



# PERA

Public Employees  
Retirement Association  
of New Mexico

**INVESTED IN TOMORROW.**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017**

**Public Employees Retirement Association**

# Public Employees Retirement Association *of New Mexico*

## Comprehensive Annual Financial Report Year ended June 30, 2017

### Pension Trust Funds of the State of New Mexico

Prepared by the Administrative Services and Investment  
Division Staff at NM PERA

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# PERA

INVESTED IN TOMORROW.

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Public Employees Retirement Association

# INTRODUCTORY SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017



## MISSION AND VALUE STATEMENTS

### Providing a Stable Lifetime Benefit to Members Through Leadership, Integrity and Quality Customer Service

#### **Stewardship**

- Making sound decisions to achieve the retirement fund's objectives.
- Demonstrating the ability to meet our long-term obligations.
- Meeting financial performance measures.

#### **Leadership**

- Focusing on employees' strengths and capabilities while maintaining accountability.
- Communicating and implementing the agency's strategic plan.

#### **Integrity**

- Earning the confidence of others by being dependable, honest and trustworthy.

#### **Customer Service**

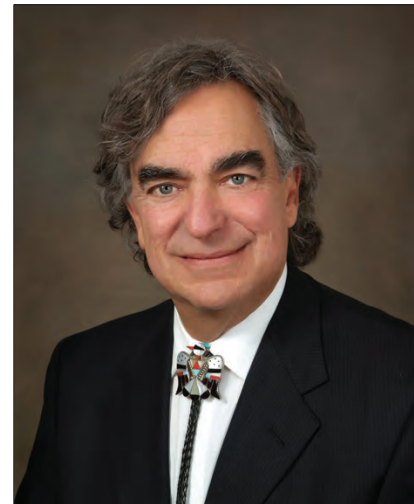
- Anticipating and meeting the needs of our customers.
- Delivering quality services with a commitment to continuous improvement.
- Communicating effectively with our customers.

## PERA BOARD CHAIR LETTER

November 20, 2017

Dear PERA Members:

On behalf of the PERA Board of Trustees, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This report provides information about the financial and actuarial status of PERA along with information regarding our membership.



Approximately 92 percent of PERA's benefit payments are made to members that reside in New Mexico after retirement thereby providing an important source of economic activity in our state and our local communities. In 2017, PERA paid \$1.10 billion in benefits to PERA retirees and beneficiaries.

As you will discover upon review of the information contained within the following pages, PERA's net position was \$15.6 billion for the year ended June 30, 2017, an increase of \$1.0 billion from the prior fiscal year. The PERA Board continues to monitor the results of the recent significant pension reforms for the Judicial and Magistrate plans, as well as pension reform for the major PERA plans. PERA's investments generated a return of 11.10 percent for the year ending June 30, 2017. This investment return is below PERA's expected return assumption of 7.25 percent.

The PERA Board takes its fiduciary responsibility very seriously and will continue to work to preserve and protect the Fund and the benefits provided to our members. The Board is committed to the long-term sustainability of all of our plans and to providing a secure retirement for public employees throughout New Mexico.

The Board appreciates your support while the results of the recent legislative reforms are analyzed to ensure that the Fund continues on a sustainable path to long term solvency.

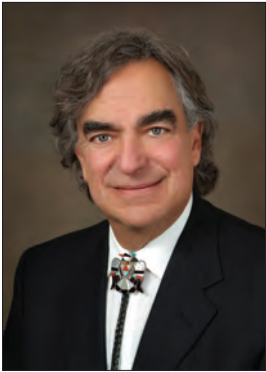
We are honored to serve as your representatives and pledge our best efforts to continue to prudently manage the PERA Fund and provide retirement security for current and future generation of public employees in New Mexico.

Sincerely,

A handwritten signature in black ink that reads "Daniel J. Mayfield". The signature is written in a cursive, flowing style.

Daniel Mayfield  
PERA Board Chair

## PERA BOARD OF TRUSTEES



**Mr. Dan Mayfield**  
*Chair*  
*Retiree Member*



**Mr. James Maxon**  
*Vice-Chair*  
*Sandoval County*  
*County Member*



**Ms. Maggie  
Toulouse-Oliver**  
*Secretary of State*  
*Ex-Officio Member*



**Mr. Tim Eichenberg**  
*State Treasurer*  
*Ex-Officio Member*



**Ms. Jackie Kohlasch**  
*Taxation and Revenue*  
*Department*  
*State Member*



**Mr. John Reynolds**  
*Public Regulation*  
*Commission*  
*State Member*



**Ms. Cathy A. Townes**  
*Office of*  
*Superintendent of*  
*Insurance*  
*State Member*



**Ms. Claudia Armijo**  
*Regulations*  
*& Licensing*  
*Department*  
*State Member*



**Ms. Patricia French**  
*City of Albuquerque*  
*Municipal Member*



**Mr. Daniel Esquibel**  
*City of Santa Fe*  
*Municipal Member*



**Mr. John Melia**  
*Albuquerque Fire*  
*Department*  
*Municipal Member*



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



## EXECUTIVE DIRECTOR'S LETTER

November 22, 2017

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

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, 2017 (FY17).



At PERA our primary mission is to serve our members and provide a stable, secure retirement to current and future generations of public officials.

PERA staff worked together to compile this CAFR, and management is responsible for the accuracy of the data, the completeness and fairness of the report and the presentation contained in this report. To the best of our knowledge, the report is materially accurate and fairly presents the financial position and results of operations of PERA. The report includes all retirement plans administered by PERA, covering the following plan types: State, Municipal, Legislative, Judicial, Magistrate and Volunteer Firefighters. This report is intended to provide complete and reliable information as a basis for making management decisions and complying with all federal and state laws and ensuring fiscal responsibility of PERA's assets.

PERA was established by statute in 1947. For further detail of the background of PERA, see the Notes to Financial Statements.

### CAFR Contents

The CAFR is presented in five sections: introduction, financial, investment, actuarial and statistical. The introduction includes this transmittal letter, a letter from the Board Chair, PERA's organizational chart, and Member Service Communications.

PERA's transactions are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the fair presentation of the financial statements and supporting schedules.

The financial section was prepared in accordance with generally accepted accounting principles (GAAP), the reporting requirements described by the Governmental Accounting Standards Board (GASB) as well as requirements of the New Mexico State Auditor. The financial section features a Management's Discussion and Analysis (MD&A). GASB requires that a narrative introduction, overview and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement, and not duplicate, the MD&A and should be read in conjunction with it. The MD&A can be found in the financial section immediately following the report from PERA's independent auditor.

The Investment section provides a report on investment activities, policies, asset allocation, performance results and other yearly comparative portfolio information.

## EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

The Actuarial section details the funding status and other actuarial information for all of the funds that PERA administers. The actuarial section does not include net pension liability information that is required to be presented in the financial section under GASB 67, rather the actuarial section continues to focus on information used for funding purposes.

The Statistical section includes comparative financial and demographic information along with the Deferred Compensation information; providing the users of the CAFR with annual information for comparative analysis.

### Economic Outlook

During Fiscal Year 2017, PERA's investment team generated a return of 11.10%. This was due to the fact that the fiscal year experienced a risk-on market rally. Non-US equity markets appreciated significantly, with a 24% gain for MSCI Emerging Markets index and a 21% gain for MSCI EAFE index. US equity markets were not far behind, with the S&P 500 index gaining 18%. Similarly, the Bloomberg Barclays High Yield Bond Index rallied 13%. NM PERA participated in these gains through our strategic asset allocation, while also paring the risk associated with owning richly-priced asset classes.

Declining trends in global economic and business fundamentals that drive returns earned by equity and fixed-income investors imply a sustained period of lower investment earnings than those enjoyed in recent decades. The Fund enters the next fiscal year better positioned for the current economic environment with the implementation of a new strategic asset allocation that was adopted in April 2016.

### Summary of Financial Information

The following schedule is a summary of the Fund's additions and deductions for the years ended June 30, 2017 and June 30, 2016 (excluding the Deferred Compensation (IRC 457) Fund).

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Additions	\$ 2,134,296,458	\$ 647,331,966
Deductions	(1,156,949,961)	(1,095,910,370)
Net Change	\$ 977,346,497	\$ (435,847,682)

Additions increased from FY16 to FY17 by \$1,475,179,628 primarily due to an increase in net investment income. Deductions increased by \$61,059,752 primarily due to an increase in benefit payments for the year.

### Plan Financial Condition

PERA's funding objective is to meet long-term benefit payments through contributions that are statutorily fixed as a percent of member payroll, and achieving a 7.25% annual Assumed Actuarial Investment Return. PERA's funded ratio slightly increased in comparison to last fiscal year as we ended the fiscal year at 74.9%, a 0.4% decrease. Additional information regarding the financial condition of the funds administered by PERA can be found in the Actuarial Section of this report.

## EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

### Investment Activity

During Fiscal Year 2017 PERA had a positive investment year. PERA's investment portfolio produced a total return, gross of expenses, of 11.10% for the year ended June 30, 2017, more than the assumed actuarial investment return of 7.25% (see actuarial analysis below for further detail of change to discount rate). This resulted in net investment income of \$1.5 billion for the PERA funds

PERA is a long-term investor and our portfolio is constructed to weather financial storms through diversification and constant attention to our process to make improvements as needed. Additional information regarding the investment results for the year is included in the Investment Section of this report.

### Actuarial Analysis

PERA's funding objective is to meet long-term benefit payments through contributions that are statutorily fixed as a percent of member payroll, and achieving the annual assumed actuarial investment return. The PERA Board adopted a change in the discount rate that was implemented in the June 30, 2016 actuarial valuations. A select and ultimate rate of return assumption has been adopted for funding purposes. The rate is 7.25% for the first 10 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used as the discount rate used to measure the total pension liability. The actuarial reports are prepared by Cavanaugh Macdonald LLP 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.

### GASB 67 Financial Reporting for Pension Plans

PERA implemented GASB 67 in FY 14. The Net Pension Liability (NPL) for the PERA fund (multi-employer cost sharing fund) for FY 17 is \$5.3 billion, a \$0.9 billion decrease compared to FY 16 of approximately \$6.2 Billion. The NPL for that fund will be allocated to the cost sharing employer participants that participate in that fund. More detailed information regarding the NPL, by fund, can be found in the Financial Section of this report in Note 12 and in the Required Supplementary Information.

### Management Responsibility for Financial Reporting

PERA 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, PERA's Internal Audit firm provides a continuous review of the internal controls and operations of PERA, and the Internal Audit Firm regularly reports to the PERA Board through its Audit and Budget Committee (Committee). The objective of internal control is to provide reasonable, not absolute, assurance that the financial statements are free of material misstatements; PERA maintains internal controls to provide reasonable assurance that control objectives are met. The Committee reviews the audit results and recommendations for improvements in internal control and operational efficiency and the actions of management to implement such recommendations.

The internal control system includes the organizational plan, segregation of duties, sound accounting practices in the performance of duties and, knowledgeable personnel. PERA believes the internal controls during FY17 were appropriate and provide reasonable assurance regarding the proper recording of financial transactions.

## EXECUTIVE DIRECTOR'S LETTER (CONTINUED)

### Recognition of Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERA for its CAFR for the year ended June 30, 2016. This is the 15th consecutive year that PERA has achieved this award.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. Whether directly or indirectly, every division of PERA contributed to the content of the CAFR report. The attainment of this Certificate of Achievement represents a significant accomplishment by PERA employees.

A Certificate of Achievement is valid for a period of one year only. We believe that this year's CAFR continues to meet this standard and will be submitting it to the GFOA to determine its eligibility for another certificate.

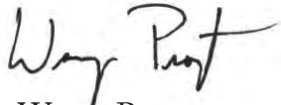
### Independent Audit

An annual audit of PERA's Financial Statements has been performed this year by the independent accounting firm of CliftonLarsonAllen, LLP. The auditors' report on the financial statements is included in the Financial Section of this report. CliftonLarsonAllen incorporated the audit done by Eide Baily, LLP in regard to the Deferred Compensation (IRC 457b) Fund, which PERA also administers.

### Conclusion

This report is a product of the combined efforts of the PERA staff functioning under the Board's direction. It is intended to provide complete and reliable information that 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 PERA Fund.

Sincerely,



Wayne Propst  
Executive Director



Government Finance Officers Association

**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, 2016**

Executive Director/CEO

## PUBLIC EMPLOYEES RETIREMENT ASSOCIATION EMPLOYEES

### EXECUTIVE OFFICE

Wayne Propst - *Executive Director Investments/Pensions*  
Gregory M. Trujillo - *Executive Deputy Director*  
Patricia B. Winter - *Administrative Assistant*

### INVESTMENTS BUREAU

Dominic J. Garcia - *Chief Investment Officer*  
Jude C. Perez - *Deputy Chief Investment Officer*  
Leanne Larranaga-Ruffy - *Portfolio Manager*  
Joaquin G. Lujan - *Portfolio Manager*  
Anna E. Murphy - *Portfolio Manager*  
Christine M. Ortega - *Portfolio Manager*  
Kristin E. Varela - *Portfolio Manager*  
Emily A. Lopez - *Financial Analyst*  
Mark A. Montoya - *Financial Analyst*  
Olasunkanmi I. Olaoye, - *Financial Analyst*

### DEFERRED COMPENSATION BUREAU

Karyn D. Lujan - *Deferred Compensation Administrator*

### OFFICE OF GENERAL COUNSEL

Susan G. Pittard - *Chief of Staff/General Council*  
Karen A. Risku - *Deputy General Council*  
Dana David - *Attorney*  
Misty M. Schoeppner - *Attorney*  
Laura E. Archuleta - *Paralegal Assistant*  
Anita C. Valdez - *Paralegal Assistant*

### ADMINISTRATIVE SERVICES BUREAU

Renada L. Peery-Galon - *ASD Director*  
Anna E. Williams - *Chief Financial Officer*  
Jessica Trujillo - *Human Resources*  
Marlena S. Riggs - *Financial Manager*  
Christopher. Garcia - *Financial Coordinator*  
Zarina Martinez - *Accountant Auditor*  
Sharon Moya - *Accountant Auditor*  
Dawn M. Prada - *Accountant Auditor*  
Renee J. Baros - *Accountant Auditor Supervisor*  
Valerie R. Hayas - *Accountant Auditor*  
Rosemary Rodriguez - *Accountant Auditor*  
Ryan S. Serrano - *Accountant Auditor*  
Nicole L. Tapia - *Accountant Auditor*  
Eric Martinez - *Building Services*

### INFORMATION SYSTEMS BUREAU

Robert Greg Portillos - *Chief Information Officer*  
Andres Martinez- *IT Systems Administrator*  
Miranda Montoya- *IT End User Support*  
Nicole A. Jaramillo- *IT End User Support*  
Brian C. Martinez - *IT End User Support*  
Leslie L. Miller- *IT End User Support*

Jessica A. Perea - *IT Business Analyst*  
Edward John Rose - *IT Business Analyst*  
Gabriel Baca - *IT Technology Officer*  
Justin J. Deubel - *Business Operations Specialist*  
Amanda Ortiz - *Business Operations Specialist*  
Joseph G. Valdez, Jr. - *Records Clerk*  
Bryana M. Trejo - *Records Clerk*  
Louise Martinez - *Records Clerk*

### MEMBER SERVICES

Melinda E. Marquez - *Bureau Chief*

#### Customer Service

Consuelo R. Montoya - *Retirement Specialist Supervisor*  
Abigail C. Abeyta - *Retirement Specialist*  
Greg D. Holmes - *Retirement Specialist*  
Theresa Marie Martinez - *Retirement Specialist*  
Nathan Sedillo- *Customer Services Representative*  
Dennis Trujillo - *Retirement Specialist*

#### Death and Disabilities

Yvonne M. Gonzales- *Retirement Specialist Supervisor*  
Erika N. Chavez - *Retirement Specialist*  
Arlene F. Coriz - *Retirement Specialist*  
Chere A. Garcia - *Retirement Specialist*  
Jenais S. Griego - *Retirement Specialist*  
Valerie E. Romero - *Retirement Specialist*  
Christine B. Carillo - *Accountant Auditor*  
Felicia M. Sena - *Accountant Auditor*

#### Request Retirements & Payroll

Sandra Mirabal - *Manager*  
Gilbert T. Fuentes- *Retirement Specialist*  
Jesse Mack Godfrey - *Retirement Specialist*  
Andrea Lucero - *Retirement Specialist*  
Natalia P. Manzanares - *Retirement Specialist*  
Sandi Nakai - *Retirement Specialist*  
Jodi F. Trujillo - *Retirement Specialist*  
Jose P. Trujillo - *Retirement Specialist*  
Brenda Y. Cordova - *Business Operations Specialist*  
Jessica V. Maldonado - *Business Operations Specialist*

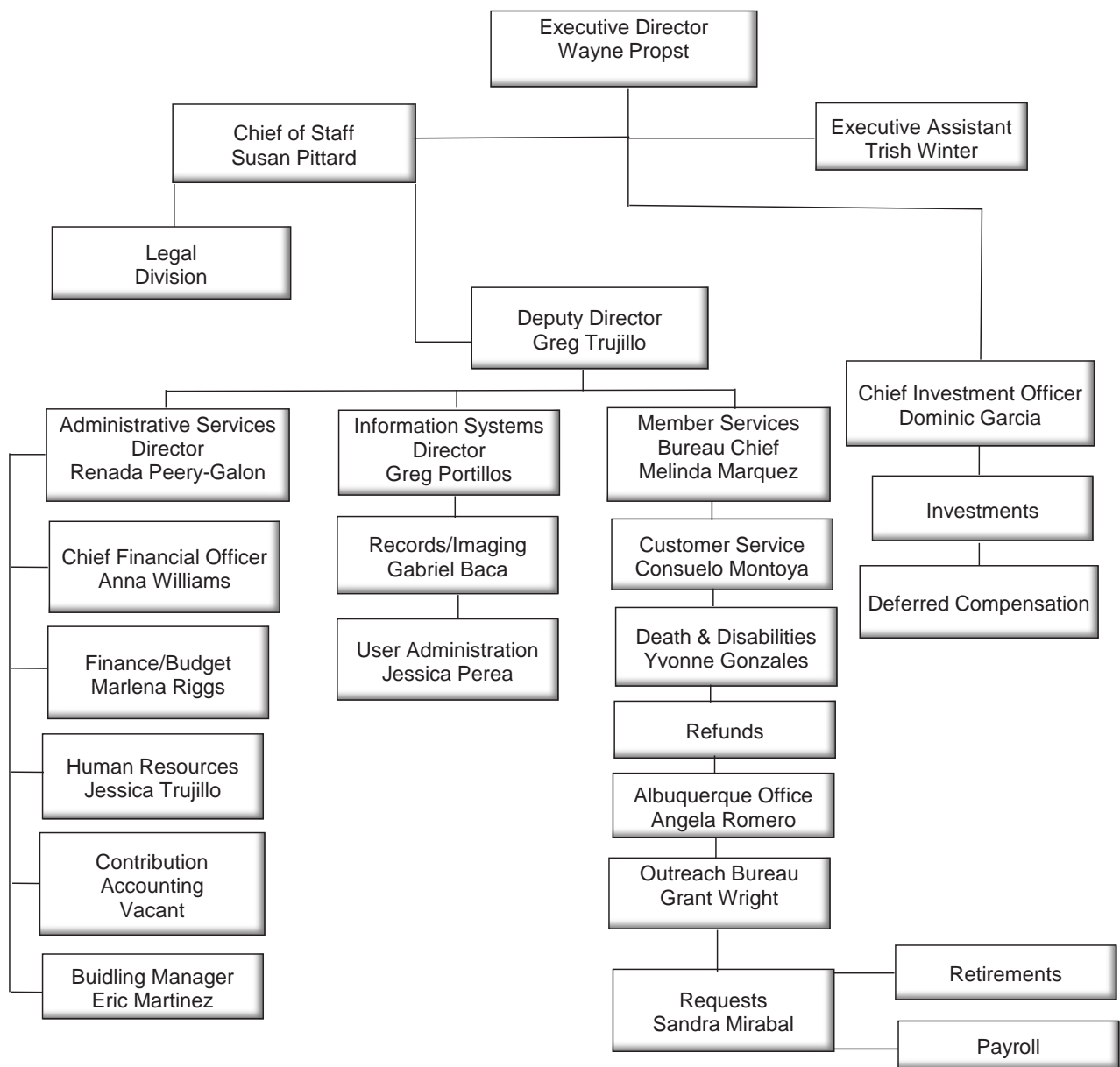
#### OUTREACH

Wilbur G. Wright - *Manager*  
Christina A. Gauthier - *Public Relations Coordinator*

#### ALBUQUERQUE OFFICE

Angela D. Romero - *Retirement Specialist Supervisor*  
Victoria G. Chavez - *Retirement Specialist*  
Melissa Sandoval - *Retirement Specialist*

## PUBLIC EMPLOYEES RETIREMENT ASSOCIATION ORGANIZATIONAL CHART



## PROFESSIONAL CONSULTANTS

### ACTUARY

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Cavanaugh Macdonald Consulting, LLC  
Consultants & Actuaries  
3550 Busbee Parkway, Suite 250  
Kennesaw, GA 30144  
Website: [www.CavMacConsulting.com](http://www.CavMacConsulting.com)

### AUDITORS

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CliftonLarsonAllen, LLP  
Business Consultants & Certified Public Accountants  
500 Marquette Ave. NW #800  
Albuquerque, NM 87105  
Website: [www.cla.connect.com](http://www.cla.connect.com)

REDW, LLC  
Certified Public Accountants | Business & Financial Advisors  
7425 Jefferson St. NE  
Albuquerque, NM 87109  
Website: [www.redw.com](http://www.redw.com)

Eide Bailly, LLP  
CPAs & Business Advisors  
4310 17th Ave S  
Fargo, ND 58103  
Website: [www.eidebailly.com](http://www.eidebailly.com)

### INVESTMENT CONSULTANTS

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Wilshire Associates Incorporated  
1299 Ocean Avenue, Suite 700  
Santa Monica, CA 90401-1085  
Website: [www.wilshire.com](http://www.wilshire.com)

Cliffwater, LLC  
Alternative Investment Consultant  
Marina Towers  
4640 Admiralty Way, Suite 1101  
Marina del Rey, CA 90292-6623  
Website: [www.cliffwater.com](http://www.cliffwater.com)



Public Employees Retirement Association

# FINANCIAL SECTION



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2017**

## AUDITOR'S LETTER



CliftonLarsonAllen LLP  
CLAconnect.com

### INDEPENDENT AUDITORS' REPORT

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
and Mr. Timothy M. Keller  
New Mexico State Auditor

#### **Report on the Financial Statements**

We have audited the financial statements of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, Volunteer Firefighters Retirement Fund, and the Deferred Compensation (IRC 457) Fund (collectively, the Funds) administered by the Public Employees Retirement Association of New Mexico (PERA), which comprise the Statement of Fiduciary Net Position as of June 30, 2017, and the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related Notes to the Financial Statements, as listed in the table of contents. We have also audited the Schedule of Revenues, Appropriation, and Expenses - Budget and Actual for the Public Employees Retirement Fund Only, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements for the year ended June 30, 2017, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State of New Mexico Public Employees' Deferred Compensation Plan, which represents 100% of the total assets, net position held in trust for pension benefits, and increase in net position of the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the Deferred Compensation (IRC 457) Fund. Those statements were audited by other auditors whose report has 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 report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

## AUDITOR'S LETTER

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
and Mr. Timothy M. Keller  
New Mexico State Auditor

Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

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 net position of PERA as of June 30, 2017, and the respective changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audit and the report of other auditors, the individual financial statements of each Fund referred to above present fairly, in all material respects, the financial position of each of the individual Funds administered by PERA as of June 30, 2017 and the respective changes in financial position and the Schedule of Revenues, Appropriations and Expenses - Budget and Actual for the Public Employees Fund Only for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of PERA are intended to present the fiduciary net position and changes in fiduciary net position of only that portion 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, 2017, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Correction of Error***

As described in Note 16 to the financial statements of PERA, management has corrected errors related to contributions receivable and accounts payable not reversed during previous periods. Our opinion is not modified with respect to this matter.

## AUDITOR'S LETTER

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
and Mr. Timothy M. Keller  
New Mexico State Auditor

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Changes in Net Pension Liability – PERA Fund, Changes in Net Pension Liability – Judicial Fund, Changes in Net Pension Liability – Magistrate Fund, Changes in Net Pension Liability – VFF Fund, Net Pension Liability – All Funds, Employer Contributions – All Funds, and Investment Returns, and related Notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on PERA's financial statements. The accompanying schedule of administrative and investment expenses and exit conference (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## AUDITOR'S LETTER

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
and Mr. Timothy M. Keller  
New Mexico State Auditor

The Introductory, Investment, Actuarial, and Statistical Sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 on our consideration of PERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PERA's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 22, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the Fiscal Year ended June 30, 2017

This discussion and analysis of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, the Volunteer Firefighters 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, 2017 and 2016 provides a summary of the financial position of the Funds, including highlights and comparisons.

PERA administers 31 different types of retirement coverage for affiliated public employers in the State of New Mexico. PERA is governed by a Board of Trustees consisting of two ex-officio members and ten members elected by the Association's membership. The Board serves as the trustee for the funds controlled by PERA and is authorized to invest the funds on behalf of PERA. The Board appoints an Executive Director to oversee daily operations of the agency.

PERA administers a qualified governmental plan under Section 401(a) of the Internal Revenue Code (IRC), which provides retirement, disability and survivor benefits pursuant to the Public Employees Retirement Act. The Public Employees Retirement Act, NMSA 1978 §§10-11-1 to 10-11-142, provides most of PERA's statutory authority. Additional statutory authority is contained in NMSA 1978 § 10-11A-1 et seq, NMSA 1978 § 10-12B-1 et seq, NMSA 1978 § 10-12C-1 et seq, and NMSA 1978 § 10-13A-1 et seq. Deferred compensation is governed by NMSA 1978 §§ 10-7A-1 to 10-7A-12 and the U.S. Internal Revenue Code § 457.

#### DEFINED BENEFIT FUND

PERA is a defined benefit plan which provides a benefit based on a fixed pre-established benefit for employees at retirement. Overall the retirement plan needs to balance the money coming in through investments income, contributions with the benefit payments and operating expenses going out.

Basic Retirement Equation

Investment Income + Contribution = Benefits Paid + Expense

The results for the last five years for the Change in Fiduciary Net Position (Basic Retirement Equation)

<b>Change in Fiduciary Net Position (Last 5 - fiscal years)</b>		
I -	Investment Income	\$ 5,460,363,080
C -	Contributions	2,876,023,430
C -	Other Income	29,616,863
	Subtotal	<u>\$ 8,366,003,373</u>
B -	Benefits	5,124,750,687
E -	Expenses	51,752,458
	Subtotal	<u>\$ 5,176,503,145</u>
	<b>Change in fiduciary net position</b>	<b><u>\$ 3,189,500,228</u></b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### For the Fiscal Year ended June 30, 2017

#### Comparative Summary Statements

The Public Employees Retirement Association is comprised of four funds: PERA Fund, Judicial Fund, Magistrate Fund and Volunteer Firefighter Fund. The following tables for the year ended June 30, 2017 show the Summary of the net change in fiduciary net position for the four funds. These tables show the net change in the contributions, investment income, benefit payments and administrative expense by fund.

#### PERA

<b>Additions:</b>	<b>2017</b>	<b>2016</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Contributions and service credit purchases	\$ 605,302,444	\$ 590,281,175	\$ 15,021,269	2.54 %
Net Investment Income	1,500,758,584	47,444,548	1,453,314,036	3,063.18 %
Other Income	451,303	12,317,520	(11,866,217)	(96.34) %
Total Additions	2,106,512,331	650,043,242	1,456,469,088	224.06 %
<b>Deductions:</b>				
Benefit Payments	1,084,818,274	1,024,399,237	60,419,037	5.90 %
Refunds	44,396,305	44,937,505	(541,200)	(1.20) %
Administrative Expenses	11,485,612	10,753,722	732,889	6.82 %
Total Deductions	1,140,700,191	1,080,090,464	60,610,727	5.61 %
<b>Change in net position</b>	<b>\$ 965,812,140</b>	<b>\$ 430,047,222</b>	<b>\$ 1,395,858,361</b>	<b>(324.58) %</b>

#### Judicial

<b>Additions:</b>	<b>2017</b>	<b>2016</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Contributions and service credit purchases	\$ 6,159,844	\$ 5,819,109	\$ 340,735	5.86 %
Net Investment Income	9,012,199	232,210	8,779,989	3,781.06 %
Other Income	38	71,532	(71,494)	(99.95) %
Total Additions	15,172,080	6,122,852	9,049,229	147.79 %
<b>Deductions:</b>				
Benefit Payments	10,096,092	9,812,803	283,289	2.89 %
Refunds	10,677	45,432	(34,755)	(76.50) %
Administrative Expenses	69,102	64,326	4,776	7.42 %
Total Deductions	10,175,871	9,922,561	253,310	2.55 %
<b>Change in net position</b>	<b>\$ 4,996,209</b>	<b>\$ (3,799,710)</b>	<b>\$ 8,795,919</b>	<b>(231.49) %</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the Fiscal Year ended June 30, 2017

### Magistrate

	2017	2016	Dollar Change	Percentage Change
<b>Additions:</b>				
Contributions and service credit purchases	\$ 1,885,718	\$ 1,867,096	\$ 18,622	1.00 %
Net Investment Income	3,289,637	69,507	3,220,130	4,632.81 %
Other Income	3,037	26,885	(23,848)	(88.70) %
Total Additions	5,178,392	1,963,488	3,214,903	163.73 %
<b>Deductions:</b>				
Benefit Payments	3,966,316	3,976,586	(10,270)	(0.26) %
Refunds	-	14,805	(14,805)	(100.00) %
Administrative Expenses	25,004	23,735	1,269	5.35 %
Total Deductions	3,991,320	4,015,126	(23,806)	(0.59) %
<b>Change in net position</b>	<b>\$ 1,187,072</b>	<b>\$ 2,051,638</b>	<b>\$ 3,238,709</b>	<b>(157.86) %</b>

### VFF

	2017	2016	Dollar Change	Percentage Change
<b>Additions:</b>				
Appropriations from State of NM	\$ 750,000	\$ 750,000	\$ -	0.00 %
Net Investment Income	6,682,230	206,025	6,476,205	3,143.41 %
Other Income	1,425	51,385	(49,960)	(97.23) %
Total Additions	7,433,655	1,007,410	6,426,245	637.90 %
<b>Deductions:</b>				
Benefit Payments	2,030,782	1,835,318	195,464	10.65 %
Administrative Expenses	51,792	46,902	4,890	10.43 %
Total Deductions	2,082,574	1,882,219	200,355	10.64 %
<b>Change in net position</b>	<b>\$ 5,351,081</b>	<b>\$ (874,810)</b>	<b>\$ 6,225,891</b>	<b>(711.69) %</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### For the Fiscal Year ended June 30, 2017

#### NET POSITION HELD IN TRUST FOR PENSION BENEFITS

The following tables displays the Total Net Position Held in Trust by fund. This is the total assets, less the liabilities to end up with the net position held in trust for the four funds.

##### PERA

	2017	2016	Dollar Change	Percentage Change	
<b>Assets:</b>					
Cash & Short-term Investments	\$ 775,190,072	\$ 610,820,648	\$ 164,369,424	26.91	%
Receivables	444,256,535	609,942,367	(165,685,833)	(27.16)	%
Investments	14,791,115,477	13,948,789,387	842,326,090	6.04	%
Capital Assets, Net	11,756,195	12,425,635	(669,440)	(5.39)	%
Total Assets	16,022,318,279	15,181,978,038	840,340,241	5.54	%
<b>Liabilities:</b>					
Accounts Payable	772,432,189	817,656,133	(45,223,944)	(5.53)	%
Other Liabilities	450,968,179	537,663,537	(86,695,359)	(16.12)	%
Total Liabilities	1,223,400,368	1,355,319,670	(131,919,302)	(9.73)	%
<b>Change in net position</b>	<b>\$ 14,798,917,911</b>	<b>\$ 13,826,658,367</b>	<b>\$ 972,259,544</b>	<b>7.03</b>	<b>%</b>

##### Judicial

	2017	2016	Dollar Change	Percentage Change	
<b>Assets:</b>					
Cash & Short-term Investments	\$ 4,639,759	\$ 3,684,285	\$ 955,474	25.93	%
Receivables	2,686,335	3,926,399	(1,240,065)	(31.58)	%
Investments	89,558,491	85,602,653	3,955,838	4.62	%
Total Assets	96,884,585	93,213,337	3,671,248	3.94	%
<b>Liabilities:</b>					
Accounts Payable	4,569,760	4,846,997	(277,237)	(5.72)	%
Other Liabilities	2,698,628	3,434,318	(735,689)	(21.42)	%
Total Liabilities	7,268,388	8,281,315	(1,012,926)	(12.23)	%
<b>Change in net position</b>	<b>\$ 89,616,197</b>	<b>\$ 84,932,022</b>	<b>\$ 4,684,174</b>	<b>5.52</b>	<b>%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the Fiscal Year ended June 30, 2017

### Magistrate

	2017	2016	Dollar Change	Percentage Change	
<b>Assets:</b>					
Cash & Short-term Investments	\$ 1,678,848	\$ 1,359,397	\$ 319,451	23.50	%
Receivables	1,079,262	1,439,608	(360,346)	(25.03)	%
Investments	32,119,716	31,317,328	802,388	2.56	%
Total Assets	34,877,826	34,116,332	761,494	2.23	%
<b>Liabilities:</b>					
Accounts Payable	1,676,235	1,811,119	(134,883)	(7.45)	%
Other Liabilities	976,470	1,267,166	(290,695)	(22.94)	%
Total Liabilities	2,652,706	3,078,284	(425,579)	(13.83)	%
<b>Change in net position</b>	\$ 32,225,120	\$ 31,038,048	\$ 1,187,072	3.82	%

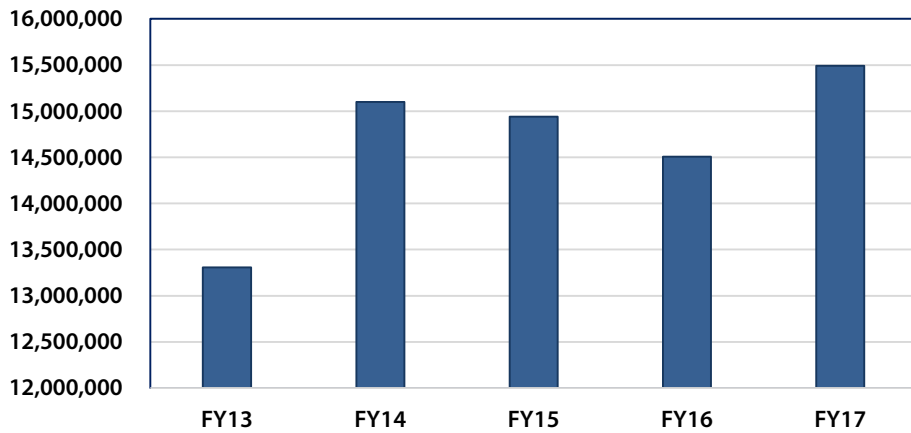
### VFF

	2017	2016	Dollar Change	Percentage Change	
<b>Assets:</b>					
Cash & Short-term Investments	\$ 3,477,472	\$ 2,686,313	\$ 791,160	29.45	%
Receivables	1,903,366	2,635,333	(731,967)	(27.78)	%
Investments	66,467,604	61,765,990	4,701,614	7.61	%
Total Assets	71,848,442	67,087,635	4,760,807	7.10	%
<b>Liabilities:</b>					
Accounts Payable	3,425,067	3,533,892	(108,825)	(3.08)	%
Other Liabilities	2,022,606	2,504,055	(481,449)	(19.23)	%
Total Liabilities	5,447,673	6,037,947	(590,274)	(9.78)	%
<b>Change in net position</b>	\$ 66,400,769	\$ 61,049,688	\$ 5,351,080	8.77	%

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Fiscal Year ended June 30, 2017**

The following chart represents the change in total net position for the Public Employees Retirement Association over the last 6 years. (This includes all 4 funds and the Deferred Compensation fund.)

**Five year comparison of the Net Position Held  
in Trust (Dollars in Thousand)**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the Fiscal Year ended June 30, 2017

### DEFERRED COMPENSATION (IRC 457) FUND

In addition to the above retirement funds, the comparative summary of assets, liabilities, net position and the related change in net position of the Deferred Compensation (IRC 457) Plan is presented below. The assets and liabilities of this plan are administered by a plan administrator through an executed contract with PERA.

Statement of Fiduciary Net Position as of June 30, 2017, as compared to June 30, 2016, is as follows:

#### Deferred Comp

	2017	2016	Dollar Change	Percentage Change	
<b>Assets:</b>					
Receivables	\$ 12,178,289	\$ 10,260,289	1,918,000	18.69	%
Investments	556,654,494	492,579,720	64,074,774	13.01	%
Total Assets	568,832,783	502,840,009	65,992,774	13.12	%
<b>Net Position Held in Trust</b>	<b>\$ 568,832,783</b>	<b>\$ 502,840,009</b>	<b>\$ 65,992,774</b>	<b>13.12</b>	<b>%</b>

Statement of Changes in Fiduciary Net Position as of June 30, 2017, as compared to June 30, 2016, is as follows:

#### Deferred Comp

	2017	2016	Dollar Change	Percentage Change	
<b>Additions:</b>					
Contributions and service credit purchases	\$ 47,752,984	\$ 35,261,360	12,491,624	35.43	%
Net Investment Income	58,957,369	502,112	58,455,257	11,641.88	%
Net Appreciation (Depreciation) of Fair Value of Investments	-	994,163	(994,163)	(100.00)	%
Total Additions	106,710,353	36,757,635	69,952,718	190.31	%
<b>Deductions:</b>					
Benefit Payments	39,510,967	34,153,732	5,357,235	15.69	%
Life Insurance Premiums	(42,094)	55,038	(12,944)	(23.52)	%
Administrative Expenses	1,164,518	1,055,123	109,395	10.37	%
Total Deductions	40,717,579	35,263,893	5,453,686	15.47	%
<b>Change in net position</b>	<b>\$ 65,992,774</b>	<b>\$ 1,493,742</b>	<b>\$ 64,499,032</b>	<b>4,317.95</b>	<b>%</b>

### INVESTMENTS HIGHLIGHTS

The purpose of the investments is to provide for long-term growth, while also ensuring a reliable cash flow that meets the funding requirements of the current pension obligations. The investments are allocated to a variety of asset types and strategies in order to meet the current funding needs and future growth for their long-term return and growth characteristics, while fixed income and debt-related investments are included in the allocation

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### For the Fiscal Year ended June 30, 2017

for their ability to control investment risk and provide for a reliable cash flow that meets the funding requirement of current pension payments.

The following table shows the investment income for the fiscal year 2017:

#### Investment Income

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Interest	\$ 121,570,682	\$ 738,486	\$ 268,250	\$ 543,809	\$ 123,121,227
Dividends	162,383,951	975,099	355,953	723,663	164,438,666
Net Appreciation in Fair Value of Inv.	1,240,713,990	7,450,471	2,720,567	5,527,997	1,256,413,025
Other Investment Income	29,145,158	23,800	63,729	130,033	29,362,720
Other Investment Expenses	(56,387,309)	(346,676)	(126,167)	(258,123)	(57,118,276)
Net Securities Lending Income	3,332,113	171,019	7,305	14,851	3,525,288
<b>Net Investment Income</b>	<b>\$ 1,500,758,584</b>	<b>\$ 9,012,199</b>	<b>\$ 3,289,637</b>	<b>\$ 6,682,230</b>	<b>\$ 1,519,742,650</b>

The following table shows the invested assets as of June 30, 2017 compared to June 30, 2016:

#### Invested Assets

Investment Category	June 30 2017	June 30 2016	Dollar Change	Percentage Change
Domestic Equity	\$ 3,207,004,628	\$ 3,350,755,753	\$ (143,751,124)	-4.29%
International Equity	2,871,920,857	3,182,628,051	(310,707,193)	-9.76%
Core Fixed Income	3,512,495,160	4,003,628,694	(491,133,533)	-12.27%
Global Fixed Income	806,491,907	441,897,040	364,594,867	82.51%
Public MLP	286,425,758	119,332,690	167,093,068	140.02%
Public REIT	702,329,428	397,473,781	304,855,648	76.70%
Absolute Return - Credit	419,427,848	101,421,186	318,006,662	313.55%
Absolute Return - Equity	233,739,992	238,279,956	(4,539,964)	-1.91%
Absolute Return - Real Assets	158,922,744	204,505,118	(45,582,374)	-22.29%
Private Equity Partnership	693,777,885	587,818,015	105,959,871	18.03%
Private Debt Partnership	749,444,950	233,554,869	515,890,082	220.89%
Real Estate Equity Partnership	294,485,503	255,217,701	39,267,802	15.39%
Real Estate Debt Partnership	109,082,810	75,228,158	33,854,652	45.00%
Real Asset Partnership	453,764,648	371,226,569	82,538,079	22.23%
Securities Lending Collateral	456,765,979	544,078,061	(87,312,083)	-16.05%
Investments In State General Fund Investment Pool	23,181,186	20,429,714	2,772,700	13.57%
<b>Total Investments</b>	<b>\$ 14,979,261,285</b>	<b>\$ 14,127,475,355</b>	<b>\$ 851,785,931</b>	

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Fiscal Year ended June 30, 2017**

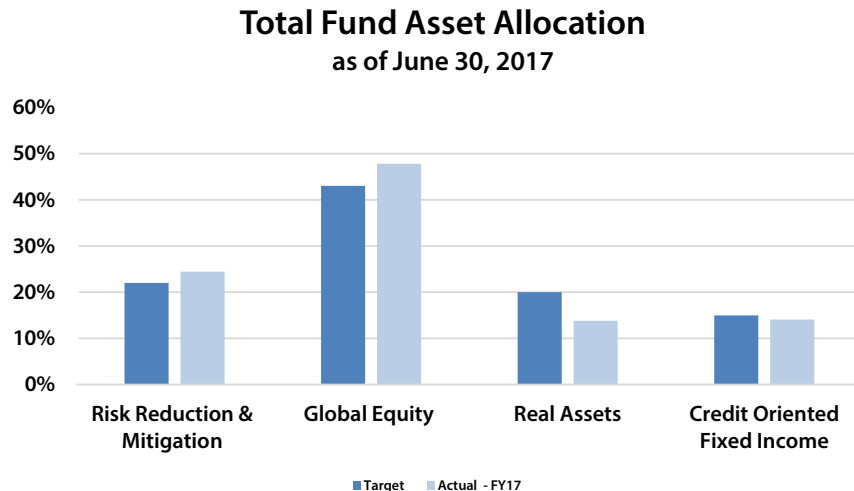
**TIME – WEIGHTED RETURNS VS BENCHMARKS**

As of June 30, 2017, the investments in the PERA Fund (or the Fund) returned 11.10% and generated investment gains of approximately \$1.5 billion net of investment fees and expenses. The Fund balance at the close of the fiscal year was approximately \$15.0 billion. Over the one-year and three-year measurement periods, the Fund has underperformed its benchmark return. The vast majority of the underperformance in the three-year period reflects changes made to the policy benchmark at the end of April 2016 for an updated strategic asset allocation. While the policy benchmark changes instantly, the implementation associated with adjustments to the asset allocation is a methodical process undertaken over a longer period. In particular, commitments to less liquid investments require additional time to identify appropriate strategies. Despite the recent underperformance, the PERA Fund continues to exceed its policy benchmark over longer time horizons.

<b>Time Period</b>	<b>PERA Return</b>	<b>Benchmark Return</b>	<b>Excess Return</b>
One-year	11.10%	11.68%	-0.58%
Three-year	4.39%	5.22%	-0.83%
Five-year	8.53%	8.50%	0.03%

**ASSET ALLOCATION**

The PERA investment committee took action during fiscal year 2016 adopt a new strategic asset allocation. The updated strategic asset allocation focuses on the role of each major asset category through various market cycles and better diversifies capital and risks across these strategies. The new target mix apportion assets to capture diversified return streams while reducing the expected volatility of the Fund, as a whole. The charts below detail the asset allocation for PERA investment portfolio and shows PERA's investment return compared to its policy benchmark.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### For the Fiscal Year ended June 30, 2017

#### STATUTORY CONTRIBUTIONS

Contributions are one piece of the Retirement Equation. The member and employer contributions rates are set in statute. See notes to the financial statements for the Detail Schedule of the Contribution Rates. Member contributions for the fiscal year decreased from \$633,978,740 in 2016 to \$614,098,005 in 2017.

#### Total Contribution by Fund

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Employer Contributions	\$ 332,473,332	\$ 4,524,201	\$ 1,282,356	-	\$ 338,279,888
Employee Contributions	264,939,116	1,635,643	603,362	-	267,178,121
Purchased Services	7,889,996	-	-	-	7,889,996
Other	-	-	-	750,000	750,000
<b>Net Investment Income</b>	<b>\$ 605,302,444</b>	<b>\$ 6,159,844</b>	<b>\$ 1,885,718</b>	<b>\$ 750,000</b>	<b>\$ 614,098,005</b>

#### BENEFITS AND EXPENSE

Benefits are also another component of the retirement equation. At the end of the fiscal year 2017, PERA was paying benefits to more than retired public employees and their benefices. Benefit and expenses for the fiscal year increased from \$1,131,174,263 in 2016 to \$1,156,949,955 in 2017.

#### Total Deductions to the Fund

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighters Retirement Fund	Total
Benefit Payments	\$ 1,084,818,274	\$ 10,096,092	\$ 3,966,316	\$ 2,030,782	\$ 1,100,911,464
Refunds	44,396,305	10,677	-	-	44,406,982
Administrative Expense	11,485,612	69,102	25,004	51,792	11,631,509
Other	-	-	-	-	-
<b>Total Deductions</b>	<b>\$ 1,140,700,190</b>	<b>\$ 10,175,871</b>	<b>\$ 3,991,320</b>	<b>\$ 2,082,574</b>	<b>\$ 1,156,949,955</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### For the Fiscal Year ended June 30, 2017

#### ACTUARIAL VALUATIONS

In FY17 PERA reported an Unfunded Actuarial Accrued Liability (UAAL) of \$5.07 billion, approximately \$251 million higher than the previous year. The slight increase in the UAAL was the result actuarial loss due to the investment experience and the loss non-investment related items. The return on the actuarial value of assets was 6.97% compared to an expected return of 7.25%.

Recent Governmental Accounting Standards Board (GASB) accounting changes (GASB 67 and GASB 68) have changed how an unfunded liability is calculated for accounting purposes and how it is reported on the financial statements of PERA's participating entities.

The table in the MD&A includes the Net Pension Liability as required under GASB 67. For further detail, please see Note 12 and required supplementary information specific to GASB 67, by fund.

#### Net Pension Liability by Fund

	PERA Fund	Judicial Fund	Magistrate Fund	Volunteer Firefighters Fund
Total Pension liability	\$20,068,143,304	\$176,290,693	\$65,627,669	\$48,502,745
Plan Net Position	14,798,917,909	89,616,194	32,225,122	66,400,768
Net Pension Liability /Asset	\$5,269,225,395	\$86,674,499	\$33,402,547	\$(17,898,023)
Ratio of plan net position of total pension liability	73.74%	50.83%	49.10%	136.90%

*Actuarial assumptions*—The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

#### STATE OF NEW MEXICO LEGISLATIVE CHANGES

During the State of New Mexico (53rd Legislature) in 2017, HB-002 was passed that reduced the State's distribution to the legislative retirement fund from \$75,000 a month to \$0.00 a month.

#### REQUEST FOR INFORMATION

Any questions regarding the financial statements of PERA should be directed to the Executive Director, at (505) 476-9301; Chief Investment Officer at (505) 476-9338, ASD Director at (505) 476-9304 or Chief Financial Officer at (505) 476-9313. All can be reached by mail at 33 Plaza La Prensa, Santa Fe, NM 87504. Further contact information is also located on PERA's website at <http://www.nmpera.org/>



# PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

## STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2017

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
<b>ASSETS</b>			
Cash and Short term investments	\$ 775,190,072	\$ 4,639,759	\$ 1,678,848
Receivables			
Accrued Investment Income	423,580,923	2,535,255	917,344
Accounts Receivable-Brokers	722,540	4,358	1,608
Contributions Receivable	19,217,987	-	-
Accounts Receivable - Other	735,085	146,722	126,380
Participant Loans Receivable	-	-	-
Due from other Agencies	-	-	33,930
	<u>444,256,535</u>	<u>2,686,335</u>	<u>1,079,262</u>
Investment in State Treasurer Investment Pool	21,675,640	1,159,264	133,386
Investments, at fair value			
Domestic Equity	3,166,983,451	18,955,401	6,858,813
International Equity	2,836,081,292	16,974,847	6,142,170
Core Fixed Income	3,468,661,675	20,761,041	7,512,165
Global Fixed Income	796,427,452	4,766,871	1,724,842
Public MLP	282,851,365	1,692,955	612,578
Public REIT	693,564,848	4,151,206	1,502,070
Absolute Return - Credit	414,193,682	2,479,081	897,029
Absolute Return - Equity	230,823,080	1,381,549	499,899
Absolute Return - Real Assets	156,939,499	939,333	339,888
Private Equity Partnership	685,120,022	4,100,661	1,483,781
Private Debt Partnership	740,092,401	4,429,688	1,602,836
Real Estate Equity Partnership	290,810,530	1,740,593	629,815
Real Estate Debt Partnership	107,721,533	644,748	233,295
Real Asset Partnership	448,101,982	2,682,033	970,465
Variable Earning Investments (IRC 457)	-	-	-
Stable Value Option & Other (IRC 457)	-	-	-
Fixed annuity payout option	-	-	-
Self-directed option	-	-	-
	<u>14,340,048,452</u>	<u>86,859,271</u>	<u>31,143,032</u>
Securities Lending Collateral Investments	<u>451,067,025</u>	<u>2,699,220</u>	<u>976,684</u>
	<u>14,791,115,477</u>	<u>89,558,491</u>	<u>32,119,716</u>
Total Investments	14,791,115,477	89,558,491	32,119,716
Capital Assets, Net	11,756,195	-	-
Total Assets	<u>16,022,318,279</u>	<u>96,884,585</u>	<u>34,877,826</u>
<b>LIABILITIES</b>			
Accounts Payable - Brokers	763,454,754	4,569,505	1,653,428
Accounts Payable - Other	8,448,103	255	22,808
Accrued Expenses	249,280	-	-
Compensated Absences	280,052	-	-
Securities Lending Liability	450,968,179	2,698,628	976,470
Total Liabilities	<u>1,223,400,368</u>	<u>7,268,388</u>	<u>2,652,706</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
	<u>\$ 14,798,917,911</u>	<u>\$ 89,616,197</u>	<u>\$ 32,225,120</u>

# PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

## STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2017

	Volunteer Firefighters Retirement Fund	Deferred Comp (IRC 457) Fund	Total
<b>ASSETS</b>			
Cash and Short term investments	\$ 3,477,472	\$ -	\$ 784,986,152
Receivables			
Accrued Investment Income	1,900,188	-	428,933,710
Accounts Receivable-Brokers	3,178	-	731,684
Contributions Receivable	-	860,212	20,078,199
Accounts Receivable - Other	-	-	1,008,186
Participant Loans Receivable	-	11,318,077	11,318,077
Due from other Agencies	-	-	33,930
	<u>1,903,366</u>	<u>12,178,289</u>	<u>462,103,786</u>
Investment in State Treasurer Investment Pool	212,897	-	23,181,186
Investments, at fair value			
Domestic Equity	14,206,963	-	3,207,004,628
International Equity	12,722,549	-	2,871,920,857
Core Fixed Income	15,560,280	-	3,512,495,160
Global Fixed Income	3,572,742	-	806,491,907
Public MLP	1,268,860	-	286,425,758
Public REIT	3,111,305	-	702,329,428
Absolute Return - Credit	1,858,057	-	419,427,848
Absolute Return - Equity	1,035,463	-	233,739,992
Absolute Return - Real Assets	704,024	-	158,922,744
Private Equity Partnership	3,073,421	-	693,777,885
Private Debt Partnership	3,320,025	-	749,444,950
Real Estate Equity Partnership	1,304,565	-	294,485,503
Real Estate Debt Partnership	483,235	-	109,082,810
Real Asset Partnership	2,010,168	-	453,764,648
Variable Earning Investments (IRC 457)	-	418,943,401	418,943,401
Stable Value Option & Other (IRC 457)	-	131,884,328	131,884,328
Fixed annuity payout option	-	1,197,477	1,197,477
Self-directed option	-	4,629,288	4,629,288
	<u>64,444,554</u>	<u>556,654,494</u>	<u>15,079,149,800</u>
Securities Lending Collateral Investments	2,023,050	-	456,765,979
	<u>66,467,604</u>	<u>556,654,494</u>	<u>15,535,915,779</u>
Capital Assets, Net	-	-	11,756,195
Total Assets	<u>71,848,442</u>	<u>568,832,783</u>	<u>16,794,761,911</u>
<b>LIABILITIES</b>			
Accounts Payable - Brokers	3,424,817	-	773,102,505
Accounts Payable - Other	250	-	8,471,416
Accrued Expenses	-	-	249,280
Compensated Absences	-	-	280,052
Securities Lending Liability	2,022,606	-	456,665,884
Total Liabilities	<u>5,447,673</u>	<u>-</u>	<u>1,238,769,137</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
	<u>\$ 66,400,769</u>	<u>\$ 568,832,783</u>	<u>\$ 15,555,992,774</u>

# PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	Public Employee Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 332,473,332	\$ 4,524,201	\$ 1,282,356
Member	264,939,116	1,635,643	603,362
Appropriations from State of New Mexico -			
Legislative Fund	-	-	-
Fire Protection Fund	-	-	-
Service Credits Purchased	7,889,996	-	-
<b>Total Contributions</b>	<b>605,302,444</b>	<b>6,159,844</b>	<b>1,885,718</b>
Investment Income			
Interest	121,570,682	738,486	268,250
Dividends	162,383,951	975,099	355,953
Net Appreciation (Depreciation) in Fair Value of Investments	1,240,713,990	7,450,471	2,720,567
Securities Lending Income	3,965,163	174,808	8,676
Other Investment Income	29,145,158	23,800	63,729
	1,557,778,944	9,362,664	3,417,175
Securities Lending Expenses	(633,051)	(3,789)	(1,371)
Other Investment Expenses	(56,387,309)	(346,676)	(126,167)
<b>Net Investment Income</b>	<b>1,500,758,584</b>	<b>9,012,199</b>	<b>3,289,637</b>
<b>OTHER</b>			
Other Income	394,165	38	3,037
Special fund appropriation	77,300	-	-
Reversion (Note 1)	(20,162)	-	-
<b>Total Additions</b>	<b>2,106,512,331</b>	<b>15,172,080</b>	<b>5,178,392</b>
<b>DEDUCTIONS</b>			
Benefit Payments	1,084,818,274	10,096,092	3,966,316
Refunds to Terminated Employees	44,396,305	10,677	-
Administrative Expenses	11,485,612	69,102	25,004
Life Insurance Premiums	-	-	-
<b>Total Deductions</b>	<b>1,140,700,191</b>	<b>10,175,871</b>	<b>3,991,320</b>
Change in Fiduciary Net Position	965,812,140	4,996,209	1,187,072
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of Year	13,826,658,367	84,932,021	31,038,048
Prior Period Adjustments (footnote 16)	6,447,404	(312,033)	-
Beginning of Year, restated	13,833,105,771	84,619,988	31,038,048
<b>End of Year</b>	<b>\$ 14,798,917,911</b>	<b>\$ 89,616,197</b>	<b>\$ 32,225,120</b>

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO (CONTINUED)**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2017

	Volunteer Firefighters Retirement Fund	Deferred Comp (IRC 457) Fund	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ -	\$ -	\$ 338,279,888
Member	-	47,752,984	314,931,105
Appropriations from State of New Mexico -			
Legislative Fund	-	-	-
Fire Protection Fund	750,000	-	750,000
Service Credits Purchased	-	-	7,889,996
<b>Total Contributions</b>	<u>750,000</u>	<u>47,752,984</u>	<u>661,850,989</u>
Investment Income			
Interest	543,809	58,957,369	182,078,596
Dividends	723,663	-	164,438,666
Net Appreciation (Depreciation) in Fair Value of Investments	5,527,997	-	1,256,413,025
Securities Lending Income	17,691	-	4,166,338
Other Investment Income	130,033	-	29,362,720
	<u>6,943,193</u>	<u>58,957,369</u>	<u>1,636,459,345</u>
Securities Lending Expenses	(2,840)	-	(641,050)
Other Investment Expenses	(258,123)	-	(57,118,276)
	<u>6,682,230</u>	<u>58,957,369</u>	<u>1,578,700,019</u>
<b>Net Investment Income</b>	<u>6,682,230</u>	<u>58,957,369</u>	<u>1,578,700,019</u>
<b>OTHER</b>			
Other Income	1,425	-	398,665
Special fund appropriation	-	-	77,300
Reversion (Note 1)	-	-	(20,162)
	<u>1,425</u>	<u>-</u>	<u>475,803</u>
<b>Total Additions</b>	<u>7,433,655</u>	<u>106,710,353</u>	<u>2,241,006,811</u>
<b>DEDUCTIONS</b>			
Benefit Payments	2,030,782	39,510,967	1,140,422,437
Refunds to Terminated Employees	-	-	44,406,982
Administrative Expenses	51,792	1,164,518	12,796,027
Life Insurance Premiums	-	42,094	42,094
<b>Total Deductions</b>	<u>2,082,574</u>	<u>40,717,579</u>	<u>1,197,667,540</u>
Change in Fiduciary Net Position	5,351,081	65,992,774	1,043,339,271
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>			
<b>Beginning of Year</b>	<u>61,049,688</u>	<u>502,840,009</u>	<u>14,506,518,133</u>
<b>Prior Period Adjustments (footnote 16)</b>	<u>-</u>	<u>-</u>	<u>6,135,371</u>
<b>Beginning of Year, restated</b>	<u>61,049,688</u>	<u>502,840,009</u>	<u>14,512,653,504</u>
<b>End of Year</b>	<u>\$ 66,400,769</u>	<u>\$ 568,832,783</u>	<u>\$ 15,555,992,775</u>

## NOTES TO THE FINANCIAL STATEMENT

June 30, 2017

### 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 1(C). 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 twelve Board members are elected by PERA active and retired members under state, municipal and county coverage plans. Two of the twelve 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 further detail and information on the Deferred Compensation Fund and how to obtain separate financial statements of the Deferred Compensation Fund in Note 1.C.

PERA applied the criteria established by GAAP 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  
Judicial Retirement Fund SHARE fund #60300  
Magistrate Retirement Fund SHARE fund #60400  
Volunteer Firefighters Retirement Fund SHARE fund #60700  
Deferred Compensation Fund SHARE fund #75500

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

PERA does not receive General Fund Appropriations from the State of New Mexico. PERA is self-funded through investment income and therefore is a non-reverting fund. PERA did receive a special appropriation for fiscal year 2017 to administrator the Social Security program for the state. Based on the special appropriation PERA has reverted \$20,162 back to the General 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/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. 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), 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 for TIER I members. 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 for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of 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 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

### TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contributions

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

### June 30, 2017

increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

State Legislative Fund is a defined benefit pension plan that is a division accounted for under the Public Employees Fund. Eligibility for membership in the State Legislative Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, Section 43 and 43.5, NMSA 1978). State Legislators and lieutenant governors must elect to be a member no later than 180 days after first taking office to be covered under the State Legislative Plan.

Member contributions are \$500 for each year of service credit prior to 2012 session, and \$600 for each year of service credit beginning with the 2012 legislative session. Legislative service credit is earned each calendar year during which the member fulfills the obligations of the position of legislator for more than six months of the calendar year, including the legislative session. Legislators are not required to make a member contribution until after the legislative session has ended and after PERA verifies service credit. PERA invoices legislative members to cover member contributions for each legislative session after the session ends, which is normally July or August.

State funding for the State Legislative Fund is defined in Sections 10-11-43 and 10-11-43.5, NMSA 1978. The state is required to contribute sufficient amounts to finance the membership of members under state legislator coverage plan 2 on an actuarial reserve basis. The total actuarial determined amount for the State Legislative Fund for the fiscal year ended June 30, 2016 was determined by the actuary to be \$0. Actual funding/contributions historically have exceeded actuarial determined contributions. Regarding the source of funding, Section 7-1-6.43 of the Tax Administration Act states “A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the legislative retirement fund in an amount equal to two hundred thousand dollars (\$200,000) a month or, if larger, one-twelfth of the amount necessary to pay out the retirement benefits due under state legislator member coverage plan 2 and Paragraph (2) of Subsection C of Section 10-11-42 NMSA 1978 for the calendar year.” During the State of New Mexico (53rd Legislature) in 2017, HB-002 was passed that reduced the State’s distribution to the legislative retirement fund from \$75,000 a month to \$0.00 a month.

Age and service requirements for retirement are age 65 or older with 5 or more years of service credit or any age with 10 or more years of service credit. Legislative members who meet retirement eligibility requirements receive annual pensions equal in any calendar year to 11% of the per diem rate in effect, pursuant to Section 2-1-8, NMSA 1978, on the first day of the calendar year that the legislator or lieutenant governor retires multiplied by 60 and further multiplied by credited service as a legislator or lieutenant governor. The per diem rate starting January 1, 2015 is \$165.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

The following table (Tier I and Tier II) illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

<b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
"Municipal Plan 1 (plan open to new employers)"	7.0%	8.5%	7.4%	2.0%	2.0%	90%
"Municipal Plan 2 (plan open to new employers)"	9.15%	10.65%	9.55%	2.5%	2.0%	90%
"Municipal Plan 3 (plan closed to new employers 6/95)"	13.15%	14.65%	9.55%	3.0%	2.5%	90%
"Municipal Plan 4 (plan closed to new employers 6/00)"	15.65%	17.15%	12.05%	3.0%	2.5%	90%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%



## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

***Judicial Retirement Fund*** is a single 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. All assets accumulated for the payment of benefits may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the Judicial Retirement plan.

For individuals that became a member of this plan 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 a member of this plan 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.

The retirement age and service credit requirements for normal retirement for judicial members who first take the bench on or after July 1, 2014 increased with the passage of House Bill 33 Substitute in the 2014 Legislative Session. Under the new requirements, judicial members are eligible to retire at age 65 with eight or more years of service or at age 60 with 15 or more years of service credit.

Effective July 1, 2014, judicial membership is mandatory, all judicial pension factors were reduced, employee and employer contributions increased 3 percent and the computation of final average salary increased as the average of salary for the 60 consecutive months. In addition, cost-of-living increases were suspended for two consecutive fiscal years and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

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 10.5% of their salaries and the member's court contributes at a rate of 15% 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.

Certain changes took place under House Bill 33 and amends the Judicial Retirement Act (JRA) as follows:

### Mandatory Membership

- Eliminates the ability for judges to exempt themselves from membership as an elected official.
- Requires those judges who have previously retired from another state system or the educational retirement system ("working retiree") to make nonrefundable "working retiree contributions" during their terms of office

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

as judges; working retirees will not be eligible to accrue a retirement benefit under the JRA.

- Judges who have previously retired from another state system or the educational retirement system will have their COLA suspended effective July 1, 2014 for the duration of their terms as magistrate.

### Cost-of-Living Adjustment (COLA)

Establishes an independent COLA for judges and justices under the JRA, as follows:

- Suspends the COLA for all retired judges and justices for two years (July 1, 2014 and July 1, 2015).
- Beginning no later than May 1, 2016, PERA shall certify the projected funded ratio for the next succeeding year (based on the JRA Fund's prior year actuarial valuation).
- Effective July 1, 2016, provides all eligible retirees with a 2% compounding COLA if the Judicial Fund (Fund) is at or greater than the 100% funded ratio threshold and projected to continue to be at or above 100% for the next successive year.
- Suspends the cost-of-living adjustment (COLA) for judges and magistrates if the Funds' funded ratios fall below 100%. COLA suspensions shall only be implemented for two consecutive fiscal years.

### Increased Employee Contributions

- Effective July 1, 2014, increases employee contributions 3% (from 7.5% to 10.5%);
- Effective July 1, 2014, increases employer contributions 3% (from 12% to 15%);
- Requires "non-member" contributions during employment for judges and justices that have filed an exemption from membership; non-members will receive a refund of contributions, with interest, upon termination of employment.

### New Benefit Structure

- Raises age and service for normal retirement for judges who initially became members:
  - Prior to July 1, 2005: 60 years with 15 years of service credit; or  
65 years (from 64) with 5 years of service credit  
(Early retirement and 18 years w/ actuarial discount)
  - July 1, 2005 through June 30, 2014: 55 years with 16 years of service credit; or  
65 years (from 64) with 5 years of service credit
  - On or after July 1, 2014: 60 years with 15 years of service credit; or  
65 years with 8 years of service credit
- Lowers the pension multiplier to 3.5% (from 3.75%) and prorates future service credit for active members for a "blended" pension benefit for active JRA members.
- Increases the pension maximum to 85%, (from 75%).
- Increases the vesting period for judges who first take office after July 1, 2014 to 8 years (from 5).
- Changes form of benefit payments for those judges retiring on or after July 1, 2014. Currently, a judge's surviving spouse or designated beneficiary receives 75% of the judge's retirement pension until death. HB 33

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

provides for Normal and Optional forms of payments, similar to all other PERA member coverage plans. The normal form of payment is for life (Option A). Optional contingent survivor beneficiary forms of payment (Options B, C and D) are available on an actuarial equivalent basis. Total pension payments can never be less than the judge's accumulated contributions.

***Magistrate Retirement Fund*** is a single employer defined benefit pension plan as the State of New Mexico assume sole responsibility for the fund and discloses its liability annually in the Statewide CAFR. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. All assets accumulated for the payment of benefits may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the Magistrate Retirement plan.

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.

The retirement age and service credit requirements for normal retirement for magistrate members who first take the bench on or after July 1, 2014 increased with the passage of House Bill 216 Substitute in the 2014 Legislative Session. Under the new requirements, magistrates are eligible to retire at age 65 with eight or more years of service, at age 60 with 15 or more years of service credit or at any age with 24 years of service credit.

Effective July 1, 2014, membership is mandatory, all magistrate pension factors were reduced, employee contributions increased 3 percent and the computation of final average salary increased as the average of salary for the 60 consecutive months. Employer contribution rates increased by 4 percent effective July 1, 2015. In addition, cost-of-living increases were suspended for two consecutive fiscal years and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Member contributions are based on 10.5% 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. Beginning July 1, 2015, the employer contribution will increase to 15% of a 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.

Certain changes took place under House Bill 216 and amends the Magistrate Retirement Act (MRA) as follows:

### **Cost-of-Living Adjustment (COLA)**

Establishes an independent COLA for magistrates under the MRA, as follows:

- Suspends the COLA for all retired magistrates for two years (July 1, 2014 and July 1, 2015).
- Beginning no later than May 1, 2016, PERA shall certify the projected funded ratio for the next succeeding year (based on the MRA Fund's prior year actuarial valuation).

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

- Effective July 1, 2016, provides all eligible retirees with a 2% compounding COLA if the Magistrate Fund (Fund) is at or greater than the 80% funded ratio threshold and projected to continue to be at or above 80% for the next successive year.
- Suspends the cost-of-living adjustment (COLA) for magistrates if the Funds' funded ratios fall below 80%. COLA suspensions shall only be implemented for two consecutive fiscal years.

### **Increased Employee Contributions**

- Effective July 1, 2014, increases employee contributions 3% (from 7.5% to 10.5%);
- Effective July 1, 2014, increases employer contributions 4% (from 11% to 15%);
- Requires “non-member” contributions during employment for magistrates that have filed an exemption from membership; non-members will receive a refund of contributions, with interest, upon termination of employment.

### **New Benefit Structure**

- Raises age and service for normal retirement for magistrates who initially became members:
  - Before July 1, 2014:
    - Any age and 24 years of service credit;
    - 60 years with 15 years of service credit; or
    - 65 years (from 64) with 5 years of service credit
  - On or after July 1, 2014:
    - Any age and 24 years of service credit;
    - 60 years with 15 years of service credit; or
    - 65 years with 8 years of service credit
- Lowers the pension multiplier to 3.5% (from 5.0%) and prorates future service credit for active members for a “blended” pension benefit for active MRA members.
- Increases the pension maximum to 85%, (from 75%).
- Increases the vesting period for magistrates who first take office after July 1, 2014 to 8 years (from 5).
- Changes form of benefit payments for those magistrates retiring on or after July 1, 2014. Currently, a judge's surviving spouse or designated beneficiary receives 75% of the judge's retirement pension until death. HB 216 provides for Normal and Optional forms of payments, similar to all other PERA member coverage plans. The normal form of payment is for life (Option A). Optional contingent survivor beneficiary forms of payment (Options B, C and D) are available on an actuarial equivalent basis. Total pension payments can never be less than the judge's accumulated contributions.

**Volunteer Firefighters Retirement Fund** is a single employer defined benefit pension plan. 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

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

age and service credit requirements is eligible for membership in the Volunteer Firefighters Retirement Fund. 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 (\$125 per month as of July 1, 2013) with at least 10 but less than 25 years of service or \$200 per month (\$250 per month as of July 1, 2013) 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 to the plan. State statute requires that the State Treasurer transfer \$750,000 during the 2017 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund for purposes of contributing to the plan.

***Deferred Compensation Plan*** - The State of New Mexico also offers employees a deferred compensation plan under NMSA 1978, Sections 10-7A-1 through 10-7A-12, the “Deferred Compensation Act,” in conformity with Internal Revenue Code Section 457. The plan provides eligible employees a voluntary, supplemental, tax-deferred retirement program as an additional method to save a portion of their income for future years.

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 perform recordkeeping, enrollment education services and other administrative duties for 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 provide a prudent 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 Document.

The Plan was amended in October 2004 to allow participants to take loans from their account balances. The maximum term permitted on a loan is five years or 15 years if the loan is for the purchase of a principal residence. The minimum loan amount permitted is \$1,000 and the maximum amount of any loan under the Plan is the lesser of 50% of the participant’s vested account balance or \$50,000. The total balance of loans outstanding to participants was \$11,318,077 and \$10,086,535 at June 30, 2017 and 2016, respectively. Interest rates range between 4.25% and 9.25% for all loans outstanding. These rates are based on the rate approved by the Plan at the time of the loan.

Participants of this plan are required to take distributions at the age of 70½ years old if not already done so. Participants of this plan also may take distributions under certain circumstances such as the participant’s death, separation-from-service, retirement, severe financial emergency, or if a participant’s account balance does not exceed \$5,000 and no amount was deferred during a 2-year period and there was no prior distribution. Participants may select various payout options, including lump sum payments or periodic payments.

The Deferred Compensation Plan issues a publicly available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza La Prensa, Santa Fe, New Mexico 87507, or calling (505) 476-9386.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

### D. Senate Bill 27 - Summary of PERA Pension Plan Changes effective July 1, 2013

Effective July 1, 2013, this legislation establishes two tiers of benefits under each PERA coverage plan.

#### TIER 1

Individuals who are retired members or members (i.e. currently employed, contributing employees of an affiliated public employer or individuals who have been, but are not currently, employed by an affiliated public employer who have not retired and who have not received a refund of member contributions) on June 30, 2013 are in Tier 1.

State and Municipal General Members hired between July 1, 2010 and June 30, 2013 are grandfathered into Tier 1 coverage plans.

#### TIER 2

Individuals who are not retired members or members on June 30, 2013 (i.e., were first hired by a PERA employer on or after July 1, 2013) are in Tier 2.

### CHANGES FOR TIER 1 MEMBERS

#### **Pension Maximum**

- Increased to 90% of final average salary for all plans.

#### **Service Credit**

- Establishes blended pensions for service credit earned after July 1, 2013. A blended pension benefit is equal to the sum of the pension attributable to the service credit the member has accrued under each coverage plan with different pension factors.

#### **Cost-of-Living Adjustment (COLA)**

- Eligible retired members will receive a 2% COLA.
- Graduated COLA eligibility period for those who retire:
  - ✓ before June 30, 2014: no change to current 2 full-calendar years after retirement to receive a COLA;
  - ✓ between July 1, 2014 and June 30, 2015: 3 full-calendar year eligibility period to receive a COLA;
  - ✓ between July 1, 2015 and June 30, 2016: 4 full-calendar year eligibility period to receive a COLA;
  - and
  - ✓ after July 1, 2016: 7 full-calendar year eligibility period to receive a COLA.
- No change in 1-year COLA eligibility for disability retirees or retirees age 65 or older.

#### **Employee Contribution Rate**

- Increases the statutory employee contribution rate by 1.5% for employees who earn \$20,000 or more in annual salary.
- Employee contribution increase of 1.5% accomplished for state members by removing the sunset of the contribution shift.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

### **CHANGES FOR TIER 2 MEMBERS**

#### **Pension Benefits**

##### *General Members (Non-Public Safety Employees)*

- 0.5% reduction in the Annual Pension Factor
- 5-year Final Average Salary calculation
- Retirement eligibility: Rule of 85 or age 65 with 8 years of service
- 8-year Vesting Period
- 90% Pension Maximum
- 2% COLA
- 7 full-calendar year eligibility period to receive a COLA

##### *Public Safety Plan Members (State Police, Adult Correctional Officers, Peace Officers, Juvenile Correctional Officers, Municipal Police, Fire, Detention Officers)*

- 0.5% reduction in the Annual Pension Factor
- 5-year Final Average Salary calculation
- Retirement eligibility: 25 years of service credit/any age or age 60 with 6 years of service
- 6-year Vesting Period
- 90% Pension Maximum
- 2% COLA
- 7 full-calendar year eligibility period to receive a COLA

Blended pension is equal to the sum of the pension attributable to the service credit the member has earned under each coverage plan with different pension factors.

#### **Employee Contribution Rate**

- Increases the statutory employee contribution rate by 1.5 % for employees who earn \$20,000 or more in annual salary.
- Employee contribution increase of 1.5% accomplished for state members by removing the sunset of the contribution shift effective July 1, 2013.

### **CHANGES FOR RETIREES**

#### **Cost-of-Living Adjustment (COLA)**

- Reduces the COLA from 3% to 2% except for:
- 2.5% COLA for members retired with 25 or more years of PERA service credit (not reciprocity) and disability retired members, whose annual pensions are less than \$20,000.

### **CHANGES FOR RE-EMPLOYED RETIREES**

#### **Cost-of-Living Adjustment (COLA)**

- Suspends the COLA for grandfathered return-to-work retirees during reemployment with PERA-affiliated employers or retirees employed by entities covered by the Educational Retirement Act.

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
June 30, 2017

**CHANGES FOR EMPLOYERS**

- Optional municipal employer “pickup” of future employee contribution increases.
- Increases the statutory employer contribution rate 0.4% for FY15.

**CHANGES TO VOLUNTEER FIREFIGHTER RETIREMENT PLAN**

The following monthly benefit increases are effective July 1, 2013:

- Age 55 years with 25 or more years of service credit: \$250 (from \$200)
- Age 55 years with 10 or more years of service credit: \$125 (from \$100)

**E. Membership of the Plans**

At June 30, 2017, the number of participating government employers were as follows:

**Public Employees Retirement Fund**

State Agencies	124
Cities	36
Towns	18
Villages	37
Counties	33
Housing Authorities	15
Other Local Public Bodies	74
<b>Total PERA</b>	<b>337</b>
<b>Judicial Retirement Fund*</b>	<b>16</b>
<b>Magistrate Retirement Fund*</b>	<b>1</b>
<b>Volunteer Firefighters Retirement Fund*</b>	<b>402</b>

\*Plans have multiple employers for reporting purposes, but are defined as single employer plans.

At June 30, 2017, membership in the plans was as follows:

	<b>PERA*</b> <b>Retirement</b> <b>Fund</b>	<b>Judicial</b> <b>Retirement</b> <b>Fund</b>	<b>Magistrate</b> <b>Retirement</b> <b>Fund</b>	<b>VFF</b> <b>Retirement</b> <b>Fund</b>	<b>Totals</b>
Retirees and beneficiaries receiving benefits	37,388	160	100	1,113	38,761
Terminated plan members not yet receiving benefits	15,091	20	14	482	15,607
Active plan members	48,815	127	65	7,823	56,830

\*Note PERA Retirement Fund includes the Legislative Fund  
Note counts are based on the 2016 Valuation Report since they support the 2017 GASB 67 amounts



**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
 June 30, 2017

**F. Cost of Living Adjustment (COLA)**

The Cost-of-Living Adjustments (COLA) are made to eligible retirees and beneficiaries. Retirees of the PERA, Legislative, Magistrate and Judicial fund receive a COLA yearly after retirement of two full-calendar years (January 1 through December 31), subject to certain conditions. The 2% Cost-of-Living Adjustment (COLA) will therefore be effective July 1 of the following year after the two full calendar years and will be compounded for each fiscal year thereafter. The COLA for disabled retired members making less than \$20,000 and members that make less than \$20,000 and have 25 years of service credit will be 2.5%. COLA recipients receive a notification letter each July advising them of the increase in their pension payments. The total annual COLA payments for FY17 were \$229,486,848, an average of \$19,123,904 per month.

**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 due through June 30 are accrued (based on pay period end date, which drives pay period reporting to PERA). 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 Short term investments.*** Cash and Short term investments 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 fair value.

***Receivables due to PERA.*** Per Article IV, Section 32 of the New Mexico Constitution, no obligation or liability will be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury or by proper proceeding in court. Per 2.80.800.8 NMAC, the Board directs the Executive Director to make all reasonable efforts to collect any pension or refund overpayment made for any reason. PERA’s financial statement include a due from(s) as follows:

<b>Business Unit</b>	<b>Fund Number</b>	<b>Description</b>	<b>Amount</b>	<b>Business Unit Number</b>	<b>Fund Number</b>
21800	12200	Docket Fees Collected for month ending 6/30/16	\$33,930	36600	60400

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
June 30, 2017

***Special Fund Appropriation***

	<b>606</b>
Special Fd. Appropriation	\$ 77,300
Reversion	\$ (20,162)
<b>TOTAL</b>	<b>\$ 57,138</b>

***Investments.*** The PERA Board of Trustees has the sole authority to make changes to PERA's investment policies. The Board-approved strategic asset allocation (SAA) is as follows:

**Strategic Asset Allocation**

Asset Class	Target
Global Equity	43.50%
Risk Reduction & Mitigation	21.50%
Credit Oriented Fixed Income	15.00%
Real Assets to include Real Estate Equity	20.00%

Detail of the asset classes are below:

- Global Equity
  - o Public equity securities
  - o Private equity – buyouts and venture capital
  - o Hedged Equity and Event-Driven Equity strategies
- Risk Reduction & Mitigation
  - o Core and Global Core Fixed Income
  - o Long Duration Fixed Income
  - o Cash
  - o Market Neutral/Risk Premia strategies
  - o Tail Risk Hedging
- Credit Oriented Fixed Income
  - o High Yield/Bank Loans
  - o Emerging Market Debt – USD and Local Currency
  - o Distressed, Special Situation, and Event-Driven Debt
  - o Mezzanine Debt

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

- Real Assets
  - o Global public real estate securities
  - o Private real estate – core, value add, and opportunistic
  - o Inflation protected bonds
  - o Commodities/Timber/Farmland
  - o MLPs
  - o Real asset limited partnerships
  - o Infrastructure

The allocation of the subclasses are as follows:

1) Global Equity: Global Equity includes asset subclasses of Global Public Stock (65%), Global Low Volatility Equity (10%), Hedged Equity (5%) and Private Equity (20%). With the new allocation, a new subclass, Global Low Volatility Equity, has been added. Overall, the changes in metrics include an increase in expected return of 10 bps, a decrease in standard deviation of return by 42 bps, and an increase in Sharpe ratio (a measure of risk-adjusted return) from 0.34 to 0.36.

2) Risk Reduction & Mitigation: Risk Reduction & Mitigation includes asset subclasses of Core Fixed Income (86%), Global Core Fixed Income (12%), and Cash (2%). Cash is a new subclass included within this asset class as it is recognized that liquidity needs require cash on hand. Changes in metrics for this asset class include an increase in expected return of 1 bps, a decrease in standard deviation of return by 2 bps, and no change in Sharpe ratio, remaining at 0.43.

3) Credit Oriented Fixed Income: The Credit Oriented Fixed Income Asset Class replaces Fixed Income Plus and consists of subclasses Liquid Credit (20%), Emerging Market Debt (20%), Illiquid Credit (40%), and Credit Oriented Hedge Funds (20%). No new asset subclasses were added with the revised Strategic Asset Allocation (SAA). The metrics for this asset class reflect an increase in expected return of 4 bps, a decrease in standard deviation of return by 28 bps, and an increased Sharpe ratio from 0.56 to 0.58.

4) Real Assets: Real Assets now includes Liquid Real Estate (5%), Illiquid Real Estate (38%), Liquid Real Assets (10%), Illiquid Real Assets (42%), and Market Neutral Hedge Funds/Risk Premia (5%). The previously-separated Real Estate asset class is now a subclass of the Real Assets class. The changes in metrics for this asset class include a decreased expected return by 26 bps, a decrease in standard deviation of return by 62 bps, and an increased Sharpe ratio from 0.52 to 0.53.

All investment securities are reported at fair value. Fair value is defined as, according to the Governmental Accounting Standards Board (GASB) Statement No. 72, “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported. The 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.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

Stocks traded on national or international exchanges are reported at current quoted market values.

Bonds are primarily reported at fair values obtained from independent pricing services.

Fair value of real estate and real asset partnerships are reported at values provided by general partners based on the most recent financial information available. The valuation assumptions are based upon both market and property specific inputs which involve expert judgment.

Fair value of private equity partnerships and absolute return strategy investments are reported as determined by the general partners based on the most recent financial information available. The valuation assumptions are based on the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

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. Each fund's equity percentage, or allocation, in the pool is based on the Daily Balance Method, also known as daily weighted average. Using the Daily Balance Method, each participant account's percentage of ownership in the investment pool is calculated on a daily basis. A daily earnings figure is calculated by taking the total monthly earnings in the pool, divided by the number of days in the period. This daily earnings figure is then applied to each participant's ownership percentage, day-by-day. A participant's monthly earnings allocation is the summation of the daily calculation. With the Daily Balance Method, earnings are distributed by a unit distribution. Ownership percentages (rounded to the nearest hundredth of a percent) in the investment pool at June 30, 2017, are as follows:

Public Employees Retirement Fund	98.75%
Judicial Retirement Fund	0.59%
Magistrate Retirement Fund	0.22%
Volunteer Firefighters Retirement Fund	0.44%
Total	<u>100.00%</u>

**Capital Assets.** Capital assets costing \$5,000 or more (12-1-10 NMSA 1978) that are used in PERA's operations are capitalized. Intangible assets such as internally generated computer software used to maintain a membership data base also are capitalized. These are recorded at historical cost less accumulated depreciation or amortization. The building is depreciated over 50 years. All remaining capital assets are depreciated over five to ten years, depending on the nature of the asset, using the straight-line method of depreciation. See Note 6 for a more detailed summary of PERA's capital assets.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

**Accrued Compensated Absences.** Accumulated vacation, compensation time and sick leave balances that meet the criteria to be paid to employees upon termination are recorded as a liability and expense of the Public Employees Retirement Fund measured at June 30, 2017.

**Interfund Receivables and Payables.** During the course of operations, 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.

**Deferred Compensation Plan.** At June 30, 2017, PERA had \$54,554 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 are included in the financial statements of the Public Employees Retirement Fund.

**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 position 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 position.

**Federal Income Tax Status.** The four retirement funds (PERA (inclusive of Legislative), Judicial Magistrate and Volunteer Fire Fighter) 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. DEPOSIT AND INVESTMENT RISK

**IRC 457 Fund.** Securities held in the IRC 457 Fund are not included the investment disclosures below. 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) 476-9338.

**Securities Lending Collateral.** Securities held as a result of the reinvestment of cash collateral in the securities lending program are excluded from the investment disclosures below. Risk disclosures associated with the securities lending program can be found in NOTE 5a. SECURITIES LENDING.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

### Objective & Risk

The Primary Objective of the PERA Investment Policy states that “The Board will manage the Fund in a manner that reflects the Fund’s unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence.”

The Primary Objective also states the following principles related to risk that the Board has adopted:

- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.

In evaluating risk, the PERA Investment Policy states, “In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major assets classes utilized by the Fund.”

The following areas of risk are disclosed in accordance with GASB Statement 40 on Deposit and Investment Risk.

### **A. DEPOSITS**

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, providing the STIF account only invests in those securities authorized by PERA’s investment policy and investment guidelines. Investment managers also invest all cash in PERA’s approved STIF funds.

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.

Investment balances reported in the Statements of Fiduciary Net Position include an interest in the State General Fund Investment Pool maintained by 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 Plan’s interest in the State General Fund Investment Pool 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 information about 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.

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
June 30, 2017

**Investments in State Treasurer Investment Pool**

PERA Trust Administration*	\$	21,675,640
Judicial Retirement Fund		1,159,264
Magistrate Retirement Fund		133,386
Volunteer Firefighters Retirement Fund		212,897
<b>Total</b>	<b>\$</b>	<b>23,181,186</b>

\* Includes Deferred Compensation Plan Balance

In addition to the Plan's interest in the State General Fund Investment Pool, the Plan also invests in the Short-Term Investment Fund (STIF), held by the investment custodian, the Bank of New York Mellon (BNYM). STIF investments are reported as cash and short term investments in the Statement of Fiduciary Net Position. STIF investments are used to facilitate more efficient trade procedures with the Plan's external investment managers. STIF investments held by BNYM are invested in the Government Short Term Investment Fund (GSTIF) whose objective is to obtain a reasonable rate of return while investing principally or entirely in securities or other obligations issued by or guaranteed by the United States Government or its agencies and repurchase agreements collateralized by securities or other obligations issued by or guaranteed by the United States Government or its agencies. In addition, BNY Mellon has been instructed to make deposits to BNY Mellon Cash Reserve, which is a bank deposit product designed to accommodate investment of residual cash balances, when uninvested cash cannot be invested in the GSTIF, such as when cash balances occur after the GSTIF sweep deadline. The Plan's investment in STIF accounts totaled \$784,986,152 as of June 30, 2017.

**B. INVESTMENT RISK**

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

PERA's securities are held by a third-party custodian, independent of any counterparty; therefore, management believes there is minimal 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

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

and other services included in the agreement. The Board may opt to designate other duties to the Custodian as stipulated in the agreement.

A summary of PERA's investments at June 30, 2017, 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
US Government Bonds	\$ 660,826,776	\$ -	\$ 660,826,776
Non-US Government Bonds	258,086,745	-	258,086,745
Municipal Bonds	34,241,899	-	34,241,899
Corporate Bonds	1,434,374,922	-	1,434,374,922
Mortgage Backed Securities	1,088,050,793	-	1,088,050,793
Asset Backed Securities	230,054,972	-	230,054,972
Commercial Mortgage Backed Securities	76,208,801	-	76,208,801
CMO/REMIC	12,894,377	-	12,894,377
Derivatives	(1,079,806)	-	(1,079,806)
Commingled Debt Funds	-	524,259,917	524,259,917
Absolute Return - Credit	-	419,427,848	419,427,848
Limited Partnerships - Debt	-	858,527,760	858,527,760
<b>Total Fixed Income</b>	<b>3,793,659,479</b>	<b>1,802,215,525</b>	<b>5,595,875,004</b>
Common Stock	5,298,941,362	-	5,298,941,362
Preferred Stock	41,864,114	-	41,864,114
MLP	286,425,758	-	286,425,758
REIT	702,329,428	-	702,329,428
Commingled Equity Funds	-	739,187,683	739,187,683
Absolute Return - Equity & Real Assets	-	392,662,736	392,662,736
Limited Partnerships - Equity & Real Assets	-	1,442,028,036	1,442,028,036
<b>Total Equities</b>	<b>6,329,560,662</b>	<b>2,573,878,455</b>	<b>8,903,439,117</b>
Subtotal Equities and Fixed Income	\$ 10,123,220,141	\$ 4,376,093,980	\$ 14,499,314,121
Securities Lending Collateral Investments	-	456,765,979	\$456,765,979
<b>Total Investments as Presented Above</b>			<b>\$ 14,956,080,099</b>
IRC 457 Fund Investments Directed by Participants			556,654,494
Investments In State General Fund Investment Pool			23,181,186
<b>Total Investments per the Statement of Fiduciary Net Position</b>			<b>\$ 15,535,915,779</b>



**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**

June 30, 2017

**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. Each fixed income manager is required to abide by investment guidelines detailed within their contract with PERA to include credit quality minimums.

A summary of PERA's investments at June 30, 2017, and its exposure to credit risk are as follows:

<b>S &amp; P Ratings</b>	<b>Market Value</b>	<b>% of Fixed Income Portfolio</b>
<b>US GOVERNMENT BONDS</b>	<b>\$660,826,776</b>	<b>17.41%</b>
AA+	657,946,078	17.34%
NR	2,880,698	0.08%
<b>NON-US GOVERNMENT BONDS</b>	<b>\$258,086,745</b>	<b>6.80%</b>
AAA	\$32,321,607	0.85%
AA+	14,472,073	0.38%
AA	8,072,224	0.21%
AA-	3,200,279	0.08%
A+	14,987,586	0.39%
A	6,138,095	0.16%
BBB+	23,642,497	0.62%
BBB	4,012,791	0.11%
BB	1,063,375	0.03%
NR	150,176,218	3.96%
<b>MUNICIPAL BONDS</b>	<b>\$34,241,899</b>	<b>0.90%</b>
AAA	3,195,990	0.08%
AA+	3,869,322	0.10%
AA	6,892,488	0.18%
AA-	11,247,372	0.30%
A+	5,954,875	0.16%
BBB-	561,528	0.01%
NR	2,520,325	0.07%
<b>CORPORATE BONDS</b>	<b>\$1,434,374,922</b>	<b>37.80%</b>
AAA	21,982,060	0.58%
AA+	27,130,418	0.71%
AA	18,737,872	0.49%
AA-	44,942,835	1.18%

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

S & P Ratings	Market Value	% of Fixed Income Portfolio
A+	44,473,053	1.17%
A	120,105,416	3.17%
A-	139,534,456	3.68%
BBB+	302,907,167	7.98%
BBB	241,732,232	6.37%
BBB-	169,154,287	4.46%
BB+	27,164,808	0.72%
BB	23,079,409	0.61%
BB-	64,511,963	1.70%
B+	49,551,300	1.31%
B	51,427,713	1.36%
B-	19,129,296	0.50%
CCC+	16,946,147	0.45%
CCC	7,565,450	0.20%
CCC-	819,500	0.02%
CC	1,231,250	0.03%
NR	42,248,288	1.11%
<b>ASSET BACKED SECURITIES</b>	<b>\$230,054,972</b>	<b>6.06%</b>
AAA	54,160,229	1.43%
AA+	3,610,195	0.10%
AA	32,231,937	0.85%
AA-	1,418,474	0.04%
A+	22,221,728	0.59%
A	37,391,505	0.99%
A-	354,911	0.01%
BBB+	2,189,912	0.06%
BBB	8,352,629	0.22%
BBB-	1,351,661	0.04%
BB	2,182,218	0.06%
BB-	613,547	0.02%
B+	67,897	0.00%
B	422,975	0.01%
B-	244,993	0.01%
CCC	2,348,215	0.06%
NR	60,891,947	1.60%

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

S & P Ratings	Market Value	% of Fixed Income Portfolio
<b>CMO/REMIC</b>	<b>\$12,894,377</b>	<b>0.34%</b>
AA+	9,863,072	0.26%
AA-	604,716	0.02%
A	672,889	0.02%
BBB+	154,628	0.00%
BBB	1,472,258	0.04%
B	85,865	0.00%
NR	40,948	0.00%
<b>COMMERCIAL MORTGAGE BACKED</b>	<b>\$76,208,801</b>	<b>2.01%</b>
AAA	12,748,916	0.34%
AA+	7,130,789	0.19%
AA	444,122	0.01%
A	5,187,166	0.14%
A-	87,625	0.00%
BBB	1,227,657	0.03%
BB+	251,857	0.01%
NR	49,130,668	1.29%
<b>MORTGAGE BACKED SECURITIES</b>	<b>\$1,088,050,793</b>	<b>28.67%</b>
AAA	11,895,212	0.31%
AA+	678,526,547	17.88%
AA-	32,124,688	0.85%
A+	171,767	0.00%
A-	235,470	0.01%
BBB+	488,222	0.01%
BBB	969,137	0.03%
BBB-	1,582,073	0.04%
BB-	319,117	0.01%
NR	361,738,558	9.53%
<b>DERIVATIVES</b>	<b>\$(12,135)</b>	<b>0.00%</b>
<b>NR</b>	<b>\$(12,135)</b>	<b>0.00%</b>
	<b>\$3,794,727,150</b>	<b>100.00%</b>

**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.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

At June 30, 2017, PERA had no investments with a concentration of greater than 5% of total investments.

***Interest Rate Risk.*** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income manager which are attached to each investment manager's contract, or Professional Services Agreement (PSA), with PERA. Duration is loosely defined as the dollar weighted average time to recover all principal in a fixed-income investment. For example, a "duration" of four 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 two years or 20% of the duration of the applicable portfolio benchmark. Such limitations are contained in the Plan's investment guidelines for fixed income managers.

A summary of PERA's investments and its respective maturities at June 30, 2017 and its exposure to interest rate risk are as follows:

Bond Category	Weighted Average Maturity in Years	Fair Value	Percent of Fixed Income Portfolio
U.S. Government Bonds	7.83	\$ 660,826,776	17.42%
Non-U.S. Government Bonds	7.68	258,086,745	6.80%
Municipal Bonds	14.85	34,241,899	0.90%
Corporate Bonds	8.58	1,434,374,922	37.80%
Asset Backed	6.44	230,054,972	6.06%
CMO/REMIC	15.07	12,894,377	0.34%
Commercial Mortgage Backed	30.81	76,208,801	2.01%
Mortgage Backed	24.63	1,088,050,793	28.67%
Derivatives (Swaps)	-1,916.62	(12,135)	0.00%
Subtotal Fixed Income Investments		\$ 3,794,727,150	100.00%
Short-term investments subject to interest rate risk (STIF)	0.08	\$ 708,477,480	
Total Investments Subject to Interest Rate Risk		\$ 4,503,204,630	

Note: Commingled fixed income products are not included in this report

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

**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 has risk exposure through direct investments in international equities, international fixed income and international private equity investments.

PERA's exposure to non-U.S. investments across the fund is less than 25%. Since the fund is broadly diversified among many countries, the effect of a decline in the market value of a single local (non-U.S.) currency or of several local currencies versus the U.S. dollar mitigates the impact of such decline on PERA's total assets.

The following table presents a summary of the PERA's investments exposed to foreign currency risk by currency and the respective values at June 30, 2017:

## Market Value (included in investments)

Currency	Deposits	Equity	Fixed Income	Limited Partnership	Total
UAE Dirham	\$101,210	\$6,961,467	\$-	\$-	\$7,062,677
Australian Dollar	437,509	141,344,081	9,593,825	-	151,375,415
Bangladeshi Taka	24,923	1,347,550	-	-	1,372,473
Bulgarian Lev	1,484	180,676	-	-	182,160
Brazilian Real	673,640	33,833,772	1,107,841	-	35,615,253
Botswanan Pula	2,537	676,602	-	-	679,139
Canadian Dollar	1,380,402	190,344,559	7,657,862	-	199,382,823
Swiss Franc	512,762	167,859,229	-	-	168,371,991
Chilean Peso	109,358	12,428,369	-	-	12,537,727
Chinese Yuan Ren-minbi	17,697	1,559,584	-	-	1,577,281
Colombian Peso	20,205	4,052,719	1,120,370	-	5,193,294
Czech Koruna	52,101	2,544,058	-	-	2,596,159
Danish Krone	22,888	33,263,844	6,404,269	-	39,691,001
Egyptian Pound	17,702	1,926,702	-	-	1,944,404
Euro	5,961,730	584,816,726	107,881,719	120,033,870	818,694,045
British Pound	1,386,536	356,695,921	29,171,961	59,197,684	446,452,102
Ghanaian Cedi	16,207	349,744	-	-	365,951
Hong Kong Dollar	631,619	197,045,083	-	-	197,676,702
Croatian Kuna	28,129	1,443,448	-	-	1,471,577
Hungarian Forint	67,524	2,480,634	-	-	2,548,158
Indonesian Rupiah	178,877	20,837,375	7,471,570	-	28,487,822
Israeli New Sheqel	110,607	12,160,552	-	-	12,271,159
Indian Rupee	237,311	48,794,690	2,625,484	-	51,657,485
Jordanian Dinar	11,575	1,268,389	-	-	1,279,964
Japanese Yen	2,253,439	535,437,287	54,711,795	-	592,402,521
Kenyan Shilling	34,409	1,411,451	-	-	1,445,860

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**

June 30, 2017

**Market Value (included in investments)**

Currency	Deposits	Equity	Fixed Income	Limited Partnership	Total
South Korean Won	543,898	79,632,005	266,976	-	80,442,879
Kuwaiti Dinar	3,487	3,574,955	-	-	3,578,442
Sri Lankan Rupee	11,198	1,385,583	-	-	1,396,781
Moroccan Dirham	28,999	1,495,518	-	-	1,524,517
Mauritian Rupee	5,650	1,370,633	-	-	1,376,283
Mexican Peso	207,263	30,475,530	7,595,479	-	38,278,272
Malaysian Ringgit	221,636	21,881,085	-	-	22,102,721
Nigerian Naira	131,575	967,840	-	-	1,099,415
Norwegian Krone	116,413	19,426,382	4,096,359	-	23,639,154
New Zealand Dollar	642,781	6,470,500	10,116,812	-	17,230,093
Omani Rial	12,937	1,241,444	-	-	1,254,381
Peruvian Nuevo Sol	11,331	660,402	-	-	671,733
Philippine Peso	247,379	13,464,179	3,891,444	-	17,603,002
Pakistani Rupee	46,264	2,249,506	-	-	2,295,770
Polish Zloty	490,586	11,153,230	-	-	11,643,816
Qatari Rial	97,502	6,507,611	-	-	6,605,113
Romanian Leu	44,875	1,424,415	-	-	1,469,290
Russian Ruble	63,197	5,005,601	-	-	5,068,798
Swedish Krona	434,737	52,685,744	4,476,169	-	57,596,650
Singapore Dollar	428,450	33,258,497	4,999,545	-	38,686,492
Thai Baht	154,403	19,701,834	-	-	19,856,237
Tunisian Dinar	18,160	507,060	-	-	525,220
Turkish Lira	187,737	10,655,126	-	-	10,842,863
New Taiwan Dollar	310,764	96,335,050	-	-	96,645,814
Vietnamese Dong	22,212	1,377,316	-	-	1,399,528
South African Rand	198,221	37,330,215	-	-	37,528,436
	<u>\$18,974,036</u>	<u>\$2,821,301,773</u>	<u>\$263,189,480</u>	<u>\$179,231,554</u>	<u>\$3,282,696,843</u>

**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 financial index. The Board's investment policies allow for certain portfolio managers to utilize derivatives subject to a manager's investment management guidelines.

The notional or contractual amounts of derivatives indicate the extent of PERA's involvement in the various types and uses of derivative financial instruments, they do not measure PERA's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and other terms of the derivative. Investments in limited partnerships and commingled funds include derivative instruments that are not reported in the following disclosure.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value over the fiscal year of such derivative instruments are as follows:

***IRC 457 Fund.*** Derivatives held in the IRC 457 Fund are not included the investment disclosures below. 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) 476-9338.

### FUTURES CONTRACTS

As of June 30, 2017

Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
<b>Currency Futures</b>	\$ 258,133	\$ 163,200	\$ 9,723,520	\$ 9,886,720
<b>Equity Index Futures</b>	(1,510,346)	(1,230,872)	379,021,598	377,790,726
<b>Bond Index Futures</b>	(3,155,275)	(225,501)	350,328,400	350,102,899

### OPTIONS

As of June 30, 2017

Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
<b>Fixed Income Options</b>	7,160	7,160	-	7,160

### SWAP CONTRACTS

As of June 30, 2017

Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
<b>Cleared Credit Default Swaps</b>	\$ 1,258,077	\$ 1,549,190	\$ -	\$ 1,541,211
<b>Inflation Swaps</b>	(50,953)	-	-	(182)
<b>Cleared Inflation Swaps</b>	(1,335,824)	(1,335,824)	-	(1,335,824)
<b>Interest Rate Swaps</b>	5,487	-	-	-

### NOTE 5. FAIR VALUE MEASUREMENT

PERA's investments measured and reported at fair value are classified according to the following hierarchy, in accordance with GASB Statement 72 – Fair Value Measurement and Application:

Level 1 – Investments reflect market value where prices are observable, unadjusted, and quoted in an active market.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

### June 30, 2017

Level 2 – Investments reflect market value where prices are observable using inputs from other than quoted prices.

Level 3 – Investments reflect market value based upon unobservable inputs.

It is important for the user of these financial statements to understand the link between PERA's investments as of June 30, 2017 and the current investment policy's strategic asset allocation. See detail in Note 2 on page 47.

The Public Employees Retirement Association utilizes its custody bank, The Bank of New York Mellon (BNYM), to assist with leveling of its investment assets per GASB 72's fair value hierarchy. Currency futures and equity securities and debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets.

Swap collateral, reserve deposits, equity securities (preferred stock) and debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. BNYM's fair value hierarchy level matrix is based on discussions with pricing vendors, broker dealers, investment managers, industry groups and independent accounting firms.

Term loans within Corporate Bonds are classified by BNYM as Level 3 of the fair value hierarchy due to the fact that the pricing coverage for bank loans is not 100% and therefore conservative approach is taken in leveling these assets.

***IRC 457 Fund.*** Investments held in the IRC 457 Fund are not included the disclosures on the next page. 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) 476-9338.



## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

### June 30, 2017

Investments measured at Fair Value as of June 30, 2017 are as follows:

Investments by Fair Value Level	June 30, 2017	Observable Unadjusted Quoted Prices in an Active Market (Level 1)	Observable Inputs Other than Quoted Prices (Level 2)	Unobservable Inputs used to determine Fair Value (Level 3)
<b>Short-term Investments</b>				
Currency Futures	\$ 46,582,944	\$ 46,582,944	\$ -	\$ -
Currency Spot Options	7,160		7,160	
Swap Collateral	4,445,263	-	4,445,263	-
Reserve Deposits	1,405,736	-	1,405,736	-
Escrow Repo	283,880	-	283,880	-
Repo	44,198,915	-	44,198,915	-
Certificate of Deposit	14,632,021	-	14,632,021	-
Time Deposits	79,953,000	-	79,953,000	-
Total Short-term Investments	191,508,919	46,582,944	144,925,975	-
<b>Equity Securities</b>				
Domestic Common Stock	2,642,335,720	2,642,335,720	-	-
Domestic Preferred Stock	13,058,575	558,304	12,500,271	-
Domestic Equity Derivatives	(867,753)	(867,753)	-	-
International Common Stock	2,656,605,641	2,656,605,613	-	28
International Preferred Stock	28,805,539	28,805,539	-	-
International Equity Derivatives	(199,919)	(199,919)	-	-
Public MLP	286,425,758	286,425,758	-	-
Public REIT	702,329,428	648,528,946	53,800,482	-
Total Equity Securities	6,328,492,989	6,262,192,208	66,300,753	28
<b>Debt Securities</b>				
US Government Bonds	660,826,776	650,177,579	10,649,197	-
Non-US Government Bonds	258,086,745	938,177	257,148,568	-
Municipal Bonds	34,241,899	-	34,241,899	-
Corporate Bonds	1,742,103,499	799,320	1,712,776,781	28,527,397
Mortgage Backed Securities	1,088,050,793	-	1,088,050,793	-
Asset Backed Securities	230,054,972	-	230,054,972	-
Commercial Mortgage Backed Securities	76,208,801	-	76,208,801	-
CMO/REMIC	12,894,377	-	12,894,377	-
Commercial Paper	10,253,466	-	10,253,466	-
Fixed Income Derivatives	(12,135)	(225,501)	213,366	-
Total Debt Securities	4,112,709,193	651,689,575	3,432,492,220	28,527,397
<b>Total Investments by Fair Value Level</b>	<b>\$10,632,711,101</b>	<b>\$ 6,960,464,727</b>	<b>\$ 3,643,718,948</b>	<b>\$ 28,527,425</b>

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

### June 30, 2017

Investments measured at the net asset value (NAV) are those whose underlying positions are not evident and thus the market value of the investment is priced at a price per share in a fund or by another pricing methodology. Investments that are priced at NAV include commingled funds, hedge funds, and private partnerships. Investments measured at the NAV at June 30, 2017 are as follows:

<b>Investments measured at the Net Asset Value (NAV)</b>	
Commingled Cash Equivalent Funds	\$ 708,477,480
Commingled Domestic Equity	509,187,518
Portable Alpha Hedge Funds	43,290,569
Commingled International Equity	186,709,596
Commingled Emerging Market Debt Fund	524,259,917
Absolute Return (Hedge) Funds	812,090,584
Private Equity Partnerships	693,777,885
Private Debt Partnerships	749,444,950
Real Estate Equity Partnerships	294,485,503
Real Estate Debt Partnerships	109,082,810
Real Asset Partnerships	453,764,648
Total Investments Measured at the NAV	<u>\$ 5,084,571,460</u>
<b>Total Investments</b>	<b><u>\$ 15,717,282,560</u></b>

Total market value of investments reported as leveled or at the NAV does not include uninvested cash, accrued income, or broker receivables and payables. Reconciliation to the Statement of Fiduciary Net Position is as follows:

Cash and Short-term investments	\$784,986,151
Investments at fair value	14,956,080,097
Less uninvested cash	<u>(23,783,688)</u>
<b>Total Investments reported at Fair Value Hierarchy</b>	<b><u>\$15,717,282,560</u></b>

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

### June 30, 2017

Valuation and liquidity information for investments measured at the net asset value (NAV) per share, or equivalent, is presented below:

Investment Type	NAV at 06/30/17	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Cash Equivalent Funds (1)	\$708,477,480		Daily	1 Day
Commingled Domestic Equity (2)	509,187,518		Monthly	15 Days
Portable Alpha Hedge Funds:				
Credit Oriented (3a)	8,061,900		Redeeming	
Event-Driven (3c)	95,597		Redeeming	
Market Neutral (3e)	30,723,136		Redeeming	
Multi-Strategy (3f)	4,409,937		Redeeming	
Commingled International Equity (4)	186,709,596		Monthly	30 Days
Commingled Emerging Market Debt Fund (5)	524,259,917		Daily	10 - 12 Days
Absolute Return (Hedge) Funds:				
Credit Oriented (3a)	419,427,848		Monthly, Annually	30 - 90 Days
Equity Long-Short (3b)	108,581,697		Redeeming	
Event-Driven (3c)	125,158,294		Redeeming	
Global Macro (3d)	80,027,169		Redeeming	
Market Neutral (3e)	41,829,969		Redeeming	
Multi-Strategy (3f)	37,065,606		Redeeming	
Private Equity Partnerships (6)	693,777,885	1,041,309,497	Illiquid	Illiquid
Private Debt Partnerships (7)	749,444,950	282,448,576	Illiquid	Illiquid
Real Estate Equity Partnerships (6)	294,485,503	620,706,942	Illiquid	Illiquid
Real Estate Debt Partnerships (7)	109,082,810	164,690,829	Illiquid	Illiquid
Real Asset Partnerships (6)	453,764,648	576,055,206	Illiquid	Illiquid
<b>Total Investments Measured at the NAV</b>	<b>\$5,084,571,460</b>	<b>\$2,685,211,050</b>		

(1) *Commingled Cash Equivalent Funds* Cash that is swept from the main cash account as well as from investment managers' accounts at the end of the day into the Collective US Government STIF commingled fund is composed of various US Government securities, US Government Agency securities and overnight repurchase agreements. The fund is not guaranteed by any bank, financial institution, the FDIC, or any other government agency. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(2) *Commingled Domestic Equity* - Consisting of a domestic equity limited partnership, this fund is valued based on the percentage of PERA's investment to total value of the fund applied to the total fair value of the underlying investments.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

(3) *Portable Alpha and Absolute Return Hedge Funds* - The Portable Alpha Hedge Funds span the strategies, overlap the funds within the Absolute Return category, and are in the process of being redeemed. Of the 14 funds included in Absolute Return, eight are separately invested in the Portable Alpha portfolio.

(a) *Credit Oriented* - Consisting of seven funds, hedged credit seeks to generate income comparable to the high yield bond market but with less volatility and less downside performance during periods of market stress. Of the seven funds, two are also invested within Portable Alpha. Five are limited partnerships that report fair value based on the fair value of the underlying investments whereas two report fair value based on NAV per share.

(b) *Equity Long-Short* - Consisting of three funds, this strategy invests both long and short in US and global equity securities with a goal of adding growth and minimizing market exposure.

As limited partnerships, these investments report fair value based on the fair value of the underlying investments.

(c) *Event-Driven* - The goal of the four funds making up this group is to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. All four are limited partnerships, one of which is also invested separately in Portable Alpha. These investments are valued based on the fair value of the underlying investments.

(d) *Global Macro* - Consisting of two funds, this strategy invests, often long and short, in several different asset classes in markets around the globe to take advantage of structural macroeconomic imbalances and market trends. Both funds fall within the Absolute Return portfolio; all are included in the Portable Alpha portfolio. One fund is a limited partnership, reporting valuation based on the fair value of the underlying investments while the other fund is valued at NAV per share.

(e) *Market Neutral* - The single fund within this group executes an arbitrage strategy focused on relative value trades in fixed income and currency instruments of developed market countries. PERA is invested in this fund in both the Portable Alpha and Absolute Return portfolios. The fund is a limited partnership and is valued based on the fair value of the underlying investments of the partnership.

(f) *Multi-Strategy* - The five funds within this strategy opportunistically pursue multiple hedge fund investment strategies, looking to allocate capital to the most attractive strategies for a given market environment. Four of the five funds are invested separately in Portable Alpha. Four of the funds are limited partnerships and report fair value based on that of the underlying investments while the remaining fund is valued at NAV per share.

(4) *Commingled International Equity* - The two funds comprising this category are commingled funds, one is an emerging markets equity fund and the other fund is an international equity fund within a separately-managed global equity account. Both funds are valued at net asset value based on the fair value of the underlying investments.

(5) *Commingled Emerging Market Debt Fund* - The aim of the emerging markets debt fund is to invest in dollar-denominated and local currency-denominated sovereign and corporate debt. The goal of the strategy is to earn more yield relative to developed market debt while limiting country and currency risk. The fund is a commingled global fixed income limited partnership that is valued, based on the fair value of the underlying investments.

(6) *Private Equity Partnerships* - NM PERA's Private Equity portfolio consists of 43 partnerships, investing primarily in buyout funds, with some exposure to secondary and venture capital funds. Also included in this category are 19 private real estate equity partnerships, investing in the US and 30 private real asset partnerships, invested in energy, infrastructure and agriculture funds, primarily in the US. The fair values of these partnerships have been determined using net assets valued one quarter in arrears plus current quarter

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

### June 30, 2017

cash flows. These funds are illiquid in nature and distributions are received as underlying investments within the funds are liquidated, either as cash or in-kind distributions of stock of the underlying investments, typically over a 5 – 10-year timeframe.

(7) Private Debt Partnerships – Private debt partnerships consist of 15 private debt funds, which are opportunistic in nature and are invested in the US, and 5 private real estate debt funds, one invested globally and the remaining funds invested in the US. The Fair values of these partnerships has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are illiquid in nature and cash distributions are received as underlying investments within the funds are liquidated, typically over a 5 – 10-year timeframe.

#### NOTE 5a. SECURITIES LENDING

PERA's Investment Policy Statement, Section VI (A) permits the use of the Fund's investment holdings to enter into securities lending transactions - that is, lending securities to broker-dealers and other entities (borrowers) in exchange for acceptable collateral generating incremental earnings via the creation of a spread or collection of a fee. PERA participates in a securities lending program managed by BNY Mellon (BNYM). The agreement between PERA and BNYM details approved borrowers, approved investments, fee charged by BNYM, and acceptable collateral. All loans can be terminated, which shall be effected according to the standard settlement time for trades in the particular loaned security, by either PERA, BNYM, or the borrower.

The securities lending agent is restricted to a maximum loan value of \$600,000,000 inclusive of all loaned securities. The types of securities loaned as of June 30, 2017 included U.S. and non-U.S. equities, U.S. and Non-U.S. corporate bonds, non-U.S. government bonds and U.S. government securities. At fiscal year-end, the fair value of securities on loan was \$576,485,926, 3.77% of PERA's total portfolio.

The fee is negotiated for each separate transaction and split 85%/15% between PERA and BNYM. The collateral requirement is an amount equal to 102% of the then-current market value if securities lent are and collateral are denominated in like currency and 105% if in unlike currency providing a margin for market fluctuations. Approved collateral accepted against loaned securities are held by PERA's custodial agent and marked to market daily. If the collateralization level falls below the above requirements, BNYM marks the borrower securing additional collateral. Cash, U.S. and non-U.S. equities, U.S. corporate bonds, non-U.S. fixed, and U.S. government securities are received as collateral for these loans. Cash collateral is invested or reinvested on behalf of PERA by BNYM in a cash collateral account consisting of one or more of the approved investments; a comprehensive investment guideline is set forth in the securities lending agreement to include approved instruments, credit quality, and concentration and maturity requirements. As of June 30, 2017, cash collateral was reinvested in repos, floating rate notes, commercial paper, certificates of deposit and time deposits. The interest rate sensitivity of the investments made with cash collateral generally track the maturities of their securities loans. The fair value of investments made with cash collateral is reported as an asset; the fair value of collateral received is recorded as a liability as PERA must return the cash collateral to the borrower upon the expiration of the loan. The fair value of the securities lending collateral investments was \$456,765,979 and securities lending obligations were \$456,665,884 at June 30, 2017 as reported on the Statement of Fiduciary Net Position. Total cash and noncash collateral was \$602,626,851 at June 30, 2017, 104.3% of the fair value of the securities on loan.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

In the event the borrower fails to return loaned securities or securities equivalent to the loaned securities, and the noncash collateral held in respect of the loaned securities (including the proceeds realized upon the sale of such noncash collateral) is insufficient to satisfy the obligation of the loan, the bank shall be responsible for, and shall contribute the amount of, such noncash collateral as necessary to satisfy the obligations.

At June 30, 2017, there had been no losses resulting from borrower defaults and PERA had no credit risk exposure to borrowers because the amounts PERA owed to borrowers did not exceed the amounts the borrowers owed to PERA. Net earnings from the securities lending program totaled \$3,394,425 for the fiscal year. An executive summary report of the securities lending activity for the fiscal year is available upon request from PERA's Records Department.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. A summary of the securities lending collateral assets at June 30, 2017, and its exposure to credit risk are as follows:

S & P Ratings	Fair Value	% of Collateral Investments
<b>CERTIFICATE OF DEPOSIT</b>	<b>\$ 14,632,021</b>	<b>3.20%</b>
A-	14,632,021	3.20%
<b>COMMERCIAL PAPER</b>	<b>\$ 10,253,466</b>	<b>2.25%</b>
A-	10,253,466	2.25%
<b>FLOATING RATE NOTES</b>	<b>\$ 307,728,577</b>	<b>67.37%</b>
AA	93,988,555	20.58%
A	189,192,538	41.42%
NR	24,547,484	5.37%
<b>REPO</b>	<b>\$ 44,198,915</b>	<b>9.68%</b>
NR	44,198,915	9.68%
<b>TIME DEPOSITS</b>	<b>\$ 79,953,000</b>	<b>17.50%</b>
A-	79,953,000	17.50%
<b>FAIR VALUE OF SECURITIES LENDING COLLATERAL</b>	<b>\$ 456,765,979</b>	<b>100.00%</b>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. See further explanation of Interest Rate Risk in Note 3.

A summary of the securities lending collateral investments and respective maturities at June 30, 2016 and their exposure to interest rate risk are as follows:

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
 June 30, 2017

<b>Investment Category</b>	<b>Weighted Average Maturity</b>	<b>Fair Value</b>	<b>% of Collateral Investments</b>
Certificate of Deposit	Less than 1 year	\$14,632,021	3.20%
Commercial Paper	Less than 1 year	10,253,466	2.25%
Floating Rate Notes	Less than 1 year	307,728,577	67.37%
Repo	Less than 1 year	44,198,915	9.68%
Time Deposits	Less than 1 year	79,953,000	17.50%
Total Securities Lending Collateral Subject to Interest Rate Risk		<u>\$456,765,979</u>	100.00%
Fair Value of Securities Lending Collateral		<u>\$456,765,979</u>	

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
June 30, 2017

**NOTE 6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets at cost:				
Land	\$1,548,990	\$-	\$-	\$1,548,990
Building	12,646,204	-	-	12,646,204
Property and equipment	36,016	-	-	36,016
Computer equipment and software	14,946,743	34,072	-	14,980,815
Automobile	80,107	-	(22,674)	57,433
	<u>\$29,258,060</u>	<u>\$34,072</u>	<u>\$(22,674)</u>	<u>\$29,269,458</u>
Accumulated depreciation:				
Building	\$(2,564,368)	\$(421,540)	\$-	\$(2,985,908)
Property and equipment	(34,572)	-	-	(34,572)
Computer equipment and software	(14,153,376)	(281,975)	-	(14,435,350)
Automobile	(80,107)	-	22,674	(57,433)
	<u>\$(16,832,422)</u>	<u>\$(703,515)</u>	<u>\$22,674</u>	<u>\$(17,513,263)</u>
Total	<u><u>\$12,425,638</u></u>	<u><u>\$(669,443)</u></u>	<u><u>\$-</u></u>	<u><u>\$11,756,195</u></u>

The following are included in the above schedule.

- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$703,515.
- PERA added \$34,072 in capital assets in FY17, consisting of computer software and equipment.



**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
June 30, 2017

**NOTE 7. CHANGES IN COMPENSATED ABSENCES**

The changes in short-term liabilities for PERA are as follows:

During the year ended June 30, 2017, the following changes occurred in the compensated absences liabilities:

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
Compensated Absences	\$(259,983)	(26,759)	6,690	\$(280,052)

The portion of compensated absences due after one year is not material, and therefore not separately presented. Substantially, all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay at year-end plus applicable taxes.

**NOTE 8. CONTINGENCIES**

PERA has been named as a defendant in various administrative appeals and 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.

PERA is exposed to various risks of loss for which PERA carries insurance (Auto; Employee Fidelity Bond; General Liability; Civil Rights and Foreign Jurisdiction; Money and Securities; Property; and Worker's Compensation) with the State of New Mexico Risk Insurance Program. The Plan's insurance coverages are designed to satisfy the requirements of the State tort claims. Also, any claims are processed through the Risk Management Division of the State of New Mexico.

**NOTE 9. RETIREMENT PLANS – PERA EMPLOYEES**

***Plan Description.*** 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, 33 Plaza La Prensa, Santa Fe, NM 87507. The report is also available on PERA's website at [www.nmpera.org](http://www.nmpera.org)

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

**Funding Policy.** For fiscal year 2017, plan members are required to contribute 7.42 (less than \$20,000 in salary) or 8.92% (greater than \$20,000 in salary) of their salary. For fiscal year 2017, PERA employers were required to contribute 16.99% of the gross covered salary. 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 PERA employees were for the years ending June 30, 2017, 2016, and 2015 were \$799,547, \$729,251, and \$674,307, respectively, equal to the amount of the required contributions from the employer for each year. In addition, the employees contributed an additional \$419,774, \$382,869, and \$354,022, respectively, equal to the amount of the required contributions from employees for each year.

### **GASB 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers**

According to the Department of Finance and Administration (DFA), compliant with the requirements of GASB No. 68, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. PERA, as part of the primary government (fiduciary fund) of the State of New Mexico, is a contributing employer to the cost-sharing multiple employer PERA fund. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR, and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

### **NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – PERA EMPLOYEES**

**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.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

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](http://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 as of July 1, 2012 to contribute 2.0% of each participating employee's annual salary; each participating employee is required to contribute 1.0% of their salary. Prior to July 1, 2012, the statute required each participating employer as of July 1, 2011 to June 30, 2012 to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute 0.917% of their salary. From July 1, 2010 to June 30, 2011, the statute required each participating employer contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute 0.833% of their salary. Prior to July 1, 2010, employers contributed 1.3% and employees contributed 0.65%. 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, 2017, 2016, and 2015 were \$90,955, \$80,000, and \$81,773, for employer contributions and \$45,478, \$39,999, and \$47,021 in employee contributions, respectively, which equal the required contributions for each year.

### NOTE 11. INVESTMENT PLACEMENT AGENTS

PERA fully complies with the statutory disclosure requirement of NMSA 1978, Section 10-11-133.1, which mandates the disclosure of the identity and fees paid, if any, to any third-party marketer or placement agent involved in PERA's investment in private funds. PERA has no direct relationships with third-party marketers or placements agents. PERA's investment consultants do not receive any form of compensation other than client advisory fees and do not accept compensation from investment management organizations or their marketers. The consultants only recommend an investment management firm to PERA once they have extensively performed due diligence with the firm's portfolio management professionals.

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
 June 30, 2017

**NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP**

The components of the net pension liability of the plan’s membership at June 30, 2017, by fund, were as follows:

	<b>Net Pension Liability by Fund</b>			
	<b>PERA Fund</b>	<b>Judicial Fund</b>	<b>Magistrate Fund</b>	<b>Volunteer FF Fund</b>
Total Pension liability	\$ 20,068,143,304	\$ 176,290,693	\$ 65,627,669	\$ 48,502,745
Plan Net Position	14,798,917,909	89,616,194	32,225,122	66,400,768
Net Pension Liability/Asset	<u>\$ 5,269,225,395</u>	<u>\$ 86,674,499</u>	<u>\$ 33,402,547</u>	<u>\$ (17,898,023)</u>
 Ratio of plan net position of total pension liability	 <u>73.74%</u>	 <u>50.83%</u>	 <u>49.10%</u>	 <u>136.90%</u>

*Actuarial Methods and Assumptions*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2017**

Summary of Actuarial Methods and Assumptions, by fund

	<b>PERA</b>	<b>JUDICIAL</b>	<b>MAGISTRATE</b>	<b>VFF</b>
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level % of Pay	Level % of Pay, Open	Level % of Pay, Open	Level Dollar, Open
Amortization period	Solved for based on statutory rates	30 Years	30 Years	30 Years
Asset valuation method	4 Year Smoothed Market Value	4 Year Smoothed Market Value	4 Year Smoothed Market Value	4 Year Smoothed Market Value
Investment rate of return, net of investment expense	7.51% annual rate	7.51% annual rate	7.51% annual rate	7.51% annual rate
Projected Benefit Payment	100 years	89 years	86 years	100 years
Payroll Growth	2.75% - 3.25%	2.75% - 3.25%	2.75% -3.25%	N/A
Projected Salary Increases	2.75% - 14.00%	3.50% - 4.00%	3.00% - 3.50%	N/A
Includes Inflation At	2.25% - 2.75%	2.25% - 2.75%		N/A
Mortality Assumption	RP-2000 Mortality Tables	RP-2000 Mortality Tables	RP-2000 Mortality Tables	RP-2000 Mortality Tables

**Annual Money-Weighted Rate of Return, Net of Investment Expense**

The annual money-weighted rate of return, net of investment expense for FY 2017 was 10.6%.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
June 30, 2017

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to include Real Estate Equity	20.00%	7.35%

*Discount rate for the PERA and Volunteer Firefighter Funds.* A select and ultimate rate of return assumption has been adopted for funding purposes for the PERA and Volunteer Firefighter Funds. The rate is 7.25% for the first 9 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used as the discount rate used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.51% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the net pension liability to changes in the discount rate:***

The following presents the net pension liability of PERA and Volunteer Firefighter funds, calculated using the discount rate of 7.51 percent, as well as what PERA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate (\$ thousands):

**PERA FUND**

	1% Decrease 6.51%	Current Discount Rate 7.51%	1% Increase 8.51%
<b>Net Pension Liability</b>	7,714,032,339	5,269,225,395	3,242,456,288

**VOLUNTEER FIREFIGHTER FUND**

	1% Decrease 6.51%	Current Discount Rate 7.51%	1% Increase 8.51%
<b>Net Pension Liability</b>	(12,335,212)	(17,898,023)	(22,546,666)

*Discount rate for Judicial and Magistrate Funds.* A select and ultimate rate of return assumption has been adopted

**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2017**

funding purposes. The discount rate is 7.25% for the first 9 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.51% which is the assumed investment return assumption. The discount rate used to measure the total pension liability for the Judicial fund is 5.77 percent. The discount rate used to measure the total pension liability for the Magistrate fund is 5.48 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's (both Judicial and Magistrate) fiduciary net position together with the expected future contributions are not sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, for the Judicial fund, a 5.77% and for the Magistrate fund, a 5.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This rate is a blend of the 7.51% and the 20-year tax-exempt municipal bond rate of 3.56% as of the measurement date. The source of the 20-year tax exempt municipal bond is the St. Louis Federal Reserve Bank State and Local Bonds – Bond Buyer Go 20-Bond Municipal Bond Index.

The following presents the net pension liability of the Judicial and Magistrate Funds, calculated using the discount rate of 5.77 percent and 5.48 percent, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**JUDICIAL FUND**

	<b>1% Decrease 4.77%</b>	<b>Current Discount Rate 5.77%</b>	<b>1% Increase 6.77%</b>
<b>Net Pension Liability</b>	105,794,082	86,674,499	70,470,984

**MAGISTRATE FUND**

	<b>1% Decrease 4.48%</b>	<b>Current Discount Rate 5.48%</b>	<b>1% Increase 6.48%</b>
<b>Net Pension Liability</b>	40,859,138	33,402,547	27,152,372

June 30, 2016 is the actuarial valuation date upon which the TPL is based (paragraph 31(c)). Standard update procedures were used to roll forward the liabilities to the June 30, 2017 Measurement Data.

**NOTE 13. CASH RECONCILIATION**

***General Fund Investment Pool Not Reconciled.*** For cash management and investment purposes, funds of various state agencies are required to be deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

June 30, 2017

performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. In past years, according to past and current management at DFA, Pool balances have not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006, and differences between Pool bank balances and the corresponding general ledger balances and the effect of reconciling items were unknown.

In a communication by DFA via a memo, dated August 11, 2017, issued by the State’s Controller, Ronald Spilman, the following was stated “The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer’s Office, is now in its third year. The process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico’s Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirement of the monthly process.”

For FY 2017 the following assertions are provided,

1. As of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

### NOTE 14. FUND RESERVES

*Reserves.* New Mexico Statutes Annotated 1978, Subsections 10-11-123, 10-12B-3, and 10-12C-3 set forth required reserves to be maintained 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 reserves to be maintained are as follows:

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

**Members Contribution Reserve** 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 2016 fiscal year was 2.00%.

**Employers Accumulation Reserve** 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 is transferred to the Retirement Reserve Fund from the Employers Accumulation Fund.

**Income Reserve** represents the accumulation of interest, dividends, rents, and other income of PERA, less



**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**

June 30, 2017

administrative expense paid out of this fund. At least annually, the balance in this fund is transferred to the Retirement Reserve Fund in a manner determined by the Board. The distribution rate of interest as determined by the Board for fiscal year 2017 was 2.00% of member account balances to the Member Contribution Fund. The remaining balance of the Income Fund was distributed to the Retirement Reserve Fund.

**Net Position balance as of June 30, 2017 are as follows:**

	PERA FUND	Judicial Fund	Magistrate Fund	VFF Fund	Total
Members Contribution Reserve	\$ 2,518,865,030	\$ 12,589,634	\$ 4,156,428	\$ -	\$ 2,535,611,092
Employers Accumulation Reserve	4,220,357,942	65,368,865	25,920,531	4,500,000	4,316,147,338
Retirement Reserve Fund	8,059,694,939	11,657,698	2,148,161	61,900,769	8,135,401,567

**NOTE 15. NEW ACCOUNTING STANDARDS**

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15 2017. The standard will be implemented during the fiscal year ended June 30, 2018. This pronouncement will not affect PERA's financial statements.

In November 2016, GASB Statement No. 83 Certain Asset Retirement Obligations was issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. PERA is still evaluating how this pronouncement will affect the financial statements.

**NOTE 16. PRIOR PERIOD ADJUSTMENTS**

Though immaterial, the prior period adjustments were made during FY 2017 in order to more accurately reflect financial activity from prior years. Below is a table of the adjustments that were made, by fund:

DESCRIPTION	JUDICIAL	MAGISTRATE	PERA	VFF	TOTAL
To reverse A/R contributions recorded in FY12 and FY13 that were never reversed.	314,678.31	-	-	-	314,678.31
To clear A/R Contributions recorded in FY13 that remain on the TB.	(2,645.75)	-	-	-	(2,645.75)
To clear prior year expenditures that were over-accrued in FY15.	-	-	(4,986,448.00)	-	(4,986,448.00)
To clear prior year A/P accruals that were never reversed.	-	-	(1,460,955.51)	-	(1,460,955.51)
	312,032.56	-	(6,447,403.51)	-	(6,135,370.95)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - PERA FUND**  
For the Years Ended June 30, 2017

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service Cost	\$ 418,995,891	\$ 389,052,473	\$ 390,220,766	\$ 405,560,569
Interest	1,286,996,350	1,335,949,923	1,393,557,454	1,452,723,072
Benefit changes	-	-	-	-
Difference between expected and actual experience	-	59,112,343	330,750,820	(584,186,354)
Changes of assumptions	(91,856,820)	-	424,791,570	(62,778,144)
Benefit payments	(905,329,141)	(966,236,566)	(1,024,399,237)	(1,084,818,276)
Refunds of contributions	(47,376,975)	(46,010,197)	(44,937,505)	(44,396,305)
<b>Net change in total pension liability</b>	<b>\$ 661,429,305</b>	<b>\$ 771,867,976</b>	<b>\$ 1,469,983,868</b>	<b>\$ 82,104,562</b>
<b>Total pension liability - beginning</b>	<b>\$ 17,082,757,593</b>	<b>\$ 17,744,186,898</b>	<b>\$ 18,516,054,874</b>	<b>\$ 19,986,038,742</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 17,744,186,898</b>	<b>\$ 18,516,054,874</b>	<b>\$ 19,986,038,742</b>	<b>\$ 20,068,143,304</b>
<b>Plan net position</b>				
Contributions - employer 1	\$ 370,766,329	\$ 317,163,961	\$ 324,751,997	\$ 334,049,428
Contributions - member 2	174,037,205	258,919,779	265,529,178	271,253,016
Net investment income	2,118,284,928	251,488,279	47,444,548	1,500,758,585
Benefit payments	(905,329,141)	(966,236,566)	(1,024,399,237)	(1,084,818,276)
Administrative expense	(10,336,324)	(9,885,765)	(10,753,722)	(11,505,774)
Refunds of contributions	(47,376,975)	(46,010,197)	(44,937,505)	(44,396,305)
Other	17,005,791	25,296,313	12,317,520	471,465
<b>Net change in plan net position</b>	<b>\$ 1,717,051,813</b>	<b>\$ (169,264,196)</b>	<b>\$ (430,047,221)</b>	<b>\$ 965,812,139</b>
Plan net position - beginning	\$ 12,707,740,926	\$ 14,424,792,739	\$ 14,255,528,543	\$ 13,826,658,367
Prior period adjustment	-	-	1,177,045	6,447,403
Plan net position- beginning, Restated	\$ 12,707,740,926	\$ 14,424,792,739	14,256,705,588	13,833,105,770
<b>Plan net position - ending (b)</b>	<b>\$ 14,424,792,739</b>	<b>\$ 14,255,528,543</b>	<b>\$ 13,826,658,367</b>	<b>\$ 14,798,917,909</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 3,319,394,159</b>	<b>\$ 4,260,526,331</b>	<b>\$ 6,159,380,375</b>	<b>\$ 5,269,225,395</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - JUDICIAL FUND**  
For the Years Ended June 30, 2017

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service Cost	\$ 3,792,564	\$ 3,344,275	\$ 3,244,941	\$ 5,491,704
Interest	10,798,432	9,900,234	10,238,436	9,065,846
Benefit changes	(16,058,954)	-	-	-
Difference between expected and actual experience	-	755,126	4,736,999	(2,743,653)
Changes of assumptions	(1,003,702)	-	46,154,938	(17,241,480)
Benefit payments	(8,770,177)	(9,373,041)	(9,812,803)	(10,096,096)
Refunds of contributions	(52,562)	(40,197)	(45,432)	(10,677)
<b>Net change in total pension liability</b>	\$ 11,294,399)	\$ 4,586,397	\$ 54,517,079	\$ (15,264,356)
<b>Total pension liability - beginning</b>	\$ 143,745,972	\$ 132,451,573	\$ 137,037,970	\$ 191,555,049
<b>Total pension liability - ending (a)</b>	\$ 132,451,573	\$ 137,037,970	\$ 191,555,049	\$ 176,290,693
<b>Plan net position</b>				
Contributions - employer 1	\$ 3,740,786	\$ 4,196,276	\$ 4,237,424	\$ 4,524,201
Contributions - member 2	1,085,631	1,579,180	1,581,685	1,635,643
Net investment income	13,196,711	1,511,658	232,211	9,012,198
Benefit payments	(8,770,177)	(9,373,041)	(9,812,803)	(10,096,096)
Administrative expense	(63,610)	(60,019)	(64,326)	(69,102)
Refunds of contributions	(52,562)	(40,197)	(45,432)	(10,677)
Other	485,893	33,095	71,532	38
<b>Net change in plan net position</b>	\$ 9,622,672	\$ (2,153,048)	\$ (3,799,709)	\$ 4,996,205
Plan net position - beginning	\$ 81,518,628	\$ 91,141,300	\$ 88,988,252	\$ 84,932,021
Prior period adjustment	-	-	(256,522)	(312,032)
Plan net position- beginning, Restated	\$ 81,518,628	\$ 91,141,300	\$ 88,731,730	\$ 84,619,989
<b>Plan net position - ending (b)</b>	\$ 91,141,300	\$ 88,988,252	\$ 84,932,021	\$ 89,616,194
<b>Net pension liability - ending (a) - (b)</b>	\$ 41,310,273	\$ 48,049,718	\$ 106,623,028	\$ 86,674,499

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - MAGISTRATE FUND**  
For the Years Ended June 30, 2017

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service Cost	\$ 1,428,353	\$ 947,730	\$ 1,117,925	\$ 1,536,910
Interest	3,688,653	3,444,833	3,452,435	3,191,559
Benefit changes	(7,527,733)	-	-	-
Difference between expected and actual experience	-	6,703,398	1,571,377	(1,538,854)
Changes of assumptions	(7,643,920)	-	8,831,831	(8,114,224)
Benefit payments	(3,689,881)	(3,955,687)	(3,976,586)	(3,966,314)
Refunds of contributions	(15,477)	(4,918)	(14,805)	-
<b>Net change in total pension liability</b>	<b>\$ (13,760,005)</b>	<b>\$ 7,135,356</b>	<b>\$ 10,982,177</b>	<b>\$ (8,890,923)</b>
<b>Total pension liability - beginning</b>	<b>\$ 70,161,064</b>	<b>\$ 56,401,059</b>	<b>\$ 63,536,415</b>	<b>\$ 74,518,592</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 56,401,059</b>	<b>\$ 63,536,415</b>	<b>\$ 74,518,592</b>	<b>\$ 65,627,669</b>
<b>Plan net position</b>				
Contributions - employer 1	\$ 793,044	\$ 936,602	\$ 1,280,104	\$ 1,282,356
Contributions - member 2	266,120	489,642	586,992	603,362
Net investment income	5,199,209	579,091	69,508	3,289,637
Benefit payments	(3,689,881)	(3,955,687)	(3,976,586)	(3,966,314)
Administrative expense	(24,275)	(22,660)	(23,735)	(25,004)
Refunds of contributions	(15,477)	(4,918)	(14,805)	-
Other	216,853	(19,486)	26,885	3,037
<b>Net change in plan net position</b>	<b>\$ 2,745,593</b>	<b>(\$ 1,997,416)</b>	<b>(2,051,637)</b>	<b>1,187,074</b>
Plan net position - beginning	\$ 32,439,317	\$ 35,184,910	\$ 33,187,494	\$ 31,038,048
Prior period adjustment	-	-	(\$97,809)	-
Plan net position- beginning, Restated	\$ 32,439,317	\$ 35,184,910	\$ 33,089,685	\$ 31,038,048
<b>Plan net position - ending (b)</b>	<b>\$ 35,184,910</b>	<b>\$ 33,187,494</b>	<b>\$ 31,038,048</b>	<b>\$ 32,225,122</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 21,216,149</b>	<b>\$ 30,348,921</b>	<b>\$ 43,480,544</b>	<b>\$ 33,402,547</b>

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - VFF FUND**  
For the Years Ended June 30, 2017

	2014	2015	2016	2017
<b>Total pension liability</b>				
Service Cost	\$ 1,253,736	\$ 1,250,564	\$ 1,439,931	\$ 2,336,574
Interest	2,871,904	3,104,991	3,375,898	3,584,437
Benefit changes	-	-	-	-
Difference between expected and actual experience		874,372	(498,350)	(4,101,311)
Changes of assumptions	408,092	-	1,975,872	(221,833)
Benefit payments	(1,418,943)	(1,633,388)	(1,835,318)	(2,030,784)
Refunds of contributions	-	-	-	-
<b>Net change in total pension liability</b>	\$ 3,114,789	\$ 3,596,539	\$ 4,458,033	\$ (432,917)
<b>Total pension liability - beginning</b>	\$ 37,766,301	\$ 40,881,090	\$ 44,477,629	\$ 48,935,662
<b>Total pension liability - ending (a)</b>	\$ 40,881,090	\$ 44,477,629	\$ 48,935,662	\$ 48,502,745
<b>Plan net position</b>				
Contributions - employer 1	750,000	750,000	750,000	750,000
Contributions - member 2	-	-	-	-
Net investment income	8,919,556	1,093,757	206,024	6,682,231
Benefit payments	(1,418,943)	(1,633,388)	(1,835,318)	(2,030,784)
Administrative expense	(44,316)	(42,596)	(46,902)	(51,792)
Refunds of contributions	-	-	-	-
Other	404,492	12,201	51,385	1,425
<b>Net change in plan net position</b>	\$8,610,789	\$179,974	\$(874,811)	\$5,351,080
Plan net position - beginning	\$ 53,312,473	\$ 61,923,262	\$ 62,103,236	\$ 61,049,688
Prior period adjustment	-	-	\$(178,737)	-
Plan net position- beginning, Restated	\$ 53,312,473	\$ 61,923,262	\$ 61,924,499	\$ 61,049,688
<b>Plan net position - ending (b)</b>	\$ 61,923,262	\$ 62,103,236	\$ 61,049,688	\$ 66,400,768
<b>Net pension liability - ending (a) - (b)</b>	\$ (21,042,172)	\$ (17,625,607)	\$ (12,114,026)	\$ (17,898,023)

Note: The above schedules are intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF NET PENSION LIABILITY**  
For the Years Ended June 30, 2017

<b>PERA</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Pension Liability	\$ 17,744,186,898	\$ 18,516,054,874	\$ 19,986,038,742	\$ 20,068,143,304
Plan Net Position	14,424,792,739	14,255,528,543	13,826,658,367	14,798,917,909
Net Pension Liability	\$ 3,319,394,159	\$ 4,260,526,331	\$ 6,159,380,375	\$ 5,269,225,395
Ratio of plan net pension to total pension liability	81.29%	76.99%	69.18%	73.74%
Covered-employee payroll	\$ 2,102,265,325	\$ 2,248,254,276	\$ 2,326,254,276	\$ 2,193,888,677
Net Pension liability as a percentage -of covered Employee payroll	157.90%	189.50%	264.70%	240.18%

<b>JUDICIAL</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Pension Liability	\$ 132,451,573	\$ 137,037,970	\$ 191,555,049	\$ 176,290,693
Plan Net Position	91,141,300	88,988,252	84,932,021	89,616,194
Net Pension Liability	\$ 41,310,273	\$ 48,049,718	\$ 106,623,028	\$ 86,674,499
Ratio of plan net pension to total pension liability	68.81%	64.94%	44.34%	50.83%
Covered-employee payroll	\$ 13,163,305	\$ 15,084,263	\$ 15,612,212	\$ 15,492,927
Net Pension liability as a percentage -of covered Employee payroll	313.83%	318.54%	682.95%	559.45%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF NET PENSION LIABILITY (CONTINUED)**  
For the Years Ended June 30, 2017

<b>MAGISTRATE</b>	<b>2014</b>		<b>2015</b>		<b>2016</b>		<b>2017</b>	
Total Pension Liability	\$	56,401,059	\$	63,536,415	\$	74,518,592	\$	65,627,669
Plan Net Position		35,184,910		33,187,494		31,038,048		32,225,122
Net Pension Liability	\$	21,216,149	\$	30,348,921	\$	43,480,544	\$	33,402,547
Ratio of plan net pension to total pension liability		62.38%		52.23%		41.65%		49.10%
Covered-employee payroll	\$	3,515,567	\$	5,065,798	\$	5,243,101	\$	5,633,125
Net Pension liability as a percentage -of covered Employee payroll		603.49%		599.09%		829.29%		592.97%

<b>VOLUNTEER FIREFIGHTERS</b>	<b>2014</b>		<b>2015</b>		<b>2016</b>		<b>2017</b>	
Total Pension Liability	\$	40,881,090	\$	44,477,629	\$	48,935,662	\$	48,502,745
Plan Net Position		61,923,262		62,103,236		61,049,688		66,400,768
Net Pension Liability	\$	(21,042,172)	\$	(17,625,607)	\$	(12,114,026)	\$	(17,898,023)
Ratio of plan net pension to total pension liability		151.47%		139.63%		124.76%		136.90%
Covered-employee payroll		N/A		N/A		N/A		N/A
Net Pension liability as a percentage -of covered Employee payroll		N/A		N/A		N/A		N/A

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Years Ended June 30, 2017

#### PERA\*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required contributions*	\$334,049	\$324,752	\$317,164	\$370,766	\$285,560	\$274,906	\$283,377	\$291,683	\$311,082	\$292,569
Actual employer contributions*	334,049	324,752	317,164	370,766	285,560	274,906	283,377	291,683	311,082	292,569
Annual contributions deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	\$2,193,889	\$2,326,943	\$2,248,254	\$2,102,265	\$2,049,738	\$1,994,280	\$1,935,014	\$1,993,517	\$2,081,259	\$1,965,064
Actual contributions as a percentage of covered-employee payroll	15.23%	13.96%	14.11%	17.64%	13.93%	13.78%	14.64%	14.63%	14.95%	14.89%

\*Includes \$74,357,341 of employer paid plan member contributions for 2014 (in accordance with Question 40 in the GASB 67 Implementation Guide).

#### JUDICIAL\*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required contributions*	\$4,975	\$4,975	\$4,919	\$6,413	\$7,235	\$5,835	\$5,784	\$5,658	\$4,690	\$4,149
Actual employer contributions*	4,524	4,524	4,196	3,741	3,527	3,266	3,824	3,699	4,058	3,832
Annual contributions deficiency (excess)	451	451	723	2,672	3,708	2,568	1,961	1,959	632	317
Covered-employee payroll	\$15,493	\$15,493	\$15,084	\$13,163	\$13,226	\$12,691	\$12,267	\$13,042	\$13,011	\$11,697
Actual contributions as a percentage of covered-employee payroll	29.20%	29.20%	27.82%	28.42%	26.67%	25.74%	31.17%	28.36%	31.19%	32.76%

\*Values in schedule are rounded to the nearest thousandth for presentation purposes.

#### MAGISTRATE\*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required contributions*	\$1,576	\$1,463	\$1,967	\$1,992	\$2,286	\$1,793	\$2,014	\$1,698	\$1,151	\$1,030
Actual employer contributions*	1,282	1,280	937	793	805	676	895	825	1,000	981
Annual contributions deficiency (excess)	294	183	1,030	1,199	1,481	1,117	1,119	873	151	49
Covered-employee payroll	\$5,633	\$5,243	\$5,066	\$3,516	\$3,137	\$3,214	\$3,405	\$3,520	\$4,129	\$3,363
Actual contributions as a percentage of covered-employee payroll	22.76%	24.42%	18.49%	22.56%	25.67%	21.04%	26.27%	23.45%	24.23%	29.17%

\*Values in schedule are rounded to the nearest thousandth for presentation purposes.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS (CONTINUED)**  
**For the Years Ended June 30, 2017**

**VOUNTEER FIREFIGHTERS\***

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required contributions*	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Actual employer contributions*	750	750	750	750	750	750	750	750	750	750
Annual contributions deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\*Values in schedule are rounded to the nearest thousandth for presentation purposes.

**SCHEDULE OF INVESTMENT RETURNS**  
**For the Years Ended June 30, 2017**

Annual money-weighted rate of return, net of investment expense:

2015	2016	2017
1.7%	0.7%	10.6%

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### For the Years Ended June 30, 2017

#### PERA

##### Summary of Actuarial Methods and Assumptions

<b>PERA</b>	
<b>Actuarial valuation date</b>	June 30, 2016
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	4 Year smoothed Market Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

### For the Years Ended June 30, 2017

#### Judicial

##### Summary of Actuarial Methods and Assumptions

<b>JUDICIAL</b>	
<b>Actuarial valuation date</b>	June 30, 2016
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay, Open
<b>Amortization period</b>	30 years
<b>Asset valuation method</b>	4 Year Smoothed Market Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.51% annual rate, net of investment expense, SEIR 5.77%
Projected benefit payment	89 years
Municipal bond rate	3.56%
Discount rate	5.77%
Payroll Growth	2.75% first 9 years then 3.25% annual rate
Projected salary increases	3.50% first 9 years, then 4.00% annual rate
Includes inflation at	2.25% first 9 years then 2.75% annual rate
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. This assumption includes between 5% and 8% margin sufficient to allow for modest future improvement in the rates of mortality
Experience Study Dates	July 1, 2011 to June 30, 2016

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

### For the Years Ended June 30, 2017

#### Magistrate

##### Summary of Actuarial Methods and Assumptions

<b>MAGISTRATE</b>	
<b>Actuarial date</b>	June 30, 2016
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percent of Payroll, Open
<b>Amortization period</b>	30 years
<b>Asset valuation method</b>	4 Year Smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense, SEIR 5.48%
Projected benefit payment	86 years
Municipal bond rate	3.56%
Discount rate	5.48%
Payroll Growth	2.75 first 9 years, then 3.25%
Projected salary increases	3.00 first 9 years, then 3.50%
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. This assumption includes between 5% and 8% margin sufficient to allow for modest future improvement in the rates of mortality
Experience Study Dates	July 1, 2011 to June 30, 2016

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

### For the Years Ended June 30, 2017

#### Volunteer Firefighter

##### Summary of Actuarial Methods and Assumptions

<b>VOLUNTEER FIREFIGHTER</b>	
<b>Actuarial valuation date</b>	June 30, 2016
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Dollar, Open
<b>Amortization period</b>	30 Years
<b>Asset valuation method</b>	4 Year Smoothed Market Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	N/A
Projected salary increases	N/A
Mortality Assumptions	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. This assumption includes between 5% and 8% margin sufficient to allow for modest future improvement in the rates of mortality.
Experience Study Dates	July 1, 2011 to June 30, 2016

**SCHEDULE OF REVENUES, APPROPRIATION, AND EXPENSES-  
BUDGET AND ACTUAL PUBLIC EMPLOYEES RETIREMENT FUND ONLY**  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues and Appropriations				
Other state funds:				
Investment income	\$ 42,705,200	\$ 42,705,700	\$ 1,520,489,637	\$ 1,477,783,937
Deferred Comp Plan Income	119,200	119,200	61,046	(58,154)
<b>Total Revenue</b>	<u>42,824,400</u>	<u>42,824,900</u>	<u>1,557,839,990</u>	<u>1,477,725,783</u>
Expenditures				
Administration				
Contractual services	34,935,500	34,779,900	24,451,099	10,328,801
Personnel services and benefits	6,643,400	6,643,400	6,472,257	178,659
Other operating costs	1,245,500	1,401,600	1,269,377	172,810
<b>Total Expenditures</b>	<u>42,824,400</u>	<u>42,824,900</u>	<u>32,192,733</u>	<u>10,632,167</u>
<b>Change in net assets, budget items</b>			\$ 1,488,357,949	
<b>Non-budget revenues and expenses:</b>				
Depreciation Expense			(703,512)	
Compensated Absences			(20,069)	
Accounts Payable			1,553,753	
Reversions			(20,162)	
Contributions from members and employers (plus service credit purchase)			605,302,444	
Administrative Expense Allocated			145,897	
Other Income/Special Item			419,419	
Benefit payments to retirees and beneficiaries			(1,084,818,274)	
Refunds to terminated employees			(44,396,305)	
<b>Increase (Decrease) in plan net assets</b>			965,812,138	
<b>Net Position held in trust for pension benefits</b>				
Balance - beginning of year			<u>13,826,658,367</u>	
Prior Period Adjustments (footnote 16)			<u>6,447,404</u>	
Balance - end of year			<u><u>\$ 14,798,917,911</u></u>	

**OTHER SUPPLEMENTAL SCHEDULES**  
**SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES**  
Year Ended June 30, 2017

	PERA	Judicial	Magistrate	VFF	Deferred Comp
<b>Investment Expenses:</b>					
Investment Advisory Fees	\$ 20,135,673	\$ 129,698	\$ 47,656	\$ 95,499	-
Investment Manager Fees	18,970,006	113,542	41,084	85,099	-
Consultant Fees	76,072	455	165	341	-
Information Technology Services	54,476	326	118	244	-
Legal Fees	375,778	2,249	814	1,686	-
Security Lending Expenses	633,050	3,789	1,371	2,840	-
Other Fees	16,775,305	100,406	36,331	75,253	-
<b>Total Investment Expenses</b>	<b>\$ 57,020,360</b>	<b>\$ 350,465</b>	<b>\$ 127,538</b>	<b>\$ 260,963</b>	<b>\$ -</b>
<b>Administrative Expenses:</b>					
<b>Other Contractual Services:</b>					
Information Technology Services	\$ 584,955	3,501	1,267	2,624	-
Legal Fees	2,331,804	13,957	5,050	10,460	-
Audit Fees	161,253	965	349	723	-
Medical Services	47,953	287	104	215	-
Other Professional Services	88,849	532	192	399	1,164,718
<b>Total Other Contractual Services</b>	<b>\$ 3,214,814</b>	<b>19,242</b>	<b>6,962</b>	<b>14,422</b>	<b>1,164,718</b>
<b>Other Administrative Services:</b>					
Personnel Services and Benefits	\$6,279,028	37,939	13,728	28,435	-
Other Operating Costs	1,278,155	7,650	2,768	5,734	-
Compensated Absences	18,882	113	41	85	-
Depreciation Expense	694,733	4,158	1,505	3,117	-
<b>Total Other Administrative Services</b>	<b>\$8,270,797</b>	<b>49,860</b>	<b>18,041</b>	<b>37,370</b>	<b>-</b>
<b>Total Administrative Expenses</b>	<b>\$11,485,612</b>	<b>\$69,102</b>	<b>\$25,004</b>	<b>\$51,792</b>	<b>\$1,164,718</b>
<b>Total Investment and Admin Expenses*</b>	<b>\$68,505,971</b>	<b>\$419,567</b>	<b>\$152,542</b>	<b>\$312,754</b>	<b>\$1,164,718</b>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
and Mr. Timothy M. Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, Volunteer Firefighters Retirement Fund, and the Deferred Compensation (IRC 457) Fund (collectively, the Funds) administered by the Public Employees Retirement Association of New Mexico (PERA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise PERA's basic financial statements, and have issued our report thereon dated November 22, 2017. Our report includes a reference to other auditors who audited the financial statements of the Deferred Compensation (IRC 457) Fund, as described in our report on PERA's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PERA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PERA's internal control. Accordingly, we do not express an opinion on the effectiveness of PERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Members of the Retirement Board  
Public Employees Retirement Association of New Mexico  
and Mr. Timothy M. Keller  
New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 22, 2017

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year ended June 30, 2017

**NONE**

**SCHEDULE OF FINDINGS AND RESPONSES**  
Year ended June 30, 2017

NONE

## EXIT CONFERENCE

We discussed the financial statements and recommendations contained in this letter during the exit conference held November 14, 2017. The exit conference was attended by the following individuals”

### PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Wayne Propst	Executive Director
Susan Pittard	Chief of Staff/General Counsel
Anna Williams	Chief Financial Officer
Renada Peery-Galon	Administrative Services Director
Christopher Garcia	Financial Coordinator
Greg Trujillo	Deputy Director
Christine Ortega	Portfolio Manager Investment Operations
James Maxon	Board of Trustees Vice-Chair

### CliftonLarsonAllen

Matthew Bone, CPA	Partner
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Public Employees Retirement Association

# INVESTMENT SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017

## CHIEF INVESTMENT OFFICER'S LETTER

Dear PERA Members:

It is an honor and a privilege to highlight the Investment Section of the Comprehensive Annual Financial Report for the year ending June 30, 2017, for the Public Employees Retirement Association of New Mexico (PERA). The following provides an overview of the economic environment, the investment portfolio, and accomplishments that occurred during the fiscal year.

### PERA FUND PERFORMANCE

As of June 30, 2017, the investments in the PERA Fund (or the Fund) returned 11.1% and generated investment gains of approximately \$1.5 billion net of investment fees and expenses. The Fund balance at the close of the fiscal year was approximately \$15.1 billion. Over the one-year and three-year measurement periods, the Fund has underperformed its benchmark return. As explained below, the vast majority of the underperformance in the one-year period reflects changes made to the policy benchmark at the end of April 2016 for an updated strategic asset allocation. While the policy benchmark changes instantly, the implementation associated with adjustments to the asset allocation is a methodical process undertaken over a longer period, approximately 18 to 24 months. In particular, commitments to less liquid investments require additional time to identify appropriate strategies. Despite the recent underperformance, the PERA Fund continues to exceed its policy benchmark over longer time horizons.

<b>Time Period</b>	<b>PERA Return</b>	<b>Benchmark Return</b>	<b>Excess Return</b>
One-year	11.10%	11.68%	-0.58%
Three-year	4.39%	5.22%	-0.83%
Five-year	8.53%	8.50%	0.03%

Broadly speaking, the fiscal year experienced a risk-on market rally. Non-US equity markets appreciated significantly, with a 24% gain for MSCI Emerging Markets index and a 21% gain for MSCI EAFE index. US equity markets were not far behind, with the S&P 500 index gaining 18%. Similarly, the Bloomberg Barclays High Yield Bond Index rallied 13%. PERA participated in these gains through our strategic asset allocation, while also paring the risk associated with owning richly-priced asset classes. As such, PERA's performance, similar to many U.S. defined benefit plans, was above the actuarial return hurdle target of 7.25%. The portfolio did experience a positive return, and many asset classes within the PERA portfolio exceeded their respective benchmarks. The Fund benefited from its global equity investments in global public stocks and private equity, for example, with respective gains of 19.51% and 16.55%.

Declining trends in global economic and business fundamentals that drive returns earned by equity and fixed-income investors imply a sustained period of lower investment earnings than those enjoyed in recent decades. The Fund enters the next fiscal year better positioned for the current economic environment with the implementation of a new strategic asset allocation that was adopted in April 2016.

The new strategic asset allocation apportions assets to capture diversified return streams while reducing the expected volatility of the Fund, as a whole.

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

In the context of a dynamic capital market environment, the PERA Board seeks to position the Plan for long-term capital appreciation through prudent asset allocation, diversification within asset categories and risk management techniques to closely monitor market forces. The Board strives to generate consistent long-term investment gains recognizing that capital markets may not move in a steady and uniform direction and that losses may occur.

### ECONOMIC OVERVIEW

#### *First Fiscal Quarter*

Real GDP growth during the first half of the year equaled 1.1% at an annualized rate. Robust job growth and a slow but upward trend in hourly earnings provided a boost as consumer spending contributed 2% to overall real growth. Private investment, despite accounting for less than 20% of GDP, detracted -1%. Investments are down from a year ago while inventories shrank during the second quarter for the first time in five years.

The U.S. stock market was up for the quarter by 4.3%. Most of the pricing activity occurred during roughly the first dozen trading days of the quarter. The post-Brexit rebound resulted in a 3.7% gain for U.S. equities, with a modest net gain after that. Strong equity returns have coincided with a drop in corporate earnings, driven by an Energy sector which was particularly weak.

Large capitalization stocks underperformed smaller shares while growth stocks led value. Sector performance was varied during the quarter. The best performing sector was Information Technology with a 12.6% gain while the leading laggard was Utilities with -5.7% loss.

Equity markets outside of the U.S. were in positive territory during the quarter, mainly in emerging countries. The European Central Bank maintained their accommodative policies while the Bank of England cut their bank rate to 0.25% and extended their existing quantitative easing. In Japan where the overnight rate is negative, the central bank announced a plan to target the 10-year bond yield near 0%. Emerging market equities have benefitted from strong economic growth, asset inflows and economic resilience in China.

U.S. Treasury yields were on a slow and steady rise for most of the first fiscal quarter. The bellwether 10-year Treasury yield reached a historic low of 1.37% in early July before reversing course and climbing to end the quarter at 1.60%. The Federal Open Market Committee decided to leave the overnight rate unchanged at their September meeting, the sixth consecutive meeting with no interest rate increase. Credit spreads tightened during the quarter in both investment grade and high-yield bonds. Sovereign bond yields fell across much of Europe but ticked higher in Japan.

#### *Second Fiscal Quarter*

The U.S. stock market was up for the second fiscal (fourth calendar) quarter by 4.5% and by 13.4% for all of 2016. This marks the fifth straight quarterly gain and, more remarkably, the eighth straight annual gain for the broad U.S. market. A portion of that “winning streak” is due to a rebound from the global financial crisis sell-off. However, the market has continued to produce strong returns after the recovery period, with a 14% annualized gain for the past four years. After a couple of volatile months to begin 2016, U.S. equities trended upward during the rest of the year.

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

Large capitalization stocks underperformed smaller shares while growth stocks trailed value. Sector performance was varied during the quarter. The best performing sector was Financials with a 21.2% gain while the main laggard was Health Care with a -3.6% loss.

The 10-Year Treasury yield continued a move higher during the fourth quarter, as did the breakeven inflation rate. Both shifts this year occurred mostly after November 8th. Whether it was the election or the removal of an unknown that spurred the change is uncertain, but the timing is unmistakable. The Federal Reserve increased the Fed-funds rate in December to a range of 0.5% - 0.75%, just the second increase since year-end 2008.

Equity markets outside of the U.S. were in mostly positive territory for both the fourth quarter and year-to-date in local currency terms. However, a strong U.S. dollar pared gains for U.S. investors. The European Central Bank announced that they would be buying less per month than previously scheduled as part of their current quantitative easing but extended the buying period to December 2017. Despite a strong 2016, emerging market equities suffered during the fourth quarter following the U.S. election as investors feared weakening prospects for global trade and exports from emerging market countries.

After falling for much of the first half of 2016, U.S. Treasury yields reversed course and moved higher for the remainder of the year. The bellwether 10-year Treasury yield reached a historic low of 1.37% in early July before climbing to end the year at 2.45%, accelerating its rise after the election. The Fed increased their overnight rate by 0.25% at their December meeting while credit spreads tightened during the quarter in both investment grade and high-yield bonds. The move was dramatic enough within high yield to result in a net quarterly gain.

### *Third Fiscal Quarter*

The U.S. stock market was up 5.61% for the first quarter of 2017. The market has been trending upward, generally, for more than a year now, including six straight quarterly gains. Economic releases during the quarter were strong, and markets took comfort in both the Federal Reserve's 0.25% increase in the overnight rate and its accompanying statement. Despite price increases that have been accelerating, the Fed's forecast for the Fed-funds rate at year-end 2017 was little changed from their December meeting.

Large capitalization stocks outperformed smaller shares while growth stocks led value. Sector performance was varied during the quarter. The best performing sector was Information Technology with a 11.9% gain while the leading laggard was Energy with a -6.9% loss.

Some signals point to strength in the employment market, beyond an unemployment rate below 5%. Job openings are far higher than they have been in more than a decade and "quits" (employees leaving jobs voluntarily) are back to the level that existed before the credit crisis. Finally, labor force participation, which has been on the decline since 2001, has moderated near 63% during the past couple of years.

Equity markets outside of the U.S. produced solid returns during the first quarter of 2017, in both developed and emerging markets. Economic releases out of Europe suggest an improving economy, including in the manufacturing industry and with consumer sentiment. Despite major events in the global political arena, emerging market equities had their best quarter since early 2012 to begin the new year. Corporate earnings in these countries have been improving, generally, and are expected to move higher going forward.



## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

The U.S. Treasury yield curve did not shift much during the quarter but did flatten with the six-month yield up 29 basis points and the ten-year down five basis points. The Federal Open Market Committee decided to increase their overnight rate by 0.25% at their March meeting, their third increase since 2008. Credit spreads continued lower during the quarter in both investment grade and high-yield bonds. High yield spreads, which have averaged 6% during the past decade, fell below 4% during the quarter for the first time since mid-2014.

### *Fourth Fiscal Quarter*

The U.S. stock market was up 3.0% for the second quarter of 2017. Economic releases during the second quarter were solid with growth in both the economy and labor market. Corporate earnings reports during the quarter were stronger than many expected with Financials leading the way but weakness in the Energy sector. The Federal Open Market Committee raised the Fed Funds rate in June by 0.25%, the second such increase this year. Equity markets outside of the U.S. produced very strong returns during the second quarter, in both developed and emerging markets. While economic releases out of Europe continue to improve, Britain has shown signs of struggling with impacts from the Brexit vote. Emerging markets are outpacing developed markets in 2017. Returns have been broad-based with 21 of the 24 countries in the index (representing more than 95% of the market value) producing positive gains. The U.S. Treasury yield curve continued to flatten during the quarter with the one-year yield up 21 basis points and the thirty-year down 18 basis points. The bellwether 10-year Treasury yield ended the quarter at 2.31%, down slightly. Credit spreads continued lower during the quarter in both investment grade and high-yield bonds.

The U.S. equity market has produced an outstanding 14.6% annualized return during the past five years by producing very few (one) negative quarters. The five-year risk (standard deviation) of 7.8% as of June 30 is approaching a historic low.

## INVESTMENT PORTFOLIO STRUCTURE AND PERFORMANCE

In the context of the dynamic capital market environment, PERA seeks to position the Fund for long-term capital appreciation principally through prudent asset allocation. According to widely accepted academic studies, the policy mix between major asset categories explains more than 90% of the variance in the return of an investment portfolio. A second pillar of prudent asset allocation is diversification to avoid excessive exposure to any one risk factor. Based on this foundation, the Fund divides investible assets between global equities, risk reduction and mitigation strategies, credit-oriented fixed income, and real assets. This division balances exposures and positions the PERA Fund for the uncertainties associated with global economic growth and the global inflationary environment. In addition to optimizing the risk-adjusted return prospects for the Fund, the strategic asset allocation maintains the PERA Fund's focus on liquidity. As the Fund disburses more than \$1.0 billion per year in retiree benefits, the ability to convert PERA's investment assets into cash at fair value is of paramount importance. Specifically, approximately two-thirds of the Fund's assets have ample liquidity.

PERA also seeks prudent diversification within each asset category. This mitigates adverse consequences associated with the overreliance on any individual security or security type. Be it at the total Fund level or the asset category level, PERA uses risk management techniques to closely monitor market forces and best position the Fund for its near-term and long-term goals. Through the process of apportioning the Fund across various asset categories

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

as each resulting investment strategy is implemented, PERA strives to generate consistent long-term investment gains recognizing that capital markets may not move in a steady and uniform direction and that losses may occur.

The PERA Fund's updated asset allocation targets as of June 30, 2017, are:

### Strategic Asset Allocation

<u>Asset Class</u>	<u>Target</u>
Credit Oriented Fixed Income	43.50%
Risk Reduction & Mitigation	21.50%
Credit Oriented Fixed Income	15.00%
Real Assets to include Real Estate Equity	20.00%

### *Global Equity*

Global equity is PERA's largest asset category with approximately \$7.1 billion in liquid and illiquid securities. The global equity composite is comprised of U.S. and non-U.S. public equities; private equity, consisting of venture capital and buyouts; and hedged equity, including long/short and event-driven absolute return strategies. The Fund's global equity portfolio returned 19.51% leading its benchmark by 1.78%. PERA's global public equity portfolio gained 20.65% for the fiscal year. By dollar amount, these assets were the primary contributor to the volatility of the PERA Fund during the fiscal year. For the broadly positive year, the global public equity portfolio performed better than its benchmark by 1.64% and with slightly less volatility than the overall market. Hedged equity also posted gains during the fiscal year, driven primarily by concentrated event-driven hedged strategies, returning 8.85% but underperforming the benchmark by 1.90%. Private equity performed well with a return of 16.55% but lagged the benchmark by 4.52%. The impact of these losses was small, however, given the relative sizing of the private and hedged equity allocations. All components of the portfolio were positive for the fiscal year.

### *Risk Reduction & Mitigation*

With a return of 0.19%, the \$3.6 billion risk reduction and mitigation composite stayed positive in the broadly negative fixed income space. This asset category includes domestic and global core investment grade fixed income and cash equitization. The equitization program replicates the Fund's asset allocation with its cash holdings to balance short-term liquidity needs with the premise that capital markets appreciate over time. The risk reduction and mitigation portfolio outperformed its benchmark by 0.50% during the fiscal year. Equally, if not more important, it fulfilled its strategic role of providing the PERA Fund with steady income, liquidity, downside protection and diversification from equity risk. Domestic core fixed income finished the fiscal year with a -0.15% return outperforming its benchmark by 0.16%. Global core fixed income had a contribution to returns on the Fund at 0.73% and led the benchmark by 1.14%. All components of the portfolio outperformed their respective benchmarks for the fiscal year.

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

### *Credit-Oriented Fixed Income*

Liquid and illiquid credit and emerging markets debt make-up the Fund's credit-oriented fixed income composite. The investments in this \$2.1 billion portfolio target total return with an emphasis on the preservation of capital relative to equity-oriented strategies. Credit-oriented fixed income strategies may be more volatile than core fixed income holdings in the risk reduction and mitigation composite. As a whole, this asset category returned 8.13%, trailing its benchmark by 3.17%. The liquid credit strategies, such as high yield and bank loans, generated returns of 8.56% but lagged their benchmark return by 3.33%. Emerging market debt recorded their first full year of performance and added a positive return of 5.51% for the fiscal year. The illiquid credit composite which includes hedged credit, distressed and private debt returned 8.85%. The Fund's credit investments maintained a more conservative risk profile during these periods of elevated uncertainty and tight spreads.

### *Real Assets*

The \$2.1 billion real assets composite includes liquid and illiquid real estate, liquid and illiquid real assets, and market neutral/risk premia hedged strategies. Overall, the real assets portfolio gained 7.30% for the fiscal year, underperforming its benchmark by 5.18%. Liquid or publicly traded real estate strategies returned 1.04% for the fiscal year, outperforming its benchmark by 1.97%. Illiquid opportunistic and value-add private real estate partnerships returned 4.70%, 4.63% behind its benchmark. Liquid real assets were positive for the fiscal year as domestic master limited partnerships climbed 3.00% as compared to a benchmark return of 0.40%. Illiquid real assets, such as energy, infrastructure, and agriculture private partnerships, surged 14.88% but trailed the benchmark which climbed 21.24%. Market neutral/risk premia strategies, consisting of global macro, market neutral and multi-strategy hedge funds, gained 0.91% for the fiscal year and underperformed its absolute benchmark return by 2.07%.

## ACCOMPLISHMENTS

### *Asset Allocation Implementation*

The most significant action taken by PERA during the fiscal year was the continued measured process of shifting the investment portfolio to the new allocation targets approved in April of 2016. The global equity portfolio completed a planned transition towards its target weight as well as investment strategies that focus on appropriate risk compensation. Towards this end, global low volatility equity was introduced as a mandate during the fiscal year. Low volatility equity seeks to provide downside protection and reduce the global equity portfolio's sensitivity to broad equity market movements while capturing stable returns. The credit-oriented fixed income portfolio also went through an implementation process as the mandate size has increased for its parts. The implementation included a process to be more concentrated in higher conviction investment ideas while remaining diversified across strategies within credit. The combination of true diversification at the asset category level and increased conviction at the investment strategy level is taking root across the entirety of the Fund. The real assets portfolio also completed a planned implementation process that for the interim moves the asset category towards its target weight by using more liquid assets. In the future, these liquid assets will be the primary source of funding for illiquid assets. This allows the real assets portfolio to move into investment strategies that focus on appropriate risk compensation over time. For example, PERA made larger commitments to fewer managers during the fiscal year

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

in illiquid areas of private equity, private real estate and private real assets. The Fund balanced these concentrated positions with a new initiative designed to identify smaller and niche-focused illiquid managers with geographic and/or sector expertise.

In addition to improving the risk-adjusted return prospects for the Fund, the new strategic asset allocation maintains the Fund's focus on liquidity. Specifically, the asset allocation analysis utilized liquidity stress tests as a decision factor. PERA also updated the benchmarks it uses to measure the performance of the new policy mix. Better benchmarks will help PERA make decisions necessary to deliver superior risk-adjusted returns for its members.

### *Investment Division & Transparency*

PERA is committed to protecting the interests of its members and the Fund by ensuring accountability through full and meaningful disclosure of information related to investment policies, portfolio composition, performance, and expenses. For the fiscal year, 2017 PERA continued its ongoing efforts to promote transparency and accountability for the Fund and its business partners. These efforts also strengthen risk management, improve governance, reduce costs, and maximize value and efficiency for the members of PERA.

PERA continued to enhance performance and accountability by expanding the use of technological solutions and refining its suite of tools and reports. A key accomplishment was the ongoing development of an in-house risk management capability during the fiscal year, with a consistent approach to identifying, evaluating, managing, monitoring and reporting risks across the portfolio. Position-level risk and performance analytics enable PERA to analyze better and control the portfolio and more effectively articulate the appetite, attitude, and tolerances to risk in pursuit of the return objective. These risk reports are included in the standard monthly reporting package for the PERA Board.

### PERA SMART SAVE DEFERRED COMPENSATION PLAN

PERA's SmartSave Deferred Compensation Plan ended the fiscal year with a fund balance of \$566.8 million and a record 20,466 participants. During the fiscal year, efforts were focused on the fund and administrative enhancements to ensure current, and future participants are enrolled in a high-quality, supplemental 457b retirement plan.

In the fiscal year 2017, the PERA Board approved the replacement of specific funds within the Plan's LifeCycle Portfolios with comparable funds that offer lower investment management fees. This allows participants to continue to gain exposure to the same asset class with funds that are less volatile and less expensive.

The PERA Board also approved various recommendations for administrative enhancements to the SmartSave Plan starting with the adoption of a new administrative fee structure that is more equitable across the plan for all participants. The new administrative fee is a hybrid structure of a lower flat rate plus a variable asset rate, with a cap for those with higher account balances. The new structure lowers the annual administrative fee for two-thirds of plan participants and remains less expensive for those participants with high account balances.

## CHIEF INVESTMENT OFFICER'S LETTER (CONTINUED)

The PERA Board also adopted Provision 845 of the Pension Protection Act for the SmartSave Plan. Provision 845 allows public safety retirees to utilize up to \$3000 in deferred compensation distributions towards retiree health care premiums and exclude this amount in their annual federal tax returns.

Moreover, from a legislative perspective, PERA participated in the 2017 NM Legislative Session in efforts to amend the NM Deferred Compensation Act to allow for online enrollments, a feat that had never been pursued. The pertinent bill was successfully passed by the House and Senate and signed into law by Governor Martinez at the end of the 60-day session. Implementation of online enrollment, a relatively large project, is slated for the fiscal year 2018.

### SUMMARY

During the fiscal year, PERA continued to implement the updated strategic asset allocation which increases the PERA Fund's return prospects while reducing its risk expectations. The process of incorporating these changes began at the end of the fiscal year 2016, through 2017 and will continue to be a key focus for the upcoming year. In addition to implementing the updated strategic asset allocation, PERA continued to improve the risk management program with the addition of a new position focused on risk and compliance. PERA also continued its efforts to increase transparency and cost efficiencies within its portfolio. These initiatives, too, will continue into the future. PERA remains committed to delivering exceptional risk-adjusted returns over the long-term to meet the manifold needs of its members.

Lastly, I wish to thank the PERA Board for their continued dedication to the Fund. Their efforts represent the interests of all members as the Fund strikes a critical balance between short-term liquidity and long-term capital appreciation. I would also like to thank the investment division for their hard work and mission-driven focus for all PERA stakeholders. Our combined efforts are the key to PERA's success and bright future.

Sincerely,

Jude Pérez  
Interim-Chief Investment Officer

## INVESTMENT OBJECTIVES AND POLICIES

### INTRODUCTION

The PERA Board is charged with the responsibility of administering and investing the PERA Fund for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. In accordance with the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, the Board is required to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. This standard of care encourages diversifying investments across various asset classes to minimize the risk of large losses.

The Board approves the Investment Policy which governs the investment of assets for PERA and establishes parameters to ensure prudence and care in the execution of the investment program. The Investment Policy serves as the touchstone for prudent management of the Fund and describes the Board's investment objectives and tolerance for investment risk. The Investment Policy outlines objectives, benchmarks, restrictions and responsibilities necessary for members of the Board, staff, investment managers, consultants, and PERA stakeholders to clearly understand the policies, goals and objectives, and risks connected with the PERA investment program.

The Chief Investment Officer, with the assistance of PERA staff, has the responsibility and authority to assist the Board in establishing investment and administrative policy, and to implement the policies and programs established by the Board. The Chief Investment Officer has primary responsibility for the implementation of the investment decisions approved by the Board.

Approved policies are posted on the PERA website at [www.nmpera.org](http://www.nmpera.org) where they can be viewed in their entirety.

### GENERAL OBJECTIVES

PERA's primary objective is to prudently invest assets in order to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board has adopted the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

## INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

### THIRD PARTY SERVICE PROVIDERS

- **Investment Consultants:** To accomplish its mission, PERA relies on third-party investment management consultants to properly administer the Fund and implement the investment strategies it adopts. PERA currently utilizes the services of three investment management consultants: a general investment consultant and two specialist consultants for illiquid investments in private equity, real estate, real assets and hedge funds. The investment consultants provide performance review, asset allocation studies, manager screening, and topical studies. The comments and recommendations of the consultants are considered by PERA in conjunction with other available information for the purpose of making informed and prudent decisions.
- **Investment Managers:** PERA believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Professional investment managers are retained by PERA to assist in managing PERA's assets. Investments are sufficiently diversified, both by asset class and investment manager, to minimize concentration and market risks. Each investment manager functions under a formal contract that delineates the manager's responsibilities and appropriate performance expectations, including a formal set of investment guidelines and administrative requirements for the management of each portfolio. PERA's external managers are subject to compliance with PERA's Investment Policy and all applicable State and federal laws.
- **Custodian Bank:** The custodian bank serves as the book of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The custodian bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The custodian bank cooperates with and provides assistance to staff and investment managers in the reconciliation process.

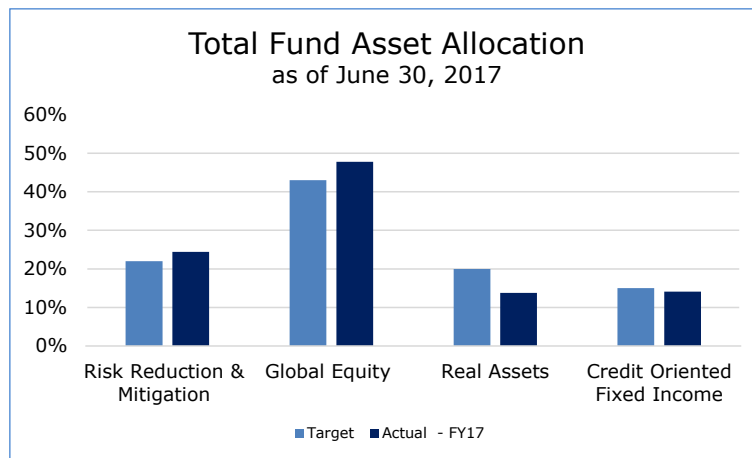
### PROHIBITIONS

In accordance with UPIA guidelines, the PERA Board, staff, investment consultants, and investment managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

- Investments precluded by law or regulation.
- Transactions that involve a broker acting as a "principal" where such broker is also the investment manager who is making the transaction are prohibited unless otherwise approved in each manager's respective professional services agreement.
- Any other investments as specified in each investment manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

## INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

### ASSET ALLOCATION



Asset allocation is the single largest contributor to the PERA Fund’s return and risk. Based on the factors identified in the Investment Policy, PERA has established strategic asset allocation targets and ranges for global equity, risk reduction and mitigation, credit oriented fixed income, and real assets on a fair value basis. Ranges for each asset class are included in the asset allocation investment policy to provide the Fund with the flexibility to take advantage of market opportunities.

The Board approves allocation of assets among various asset classes. Generally, in determining the asset allocation, PERA considers: (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 describes the target allocation for investable asset types and the allowable ranges. An appropriate asset allocation facilitates diversification of assets necessary to maximize the investment return to PERA consistent with prudent market and economic risk. PERA assets are fully invested at all times with only small balances in cash equivalents to cover benefits and operational expenses.

### REBALANCING

PERA’s rebalancing procedure is governed by allocation ranges rather than time periods. Upper and lower allocation limits have been established for each asset class. The ranges are a function of the volatility of each asset class and the proportion of the total fund allocated to the asset class. PERA rebalances the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal in implementing the rebalancing procedure is to minimize transaction costs, market impact, and opportunity costs.

When the allocation to all asset classes remains within established limits, cash flows are used to maintain the overall allocation as closely as possible to the target. In the event that a liquid strategy within an asset class



## INVESTMENT OBJECTIVES AND POLICIES (CONTINUED)

breaches an upper or lower limit, the asset class is rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day period, it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category. Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

## PERFORMANCE

PERA relies on the following long-term objectives to measure investment performance:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. PERA seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

The performance of each asset class is measured against a benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain illiquid asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. These benchmarks are referred to as the "Policy Index." PERA may use the Policy Index to compare the Fund's actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

Mandate-level benchmarks relevant to an investment shall be used as standards to measure the performance of investment managers. Acceptable benchmarks include but are not limited to:

- The appropriate market indices on a nominal and risk-adjusted basis;
- The performance of peers within their style group;
- Adherence of the investment manager to the stated investment philosophy and style; and
- Adherence to the Investment Policy and the guidelines established in the investment contract.

Appropriateness of benchmarks is reviewed on a regular basis.

## 2017 Equity Performance

### For the Fiscal Year ending June 30, 2017

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date	Bench- mark
		1 Year	3 Years	5 Years	10 Years			
<b>Domestic Equity</b>	<u>975,949</u>	18.02%	8.46%	14.96%	7.30%	11.17%	6/1/1985	
<b>Russell 3000 Index</b>		18.51%	9.10%	14.59%	7.25%	10.69%		
<b>US Equity, Large Cap Composite</b>	<u>561,282</u>	18.46%	9.46%	15.43%	7.24%	10.58%	6/1/1985	
<b>Russell 1000 Index</b>		18.03%	9.26%	14.67%	7.29%	10.81%		
Custom Policy + 3%								
Portable Alpha Core	58,381	22.70%	9.98%	17.68%	-	6.19%	10/1/2007	10.19%
<b>Russell 3000 + 1%</b>								
AQR Alphaport	502,901	18.47%	-	-	-	17.23%	7/31/2015	17.43%
<b>US Equity, Mid/Small Cap Composite</b>	<u>414,667</u>	19.86%	6.26%	13.98%	7.74%	13.04%	9/1/1992	
<b>Russell 2500 Index</b>		19.84%	6.93%	14.04%	7.42%	11.01%		
DFA Small Cap Value	185,966	23.91%	5.64%	14.82%	-	13.04%	10/1/2010	12.47%
RBC Small Cap Growth	104,180	15.71%	7.52%	13.31%	9.10%	9.51%	4/1/2005	9.20%
TimesSquare SMID Growth	124,521	18.13%	5.42%	13.01%	9.80%	11.29%	4/1/2005	9.68%
<b>Global Public Equity</b>	<u>4,082,521</u>	20.65%	5.52%	11.14%	-	9.91%	7/1/1995	
<b>Policy Index</b>		19.01%	5.42%	11.53%		10.22%		
<b>ACWI Minimum Volatility Index</b>								
<b>MSCI ACWI Min Vol Index</b>								
BlackRock MSCI ACWI								
Minimum Volatility	<u>742,602</u>	-	-	-	-	9.92%	9/16/2016	9.53%
<b>MSCI AC Workd IMI Index</b>								
State Street ACWI IMI Index	<u>3,339,919</u>	-	-	-	-	13.28%	8/16/2016	12.73%
<b>International Equity</b>	<u>960,657</u>	20.53%	1.90%	8.08%	0.40%	7.36%	7/1/1995	
<b>Policy Index</b>		20.43%	1.14%	7.58%	1.38%	5.29%		
<b>NT MSCI ACWI x US Index</b>	<u>5,944</u>	13.61%	-97.00%	6.24%	0.00%	2.94%	1/1/2011	3.58%
MSCI ACWI x-US								
NT ACWI x-US								

## 2017 Equity Performance (Continued)

For the Fiscal Year ending June 30, 2017

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date	Bench- mark
		1 Year	3 Years	5 Years	10 Years			
<b>MSCI EAFE Index</b>		20.26%	1.15%	8.69%	1.03%	3.15%		
Kleinwort Benson EAFE LG Cap Value	158,341	20.85%	0.20%	8.66%	-	5.52%	4/1/2010	4.43%
MFS EAFE Large Cap Value	162,512	12.08%	5.38%	11.98%	-	10.05%	4/1/2010	4.43%
Principal Global Small Cap Core	127,011	22.96%	6.28%	14.02%	-	5.23%	12/1/2007	4.04%
Schroder Small Companies	129,442	27.54%	6.55%	14.12	-	14.12%	5/1/2012	12.94%
<b>Emerging Markets Composite</b>	<u>373,877</u>	19.20%	1.05%	4.60%	1.07%	4.56%	7/1/2006	
<b>MSCI Emerging Market Index</b>		23.74%	1.07%	3.96%	1.91%	5.23%		
Aberdeen	186,710	19.48%	2.10%	4.21%	-	5.91%	11/1/2009	2.73%
Parametric EM (fka Eaton Vance)	187,167	19.02%	0.01%	4.47%	-	1.28%	11/1/2007	0.20%
BlackRock Equity Transition	<u>3,530</u>	-	-	-	-	-	7/15/2016	

## 2017 Risk Reduction & Mitigation Performance

For the Fiscal Year ending June 30, 2017

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date	Bench- mark
		1 Year	3 Years	5 Years	10 Years			
<b>Risk Reduction &amp; Mitigation</b>	<u>3,252,022</u>	-0.05%	2.32%	3.11%	4.79%	6.88%	6/1/1985	
<b>Policy Index</b>		-0.33%	2.60%	2.05%	4.22%	6.71%		
<b>Core &amp; Glocal Fixed Income</b>	<u>3,252,022</u>							
<b>Bloomberg Barclays Aggregate</b>								
BlackRock Core Active	1,004,574	-0.16%	2.77%	2.60%	5.15	4.99%	10/1/2006	4.37%
Mackay Shields Core Inv Grade	1,027,802	0.01%	2.30%	2.48	-	2.48%	7/1/2012	2.21%
Prudential Core Conservative	754,183	-0.42%	2.63%	3.45	-	3.45%	6/1/2012	2.21%
Manulife Core Global Agg	465,463	0.73%	2.37%	3.88%	-	3.80%	5/1/2011	3.73%

## 2017 Credit Oriented Fixed Income Performance

For the Fiscal Year ending June 30, 2017

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the General Investment Consultant and was calculated using time-weighted monthly returns.

	Fair Value (in millions)	Annualized Rate of Return				Since Inception	Inception Date	Bench- mark
		1 Year	3 Years	5 Years	10 Years			
<b>Credit Oriented Fixed Income</b>	<u>1,348,625</u>						10/1/2014	
<b>Liquid Credit</b>	<u>824,365</u>	8.56%	-	-	-	5.15%		
<b>Bloomberg Global HY Index</b>		11.89%	-	-	-	7.75%		
CVC Global Credit Opportunities	240,771	11.52	-	-	-	7.67%	10/31/2015	13.96%
Ellington HF	269,804	-	-	-	-	0.92%	12/13/2016	6.46%
Guggenheim Global High Yield	302,727	12.08	-	-	-	10.61%	10/31/2015	11.30%
HIG II	11,063	12.24	7.05	6.16	-	2.81%	10/31/2010	7.66%
<b>Emerging Market Debt</b>								
<b>JPM EMBI Global Diversified</b>								
Lazard Emerging Market Debt	<u>524,260</u>	5.51	-	-	-	7.20%	7/31/2015	10.15%

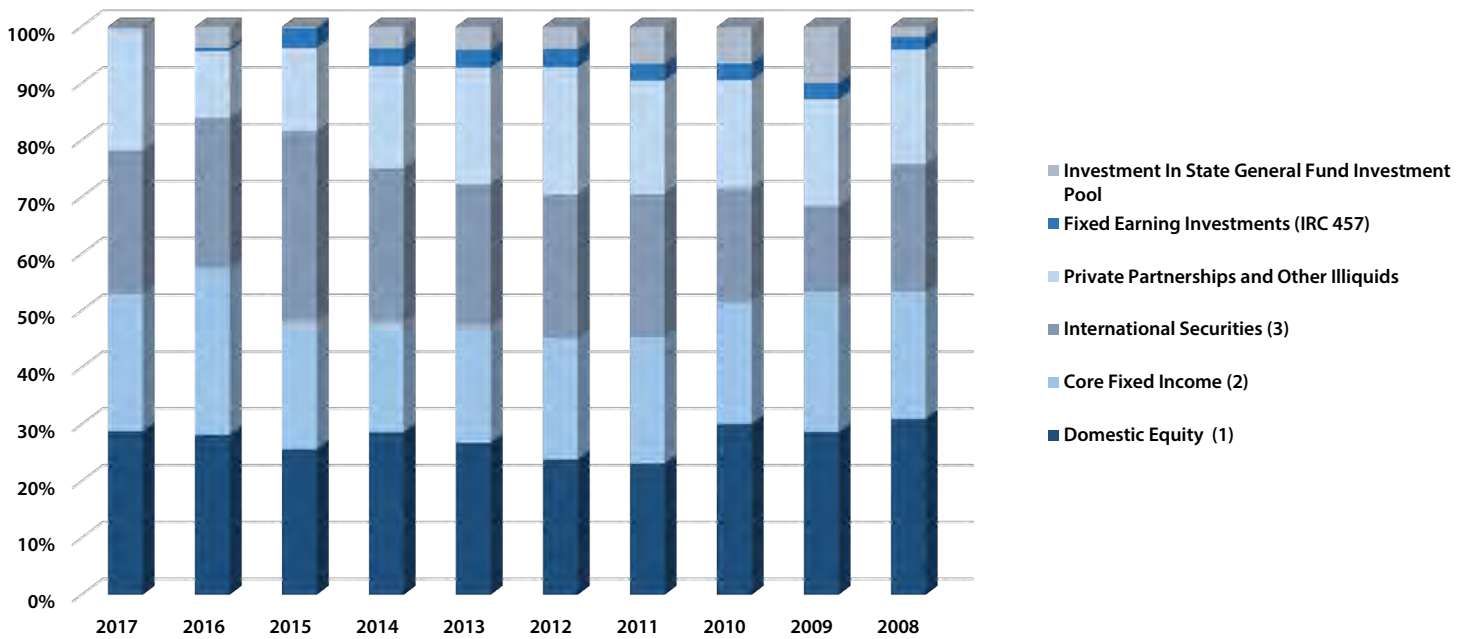
## 2017 Illiquid Investment Program

For the Fiscal Year ending June 30, 2017

The investment performance information contained in this section of the Comprehensive Annual Financial Report was obtained from the Illiquid Investment Consultants and was calculated using internal rate of return.

Private Equity (in thousands)	Number of Partnerships	Capital Committed	Capital Contrib	Fair Value	Cumulative Distrib	Total Value	Net IRR
Buyout	33	\$1,341,026	\$718,156	\$472,804	\$535,521	\$929,037	11.50%
Funds of One	3	250,000	40,048	21,879	27,151	49,030	8.20%
Venture Capital	11	305,962	203,887	217,243	139,936	357,179	16.70%
<b>Total</b>	<b>47</b>	<b>\$1,896,988</b>	<b>\$962,092</b>	<b>\$711,926</b>	<b>\$702,608</b>	<b>\$1,335,246</b>	<b>12.60%</b>
<b>Real Assets (in thousands)</b>							
Agriculture	3	\$160,000	\$29,140	\$26,948	\$8,621	\$35,569	n/m
Energy	22	687,000	54,294	294,563	82,670	377,233	6.2%
Infrastructure	5	557,617	319,599	415,217	6,579	421,796	8.5%
MLP	1	316,408	160,000	287,350	0	287,350	-5.2%
Non-US Infrastructure	2	141,543	3,843	26,994	1,389	28,383	n/m
Inflation Linked	1	151,000	0	0	0	0	8.10%
Commodities	1	186,000	0	0	0	0	4.10%
<b>Total</b>	<b>35</b>	<b>\$2,199,568</b>	<b>\$566,876</b>	<b>\$1,051,072</b>	<b>\$99,259</b>	<b>\$1,150,331</b>	<b>4.7%</b>
<b>Real Estate (in thousands)</b>							
Domestic REIT	5	\$693,552	\$567,507	\$282,741	\$441,220	\$723,961	15.9%
Global REIT	2	634,370	570,317	286,556	381,244	667,800	7.9%
Core	1	75,000	220	1,845	0	1,845	n/m
Opportunistic	13	549,507	48,009	211,833	55,500	267,333	12.5%
Value Added	5	148,890	18,901	54,664	7,239	61,903	9.4%
Non-US	2	98,522	21,145	36,602	2,686	39,288	11.4%
<b>Total</b>	<b>28</b>	<b>\$2,199,841</b>	<b>\$1,226,099</b>	<b>\$874,241</b>	<b>\$887,889</b>	<b>\$1,762,130</b>	<b>12.1%</b>
<b>Private Debt (in thousands)</b>							
Distressed Debt	11	\$420,000	\$265,621	\$163,000	\$201,841	\$314,512	11.30%
Private Debt	8	\$443,775	\$310,810	\$189,955	\$150,527	\$240,679	7.00%
<b>Total</b>	<b>19</b>	<b>\$863,775</b>	<b>\$576,431</b>	<b>\$352,955</b>	<b>\$352,368</b>	<b>\$555,191</b>	<b>10.10%</b>
<b>Absolute Return (in thousands)</b>							
Credit Oriented	9	\$421,300	8.00%	2.90%	6.70%	6.20%	2/1/2007
Equity Oriented	15	82,301	9.12%	2.92%	6.53%	5.57%	3/1/2007
Real Assets	12	35,789	2.42%	2.22%	4.24%	4.12%	2/1/2007
<b>Total</b>	<b>36</b>	<b>\$539,390</b>	<b>6.15%</b>	<b>1.46%</b>	<b>4.84%</b>	<b>3.24%</b>	<b>2/1/2007</b>

## TEN-YEAR COMPARATIVE ASSET ALLOCATIONS FISCAL YEARS ENDED JUNE 30, 2008-2017



	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Domestic Equity (1)	28.84%	28.2%	25.6%	28.6%	26.8%	23.8%	23.2%	30.1%	28.7%	31.0%
Core Fixed Income (2)	24.15%	29.2%	22.5%	19.4%	20.6%	21.4%	22.3%	21.5%	24.7%	22.4%
International Securities (3)	25.29%	26.5%	33.5%	27.1%	24.9%	25.2%	25.2%	20.0%	15.1%	22.5%
Private Partnerships and Other Illiquids	21.40%	11.8%	14.6%	18.0%	20.5%	22.4%	20.0%	19.0%	18.8%	20.2%
Fixed Earning Investments (IRC 457)	0.16%	0.5%	3.5%	3.2%	3.2%	3.2%	2.9%	2.9%	2.8%	2.2%
Investment In State General Fund Investment Pool	0.16%	3.7%	0.2%	3.7%	4.0%	3.9%	6.5%	6.4%	9.9%	1.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes public MLPs and REITs

(2) Includes corporate obligation, US government bonds, and municipal bonds.

(3) Includes international equity and global fixed income

## COMPARATIVE INVESTMENT RESULTS

### FISCAL YEAR ENDED JUNE 30, 2017

Investment Category	1-year	3-year	5-year
Benchmark	FY 2017	FY 2015-2017	FY 2013-2017
Total Portfolio	11.10%	4.39%	8.53%
Total Fund Benchmark	11.68%	5.22%	8.50%
Global Public Stock	20.65%	5.52%	11.14%
Policy Index	19.01%	5.42%	11.53%
Domestic Equity Composite	18.02%	8.46%	14.96%
Russell 3000	18.51%	9.10%	14.59%
International Equity Composite	20.53%	1.90%	8.08%
MSCI ACWI ex-US IMI	20.43%	1.14%	7.58%
Private Equity Composite	16.00%	14.30%	16.60%
Russell 3000 + 300 bps (1Q lag)	22.10%	12.30%	18.30%
Core & Global Fixed Income	-0.05%	2.32%	3.11%
Policy Benchmark	-0.33%	2.60%	2.47%
Cash Composite	3.58%	5.58%	-
Credit Oriented Fixed Income	8.13%	2.60%	-
Policy Benchmark	11.30%	3.74%	-
Illiquid Credit Composite	9.00%	4.20%	7.50%
Barclays Global HY + 100 bps (1Q lag)	12.90%	4.70%	8.10%
Real Assets	7.60%	-6.70%	1.90%
Policy Benchmark	16.80%	-4.10%	1.30%
Real Estate	4.30%	8.90%	11.30%
Policy Benchmark	7.20%	11.20%	11.90%

#### Benchmark Information:

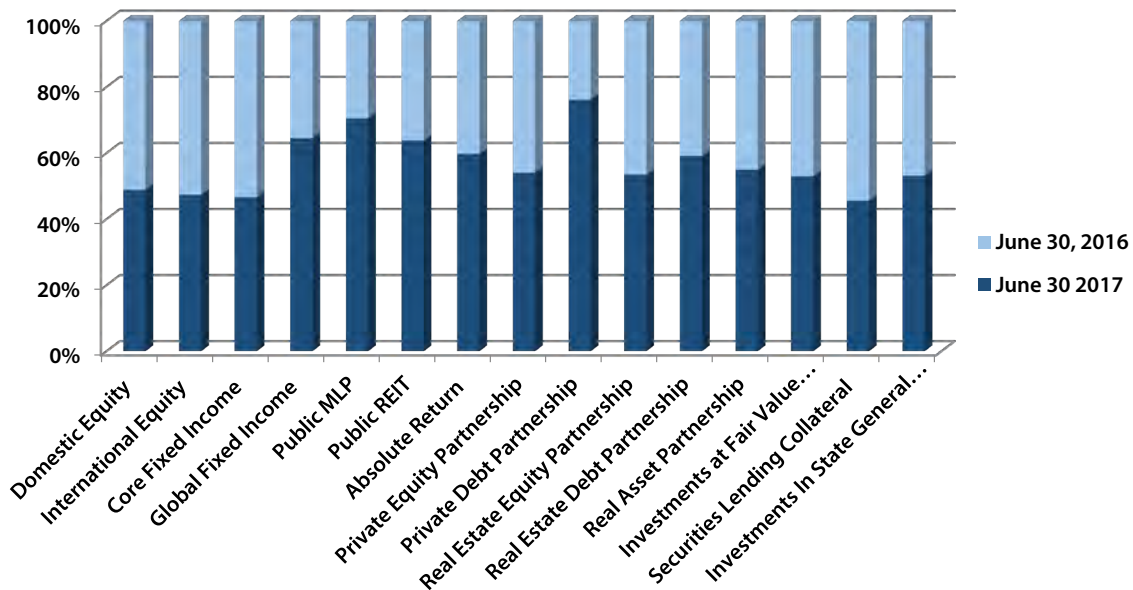
Total Fund Benchmark is calculated monthly based on a weighted average of the Domestic Large Cap Equity Composite, Domestic Small/Mid Cap Equity Composite, Int'l Developed Equity Composite, Int'l Emerging Equity Composite, Total Fixed Income Composite, Cash Equivalent Composite; and their corresponding primary index return.

**International Equity Policy Benchmark** consists of 100% MSCI EAFE Index (Gross) until 06/30/2007; 100% MSCI ACW Ex US Index (Gross) until 11/30/2012; and 100% MSCI ACW Ex US IMI Index (Gross) thereafter. MSCI World Ex US Sm Cap Blended Index (Gross) consists of 100% MSCI World Ex US Sm Cap Provisional Index (Gross) until 06/30/2008 and 100% MSCI World Ex US Sm Cap Index (Gross) thereafter.

**Core & Global Fixed Income Policy Benchmark** consists of 100% Barclays US Agg Bond Index until 03/31/2011; 100% Barclays Global Agg Bond Index until 11/30/2012; and 85% Barclays US Agg Bond Index, 15% Barclays Multiverse Index thereafter.

**Note:** Performance was calculated in accordance with Global Investment Performance Standards (GIPS) for investment managers and composites.

## COMPARATIVE INVESTMENT SUMMARY AT FAIR VALUE FISCAL YEARS ENDED JUNE 30, 2016 & 2017



	FAIR VALUE 6/30/2017*	% OF TOTAL FAIR VALUE	FAIR VALUE JUNE 30, 2016	% OF TOTAL FAIR VALUE
Domestic Equity	\$ 3,207,004,629	20.64%	3,350,755,752	22.92%
International Equity	2,871,920,857	18.49%	3,182,628,051	21.77%
Core Fixed Income	3,512,495,160	22.61%	4,003,628,694	27.38%
Global Fixed Income	806,491,907	5.19%	441,897,041	3.02%
Public MLP	286,425,758	1.84%	119,332,690	0.82%
Public REIT	702,329,428	4.52%	397,473,782	2.72%
Absolute Return	812,090,584	5.23%	544,206,259	3.72%
Private Equity Partnership	693,777,885	4.47%	587,818,015	4.02%
Private Debt Partnership	749,444,950	4.82%	233,554,869	1.60%
Real Estate Equity Partnership	294,485,503	1.90%	255,217,700	1.75%
Real Estate Debt Partnership	109,082,810	0.70%	75,228,158	0.51%
Real Asset Partnership	453,764,648	2.92%	371,226,570	2.54%
	<b>14,499,314,121</b>			
Investments In State General Fund Investment Pool	23,181,186	0.15%	20,429,715	0.14%
Investments at Fair Value (IRC 457)	556,654,494	3.58%	492,579,720	3.37%
Securities Lending Collateral	456,765,979	2.94%	544,078,061	3.72%
<b>Total Investments</b>	<b>\$15,535,915,779</b>	<b>100.00%</b>	<b>\$14,620,055,076</b>	<b>100.00%</b>



**COMPARATIVE INVESTMENTS AT FAIR VALUE**

FISCAL YEARS ENDED JUNE 30, 2016 &amp; 2017

<b>Asset Type</b>	<b>Fair Value June 30, 2017</b>	<b>Fair Value June 30, 2016</b>	<b>Change in Fair Value</b>
Government Bonds	\$ 918,913,521	\$ 1,104,414,563	\$ (185,501,041.91)
Municipal Bonds	34,241,899	31,680,072	2,561,827
Corporate Bonds	1,434,374,922	1,595,600,450	(161,225,527)
Mortgage Backed Securities	1,088,050,793	1,013,466,710	74,584,083
Asset Backed Securities	230,054,972	156,176,935	73,878,037
Commercial Mortgage Backed Securities	76,208,801	172,344,328	(96,135,527)
CMO/REMIC	12,894,377	14,148,887	(1,254,510)
Derivatives	(12,135)	336,579	(348,714)
Commingled Debt Products	524,259,917	357,357,211	166,902,706
Absolute Return - Credit	419,427,848	101,421,186	318,006,662
Limited Partnerships - Credit	858,527,760	308,783,027	549,744,733
<b>Total Fixed Income</b>	<b>5,596,942,675</b>	<b>4,855,729,947</b>	<b>741,212,729</b>
Common Stock	\$ 5,254,331,928	\$ 5,679,992,365	\$ (425,660,436.81)
Preferred Stock	41,864,114	58,023,201	(16,159,087.13)
ADR	44,609,433	58,367,448	(13,758,014.90)
MLP	286,425,758	119,332,690	167,093,067.75
REIT	702,329,428	397,473,782	304,855,646.57
Currency & Equity Derivatives	(1,067,672)	-	(1,067,671.65)
Commingled Equity Products	739,187,683	688,162,797	51,024,885.69
Absolute Return - Equity	392,662,736	442,785,074	(50,122,337.67)
Limited Partnerships - Equity	1,442,028,036	1,263,100,276	178,927,760
<b>Total Equities</b>	<b>8,902,371,445</b>	<b>8,707,237,633</b>	<b>195,133,812</b>
Subtotal Equities and Fixed Income	\$ 14,499,314,121	\$ 13,562,967,580	\$ 936,346,541
Securities Lending Collateral Investments	456,765,979	544,078,061	(87,312,082)
<b>Total Investments as Presented Above</b>	<b>14,956,080,099</b>	<b>14,107,045,641.10</b>	<b>849,034,458</b>
IRC 457 Fund Investments Directed by Participants	556,654,494	492,579,720	64,074,774
Investments In State General Fund	23,181,186	20,429,715	2,772,699
<b>Total Investments per the Statement of Plan Net Position</b>	<b>\$ 15,558,915,779</b>	<b>\$ 14,620,055,076</b>	<b>\$ 915,881,931</b>

## LIST OF LARGEST ASSETS HELD

JUNE 30, 2017

Ten Largest Stock Holdings	Shares	Cost	Fair Value
APPLE INC	363,800	\$42,906,466	\$52,394,476
MICROSOFT CORP	509,800	31,031,892	35,140,514
ENTERPRISE PRODUCTS PARTNERS L	1,209,538	34,929,955	32,754,289
ENERGY TRANSFER PARTNERS LP	1,597,546	42,316,592	32,573,963
AMAZON.COM INC	28,000	22,567,307	27,104,000
JOHNSON & JOHNSON	187,800	22,086,885	24,844,062
FACEBOOK INC	162,600	20,974,027	24,549,348
ENERGY TRANSFER EQUITY LP	1,291,824	23,359,043	23,201,159
EXXON MOBIL CORP	286,300	24,643,105	23,112,999
JPMORGAN CHASE & CO	246,900	19,008,073	22,566,660
<b>EQUITIES Total</b>		\$ 283,823,345	\$ 298,241,470

Ten Largest Fixed Income Holdings	Shares/Par	Cost	Fair Value
COMMIT TO PUR FNMA SF MTG	128,856,412	\$ 138,712,837	\$ 138,224,273
U S TREASURY NOTE	73,430,000	72,102,866	72,650,173
U S TREASURY NOTE	52,765,000	56,364,803	54,900,400
COMMIT TO PUR FNMA SF MTG	41,488,220	45,548,080	45,319,242
U S TREASURY NOTE	42,125,000	40,144,746	40,219,686
U S TREASURY NOTE	40,170,000	39,831,066	39,820,119
COMMIT TO PUR FNMA SF MTG	30,700,000	32,390,813	32,272,147
COMMIT TO PUR FNMA SF MTG	27,404,402	28,918,793	28,807,781
COMMIT TO PUR FNMA SF MTG	27,567,401	28,382,738	28,313,651
FNMA POOL #0MA2995	26,734,245	28,190,243	28,116,672
<b>FIXED INCOME Total</b>		\$ 510,586,985	\$ 508,644,145
<b>GRAND INCOME Total</b>		<b>\$ 794,410,330</b>	<b>\$ 806,885,615</b>

## SCHEDULE OF INVESTMENT FEES AND COMMISSIONS

### FOR YEAR ENDED JUNE 30, 2017

	Investment Fees FY 2017	Investment Fees FY 2016	Trade Commissions FY 2107	Trade Commissions FY 2106	Trade Fees FY 2107	Trade Fees FY 2016
Domestic Equities	\$ 2,068,544	\$ 3,056,007	\$ 642,637	\$ 552,275	\$ 31,703	\$ 6,357
International Equities	5,337,380	6,721,790	1,319,988	852,117	1,124,087	643,767
Fixed Income	5,280,778	4,935,649	104,699	135,939	14,457	57,976
Public Illiquids	3,389,269	1,325,922	801,809	90,165	437,668	1,366
Subtotal	16,075,971	16,039,368	2,869,133	1,630,497	1,607,914	709,465
Custodian Fees	\$ 1,150,758	\$ 956,662	N/A	N/A	N/A	N/A
Consultant Fees	2,779,860	2,648,960	N/A	N/A	N/A	N/A
Legal Fees	663,556	414,267	N/A	N/A	N/A	N/A
Subtotal	4,594,173	4,019,889	-	-	-	-
<b>TOTAL</b>	<b>\$ 20,670,145</b>	<b>\$ 20,059,257</b>	<b>\$ 2,869,133</b>	<b>\$ 1,630,497</b>	<b>\$ 1,607,914</b>	<b>\$ 709,465</b>



Public Employees Retirement Association

# ACTUARIAL SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017



## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

November 1, 2017

Board of Trustees  
Public Employees Retirement Association  
of New Mexico  
33 Plaza La Prensa  
Santa Fe, New Mexico 87507

Attention: Mr. Wayne Propst, Executive Director

**Re: Certification and Statement Regarding the Actuarial Valuations as of June 30, 2017**

Dear Members of the Board:

The basic funding objective of the Public Employees Retirement Association of New Mexico (PERA) is to establish and receive contributions which, when expressed as a percentage of active member payroll, will remain approximately level over time and, together with present assets and future investment return, will be sufficient to meet the future obligations of PERA.

In order to measure progress toward this objective, PERA has an actuarial valuation performed each year. The valuation measures the present financial position and determines the sufficiency of the current statutory contribution rates to meet the Board's established objective to fund the current normal cost plus an amount necessary to amortize the unfunded actuarial accrued liability over a period not to exceed 30 years. The current statutory combined employer and employee contribution rates are:

State General Division	25.91%
State Police/Corrections Division	34.31
Municipal General Division	23.14
Municipal Police Division	35.88
Municipal Fire Division	39.15

If it is determined that the current employer contribution rate is not sufficient to amortize the unfunded actuarial accrued liability within 30 years, the valuation determines the additional contribution rate necessary to satisfy this objective.

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Board of Trustees  
November 1, 2017  
Page 2



In preparing the valuations, we, as the actuary, relied on data provided by PERA. As part of our work, we performed a limited review of the data for consistency and reasonableness. The economic assumptions (rates of price inflation, wage inflation, payroll growth and investment return) were adopted by the Board pursuant to an economic experience study adopted July 28, 2016. The demographic assumptions were adopted by the Board of Trustees pursuant to an experience study for the five-year period ending June 30, 2013. The demographic assumptions for the Judicial, Magistrate, and Volunteer Firefighter plans were adopted by the Board pursuant to demographic experience studies for the four-year period (five-year period for Volunteer Firefighters) ending June 30, 2015. 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, are reasonable both individually as well as in aggregate.

We have performed the necessary calculations in accordance with the guidance provided in Statement No. 67 which is the basis for the disclosure information contained in the actuarial section of the CAFR. Historical information provided in this section for periods beginning June 30, 2010 and after were performed by our firm.

We are qualified actuaries with Cavanaugh Macdonald Consulting, LLC and are experienced with performing actuarial valuations of public sector benefit plans. We are Members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. On the basis of the foregoing, we certify that, to the best of our knowledge, the valuation reports are complete and accurate and have been prepared in accordance with New Mexico's statutes and generally recognized and accepted actuarial principles.

We further certify that our reports are prepared using practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

Respectfully submitted,



John J. Garrett, ASA, FCA, MAAA  
Principal and Consulting Actuary



Jonathan T. Craven, ASA, FCA, MAAA, EA  
Consulting Actuary

## SUMMARY OF ASSUMPTIONS AND METHODS

The method used for the PERA, Judicial, and Magistrate valuations is called the individual entry-age actuarial cost method and 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 the Volunteer Firefighters and Legislative valuations is called the entry age normal level dollar cost method and has the following characteristics:

- The total present value of projected benefits of each individual is allocated on a level basis over service from entry age to retirement age. The portion of this present value allocated to the valuation is the normal cost.
- The actuarial accrued liability is accumulation of past normal costs on the valuation date.

The individual entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the pattern of projected exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability (UAAL).

**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, 2016 the 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:** Unfunded actuarial accrued liability is amortized over a 30 year period. As of June 30, 2016 the funding value of assets exceeded accrued liabilities. The excess was amortized over 30 years and applied as a credit to the computed normal cost.



## SUMMARY OF ASSUMPTIONS AND METHODS (CONTINUED)

The valuation assets used for funding purposes is derived as follows: prior year actuarial value of 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 investment 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.

Demographic assumptions used by the professional actuaries in valuing PERA's actuarial position were adopted by the PERA Board based on recommendations from the actuary for actuarial valuations effective beginning June 30, 2014. Demographic assumptions used for the Judicial, Magistrate, and Volunteer Firefighter plans were adopted by the PERA Board for actuarial valuations beginning June 30, 2017. Plan assets are valued on a market related basis for purposes of the actuarial valuation. Mortality uses the RP-2000 Mortality Table (combined table for healthy post-retirement lives, employee table for active members, and the disabled table for disabled retirees before reaching retirement age) with projection to 2019 using Scale AA. In addition, the following assumptions were used in calculating the actuarial liability (effective beginning with the June 30, 2017 valuation):

- Active member payroll
  - **PERA** — payroll was projected to increase 2.25% per year for 10 years and 2.75% for remaining years due to inflation. Other projected salary increases of up to 11.25% per year are attributed to seniority and merit.
  - **Judicial** — payroll was projected to increase 3.50% per year for 10 years and 4.00% for remaining years.
  - **Magistrate** — payroll was projected to increase 3.00% per year for 10 years and 3.50% for remaining years.
- Benefit payments are increased by cost of living adjustments of 2% per year for retirees (2.5% for certain retirees) with varying lengths of deferral depending on retirement date (from 2 to 7 years).
- Rate of return on the investment of present and future assets of 7.25% for 10 years and 7.75% for remaining years (net of investment expenses) per year compounded annually is made up of an assumed inflation rate of 2.25% for 10 years and 2.75% for remaining years and a 5.00% assumed real rate of return.
- Administrative expenses are assumed to be 0.45% of payroll for PERA, Judges, and Magistrates; \$45,000 for Volunteer Firefighters; and \$6,000 for the Legislative Division.
- Other assumptions are 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 AT FIRST ELIGIBILITY

These rates are used to measure the probability of members retiring in the first year eligible for retirement at the indicated ages.

### 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		
40	55%	60%	60%	60%	55%	55%	60%	45%
45	55%	60%	60%	60%	55%	55%	50%	35%
50	55%	60%	50%	50%	55%	55%	50%	30%
55	55%	60%	50%	50%	55%	55%	50%	50%
60	35%	40%	50%	50%	30%	30%	50%	50%
65	25%	30%	100%	50%	30%	35%	50%	50%
70	25%	30%		100%	25%	25%	100%	100%
75	25%	30%			25%	25%		
80	100%	100%			100%	100%		

## RATES OF RETIREMENT SUBSEQUENT TO FIRST ELIGIBILITY

These rates are used to measure the probability of members retiring after the first year eligible for retirement at the indicated ages.

### 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		
40	40%	35%	40%	50%	35%	35%	30%	40%
45	40%	35%	40%	50%	35%	35%	30%	35%
50	40%	35%	50%	50%	40%	40%	30%	30%
55	40%	35%	35%	50%	30%	25%	30%	30%
60	30%	40%	35%	50%	30%	30%	30%	20%
65	30%	35%	100%	40%	30%	35%	50%	50%
70	25%	30%		100%	25%	25%	100%	100%
75	25%	25%			25%	25%		
80	100%	100%			100%	100%		

## RATES OF DISABILITY

These rates are used to measure the probabilities of active members becoming disabled. Rates for sample ages follow. For non-public safety groups, 25% disabilities are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.

### Percents Retiring at Indicated Ages (by Coverage Plan)

Sample Ages	State General		State Police	State Corrections	Municipal General		Municipal Detention	Municipal Police	Municipal Fire
	Male	Female			Male	Female			
25	0.02%	0.02%	0.05%	0.14%	0.05%	0.04%	0.06%	0.07%	0.02%
30	0.04%	0.03%	0.09%	0.16%	0.08%	0.04%	0.10%	0.08%	0.02%
35	0.08%	0.06%	0.14%	0.21%	0.12%	0.04%	0.15%	0.12%	0.02%
40	0.13%	0.12%	0.35%	0.27%	0.17%	0.06%	0.22%	0.17%	0.08%
45	0.24%	0.20%	0.42%	0.46%	0.25%	0.14%	0.32%	0.26%	0.08%
50	0.41%	0.39%	0.69%	0.90%	0.40%	0.25%	0.51%	0.42%	0.33%
55	0.57%	0.61%	1.59%	1.40%	0.65%	0.39%	0.85%	0.73%	0.33%
60	0.74%	0.73%	2.31%	1.88%	0.80%	0.51%	1.04%	1.22%	1.17%
65	0.75%	0.73%	2.31%	1.88%	0.82%	0.59%	1.07%	1.22%	1.17%

## RATES OF SEPARATION FROM ACTIVE MEMBERSHIP

These rates are used to measure probabilities of active members terminating that status for a reason other than disability or death.

The rates do not apply to members who are within the retirement rate range.

Separation rates are service and age related for the State General and Municipal General divisions.

### Percent of Active Members Terminating During Year

Sample Age	Years of Service	State General		Municipal General	
		Males	Females	Males	Females
ALL	2	13.26% - 18.76%	13.37% - 18.13%	12.18% - 21.70%	14.01% - 24.40%
	4	8.37% - 10.86%	8.50% - 11.95%	8.01% - 14.59%	9.14% - 17.77%
	6	6.49% - 8.21%	6.45% - 8.22%	6.79% - 11.29%	6.50% - 14.41%
	8	5.40% - 7.78%	4.70% - 6.05%	5.58% - 8.93%	5.30% - 11.94%

### Percent of Active Members Terminating During Year

Sample Age	Years of Service	State General		Municipal General	
		Males	Females	Males	Females
20	10+	5.11%	4.83%	8.54%	7.51%
25	10+	4.65%	4.25%	7.32%	6.38%
30	10+	4.13%	3.55%	5.69%	4.94%
35	10+	3.89%	3.46%	4.61%	4.09%
40	10+	3.86%	3.46%	3.92%	3.67%
45	10+	3.86%	3.46%	3.65%	3.62%
50	10+	3.86%	3.46%	3.65%	3.62%
55	10+	3.86%	3.46%	3.65%	3.62%
60	10+	3.86%	3.46%	3.65%	3.62%

Separation rates are service related only for the other divisions of PERA.

### Percent of Active Members Terminating During Year

Sample Age	Years of Service	State Police	State Corrections	Municipal Detention	Municipal Police	Municipal Fire
ALL	1	8.0%	20.0%	22.0%	14.0%	10.0%
	3	7.0%	16.0%	16.0%	9.5%	7.5%
	5	4.0%	9.0%	10.0%	6.8%	5.0%
	7	4.0%	8.0%	10.0%	5.2%	3.3%
	10+	4.0%	6.0%	6.0%	3.8%	3.0%

**MEMBER AND EMPLOYER CONTRIBUTION RATES**

Div/Plan	Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
		Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
State General	2007					7.42%	16.59%				
	2008					7.42%	16.59%				
	2009					7.42%	16.59%				
	2010 (1)					8.92%	15.09%				
	2011 (1)					8.92%	15.09%				
	2012 (2)					10.67%	13.34%				
	2013 (1)					8.92%	15.09%				
	2014					8.92%	16.59%				
	2015					8.92%	16.99%				
	2016					8.92%	16.99%				
2017					8.92%	16.99%					
State Police and Adult Corrections Plan 1	2007	7.60%	25.10%								
	2008	7.60%	25.10%								
	2009	7.60%	25.10%								
	2010 (1)	9.10%	23.60%								
	2011 (1)	9.10%	23.60%								
	2012 (2)	10.85%	21.85%								
	2013 (1)	9.10%	23.60%								
	2014	9.10%	25.10%								
	2015	9.10%	25.50%								
	2016	9.10%	25.50%								
2017	9.10%	25.50%									
Juvenile Corrections (Plan 2)	2007			4.78%	25.72%						
	2008			4.78%	25.72%						
	2009			4.78%	25.72%						
	2010 (1)			6.28%	24.22%						
	2011 (1)			6.28%	24.22%						
	2012 (2)			8.03%	22.47%						
	2013 (1)			6.28%	24.22%						
	2014			6.28%	25.72%						
	2015			6.28%	26.12%						
	2016			6.28%	26.12%						
2017			6.28%	26.12%							
Municipal General	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%		
	2009	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2010	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2011	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		

## MEMBER AND EMPLOYER CONTRIBUTION RATES (CONTINUED)

Div/Plan	Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
		Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
Municipal General (Cont)	2012	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2013	7.00%	7.00%	9.15%	9.15%	13.15%	9.15%	15.65%	11.65%		
	2014	8.50%	7.00%	10.65%	9.15%	14.65%	9.15%	17.15%	11.65%		
	2015	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
	2016	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
	2017	8.50%	7.40%	10.65%	9.55%	14.65%	9.55%	17.15%	12.05%		
Detention Officers (Plan 1)	2008	16.65%	16.65%								
	2009	16.65%	16.65%								
	2010	16.65%	16.65%								
	2011	16.65%	16.65%								
	2012	16.65%	16.65%								
	2013	16.65%	16.65%								
	2014	18.15%	16.65%								
	2015	18.15%	17.05%								
	2016	18.15%	17.05%								
2017	18.15%	17.05%									
Municipal Police	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%
	2009	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2010	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2011	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2012	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2013	7.00%	10.00%	7.00%	15.00%	7.00%	18.50%	12.35%	18.50%	16.30%	18.50%
	2014	8.50%	10.00%	8.50%	15.00%	8.50%	18.50%	13.85%	18.50%	17.80%	18.50%
	2015	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
	2016	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%
2017	8.50%	10.40%	8.50%	15.40%	8.50%	18.90%	13.85%	18.90%	17.80%	18.90%	
Municipal Fire	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%
	2009	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2010	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2011	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2012	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2013	8.00%	11.00%	8.00%	17.50%	8.00%	21.25%	12.80%	21.25%	16.20%	21.25%
	2014	9.50%	11.00%	9.50%	17.50%	9.50%	21.25%	14.30%	21.25%	17.70%	21.25%
	2015	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%

**MEMBER AND EMPLOYER CONTRIBUTION RATES (CONTINUED)**

Div/Plan	Year	Plan 1		Plan 2		Plan 3		Plan 4		Plan 5	
		Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
Municipal Fire (Cont)	2016	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
	2017	9.50%	11.40%	9.50%	17.90%	9.50%	21.65%	14.30%	21.65%	17.70%	21.65%
Judicial	2007	7.50%	12.00%	*							
	2008	7.50%	12.00%	*							
	2009	7.50%	12.00%	*							
	2010 (1)	9.00%	10.50%	*							
	2011 (1)	9.00%	10.50%	*							
	2012 (2)	10.75%	8.75%	*							
	2013 (1)	9.00%	10.50%	*							
	2014	7.50%	12.00%								
	2015	10.50%	15.00%								
	2016	10.50%	15.00%								
2017	10.50%	15.00%									
Magistrate	2007	7.50%	11.00%	*							
	2008	7.50%	11.00%	*							
	2009	7.50%	11.00%	*							
	2010 (1)	9.00%	9.50%	*							
	2011 (1)	9.00%	9.50%	*							
	2012 (2)	10.75%	7.75%	*							
	2013 (1)	9.00%	9.50%	*							
	2014	7.50%	11.00%								
	2015	10.50%	11.00%								
	2016	10.50%	15.00%								
2017	10.50%	15.00%									

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

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

(1) Includes a temporary 1.5% of pay shift from the employer statutory rate effective July 1, 2009. This contribution shift was effective for 4 fiscal years

(2) Includes Note #1 plus also includes a temporary 1.75% of pay shift from the employer statutory rate effective July 1, 2011. This contribution shift was effective for 1 fiscal year

## ACTIVE MEMBER VALUATION AS OF JUNE 30, 2017

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
State General	2008	124	22,237	894,630,779	40,232	2.61%
	2009	124	22,479	935,865,642	41,633	3.48%
	2010	124	20,867	866,094,897	41,505	-0.31%
	2011	123	19,614	818,428,532	41,727	0.53%
	2012	123	19,325	803,873,875	41,598	-0.31%
	2013	123	19,980	835,817,618	41,833	0.57%
	2014	123	20,015	863,797,166	43,157	3.17%
	2015	129	20,253	938,168,776	46,322	7.33%
	2016	122	19,655	904,829,688	46,036	-0.62%
	2017	121	19,213	928,864,843	48,346	5.02%
State Police/ Hazardous Duty	2008	3	1,973	90,011,901	45,622	4.02%
	2009	3	2,087	95,202,963	45,617	-0.01%
	2010	3	2,001	87,783,090	43,870	-3.83%
	2011	3	1,881	83,759,230	44,529	1.50%
	2012	3	1,916	87,137,037	45,479	2.13%
	2013	3	1,956	90,225,253	46,127	1.43%
	2014	3	1,951	91,551,934	46,926	1.73%
	2015	3	1,880	97,352,917	51,783	10.35%
	2016	3	1,866	78,225,782	41,922	-19.04%
	2017	3	1,907	87,941,130	46,115	10.00%
Municipal General	2008	169	22,632	714,264,532	31,560	0.06%
	2009	169	23,448	762,628,387	32,524	3.06%
	2010	169	20,584	747,207,121	36,300	11.61%
	2011	169	20,848	736,339,828	35,319	-2.70%
	2012	169	21,434	791,529,406	36,929	4.56%
	2013	169	22,123	803,398,205	36,315	-1.66%
	2014	187	21,480	814,827,128	37,934	4.46%
	2015	190	21,217	857,243,239	40,404	6.51%
	2016	190	21,274	845,735,646	39,754	-1.61%
	2017	192	21,673	871,633,574	40,217	1.16%
Municipal Police	2008	98	3,581	172,583,579	48,194	-1.09%
	2009	98	3,701	185,497,931	50,121	4.00%
	2010	98	3,581	186,026,978	51,948	3.65%
	2011	98	3,603	188,010,463	52,182	0.45%
	2012	98	3,660	196,453,568	53,676	2.86%
	2013	98	3,744	201,525,064	53,826	0.28%
	2014	102	3,685	209,092,483	56,742	5.42%
	2015	102	3,647	222,085,818	60,895	7.32%



## ACTIVE MEMBER VALUATION (CONTINUED)

### AS OF JUNE 30, 2017

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
Municipal Fire	2016	102	3,708	192,670,656	51,961	-14.67%
	2017	102	3,726	196,767,735	52,809	1.63%
	2008	35	1,978	93,573,369	47,307	-0.73%
	2009	35	2,047	102,064,575	49,861	5.40%
	2010	35	2,064	106,404,835	51,553	3.39%
	2011	35	2,111	108,475,708	51,386	-0.32%
	2012	35	2,148	115,286,221	53,671	4.45%
	2013	35	2,209	118,771,370	53,767	0.18%
	2014	43	2,157	122,996,614	57,022	6.05%
	2015	43	2,176	133,403,526	61,307	7.51%
Legislative	2016	44	2,190	113,709,690	51,922	-15.31%
	2017	44	2,232	119,207,608	53,408	2.86%
	2008	1	106	N/A	N/A	N/A
	2009	1	104	N/A	N/A	N/A
	2010	1	105	N/A	N/A	N/A
	2011	1	106	N/A	N/A	N/A
	2012	1	111	N/A	N/A	N/A
	2013	1	119	N/A	N/A	N/A
	2014	1	126	N/A	N/A	N/A
	2015	1	121	N/A	N/A	N/A
Judicial	2016	1	122	N/A	N/A	N/A
	2017	1	111	N/A	N/A	N/A
	2008	16	115	11,697,421	101,717	1.25%
	2009	16	125	13,011,196	104,090	2.33%
	2010	16	121	13,041,980	107,785	3.55%
	2011	16	114	12,266,852	107,604	-0.17%
	2012	16	118	12,690,503	107,547	-0.05%
	2013	16	123	13,226,142	107,530	-0.02%
	2014	16	121	13,163,305	108,788	1.17%
	2015	16	127	15,084,263	118,774	9.18%
Magistrate	2016	16	127	15,078,274	118,727	-0.04%
	2017	16	124	14,721,304	118,720	-0.01%
	2008	9	45	3,363,342	74,741	12.18%
	2009	9	54	4,128,599	76,456	2.29%
	2010	9	46	3,519,570	76,512	0.07%
	2011	9	45	3,405,121	75,669	-1.10%
	2012	9	42	3,213,712	76,517	1.12%

**ACTIVE MEMBER VALUATION (CONTINUED)**  
**AS OF JUNE 30, 2017**

Div/Plan	Year	Number of Participating Employers	Number of Active Members	Annual Payroll*	Average Pay	% Increase in Avg Pay
	2013	9	41	3,136,834	76,508	-0.01%
	2014	1	45	3,515,567	78,124	2.11%
	2015	1	60	5,065,798	84,430	8.07%
	2016	1	65	5,482,360	84,344	-0.10%
	2017	1	65	5,487,517	84,423	0.09%
Volunteer	2008	363	4,216	N/A	N/A	N/A
Firefighter	2009	363	4,283	N/A	N/A	N/A
	2010	363	5,422	N/A	N/A	N/A
	2011	363	5,867	N/A	N/A	N/A
	2012	363	5,065	N/A	N/A	N/A
	2013	363	6,461	N/A	N/A	N/A
	2014	365	7,499	N/A	N/A	N/A
	2015	365	8,136	N/A	N/A	N/A
	2016	368	7,823	N/A	N/A	N/A
	2017	402	7,491	N/A	N/A	N/A

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

## SCHEUDLE OF RETIREES AND BENEFICIARIES AS OF JUNE 30, 2017

Schedule of retirees added to and removed from payroll by division

Year	Number Added	Increased Annual Allowance	Number Removed	Decreased Annual Allowance	Net Change Annual Allowances	Total Retirees & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
<b>State General</b>										
2008	592	**	(11,451)	**	269,224,098	12,043	269,224,098	7.27%	22,355	4.14%
2009	599	22,350,689	200	2,724,236	19,626,453	12,442	288,850,551	7.29%	23,216	3.85%
2010	858	30,142,074	319	5,583,947	24,558,127	12,981	313,408,678	8.50%	24,144	4.00%
2011	1,005	34,914,890	347	6,179,881	28,735,009	13,639	342,143,687	9.17%	25,086	3.90%
2012	1,075	35,697,983	323	5,911,795	29,786,188	14,391	371,929,875	8.71%	25,845	3.03%
2013	1,285	43,656,998	358	7,006,726	36,650,272	15,318	408,580,147	9.85%	26,673	3.21%
2014	1,150	37,217,020	379	7,574,003	29,643,017	16,089	438,223,164	7.26%	27,237	2.12%
2015	1,499	32,859,803	418	8,741,632	24,118,171	17,170	462,341,335	13.16%	26,927	-1.14%
2016	1,105	30,796,909	440	9,067,427	21,729,482	17,835	484,070,817	10.46%	27,142	0.80%
2017	912	31,124,051	536	11,387,703	19,736,348	18,211	503,807,165	8.97%	27,665	1.93%
<b>State Police/Hazardous Duty</b>										
2008	82	**	(956)	**	26,947,580	1,038	26,947,580	9.53%	25,961	1.51%
2009	71	2,869,837	1	78,768	2,791,069	1,108	29,738,649	10.36%	26,840	3.39%
2010	67	2,521,381	18	337,044	2,184,337	1,157	31,922,986	7.35%	27,591	2.80%
2011	90	3,480,618	20	507,415	2,973,203	1,227	34,896,189	9.31%	28,440	3.08%
2012	83	3,323,294	21	561,598	2,761,696	1,289	37,657,885	7.91%	29,215	2.72%
2013	60	2,706,075	23	725,085	1,980,990	1,326	39,638,875	5.26%	29,894	2.32%
2014	110	4,049,560	34	937,729	3,111,831	1,402	42,750,706	7.85%	30,493	2.00%
2015	108	3,301,453	40	1,047,237	2,254,216	1,470	45,004,922	13.54%	30,616	0.40%
2016	65	2,479,773	26	578,925	1,900,848	1,509	46,905,770	9.72%	31,084	1.53%
2017	51	2,309,111	38	882,314	1,426,797	1,522	48,332,567	7.39%	31,756	2.16%
<b>Municipal General</b>										
2008	534	**	(7,601)	**	162,967,177	8,135	162,967,177	9.78%	20,033	4.12%
2009	510	17,121,178	112	1,840,853	15,280,325	8,533	178,247,502	9.38%	20,889	4.27%
2010	741	22,219,130	234	3,359,126	18,860,003	9,040	197,107,505	10.58%	21,804	4.38%
2011	767	23,981,216	269	3,952,559	20,028,657	9,538	217,136,162	10.16%	22,765	4.41%
2012	761	23,166,131	240	3,984,904	19,181,227	10,059	236,317,389	8.83%	23,493	3.20%
2013	933	29,438,538	281	4,828,481	24,610,057	10,711	260,927,446	10.41%	24,361	3.69%
2014	849	24,476,772	268	4,923,518	19,553,254	11,292	280,480,700	7.49%	24,839	1.96%
2015	1,066	24,563,648	331	6,177,685	18,385,963	12,027	298,866,663	6.56%	24,850	0.04%
2016	933	24,135,156	342	6,564,419	17,570,737	12,618	316,437,400	5.88%	25,078	0.92%
2017	717	21,257,836	418	7,607,253	13,650,583	12,917	330,087,983	4.31%	25,555	1.90%
<b>Municipal Police</b>										
2008	137	**	(2,048)	**	68,078,224	2,185	68,078,224	8.95%	31,157	3.01%
2009	113	5,321,543	0	0	5,321,543	2,298	73,399,767	7.82%	31,941	2.52%
2010	166	7,192,629	26	676,463	6,516,167	2,438	79,915,934	8.88%	32,779	2.63%
2011	166	8,033,315	30	821,737	7,211,578	2,574	87,127,512	9.02%	33,849	3.26%

## SCHEUDLE OF RETIREES AND BENEFICIARIES (CONTINUED)

AS OF JUNE 30, 2017

Schedule of retirees added to and removed from payroll by division

Year	Number Added	Increased Annual Allowance	Number Removed	Decreased Annual Allowance	Net Change Annual Allowances	Total Retirees & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
<b>Municipal Police (Cont)</b>										
2012	183	8,670,002	33	967,953	7,702,049	2,724	94,829,561	8.84%	34,813	2.85%
2013	177	8,276,701	46	1,276,954	6,999,747	2,855	101,829,308	7.38%	35,667	2.45%
2014	222	10,277,993	34	988,805	9,289,188	3,043	111,118,496	9.12%	36,516	2.38%
2015	204	8,516,186	37	994,098	7,522,088	3,210	118,640,584	6.77%	36,960	1.21%
2016	211	9,918,243	49	1,493,127	8,425,116	3,372	127,065,700	7.10%	37,683	1.96%
2017	166	8,150,488	61	1,633,073	6,517,415	34,722	133,583,115	5.13%	3,847	-89.79%
<b>Municipal Fire</b>										
2008	82	**	(1,280)	**	42,784,703	1,362	42,784,703	9.61%	31,413	3.51%
2009	60	3,341,836	10	444,498	2,897,338	1,412	45,682,041	6.77%	32,353	2.99%
2010	77	4,123,767	16	542,892	3,580,875	1,473	49,262,916	7.84%	33,444	3.37%
2011	98	5,203,080	23	617,946	4,585,134	1,548	53,848,050	9.31%	34,786	4.01%
2012	86	4,861,646	31	901,384	3,960,262	1,603	57,808,312	7.35%	36,063	3.67%
2013	70	4,239,651	20	590,379	3,649,272	1,653	61,457,584	6.31%	37,179	3.10%
2014	112	5,738,384	29	946,274	4,792,110	1,736	66,249,694	7.80%	38,162	2.64%
2015	93	4,762,883	34	1,134,858	3,628,025	1,795	69,877,719	5.48%	38,929	2.01%
2016	110	5,799,234	33	1,012,932	4,786,302	1,872	74,664,021	6.85%	39,885	2.45%
2017	34	2,496,048	22	816,881	1,679,167	1,884	76,343,188	2.25%	40,522	1.60%
<b>Legislative</b>										
2008	6	**	3	**	1,116,855	147	1,116,855	8.09%	7,598	5.89%
2009	13	234,708	3	4,086	230,622	157	1,347,477	20.65%	8,583	12.96%
2010	5	71,552	2	12,533	59,019	160	1,406,496	4.38%	8,791	2.42%
2011	11	102,686	6	222,746	(120,060)	165	1,286,436	-8.54%	7,797	-11.31%
2012	4	64,427	6	40,989	23,438	163	1,309,874	1.82%	8,036	3.07%
2013	24	334,780	8	66,916	267,864	179	1,577,738	20.45%	8,814	9.68%
2014	6	58,860	7	89,045	(30,185)	178	1,547,553	-1.91%	8,694	-1.36%
2015	20	281,735	12	94,011	187,724	186	1,735,277	12.13%	9,329	7.31%
2016	3	59,052	7	44,779	14,273	182	1,749,550	0.82%	9,613	3.04%
2017	14	218,597	10	83,281	135,316	186	1,884,866	7.73%	10,134	5.42%
<b>Judicial</b>										
2008	16	**	8	**	291,605	105	5,847,027	5.25%	55,686	-2.77%
2009	15	1,017,876	11	556,256	461,620	109	6,308,647	7.89%	57,877	3.94%
2010	9	790,371	8	479,628	310,743	110	6,619,390	4.93%	60,176	3.97%
2011	14	962,927	6	362,843	600,084	118	7,219,474	9.07%	61,182	1.67%
2012	12	774,812	3	234,997	539,815	127	7,759,289	7.48%	61,097	-0.14%
2013	12	935,944	6	396,548	539,396	133	8,298,685	6.95%	62,396	2.13%
2014	10	687,978	2	108,230	579,748	141	8,878,433	6.99%	62,968	0.92%
2015	14	759,235	3	136,169	623,066	152	9,501,499	7.02%	62,510	-0.73%

## SCHEUDLE OF RETIREES AND BENEFICIARIES (CONTINUED)

### AS OF JUNE 30, 2017

Schedule of retirees added to and removed from payroll by division

Year	Number Added	Increased Annual Allowance	Number Removed	Decreased Annual Allowance	Net Change Annual Allowances	Total Retirees & Beneficiaries	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances	% Change in Average Allowances
<b>Judicial (Cont)</b>										
2016	14	768,805	6	390,090	378,715	160	9,880,214	3.99%	61,751	-1.21%
2017	7	504,314	4	242,548	261,766	163	10,141,980	2.65%	62,221	0.76%
<b>Magistrate</b>										
2008	1	**	0	**	81,215	56	2,256,196	19.24%	40,289	4.06%
2009	7	372,241	2	81,882	290,359	61	2,546,555	12.87%	41,747	3.62%
2010	9	444,623	1	35,735	408,888	69	2,955,443	16.06%	42,833	2.60%
2011	11	395,293	2	295,966	99,327	78	3,054,770	3.36%	39,164	-8.57%
2012	10	411,841	3	187,934	223,908	85	3,278,678	7.33%	38,573	-1.51%
2013	4	240,678	3	89,904	150,774	86	3,429,452	4.60%	39,877	3.38%
2014	9	543,699	1	59,234	484,466	94	3,913,918	14.13%	41,637	4.41%
2015	9	132,776	1	34,707	98,069	102	4,011,987	2.51%	39,333	-5.53%
2016	4	93,126	6	211,449	(118,323)	100	3,893,664	-2.95%	38,937	-1.01%
2017	8	188,602	6	191,813	(3,211)	102	3,890,453	-0.08%	38,142	-2.04%
<b>Volunteer Firefighter</b>										
2008	50	**	3	**	72,400	435	564,344	14.72%	1,297	2.32%
2009	43	62,400	8	9,600	52,800	470	617,144	9.36%	1,313	1.21%
2010	76	116,001	2	3,600	112,401	544	729,545	18.21%	1,341	2.13%
2011	72	100,800	7	8,400	92,400	609	821,945	12.67%	1,350	0.64%
2012	72	92,400	14	17,592	74,808	667	896,753	9.10%	1,344	-0.39%
2013	109	399,400	14	17,600	381,800	762	1,278,553	42.58%	1,678	24.80%
2014	139	262,048	8	11,300	250,748	893	1,529,301	19.61%	1,713	2.07%
2015	127	226,500	16	28,300	198,200	1,004	1,727,501	12.96%	1,721	0.47%
2016	126	238,500	17	26,300	212,200	1,113	1,939,701	12.28%	1,743	1.29%
2017	123	231,999	25	41,300	190,699	1,211	2,130,400	9.83%	1,759	0.94%

\*\* Detailed Information not available

## SOLVENCY TEST

### JUNE 30, 2017

DIVISION/ PLAN	Year	←—————Aggregate Accrued Liabilities—————→				Portion of Accrued Liabilities Covered by Reported Assets				
		Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)	Reported Assets	(1)	(2)	(3)	(4)
State General	2008	717,442,113	3,493,601,370	2,006,564,260	6,217,607,743	5,314,106,647	100%	100%	55%	85%
	2009	778,454,953	3,758,596,895	2,197,858,388	6,734,910,236	5,187,238,906	100%	100%	30%	77%
	2010	801,399,015	4,253,964,884	1,931,877,225	6,987,241,124	5,053,620,284	100%	100%	0%	72%
	2011	796,011,595	4,725,622,520	1,961,725,462	7,483,359,577	4,883,299,367	100%	86%	0%	65%
	2012	787,435,758	5,117,428,346	1,914,051,334	7,818,915,438	4,724,562,943	100%	77%	0%	60%
	2013	841,174,061	5,064,595,209	1,617,991,066	7,523,760,336	4,996,425,681	100%	82%	0%	66%
	2014	826,785,813	5,390,816,297	1,568,388,787	7,785,990,897	5,334,025,804	100%	84%	0%	69%
	2015	849,806,169	5,646,053,464	1,705,146,120	8,201,005,753	5,549,137,149	100%	83%	0%	68%
	2016	853,069,949	6,055,630,306	1,620,222,312	8,528,922,567	5,720,834,981	100%	80%	0%	67%
2017	878,994,137	6,218,179,179	1,714,643,642	8,811,816,958	5,831,916,099	100%	80%	0%	66%	
State Police/ Hazardous Duty	2008	49,498,036	383,471,230	311,380,692	744,349,958	923,945,664	100%	100%	100%	124%
	2009	51,976,907	428,702,219	279,377,481	760,056,607	909,538,277	100%	100%	100%	120%
	2010	54,011,741	468,885,120	260,549,805	783,446,666	889,169,394	100%	100%	100%	113%
	2011	53,270,846	522,073,854	271,764,015	847,108,715	862,058,143	100%	100%	100%	102%
	2012	54,156,044	561,452,471	278,404,119	894,012,634	851,976,386	100%	100%	85%	95%
	2013	58,260,570	525,211,454	246,248,914	829,720,938	926,108,695	100%	100%	100%	112%
	2014	57,705,918	569,659,307	222,557,567	849,922,792	1,016,533,008	100%	100%	100%	120%
	2015	58,543,902	595,623,306	236,967,557	891,134,765	1,075,204,637	100%	100%	100%	121%
	2016	59,921,229	635,036,352	180,402,152	875,359,733	1,136,076,589	100%	100%	100%	130%
2017	64,332,242	645,636,929	199,904,014	909,873,185	1,196,338,715	100%	100%	100%	131%	
Municipal General	2008	855,002,112	2,174,339,402	1,071,385,628	4,100,727,142	4,124,299,828	100%	100%	100%	101%
	2009	919,259,180	2,389,664,666	1,183,487,976	4,492,411,822	4,052,373,108	100%	100%	63%	90%
	2010	925,603,163	2,755,080,040	1,057,656,417	4,738,339,620	3,960,653,469	100%	100%	26%	84%
	2011	926,331,337	3,086,715,812	1,107,402,880	5,120,450,029	3,845,662,093	100%	95%	0%	75%
	2012	949,311,379	3,336,286,064	1,192,111,747	5,477,709,190	3,808,143,673	100%	86%	0%	70%
	2013	1,000,561,795	3,309,385,678	1,005,890,251	5,315,837,724	4,108,957,408	100%	94%	0%	77%
	2014	1,023,202,668	3,548,792,552	965,182,192	5,537,177,412	4,515,120,417	100%	98%	0%	82%
	2015	1,033,953,619	3,756,083,836	1,069,558,300	5,859,595,755	4,696,871,223	100%	98%	0%	80%
	2016	1,053,649,176	4,071,034,047	1,035,772,981	6,160,456,204	4,916,985,846	100%	95%	100%	80%
2017	1,104,575,618	4,191,453,200	1,099,006,703	6,395,035,521	5,106,489,938	100%	95%	100%	80%	
Municipal Police	2008	206,085,031	1,033,269,134	468,756,635	1,708,110,800	1,646,824,413	100%	100%	87%	96%
	2009	226,520,464	1,119,080,749	518,225,913	1,863,827,126	1,615,789,548	100%	100%	52%	87%
	2010	229,843,016	1,233,854,770	503,208,106	1,966,905,892	1,575,381,241	100%	100%	22%	80%
	2011	231,902,509	1,374,649,843	540,837,909	2,147,390,261	1,527,062,745	100%	94%	0%	71%
	2012	231,924,646	1,488,001,979	566,994,541	2,286,921,166	1,504,516,513	100%	86%	0%	66%
	2013	247,882,167	1,413,249,313	485,163,146	2,146,294,626	1,627,455,783	100%	98%	0%	76%
	2014	249,816,375	1,551,716,281	462,032,152	2,263,564,808	1,772,210,104	100%	98%	0%	78%

**SOLVENCY TEST (CONTINUED)**

JUNE 30, 2017

DIVISION/ PLAN	Year	← Aggregate Accrued Liabilities →				Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
		Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)		(1)	(2)	(3)	(4)
	2017	275,702,207	1,882,156,157	404,904,171	2,562,762,535	2,027,593,334	100%	93%	0%	79%
Municipal Fire	2008	130,971,951	627,054,313	211,513,414	969,539,678	807,041,460	100%	100%	23%	83%
	2009	143,289,802	672,838,620	240,944,987	1,057,073,409	789,046,075	100%	96%	0%	75%
	2010	146,535,083	730,613,903	248,379,172	1,125,528,158	764,888,462	100%	85%	0%	68%
	2011	146,327,512	816,875,672	264,880,643	1,228,083,827	737,135,025	100%	72%	0%	60%
	2012	147,973,606	875,612,944	286,898,869	1,310,485,419	722,847,504	100%	66%	0%	55%
	2013	163,287,521	822,738,793	255,740,084	1,241,766,398	779,204,098	100%	75%	0%	63%
	2014	162,999,130	893,055,155	291,666,492	1,347,720,777	844,926,189	100%	76%	0%	63%
	2015	171,569,805	934,914,512	325,885,020	1,432,369,337	888,515,174	100%	77%	0%	62%
	2016	175,510,949	1,026,377,371	254,584,111	1,456,472,431	928,606,766	100%	73%	0%	64%
	2017	194,507,068	1,033,070,516	287,632,507	1,515,210,091	961,829,211	100%	74%	0%	63%
Legislative	2008	673,492	10,325,709	10,415,111	21,414,312	19,999,435	100%	100%	86%	93%
	2009	688,329	13,442,934	10,213,877	24,345,140	21,156,210	100%	100%	69%	87%
	2010	711,286	14,821,946	11,142,125	26,675,357	22,125,806	100%	100%	59%	83%
	2011	730,297	13,241,429	12,375,633	26,347,359	23,508,201	100%	100%	77%	89%
	2012	794,178	13,223,056	13,412,029	27,429,263	25,168,813	100%	100%	83%	92%
	2013	704,324	15,121,069	9,301,918	25,127,311	28,939,243	100%	100%	100%	115%
	2014	765,491	14,602,470	10,465,381	25,833,342	33,392,919	100%	100%	100%	129%
	2015	744,611	16,230,264	9,635,456	26,610,331	36,868,121	100%	100%	100%	139%
	2016	808,856	16,858,156	10,275,939	27,942,951	40,450,852	100%	100%	100%	145%
	2017	753,758	18,105,164	9,197,764	28,056,686	42,479,371	100%	100%	100%	151%
Judicial	2008	6,831,374	68,024,363	36,865,674	111,721,411	87,429,745	100%	100%	34%	78%
	2009	7,609,469	75,217,997	38,013,156	120,840,622	73,161,152	100%	87%	0%	61%
	2010	8,642,308	83,801,948	37,691,642	130,135,898	79,644,583	100%	85%	0%	61%
	2011	9,046,618	95,520,784	35,142,086	139,709,488	78,199,003	100%	72%	0%	56%
	2012	9,430,314	102,121,251	36,371,278	147,922,843	75,506,702	100%	65%	0%	51%
	2013	10,484,159	99,609,628	33,652,184	143,745,971	80,007,287	100%	70%	0%	56%
	2014	10,878,347	93,176,816	29,291,252	133,346,415	85,577,431	100%	80%	0%	64%
	2015	11,063,301	97,761,695	32,456,159	141,281,155	88,249,418	100%	79%	0%	62%
	2016	11,641,376	103,610,547	31,682,987	146,934,910	90,471,110	100%	76%	0%	62%
	2017	12,589,634	106,164,363	30,658,789	149,412,786	92,137,316	100%	75%	0%	62%
Magistrate	2008	2,591,066	25,590,320	13,539,892	41,721,278	38,866,453	100%	100%	79%	93%
	2009	2,898,183	29,327,794	15,341,627	47,567,604	31,524,204	100%	98%	0%	66%
	2010	3,051,400	37,809,620	11,815,796	52,676,816	34,651,696	100%	84%	0%	66%
	2011	3,002,793	41,665,824	10,760,548	55,429,165	33,121,149	100%	72%	0%	60%
	2012	3,014,932	43,497,240	11,524,903	58,037,075	30,878,948	100%	64%	0%	53%

## SOLVENCY TEST (CONTINUED)

JUNE 30, 2017

DIVISION/ PLAN	Year	← Aggregate Accrued Liabilities →				Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
		Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Members (Employer Portion) (3)	TOTAL (4)		(1)	(2)	(3)	(4)
	2015	3,073,097	41,845,485	7,662,180	52,580,762	32,803,715	100%	71%	0%	62%
	2016	3,654,856	41,202,695	8,689,309	53,546,860	33,059,864	100%	71%	0%	62%
	2017	4,156,427	40,691,805	9,238,834	54,087,066	33,162,734	100%	71%	0%	61%
Volunteer Firefighter	2008	-	5,807,000	11,139,000	16,946,000	48,437,876	N/A	100%	100%	286%
	2009	-	6,343,000	12,686,000	19,029,000	40,844,000	N/A	100%	100%	215%
	2010	-	13,093,663	7,372,257	20,465,920	47,346,417	N/A	100%	100%	231%
	2011	-	16,196,108	10,912,740	27,108,848	47,004,974	N/A	100%	100%	173%
	2012	-	18,133,190	10,086,158	28,219,348	47,382,330	N/A	100%	100%	168%
	2013	-	23,246,567	14,519,733	37,766,300	52,179,180	N/A	100%	100%	138%
	2014	-	25,218,910	14,519,733	39,738,643	52,179,180	N/A	100%	100%	131%
	2015	-	26,280,594	17,635,798	43,916,392	61,575,304	N/A	100%	100%	140%
	2016	-	27,259,993	17,996,285	45,256,278	64,899,802	N/A	100%	100%	143%
	2017	-	28,060,938	18,327,515	46,388,453	67,985,320	N/A	100%	100%	147%



**ANALYSIS OF FINANCIAL EXPERIENCE**

This table is a reconciliation of the Unfunded Actuarial Accrued Liability

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

<b>PERA FUND</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
UAAL at Beginning of Year	\$ 4,819,500	\$ 4,711,600	\$ 4,301,700	\$ 4,619,200	\$ 6,176,000	\$ 4,971,200	\$ 3,357,700	\$ 2,354,293	\$ 924,116
Normal Cost for Year	352,500	385,700	372,500	403,300	431,900	419,700	430,200	461,700	421,186
Contributions (net of Refunds)	(604,200)	(587,900)	(573,600)	(544,300)	(516,900)	(528,000)	(509,700)	(531,800)	(524,037)
Interest Accrual and other income/exp	351,500	355,800	309,600	352,700	475,200	381,000	265,400	185,600	69,814
Expected UAAL before Non-Recurring Adjust	4,919,300	4,865,200	4,410,200	4,830,900	6,566,200	5,243,900	3,543,600	2,469,793	891,079
Effect of Assumption Changes		468,000	-	(30,800)	-	-	391,400	-	206,212
Effect of New Employers, Benefit Changes & Plan Coverage Shifts	-	(373,300)	-	-	(1,690,100)	(1,800)	100	-	-
Expected UAAL after Audit Adjustment	4,919,300	4,959,900	4,410,200	4,800,100	4,876,100	5,242,100	3,935,100	2,469,793	1,097,291
Actual UAAL	5,070,600	4,819,500	4,711,600	4,301,700	4,619,200	6,176,000	4,971,200	3,357,700	2,354,293
Gain (Loss)	(151,300)	140,400	\$ (301,400)	\$ 498,400	\$ 256,900	\$ (933,900)	\$ 1,036,100	\$ (887,907)	\$ (1,257,002)

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

<b>LEGISLATIVE FUND</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
UAAL at Beginning of Year	\$(12,507,901)	\$(10,257,790)	\$(7,559,577)	\$(3,811,932)	\$2,260,450	\$2,839,158	\$4,549,550	\$3,188,930	\$1,414,877
Normal Cost for Year	802,336	786,119	749,175	661,821	548,797	591,322	521,264	534,652	477,149
Contributions (net of Refunds)	(73,200)	(72,600)	(117,474)	(343,284)	(737,687)	(828,571)	(910,133)	(807,156)	(2,494,798)
Interest Accrual and other Income/exp	(848,376)	(771,879)	(603,008)	(283,081)	167,865	210,841	348,409	244,214	32,484
Expected UAAL before Non-Recurring Adjust	(12,627,141)	(10,316,150)	(7,530,884)	(3,776,476)	2,239,425	2,812,750	4,509,090	3,160,640	(570,288)
Effect of Assumption Changes	-	-	-	-	-	-	556,348	-	478,196
Expected UAAL after Audit Adjustment	(12,627,141)	(10,316,150)	(7,530,884)	(3,776,476)	2,239,425	2,812,750	5,065,438	3,160,640	(92,092)
Actual UAAL	(14,422,685)	(12,507,901)	(10,257,790)	(7,559,577)	(3,811,932)	2,260,450	2,839,158	4,549,550	3,188,930
Gain (Loss)	\$1,795,544	\$2,191,751	\$2,726,906	\$3,783,101	\$6,051,357	\$552,300	\$2,226,280	\$(1,388,910)	\$(3,281,022)

## ANALYSIS OF FINANCIAL EXPERIENCE (CONTINUED)

This table is a reconciliation of the Unfunded Actuarial Accrued Liability

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

JUDICIAL FUND	2017	2016	2015	2014	2013	2012	2011	2010	2009
UAAL at Beginning of Year	\$56,463,800	\$53,031,737	\$47,768,984	\$63,738,684	\$72,416,141	\$61,510,485	\$50,491,315	\$47,679,470	\$24,291,666
Normal Cost for Year	3,139,091	3,287,278	3,083,765	3,656,173	3,907,766	3,840,620	4,350,654	4,715,335	4,304,001
Contributions (net of Refunds)	(6,601,548)	(6,455,003)	(5,873,849)	(7,174,481)	(7,905,061)	(7,235,934)	(7,059,294)	(7,272,874)	(5,215,120)
Interest Accrual and other Income/exp	4,039,679	3,979,726	3,621,948	4,803,414	5,457,356	4,635,494	3,930,960	3,867,129	1,906,889
Expected UAAL before Non-Recurring Adjust	57,041,022	53,843,738	48,600,848	65,023,790	73,876,202	62,750,665	51,713,635	48,989,060	25,287,436
Effect of Assumption Changes	0	3,423,578	0	(18,732,751)	(14,130,428)	143,056	2,826,721	1,938,413	1,228,009
Expected UAAL after Audit Adjustment	57,041,022	57,267,316	48,600,848	46,291,039	59,745,774	62,893,721	54,540,356	50,927,473	26,515,445
Actual UAAL	57,275,470	56,463,800	53,031,737	47,768,984	63,738,684	72,416,141	61,510,485	50,491,315	47,679,470
Gain (Loss)	\$(234,448)	\$803,516	\$(4,430,889)	\$(1,477,945)	\$(3,992,910)	\$(9,522,420)	\$(6,970,129)	\$436,158	\$(21,164,025)

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

MAGISTRATE FUND	2017	2016	2015	2014	2013	2012	2011	2010	2009
UAAL at Beginning of Year	\$20,486,996	\$19,777,047	\$18,169,437	\$22,685,041	\$27,158,127	\$22,308,016	\$18,025,120	\$16,043,400	\$2,854,825
Normal Cost for Year	911,388	834,750	733,255	883,328	983,930	1,100,747	1,199,121	1,525,566	1,261,423
Contributions (net of Refunds)	(2,167,739)	(2,013,479)	(1,794,493)	(2,135,518)	(2,483,030)	(2,332,126)	(2,166,091)	(2,385,855)	(1,307,696)
Interest Accrual and other Income/exp	1,462,528	1,483,773	1,410,788	1,709,568	2,046,665	1,681,155	1,403,331	1,344,530	226,535
Expected UAAL before Non-Recurring Adjust	20,693,173	20,082,091	18,518,987	23,142,419	27,705,692	22,757,792	18,461,481	16,527,641	3,035,087
Effect of Assumption Changes	0	1,454,465	0	(7,960,815)	(5,286,884)	832,806	1,156,056	1,193,374	581,776
Expected UAAL after Audit Adjustment	20,693,173	21,536,556	18,518,987	15,181,604	22,418,808	23,590,598	19,617,537	17,721,015	3,616,863
Actual UAAL	20,924,332	20,486,996	19,777,047	18,169,437	22,685,041	27,158,127	22,308,016	18,025,120	16,043,400
Gain (Loss)	\$(231,159)	\$1,049,560	\$(1,258,060)	\$(2,987,833)	\$(266,233)	\$(3,567,529)	\$(2,690,479)	\$(304,105)	\$(12,426,537)

**ANALYSIS OF FINANCIAL EXPERIENCE (CONTINUED)**

This table is a reconciliation of the Unfunded Actuarial Accrued Liability

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

<b>VOLUNTEER FIREFIGHTER FUND</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
UAAL at Beginning of Year	\$(19,643,524)	\$(17,658,912)	\$(16,480,497)	\$(14,412,880)	\$(19,162,982)	\$(19,896,126)	\$(26,880,497)	\$(28,322,982)	\$(31,492,000)
Normal Cost for Year	2,111,322	1,490,704	1,433,147	1,208,648	785,758	891,551	1,066,535	1,208,000	858,000
Contributions (net of Refunds)	(565,979)	(60,072)	(55,987)	(4,264)	-	-	-	-	(750,000)
Interest Accrual and other Income/exp	(1,315,944)	(1,317,787)	(1,192,301)	(1,070,328)	(1,454,683)	(1,507,402)	(2,107,778)	(2,217,519)	(2,515,000)
Expected UAAL before Non-Recurring Adjust	(19,414,125)	(17,546,067)	(16,295,638)	(14,278,824)	(19,831,907)	(20,511,977)	(27,921,740)	(29,332,501)	(33,899,000)
Effect of Assumption Changes	-	1,201,717	0	405,028	7,495,792	-	4,645,933	-	967,000
Expected UAAL after Audit Adjustment	(19,414,125)	(16,344,350)	(16,295,638)	(13,873,796)	(12,336,115)	(20,511,977)	(23,275,807)	(29,332,501)	(32,932,000)
Actual UAAL	(21,596,867)	(19,643,524)	(17,658,912)	(16,480,497)	(14,412,880)	(19,162,982)	(19,896,126)	(26,880,497)	(28,322,982)
Gain (Loss)	\$2,182,742	\$3,299,174	\$1,363,274	\$2,606,701	\$2,076,765	\$1,348,995	\$3,379,681	\$2,452,004	\$4,609,018

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>All PERA Divisions</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$2,204,414,890	\$2,135,171,462	\$2,248,254,276
Total Valuation Payroll	\$2,265,036,299	\$2,193,888,677	\$2,326,943,176
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$6,640,876,002	\$6,275,078,080	\$6,549,111,175
Retired Members and Survivors	\$13,553,822,288	13,199,163,304	12,237,375,375
Total	\$20,194,698,290	\$19,474,241,384	\$18,786,486,550
Actuarial Value of Assets	\$15,124,167,297	\$14,654,814,373	\$14,074,919,042
Funded Ratio	74.9%	75.3%	74.9%
Unfunded Actuarial Accrued Liability	\$5,070,530,993	\$4,819,427,011	\$4,711,567,508
<b>Calculation of Required Contribution</b>			
<b>Statutory Contribution Rate</b>			
Employer Contribution Rate	14.86%	14.86%	15.08%
Member Contribution Rate	11.90%	11.95%	12.02%
Total	26.76%	26.81%	27.10%
Less Normal Cost:			
Retirement	10.60%	10.81%	11.42%
Termination	3.68%	3.70%	3.90%
Pre-Retirement Survivors	0.56%	0.58%	0.48%
Disability	0.97%	0.98%	0.78%
Total Normal Cost	15.81%	16.07%	16.58%
Less Administrative Expenses	0.45%	0.45 %	0.45 %
Amount Remaining to Amortize UAAL	10.50%	10.29%	10.07%
Amortization Period	55 years	56 years	41 years
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	2.93%	2.91%	1.76%

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - State General</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$928,864,843	\$904,829,688	\$938,168,776
Total Valuation Payroll	\$954,408,626	\$929,712,504	\$971,004,683
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$2,838,047,375	\$2,710,277,993	\$2,759,790,183
Retired Members and Survivors	\$5,973,769,583	5,818,644,574	5,441,215,570
Total	\$8,811,816,958	\$8,528,922,567	\$8,201,005,753
Actuarial Value of Assets	\$5,831,916,099	\$5,720,834,981	\$5,549,137,149
Funded Ratio	66.20%	67.1%	67.7%
Unfunded Actuarial Accrued Liability	\$2,979,900,859	\$2,808,087,586	\$2,651,868,604
<b>Calculation of Required Contribution</b>			
Statutory Contribution Rate			
Employer Contribution Rate	16.99%	16.99%	16.99%
Member Contribution Rate	8.92%	8.92%	8.92%
Total	25.91%	25.91%	25.91%
Less Normal Cost:			
Retirement	9.89%	10.09%	10.50%
Termination	3.52%	3.55%	3.73%
Pre-Retirement Survivors	0.59%	0.60%	0.45%
Disability	1.05%	1.06%	0.86%
Total Normal Cost	15.05%	15.30%	15.54%
Less Administrative Expenses	0.45 %	0.45 %	0.45 %
Amount Remaining to Amortize UAAL	10.41%	10.16%	9.92%
Amortization Period	Infinite	Infinite	Infinite
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	8.32%	7.99%	6.03%

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - State Police/Corrections</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$87,941,130	\$78,225,782	\$97,352,917
Total Valuation Payroll	\$90,359,511	\$80,376,991	\$100,760,269
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$270,894,903	\$246,170,322	\$301,393,813
Retired Members and Survivors	\$638,978,282	629,189,411	589,740,952
Total	\$909,873,185	\$875,359,733	\$891,134,765
Actuarial Value of Assets	\$1,196,338,715	\$1,136,076,589	\$1,075,204,637
Funded Ratio	131.50%	129.8%	120.7%
Unfunded Actuarial Accrued Liability	\$(286,465,530)	\$(260,716,856)	\$(184,069,872)
<b>Calculation of Required Contribution</b>			
Statutory Contribution Rate			
Employer Contribution Rate	25.58%	25.59%	25.58%
Member Contribution Rate	8.73%	8.70%	8.72%
Total	34.31%	34.29%	34.30%
Less Normal Cost:			
Retirement	14.75%	15.25%	15.33%
Termination	3.75%	3.77%	3.61%
Pre-Retirement Survivors	0.50%	0.50%	0.45%
Disability	1.81%	1.83%	1.48%
Total Normal Cost	20.81%	21.35%	20.87%
Less Administrative Expenses	0.45 %	0.45 %	0.45 %
Amount Remaining to Amortize UAAL	13.05%	12.49%	12.98%
Amortization Period	0	0	0
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	N/A	N/A	N/A

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Municipal General</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$871,633,574	\$845,735,646	\$857,243,239
Total Valuation Payroll	\$895,603,497	\$868,993,376	\$887,246,752
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$2,347,545,739	\$2,225,312,415	\$2,222,277,828
Retired Members and Survivors	\$4,047,489,782	3,935,143,789	3,637,317,927
Total	\$6,395,035,521	\$6,160,456,204	\$5,859,595,755
Actuarial Value of Assets	\$5,106,489,938	\$4,916,985,846	\$4,696,871,223
Funded Ratio	79.90%	79.8%	80.2%
Unfunded Actuarial Accrued Liability	\$1,288,545,583	\$1,243,470,358	\$1,162,724,532
<b>Calculation of Required Contribution</b>			
<b>Statutory Contribution Rate</b>			
Employer Contribution Rate	9.73%	9.81%	9.86%
Member Contribution Rate	13.41%	13.54%	13.56%
Total	23.14%	23.35%	23.42%
<b>Less Normal Cost:</b>			
Retirement	8.07%	8.33%	8.69%
Termination	3.93%	3.95%	4.31%
Pre-Retirement Survivors	0.56%	0.58%	0.51%
Disability	0.86%	0.88%	0.69%
Total Normal Cost	13.42%	13.74%	14.20%
Less Administrative Expenses	0.45 %	0.45 %	0.45 %
Amount Remaining to Amortize UAAL	9.27%	9.16%	8.77%
Amortization Period	26 years	26 years	24 years
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	N/A	N/A	N/A

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Municipal Police</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$196,767,735	\$192,670,656	\$222,085,818
Total Valuation Payroll	\$202,178,848	\$197,969,099	\$229,858,822
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$696,153,419	\$657,284,475	\$764,622,849
Retired Members and Survivors	\$1,866,609,116	1,795,745,974	1,637,758,091
Total	\$2,562,762,535	\$2,453,030,449	\$2,402,380,940
Actuarial Value of Assets	\$2,027,593,334	\$1,952,310,191	\$1,865,190,859
Funded Ratio	79.10%	79.6%	77.6%
Unfunded Actuarial Accrued Liability	\$535,169,201	\$500,720,258	\$537,190,081
<b>Calculation of Required Contribution</b>			
<b>Statutory Contribution Rate</b>			
Employer Contribution Rate	18.66%	18.68%	18.69%
Member Contribution Rate	17.22%	17.22%	17.27%
Total	35.88%	35.90%	35.96%
<b>Less Normal Cost:</b>			
Retirement	16.85%	17.07%	17.69%
Termination	3.74%	3.74%	3.77%
Pre-Retirement Survivors	0.51%	0.51%	0.46%
Disability	0.92%	0.93%	0.75%
Total Normal Cost	22.02%	22.25%	22.67%
Less Administrative Expenses	0.45 %	0.45 %	0.45 %
Amount Remaining to Amortize UAAL	13.41%	13.20%	12.84%
Amortization Period	42 years	39 years	32 years
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	2.47%	2.00%	0.81%



**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>PERA Division - Municipal Fire</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$119,207,608	\$113,709,690	\$133,403,526
Total Valuation Payroll	\$122,485,817	\$116,836,706	\$138,072,649
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$488,234,566	\$436,032,875	\$501,026,502
Retired Members and Survivors	\$1,026,975,525	1,020,439,556	931,342,835
Total	\$1,515,210,091	\$1,456,472,431	\$1,432,369,337
Actuarial Value of Assets	\$961,829,211	\$928,606,766	\$888,515,174
Funded Ratio	63.50%	63.8%	62.0%
Unfunded Actuarial Accrued Liability	\$553,380,880	\$527,865,665	\$543,854,163

**Calculation of Required Contribution****Statutory Contribution Rate**

Employer Contribution Rate	21.57%	21.57%	21.58%
Member Contribution Rate	17.58%	17.56%	17.58%
Total	39.15%	39.13%	39.16%
Less Normal Cost:			
Retirement	21.22%	21.43%	21.99%
Termination	2.92%	2.92%	2.93%
Pre-Retirement Survivors	0.55%	0.55%	0.51%
Disability	0.50%	0.50%	0.43%
Total Normal Cost	25.19%	25.40%	25.86%
Less Administrative Expenses	0.45 %	0.45 %	0.45 %
Amount Remaining to Amortize UAAL	13.51%	13.28%	12.85%
Amortization Period	Infinite	Infinite	Infinite
Increase in Statutory Rate Necessary to Amortize UAAL over 30 years	13.59%	13.87%	10.16%

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

PERA Division - Legislative	2017	2016	2015
Total Annual Payroll	\$-	\$-	\$-
Total Valuation Payroll	\$-	\$-	\$-
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$10,235,731	\$11,503,185	\$10,543,236
Retired Members and Survivors	\$17,820,955	16,439,766	16,067,095
Total	\$28,056,686	\$27,942,951	\$26,610,331
Actuarial Value of Assets	\$42,479,371	\$40,450,852	\$36,868,121
Funded Ratio	151.40%	144.8%	138.5%
Unfunded Actuarial Accrued Liability	\$(14,422,685)	\$(12,507,901)	\$(10,257,790)
<b>Calculation of Required Contribution</b>			
Statutory Contribution Rate			
Employer Contribution Rate	0.00%	0.00%	0.00%
Member Contribution Rate	0.00%	0.00%	0.00%
Total	0.00%	0.00%	0.00%
Less Normal Cost:			
Retirement	728,503	\$789,913	\$773,824
Pre-Retirement Survivors	11,192	12,423	12,295
Disability			
Total Normal Cost	739,695	802,336	786,119
Less Expected Member Contribution	66,600	73,200	72,600
Employer Normal Cost	673,095	\$729,136	\$713,519
Expected Administrative Expenses	6,000	6,000	6,000
UAAL Amortization Amount (30 Years)	(1,187,541)	(1,012,641)	(857,172)
Total Employer Contribution	\$-	\$-	\$-

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>Judicial Fund</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$119,207,608	\$113,709,690	\$133,403,526
Total Valuation Payroll	\$122,485,817	\$116,836,706	\$138,072,649
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$488,234,566	\$436,032,875	\$501,026,502
Retired Members and Survivors	\$1,026,975,525	1,020,439,556	931,342,835
Total	\$1,515,210,091	\$1,456,472,431	\$1,432,369,337
Actuarial Value of Assets	\$961,829,211	\$928,606,766	\$888,515,174
Funded Ratio	63.50%	63.8%	62.0%
Unfunded Actuarial Accrued Liability	\$553,380,880	\$527,865,665	\$543,854,163
<b>Calculation of Required Contribution</b>			
Statutory Contribution Rate			
Employer Contribution Rate	15.00%	15.00%	15.00%
Expected Docket Fees	14.46%	12.77%	12.69%
Member Contribution Rate	10.50%	10.50%	10.50%
Total	39.96%	38.27%	38.19%
Less Normal Cost:			
Retirement	15.99%	16.47%	17.87%
Termination	3.15%	3.15%	2.51%
Pre-Retirement Survivors	0.64%	0.64%	0.68%
Disability	0.00%	0.00%	0.00%
Total Normal Cost	19.78%	20.26%	21.06%
Administrative Expenses	0.45%	0.45%	0.45%
UAAL 30 Year Amortization Rate	22.72%	21.90%	19.84%
Total Required Contribution Rate	42.95%	42.61%	41.35%
Total Required Contribution Amount	\$6,495,531	\$6,601,548	\$6,455,003
Expected Statutory Amount	\$6,044,406	\$5,929,143	\$5,962,304
Deficiency in Statutory Rate	2.99%	4.34%	3.16%
Deficiency in Expected Statutory Amount	\$451,125	\$672,405	\$492,699

## COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

Magistrate Fund	2017	2016	2015
Total Annual Payroll	\$5,487,517	\$5,482,360	\$5,065,798
Total Valuation Payroll	\$5,638,423	\$5,633,125	\$5,243,101
Actuarial Accrued Liability			
Active and Deferred Vested Members	\$15,680,716	\$14,711,744	\$13,384,385
Retired Members and Survivors	38,406,350	38,835,116	39,196,377
Total	\$54,087,066	\$53,546,860	\$52,580,762
Actuarial Value of Assets	\$33,162,734	\$33,059,864	\$32,803,715
Funded Ratio	61.30%	61.7%	62.4%
Unfunded Actuarial Accrued Liability	\$20,924,332	\$20,486,996	\$19,777,047
<b>Calculation of Required Contribution</b>			
<b>Statutory Contribution Rate</b>			
Employer Contribution Rate	15.00%	15.00%	15.00%
Expected Docket Fees	7.46%	7.99%	7.99%
Member Contribution Rate	10.50%	10.50%	10.50%
Total	32.96%	33.49%	33.49%
Less Normal Cost:			
Retirement	11.02%	11.33%	11.66%
Termination	4.54%	4.45%	3.83%
Pre-Retirement Survivors	0.39%	0.40%	0.43%
Disability	0.00%	0.00%	0.00%
Total Normal Cost	15.95%	16.18%	15.92%
Administrative Expenses	0.45%	0.45%	0.45%
UAAL 30 Year Amortization Rate	22.26%	21.85%	22.03%
Total Required Contribution Rate	38.66%	38.48%	38.40%
Total Required Contribution Amount	\$2,180,208	\$2,167,739	\$2,013,479
Expected Statutory Amount	\$1,858,425	\$1,886,534	\$1,755,915
Deficiency in Statutory Rate	5.70%	4.99%	4.91%
Deficiency in Expected Statutory Amount	\$321,783	\$281,205	\$257,564

**COMPARATIVE SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

Comparing the results of the actuarial valuation as compared with the prior year, as of June 30th.

<b>Volunteer Firefighter Fund</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Annual Payroll	\$-	\$-	\$-
Total Valuation Payroll	\$-	\$-	\$-
<b>Actuarial Accrued Liability</b>			
Active and Deferred Vested Members	\$24,175,796	\$24,977,772	\$24,275,708
Non-Vested Inactive Members *	\$532,928	382,664	2,388,648
Retired Members and Survivors	\$21,679,729	19,895,842	17,252,036
Total	\$46,388,453	\$45,256,278	\$43,916,392
Actuarial Value of Assets	\$67,985,320	\$64,899,802	\$61,575,304
Funded Ratio	146.60%	143.4%	140.2%
Unfunded Actuarial Accrued Liability	\$(21,596,867)	\$(19,643,524)	\$(17,658,912)
<b>Calculation of Required Contribution</b>			
<b>Statutory Contribution Rate</b>			
Employer Contribution Rate	0.00%	0.00%	0.00%
Member Contribution Rate	0.00%	0.00%	0.00%
Total	0.00%	0.00%	0.00%
Less Normal Cost:			
Retirement	1,587,745	\$1,661,996	\$1,053,050
Termination	411,526	425,443	425,915
Pre-Retirement Survivors	23,006	23,883	11,739
Disability			
Total Normal Cost	2,022,277	2,111,322	1,490,704
Less Expected Member Contribution			
Employer Normal Cost	\$2,022,277	\$2,111,322	\$1,490,704
Expected Administrative Expenses	45,000	45,000	45,000
UAAL Amortization Amount (30 Years)	(1,778,253)	(1,590,343)	(1,475,632)
<b>Total Employer Contribution</b>	<b>\$289,024</b>	<b>\$565,979</b>	<b>\$60,072</b>

\* Members with at least 5 years of service and a last reported date within the last 5 years are valued similarly to deferred vested members in order to recognize potential liability these members hold.

## SUMMARY OF PERA PLAN PROVISIONS

### Membership Eligibility

The Public Employees Retirement Association of New Mexico includes employees of the State of New Mexico and employees of affiliated public employers. Effective July 1, 2013, legislation established two benefit tiers under each PERA coverage plan. A member is in Tier 1 if they were hired for the first time on or before June 30, 2013; had member contributions on account as of June 30, 2013 or was retired as of June 30, 2013. A member is in Tier 2 if they were hired for the first time on or after July 1, 2013; or refunded their employee contributions on or before June 30, 2013, and returned to work for a PERA affiliate on or after July 1, 2013. 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 (ERA), Judicial (JRA) or Magistrate (MRA) Retirement Systems. Elected officials become members unless they submit a written application for exemption from membership.

### Vesting

Retirement benefits become vested upon member's completion of the following years of qualifying service with accumulated member contributions remaining on deposit with the Association: five years for Tier 1 members, eight years for Tier 2 general members (non-public safety employees), and six years for Tier 2 public safety members.

#### Retirement Eligibility - Tier 1 Members

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

#### Retirement Eligibility - Tier 2 Members

- Rule of 85 – members must have eight or more years of service credit and age at time of retirement and years of service credit must equal 85
- Age 65 with 8 or more years of service credit.

The municipal police and fire coverage plans 3, 4, and 5 require any age with 20 or more years of credited service for Tier 1 members and any age with 25 or more years of credited service for Tier 2 members.

The service credit for Tier 1 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 Tier 1 members of Municipal Detention 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,

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

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

For Tier 1 members, the final average salary is calculated with highest 36 consecutive month's salary, multiplied by years of service, multiplied by the applicable plan pension factor, up to the maximum allowable pension. For Tier 2 members the final average salary is calculated with the highest 60 consecutive month's salary, multiplied by years of service, multiplied by the applicable plan pension factor, up to the maximum allowable pension.

### Cost of Living Adjustment

Effective July 1, 2013, PERA provides a COLA as follows:

- Retirees under normal retirement will receive a 2 percent annual compounding COLA.
- Retirees with 25 or more years of PERA serviced credit (not including reciprocity) with an annual pension of \$20,000 or less will receive a 2.5 percent annual compounding COLA.
- Retirees under disability retirement with an annual pension of \$20,000 or less will receive a 2.5 percent annual compounding COLA.

There is a graduated COLA eligibility period for members who retire under normal retirement:

- Retirement dates through June 1, 2014; two full calendar year eligibility period to receive a COLA;
- Retirement dates of July 1, 2014 through June 1, 2015: three full calendar year eligibility period to receive a COLA.
- Retirement dates of July 1, 2015 through June 1, 2016: four full calendar year eligibility period to receive a COLA: and
- Retirement dates on or after July 1, 2016: seven full calendar year eligibility period to receive a COLA.

### 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 “Elective Survivor Pension Beneficiary” provision. The amount of pension payable for life to an eligible spouse is the greater of 1) 50% of final average salary, or 2) the accrued normal retirement pension reduced for option B election. The amount of pension payable to each eligible child is an equal share of 25% of final average salary. If there is not an eligible spouse or the eligible spouse dies, and if there are 2 or more eligible children, the amount of pension payable to each eligible child is an equal share of 50% of final average salary.

*Death NOT in the Line-of-Duty* – Member must be vested 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 “Elective Survivor Pension Beneficiary” provision. The amount of pension payable for life of an eligible spouse is the greater of 1) 30% of final average salary, or 2) accrued normal retirement pension reduced for option B election. An eligible child pension is paid if there is not an eligible spouse or following the death of an eligible spouse. The amount of

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

pension payable to each eligible child is an equal share of 25% of final average salary or if greater, 50% of accrued normal retirement pension.

### **Disability Retirement**

Applicable to vested members and vested former members. The vesting requirement is waived if the disability is incurred in the line of duty. The amount of disability pension is the accrued normal retirement pension at time of disability retirement. If the disability is in the line of duty, the credited service used is the amount that would have been acquired when first eligible for normal retirement.

### **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 and employer contribution rates are dependent on the plan adopted by the affiliated public employer.

## 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 fifteen or more years of service. For judges or justices hired after July 1, 2005: 1) Age 64 with five or more years of service, or 2) Age 55 with sixteen 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.



## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Cost of Living Adjustment

Pensions are increased each July 1 by 2% 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.

### Other Service

PERA, MRS and ERA service may be combined with Judicial service for purposes of satisfying age and service requirements once a member has attained one month of Judicial service. When combining service, members may retire under the JRA after satisfying either the JRA or PERA age and service requirements for immediate benefits.

### Contribution Rates

The contribution rate for judges and justices from July 1, 2005 is 7.5% of salary. For fiscal years 2010 and 2011, the member contribution rate is 9.0%. For fiscal years 2012 and 2013, the member contribution rate is 10.75%. From July 1, 2005, the employer contributes 12% plus \$38 from each civil case docket fee paid in district court, \$25 from each civil case docket fee paid in metropolitan court and \$10 from each jury fee paid in metropolitan court. For fiscal years 2010 and 2011, the employer contribution was 10.5% and thereafter the rate is 12% with the docket fees charges remaining the same.

## MAGISTRATE PLAN

### Membership Eligibility

The Magistrate Retirement Plan of New Mexico includes all magistrate court judges.

### Retirement Eligibility

A judge may retire at: 1) Age 64 with five or more years of service, or 2) Age 60 with fifteen or more years of service, or 3) Any age with twenty-four or more years of service. Magistrates with one or more years of service in PERA, ERA or JRA may combine service credits to satisfy these voluntary retirement conditions.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### 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.

### Cost of Living Adjustment

Pensions are increased each July 1, 2% 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.

### Disability Retirement

Applicable if magistrate has five or more years of magistrate service and becomes incapacitated to perform duties of office. Magistrate would receive vested pension. Five year service requirement is waived if the disability is duty-related.

### 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 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 for judges and justices from July 1, 2005 is 7.5% of salary. For fiscal years 2010 and 2011, the member contribution rate is 9.0%. For fiscal years 2012 and 2013, the member contribution rate is 10.75%. From July 1, 2005, the employer contributes 11% plus \$25 from each civil case docket fee paid and \$10 from each jury fee paid in magistrate or metropolitan court. For fiscal years 2010 and 2011, the employer contribution was 9.5% and thereafter the rate is 11% with the docket fees charges remaining the same.

## VOLUNTEER FIREFIGHTER PLAN

### Membership Eligibility

The Volunteer Firefighter Retirement Plan of New Mexico includes any active volunteer non-salaried firefighter whose first year of service credit was earned during or after the year turning age 16.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### Retirement Eligibility

A member may retire at: 1) a full retirement annuity at age 55 with 25 or more years of service, or 2) 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 50% of all scheduled fire drills; 2) attended 50% of all scheduled business meetings; and 3) participated in at least 50% of all emergency response calls which the fire department held him/her responsible to attend.

### Service Benefit Formula

The full retirement annuity is \$250 per month. The reduced retirement annuity is \$150 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 \$250 if the member has at least 25 years of service credit and \$125 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

- 1) 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.
- 2) If there is no surviving spouse, then a surviving depended child will receive an annuity equal to two-thirds of the retirement annuity being paid at the time of the member's death. The annuity will cease upon the earlier of the dependent child's 18th birthday or death.

### Contribution Rates

Funding from the New Mexico State's Fire Protection Fund is transferred annually to the Volunteer Firefighter Retirement Fund. The amount transferred in FY2014 was \$750,000.

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

### LEGISLATIVE PLAN

#### Membership Eligibility

The New Mexico Legislative Retirement Plan includes any state legislators and lieutenant governors.

#### State Legislator Member Coverage Plan 1 and Plan 1 Enhanced

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

- Any age with 10 or more years of service credit; or
- Age 65 with 5 or more years of service credit.

#### 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.

#### Cost of Living Adjustment

Pensions are increased each July 1 by 2% 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.

*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

## SUMMARY OF PERA PLAN PROVISIONS (CONTINUED)

“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.

### **Disability Retirement**

Applicable to members and vested former members with five or more years of credited service. The five year credited service requirement is waived if the disability is incurred in the line of duty. The amount of disability pension is the accrued normal retirement pension at time of disability retirement. If the disability is in the line of duty, the credited service used is the amount that would have been acquired when first eligible for normal retirement.

### **Contribution Rates**

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 prior to 2012 and \$600 for each year of service beginning with the 2012 legislative session for the State Legislator Member Coverage Plan 2. An additional annual appropriation to the Legislative Retirement Fund is determined by the actuarial valuation.



Public Employees Retirement Association

## STATISTICAL SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017

## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS

(in thousands of dollars)

Nine-year comparison showing changes in net position.

This includes the additions, deductions and the end of the year net position held in trust

PERA RETIREMENT FUND	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Additions:</b>										
<b>Contributions:</b>										
Employers	\$292,569	\$311,082	\$291,683	\$283,377	\$274,906	\$285,561	\$296,409	\$314,764	\$322,352	\$332,473
Members	191,707	208,978	224,330	216,941	248,070	226,165	240,180	253,637	260,025	264,939
Purchased service credits by members	6,953	6,471	6,186	15,526	10,150	9,133	8,214	7,682	7,904	7,890
<b>Total contributions</b>	<b>491,229</b>	<b>526,531</b>	<b>522,199</b>	<b>515,844</b>	<b>533,126</b>	<b>520,859</b>	<b>544,803</b>	<b>576,083</b>	<b>590,281</b>	<b>605,302</b>
<b>Investment income:</b>										
Interest	166,135	61,455	133,218	100,244	112,835	118,160	122,474	294,214	115,151	121,571
Dividends	186,773	139,134	117,814	135,203	135,833	175,225	174,628	191,912	170,644	162,384
Net change in fair value of investments	(1,408,702)	(3,101,080)	1,160,259	1,963,257	(341,657)	1,222,052	1,860,874	(205,270)	(249,588)	1,240,714
Securities lending income (loss)	86,760	(84,776)	3,259	5,990	3,392	(13,764)	(8,311)	(1,264)	2,551	3,965
Other investment income (loss)	310	49	-	4,925	(4,925)	-	-	-	30,586	29,145
	(968,724)	(2,985,218)	1,414,550	2,209,619	(94,522)	1,501,673	2,149,665	279,592	69,344	1,557,779
<b>less investment expenses</b>										
Securities lending expenses	(76,721)	(17,063)	(517)	(185)	(350)	(357)	(335)	(368)	(353)	(633)
Brokerage fees and other investment expenses	(25,801)	(17,510)	(19,323)	(23,318)	(24,619)	(27,743)	(31,422)	(27,735)	(21,547)	(56,387)
<b>Net investment income</b>	<b>(1,071,246)</b>	<b>(3,019,791)</b>	<b>1,394,710</b>	<b>2,186,116</b>	<b>(119,491)</b>	<b>1,473,573</b>	<b>2,117,908</b>	<b>251,489</b>	<b>47,444</b>	<b>1,500,759</b>
<b>Other income (loss) and special item</b>	<b>4,140</b>	<b>(815)</b>	<b>1,225</b>	<b>46,316</b>	<b>27,691</b>	<b>9,795</b>	<b>17,390</b>	<b>25,296</b>	<b>12,318</b>	<b>451</b>
<b>Total additions</b>	<b>(575,877)</b>	<b>(2,494,075)</b>	<b>1,918,134</b>	<b>2,748,276</b>	<b>441,326</b>	<b>2,004,227</b>	<b>2,680,101</b>	<b>852,868</b>	<b>650,043</b>	<b>2,106,512</b>
<b>Deductions:</b>										
<b>Benefits Paid</b>										
Retirement Benefits	557,190	579,939	592,470	648,398	708,187	760,632	905,329	966,236	1,024,399	1,084,818
Life insurance premiums	***	11,478	50,868	56,292	59,531	67,102	-	-	-	-
Administrative expenses	***	12,686	10,390	11,990	12,427	14,977	-	-	-	-
<b>Total deductions</b>	<b>31,328</b>	<b>31,669</b>	<b>32,735</b>	<b>43,108</b>	<b>45,771</b>	<b>45,114</b>	<b>47,377</b>	<b>46,010</b>	<b>44,937</b>	<b>44,396</b>
<b>Net increase (decrease) in plan net assets</b>	<b>(1,174,333)</b>	<b>(3,140,897)</b>	<b>1,220,672</b>	<b>1,977,964</b>	<b>(394,431)</b>	<b>1,107,790</b>	<b>1,716,978</b>	<b>(169,264)</b>	<b>(430,047)</b>	<b>965,812</b>
<b>Net position held in trust for pension benefits</b>										
Beginning of year	13,111,049	11,936,716	8,795,819	10,016,491	11,994,455	11,600,024	12,707,814	14,424,792	14,255,528	13,826,658
Prior Period Adjustment									1,177	6,447
<b>End of year</b>	<b>\$11,936,716</b>	<b>\$8,795,819</b>	<b>\$10,016,491</b>	<b>\$11,994,455</b>	<b>\$11,600,024</b>	<b>\$12,707,814</b>	<b>\$14,424,792</b>	<b>\$14,255,528</b>	<b>\$13,826,658</b>	<b>\$14,798,918</b>

\*\*\*Information is not available in detail



## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)

(in thousands of dollars)

JUDICIAL RETIREMENT FUND	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Additions:</b>										
Contributions:										
Employers	\$3,832	\$4,058	\$3,699	\$3,824	\$3,266	\$3,527	\$3,741	\$4,196	\$4,237	\$4,524
Members	895	1,092	1,145	1,216	1,348	1,424	1,085	1,546	1,582	1,636
Purchased service credits by members	31	65	3	102	16	15	-	33	-	-
Total contributions	4,758	5,215	4,847	5,142	4,630	4,966	4,826	5,775	5,819	6,160
Investment income:										
Interest	1,076	404	878	687	954	752	757	1,825	705	738
Dividends	1,223	904	782	876	861	1,110	1,081	1,178	1,037	975
Net change in fair value of investments	(9,200)	(20,014)	5,705	12,730	(2,266)	7,723	11,605	(1,312)	(1,580)	7,450
Securities lending income (loss)	559	(608)	21	39	22	(82)	(51)	(7)	16	24
Other investment income (loss)	3	(1)	-	-	-	-	-	-	186	175
	(6,339)	(19,315)	7,386	14,332	(429)	9,503	13,392	1,684	364	9,363
less investment expenses										
Securities lending expenses	(494)	(116)	(3)	(1)	(2)	(2)	(2)	(2)	(2)	(4)
Brokerage fees and other investment expenses	(168)	(119)	(125)	(153)	(160)	(177)	(193)	(170)	(130)	(347)
Net investment income	(7,001)	(19,550)	7,258	14,178	(591)	9,324	13,197	1,512	232	9,012
Other income and special item										
	28	15	-	300	184	171	486	33	72	-
Total additions	(2,215)	(14,320)	12,105	19,620	4,223	14,461	18,509	7,320	6,123	15,172
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	5,907	6,137	5,306	6,003	6,401	6,787	8,770	9,373	9,813	10,096
Death Benefits/Survivors	***	192	1,347	1,109	1,225	1,407	-	-	-	11
Disability	***	64	29	29	30	31	-	-	-	-
Refunds to terminated employees	26	13	2	-	10	52	52	40	45	-
Administrative expenses	34	22	19	23	23	26	64	60	64	69
Total deductions	5,967	6,428	6,703	7,164	7,689	8,303	8,886	9,473	9,922	10,176
Net increase (decrease) in plan net assets	(8,182)	(20,748)	5,402	12,456	(3,466)	6,158	9,623	(2,153)	(3,799)	4,996
Net position held in trust for pension benefits										
Beginning of year	13,111,049	81,716	60,968	66,370	78,826	75,360	81,518	91,141	88,988	84,932
Prior Period Adjustment									(257)	(312)
End of year	\$81,716	\$60,968	\$66,370	\$78,826	\$75,360	\$81,518	\$91,141	\$88,988	\$84,932	\$89,616

\*\*\*Information is not available in detail

## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)

(in thousands of dollars)

MAGISTRATE RETIREMENT FUND	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Additions:</b>										
<b>Contributions:</b>										
Employers	\$981	\$1,000	\$825	\$895	\$676	\$805	\$793	\$936	\$1,280	\$1,282
Members	243	308	330	363	350	353	266	490	587	603
Purchased service credits by members	-	-	-	-	-	-	-	-	-	-
<b>Total contributions</b>	<b>1,224</b>	<b>1,308</b>	<b>1,155</b>	<b>1,258</b>	<b>1,026</b>	<b>1,158</b>	<b>1,059</b>	<b>1,426</b>	<b>1,867</b>	<b>1,886</b>
<b>Investment income:</b>										
Interest	492	175	386	277	400	298	296	675	262	\$268
Dividends	560	409	344	357	360	441	423	443	386	356
Net change in fair value of investments	(4,203)	(9,144)	3,452	5,369	(920)	3,173	4,574	(471)	(605)	2,721
Securities lending income (loss)	255	(251)	9	17	9	(34)	(19)	(3)	6	9
Other investment income (loss)	2	1	-	-	-	-	-	-	69	64
	(2,894)	(8,810)	4,191	6,020	(151)	3,878	5,274	644	118	3,417
<b>less investment expenses</b>										
Securities lending expenses	(226)	(50)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Brokerage fees and other investment expenses	(77)	(52)	(54)	(62)	(65)	(67)	(74)	(64)	(48)	(126)
<b>Net investment income</b>	<b>(3,197)</b>	<b>(8,912)</b>	<b>4,136</b>	<b>5,957</b>	<b>(217)</b>	<b>3,810</b>	<b>5,199</b>	<b>579</b>	<b>69</b>	<b>3,290</b>
Other income and special item	13	-	-	130	75	67	217	(19)	27	3
<b>Total additions</b>	<b>(1,960)</b>	<b>(7,604)</b>	<b>5,291</b>	<b>7,345</b>	<b>884</b>	<b>5,035</b>	<b>6,475</b>	<b>1,986</b>	<b>1,963</b>	<b>5,178</b>
<b>Deductions:</b>										
<b>Benefits Paid</b>										
Retirement Benefits	2,294	2,325	2,380	2,652	2,753	2,886	3,690	3,956	3,976	3,966
Death Benefits/Survivors	***	-	219	226	386	413	-	-	-	-
Disability	***	122	76	77	79	81	-	-	-	-
Contribution to the Judicial Retirement Fund	-	-	-	-	-	-	-	-	-	-
Refunds to terminated employees	20	-	-	56	-	54	16	5	14	-
Administrative expenses	18	11	10	12	12	14	24	23	24	25
<b>Total deductions</b>	<b>2,332</b>	<b>2,458</b>	<b>2,685</b>	<b>3,023</b>	<b>3,230</b>	<b>3,448</b>	<b>3,730</b>	<b>3,984</b>	<b>4,014</b>	<b>3,991</b>
<b>Net increase (decrease) in plan net assets</b>	<b>(4,292)</b>	<b>(10,062)</b>	<b>2,606</b>	<b>4,322</b>	<b>(2,346)</b>	<b>1,587</b>	<b>2,745</b>	<b>(1,998)</b>	<b>(2,051)</b>	<b>1,187</b>
<b>Net position held in trust for pension benefits</b>										
Beginning of year	40,625	36,333	26,270	28,876	33,198	30,852	32,439	35,184	33,187	31,038
Prior Period Adjustment									(98)	-
<b>End of year</b>	<b>\$36,333</b>	<b>\$26,270</b>	<b>\$28,876</b>	<b>\$33,198</b>	<b>\$30,852</b>	<b>\$32,439</b>	<b>\$35,184</b>	<b>\$33,186</b>	<b>\$31,038</b>	<b>\$32,225</b>

\*\*\*Information is not available in detail

## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)

(in thousands of dollars)

VFF RETIREMENT FUND	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Additions:</b>										
Contributions:										
Employers	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Members	-	-	-	-	-	-	-	-	-	-
Appropriations from the State of New Mexico Fire Protection Fund	750	750	750	750	750	750	750	750	750	750
Purchased service credits by members	-	-	-	-	-	-	-	-	-	-
<b>Total contributions</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>750</b>
Investment income:										
Interest	628	230	514	392	603	494	519	1,278	507	544
Dividends	695	523	454	538	547	730	738	831	750	724
Net change in fair value of investments	(5,250)	(11,612)	3,914	7,692	(1,343)	5,024	7,834	(888)	(1,099)	5,528
Securities lending income (loss)	324	(341)	13	24	14	(62)	(36)	(5)	11	18
Other investment income (loss)	1	(1)	-	-	-	-	-	-	134	130
	(3,602)	(11,201)	4,895	8,646	(179)	6,186	9,055	1,216	303	6,943
less investment expenses										
Securities lending expenses	(287)	(66)	(2)	-	(1)	(2)	(1)	(2)	(1)	(3)
Brokerage fees and other investment expenses	(95)	(68)	(75)	(93)	(100)	(118)	(135)	(120)	(95)	(258)
<b>Net investment income</b>	<b>(3,984)</b>	<b>(11,335)</b>	<b>4,818</b>	<b>8,553</b>	<b>(280)</b>	<b>6,066</b>	<b>8,919</b>	<b>1,094</b>	<b>207</b>	<b>6,682</b>
Other income and special item	15	-	-	181	109	102	405	12	51	1
<b>Total additions</b>	<b>(3,219)</b>	<b>(10,585)</b>	<b>5,568</b>	<b>9,484</b>	<b>579</b>	<b>6,918</b>	<b>10,074</b>	<b>1,856</b>	<b>1,008</b>	<b>7,434</b>
<b>Deductions:</b>										
Benefits Paid										
Retirement Benefits	539	588	646	760	829	935	1,419	1,633	1,835	2,031
Death Benefits/Survivors	***	-	19	22	28	34	-	-	-	-
Disability	***	-	-	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	44	43	47	52
<b>Total deductions</b>	<b>539</b>	<b>588</b>	<b>665</b>	<b>782</b>	<b>857</b>	<b>969</b>	<b>1,463</b>	<b>1,676</b>	<b>1,882</b>	<b>2,083</b>
<b>Net increase (decrease) in plan net assets</b>	<b>(3,758)</b>	<b>(11,173)</b>	<b>4,903</b>	<b>8,702</b>	<b>(278)</b>	<b>5,949</b>	<b>8,611</b>	<b>180</b>	<b>(874)</b>	<b>5,351</b>
Net position held in trust for pension benefits										
Beginning of year	48,967	45,209	34,036	38,939	47,641	47,363	53,312	61,923	62,103	61,050
Prior Period Adjustment									(179)	
<b>End of year</b>	<b>\$45,209</b>	<b>\$34,036</b>	<b>\$38,939</b>	<b>\$47,641</b>	<b>\$47,363</b>	<b>\$53,312</b>	<b>\$61,923</b>	<b>\$62,103</b>	<b>\$61,050</b>	<b>\$66,401</b>

\*\*\*Information is not available in detail

## CHANGES IN PLAN NET POSITION - LAST TEN FISCAL YEARS (CONTINUED)

(in thousands of dollars)

<b>DEFERRED COMPENSATION (IRC 457) FUND</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Additions:</b>										
<b>Contributions:</b>										
Employers	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Members	31,078	33,941	36,665	35,818	33,869	35,921	35,911	34,628	35,261	47,753
Purchased service credits by members	-	-	-	-	-	-	-	-	-	-
<b>Total contributions</b>	<b>31,078</b>	<b>33,941</b>	<b>36,665</b>	<b>35,818</b>	<b>33,869</b>	<b>35,921</b>	<b>35,911</b>	<b>34,628</b>	<b>35,261</b>	<b>47,753</b>
<b>Investment income:</b>										
Interest	5,461	5,647	2,457	2,735	2,497	2,597	427	450	502	58,957
Dividends	-	-	-	-	-	-	-	-	-	-
Net change in fair value of investments	(15,914)	(46,486)	18,905	50,273	(11)	37,604	59,543	18,933	994	-
Securities lending income (loss)	-	-	-	-	-	-	-	-	-	-
Other investment income (loss)	-	-	-	-	(1,040)	(11)	-	-	-	-
	(10,453)	(40,839)	21,362	53,008	1,446	40,190	59,970	19,383	1,496	58,957
<b>less investment expenses</b>										
Securities lending expenses	-	-	-	-	-	-	-	-	-	-
Brokerage fees and other investment expenses	-	-	-	-	-	-	-	-	-	-
<b>Net investment income</b>	<b>(10,453)</b>	<b>(40,839)</b>	<b>21,362</b>	<b>53,008</b>	<b>1,446</b>	<b>40,190</b>	<b>59,970</b>	<b>19,383</b>	<b>1,496</b>	<b>58,957</b>
<b>Other income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total additions</b>	<b>20,625</b>	<b>(6,898)</b>	<b>58,027</b>	<b>88,826</b>	<b>35,315</b>	<b>76,111</b>	<b>95,881</b>	<b>54,011</b>	<b>36,757</b>	<b>106,710</b>
<b>Deductions:</b>										
<b>Benefits Paid</b>										
Retirement Benefits	21,079	20,304	23,167	28,583	29,960	36,194	37,303	38,954	34,153	39,511
Life insurance premiums	171	154	136	123	112	92	76	62	55	42
Administrative expenses	843	1,001	1,058	987	956	918	930	996	1,055	1,165
<b>Total deductions</b>	<b>22,093</b>	<b>21,459</b>	<b>24,361</b>	<b>29,693</b>	<b>31,028</b>	<b>37,204</b>	<b>38,309</b>	<b>40,012</b>	<b>35,263</b>	<b>40,718</b>
<b>Net increase (decrease) in plan net assets</b>	<b>(1,468)</b>	<b>(28,357)</b>	<b>33,666</b>	<b>59,133</b>	<b>4,287</b>	<b>38,907</b>	<b>57,572</b>	<b>13,999</b>	<b>1,494</b>	<b>65,993</b>
<b>Net position held in trust for pension benefits</b>										
Beginning of year	325,560	324,092	295,735	329,401	388,534	392,821	429,775	487,347	501,346	502,840
<b>End of year</b>	<b>\$324,092</b>	<b>\$295,735</b>	<b>\$329,401</b>	<b>\$388,534</b>	<b>\$392,821</b>	<b>\$431,728</b>	<b>\$487,347</b>	<b>\$501,346</b>	<b>\$502,840</b>	<b>\$568,833</b>

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

PERA FUND Benefit Option	2013			2014		
	Number	Pension	Average	Number	Pension	Average
<b>NORMAL RETIREMENT PENSIONS:</b>						
Single life pension terminating on death	11,662	\$336,586,783	\$28,862	12,328	\$362,887,904	\$29,436
Two Life 100% survivor pension						
Retired member recipient	11,049	323,124,753	29,245	11,586	345,888,606	29,854
Survivor member recipient	1,934	39,155,688	20,246	2,019	42,231,551	20,917
Two life 50% survivor pension						
Retired member recipient	4,016	123,416,490	30,731	4,230	132,807,042	31,396
Survivor member recipient	763	9,073,810	11,892	787	9,784,012	12,432
Single Life with temporary child survivor pension						
Retired member recipient	202	7,333,387	36,304	221	8,184,126	37,032
Child recipient	3	102,306	34,102	4	121,869	30,467
<b>Total Normal Retirement Pensions</b>	<b>29,629</b>	<b>\$838,793,217</b>	<b>\$28,310</b>	<b>31,175</b>	<b>\$901,905,110</b>	<b>\$28,930</b>
<b>DISABILITY RETIREMENT PENSIONS:</b>						
Single life pension terminating on death	287	\$4,457,572	\$15,532	324	\$5,124,160	\$15,815
Two Life 100% survivor pension						
Retired member recipient	566	8,680,378	15,336	634	9,931,369	15,665
Survivor member recipient	172	2,446,320	14,223	184	2,686,734	14,602
Two life 50% survivor pension						
Retired member recipient	113	1,783,886	15,787	127	2,122,799	16,715
Survivor member recipient	20	162,982	8,149	21	170,481	8,118
Single Life with temporary child survivor pension						
Retired member recipient	12	175,952	14,663	12	179,154	14,930
Child recipient	4	65,329	16,332	4	77,917	19,479
<b>Total Disability Retirement Pensions</b>	<b>1,174</b>	<b>\$17,772,419</b>	<b>\$15,138</b>	<b>1,306</b>	<b>\$20,292,614</b>	<b>\$15,538</b>
<b>PRE-RETIREMENT SURVIVOR PENSIONS:</b>						
Pre-retirement survivor pension						
Spouse recipient	1,011	15,441,558	15,274	1,033	16,193,266	15,676
Child recipient	49	426,166	8,697	48	431,770	8,995
<b>Total Pre-Retirement Survivor Pensions</b>	<b>1060</b>	<b>\$15,867,724</b>	<b>\$14,970</b>	<b>1,081</b>	<b>\$16,625,036</b>	<b>\$15,379</b>
<b>LEGISLATIVE RETIREMENT PENSIONS:</b>						
Legislative retirement						
Retired member recipient	156	1,387,399	8,894	153	1,338,047	8,745
Survivor member recipient	23	190,339	8,276	25	209,506	8,380
<b>Total Legislative Retirement Pensions</b>	<b>179</b>	<b>\$1,577,738</b>	<b>\$8,814</b>	<b>178</b>	<b>\$1,547,553</b>	<b>\$8,694</b>
<b>TOTAL PENSIONS BEING PAID</b>	<b>32,042</b>	<b>\$874,011,098</b>	<b>\$27,277</b>	<b>33,740</b>	<b>\$940,370,313</b>	<b>\$27,871</b>

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

2015			2016			2017		
Number	Pension	Average	Number	Pension	Average	Number	Pension	Average
13,185	\$381,744,341	\$28,953	13,881	\$403,515,797	\$28,953	14,404	\$426,262,930	\$29,593
12,238	366,050,578	29,911	12,634	382,969,455	30,313	12,742	393,244,230	30,862
2,161	46,382,478	21,463	2,257	49,696,593	22,019	2,293	52,370,761	22,839
4,512	141,380,112	31,334	4,711	149,963,318	31,833	4,751	154,216,776	32,460
848	10,619,586	12,523	879	11,220,862	12,765	905	11,973,711	13,231
225	8,547,358	37,988	229	8,771,533	38,304	215	8,498,507	39,528
4	123,956	30,989	3	88,412	29,471	6	147,907	24,651
33,173	\$954,848,409	\$28,784	34,594	\$1,006,225,970	\$29,087	35,316	\$1,046,714,822	\$29,639
350	\$5,704,449	\$16,298	379	\$6,324,090	\$16,686	407	\$7,081,485	\$17,399
669	10,794,391	16,135	720	11,926,212	16,564	751	12,681,154	16,886
181	2,689,461	14,859	190	2,890,866	15,215	195	3,016,340	15,468
136	2,424,552	17,828	147	2,714,216	18,464	162	3,077,199	18,995
21	176,171	8,389	22	190,295	8,650	23	200,451	8,715
10	163,592	16,359	8	119,679	14,960	8	115,407	14,426
3	54,193	18,064	1	6,238	6,238	1	6,363	6,363
1,370	\$22,006,809	\$16,063	1,467	\$24,171,596	\$16,477	1,547	\$26,178,399	\$16,922
1,080	17,400,214	16,111	1,096	18,259,199	16,660	1,103	18,806,996	17,051
49	475,791	9,710	49	486,943	9,938	45	453,801	10,084
1,129	\$17,876,005	\$15,833	1,145	\$18,746,142	\$16,372	1,148	\$19,260,797	\$16,778
161	1,503,723	9,340	152	1,483,015	9,757	156	1,615,853	10,358
25	231,554	9,262	30	266,535	8,885	30	269,013	8,967
186	\$1,735,277	\$9,329	182	\$1,749,550	\$9,613	186	\$1,884,866	\$10,134
35,858	\$996,466,500	\$27,789	37,388	\$1,050,893,258	\$28,108	38,197	\$1,094,038,884	\$28,642

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)**

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

<b>JUDICIAL FUND</b>	<b>2013</b>			<b>2014</b>		
<b>Benefit Option</b>	<b>Number</b>	<b>Pension</b>	<b>Average</b>	<b>Number</b>	<b>Pension</b>	<b>Average</b>
<b>NORMAL RETIREMENT PENSIONS:</b>						
Regular Benefit - 75% joint and survivor	98	\$6,691,958	\$68,285	105	\$7,258,691	\$69,130
Survivor/co-payee beneficiary recipient	28	1,294,167	46,220	29	1,301,721	44,887
Total Normal Retirement Pensions	126	\$7,986,125	\$63,382	134	\$8,560,412	\$63,884
<b>DISABILITY RETIREMENT PENSIONS:</b>						
Duty Disability	1	\$31,173	\$31,173	1	\$31,797	\$31,797
Survivor/co-payee Recipient	-	-	n/a	-	-	n/a
Non-Duty Disability	-	-	n/a	-	-	n/a
Total Disability Retirement Pensions	1	\$31,173	\$31,173	1	\$31,797	\$31,797
<b>PRE-RETIREMENT SURVIVOR PENSIONS:</b>						
Pre-retirement survivor pension						
Spouse recipient	6	281,387	46,898	6	286,224	47,704
Child recipient	-	-	n/a	-	-	n/a
Total Pre-Retirement Survivor Pensions	6	\$281,387	\$46,898	6	\$286,224	\$47,704
<b>TOTAL PENSIONS BEING PAID</b>	<b>133</b>	<b>\$8,298,685</b>	<b>\$62,396</b>	<b>141</b>	<b>\$8,878,433</b>	<b>\$62,968</b>

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

2015			2016			2017		
Number	Pension	Average	Number	Pension	Average	Number	Pension	Average
111	\$7,734,725	\$69,682	116	\$7,972,538	\$68,729	119	\$8,220,174	\$69,077
33	1,407,355	42,647	36	1,548,257	43,007	36	1,562,387	43,400
144	\$9,142,080	\$63,487	152	\$9,520,795	\$62,637	155	\$9,782,561	\$63,113
1	\$31,797	\$31,797	1	\$31,797	\$31,797	1	\$31,797	\$31,797
-	-	n/a	-	-	n/a	-	-	n/a
1	41,398	41,398	1	41,398	41,398	1	41,398	\$41,398
2	\$73,195	\$36,598	2	\$73,195	\$36,598	2	\$73,195	\$36,598
6	286,224	47,704	6	286,224	47,704	6	286,224	\$47,704
-	-	n/a	-	-	n/a	-	-	n/a
6	\$286,224	\$47,704	6	\$286,224	\$47,704	6	\$286,224	\$47,704
152	\$9,501,499	\$62,510	160	\$9,880,214	\$61,751	163	\$10,141,980	\$62,221



**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)**

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

<b>MAGISTRATE FUND</b>	<b>2013</b>			<b>2014</b>		
<b>Benefit Option</b>	<b>Number</b>	<b>Pension</b>	<b>Average</b>	<b>Number</b>	<b>Pension</b>	<b>Average</b>
<b>NORMAL RETIREMENT PENSIONS:</b>						
Regular Benefit - 75% joint and survivor	70	\$2,909,302	\$41,561	76	\$3,266,755	\$42,984
Survivor/co-payee beneficiary recipient	13	392,620	30,202	14	459,287	32,806
Total Normal Retirement Pensions	83	\$3,301,922	\$39,782	90	\$3,726,042	\$41,400
<b>DISABILITY RETIREMENT PENSIONS:</b>						
Duty Disability	1	\$45,272	\$45,272	1	\$46,177	\$46,177
Survivor/co-payee Recipient	-	-	n/a	-	-	n/a
Non-Duty Disability	1	35,921	35,921	2	95,362	47,681
Total Disability Retirement Pensions	2	\$81,193	\$40,597	3	\$141,539	\$47,180
<b>PRE-RETIREMENT SURVIVOR PENSIONS:</b>						
Pre-retirement survivor pension						
Spouse recipient	1	\$46,337	\$46,337	1	\$46,337	\$46,337
Child recipient	-	-	n/a	-	-	n/a
Total Pre-Retirement Survivor Pensions	1	\$46,337	\$46,337	1	\$46,337	\$46,337
<b>TOTAL PENSIONS BEING PAID</b>	<b>86</b>	<b>\$3,429,452</b>	<b>\$39,877</b>	<b>94</b>	<b>\$3,913,918</b>	<b>\$41,637</b>

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

Number	2015		Number	2016		Number	2017	
	Pension	Average		Pension	Average		Pension	Average
81	\$3,340,941	\$41,246	80	\$3,224,107	\$40,301	78	\$3,104,997	\$39,808
17	483,170	28,422	16	481,681	30,105	20	597,580	29,879
98	\$3,824,111	\$39,022	96	\$3,705,788	\$38,602	98	\$3,702,577	\$37,781
1	\$46,177	\$46,177	1	\$46,177	\$46,177	1	\$46,177	\$46,177
-	-	n/a	-	-	n/a	-	-	n/a
2	95,362	47,681	2	95,362	47,681	2	95,362	47,681
3	\$141,539	\$47,180	3	\$141,539	\$47,180	3	\$141,539	\$47,180
1	\$46,337	\$46,337	1	\$46,337	\$46,337	1	\$46,337	\$46,337
-	-	n/a	-	-	n/a	-	-	n/a
1	\$46,337	\$46,337	1	\$46,337	\$46,337	1	\$46,337	\$46,337
102	\$4,011,987	\$39,333	100	\$3,893,664	\$38,937	102	\$3,890,453	\$38,142

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

<b>VOLUNTEER FIREFIGHTERS FUND</b>						
Benefit Option	Number	2013		2014		
		Pension	Average	Number	Pension	Average
<b>NORMAL RETIREMENT PENSIONS:</b>						
Regular Benefit - 66 2/3% joint and survivor	720	\$1,244,400	\$1,728	845	1,488,750	1,762
Survivor/co-payee Recipient	42	34,153	813	48	40,551	845
Total Normal Retirement Pensions	762	\$1,278,553	\$1,678	893	\$1,529,301	\$1,713
<b>TOTAL PENSIONS BEING PAID</b>	762	\$1,278,553	\$1,678	893	\$1,529,301	\$1,713

## SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT OPTION (CONTINUED)

Five year comparison showing type of benefit option, number of members, actual pension (including COLA) and the average pension payments per each fiscal year.

Number	2015		Number	2016		Number	2017	
	Pension	Average		Pension	Average		Pension	Average
952	1,683,750	1,769	1,053	1,887,750	1,793	1,139	2,063,250	1,811
52	43,751	841	60	51,951	866	72	67,150	933
1,004	\$1,727,501	\$1,721	1,113	\$1,939,701	\$1,743	1,211	\$2,130,400	\$1,759
1,004	\$1,727,501	\$1,721	1,113	\$1,939,701	\$1,743	1,211	\$2,130,400	\$1,759

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>STATE GENERAL</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$1,935	\$705	\$1,033	\$1,456	\$2,050	\$2,556	\$2,361	\$1,935
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	1,094	1,126	1,484	1,463	1,806	4,519	950	12,442
2010	Average Monthly Benefit	\$1,348	\$741	\$1,095	\$1,559	\$2,158	\$2,668	\$2,443	\$2,012
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	137	1,249	1,559	1,573	1,927	4,780	942	12,167
2011	Average Monthly Benefit	\$1,338	\$774	\$1,144	\$1,644	\$2,287	\$2,773	\$2,518	\$2,097
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	147	1,338	1,615	1,671	2,079	5,018	936	12,804
2012	Average Monthly Benefit	\$1,475	\$802	\$1,189	\$1,706	\$2,361	\$2,862	\$2,608	\$2,161
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	176	1,453	1,700	1,759	2,179	5,283	918	13,468
2013	Average Monthly Benefit	\$1,622	\$822	\$1,242	\$1,784	\$2,471	\$2,954	\$2,692	\$2,231
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	187	1,617	1,826	1,863	2,321	5,611	903	14,328
2014	Average Monthly Benefit	\$1,730	\$848	\$1,280	\$1,822	\$2,534	\$3,021	\$2,784	\$2,277
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	233	1,774	1,989	1,953	2,482	5,962	904	15,297
2015	Average Monthly Benefit	\$605	\$899	\$1,420	\$2,012	\$2,738	\$3,194	\$3,132	\$2,431
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	520	1,484	1,605	1,593	2,147	5,734	677	13,760
2016	Average Monthly Benefit	\$475	\$831	\$1,390	\$2,005	\$2,776	\$3,261	\$3,203	\$2,449
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	539	1,577	1,686	1,658	2,222	6,057	660	14,399
2017	Average Monthly Benefit	\$443	\$842	\$1,431	\$2,075	\$2,824	\$3,326	\$3,282	\$2,483
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	597	1,680	1,755	1,718	2,212	6,235	644	14,841

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

- |  |  |
|--|--|
| (a) Includes 971 members who did not have service reported | (f) Excludes 792 members who did not have service reported |
| (b) Excludes 814 members who did not have service reported | (g) Excludes 488 members who did not have service reported |
| (c) Excludes 835 members who did not have service reported | (h) Excludes 403 members who did not have service reported |
| (d) Excludes 923 members who did not have service reported | (i) Excludes 278 members who did not have service reported |
| (e) Excludes 990 members who did not have service reported |  |

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>STATE POLICE</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$2,001	\$1,368	\$1,392	\$1,942	\$2,569	\$3,017	\$3,110	\$2,237
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	379	93	92	100	168	209	67	1,108
2010	Average Monthly Benefit	\$1,383	\$1,383	\$1,425	\$1,950	\$2,611	\$3,072	\$3,231	\$2,354
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	55	94	98	103	197	233	68	848
2011	Average Monthly Benefit	\$1,428	\$1,433	\$1,435	\$1,941	\$2,670	\$3,113	\$3,374	\$2,434
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	52	93	105	110	214	279	69	922
2012	Average Monthly Benefit	\$1,422	\$1,435	\$1,439	\$1,990	\$2,701	\$3,148	\$3,443	\$2,495
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	48	96	108	115	212	327	72	978
2013	Average Monthly Benefit	\$1,454	\$1,430	\$1,475	\$2,034	\$2,704	\$3,171	\$3,502	\$2,542
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	45	98	108	121	242	357	74	1,045
2014	Average Monthly Benefit	\$1,482	\$1,404	\$1,411	\$2,038	\$2,771	\$3,217	\$3,559	\$2,601
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	44	104	110	124	258	413	79	1,132
2015	Average Monthly Benefit	\$1,205	\$1,717	\$1,579	\$2,251	\$2,845	\$3,305	\$3,822	\$2,855
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	33	59	64	83	226	434	62	961
2016	Average Monthly Benefit	\$1,339	\$1,701	\$1,556	\$2,255	\$2,857	\$3,315	\$3,816	\$2,885
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	35	54	66	86	252	476	67	1,036
2017	Average Monthly Benefit	\$1,433	\$1,720	\$1,606	\$2,281	\$2,912	\$3,352	\$3,925	\$2,952
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	31	55	63	84	237	500	67	1,037

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

(a) Includes 330 members who did not have service reported

(b) Excludes 309 members who did not have service reported

(c) Excludes 305 members who did not have service reported

(d) Excludes 311 members who did not have service reported

(e) Excludes 281 members who did not have service reported

(f) Excludes 270 members who did not have service reported

(g) Excludes 202 members who did not have service reported

(h) Excludes 160 members who did not have service reported

(i) Excludes 158 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MUNICIPAL GENERAL</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$1,677	\$607	\$934	\$1,452	\$2,051	\$2,482	\$2,274	\$1,741
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	974	1,046	1,162	1,147	1,225	2,636	343	8,533
2010	Average Monthly Benefit	\$1,288	\$627	\$970	\$1,517	\$2,143	\$2,591	\$2,408	\$1,825
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	182	1,113	1,223	1,228	1,319	2,891	370	8,326
2011	Average Monthly Benefit	\$1,289	\$646	\$1,014	\$1,575	\$2,264	\$2,686	\$2,525	\$1,909
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	188	1,153	1,277	1,286	1,440	3,087	384	8,815
2012	Average Monthly Benefit	\$1,398	\$664	\$1,053	\$1,624	\$2,302	\$2,771	\$2,582	\$1,970
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	198	1,217	1,332	1,330	1,496	3,305	393	9,271
2013	Average Monthly Benefit	\$1,538	\$680	\$1,086	\$1,698	\$2,382	\$2,864	\$2,677	\$2,040
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	207	1,323	1,415	1,431	1,607	3,557	415	9,955
2014	Average Monthly Benefit	\$1,466	\$687	\$1,104	\$1,720	\$2,429	\$2,924	\$2,815	\$2,078
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	226	1,429	1,531	1,508	1,736	3,823	430	10,683
2015	Average Monthly Benefit	\$854	\$736	\$1,189	\$1,839	\$2,619	\$3,078	\$3,145	\$2,270
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	278	1,078	1,189	1,195	1,485	3,724	363	9,312
2016	Average Monthly Benefit	\$714	\$723	\$1,171	\$1,837	\$2,630	\$3,147	\$3,261	\$2,289
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	296	1,148	1,282	1,253	1,514	3,945	377	9,815
2017	Average Monthly Benefit	\$654	\$725	\$1,202	\$1,878	\$2,672	\$3,204	\$3,365	\$2,322
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	332	1,191	1,322	1,282	1,523	4,052	388	10,090

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

- (a) Includes 829 members who did not have service reported
- (b) Excludes 714 members who did not have service reported
- (c) Excludes 723 members who did not have service reported
- (d) Excludes 788 members who did not have service reported
- (e) Excludes 756 members who did not have service reported

- (f) Excludes 609 members who did not have service reported
- (g) Excludes 319 members who did not have service reported
- (h) Excludes 269 members who did not have service reported
- (i) Excludes 226 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MUNICIPAL POLICE</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$2,354	\$1,378	\$1,591	\$2,550	\$2,955	\$2,789	\$2,992	\$2,662
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	315	74	117	465	1,160	129	38	2,298
2010	Average Monthly Benefit	\$1,600	\$1,424	\$1,636	\$2,628	\$3,043	\$2,937	\$3,138	\$2,779
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	52	75	119	482	1,274	134	39	2,175
2011	Average Monthly Benefit	\$1,696	\$1,434	\$1,641	\$2,706	\$3,151	\$3,045	\$3,224	\$2,875
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	52	77	126	515	1,366	136	39	2,311
2012	Average Monthly Benefit	\$1,716	\$1,425	\$1,719	\$2,774	\$3,227	\$3,199	\$3,391	\$2,964
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	51	80	126	514	1,483	142	41	2,437
2013	Average Monthly Benefit	\$1,869	\$1,470	\$1,747	\$2,822	\$3,310	\$3,293	\$3,375	\$3,043
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	60	78	130	525	1,596	147	43	2,579
2014	Average Monthly Benefit	\$1,918	\$1,481	\$1,789	\$2,878	\$3,370	\$3,511	\$3,456	\$3,119
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	58	82	139	547	1,771	155	44	2,796
2015	Average Monthly Benefit	\$2,054	\$1,589	\$2,080	\$3,167	\$3,584	\$3,925	\$3,657	\$3,413
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	42	49	81	467	1,702	133	35	2,509
2016	Average Monthly Benefit	\$2,020	\$1,573	\$2,125	\$3,190	\$3,635	\$4,081	\$3,781	\$3,475
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	42	50	81	462	1,869	143	36	2,683
2017	Average Monthly Benefit	\$1,851	\$1,404	\$2,136	\$3,253	\$3,680	\$4,157	\$3,848	\$3,531
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	36	47	81	443	1,968	148	38	2,761

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

(a) Includes 273 members who did not have service reported

(f) Excludes 136 members who did not have service reported

(b) Excludes 263 members who did not have service reported

(g) Excludes 88 members who did not have service reported

(c) Excludes 287 members who did not have service reported

(h) Excludes 87 members who did not have service reported

(d) Excludes 276 members who did not have service reported

(e) Excludes 247 members who did not have service reported



## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MUNICIPAL FIRE</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$2,354	\$1,591	\$2,009	\$2,588	\$2,934	\$2,444	\$2,378	\$2,696
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	112	30	84	269	801	70	46	1,412
2010	Average Monthly Benefit	\$1,747	\$1,658	\$2,053	\$2,651	\$3,043	\$2,591	\$2,450	\$2,821
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	11	29	83	277	854	71	46	1,371
2011	Average Monthly Benefit	\$1,893	\$1,723	\$2,086	\$2,749	\$3,168	\$2,716	\$2,531	\$2,939
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	10	30	85	288	913	71	47	1,444
2012	Average Monthly Benefit	\$1,950	\$1,683	\$2,187	\$2,843	\$3,269	\$2,886	\$2,594	\$3,045
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	10	32	85	279	963	73	45	1,487
2013	Average Monthly Benefit	\$1,760	\$1,746	\$2,278	\$2,915	\$3,366	\$3,031	\$2,705	\$3,143
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	11	34	84	281	1,014	71	44	1,539
2014	Average Monthly Benefit	\$1,883	\$1,776	\$2,358	\$2,976	\$3,441	\$3,315	\$2,835	\$3,232
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	12	34	84	292	1,083	74	46	1,625
2015	Average Monthly Benefit	\$2,229	\$2,032	\$2,767	\$3,247	\$3,692	\$3,694	\$3,400	\$3,547
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	10	23	48	220	1,027	57	35	1,420
2016	Average Monthly Benefit	\$2,308	\$2,116	\$2,760	\$3,341	\$3,756	\$3,981	\$3,419	\$3,625
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	11	24	50	225	1,089	62	36	1,497
2017	Average Monthly Benefit	\$2,346	\$2,170	\$2,750	\$3,380	\$3,821	\$4,070	\$3,440	\$3,689
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	11	25	50	205	1,127	62	36	1,516

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

- (a) Includes 105 members who did not have service reported
- (b) Excludes 102 members who did not have service reported
- (c) Excludes 104 members who did not have service reported
- (d) Excludes 116 members who did not have service reported
- (e) Excludes 114 members who did not have service reported

- (f) Excludes 111 members who did not have service reported
- (g) Excludes 54 members who did not have service reported
- (h) Excludes 44 members who did not have service reported
- (i) Excludes 32 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>LEGISLATURE</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$1,000	\$344	\$535	\$744	\$443	\$437	\$1,038	\$715
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	41	25	23	22	16	7	23	157
2010	Average Monthly Benefit	\$518	\$386	\$559	\$767	\$456	\$450	\$1,069	\$634
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	3	27	24	22	16	7	23	122
2011	Average Monthly Benefit	\$534	\$396	\$591	\$653	\$470	\$463	\$1,098	\$626
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	3	27	24	23	16	7	22	122
2012	Average Monthly Benefit	\$445	\$415	\$600	\$687	\$493	\$449	\$1,110	\$635
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	4	29	24	24	15	6	21	123
2013	Average Monthly Benefit	\$763	\$410	\$771	\$820	\$748	\$462	\$1,254	\$762
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	4	30	40	26	22	6	22	150
2014	Average Monthly Benefit	\$772	\$422	\$760	\$800	\$759	\$471	\$1,231	\$750
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	4	30	41	24	22	6	20	147
2015	Average Monthly Benefit	\$332	\$422	\$770	\$896	\$1,092	\$582	\$1,538	\$800
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	8	38	42	24	18	4	16	150
2016	Average Monthly Benefit	\$337	\$420	\$782	\$904	\$1,195	\$610	\$1,614	\$819
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	8	36	42	25	18	5	15	149
2017	Average Monthly Benefit	\$185	\$441	\$797	\$1,023	\$1,250	\$622	\$1,701	\$876
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	6	35	41	28	20	5	15	150

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

(a) Includes 38 members who did not have service reported

(f) Excludes 31 members who did not have service reported

(b) Excludes 38 members who did not have service reported

(g) Excludes 4 members who did not have service reported

(c) Excludes 43 members who did not have service reported

(h) Excludes 2 members who did not have service reported

(d) Excludes 40 members who did not have service reported

(e) Excludes 29 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

Div/Plan		Years of Credited Service							Total
		Under 5	5-9	10-14	15-19	20-24	25-29	30+	
<b>JUDICIAL</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$4,748	\$3,270	\$4,396	\$6,130	\$5,671	\$4,972	\$3,287	\$4,823
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	38	11	14	28	5	3	10	109
2010	Average Monthly Benefit	\$5,515	\$3,135	\$4,889	\$5,962	\$6,123	\$3,137	\$5,048	\$5,094
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	1	10	13	26	4	2	20	76
2011	Average Monthly Benefit	\$5,681	\$3,237	\$4,671	\$6,060	\$4,379	\$3,231	\$5,406	\$5,143
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	1	9	16	29	4	2	17	78
2012	Average Monthly Benefit	\$5,851	\$2,987	\$4,464	\$6,333	\$5,293	\$5,091	\$5,587	\$5,152
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	1	17	20	35	8	7	18	106
2013	Average Monthly Benefit	\$6,026	\$3,075	\$4,537	\$6,375	\$5,204	\$5,686	\$5,898	\$5,280
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	1	19	20	39	11	9	17	116
2014	Average Monthly Benefit	\$6,147	\$3,127	\$4,834	\$6,615	\$5,528	\$5,225	\$6,016	\$5,406
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	1	19	25	39	10	10	17	121
2015	Average Monthly Benefit	\$5,945	\$3,287	\$5,185	\$6,847	\$5,528	\$5,320	\$6,988	\$5,823
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	1	12	24	37	8	10	13	105
2016	Average Monthly Benefit	\$3,285	\$3,148	\$5,140	\$6,745	\$5,897	\$5,556	\$6,988	\$5,733
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	2	14	24	39	9	11	13	112
2017	Average Monthly Benefit	\$3,285	\$3,157	\$5,213	\$6,793	\$6,187	\$5,519	\$6,988	\$5,769
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	2	15	25	40	10	12	13	117

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

(a) Includes 38 members who did not have service reported

(f) Excludes 31 members who did not have service reported

(b) Excludes 38 members who did not have service reported

(g) Excludes 4 members who did not have service reported

(c) Excludes 43 members who did not have service reported

(h) Excludes 2 members who did not have service reported

(d) Excludes 40 members who did not have service reported

(e) Excludes 29 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>MAGISTRATE</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$4,748	\$3,270	\$4,396	\$6,130	\$5,671	\$4,972	\$3,287	\$4,823
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	38	11	14	28	5	3	10	109
2010	Average Monthly Benefit	\$5,515	\$3,135	\$4,889	\$5,962	\$6,123	\$3,137	\$5,048	\$5,094
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	1	10	13	26	4	2	20	76
2011	Average Monthly Benefit	\$5,681	\$3,237	\$4,671	\$6,060	\$4,379	\$3,231	\$5,406	\$5,143
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	1	9	16	29	4	2	17	78
2012	Average Monthly Benefit	\$5,851	\$2,987	\$4,464	\$6,333	\$5,293	\$5,091	\$5,587	\$5,152
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	1	17	20	35	8	7	18	106
2013	Average Monthly Benefit	\$6,026	\$3,075	\$4,537	\$6,375	\$5,204	\$5,686	\$5,898	\$5,280
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	1	19	20	39	11	9	17	116
2014	Average Monthly Benefit	\$6,147	\$3,127	\$4,834	\$6,615	\$5,528	\$5,225	\$6,016	\$5,406
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	1	19	25	39	10	10	17	121
2015	Average Monthly Benefit	\$5,945	\$3,287	\$5,185	\$6,847	\$5,528	\$5,320	\$6,988	\$5,823
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	1	12	24	37	8	10	13	105
2016	Average Monthly Benefit	\$3,285	\$3,148	\$5,140	\$6,745	\$5,897	\$5,556	\$6,988	\$5,733
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	2	14	24	39	9	11	13	112
2017	Average Monthly Benefit	\$3,285	\$3,157	\$5,213	\$6,793	\$6,187	\$5,519	\$6,988	\$5,769
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	2	15	25	40	10	12	13	117

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

(a) Includes 14 members who did not have service reported

(d) Excludes 1 member who did not have service reported

(b) Excludes 18 members who did not have service reported

(e) Excludes 1 member who did not have service reported

(c) Excludes 1 member who did not have service reported

(f) Excludes 1 member who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30- Ten Year Comparison by years of service in 5 year increments, the number of active retired and the average monthly benefit (including COLA).

#### Years of Credited Service

Div/Plan		Under 5	5-9	10-14	15-19	20-24	25-29	30+	Total
<b>VOLUNTEER FIREFIGHTER</b>									
2008	Average Monthly Benefit	*	*	*	*	*	*	*	*
	Average Final Average Salary	*	*	*	*	*	*	*	*
	Number of Active Retired	*	*	*	*	*	*	*	*
2009	Average Monthly Benefit	\$120	\$100	\$100	\$99	\$106	\$147	\$66	\$109
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (a)	183	2	141	90	31	17	6	470
2010	Average Monthly Benefit	\$100	\$110	\$100	\$99	\$123	\$163	\$89	\$107
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (b)	3	20	151	93	42	26	9	344
2011	Average Monthly Benefit	\$100	\$106	\$100	\$98	\$130	\$172	\$100	\$110
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (c)	6	33	159	103	46	35	10	392
2012	Average Monthly Benefit	\$110	\$100	\$99	\$98	\$106	\$188	\$120	\$111
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (d)	10	31	226	124	40	66	10	507
2013	Average Monthly Benefit	\$167	\$125	\$122	\$122	\$129	\$238	\$185	\$141
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (e)	3	16	348	157	49	95	17	685
2014	Average Monthly Benefit	\$125	\$125	\$123	\$122	\$118	\$247	\$215	\$143
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (f)	1	8	450	210	57	125	31	882
2015	Average Monthly Benefit	\$188	\$125	\$125	\$125	\$128	\$242	\$250	\$148
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (g)	6	2	505	201	56	147	29	946
2016	Average Monthly Benefit	\$125	\$125	\$125	\$125	\$124	\$250	\$250	\$150
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (h)	1	3	566	208	63	167	39	1,047
2017	Average Monthly Benefit	\$125	\$125	\$125	\$125	\$125	\$250	\$250	\$151
	Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Number of Active Retired (i)	2	6	605	217	64	194	43	1,131

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

(a) Includes 183 members who did not have service reported

(f) Excludes 11 members who did not have service reported

(b) Excludes 200 members who did not have service reported

(g) Excludes 6 members who did not have service reported

(c) Excludes 217 members who did not have service reported

(h) Excludes 6 members who did not have service reported

(d) Excludes 160 members who did not have service reported

(e) Excludes 77 members who did not have service reported

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30 - Nine Year Comparison of the Number of Retired Member, Disabled Benefit and Survivor Benefit receiving pensions and the total Annual Pension (including COLA) for the fiscal year.

		Retired Members		Disabled Benefit		Survivor Pension Benefit		Total		Annual Pension
		Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Percentage Change
2017	PERA	32,112	982,222,443	1,328	22,955,245	4,571	86,976,330	38,011	1,092,154,018	3.94%
	Legislative	156	1,615,854	-	-	30	269,012	186	1,884,866	7.18%
	Judicial	127	8,405,673	2	73,195	34	1,663,112	163	10,141,980	2.58%
	Magistrate	81	3,132,996	3	141,539	18	615,918	102	3,890,453	-0.08%
	VFF	1,139	2,063,250	-	-	72	67,150	1,211	2,130,400	8.95%
2016	PERA	31,473	945,331,280	1,236	20,973,020	4,497	82,839,408	37,206	1,049,143,708	5.19%
	Legislative	174	1,663,539	-	-	8	86,011	182	1,749,550	0.82%
	Judicial	152	9,520,795	2	73,195	6	286,224	160	9,880,214	3.83%
	Magistrate	96	3,705,788	3	141,539	1	46,337	100	3,893,664	-3.04%
	VFF	1,053	1,887,750	-	-	60	51,951	1,113	1,939,701	10.94%
2015	PERA	30,183	897,846,722	1,142	18,962,651	4,347	77,921,850	35,672	994,731,223	5.62%
	Legislative	178	1,650,952	-	-	8	84,325	186	1,735,277	10.82%
	Judicial	144	9,142,080	2	73,195	6	286,224	152	9,501,499	6.56%
	Magistrate	98	3,824,111	3	141,539	1	46,337	102	4,011,987	2.44%
	VFF	953	1,684,500	-	-	51	43,001	1,004	1,727,501	11.47%
2014	PERA	28,390	849,916,611	1,072	17,208,549	4,100	71,697,600	33,562	938,822,760	7.07%
	Legislative	146	1,300,073	-	-	32	247,480	178	1,547,553	-1.95%
	Judicial	112	7,445,795	1	31,797	28	1,400,841	141	8,878,433	6.53%
	Magistrate	78	3,293,401	3	141,539	13	478,978	94	3,913,918	12.38%
	VFF	846	1,489,500	-	-	47	39,801	893	1,529,301	16.40%
2013	PERA	26,949	790,582,225	958	14,976,974	3,956	66,874,161	31,863	872,433,360	8.47%
	Legislative	149	1,350,169	-	-	30	227,569	179	1,577,738	16.98%
	Judicial	104	6,860,436	1	31,173	28	1,407,076	133	8,298,685	6.50%
	Magistrate	72	2,935,827	2	81,193	12	412,432	86	3,429,452	4.40%
	VFF	721	1,245,000	-	-	41	33,553	762	1,278,553	29.86%
2012	PERA	25,433	724,950,245	856	12,741,219	3,777	60,851,558	30,066	798,543,022	7.94%
	Legislative	136	1,126,978	-	-	27	182,896	163	1,309,874	1.79%
	Judicial	101	6,515,919	1	30,265	25	1,213,105	127	7,759,289	6.96%
	Magistrate	71	2,797,478	2	78,828	12	402,372	85	3,278,678	6.83%
	VFF	633	868,800	-	-	34	27,953	667	896,753	8.34%
2011	PERA	24,046	666,870,346	820	11,989,648	3,660	56,291,606	28,526	735,151,600	8.64%
	Legislative	136	1,110,816	-	-	29	175,620	165	1,286,436	-9.33%
	Judicial	94	6,081,239	1	29,384	23	1,108,851	118	7,219,474	8.31%
	Magistrate	68	2,752,653	2	76,532	8	225,585	78	3,054,770	3.25%
	VFF	583	800,400	-	-	26	21,545	609	821,945	11.24%

## SCHEDULE OF AVERAGE BENEFIT PAYMENTS (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

As of June 30 - Nine Year Comparison of the Number of Retired Member, Disabled Benefit and Survivor Benefit receiving pensions and the total Annual Pension (including COLA) for the fiscal year.

		Retired Members		Disabled Benefit		Survivor Pension Benefit		Total		Annual Pension
		Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension	Percentage Change
2010	PERA	22,736	608,687,723	772	10,696,980	3,581	52,233,317	27,089	671,618,020	8.29%
	Legislative	135	1,270,496	-	-	25	136,000	160	1,406,496	0.00%
	Judicial	81	5,250,445	1	28,528	28	1,340,417	110	6,619,390	4.69%
	Magistrate	59	2,660,870	2	75,545	8	219,027	69	2,955,442	13.84%
	VFF	521	710,400	-	-	23	19,145	544	729,545	15.41%
2009	PERA	22,376	568,356,188	*	*	3,417	47,562,322	25,793	615,918,510	7.27%
	Judicial	103	6,056,779	*	*	6	251,868	109	6,308,647	7.32%
	Magistrate	59	2,478,908	*	*	2	67,647	61	2,546,555	11.40%
	VFF	N/A	N/A	*	*	N/A	N/A	470	617,144	8.56%
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	*

\*Information not available from PERA's actuarial for fiscal years prior to FY10

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

## DISTRIBUTION OF RECENT RETIREE AGES AT RETIREMENT FISCAL YEAR ENDED JUNE 30, 2017

Five year comparison showing the number of added retirees per fiscal year, their average monthly benefit and the average age the year of retirement.

	2013			2014			2015		
	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Retirees Added	Average Monthly Benefit	Average Age At Retirement
State General	992	\$2,334	58.78	1,229	\$2,213	59.71	781	\$2,306	60.11
State Police/Corrections	60	2,589	51.52	81	2,631	51.04	58	2,748	50.41
Municipal General	711	2,107	59.04	869	2,103	59.81	631	2,132	60.11
Municipal Police	167	3,097	48.27	184	3,352	49.10	146	3,396	49.09
Municipal Fire	62	3,539	48.45	98	3,521	49.22	60	4,162	50.36
Legislative	20	1,106	63.59	3	417	64.97	18	1,145	69.88
Judicial	9	5,626	61.70	8	4,720	62.48	9	6,854	66.25
Magistrate	3	5,304	55.58	8	4,736	62.27	6	4,379	60.17
Volunteer Firefighter	103	126	62.41	127	156	64.17	130	152	63.39



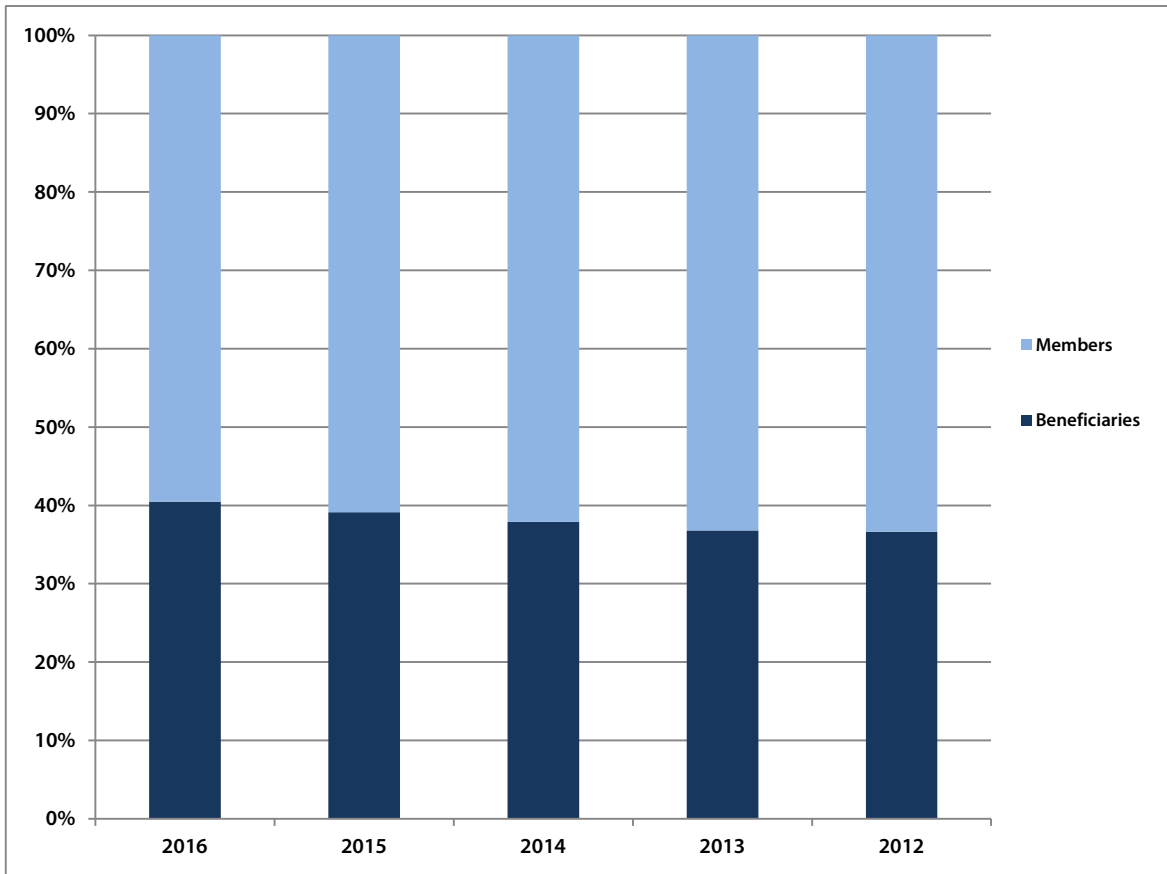
## DISTRIBUTION OF RECENT RETIREE AGES AT RETIREMENT (CONTINUED)

### FISCAL YEAR ENDED JUNE 30, 2017

Five year comparison showing the number of added retirees per fiscal year, their average monthly benefit and the average age the year of retirement.

	2016			2017			All Current Retirees & Beneficiaries		
	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Retirees Added	Average Monthly Benefit	Average Age At Retirement	Total Retirees	Average Monthly Benefit	Average Age At Retirement
State General	868	\$2,401	59.85	698	\$2,185	61.28	51,119	\$1,991	57.50
State Police/Corrections	48	2,615	51.54	28	3,063	51.44	1,195	2,357	51.05
Municipal General	694	2,092	60.85	502	1,930	61.92	10,316	1,912	57.91
Municipal Police	165	3,669	49.11	118	3,490	49.23	2,848	2,869	47.60
Municipal Fire	88	3,912	49.11	18	3,570	51.16	1,548	2,896	47.85
Legislative	1	1,430	60.67	12	1,247	68.89	155	675	64.55
Judicial	7	6,175	65.58	5	7,285	66.39	119	5,406	61.97
Magistrate	2	1,115	63.08	2	5,029	60.04	78	3,017	60.99
Volunteer Firefighter	127	158	62.33	107	164	62.81	1,139	134	61.05

## COMBINED SYSTEM PARTICIPANTS FOR THE LAST 5 YEARS



Five Year Comparison of change in members and pensioners as of June 30th.

Fiscal Year	Members (1)	% Changed	Pensioners/ Beneficiaries	% Changed	Total Participants	% Changed
2017	56,431	0%	39,487	2%	95,918	1%
2016	56,708	-1%	38,579	4%	95,287	1%
2015	57,496	1%	36,930	6%	94,426	3%
2014	57,079	1%	34,868	6%	91,947	2%
2013	56,756	5%	33,023	6%	89,779	6%
2012	53,819	-1%	31,108	5%	84,927	1%

(1) Excludes Inactive Members

**MEMBERSHIP BY AGE AND YEARS OF SERVICE PER DIVISION**

Comparison at June 30, 2017 of Age Breakdown in 5 year increments to the Years of Service

Nearest Age	PERA Completed Years of Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 20	561	1						562
20 to 24	2,165	53						2,218
25 to 29	3,773	906	53					4,732
30 to 34	3,210	1,841	928	36	1			6,016
35 to 39	2,414	1,534	1,688	688	43			6,367
40 to 44	1,954	1,148	1,376	1,278	420	15		6,191
45 to 49	1,783	1,084	1,212	1,229	989	145	2	6,444
50 to 54	1,532	938	1,077	960	862	216	18	5,603
55 to 59	1,323	946	1,061	970	776	211	40	5,327
60 & Over	1,339	1,042	1,147	842	593	249	79	5,291
Total	20,054	9,493	8,542	6,003	3,684	836	139	48,751

Nearest Age	LEGISLATIVE Completed Years of Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 30								0
30 to 34	2							2
35 to 39	2							2
40 to 44	6	4						10
45 to 49	5	3						8
50 to 54	15	1	2					18
55 to 59	6	3	1	3	1			14
60 & Over	20	6	11	2	9	4	5	57
Total	56	17	14	5	10	4	5	111

## MEMBERSHIP BY AGE AND YEARS OF SERVICE PER DIVISION (CONTINUED)

Comparison at June 30, 2017 of Age Breakdown in 5 year increments to the Years of Service

Nearest Age	JUDICIAL Completed Years of Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 20	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0
35 to 39	3	0	0	0	0	0	0	3
40 to 44	7	3	0	0	0	0	0	10
45 to 49	10	6	0	4	0	0	0	20
50 to 54	1	3	5	2	3	1	0	15
55 to 59	3	6	11	3	4	1	0	28
60 & Over	8	8	20	5	5	1	1	48
Total	32	26	36	14	12	3	1	124

Nearest Age	MAGISTRATE Completed Years of Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 20	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0
35 to 39	1	0	1	0	0	0	0	2
40 to 44	3	1	2	1	1	0	0	8
45 to 49	1	0	1	2	2	0	0	6
50 to 54	4	2	1	2	3	2	0	14
55 to 59	6	0	2	2	1	0	0	11
60 & Over	11	3	6	0	2	0	0	22
Total	26	6	13	7	9	2	0	63

## MEMBERSHIP BY AGE AND YEARS OF SERVICE PER DIVISION (CONTINUED)

Comparison at June 30, 2017 of Age Breakdown in 5 year increments to the Years of Service

Nearest Age	VOLUNTEER FIREFIGHTER Completed Years of Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 30	1,740	163	12	0	0	0	0	1,915
30 to 34	584	153	39	4	0	0	0	780
35 to 39	465	158	61	14	4	0	0	702
40 to 44	904	180	51	30	15	1	0	1,181
45 to 49	334	109	52	32	15	8	0	550
50 to 54	308	152	78	36	25	23	10	632
55 to 59	250	145	61	25	36	10	4	531
60 & Over	658	367	89	41	31	12	2	1,200
Total	5,243	1,427	443	182	126	54	16	7,491

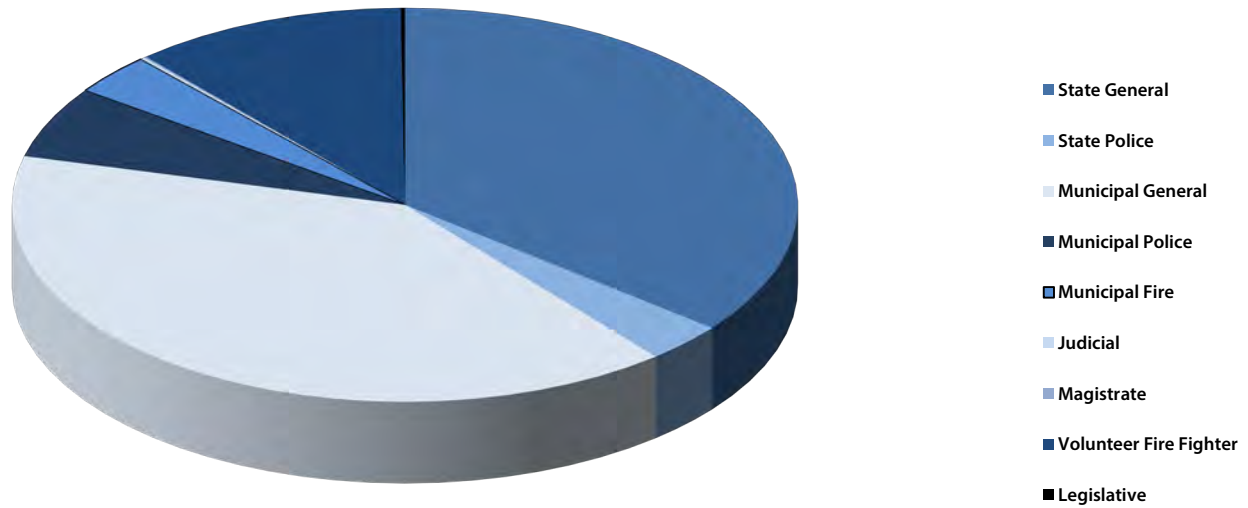
## MEMBERSHIP BY STATUS PER DIVISION

Six Year Comparison of active and inactive members per division.

PERA	Active	Inactive	Total
2017	48,751	16,368	65,119
2016	48,693	15,075	63,768
2015	49,173	11,634	60,807
2014	49,288	9,882	59,170
2013	50,012	7,738	57,750
2012	48,483	6,557	55,040
Legislative	Active	Inactive	Total
2017	111	16	127
2016	122	16	138
2015	121	11	132
2014	126	15	141
2013	119	18	137
2012	111	20	131
2011	106	23	129
Judicial	Active	Inactive	Total
2017	124	22	146
2016	127	20	147
2015	127	23	150
2014	121	23	144
2013	123	23	146
2012	118	18	136
2011	114	21	135
Magistrate	Active	Inactive	Total
2017	65	13	78
2016	65	14	79
2015	60	16	76
2014	45	12	57
2013	41	13	54
2012	42	13	55
2011	45	16	61
VFF	Active	Inactive	Total
2017	7,491	430	7,921
2016	7,823	482	8,305
2015	8,136	657	8,793
2014	7,499	737	8,236
2013	6,461	805	7,266
2012	5,065	906	5,971
2011	5,867	783	6,650

## MEMBERSHIP BY EMPLOYER TYPE AS OF JUNE 30, 2017

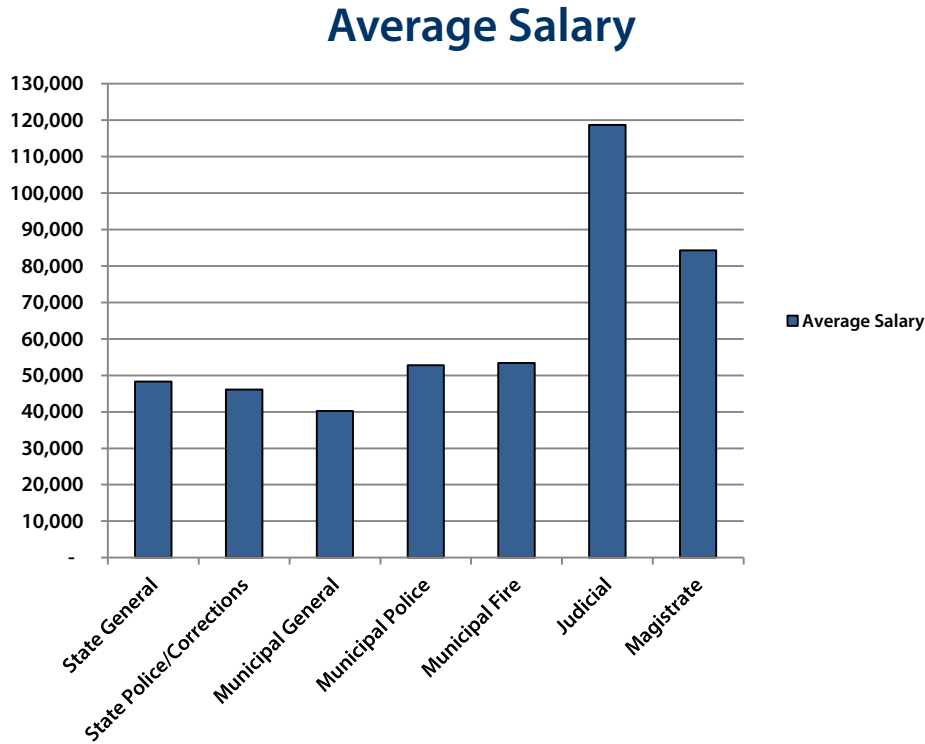
Member by Employer Type



A summarized listing of members by employer type as of June 30, 2017

	Total	Active	Inactive
State General	26,381	19,213	7,168
State Police	2,399	1,907	492
Municipal General	29,505	21,673	7,832
Municipal Police	4,342	3,726	616
Municipal Fire	2,492	2,232	260
Judicial	146	124	22
Magistrate	78	65	13
Volunteer Fire Fighter	8,324	7,942	382
Legislative	127	111	16

## AVERAGE SALARY BY EMPLOYER TYPE AS OF JUNE 30, 2017



Average salary by employer type as of June 30, 2017.

	Average Salary	Members *	Total Salaries
State General	48,346	19,213 \$	928,864,843
State Police/Corrections	46,115	1,907	87,941,130
Municipal General	40,217	21,673	871,633,574
Municipal Police	52,809	3,726	196,767,735
Municipal Fire	53,408	2,232	119,207,608
Judicial	118,720	124	14,721,304
Magistrate	84,344	65 \$	5,482,360
Volunteer Fire Fighter	N/A **	7,823	N/A **
Legislative	N/A **	122	N/A **



## PARTICIPATING EMPLOYERS CURRENT YEAR AND TEN YEARS AGO

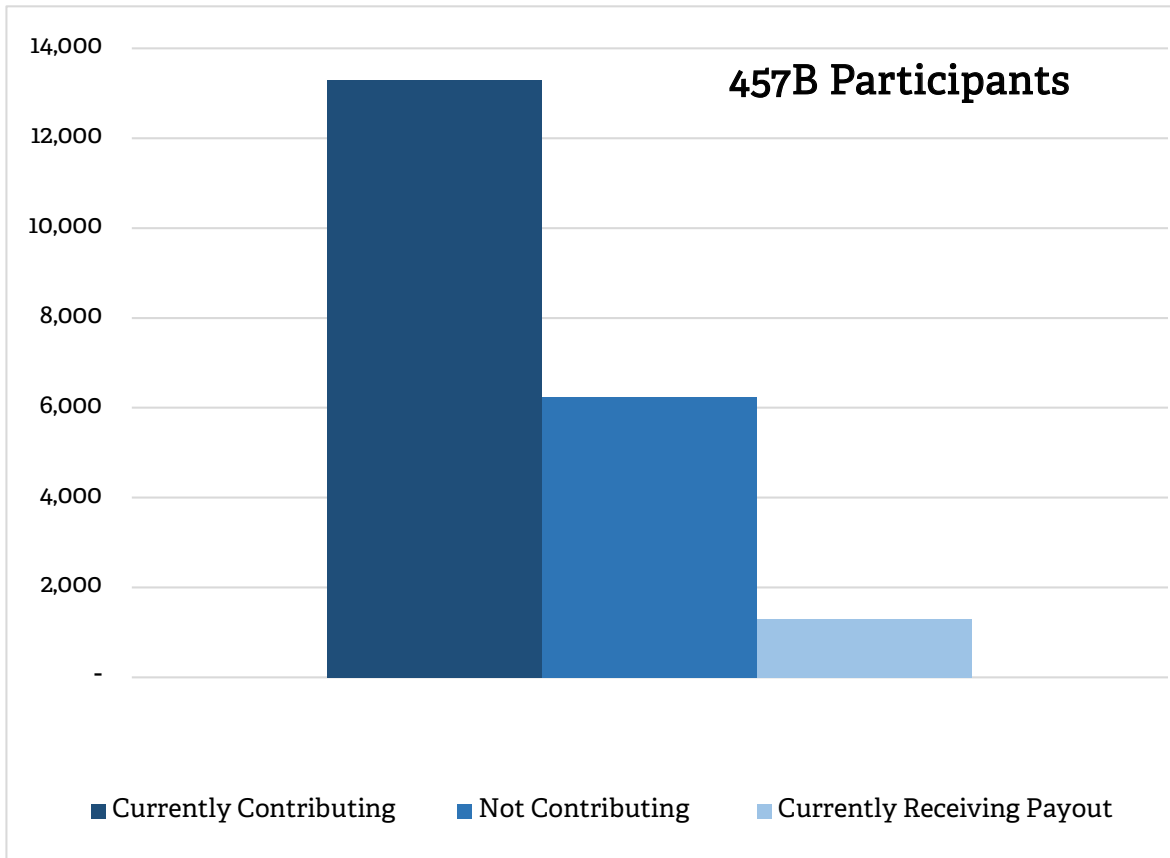
Ten year direct comparison of employers, active employees, and percentage of employees per division type.

	2017			2008		
	Employers	Active Employees	Percentage of Employees	Employers	Active Employees	Percentage of Employees
<b>Public Employees Retirement Fund:</b>						
State Agencies	124			126		
Subtotal State Division	124	21,120	37.43%	126	21,783	39.27%
Municipalities	91			85		
Counties	33			33		
Other local public bodies	74			46		
Housing Authorities	15			16		
Subtotal Municipal Division	213	27,631	48.96%	180	27,861	50.24%
<b>Judicial Retirement Fund</b>	16	124	0.22%	16	117	0.21%
<b>Magistrate Retirement Fund</b>	1	65	0.12%	9	52	0.09%
<b>Volunteer Firefighters Fund</b>	402	7,491	13.27%	389	5,638	10.17%
<b>TOTAL</b>	<b>756</b>	<b>56,431</b>	<b>100.00%</b>	<b>720</b>	<b>55,451</b>	<b>100.00%</b>

### Principal employers:

State of New Mexico  
 City of Albuquerque, NM  
 County of Bernalillo in NM

## NEW MEXICO PERA SMART SAVE DEFERRED COMPENSATION PLAN - SECTION 457



### Participants at June 30, 2017

Total Plan Participants	20,840
Currently Contributing	13,300
Not Contributing	6,235
Currently Receiving Payout	1,305

## NEW MEXICO PERA SMART SAVE DEFERRED COMPENSATION PLAN - SECTION 457

### Deferred Compensation Asset Allocation for June 30, 2017

#### Asset Allocation by Asset Class

	Assets as of June 30, 2017	% of Total Assets
Domestic Equity Funds:		
Large Cap Funds	\$150,490,499	26.45%
Mid Cap Funds	47,386,910	8.33%
Small Cap Funds	12,955,162	2.28%
International Equity Funds	25,753,330	4.53%
Global Real Estate Funds	2,038,181	0.36%
Balanced Funds	20,506,932	3.60%
Fixed Income Funds	23,681,838	4.16%
Asset Allocation	136,211,882	23.94%
Suspense	108,136	0.02%
NW Variable Payout Assets	26,802	0.00%
NW Fixed Payout Assets	1,197,477	0.21%
Stable Value	131,884,328	23.18%
Self-Directed Option	4,623,843	0.81%
Contributions Receivable	860,212	0.15%
Loans Receivable	11,318,890	1.99%
TOTAL	\$569,044,422	100.00%

## DEFERRED COMPENSATION PROGRAM COMPARATIVE INVESTMENT RESULTS FISCAL YEAR ENDED JUNE 30, 2017

(numbers extracted from Meketa Investment Group report)

Comparative Investment Result Percentages Shown in 1, 3 and 5 Year Increments.

Manager	1-year 2017	3-year 2013-2017	5-year 2011-2017
<b>Large Cap Funds</b>			
Dodge & Cox Stock Fund	28.6%	8.5%	16.4%
Vanguard Institutional Index	17.9%	9.6%	14.6%
Fidelity Contrafund	22.3%	10.6%	14.8%
<b>Mid Cap Funds</b>			
Principal MidCap Blend Fund	19.4%	10.2%	15.9%
Fidelity Low Priced Stock Fund	16.9%	6.7%	13.6%
T. Rowe Price Mid Cap Growth	21.0%	12.1%	17.0%
<b>Small Cap Funds</b>			
DFA US Small Cap Portfolio	21.6%	7.3%	14.6%
International Funds			
Fidelity Diversified Int'l	18.2%	2.9%	9.7%
American EuroPacific Growth Fund	22.2%	3.7%	9.6%
Aberdeen Emerging Markets	18.1%	1.5%	3.5%
Vanguard Total International Stock Index	20.1%	1.4%	7.7%
<b>Fixed Income Funds</b>			
Vanguard Inflation Protected Securities	-0.8%	0.7%	0.2%
Vanguard Total Bond Market Index Fund	-0.4%	2.4%	2.1%
Templeton Global Bond Fund	10.6%	1.5%	3.9%
<b>Real Estate</b>			
Principal Diversified Real Asset Fund	5.0%	-3.3%	1.9%
INVESCO Global Real Estate Fund	1.5%	3.3%	7.2%
<b>Balanced Funds</b>			
Oakmark Equity & Income Fund	17.1%	4.5%	9.3%
Stable Value Fund			
New Mexico Stable Value Fund	1.7%	1.5%	1.5%
<b>Asset Allocation</b>			
Conservative Portfolio	5.6%	2.6%	4.3%
LifeCycle 2020 Portfolio	7.8%	N/A	N/A
LifeCycle 2025 Portfolio	10.2%	4.1%	8.0%
LifeCycle 2030 Portfolio	11.9%	N/A	N/A
LifeCycle 2035 Portfolio	13.2%	4.6%	9.2%
LifeCycle 2040 Portfolio	13.8%	N/A	N/A
LifeCycle 2045 Portfolio	14.3%	4.8%	9.7%
LifeCycle 2050 Portfolio	14.6%	N/A	N/A
LifeCycle 2055 Portfolio	15.0%	5.0%	9.9%

**SYSTEM AND PLANS STATISTICAL HIGHLIGHTS****FISCAL YEAR ENDED JUNE 30, 2017**

Provides summarized information regarding the pension plans in regards to membership, financial, and actuarial

	PERA	Legislative	Judicial	Magistrate	VFF
<b>Membership Information</b>					
Total Membership	103,130	313	309	180	9,132
Active	48,751	111	124	65	7,491
Inactive	16,368	16	22	13	430
Retired	38,011	186	163	102	1,211
Active Members	48,751	111	124	65	7,491
Average Age	43.30	59.35	56.40	54.98	42.57
Average Years of Service	8.86	9.00	10.93	9.74	3.96
Average Annual Salary	\$45,218	N/A (1)	\$118,720	\$84,423	N/A (1)
Retirees	38,011	186	163	102	1,211
Average Age	67.22	75.65	72.27	71.51	68.58
Average Annual Benefit	\$28,733	\$10,134	\$62,221	\$38,142	\$1,759
<b>Financial Information</b>					
Change in Net Position	\$965,812,138	(2)	\$4,996,205	\$1,187,074	\$5,351,079
Net Assets at Market Value	16,022,318,276	(2)	96,884,583	34,877,828	71,848,442
Liabilities	1,223,400,368	(2)	7,268,389	2,652,706	5,447,674
Totals for:					
Contributions	605,302,444	(2)	6,159,844	1,885,718	750,000
Investment Income	1,500,758,584	(2)	9,012,199	3,289,637	6,682,230
Pension Benefits	1,084,818,276	(2)	10,096,096	3,966,314	2,030,784
Refunds	44,396,305	(2)	10,677	-	-
Administrative Expenses	11,485,612	(2)	69,102	25,004	51,792

(1) Legislative and Volunteer Firefighters are not based on payroll contributions.

(2) Legislative Statutory Contribution is \$1 Million and is included in the PERA fund.

**SYSTEM AND PLANS STATISTICAL HIGHLIGHTS (CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2017

**DEFERRED CONTRIBUTION PLAN (IRC 457)**

## Membership Information

Total Membership	20,840
Currently Contributing	13,300
Not Contributing	6,235
Currently Receiving Payout	1,305

## Financial Information

Change in Net Position	\$	65,992,774
Net Assets at Market Value		568,832,783
Totals for:		
Contributions		47,752,984
Investment Income		58,957,369
Pension Benefits		39,510,967
Life Insurance Benefits		42,094
Administrative Expenses		1,164,518

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**Public Employees  
Retirement Association  
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