and 2006, were \$684,510, \$588,147, and \$547,194, respectively, equal to the amount of the required contributions from the employer for each year. In addition, the employees contributed an additional \$306,152, \$263,053, and \$244,737, respectively, equal to the amount of the required contributions from employees for each year.

NOTE 12. POST-EMPLOYMENT BENEFITS — STATE RETIREE HEALTH CARE PLAN

Plan Description: PERA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employee's effective date, and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or a former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

PERA's contributions to the RHCA for the years ending June 30, 2008, 2007 and 2006 were \$51,397, \$44,682 and \$37,351 for employer contributions and \$25,698, \$22,341 and \$18,676 in employee contributions, respectively, which equal the required contributions for each year.

NOTE 13. SUBSEQUENT EVENTS/MARKET VOLATILITY

During 2008, financial markets as a whole have incurred significant declines in values. PERA's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of losses that PERA will recognize in our future financial statements, if any, cannot be determined. PERA has invested the cash collateral from securities. With the financial markets being extremely volatile and significant declines in values are occurring, PERA could have a potential loss on these collateral investments resulting in PERA liquidating assets to offset the loss.

Schedule of Revenues, Appropriations, and Expenses
 Budget and Actual (Non-GAAP Basis) — Public Employees Retirement Fund Only
 Year Ended June 30, 2008



	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues and Appropriations				
Other state funds:				
Interest income	\$ 35,865,100	43,945,500	166,134,536	122,189,036
Deferred Compensation Plan income	171,000	171,000	171,000	—
Total revenue and appropriations	36,036,100	44,116,500	166,305,536	122,189,036
Expenditures				
Administration				
Contractual services	28,531,500	35,275,100	27,414,826	7,860,274
Personnel services and benefits	5,597,500	5,734,300	5,534,157	200,143
Other operating costs	1,907,100	3,107,100	876,364	2,230,736
Total expenditures	36,036,100	44,116,500	33,825,347	10,291,153
Change in net assets, budget items			132,480,189	
Non-budget revenues and expenses:				
Investment earnings and change in fair value			(1,211,579,285)	
Depreciation expense			(1,912,858)	
Contributions from members and employers			491,227,906	
Other income			3,968,887	
Benefit payments to retirees and beneficiaries			(557,189,873)	
Refunds to terminated employees			(31,328,433)	
Decrease in plan net assets			(1,174,333,467)	
Net assets held in trust for pension benefits				
Balance – beginning of year			13,111,049,064	
Balance – end of year			\$ 11,936,715,597	

Required Supplementary Information
Schedules of Funding Progress
Year Ended June 30, 2008

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Unfunded (Excess) AAL (UAAL) (2) – (1)	(4) Funded Ratios (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Public Employees Retirement Fund¹						
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
June 30, 2008	12,836,217,447	13,761,749,633	925,532,186	93.3	1,965,064,160	47.0
Judicial Retirement Fund						
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
June 30, 2008	87,429,745	111,721,411	24,291,666	78.3	11,697,421	207.7
Magistrate Retirement Fund						
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	–
June 30, 2008	38,866,453	41,721,278	2,854,825	93.2	3,363,342	84.9
Volunteer Firefighters Retirement Fund²						
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
June 30, 2008	48,437,876	16,945,857	(31,492,019)	285.8	N/A	N/A

Notes

¹ Includes the Legislative Retirement Plan Data

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

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Required Supplementary Information
Schedules of Contributions from Employers and Other Contributing Entities
Year Ended June 30, 2008

Public Employees Retirement Fund			Judicial Retirement Fund	
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed
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
June 30, 2008	293,164,836	100.0	4,549,247	112.6

Magistrate Retirement Fund			Volunteer Firefighters Retirement Fund ¹	
Fiscal Year Ended	Annual Required Contribution	% Contributed	Annual Required Contribution	% Contributed ²
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
June 30, 2008	1,029,865	132.6	0	750.0

Notes

¹ Contributions are appropriated from the State of New Mexico Fire Protection Fund

² Using the high end of the range for the calculation

Public Employees Retirement Association of New Mexico
 Notes to Required Supplementary Information
 Year Ended June 30, 2008

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund
Valuation date	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008
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 ¹	30 years ²	30 years ²
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*	8.0 %	8.0 %	8.0 %	8.0 %
Projected salary Increases*	4.5 – 19%	5.25 %	4.75 %	N/A ³
Post retirement benefit Increases	3.0 %	3.0 %	3.0 %	N/A ³
* Includes inflation at	4.0 %	4.5 %	4.0 %	4.0 %

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Notes

¹ The statutory contribution rate is not sufficient to meet PERA board's objective of funding over 30 years

² Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

³ Benefits are not based on salary and are not subject to cost of living increases.

Public Employees Retirement Association Other Supplemental Schedules
 Schedule of Administrative and Investment Expenses
 Year Ended June 30, 2008

Investment Expenses:	
Investment Manager Fees	\$ 22,152,144
Custodian Fees	1,720,874
Consultant Fees	1,687,348
Legal Fees	581,825
Total Investment Expenses	26,142,191
Administrative Expenses:	
Other Contractual Services:	
Information Technology Services	1,007,847
Legal Fees	610,096
Audit Fees	109,013
Medical Services	39,489
Other Professional Services	(111,414)
Total Other Contractual Services	1,655,031
Other Administrative Services:	
Personnel Services and Benefits	5,554,100
Other Operating Costs	867,303
Deferred Compensation Plan expenses	843,320
Depreciation Expense	1,912,858
Total Other Administrative Services	9,177,581
Total Administrative Expenses	10,832,612
Total Investment and Administrative Expenses	\$ 36,974,803

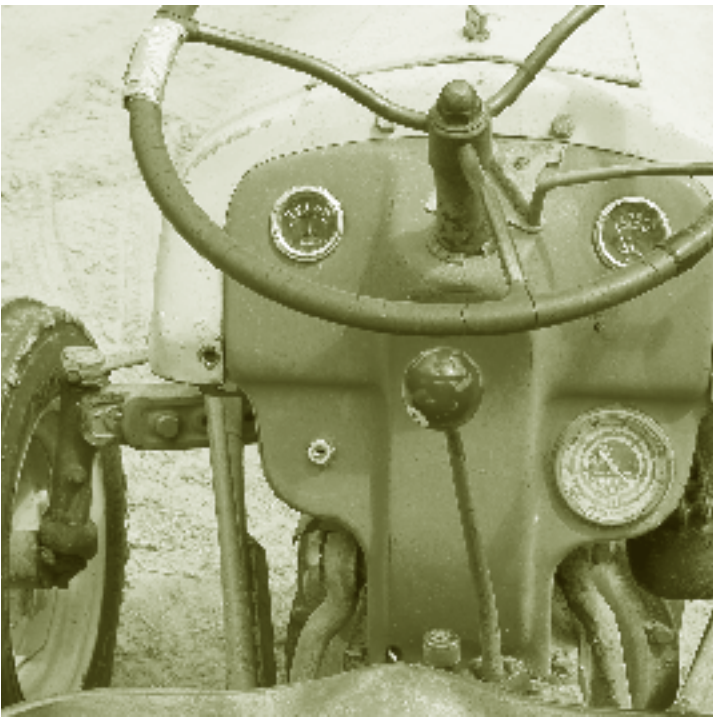
INVESTMENT
section



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September 30, 2008

Members and Retirees of NM PERA:

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant, R.V. Kuhns and Associates, Inc., and was calculated using time-weighted monthly returns using the Modified Dietz methodology. Additions and withdrawals were weighted on the day in which they occurred.

For the first time since the fiscal year ending June 30, 2002 (FY02), the total investment return for the combined funds administered by NM PERA experienced negative returns for the full fiscal year ending June 30, 2008 (FY08). For the fiscal year ending June 30, 2008 (FY08), the total funds' return was -7.4%. This compares to a positive return of 18.08% for FY07.



ROBERT E. GISH
DIRECTOR OF INVESTMENTS

While the allocation effect of investing more in stocks than targeted produced excess returns for PERA during the previous five fiscal years, it did not work successfully for the funds in FY08. At the end of FY08 total fund assets were \$12.195 billion compared to \$13.293 billion at the end of FY07. Thus total fund assets were reduced by \$1.1 billion during FY08, taking away slightly more than half the gains of FY07's \$2.04 billion.

The total funds' return of -7.4% was 3.34% under the policy target return of -4.06% indicating it was a very difficult year for both active stock and bond managers whose performance in several investment categories was more negative than their respective benchmarks. While PERA's U.S. equities in the aggregate outperformed their target return by 0.49% (49 basis points), these favorable results were offset by negative international equity returns of -10.03% versus the target benchmark of -6.2%, or -3.82% worse than the benchmark. In addition,

PERA's bond managers' returns in the aggregate were a positive 2.88% compared to a return for the target benchmark of 7.12%, resulting in 4.12% (412 basis points) of underperformance. PERA's entry into alternative investments in real estate, private equity, hedge funds and real "tangible" assets such as energy, which began on December 31, 2006 also produced negative returns of -1.86% compared to the positive target benchmark of 8.39% resulted in underperformance by 10.25% (1,025 basis points); however, the impact of these assets distort the total funds' returns since they comprised 2.3% of total assets at the end of FY07 versus 6.3% at the end of FY08.

Total investment returns for the last five fiscal years were reduced to the equivalent of a 9.17% annualized return through FY08 compared to an 11.68% annualized return for the five years through FY07, indicating the severity of the impact of one year of negative index returns and manager underperformance in a calculation including four other fiscal years of very positive numbers. In spite of the negative impact of FY08's returns, the five year annualized return of 9.17% still exceeded the assumed long-term actuarial return of 8% per year by 1.17% (117 basis points).

The negative performance in FY08 was primarily attributable to the decline in stock prices that began in November, 2007, accelerated in the first quarter 2008 and continued through the second quarter of 2008. The impact on returns from the four major asset classes was as follows:

1.) During FY08, U.S. stocks declined by 12.69% as measured by the Russell 3000 index compared to a decline of 12.20% for PERA's composite of all U.S. stocks, outperforming the target benchmark by +0.49% (+49 basis points). Since, on average, 40.94% of the total fund was allocated to U.S. stocks, this was a positive factor contributing

+0.21% (+21 basis points) of outperformance versus the total fund target benchmark for the fiscal year. 2.) Excluding U.S., international stocks declined -6.20% as measured by the All Country World Index ex. U.S. (ACWI-ex U.S.) compared to a decline of -10.02% for PERA's composite of international stock managers, underperforming the target benchmark by -3.82% (-382 basis points). Since, on average, 28.65% of PERA's assets were allocated to this asset class, this was a major factor contributing -0.99% (-99 basis points) to PERA's total fund underperformance versus the target benchmark. 3.) PERA's bond managers earned a positive +2.88% return compared to 7.12% for the Lehman Aggregate index, the target benchmark, underperforming by -4.24% (-424 basis points). Since, on average, 24.79% of the total fund was allocated to bonds during the year, this factor was responsible for -1.23% (-123 basis points) of PERA's total fund underperformance versus the target benchmark. 4.) An additional negative impact of -0.38% (-38 basis points) of underperformance versus the target benchmark was attributable to new alternative investments where, on average, 0.25% of the total funds' assets were allocated to this asset class. Returns for alternative investments were a negative -1.86% versus the target benchmark return consisting of the 3-month LIBOR plus 4% which returned a positive +8.39%, indicating PERA's underperformance of -10.25% (-1,025 basis points).

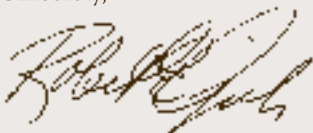
Combined, these four factors contributed a negative -2.39% (-239 basis points) toward the funds' total underperformance of -3.34% (-334 basis points) versus the total fund target benchmark return. The remaining underperformance of -0.88% (-88 basis points) was attributable to the following allocation factors:

1.) Being slightly over-allocated to international equities, 28.65% versus a target allocation of 25%, where the asset class and the managers underperformed compared to their benchmark, contributed a negative -.14% (-14 basis points). 2.) Having, on average, 24.79% allocated to bonds compared to a target allocation of 30% to an asset class with positive returns but where PERA's manager's underperformed contributed a negative -0.72% (-72 basis points), accounting for -0.86% (-86 basis points). 3.) All the remaining allocation factors combined had a mere -0.02% (-2 basis points) negative impact on the total fund performance.

Effective July 1, 2005, the New Mexico Legislature repealed the so-called "legal list" of authorized investments for PERA replacing it with the Uniform Prudent Investor Act. After hiring 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, hedge funds and real "tangible" assets, PERA began developing and 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. The first investment in these assets was made in December 29, 2006. As of the end of FY08, PERA had allocated 6.3% to hedge funds and 0.8% to private equity.

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 on a continuing basis, 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.

The Public Employees Retirement Association
Investment Policy Summary *(continued)*

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
Long-Term Asset Allocation Investment Policy regarding Traditional and Alternative Assets effective 06/30/08:			
Domestic Equities	40%	32%	48%
International Equities	<u>24%</u>	20%	30%
Fixed Income	<u>30%</u>	25 ¹	40 ¹
Absolute Return	<u>5%</u>		
Private Equity	<u>1%</u>		
Cash Equivalents	0	0 ¹	5 ¹
Total	100%		

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.

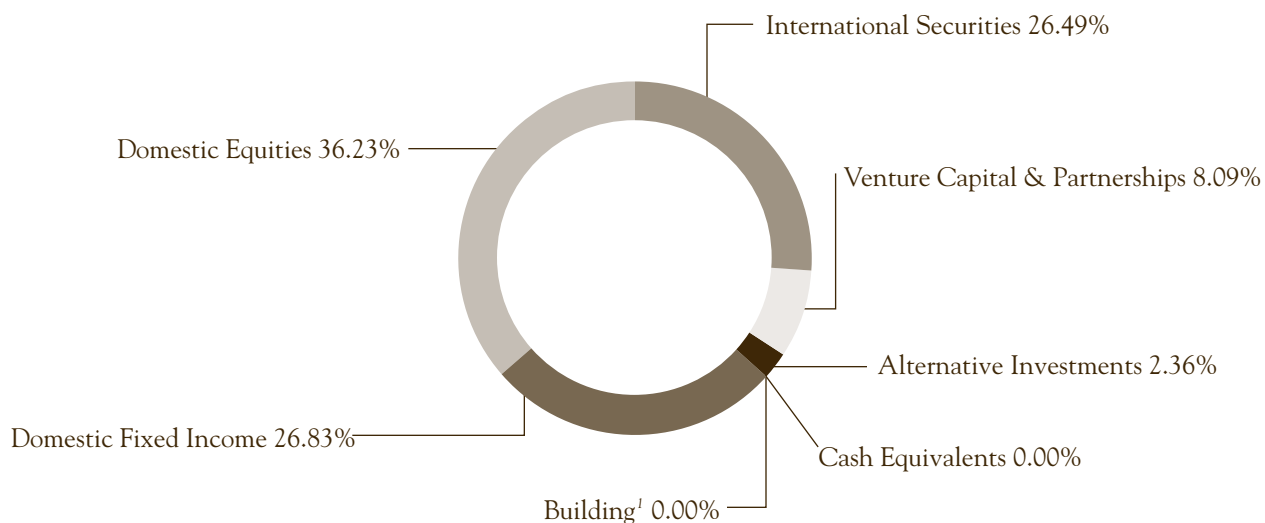
The allocation of assets among various asset classes is approved by the Board and is predicated on factors such as (1) the historical performance of capital markets adjusted for the perception of the future short and long term market performance, (2) the correlation of returns among the relevant asset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

¹ Regardless of the allocation limits to U.S. and non-U.S. equities, allocations to Fixed-Income and Cash Equivalents combined shall not be less than 25% and allocations to Fixed-Income and Cash Equivalents combined shall not exceed 45%.

Asset Allocation
June 30, 2008



Fiscal Year Ended June 30

	2008	2007	2006 ²	2005	2004	2003	2002	2001
Domestic Fixed Income	26.83%	27.08%	30.92%	33.75%	34.43%	35.91%	43.15%	41.27%
Domestic Equities	36.23%	40.84%	41.55%	45.33%	46.48%	49.97%	36.16%	43.95%
International Securities ³	26.49%	29.83%	27.32%	20.48%	18.21%	13.61%	15.18%	14.24%
Venture Capital & Partnerships	8.09%	2.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Alternative Investments	2.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Building ¹	0.00%	0.00%	0.21%	0.23%	0.16%	0.19%	0.19%	0.19%
Cash Equivalents	0.00%	0.00%	0.00%	0.21%	0.72%	0.32%	5.32%	0.35%
Total Portfolio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

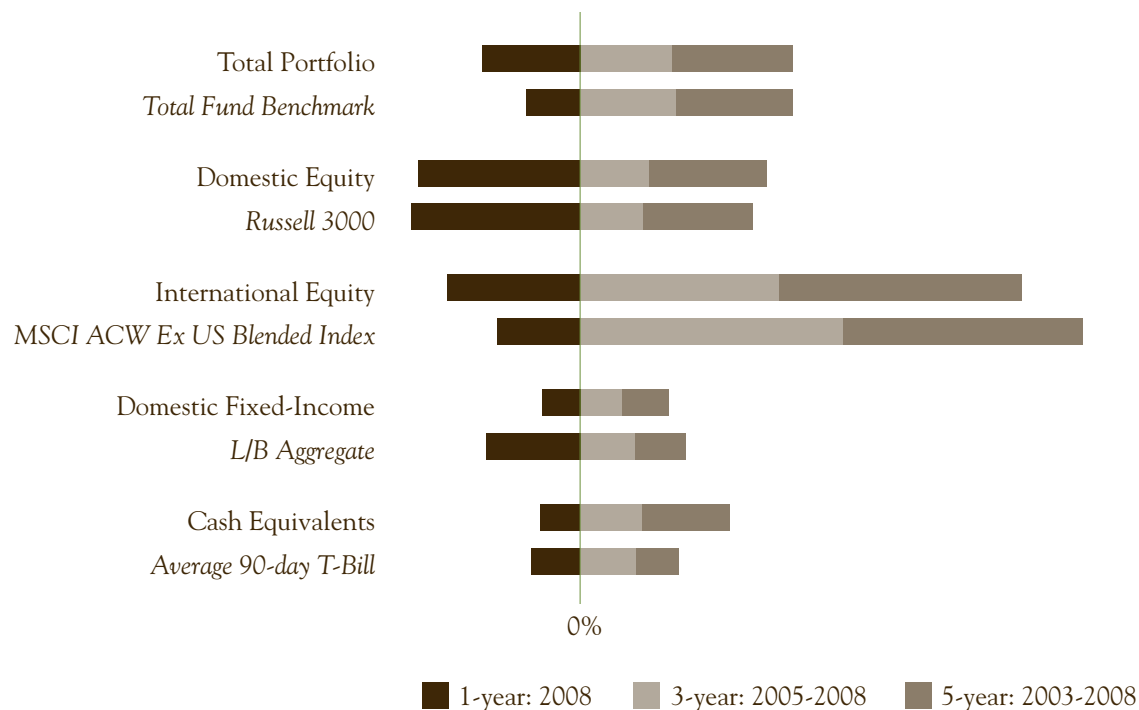
Notes

¹ 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. The building was sold in December 2006.

² Effective with fiscal year 2006, broker receivable, broker payable, accrued investment income and cash are excluded

³ Includes equity and fixed income securities

Comparative Investment Results
Fiscal Year Ended June 30, 2008



Investment Category	1-year 2008	3-year 2005-2008	5-year 2003-2008
Total Portfolio	-7.40%	6.91%	9.17%
Total Fund Benchmark ¹	-4.06%	7.23%	8.89%
Domestic Equity	-12.20%	5.16%	8.98%
Russell 3000	-12.69%	4.73%	8.37%
International Equity	-10.02%	14.98%	18.33%
MSCI ACW Ex US Blended Index	-6.20%	-19.80%	18.17%
Domestic Fixed-Income	2.88%	3.12%	3.61%
L/B Aggregate	7.12%	4.09%	3.85%
Cash Equivalents	3.00%	4.64%	6.66%
Average 90-day T-Bill	3.63%	4.27%	3.18%

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.

¹ Total Fund Benchmark -40% Russell 3000 Index, 25% MSCI ACW Ex US Index (Gross), 30% LB Aggregate Bond Index, 5% 3 Mo LIBOR Index + 400bps thereafter.

Public Employees Retirement Association of New Mexico
Investment Summary at Fair Value

June 30, 2008

Type of Investment	Fair Value	% of Total Fair Value
Domestic Equity:		
Large Cap	3,031,808,126	21.83%
Small/Mid Cap	1,394,431,228	10.04%
Total Domestic Equity	4,426,239,354	31.87%
Domestic Fixed Income	3,288,531,509	23.68%
International Equity	3,103,656,263	22.35%
International Fixed Income	143,700,298	1.04%
U.S. Venture Capital & Partnerships	991,842,635	7.14%
Alternative Investments	289,161,839	2.08%
Cash Equivalents	15,239,067	0.11%
Total Before Other Investments	12,258,370,965	88.27%
Securities Lending Collateral Investments	1,629,994,279	11.73%
Total Investments	\$13,888,365,244¹	100.00%

Note

¹ Effective with fiscal year 2006, broker receivable, broker payable, accrued investment income and cash are excluded

List of Largest Assets Held
June 30, 2008

Ten Largest Stock Holdings

	Shares	Book Value	Market Value
EXXON MOBIL COP COMMON	721,977	\$ 41,604,208	\$ 63,627,833
MICROSOFT CORP COMMON	2,276,320	59,852,496	62,621,563
GENERAL ELECTRIC CO	2,097,200	68,682,681	55,974,268
PROCTER & GAMBLE CO COMMON	820,810	46,745,102	49,913,456
TOTAL EUR	556,016	36,800,306	47,480,880
INTERNATIONAL BUSINESS MACHS CORP COMMON	393,354	38,965,219	46,624,250
AT&T INC COMMON	1,342,203	35,436,356	45,218,819
CHEVRON CORP COMMON	443,400	23,317,903	43,954,242
VODAFONE GROUP ORD USDO.11428571	14,359,294	35,129,501	42,622,817
INTEL CORP COMMON	1,915,700	40,623,308	41,149,236

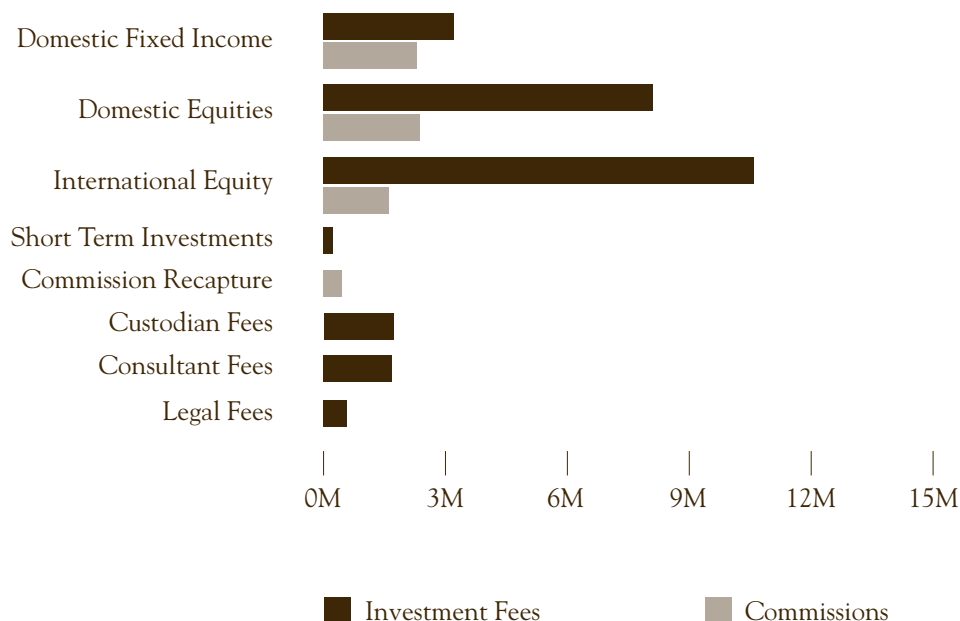
Ten Largest Bond Holdings

	Shares	Book Value	Market Value
FHLMC Gold TBA Pool #9999999 6.5 07-1-2030	111,620,000	\$ 114,683,713	\$ 115,038,363
FNMA Single Family Mortgage 5% 30 Years Settles Jul	118,682,000	114,352,567	113,749,339
US TREAS NTS DTD 00176 4.25% Due 11-15-2017 Reg	46,350,000	48,626,884	47,345,783
FNMA Pool #894009 5.5% 10-01-2036 BEO	47,198,223	46,545,560	46,607,301
FEDERAL HOME LN Mtg Corp Pool #GO-3614 5.5% 05-01-2037 BEO	46,313,233	45,781,355	45,669,016
FNMA Single Family Mtg 5% 15 Years Settles Jul	43,900,000	43,370,297	43,406,125
GERMANY (FED REP) 4.25% BDS 04-01-2014 EURO.01	27,380,000	42,117,802	42,385,036
FNMA Single Family Mtg 5% 30 Years Settles August	39,320,000	37,175,963	37,599,750
FNMA Pool #933737 5% 03-01-2038 BEO	38,401,053	36,723,472	36,841,971
FHLMC Gold GO-2419 6.5 10-01-2036	32,412,306	33,344,160	33,455,010

Note

A detailed listing of PERA's assets as of June 30, 2008 is available by contacting 1-800-342-3422

Schedule of Investment Fees and Commissions
For Year Ended June 30, 2008



	Investment Fees	Commissions
Domestic Fixed Income	\$ 3,207,217	\$ 2,295,616 ¹
Domestic Equities	8,112,498	2,369,000
International Equity	10,599,450	1,606,000
Short Term Investments	232,979	–
Commission Recapture	–	(463,545)
Total	22,152,144	5,807,071
Custodian Fees	1,720,874	N/A
Consultant Fees	1,687,348	N/A
Legal Fees	581,825	N/A
Total	\$ 26,142,191	5,807,071

Note
¹ Estimated

ACTUARIAL
section



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October 27, 2008

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, 2008

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, 2008, 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	33.68
Municipal Fire Division	37.00

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.

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seeds of HARVEST

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.

One or more of the undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Kenneth G. Alberts



David Kausch, FSA, EA, MAAA

KGA:bd

Gabriel Roeder Smith & Company

Summary of Assumptions and Methods

As of June 30, 2008

The method used for the PERA, Judicial, and Magistrate 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 method used for Volunteer Firefighters and Legislative valuation is called the unit credit cost method, and it has the following characteristics:

- The normal cost is equal to the present value of benefits arising from service rendered in the current year. The normal cost for an individual increases from date of hire to date of retirement.
- The actuarial accrued liability is the present value of total projected plan benefits times the ratio of the number of years of service credit at the valuation date to the total expected service credit at retirement.

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.

Judicial: Normal cost for each judge is based on the benefits payable to that judge. Since new hires (after July 1, 2005) have lower benefits, the total normal cost for the plan is expected to decrease as pre-2005 members are present.

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).

PERA: 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.

Judicial: Unfunded actuarial accrued liability was amortized as a level percent of payroll over 30 years to determine the computed contribution for fiscal integrity. This period is consistent with the policy established by the Retirement Board as of October 1996.

Magistrate: Unfunded actuarial accrued liability was amortized as a level percent of payroll over 30 years to determine the computed contribution for fiscal integrity. This period is consistent with the policy established by the Retirement Board as of October 1996.

Volunteer Firefighters: Unfunded actuarial accrued liability is amortized over a 30 year period. As of June 30, 2008 funding value of assets exceeded accrued liabilities. The excess was amortized over 30 years and applied as a credit to the computed normal cost.

Legislative: Amortize the unfunded actuarial accrued liability over an open 30-year period. This is done in accordance with PERA Board funding objectives adopted in October of 1996.

The valuation assets used for funding purposes is derived as follows: prior year valuation assets are increased by contributions and expected investment income and reduced by refunds, benefit payments and expenses. To this amount 25% of the difference between expected and actual investment income net of expenses for each of the previous four years is added. The funding value of assets for each division is allocated in proportion to the total fund balances.

Summary of Assumptions and Methods

As of June 30, 2008

Judicial, Magistrate and Volunteer Firefighter: If the funding value of assets is not within 20% of the market value, it will be adjusted accordingly.

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% assumed inflation rate and a 4% 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 Correction	Municipal General		Municipal Police		Municipal Fire	
	Male	Female			Male	Female	Plans 1,2	Plans 3,4	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%				

Rates of Disability

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%

Rates 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%

Member and Employer Contribution Rates

Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
State General										
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%				
2008	N/A	N/A	N/A	N/A	7.42%	16.59%				
State Police and Adult Corrections (Plan 1)										
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%								
2008	7.60%	25.10%								
Juvenile Corrections (Plan 2)										
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%						
2008	N/A	N/A	4.78%	25.72%						
Municipal General										
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%		
2008	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
Detention Officers (Plan 1)										
2008	16.65%	16.65%								
Municipal Police										
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%
2008	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
Municipal Fire										
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%
2008	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
Judicial										
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%								
2008	7.50%	12.00%								
Magistrate										
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%								
2008	7.50%	11.00%								

Notes

Legislative member contribution for the Legislative Division is \$100, \$200 or \$500 for every year of credited service

¹ Employers are also required to remit a portion of docket fees



Active Member Valuation Data
As of June 30, 2008

Year	Number of Participating Employers	Number of Active Members	Annual Payroll ¹	Average Pay	% Increase in Avg Pay
State General					
2002	116	21,311	698,626,579	32,782	4.63%
2003	116	20,820	704,491,713	33,837	3.22%
2004	116	19,971 ²	693,532,722	34,727	2.63%
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%
2008	123	22,237	894,630,779	40,232	2.61%
State Police/ Hazardous Duty					
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%
2008	3	1,973	90,011,901	45,622	4.02%
Municipal General					
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%
2008	169	22,632	714,264,532	31,560	0.06%
Municipal Police					
2002	98	2,109	80,091,903	37,976	2.21%
2003	98	2,131	83,789,775	39,319	3.54%
2004	98	3,324 ²	126,208,845	37,969	-3.43%
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%
2008	98	3,581	172,583,579	48,194	-1.09%
Municipal Fire					
2002	35	1,136	45,286,480	39,865	3.55%
2003	35	1,172	47,950,440	40,913	2.63%
2004	35	1,165 ²	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%
2008	35	1,978	93,573,369	47,307	-0.73%

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Active Member Valuation Data
(continued)

Year	Number of Participating Employers	Number of Active Members	Annual Payroll	Average Pay	% Increase in Avg Pay
Legislative					
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
2008	1	106	N/A	N/A	N/A
Judicial					
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%
2008	16	115	11,697,421	101,717	1.25%
Magistrate					
2002	9	63	3,996,832	63,442	6.01%
2003	9	52	3,081,850	59,266	-6.58%
2004	9	50	3,002,422	60,048	1.32%
2005	9	50	3,196,052	63,921	6.45%
2006	9	50	3,149,560	62,991	-1.45%
2007	9	52	3,464,587	66,627	5.77%
2008	9	45	3,363,342	74,741	12.18%
Volunteer Firefighter					
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
2008	435	4,216	N/A	N/A	N/A

Notes

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

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

Schedule of Retirees and Beneficiaries

At June 30, 2008

Year	Number Added	Number Removed	Net Change Annual Allowances	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
State General								
2002	597	323	*****	9,965	169,971,950	7.96%	17,057	4.99%
2003	729	308	16,109,488	10,386	186,081,438	9.48%	17,917	5.04%
2004	766	293	19,113,596	10,859	205,195,034	10.27%	18,896	5.47%
2005	564	582	8,713,746	10,841	213,908,780	4.25%	19,731	4.42%
2006	599	171	17,829,492	11,269	231,738,272	8.34%	20,564	4.22%
2007	619	196	19,236,545	11,692	250,974,817	8.30%	21,466	4.38%
2008	592	241	18,249,281	12,043	269,224,098	7.27%	22,355	4.14%
State Police/Hazardous Duty								
2002	43	9	*****	610	13,959,650	8.77%	22,885	2.70%
2003	42	6	1,246,201	646	15,205,851	8.93%	23,538	2.86%
2004	56	11	1,674,446	691	16,880,297	11.01%	24,429	3.78%
2005	44	2	941,046	733	17,821,343	5.57%	24,313	-0.47%
2006	159	7	4,465,244	885	22,286,587	25.06%	25,183	3.58%
2007	77	0	2,316,497	962	24,603,084	10.39%	25,575	1.56%
2008	82	6	2,344,496	1,038	26,947,580	9.53%	25,961	1.51%
Municipal General								
2002	406	160	*****	5,861	90,621,858	10.19%	15,462	5.56%
2003	470	180	9,624,039	6,151	100,245,897	10.62%	16,297	5.40%
2004	566	164	12,695,148	6,553	112,941,045	12.66%	17,235	5.75%
2005	490	148	9,298,224	6,895	122,239,269	8.23%	17,729	2.86%
2006	479	86	12,827,254	7,288	135,066,523	10.49%	18,533	4.54%
2007	525	120	13,382,793	7,693	148,449,316	9.91%	19,297	4.12%
2008	534	92	14,517,861	8,135	162,967,177	9.78%	20,033	3.82%
Municipal Police								
2002	121	21	*****	1,361	36,696,595	12.39%	26,963	4.13%
2003	133	28	4,625,621	1,466	41,322,216	12.61%	28,187	4.54%
2004	133	7	5,353,044	1,592	46,675,260	12.95%	29,319	4.01%
2005	195	10	3,873,577	1,777	50,548,837	8.30%	28,446	-2.98%
2006	129	0	5,184,929	1,906	55,733,766	10.26%	29,241	2.79%
2007	160	0	6,753,175	2,066	62,486,941	12.12%	30,245	3.43%
2008	137	18	5,591,283	2,185	68,078,224	8.95%	31,157	3.01%
Municipal Fire								
2002	50	17	*****	927	25,793,500	7.82%	27,825	3.98%
2003	65	11	2,448,718	981	28,242,218	9.49%	28,789	3.47%
2004	67	13	2,581,243	1,035	30,823,461	9.14%	29,781	3.45%
2005	125	10	1,796,525	1,150	32,619,986	5.83%	28,365	-4.75%
2006	64	0	2,951,815	1,214	35,571,801	9.05%	29,301	3.30%
2007	81	8	3,460,515	1,287	39,032,316	9.73%	30,328	3.50%
2008	82	7	3,752,387	1,362	42,784,703	9.61%	31,413	3.58%

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Schedule of Retirees and Beneficiaries

(continued)

Year	Number Added	Number Removed	Net Change Annual Allowances	Total Retirants & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
Legislative								
2002	5	1	18,856	93	295,881	6.81%	3,182	2.20%
2003	6	1	24,065	98	319,946	8.13%	3,265	2.62%
2004	33	3	406,514	128	726,460	127.06%*	5,675	73.84%
2005	19	15	90,250	132	816,710	12.42%	6,187	9.02%
2006	12	7	86,169	137	902,879	10.55%	6,590	6.52%
2007	10	3	130,371	144	1,033,250	14.44%	7,175	8.88%
2008	6	3	83,605	147	1,116,855	8.09%	7,598	5.89%
Judicial								
2002	3	2	129,447	79	3,687,587	3.64%	46,678	2.33%
2003	10	2	729,685	87	4,417,272	19.79%	50,773	8.77%
2004	4	3	171,734	88	4,589,006	3.89%	52,148	2.71%
2005	5	4	125,545	89	4,714,551	2.74%	52,972	1.58%
2006	12	4	540,050	97	5,254,601	11.45%	54,171	2.26%
2007	5	5	300,821	97	5,555,422	5.72%	57,272	5.72%
2008	16	8	291,605	105	5,847,027	5.25%	55,686	-2.77%
Magistrate								
2002	1	0	84,879	37	1,234,244	7.38%	33,358	4.48%
2003	9	0	360,160	46	1,594,404	29.18%	34,661	3.91%
2004	0	2	52,835	44	1,647,239	3.31%	37,437	8.01%
2005	1	1	9,869	44	1,657,108	0.60%	37,662	0.60%
2006	6	2	166,923	48	1,824,031	10.07%	38,001	0.90%
2007	7	0	350,950	55	2,174,981	19.24%	39,545	4.06%
2008	1	0	81,215	56	2,256,196	3.73%	40,289	1.88%
Volunteer Firefighter								
2002	20	4	21,576	216	256,768	9.17%	1,189	1.08%
2003	19	1	21,192	234	277,960	8.25%	1,188	-0.07%
2004	40	2	48,792	272	326,752	17.55%	1,201	1.13%
2005	28	2	42,792	298	369,544	13.10%	1,240	3.23%
2006	49	4	60,400	343	429,944	16.34%	1,253	1.08%
2007	47	2	62,000	388	491,944	14.42%	1,268	1.15%
2008	50	3	72,400	435	564,344	14.72%	1,297	2.32%

Note

*****Information not available from the actuarial



Analysis of Financial Experience

PERA Fund	Experience Gain (or Loss) for Year (in Thousands)						
	2008	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$930,265	\$931,506	\$905,283	\$ 682,956	\$244,865	\$(264,692)	\$(426,245)
Normal Cost for Year	409,101	380,777	344,461	316,767	294,026	282,233	262,248
Contributions (net of Refunds)	(471,486)	(419,756)	(393,790)	(367,322)	(347,742)	(337,298)	(322,503)
Interest Accrual	71,925	72,961	70,449	52,615	17,439	(23,378)	(36,512)
Expected UAAL before Non-Recurring Adjust	939,805	965,488	926,403	685,016	208,588	(343,135)	(523,039)
Effect of Assumption Changes	0	0	(49,497)	262,861	0	0	0
Effect of New Employers, Benefit Changes & Plan Coverage Shifts	0	0	0	0	0	42,295	0
Effect of Asset Method Restart	0	0	0	(12,056)	0	0	0
Non-Recurring Audit Adjustment	0	0	0	0	0	0	0
Expected UAAL after Adjustments	939,805	965,488	876,906	935,821	208,588	(300,840)	(523,039)
Actual UAAL	924,116	930,265	931,506	905,283	682,956	244,865	(264,692)
Gain (Loss)	\$15,689	\$35,223	\$(54,600)	\$30,538	\$(474,368)	\$(545,705)	\$(258,347)

Judicial Fund	Experience Gain (or Loss) for Year						
	2008	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$21,470,512	\$18,394,594	\$18,394,594	\$21,411,385	\$20,728,330	\$14,272,120	\$11,081,455
Normal Cost for Year	4,388,802	3,868,130	3,866,393	3,441,427	3,085,658	2,649,262	2,489,954
Contributions (net of Refunds)	(5,121,470)	(4,496,459)	(3,851,188)	(3,278,223)	(3,129,038)	(2,490,122)	(2,429,583)
Interest Accrual	1,688,334	1,671,935	1,472,176	1,719,439	1,656,531	1,148,135	888,931
Expected UAAL before Non-Recurring Adjust	22,426,178	19,438,200	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	0	245,658	0
Change in data load ¹	0	0	(904,342)	0	0	0	0
Effect of Assumption Changes	1,086,761	0	0	0	0	0	0
Expected UAAL after Adjustments	23,512,939	19,438,200	18,977,633	23,294,028	22,341,481	15,825,053	12,030,757
Actual UAAL	24,291,666	21,470,512	21,213,355	18,394,594	21,411,385	20,728,330	14,272,120
Gain (Loss)	\$(778,727)	\$(2,032,312)	\$(2,235,722)	\$4,899,434	\$930,096	\$(4,903,277)	\$(2,241,363)

Analysis of Financial Experience (continued)

Magistrate Fund	Experience Gain (or Loss) for Year						
	2008	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$(277,179)	\$81,527	\$81,527	\$122,955	\$(551,412)	\$(3,080,161)	\$(3,572,815)
Normal Cost for Year	1,305,612	1,208,723	1,223,210	1,056,102	1,084,041	1,267,815	1,144,211
Contributions (net of Refunds)	(1,365,168)	(1,205,943)	(1,057,722)	(935,027)	(928,011)	(1,347,811)	(1,339,240)
Interest Accrual	(24,557)	(26,472)	13,142	14,679	(37,872)	(249,613)	(293,626)
Expected UAAL before Non-Recurring Adjust	(361,292)	57,835	260,157	258,709	(433,254)	(3,409,770)	(4,061,470)
Transfer of Judges to Judicial Retire Fund	0	0	0	0	0	61,246	0
Effect of Assumption Changes ²	907,092	0	0	0	0	0	0
Expected UAAL after Adjustments	545,800	57,835	260,157	258,709	(433,254)	(3,348,524)	(4,061,470)
Actual UAAL	2,854,825	(277,179)	(332,284)	81,527	122,955	(551,412)	(3,080,161)
Gain (Loss)	\$(2,309,025)	\$335,014	\$592,441	\$177,182	\$(556,209)	\$(2,797,112)	\$(981,309)

Volunteer Firefighter Fund	Experience Gain (or Loss) for Year						
	2008	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$(28,424,921)	\$(10,499,493)	\$(10,499,493)	\$(15,222,105)	\$(14,163,294)	\$(13,656,494)	\$(12,184,790)
Normal Cost for Year	1,063,000	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)	(750,000)	(500,000)
Interest Accrual	(2,261,000)	(1,215,789)	(776,159)	(1,173,155)	(1,087,452)	(1,049,733)	(922,254)
Expected UAAL before Non-Recurring Adjust	(30,372,921)	(10,572,330)	(9,680,652)	(15,279,937)	(14,110,466)	(13,636,572)	(11,793,814)
Effect of Assumption Changes	0	(6,595,642) ³	0	0	0	0	0
Expected UAAL after Adjustments	(30,372,921)	(17,167,972)	(9,680,652)	(15,279,937)	(14,110,466)	(13,636,572)	(11,793,814)
Actual UAAL	(31,492,000)	(28,424,921)	(15,768,833)	(10,499,493)	(15,222,105)	(14,163,294)	(13,656,494)
Gain (Loss)	\$1,119,079	\$11,256,949	\$6,088,181	\$(4,780,444)	\$1,111,639	\$526,722	\$1,862,680

Analysis of Financial Experience (continued)

Legislative Fund	Experience Gain (or Loss) for Year						
	2008	2007	2006	2005	2004	2003	2002
UAAL at Beginning of Year	\$2,448,961	\$5,755,657	\$7,171,587	**	**	**	**
Normal Cost for Year	425,345	351,603	406,451	**	**	**	**
Contributions (net of Refunds)	(2,653,603)	(2,441,906)	(2,442,303)	**	**	**	**
Interest Accrual	106,787	376,840	492,293	**	**	**	**
Expected UAAL before Non-Recurring Adjust	327,490	4,042,194	5,628,028	—	—	—	—
Transfer of Judges from Magistrate Ret Fund	0	0	0	**	**	**	**
Change in data load ¹	0	0	0	**	**	**	**
Effect of Assumption Changes	0	0	0	**	**	**	**
Expected UAAL after Adjustments	327,490	4,042,194	5,628,028	—	—	—	—
Actual UAAL	1,414,877	2,448,961	5,755,657	7,171,587	15,122,954	1,831,000	1,388,000
Gain (Loss)	\$(1,087,387)	\$1,593,233	\$(127,629)	**	**	**	**

Notes

¹ Change in data load from 5% of active member accrued liability to 2% of active member accrued liability

² Pursuant to 5-year experience study

³ Based on an experience study done as of June 30, 2006

** Information not available in the actuarial.

Solvency Test
At June 30, 2008



Year	Aggregate Accrued Liabilities			Total (4)
	Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	
State General				
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	699,818,026	3,270,427,324	1,937,119,315	5,874,364,665
2008	717,442,113	3,493,601,370	2,006,564,260	6,217,607,743
State Police/Hazardous Duty				
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
2008	49,498,036	383,471,230	311,380,692	744,349,958
Municipal General				
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
2008	855,002,112	2,174,339,402	1,071,385,628	4,100,727,142
Municipal Police				
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
2008	206,085,031	1,033,269,134	468,756,635	1,708,110,800
Municipal Fire				
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
2008	130,971,951	627,054,313	211,513,414	969,539,678
Legislative				
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
2008	673,492	10,325,709	10,415,111	21,414,312
Judicial				
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
2008	6,831,374	68,024,363	36,865,674	111,721,411
Magistrate				
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
2008	2,591,066	25,590,320	13,539,892	41,721,278
Volunteer Firefighter				
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
2008	0	5,807,000	11,139,000	16,946,000

Solvency Test
(continued)

Reported Assets	Portion of Accrued Liabilities Covered by 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%
5,314,106,647	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%
923,945,664	100%	100%	100%	124%
\$ 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%
4,124,299,828	100%	100%	100%	101%
\$ 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%
1,646,824,413	100%	100%	87%	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%
807,041,460	100%	100%	23%	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%
19,999,435	100%	100%	86%	93%
\$ 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%
87,429,745	100%	100%	34%	78%
\$ 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%
38,866,453	100%	100%	79%	93%
\$ 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%
48,437,876	N/A	100%	100%	286%



Summary of PERA Plan Provisions¹

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 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. For judges or justices hired after July 1, 2005: 1) Age 64 with 5 or more years of service; or 2) Age 55 with 16 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. Members hired after July 1, 2005 are not eligible for early retirement.

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

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

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

Purchase of Service Credit — A 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 the contribution rate for judges and justices is 7.5% of salary. Prior to July 1, 2005 the employer contributes 9% of salary and from July 1, 2005 the employer contributes 12%, 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 the contribution rate of members is 7.5% of salary. Prior to July 1, 2005 the employer contributes 9% of salary and from July 1, 2005 the employer contributes 11% 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 turning 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; and 3) participated in at least 50% of all emergency response calls which the fire department held him or her responsible to attend.

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

Vested Retirement Annuity — Any member with at least 10 years of service credit who ceases to be a volunteer non-salaried firefighter is eligible for a deferred retirement annuity commencing at age 55. The monthly amount is \$200 if the member has at least 25 years of service credit and \$100 if the member has between 10 and 25 years of service credit.

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 2008 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 \$250 multiplied by the years of credited service.

The annual pension for State Legislator Member Coverage Plan 1 Enhanced 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. The per diem rate as of June 30, 2008 is \$144.

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 — Legislative 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. The pension payable for life to an eligible beneficiary is 80% of the accrued normal retirement pension.

The Public Employees Retirement Association
Comprehensive Annual Financial Report *(continued)*

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. The pension payable for life to an eligible spouse is 80% of accrued normal retirement pension. An eligible child pension is paid if there is not an eligible spouse or following the death of an eligible spouse. The amount of pension payable to each eligible child is an equal share, with each other child, of 50% of accrued normal retirement pension. An eligible child is an unmarried natural or adopted child who is under age 18 years. A child’s pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child’s pension is terminated.

Contributions — Members contribute \$100 for each year of credited service under State Legislator Member Coverage Plan 1, \$200 for each year of credited service under State Legislator Member Coverage Plan 1 Enhanced, 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

¹ 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.

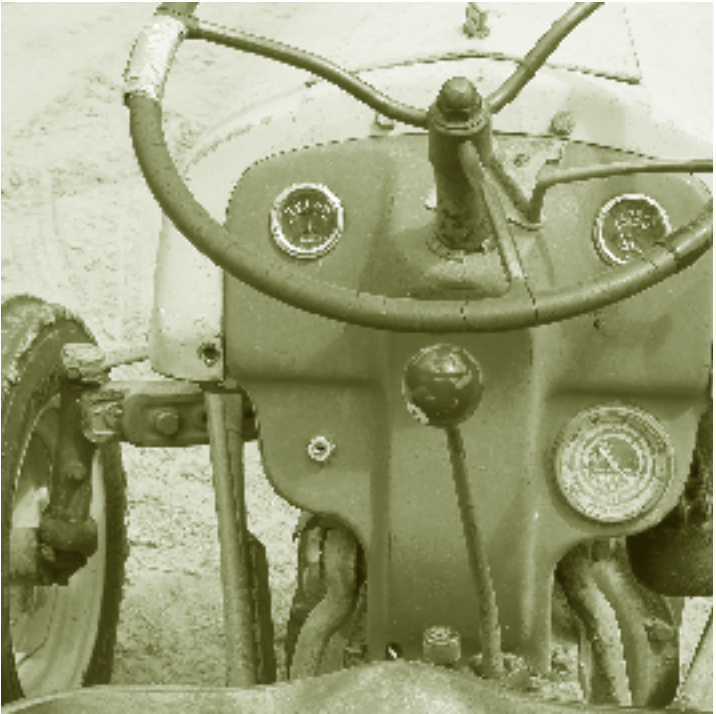
STATISTICAL
section



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Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years
 (in thousands of dollars)



PERA Retirement Fund	1999	2000	2001
Additions:			
Contributions:			
Employers	\$ 174,324	\$ 182,000	\$ 196,544
Members	119,377	125,929	135,594
Purchased service credits by members	2,448	2,054	2,002
Total contributions	296,149	309,983	334,140
Investment income:			
Interest	108,086	215,028	243,653
Dividends	102,137	56,048	65,088
Net change in fair value of investments	725,277	575,346	(459,348)
Securities lending income	15,442	21,662	15,621
Rental income	829	360	407
Other investment income	1	—	—
	951,772	868,444	(134,579)
Less investment expenses			
Securities lending expenses	—	—	—
Brokerage fees and other investment expenses	(22,524)	(33,682)	(31,845)
Net investment income	929,248	834,762	(166,424)
Other income	2,070	2,599	1,052
Total additions	1,277,467	1,147,344	168,768
Deductions:			
Benefit payments	237,555	264,480	291,118
Refunds to terminated employees	25,612	26,811	27,358
Administrative expenses	4,876	3,273	3,993
Total deductions	268,043	294,564	322,469
Net increase (decrease) in plan net assets	959,424	852,780	(153,701)
Net assets held in trust for pension benefits			
Beginning of year	6,340,544	7,299,968	8,152,748
End of year	\$ 7,299,968	\$ 8,152,748	\$ 7,999,047

Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)



2002	2003	2004	2005	2006	2007	2008
\$ 204,734	\$ 213,713	\$ 223,059	\$ 234,232	\$ 249,740	\$ 269,571	\$ 292,569
140,857	146,589	151,568	160,639	169,802	179,317	191,707
2,976	3,224	3,856	3,964	6,936	7,900	6,953
348,567	363,526	378,483	398,835	426,478	456,788	491,229
198,016	173,605	179,322	152,764	177,827	209,510	166,135
71,688	77,227	103,261	137,366	154,683	183,682	186,773
(430,901)	39,708	975,692	629,892	854,078	1,611,782	(1,408,702)
10,236	6,916	4,443	8,610	71,657	117,907	86,760
1,070	641	891	584	1,342	631	—
—	—	—	—	6,648	1,201	310
(149,891)	298,097	1,263,609	929,216	1,266,235	2,124,713	(986,724)
—	—	(2,843)	(6,635)	(66,168)	(111,293)	(76,721)
(25,170)	(19,783)	(13,003)	(21,446)	(23,572)	(29,256)	(25,801)
(175,061)	278,314	1,247,763	901,135	1,176,495	1,984,164	(1,071,246)
157	199	257	(450)	495	10,496	4,140
173,663	642,039	1,626,503	1,299,520	1,603,468	2,451,448	(575,877)
318,441	349,178	387,307	427,084	467,102	511,709	557,190
25,624	25,986	28,146	29,417	30,246	34,590	31,328
3,815	6,756	8,257	11,691	10,174	9,116	9,938
347,880	381,920	423,710	468,192	507,522	555,415	598,456
(174,217)	260,119	1,202,793	831,328	1,095,946	1,896,033	(1,174,333)
7,999,047	7,824,830	8,084,949	9,287,742	10,119,070	11,215,016	13,111,049
\$ 7,824,830	\$ 8,084,949	\$ 9,287,742	\$ 10,119,070	\$ 11,215,016	\$ 13,111,049	\$ 11,936,716

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Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)



Judicial Retirement Fund	1999	2000	2001
Additions:			
Contributions:			
Employers	\$ 2,046	\$ 2,120	\$ 2,159
Members	323	343	359
Transfer from the Magistrates Retirement Fund	—	—	—
Purchased service credits by members	—	22	—
Total contributions	2,369	2,485	2,518
Investment income:			
Interest	28	1,565	1,757
Dividends	1,708	412	471
Net change in fair value of investments	5,140	4,153	(3,318)
Securities lending income	—	158	112
Other investment income	—	—	—
	6,876	6,288	(978)
Less investment expenses			
Securities lending expenses	—	—	—
Brokerage fees and other investment expenses	(10)	(189)	(229)
Net investment income	6,866	6,099	(1,207)
Other income	—	—	—
Total additions	9,235	8,584	1,311
Deductions:			
Benefit payments	2,945	3,185	3,427
Refunds to terminated employees	—	9	—
Administrative expenses	8	8	8
Total deductions	2,953	3,202	3,435
Net increase (decrease) in plan net assets	6,282	5,382	(2,124)
Net assets held in trust for pension benefits			
Beginning of year	47,981	54,263	59,645
End of year	\$ 54,263	\$ 59,645	\$ 57,521

Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)



2002	2003	2004	2005	2006	2007	2008
\$ 2,051	\$ 2,118	\$ 2,594	\$ 2,735	\$ 3,154	\$ 3,623	\$ 3,832
378	372	455	543	697	874	895
—	—	3,291	—	—	—	—
—	—	80	—	—	—	31
2,429	2,490	6,420	3,278	3,851	4,497	4,758
1,388	1,183	1,151	1,051	1,222	1,402	1,076
510	536	700	965	1,075	1,246	1,223
(3,079)	208	6,649	4,358	5,956	10,976	(9,200)
72	48	31	60	497	785	559
—	—	—	—	46	9	3
(1,109)	1,975	8,531	6,434	8,796	14,418	(6,339)
—	—	(20)	(46)	(459)	(741)	(494)
(179)	(137)	(89)	(156)	(201)	(189)	(168)
(1,288)	1,838	8,422	6,232	8,136	13,488	(7,001)
—	—	—	—	—	23	28
1,141	4,328	14,842	9,510	11,987	18,008	(2,215)
3,499	4,030	4,451	4,686	5,113	5,494	5,907
—	—	31	—	26	10	26
9	12	13	21	23	21	34
3,508	4,042	4,495	4,707	5,162	5,525	5,967
(2,367)	286	10,347	4,803	6,825	12,483	(8,182)
57,521	55,154	55,440	65,787	70,590	77,415	89,898
\$ 55,154	\$ 55,440	\$ 65,787	\$ 70,590	\$ 77,415	\$ 89,898	\$ 81,716

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Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)



Magistrates Retirement Fund	1999	2000	2001
Additions:			
Contributions:			
Employers	\$ 1,078	\$ 940	\$ 1,282
Members	160	175	180
Purchased service credits by members	1	6	15
Total contributions	1,239	1,121	1,477
Investment income:			
Interest	42	794	908
Dividends	821	197	228
Net change in fair value of investments	2,397	1,982	(1,612)
Securities lending income	—	76	55
Other investment income	—	—	—
	3,260	3,049	(421)
Less investment expenses			
Securities lending expenses	—	—	—
Brokerage fees and other investment expenses	(5)	(172)	(112)
Net investment income	3,255	2,877	(533)
Other income	—	3	—
Total additions	4,494	4,001	944
Deductions:			
Benefit payments	895	1,065	1,122
Contribution to the Judicial Retirement Fund	—	—	—
Refunds to terminated employees	40	—	14
Administrative expenses	6	6	6
Total deductions	941	1,071	1,142
Net increase (decrease) in plan net assets	3,553	2,930	(198)
Net assets held in trust for pension benefits			
Beginning of year	22,955	26,508	29,438
End of year	\$ 26,508	\$ 29,438	\$ 29,240

Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)

2002	2003	2004	2005	2006	2007	2008
\$ 1,146	\$ 1,143	\$ 779	\$ 763	\$ 849	\$ 920	\$ 981
193	196	149	172	209	286	243
—	9	—	—	—	—	—
1,339	1,348	928	935	1,058	1,206	1,224
722	636	620	469	558	651	492
257	282	375	443	492	571	560
(1,536)	150	3,550	2,015	2,726	5,028	(4,203)
37	25	15	28	227	360	255
—	—	—	—	21	3	2
(520)	1,093	4,560	2,955	4,024	6,613	(2,894)
—	—	(9)	(22)	(210)	(340)	(226)
(91)	(73)	(48)	(72)	(95)	(87)	(77)
(611)	1,020	4,503	2,861	3,719	6,186	(3,197)
—	—	—	—	—	10	13
728	2,368	5,431	3,796	4,777	7,402	(1,960)
1,197	1,462	1,591	1,624	1,738	2,084	2,294
—	—	3,291	—	—	—	—
2	—	—	—	—	80	20
6	10	6	9	9	8	18
1,205	1,472	4,888	1,633	1,747	2,172	2,332
(477)	896	543	2,163	3,030	5,230	(4,292)
29,240	28,763	29,659	30,202	32,365	35,395	40,625
\$ 28,763	\$ 29,659	\$ 30,202	\$ 32,365	\$ 35,395	\$ 40,625	\$ 36,333

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Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)

Volunteer Firefighters Retirement Fund	1999	2000	2001
Additions:			
Contributions:			
Employers	\$ —	\$ —	\$ —
Members	—	—	—
Appropriations from the State of New Mexico Fire Protection Fund	1,000	1,250	1,000
Purchased service credits by members	—	—	—
Total contributions	1,000	1,250	1,000
Investment income:			
Interest	19	734	855
Dividends	749	178	218
Net change in fair value of investments	2,186	1,791	(1,575)
Securities lending income	—	69	52
Other investment income	—	—	—
	2,954	2,772	(450)
Less investment expenses			
Securities lending expenses	—	—	—
Brokerage fees and other investment expenses	(4)	(112)	(107)
Net investment income	2,950	2,660	(557)
Other income	—	—	—
Total additions	3,950	3,910	443
Deductions:			
Benefit payments	172	212	232
Administrative expenses	—	—	—
Total deductions	172	212	232
Net increase (decrease) in plan net assets	3,778	3,698	211
Net assets held in trust for pension benefits			
Beginning of year	19,361	23,139	26,837
End of year	\$ 23,139	\$ 26,837	\$ 27,048

Public Employees Retirement Association of New Mexico
 Changes in Plan Net Assets — Last Ten Fiscal Years *(continued)*
(in thousands of dollars)



2002	2003	2004	2005	2006	2007	2008
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—
500	750	750	750	750	750	750
—	—	—	—	—	—	—
500	750	750	750	750	750	750
670	600	608	542	651	767	628
241	270	368	500	574	680	695
(1,447)	189	3,472	2,267	3,159	5,973	(5,250)
34	24	16	31	266	437	324
—	—	—	—	25	4	1
(502)	1,083	4,464	3,340	4,675	7,861	(3,602)
—	—	(10)	(24)	(246)	(413)	(287)
(84)	(69)	(47)	(78)	(104)	(103)	(95)
(586)	1,014	4,407	3,238	4,325	7,345	(3,984)
—	—	—	—	—	1	15
(86)	1,764	5,157	3,988	5,075	8,096	(3,219)
247	271	307	346	405	499	539
—	—	—	—	—	—	—
247	271	307	346	405	499	539
(333)	1,493	4,850	3,642	4,670	7,597	(3,758)
27,048	26,715	28,208	33,058	36,700	41,370	48,967
\$ 26,715	\$ 28,208	\$ 33,058	\$ 36,700	\$ 41,370	\$ 48,967	\$ 45,209

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Public Employees Retirement Association of New Mexico
 Schedule of Retired Members by Type of Benefit Option

Benefit Option	2001	2002	2003	2004	2005	2006	2007	2008
Normal single life pension terminating on death	6,835	7,125	7,421	7,782	7,898	8,249	8,611	8,999
Normal two-life 100% survivor pension for retiree & survivor	6,667	7,016	7,433	7,928	8,307	8,928	9,485	10,024
Normal two-life 50% survivor pension for retiree & survivor	2,826	2,935	3,052	3,207	3,331	3,495	3,641	3,748
Normal single life with temporary child survivor pension	88	96	116	127	140	145	149	147
Disability single life pension terminating on death	292	210	200	205	206	200	219	205
Disability two-life 100% survivor pension for retiree & survivor	491	470	504	536	595	570	600	605
Disability two-life 50% survivor pension for retiree & survivor	88	87	98	105	113	108	108	108
Disability single life with temporary child survivor pension	14	13	14	17	18	18	18	17
Pre-retirement survivor pension	736	772	792	823	788	849	869	910
Legislative retirement	89	93	98	128	132	137	144	147
Total PERA fund	18,126	18,817	19,728	20,858	21,528	22,699	23,844	24,910
Judicial retirement	78	79	87	88	89	97	97	105
Magistrate retirement	36	37	46	44	44	48	55	56
Volunteer firefighter retirement	200	216	234	272	298	343	388	435
Total	18,440	19,149	20,095	21,262	21,959	23,187	24,384	25,506

Public Employees Retirement Association of New Mexico

Schedule of Average Benefit Payments

Fiscal Year Ended June 30, 2008

Div/Plan		Years of Credited Service						
		4-10	10-15	15-20	20-25	25-30	30+	
PERA Fund	2001	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2002	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2003	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	2004	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*
	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	*	*	*	*	*	*
	2008	Average Monthly Benefit	*	*	*	*	*	*
		Average Final Average Salary	*	*	*	*	*	*
		Number of Active Retired	*	*	*	*	*	*

		Retired Members		Survivor Pension Benefit		Total	
		Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
2008	PERA	21,605	527,453,776	3,305	43,664,860	24,910	571,118,636
	Judicial	79	4,399,192	26	1,447,835	105	5,847,027
	Magistrate	52	2,095,040	4	161,156	56	2,256,196
	VFF	N/A	N/A	N/A	N/A	435	564,344
2007	PERA	20,690	486,674,374	3,154	39,905,350	23,844	526,579,724
	Judicial	70	4,009,067	27	1,546,355	97	5,555,422
	Magistrate	52	2,056,345	3	118,636	55	2,174,981
	VFF	N/A	N/A	N/A	N/A	388	491,944
2006	PERA	19,677	445,186,934	3,022	36,112,894	22,699	481,299,828
	Judicial	70	3,791,980	27	1,462,621	97	5,254,601
	Magistrate	45	1,710,029	3	114,002	48	1,824,031
	VFF	N/A	N/A	N/A	N/A	343	429,944
2005	PERA	18,666	405,160,457	2,862	32,794,468	21,528	437,954,925
	Judicial	**	**	**	**	89	4,714,551
	Magistrate	**	**	**	**	44	1,657,108
	VFF	N/A	N/A	N/A	N/A	298	369,544
2004	PERA	17,923	381,684,140	2,843	31,264,693	20,766	412,948,833
	Judicial	**	**	**	**	88	4,589,006
	Magistrate	**	**	**	**	44	1,647,239
	VFF	N/A	N/A	N/A	N/A	272	326,752

Notes

* Information not available from PERA's actuarial in breakdown of years of service.

The second schedule is the breakdown of average benefit payments received from Gabriel, Roeder, Smith & Company

** Detailed information for fiscal year is not available by category but in total

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Public Employees Retirement Association of New Mexico
 Participating Employers
 Current Year and Ten Years Ago

	2008			1998		
	Employers	Active Employees	% of Employees	Employers	Active Employees	% of Employees
Public Employees Retirement Fund						
State Agencies	126			116		
Subtotal State Division	126	24,316	42.75%	116	20,759	36.49%
Municipalities	85			73		
Counties	33			33		
Special Districts and Council of Governments	39			27		
Housing Authorities	16			18		
Hospitals	3			1		
Other	4			0		
Subtotal Municipal Division	180	28,191	49.56%	152	20,933	40.07%
Judicial Retirement Fund	16	115	0.20%	15	87	0.15%
Magistrate Retirement Fund	9	45	0.08%	18	57	0.10%
Volunteer Firefighters Fund	435	4,216	7.41%	317	10,402	18.29%
Total	766	56,883	100.00%	618	52,238	95.11%

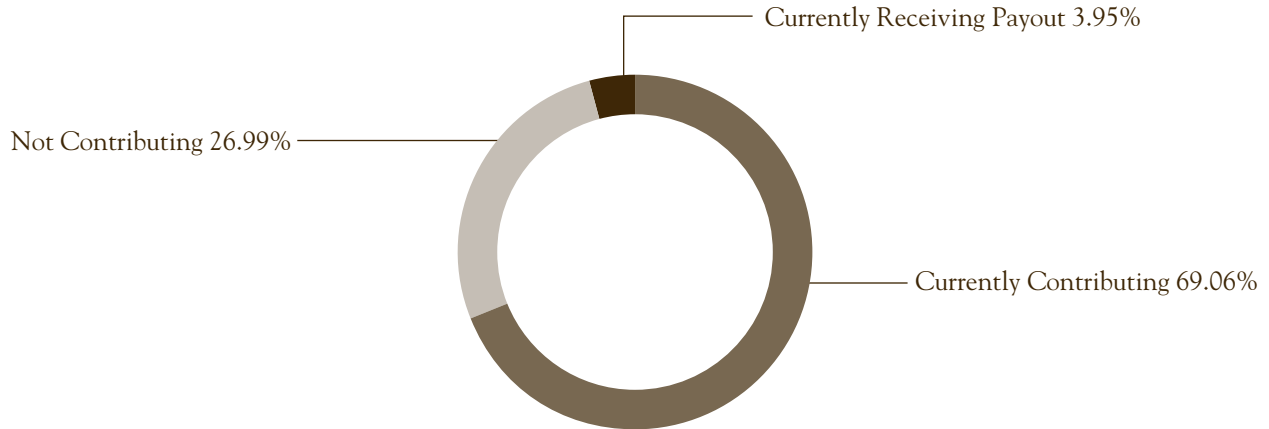
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Principal employers: State of New Mexico; City of Albuquerque, NM; County of Bernalillo in NM



Statistical

State of New Mexico
 Deferred Compensation Plan — Section 457
 (numbers extracted from Nationwide Retirement Solutions report)



Participants at June 30, 2008

Total Plan Participants	14,841
Currently Contributing	10,249
Not Contributing	4,006
Currently Receiving Payout	586

Asset Allocation by Asset Class	Assets as of June 30, 2008	% of Total Assets
Domestic Equity Funds:		
Large Cap Funds	\$ 97,272,052	30.01%
Mid Cap Funds	12,098,234	3.73%
Small Cap Funds	7,843,758	2.42%
International Equity Funds	24,256,362	7.48%
Balanced Funds	17,036,744	5.27%
Fixed Income Funds	6,691,049	2.06%
Stable Value	128,405,870	39.62%
Asset Allocation	18,677,881	5.76%
Loans and other assets	6,364,249	1.96%
Policyholder Account Value of UL Cont	2,130,189	0.66%
NW Fixed Payout Assets	2,517,786	0.78%
NW Variable Payout Assets	26,208	0.01%
Contributions Receivable	961,692	0.30%
Suspense	(190,342)	-0.06%
Total	\$ 324,091,732	100.00%

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Deferred Compensation Program
Comparative Investment Results
Fiscal Year Ended June 30, 2008



Manager	1-year 2008	3-year 2006 – 2008	5-year 2004 – 2008%
Large Cap Funds			
Dodge & Cox Stock Fund	-21.4%	2.7%	9.3%
Vanguard Institutional Index	-13.1%	4.4%	7.6%
Calvert Social Invest Equity Fund	-1.0%	6.3%	7.7%
Fidelity Contrafund	0.9%	11.3%	13.9%
Victory Inst'l Diversified Stock	-4.5%	8.7%	N/A
Growth Fund of America	-5.0%	9.1%	11.6%
Mid Cap Funds			
Vanguard Strategic Equity	-18.0%	3.2%	10.7%
T. Rowe Price Mid Cap Growth	-4.9%	10.0%	13.8%
Small Cap Funds			
Lord Abbett Small Cap Blend	-5.3%	7.7%	15.4%
Fidelity Low Priced Stock Fund	-13.3%	5.8%	12.8%
International Funds			
Fidelity Diversified Int'l	-5.7%	14.4%	17.8%
American EuroPacific Growth Fund	-3.9%	16.4%	19.0%
Fixed-Income Funds			
Vanguard Total Bond Index Fund	7.4%	4.1%	3.9%
Balanced Funds			
Income Fund of America	-11.3%	5.4%	8.8%
Dodge and Cox	-14.3%	2.7%	7.2%
Stable Value Fund			
	4.6%	4.5%	4.3%
Asset Allocation			
Conservative Portfolio	1.6%	4.8%	N/A
LifeCycle 2015 Portfolio	-6.0%	4.9%	N/A
LifeCycle 2025 Portfolio	-8.1%	5.1%	N/A
LifeCycle 2035 Portfolio	-8.6%	6.2%	N/A
LifeCycle 2045 Portfolio	-9.5%	7.0%	N/A
LifeCycle 2055 Portfolio (<i>added May, 2007</i>)	-10.8%	N/A	N/A



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