



PERA

Public Employees
Retirement Association
of New Mexico

INVESTED IN TOMORROW.

FINANCIAL STATEMENTS

JUNE 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

Official Roster.....	1
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FINANCIAL SECTION

Report of Independent Auditors	2
Management's Discussion and Analysis	6
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements.....	27

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Changes in Net Pension Liability	84
Schedules of Net Pension Liability.....	88
Schedule of Employer Contributions.....	90
Schedule of Investment Returns	94
Notes to Required Supplementary Information	95

TABLE OF CONTENTS

SUPPLEMENTAL INFORMATION

Schedule of Revenues, Appropriation, and Expenses – Budget and Actual PERA Fund Only	97
Schedules of Administrative and Investment Expenses – Public Employees Retirement Fund Only	98
Schedules of Administrative and Investment Expenses – Deferred Compensations Fund Only	99
Schedules of Administrative and Investment Expenses – Judicial Retirement Fund Only	100
Schedules of Administrative and Investment Expenses – Magistrate Retirement Fund Only	101
Schedules of Administrative and Investment Expenses – Volunteer Firefighter Retirement Fund Only	102

OTHER INFORMATION

Schedule of Vendors	103
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COMPLIANCE SECTION

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	104
Summary Schedule of Prior Audit Findings	106
Schedule of Findings and Responses	107
Exit Conference	108



PERA

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***Official Roster
As of June 30, 2015***

<u>NAME</u>	<u>TITLE</u>
Ms. Patricia French	Chair, Municipal Member
Mr. Stewart Logan	Vice Chair, Retiree Member
Mr. Timothy Eichenberg	Ex-Officio, State Treasurer
Ms. Dianna Duran	Ex-Officio, Secretary of State
Ms. Jackie Kohlasch	State Member
Mr. Roman Jimenez	State Member
Ms. Paula Fisher	State Member
Mr. John J. Reynolds	State Member
Mr. Louis Martinez	Municipal Member
Mr. Daniel Esquibel	Municipal Member
Mr. Daniel Mayfield	Retiree Member
Ms. Loretta Naranjo-Lopez	Retiree Member

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, Volunteer Firefighters Retirement Fund and 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, 2015, and the related notes to the financial statements, which collectively comprise PERA's basic financial statements as listed in the table of contents. We also have audited the schedule of revenues, appropriations, and expenses – budget and actual public employees retirement fund only, presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2015, 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.

Auditor's 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 percent 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PERA as of June 30, 2015, and the respective changes in financial 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, 2015 and the respective changes in financial position 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, 2015, 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.

To Members of the Retirement Board of the
Public Employees Retirement Association of New Mexico and
Mr. Timothy 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, schedules of changes in net pension liability, schedules of net pension liability, schedule of employer contributions, schedule of investment returns and notes to required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PERA's basic financial statements. The accompanying schedule of administrative and investment expenses - public employees retirement fund only, schedule of administrative and investment expenses - deferred compensations fund only, schedule of administrative and investment expenses - judicial retirement fund only, schedule of administrative and investment expenses - magistrate fund only and schedule of administrative and investment expenses - volunteer firefighter retirement fund only (collectively, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PERA's basic financial statements. The accompanying schedule of vendors is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of vendors has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the 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 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 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.

Mess Adams LLP

Albuquerque, New Mexico
November 24, 2015

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015 and 2014 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 a governed 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.

In FY15, PERA reported an Unfunded Actuarial Accrued Liability (UAAL) of \$4.7 billion, approximately \$410 million higher than the previous year. The slight increase in the UAAL was the result of lower than expected investment return rates and higher than expected salary increases. PERA’s 30 year projected funded ratio in 2043 decreased from 133.0% to 113.4% from FY 2014 to FY 2015. PERA’s FY 15 investment return was 1.9%, lower than the 7.75% return assumption.

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 financial statements for PERA’s participating entities. PERA staff implemented the new rules, in conjunction with the agency’s actuaries in order to comply with the new accounting requirements in FY 14, and again in FY 15.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**



INVESTED IN TOMORROW.

Included again in this year's financial statement are the required GASB 67 disclosures. The table below 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. The majority of employers participating in PERA plans will be reporting and disclosing GASB 68 requirements in their FY 2015 and 2016 financial statements.

PERA provided a separate *Schedule of Employer Allocations and Pension Amounts* (Schedule) as of June 30, 2014 in early September of 2015. The Schedule is available on PERA's website <http://www.nmpera.org/>. As required annually, PERA will provide a separate Schedule in 2016 in order to provide employer participants with the required data in order for them to be able to comply with GASB 68 in FY 2015.

PERA FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total pension liability	\$ 18,516,054,874
Plan net position	<u>14,255,528,543</u>
Net pension liability	\$ 4,260,526,331
 Ratio of plan net position to total pension liability	 76.99%

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**



INVESTED IN TOMORROW.

JUDICIAL FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total Pension Liability	\$137,037,970
Plan's Fiduciary Net Position	<u>88,988,252</u>
Net Pension Liability	\$48,049,718
Ratio of Fiduciary Net Position to Total Pension Liability	64.94%

MAGISTRATE FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total Pension Liability	\$63,536,415
Plan's Fiduciary Net Position	<u>33,187,494</u>
Net Pension Liability	\$30,348,921
Ratio of Fiduciary Net Position to Total Pension Liability	52.23%

VOLUNTEER FIREFIGHTER FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total Pension Liability	\$44,477,629
Plan's Fiduciary Net Position	<u>62,103,236</u>
Net Pension Liability	(\$17,625,607)
Ratio of Fiduciary Net Position to Total Pension Liability	139.63%

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

Actuarial assumptions—The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2014. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2015. These assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Financial Highlights

- The plan net position held in trust to pay pension benefits was \$14.9 billion as of June 30, 2015. This amount reflects an overall net decrease of \$159 million from the prior fiscal year. The decrease is primarily the result of decreasing returns in the following categories: international equities, public MLPs, and real asset partnerships. It is important to note that the change from year to year is not only due to changes in fair value, but is also impacted by purchases, sales and redemptions.
- PERA's funding objective is to meet long-term benefit obligations through member and employer contributions and investment earnings. The funded ratio is the ratio of fair value of assets against actuarial liabilities. The PERA Retirement Fund funded ratio for GASB 67 decreased to 76.99% of June 30, 2015 compared to 81.29% as of June 30, 2014. The PERA Retirement Fund funded ratio, for *funding decision purposes*, as of June 30, 2015 is 74.9%, a decrease from 75.8% as of June 30, 2014.
- Retirement and death benefits paid this year totaled \$1.02 billion to 36,930 annuitants as compared to \$956 million to 34,868 annuitants for last year. The increase in benefits paid is due to the number of new retirees and cost-of-living allowances.
- Contributions from employers increased from \$301 million in FY14 to \$320 million in FY15, an increase of \$19 million. Contributions from members increased from \$277 million in FY14 to \$289 million in FY15, an increase of \$12 million.
- PERA's investments reported a total money-weighted average return of positive 1.9% for the current year and a return of positive 17.04% for last fiscal year. This decrease in return compared to prior year was due to unfavorable financial market conditions in 2015, especially in regards to international equities, and real assets. (This percentage does not include the investments related to the Deferred Compensation Plan.)

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

PERA HIGHLIGHTS

Overview of Financial Statements

PERA's basic financial statements include the following components:

- 1) Statement of Plan Net Position
 - 2) Statement of Changes in Plan Net Position
 - 3) Notes to the Basic Financial Statements
- The financial statements of the funds of PERA include Statements of Plan Net Position and Statements of Changes in Plan Net Position for the four retirement funds administered by the Agency and the Deferred Compensation Plan (DC Plan) described below. The financial statements also include notes that explain the history and purpose of the funds, significant accounting policies, investment details, statutory disclosures and other required information regarding the financial position of the funds. The required supplementary information and the additional supplementary information that appear after the notes to the financial statements are not a required part of the financial statements, but represent supplementary information required by the Governmental Accounting Standards Board.
 - The Deferred Compensation (DC Plan) available to employees of the state and other local bodies is administered by a contracted third party with oversight by the PERA Board and staff. The assets of that plan are included in these financial statements as a separate fund. The net operating account is funded by fees collected from the DC Plan participants and is used to pay administration expenses for the DC Plan. These amounts are included in the Public Employees Retirement Fund.
 - **The Statement of Plan Net Position:** The Statement of Plan Net Position reflects the resources available at the end of the fiscal year to pay members, retirees, and beneficiaries. This statement also provides information about the fair value and composition of net position. The net increase/decrease in the Public Employees, Judicial, Magistrate and Volunteer Firefighter Retirement Plans serves as an indicator to the financial position of the fund and whether the fund has the ability to fund future benefit payments. The net increase/decrease in the Deferred Compensation (IRC 457) Fund serves as an indicator of the current value of funds available for future benefits.
 - **The Statement of Changes in Plan Net Position:** The Statement of Changes in Plan Net Position presents the changes to PERA's net position for the fiscal year, including investment income, net appreciation in fair value of the investment portfolio, administration costs and contributions from members and employers, and distributions to retirees and refunded members.
 - **Notes to the Basic Financial Statements:** The notes to the financial statements are an integral part of the basic financial statements and provide additional information about the plans of PERA. Notes include plan descriptions, significant accounting policies, contributions, funding policies, funding status, derivatives disclosure, investment risk disclosure, investment credit risk, security lending program, commitments and contingencies.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

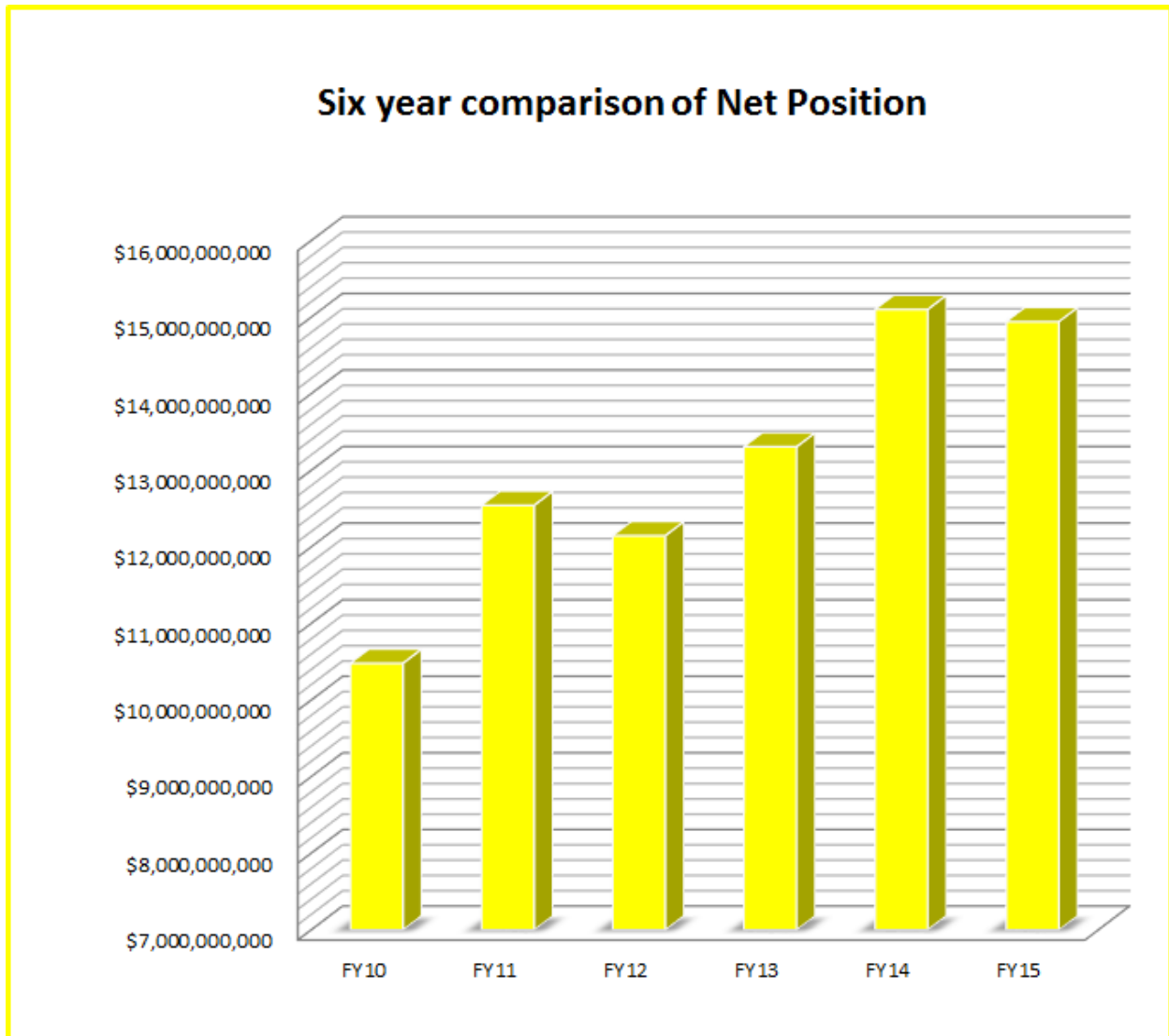
- **Required Supplementary Information:** The required supplementary information schedules include information regarding GASB 67. In the second year of implementation, these schedules provide historical information and actuarial assumptions and methods that assist in understanding the net pension liability, deferred inflows and deferred outflows and pension expense.
- **Supplemental Information:** The additional supplementary information includes detailed schedules of administrative, investment and consulting fee expenditures for the PERA Fund, Judicial Fund, Magistrate Fund and Volunteer Firefighter Fund.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

Comparative Summary Statements

The Public Employees Retirement Association is a defined benefit plan that provides retirement, disability and survivor benefits. It is comprised of five funds: PERA Fund, Judicial Fund, Magistrate Fund, Volunteer Firefighter Fund and the Deferred Compensation Fund. (See Note 1 for further descriptions of the plans)

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.)



**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

Comparative Summary Statements

The following table displays the total assets, liabilities, net position, and changes in net position for the four retirement funds and the Deferred Compensation Plan in total as of June 30, 2015:

	2015	2014	Dollar Change	Percentage Change
Assets	\$ 15,084,699,638	\$ 15,914,812,243	(830,112,605)	(5.22) %
Liabilities	<u>(143,545,848)</u>	<u>(814,422,477)</u>	670,876,629	(82.37) %
Net Assets Held in Trust	<u>\$ 14,941,153,790</u>	<u>\$ 15,100,389,766</u>	(159,235,976)	(1.05) %
Change in Net Position	\$ (159,235,976)	\$ 1,795,530,195	(1,954,766,171)	(108.87) %

ALL FUNDS

The total net position held by PERA decreased during the fiscal year ended June 30, 2015 primarily as a result of the net decrease of the fair value of the investment portfolio. All four retirement funds participate in an investment pool and share in investment earnings or losses based on the fund's equity percentage in the pool.

The most significant pension plans administered by PERA includes the following balances at the years ended June 30, 2015 and 2014:

PUBLIC EMPLOYEES RETIREMENT FUND

The overall change in Net Position from FY2014 to FY2015 is a decrease of 1.17%. This is a result of a decrease in fair value of investments.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

PUBLIC EMPLOYEES RETIREMENT FUND (continued)

Statement of Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Assets:				
Cash & equivalents	\$ 787,771,450	\$ 519,285,099	268,486,351	51.70 %
Receivables	106,310,250	386,707,829	(280,397,579)	(72.51) %
Investments	13,489,318,448	14,309,119,133	(819,800,685)	(5.73) %
Capital Assets, Net	13,034,280	13,699,469	(665,189)	(4.86) %
Total Assets	14,396,434,427	15,228,811,530	(832,377,103)	(5.47) %
Liabilities:				
Accounts Payable	140,495,299	398,729,101	(258,233,802)	(64.76) %
Other Liabilities	410,585	405,289,689	(404,879,104)	(99.90) %
Total Liabilities	140,905,884	804,018,790	(663,112,906)	(82.47) %
Net Position Held in Trust	\$ 14,255,528,544	\$ 14,424,792,740	\$ (169,264,196)	(1.17) %

The net position of the Public Employees Retirement Fund amounts to 95.41% of the total net position of all funds.

Statement of Changes in Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Additions:				
Contributions and service credit purchases	\$ 576,083,740	\$ 544,803,535	31,280,205	5.74 %
Net Investment Income	456,758,506	257,034,200	199,724,306	77.70 %
Net Appreciation (Depreciation) of Fair Value of Investments	(205,270,228)	1,860,873,802	(2,066,144,030)	(111.03) %
Other Income	25,296,314	17,390,103	7,906,211	45.46 %
Total Additions	852,868,332	2,680,101,640	(1,827,233,308)	(68.18) %
Deductions:				
Benefit Payments	(966,236,566)	(905,329,140)	(60,907,426)	6.73 %
Refunds	(46,010,197)	(47,376,975)	1,366,778	(2.88) %
Administrative Expenses	(9,885,765)	(10,416,788)	531,023	(5.10) %
Total Deductions	(1,022,132,528)	(963,122,903)	(59,009,625)	6.13 %
Change in net position	\$ (169,264,196)	\$ 1,716,978,737	\$ (1,886,242,933)	(109.86) %

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

JUDICIAL RETIREMENT FUND

The overall change in Net Position from FY 2014 to FY 2015 is a decrease of 2.36%. This is a result of the net decrease of the change in fair value of investments (Judicial Retirement Fund is part of the investment pool and shares in the changes in fair value of investments in proportion to the total pool allocation). The net position of the Judicial Retirement Fund amounts to 0.60% of the total net position of all funds.

Statement of Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Assets:				
Cash & equivalents	\$ 4,830,181	\$ 3,195,672	1,634,509	51.15 %
Receivables	888,899	2,494,076	(1,605,177)	(64.36) %
Investments	84,507,175	90,478,454	(5,971,279)	(6.60) %
Total Assets	90,226,255	96,168,202	(5,941,947)	(6.18) %
Liabilities:				
Accounts Payable	\$ 804,754	\$ 2,306,729	(1,501,975)	(65.11) %
Other Liabilities	433,250	2,720,173	(2,286,923)	(84.07) %
Total Liabilities	1,238,004	5,026,902	(3,788,898)	(75.37) %
Net Position Held in Trust	\$ 88,988,251	\$ 91,141,300	\$ (2,153,049)	(2.36) %

Statement of Changes in Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Additions:				
Contributions and service credit purchases	\$ 5,775,456	\$ 4,826,417	949,039	19.66 %
Net Investment Income	2,823,481	1,591,807	1,231,674	77.38 %
Net Appreciation (Depreciation) of Fair Value of Investments	(1,311,824)	11,604,819	(12,916,643)	(111.30) %
Other Income	33,095	485,977	(452,882)	(93.19) %
Total Additions	7,320,208	18,509,020	(11,188,812)	(60.45) %
Deductions:				
Benefit Payments	(9,373,041)	(8,770,177)	(602,864)	6.87 %
Refunds	(40,197)	(52,562)	12,365	(23.52) %
Administrative Expenses	(60,019)	(63,610)	3,591	(5.65) %
Total Deductions	(9,473,257)	(8,886,349)	(586,908)	6.60 %
Change in net position	\$ (2,153,049)	\$ 9,622,671	\$ (11,775,720)	(122.37) %

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

MAGISTRATE RETIREMENT FUND

The overall change in Net Position from FY 2014 to FY 2015 is a decrease of 5.68%. This is a result of the net decrease of the change in fair value of investments (Magistrate Retirement Fund is part of the investment pool and shares in the changes in fair value of investments in proportion to the total pool allocation). The net position of the Magistrate Retirement Fund amounts to 0.22% of the total net position of all funds.

Statement of Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Assets:				
Cash & equivalents	\$ 1,823,640	\$ 1,219,524	604,116	49.54 %
Receivables	291,068	906,080	(615,012)	(67.88) %
Investments	31,568,569	34,973,172	(3,404,603)	(9.73) %
Total Assets	33,683,277	37,098,776	(3,415,499)	(9.21) %
Liabilities:				
Accounts Payable	\$ 326,986	\$ 880,288	(553,302)	(62.85) %
Other Liabilities	168,796	1,033,578	(864,782)	(83.67) %
Total Liabilities	495,782	1,913,866	(1,418,084)	(74.10) %
Net Position Held in Trust	\$ 33,187,495	\$ 35,184,910	\$ (1,997,415)	(5.68) %

Statement of Changes in Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Additions:				
Contributions and service credit purchases	\$ 1,426,244	\$ 1,059,164	367,080	34.66 %
Net Investment Income	1,050,490	624,968	425,522	68.09 %
Net Appreciation (Depreciation) of Fair Value of Investments	(471,400)	4,574,241	(5,045,641)	(110.31) %
Other Income	(19,483)	216,853	(236,336)	(108.98) %
Total Additions	1,985,851	6,475,226	(4,489,375)	(69.33) %
Deductions:				
Benefit Payments	(3,955,687)	(3,689,881)	(265,806)	7.20 %
Refunds	(4,918)	(15,477)	10,559	(68.22) %
Administrative Expenses	(22,661)	(24,275)	1,614	(6.65) %
Total Deductions	(3,983,266)	(3,729,633)	(253,633)	6.80 %
Change in net position	\$ (1,997,415)	\$ 2,745,593	\$ (4,743,008)	(172.75) %

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

VOLUNTEER FIREFIGHTERS RETIREMENT FUND

The overall change in Net Position from FY 2014 to FY 2015 is an increase of 0.29%. Although there was a net decrease of the change in fair value of investments (Volunteer Firefighter Retirement Fund is part of the investment pool and shares in the changes in fair value of investments in proportion to the total pool allocation), the Volunteer Firefighter fund experienced a slight increase in net position due to the favorable cash flow position of the fund compared to the three other funds (benefit payments compared to contribution revenue). The net position of the Volunteer Firefighter Retirement Fund amounts to 0.42% of the total net position of all funds.

Statement of Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Assets:				
Cash & equivalents	\$ 3,428,018	\$ 2,226,368	1,201,650	53.97 %
Receivables	409,577	1,520,192	(1,110,615)	(73.06) %
Investments	59,171,820	61,639,621	(2,467,801)	(4.00) %
Total Assets	63,009,415	65,386,181	(2,376,766)	(3.63) %
Liabilities:				
Accounts Payable	\$ 571,983	\$ 1,607,058	(1,035,075)	(64.41) %
Other Liabilities	334,196	1,855,862	(1,521,666)	(81.99) %
Total Liabilities	906,179	3,462,920	(2,556,741)	(73.83) %
Net Position Held in Trust	\$ 62,103,236	\$ 61,923,261	\$ 179,975	0.29 %

Statement of Changes in Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	2015	2014	Dollar Change	Percentage Change
Additions:				
Appropriations from State of NM	\$ 750,000	\$ 750,000	-	0.00 %
Net Investment Income	1,981,724	1,084,936	896,788	82.66 %
Net Appreciation (Depreciation) of Fair Value of Investments	(887,968)	7,834,319	(8,722,287)	(111.33) %
Other Income	12,203	404,792	(392,589)	(96.99) %
Total Additions	1,855,959	10,074,047	(8,218,088)	(81.58) %
Deductions:				
Benefit Payments	(1,633,388)	(1,418,943)	(214,445)	15.11 %
Administrative Expenses	(42,596)	(44,316)	1,720	(3.88) %
Total Deductions	(1,675,984)	(1,463,259)	(212,725)	14.54 %
Change in net position	\$ 179,975	\$ 8,610,788	\$ (8,430,813)	(97.91) %

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

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.

The overall change in Net Position from FY2013 to FY2014 is an increase of 2.87%. This increase was primarily due to interest income on investments earned during the current year. Net position available for Plan benefits increased by approximately \$13.9 million during the current period.

Statement of Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Receivables	\$ 9,359,184	\$ 8,080,953	1,278,231	15.82 %
Investments	491,987,083	479,266,602	12,720,481	2.65 %
Total Assets	<u>501,346,267</u>	<u>487,347,555</u>	<u>13,998,712</u>	2.87 %
Net Position Held in Trust	<u>\$ 501,346,267</u>	<u>\$ 487,347,555</u>	<u>\$ 13,998,712</u>	2.87 %

Statement of Changes in Plan Net Position as of June 30, 2015, as compared to June 30, 2014, is as follows:

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Additions:				
Contributions and service credit purchases	\$ 34,628,217	\$ 35,910,846	(1,282,629)	(3.57) %
Net Investment Income	449,843	427,252	22,591	5.29 %
Net Appreciation (Depreciation) of Fair Value of Investments	18,933,171	59,542,936	(40,609,765)	(68.20) %
Total Additions	<u>54,011,231</u>	<u>95,881,034</u>	<u>(41,869,803)</u>	(43.67) %
Deductions:				
Benefit Payments	(38,954,562)	(37,302,918)	(1,651,644)	4.43 %
Life Insurance Premiums	(61,779)	(75,555)	13,776	(18.23) %
Administrative Expenses	(996,178)	(930,155)	(66,023)	7.10 %
Total Deductions	<u>(40,012,519)</u>	<u>(38,308,628)</u>	<u>(1,703,891)</u>	4.45 %
Change in net position	<u>\$ 13,998,712</u>	<u>\$ 57,572,406</u>	<u>\$ (43,573,694)</u>	(75.69) %

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

INVESTMENTS

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 requirements of the pension liability given reasonable risk levels. Equity related investments are included for their long-term return and growth characteristics, while fixed income and debt related investments are included in the allocation for their ability to control investment risk and provide for a reliable cash flow that meets the funding requirement of current pension payments.

Schedule of invested assets as of June 30, 2015, as compared to June 30, 2014, follows:

Investment Category	June 30 2015	June 30 2014	Dollar Change	Percentage Change	
Domestic Equity	\$ 3,272,928,768	\$ 4,091,542,685	\$ (818,613,917)	(20.01)	%
International Equity	3,426,830,468	3,380,076,756	46,753,712	1.38	%
Core Fixed Income	3,190,543,384	2,933,455,016	257,088,368	8.76	%
Global Fixed Income	1,310,079,401	706,376,842	603,702,559	85.46	%
Public MLP	138,742,804	53,530,310	85,212,494	159.19	%
Public REIT	218,999,246	180,820,869	38,178,377	21.11	%
Absolute Return	845,242,754	1,589,134,652	(743,891,898)	(46.81)	%
Private Equity Partnership	683,344,231	621,395,859	61,948,372	9.97	%
Real Estate Partnership	234,386,532	241,042,642	(6,656,110)	(2.76)	%
Real Asset Partnership	309,525,279	260,460,289	49,064,990	18.84	%
Investments at Fair Value (IRC 457)	491,987,083	479,266,602	12,720,481	2.65	%
Securities Lending Collateral	4,325	400,719,677	(400,715,352)	(100.00)	%
Investments In State General Fund	33,938,818	37,654,784	(3,715,966)	(9.87)	%
Total Investments	\$ 14,156,553,092	\$ 14,975,476,983	\$ (818,923,891)		

- (1) 2015 investment categories were revised to appropriately reflect the Board approved strategic asset allocation. 2014 investment categories revised as follows:
- 1) U.S. Government and Agency Securities included in Core Fixed Income
 - 2) Municipal Bonds included in Core Fixed Income
 - 3) Corporate Equity Securities included in Domestic Equity, Public MLP, and Public REIT
 - 4) Corporate Obligations included in Core Fixed Income
 - 5) International Securities included in International Equity and Global Fixed Income
 - 6) Venture Capital and Partnerships and Alternatives included in Absolute Return, Private Equity Partnership, Real Estate Partnership, and Real Asset Partnership

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

INVESTMENTS (CONTINUED)

As of June 30, 2015, the investments in the PERA Fund returned 1.84% and generated investment gains of approximately \$0.3 billion net of investment fees and expenses. This performance is below the 7.75% actuarially required annual return hurdle. Generally good performance from U.S. equity market was somewhat offset by international equity markets, which were negatively impacted by currency fluctuations. Private equity and real estate performed very well, while real assets declined in sympathy with falling inflation expectations. The PERA Fund balance at June 30, 2015 was approximately \$14.4 billion, just shy of its previous record high of \$14.6 billion from June 2014.

With its 1.84% investment return, the Fund underperformed its custom benchmark by -0.45%. The PERA Fund generated returns of 10.46% and 10.40% over the three and five-year periods, respectively. Similar value-added performance is evident over these time periods with 0.75% and 0.88% excess returns over the custom benchmark during the respective three and five-year time periods. The investment return of 1.84% is calculated based on performance, which varies with the GASB 67 money weighted return of 1.9% noted in the notes to the financial statements.

Time Period	PERA Return	Benchmark Return	Excess Return
One-year	1.84%	2.29%	-0.45%
Three-year	10.46%	9.71%	0.75%
Five-year	10.40%	9.52%	0.88%

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

Budget Highlights: Original Budget – Final Budget Comparisons

There were six budget adjustments made to the beginning budget during fiscal year 2015, for an increase of \$3,175,715 from the original budget. The FY15 appropriation of \$40,356,500 was supplemented by increases of \$3,175,715 for the following: 1) to provide an assessment of functionality of the Retirement Online System (RIO); 2) for actuarial studies and audit fees to meet compliance with GASB 67 and 68 requirements; 3) for contractual assistance for strategic planning, development of new PERA website, updates to the interactive voice response system and records file conversion; 4) for operational needs, such as repairs to rammed earth on exterior of PERA building and building maintenance; and 5) for payment for services to investment fund managers who are paid performance fees. The amounts requested for performance fees for investment fund managers in FY15 was \$2,100,000. Three additional Budget Adjustment Requests (BARs) were submitted to move funds between accounts totaling \$372,800 for salaries and benefits, contractual and operational needs. See Note 1 for an explanation of upcoming changes to the pension plans. All of PERA's expenditures used to administer the retirement funds that are under management by PERA are appropriated in the Public Employees Retirement Fund.

Capital Assets

Capital assets, at carrying value, are listed for the years ended June 30, 2015 and 2014:

CAPITAL ASSETS:	<u>2015</u>	<u>2014</u>
Land	\$ 1,548,990	\$ 1,548,990
Capital Assets: Net of Depreciation		
Building	\$ 10,503,376	\$ 10,924,916
Computer Equipment and Software	979,803	1,221,481
Property and Equipment	2,111	2,444
Automobile	-	1,638
Total	<u>\$ 13,034,280</u>	<u>\$ 13,699,469</u>

Depreciation and amortization expense, reported as part of administrative expenses, for the year ended June 30, 2015 was \$688,853. See Note 6 in the notes to the financial statements for further detail on capital assets.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2015**

Currently Known Facts and Conditions

Fiscal year 2015 started off with transformational shifts in two major economic factors as commodities led by oil began a steep decline in June 2014 and finished the year at a price per barrel of \$55, and continued to fall over the first half of 2015. The U.S. dollar began its rise shortly after the drop in oil commenced led by economic uncertainty and the beginnings of a monetary stimulus program in Europe and ended the year up over 10% versus the euro and the yen. The second half of the fiscal year saw mixed results in most markets as uncertainty regarding the U.S. Federal Reserve tightening cycle caused widespread discomfort, concerns regarding China's economic growth with an eventual unexpected devaluation of China's currency. This led to heightened anxiety over the health of the world's second-largest economy and global growth in general.

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.

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. Contact information is also located on PERA's website at <http://www.nmpera.org/>

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
ASSETS			
Cash and Short term investments	\$ 787,771,450	\$ 4,830,181	\$ 1,823,640
Receivables			
Accrued Investment Income	44,371,258	271,601	102,544
Accounts Receivable-Brokers	49,837,781	305,578	115,371
Contributions Receivable	10,433,649	-	-
Accounts Receivable - Other	735,085	312,032	73,374
Participant Loans Receivable	-	-	-
Interfund Receivable	932,477	(312)	(221)
	<u>106,310,250</u>	<u>888,899</u>	<u>291,068</u>
Investment in State Treasurer Investment Pool	30,930,693	1,987,742	413,270
Investments, at fair value			
Domestic Equity	3,231,571,361	19,814,219	7,480,879
International Equity	3,383,528,327	20,745,935	7,832,650
Core Fixed Income	3,150,227,015	19,315,460	7,292,572
Global Fixed Income	1,293,524,965	7,931,184	2,994,427
Public MLP	136,989,621	839,945	317,122
Public REIT	216,231,926	1,325,815	500,563
Absolute Return	834,562,091	5,117,076	1,931,957
Private Equity Partnership	674,709,351	4,136,947	1,561,909
Real Estate Partnership	231,424,775	1,418,969	535,733
Real Asset Partnership	305,614,053	1,873,857	707,477
Variable Earning Investments (IRC 457)	-	-	-
Stable Value Option & Other (IRC 457)	-	-	-
Fixed annuity payout option	-	-	-
Self-directed option	-	-	-
	<u>13,489,314,178</u>	<u>84,507,149</u>	<u>31,568,559</u>
Securities Lending Collateral Investments	4,270	26	10
	<u>13,489,318,448</u>	<u>84,507,175</u>	<u>31,568,569</u>
Total Investments			
Capital Assets, Net	13,034,280	-	-
	<u>14,396,434,428</u>	<u>90,226,255</u>	<u>33,683,277</u>
Total Assets			
LIABILITIES			
Accounts Payable - Brokers	131,397,909	805,660	304,178
Accounts Payable - Other	9,097,390	(906)	22,808
Accrued Expenses	159,479	-	-
Compensated Absences	242,920	-	-
Interfund Payable	4,044	432,909	168,426
Securities Lending Liability	4,142	341	370
	<u>140,905,884</u>	<u>1,238,004</u>	<u>495,782</u>
Total Liabilities			
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 14,255,528,544</u>	<u>\$ 88,988,251</u>	<u>\$ 33,187,495</u>

See Accompanying Notes to the Financial Statements.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
STATEMENT OF FIDUCIARY NET POSITION (CONTINUED)
JUNE 30, 2015

	Volunteer Firefighters Retirement Fund	Deferred Compensation (IRC 457) Fund	Total
ASSETS			
Cash and Short term investments	\$ 3,428,018	\$ -	\$ 797,853,289
Receivables			
Accrued Investment Income	192,758	-	44,938,161
Accounts Receivable-Brokers	216,871	-	50,475,601
Contributions Receivable	-	180,923	10,614,572
Accounts Receivable - Other	-	-	1,120,491
Participant Loans Receivable	-	9,178,261	9,178,261
Interfund Receivable	(52)	-	931,892
	<u>409,577</u>	<u>9,359,184</u>	<u>117,258,978</u>
Investment in State Treasurer Investment Pool	607,114	-	33,938,819
Investments, at fair value			
Domestic Equity	14,062,310	-	3,272,928,769
International Equity	14,723,557	-	3,426,830,469
Core Fixed Income	13,708,337	-	3,190,543,384
Global Fixed Income	5,628,825	-	1,310,079,401
Public MLP	596,116	-	138,742,804
Public REIT	940,942	-	218,999,246
Absolute Return	3,631,630	-	845,242,754
Private Equity Partnership	2,936,024	-	683,344,231
Real Estate Partnership	1,007,054	-	234,386,531
Real Asset Partnership	1,329,892	-	309,525,279
Variable Earning Investments (IRC 457)	-	357,486,615	357,486,615
Stable Value Option & Other (IRC 457)	-	129,588,734	129,588,734
Venture Capital and Partnerships and Alternatives	-	1,450,192	1,450,192
Other Assets	-	3,461,542	3,461,542
	<u>59,171,801</u>	<u>491,987,083</u>	<u>14,156,548,770</u>
Securities Lending Collateral Investments	19	-	4,325
Total Investments	<u>59,171,820</u>	<u>491,987,083</u>	<u>14,156,553,095</u>
Capital Assets, Net	<u>-</u>	<u>-</u>	<u>13,034,280</u>
Total Assets	<u><u>63,009,415</u></u>	<u><u>501,346,267</u></u>	<u><u>15,084,699,642</u></u>
LIABILITIES			
Accounts Payable - Brokers	571,783	-	133,079,530
Accounts Payable - Other	200	-	9,119,492
Accrued Expenses	-	-	159,479
Compensated Absences	-	-	242,920
Interfund Payable	334,725	-	940,104
Securities Lending Liability	(529)	-	4,324
Total Liabilities	<u><u>906,179</u></u>	<u><u>-</u></u>	<u><u>143,545,849</u></u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 62,103,236</u></u>	<u><u>\$ 501,346,267</u></u>	<u><u>\$ 14,941,153,793</u></u>

See Accompanying Notes to the Financial Statements.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
ADDITIONS			
Contributions			
Employer	\$ 314,763,961	\$ 4,196,276	\$ 936,602
Member	251,237,811	1,546,335	489,642
Appropriations from State of New Mexico -			
Legislative Fund	2,400,000	-	-
Fire Protection Fund	-	-	-
Service Credits Purchased	7,681,968	32,845	-
Total Contributions	<u>576,083,740</u>	<u>5,775,456</u>	<u>1,426,244</u>
Investment Income			
Interest	294,214,599	1,824,600	674,828
Dividends	191,911,669	1,178,421	443,448
Net Appreciation (Decrease) in Fair Value of Investments	(205,270,228)	(1,311,824)	(471,400)
Securities Lending (Loss) Income	(1,264,042)	(7,532)	(2,843)
	279,591,998	1,683,665	644,033
Securities Lending Expenses	(368,536)	(2,256)	(852)
Other Investment Expenses	(27,735,184)	(169,752)	(64,091)
Net Investment Income	<u>251,488,278</u>	<u>1,511,657</u>	<u>579,090</u>
Other Income (expense)	610,766	(117,558)	(76,362)
Total Additions	<u>828,182,784</u>	<u>7,169,555</u>	<u>1,928,972</u>
DEDUCTIONS			
Benefit Payments	966,236,566	9,373,041	3,955,687
Refunds to Terminated Employees	46,010,197	40,197	4,918
Life Insurance Premiums	-	-	-
Administrative Expenses	9,885,765	60,019	22,661
Total Deductions	<u>1,022,132,528</u>	<u>9,473,257</u>	<u>3,983,266</u>
Special Item (footnote 14)	24,685,548	150,653	56,879
Increase(Decrease) in Net Position	(169,264,196)	(2,153,049)	(1,997,415)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Beginning of Year	<u>14,424,792,740</u>	<u>91,141,300</u>	<u>35,184,910</u>
End of Year	<u>\$ 14,255,528,544</u>	<u>\$ 88,988,251</u>	<u>\$ 33,187,495</u>

See Accompanying Notes to the Financial Statements.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (CONTINUED)
For the Year Ended June 30, 2015

	Volunteer Firefighters Retirement Fund	Deferred Compensation (IRC 457) Fund	Total
ADDITIONS			
Contributions			
Employer	\$ -	\$ -	\$ 319,896,839
Member	-	34,628,217	287,902,005
Appropriations from State of New Mexico -			
Legislative Fund	-	-	2,400,000
Fire Protection Fund	750,000	-	750,000
Service Credits Purchased	-	-	7,714,813
Total Contributions	<u>750,000</u>	<u>34,628,217</u>	<u>618,663,657</u>
Investment Income			
Interest	1,277,675	449,843	298,441,545
Dividends	831,470	-	194,365,008
Net Appreciation (Decrease) in Fair Value of Investments	(887,968)	18,933,171	(189,008,249)
Securities Lending (Loss) Income	(5,346)	-	(1,279,763)
	<u>1,215,831</u>	<u>19,383,014</u>	<u>302,518,541</u>
Securities Lending Expenses	(1,601)	-	(373,245)
Other Investment Expenses	(120,474)	-	(28,089,501)
	<u>(122,075)</u>	<u>-</u>	<u>(301,534)</u>
Net Investment Income	<u>1,093,756</u>	<u>19,383,014</u>	<u>274,055,795</u>
Other Income (expense)	(94,717)	-	322,129
Total Additions	<u>1,749,039</u>	<u>54,011,231</u>	<u>893,041,581</u>
DEDUCTIONS			
Benefit Payments	1,633,388	38,954,562	1,020,153,244
Refunds to Terminated Employees	-	-	46,055,312
Life Insurance Premiums	-	61,779	61,779
Administrative Expenses	42,596	996,178	11,007,219
Total Deductions	<u>1,675,984</u>	<u>40,012,519</u>	<u>1,077,277,554</u>
Special Item (footnote 14)	106,920	-	25,000,000
Increase(Decrease) in Net Position	179,975	13,998,712	(159,235,973)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Beginning of Year	<u>61,923,261</u>	<u>487,347,555</u>	<u>15,100,389,766</u>
End of Year	<u>\$ 62,103,236</u>	<u>\$ 501,346,267</u>	<u>\$ 14,941,153,793</u>

See Accompanying Notes to the Financial Statements.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)**

B. Reporting Entity (Continued)

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

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 is not required to follow New Mexico Statute (6-5-10, NMSA 1978), which defines reverting funds.

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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age 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 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;

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

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 contribution 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, \$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 will invoice legislative members to cover member contributions for each legislative session after the session ends, which is normally July or August.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

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, 2015 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."

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 for January 1, 2014 is \$159. The per diem rate starting January 1, 2015 will increase to \$165.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)**

C. Description of the Funds (Continued)

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

TIER I PERA CONTRIBUTION RATES AS OF JULY 1, 2014

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factors per Year of Service	Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary \$20,000 or less	Annual Salary greater than \$20,000			
State Plan 3	7.42%	8.92%	16.99%	3.0%	90%
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.4%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.0%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.5%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.5%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.5%	90%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.0%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.5%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.5%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	3.0%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.5%	90%
Municipal Detention Officer Plan 1*	16.65%	18.15%	17.05%	3.0%	90%
State Police and Adult Correctional Officer Plan 1*	7.60%	9.10%	25.50%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	90%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

TIER II PERA CONTRIBUTION RATES AS OF JULY 1, 2014

Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factors per Year of Service	Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary \$20,000 or less	Annual Salary greater than \$20,000			
State Plan 3	7.42%	8.92%	16.99%	2.5%	90%
Municipal Plan 1 (plan open to new employers)	7.00%	8.50%	7.4%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	2.5%	90%
Municipal Police Plan 1	7.00%	8.50%	10.40%	2.0%	90%
Municipal Police Plan 2	7.00%	8.50%	15.40%	2.0%	90%
Municipal Police Plan 3	7.00%	8.50%	18.90%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	2.5%	90%
Municipal Police Plan 5	16.30%	17.80%	18.90%	3.0%	90%
Municipal Fire Plan 1	8.00%	9.50%	11.40%	2.0%	90%
Municipal Fire Plan 2	8.00%	9.50%	17.90%	2.0%	90%
Municipal Fire Plan 3	8.00%	9.50%	21.65%	2.0%	90%
Municipal Fire Plan 4	12.80%	14.30%	21.65%	2.5%	90%
Municipal Fire Plan 5	16.20%	17.70%	21.65%	3.0%	90%
Municipal Detention Officer Plan 1*	16.65%	18.15%	17.05%	3.0%	90%
State Police and Adult Correctional Officer Plan 1*	7.60%	9.10%	25.50%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	90%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

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

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)**

C. Description of the Funds (Continued)

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 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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

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 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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

Magistrate Retirement Fund is a single employer defined benefit pension plan. 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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

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).
- 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

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

- 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 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 2015 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund for purposes of contributing to the plan.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

C. Description of the Funds (Continued)

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 \$9,178,261 and \$7,879,620 at June 30, 2015 and 2014, 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.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)**

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.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)**

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

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.

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.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)**

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

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.

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)

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

E. Membership of the Plans

At June 30, 2015, the number of participating government employers were as follows:

Public Employees Retirement Fund

State Agencies	177
Cities	35
Legislative	5
Towns	16
Villages	37
Counties	33
Housing Authorities	17
Other local public bodies	<u>53</u>
Total PERA	<u><u>373</u></u>

Judicial Retirement Fund	15
Magistrate Retirement Fund	5
Volunteer Firefighters Retirement Fund	367

At June 30, 2015, membership in the plans was as follows:

	<u>PERA*</u> <u>Retirement</u> <u>Fund</u>	<u>Judicial</u> <u>Retirement</u> <u>Fund</u>	<u>Magistrate</u> <u>Retirement</u> <u>Fund</u>	<u>VFF</u> <u>Retirement</u> <u>Fund</u>	<u>Totals</u>
Retirees and beneficiaries receiving benefits	35,672	152	102	1,004	36,930
Terminated plan members not yet receiving benefits	11,634	23	16	657	12,330
Active plan members	49,173	127	60	8,136	57,496

*Note: PERA Retirement Fund includes the Legislative Fund

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. GENERAL DESCRIPTION OF THE ASSOCIATION AND RETIREMENT FUNDS
(CONTINUED)

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 disability retired members making less than \$20,000 and members that make less than \$20,000 and have 25 years of service credit. The COLA for those members 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 FY15 were \$197,681,288, an average of \$16,473,441 per month).

G. New Accounting Pronouncements

New Accounting Pronouncements - Governmental Accounting Standards Board (GASB) 67, Financial Reporting for Pension Plans and GASB 68, Accounting & Financial Reporting for Pensions (Employer), and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date address accounting and financial reporting requirements for pension plans activities. The Public Employees Retirement Association of New Mexico is a cost-sharing multiple employer pension plan as defined by GASB 67. The requirements of GASB 67 include changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. GASB 67 is effective for fiscal years beginning after June 15, 2013.

PERA's implementation consists of the assumptions and actuarial calculation of total and net pension liability, comprehensive footnote disclosures regarding the pension liability calculation and assumptions, and additional investment activity disclosures. In FY 2014, GASB 67 required pension plans, such as PERA, to account for employer paid member contributions dependent on how that employer participant accounts for the employer paid member contribution (GASB 67 Implementation Guide question 40). Those employers that account for the employer paid member contribution as benefit expense require the plan to account for those amounts as employer contributions. As such, PERA's FY 14 Statement of Changes in Plan Net Position contained a separate line item to properly account for those employer paid member contributions as benefit expense. Based on representations from the employer participants, \$74,357,341 in employer paid member contributions were accounted for as benefit expense in FY 2014. These amounts only relate to PERA's municipal plan employers and participants as only municipal employers may elect to pay amounts on behalf of their employees (up to 75%).

In FY 2015, AICPA issued guidance that reflects GASB's intent to reverse or remove the requirement related to employer paid member benefits. As such, PERA's FY 2015 financial statements no longer contain a line item for the employer paid member contributions that met the prior GASB 67 requirement. Those member contributions that were required to be parsed out in FY 2014 remain as member contributions in FY 2015. See Note 12 for detailed Net Pension Liability information.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Cash Equivalents. Cash and cash equivalents include demand deposit accounts and all short-term instruments with maturities at purchase of 90 days or less. Cash and short-term investments are stated at amortized cost, which approximates fair value.

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 statements include a due from in the amount of \$400,000 from the New Mexico Taxation and Revenue Department related to monthly legislative division appropriations.

Business Unit Number	Fund Number	Description	Amount	Business Unit Number	Fund Number
64200	33300	TRD transmits 200K/month legislative contribution, TRD recorded a due to PERA for two months	400,000.00	36600	60605

Investments. The PERA Board of Trustees has the sole authority to make changes to PERA’s investment policies.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On August 28, 2014, the Board revised their investment policy to reflect a change in strategic asset allocation (SAA):

Previous Strategic Asset Allocation		Revised Strategic Asset Allocation	
Asset Class	Target	Asset Class	Target
Domestic Equity	29.00%	Domestic Equity	21.10%
International Equity	20.00%	International Equity	24.80%
Fixed Income	26.00%	Core and Global Fixed Income	26.10%
Liquid Alpha	5.00%	Fixed Income Plus	5.00%
Private Equity	5.00%	Private Equity	7.00%
Absolute Return	7.00%	Absolute Return	4.00%
Real Estate	3.00%	Real Estate	5.00%
Real Assets	5.00%	Real Assets	7.00%

Additionally, the Board re-classified Fixed Income, to reflect two separate asset classes:

- 1) Core and Global Fixed Income: The objective of core and global fixed income is to provide diversification, a dependable source of current income and downside protection. Like public equities, this is a traditional approach for the Fund to meet its total return goals. Compared to public equities, core and global fixed income has lower expected volatility and a greater expectation for the preservation of capital.
- 2) Fixed Income Plus: The objective of fixed income plus investments is to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. The focus of these investments is the generation of current income and total return with a strong focus on preservation of capital. Fixed income plus investments have the potential to be more volatile than the core and global fixed income allocation. The strategies may have similar characteristics to some absolute return (hedge fund) strategies, but typically have greater liquidity and, unlike some absolute return managers, these managers typically utilize lower levels of leverage, shorting, and derivatives.

For the year ended 6/30/2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.9%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

In conformity with the Uniform Prudent Investor Act, which is cited as (UPIA) and is in the NMSA 1978 Subsection 45-7-601 to 612, PERA primarily invests in obligations of the United States Treasury, obligations of federal agencies guaranteed by or for which the credit of the United States government is pledged for payment of principal and interest, corporate bonds, stocks, and international securities. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All investment securities are reported at fair value. Fair value is defined as the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. 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.

For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

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.

Real estate and Real Asset partnerships are reported at values provided by general partners in conjunction with management and investment advisors. The valuation assumptions are based upon both market and property specific inputs which involve expert judgment.

Private equity and absolute return strategy investments are reported at fair value as determined by the general partners in conjunction with management and investment advisors. 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. The fair value of PERA's investments in short-term investment pools is the same as the value of the pool shares. All investments in the short-term investment pool are either SEC registered or are exempt from SEC registration under exemption 3a3 or 4(2) of SEC regulations. Each fund's equity percentage, or allocation, in the pool is based on the dollar weighted average methodology. In this method, a factor is generated for each plan account based on the average daily balance (beginning market value adjusted for cash flows on a daily basis) during the period. The factor is the proportion of the average daily balance for each plan account, in relation to all plans under the master trust. The factor of each plan account is applied to the investment results (income, allocated

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expenses, realized gain/loss and unrealized gain/loss). Cash flows (contributions, benefit payments, transfers and plan-specific expenses) are applied directly to each of the plan accounts. Ownership percentages (rounded to the nearest hundredth of a percent) in the investment pool at June 30, 2015, are as follows:

Public Employees Retirement Fund	98.74%
Magistrate Retirement Fund	0.23
Judicial Retirement Fund	0.60
Volunteer Firefighters Retirement Fund	<u>0.43</u>
Total	<u><u>100.00%</u></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.

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 measure at June 30, 2015.

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, 2015, PERA had \$130,028 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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS

A. DEPOSITS

Investment balances reported in the Statements of Plan 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.

The disclosure of the deposits by fund is required by the New Mexico Administrative Code 2.2.2. These amounts, listed below, are held in the name of the entity indicated and are fully collateralized.

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 J.P. Morgan. STIF investments are reported as cash and cash equivalents in the statement of plan net position. STIF investments are used to facilitate more efficient trade procedures with the Plan's external money managers. STIF investments held by the investment custodian (J.P. Morgan) are invested in commercial paper, government agencies, asset backed securities with Standard and Poor's ratings of at least AA as presented in the schedule of custodial credit risk. The Plan's investment in STIF accounts totaled \$797,853,289 as of June 30, 2015.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

B. INVESTMENTS

IRC 457 Fund. Securities held in the IRC 457 Fund are excluded from the investment disclosures below because the investments are self-directed by participants. Further detail of the investments are detailed in a publicly available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, P.O. Box 2123, Santa Fe, New Mexico 87504-2123, or calling (505) 476-9338.

Government Agency Mortgage-backed Securities. As of June 30, 2015, the Funds' investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of \$614,394,071 at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the Funds will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to the change in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

Corporate Asset-backed Securities. As of June 30, 2015, the Funds' investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of \$175,016,212. These securities represent interests in various trusts consisting of pooled financial assets conveyed by the issuing parties. The Funds' ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

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

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

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

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

A summary of PERA's investments at June 30, 2015, 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
Government Bonds	\$ 1,539,177,589	\$ -	\$ 1,539,177,589
Municipal Bonds	15,048,186	-	15,048,186
Corporate Bonds	1,154,315,934	-	1,154,315,934
Mortgage Backed Securities	614,394,071	-	614,394,071
Asset Backed Securities	175,016,212	-	175,016,212
Commercial Mortgage Backed Securities	245,855,757	-	245,855,757
CMO/REMIC	28,551,985	-	28,551,985
Exchange Traded Funds	539,918,428	-	539,918,428
Mutual Funds	188,344,624	-	188,344,624
Total Fixed Income	4,500,622,785	-	4,500,622,785
Common Stock	5,838,186,751	-	5,838,186,751
Preferred Stock	55,707,128	-	55,707,128
ADR	35,423,114	-	35,423,114
GDR	56,648,471	-	56,648,471
MLP	138,742,804	-	138,742,804
REIT	348,779,251	-	348,779,251
Commingled Funds	251,964,758	-	251,964,758
Exchange Traded Funds	14,422,464	-	14,422,464
Mutual Funds	426,249	-	426,249
Rights	96,655	-	96,655
Warrants	1,844,583	-	1,844,583
Alternative Investments	2,387,757,854	-	2,387,757,854
Total Equities	9,130,000,082	-	9,130,000,082
Subtotal Equities and Fixed Income	\$ 13,630,622,866	\$ -	\$ 13,630,622,866
Securities Lending Collateral Investments	-	4,325	4,325
Total Investments as Presented Above			\$ 13,630,627,191
IRC 457 Fund Investments Directed by Participants			491,987,083
Investments In State General Fund			33,938,818
Total Investments per the Statement of Plan Net Position			\$ 14,156,553,092

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

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

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

Credit ratings are limited to:

1. Bonds, notes or other obligations issued by a state, its municipalities or other political subdivisions, that have received an investment grade (at least Baa or BBB) bond rating, and are registered by the SEC or the Municipal Securities Rulemaking Board (MSRB).
2. Bonds, notes, commercial paper or other obligations of any corporation organized and operating within the United States; provided that the securities shall have a minimum credit rating of CCC- according to Standard and Poor's rating system or Caa3 according to Moody's investors rating system or their equivalents by a national rating agency approved by the Board; and provided that not more than ten percent of the funds for which the retirement board is trustee shall at any one time be invested in debt obligations of corporations with a credit rating less than BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or its equivalents. Investment managers may purchase securities that are not rated by a national rating agency, if stipulated in their contract, and provided that the investment manager's internal credit rating on the security is equivalent to at least CCC- according to Standard and Poor's or Caa3 according to Moody's.
3. Debt obligations of non-United States governmental or quasi-governmental entities may be denominated in foreign currencies; obligations, including but not limited to bonds, notes or commercial paper with an investment grade (at least Baa or BBB) rating (unless otherwise approved by the Board) of any corporation organized outside of the United States. Currency transactions, including spot or cash basis currency transactions, forward contracts and buying or selling options or futures on foreign currencies, shall be permitted for the purposes of hedging foreign currency risk.
4. Collateralized obligations, including but not limited to mortgages, held in trust that; (1) are publicly traded and are registered by the SEC or other Self-Regulatory Organization (SRO) and (2) have underlying collateral that is either an obligation of the United States government or else has a credit rating above or equal to BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or their equivalent by a national rating agency approved by the Board (unless otherwise approved by the Board)."

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

A summary of PERA's investments at June 30, 2015, and its exposure to credit risk are as follows:

S & P Ratings	Market Value	% of Portfolio
GOVERNMENT BONDS	\$ 1,539,177,589	33.91%
AAA	45,140,178	0.99%
AA+	1,222,350,996	26.93%
AA-	17,161,761	0.38%
A+	12,064,861	0.27%
A	4,304,410	0.09%
A-	1,580,618	0.03%
BBB+	8,483,694	0.19%
BBB	18,230,126	0.40%
BBB-	2,303,930	0.05%
NR	207,557,017	4.57%
MUNICIPAL BONDS	15,048,186	0.33%
AAA	1,346,375	0.03%
AA+	1,550,060	0.03%
AA	2,714,145	0.06%
AA-	1,962,643	0.04%
A+	6,511,443	0.14%
A-	696,113	0.02%
NR	267,407	0.01%
CORPORATE BONDS	1,154,315,934	25.43%
AAA	3,646,790	0.08%
AA+	32,875,941	0.72%
AA	31,124,681	0.69%
AA-	63,564,688	1.40%
A+	73,068,216	1.61%
A	158,260,821	3.49%
A-	211,126,855	4.65%
BBB+	190,198,014	4.19%
BBB	175,077,614	3.86%
BBB-	178,737,465	3.94%
BB+	4,877,819	0.11%
BB	3,834,127	0.08%
BB-	173,988	0.00%
B+	4,687,599	0.10%
B-	3,436,811	0.08%
NR	19,624,508	0.43%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

S & P Ratings	Market Value	% of Portfolio
ASSET BACK	175,016,212	3.86%
AAA	56,949,306	1.25%
AA+	7,366,068	0.16%
AA	8,573,713	0.19%
AA-	3,460,510	0.08%
A+	16,947,707	0.37%
A	8,310,239	0.18%
A-	8,379,779	0.18%
BBB+	17,862,748	0.39%
BBB	10,210,664	0.22%
BBB-	2,738,017	0.06%
BB-	2,312,438	0.05%
B-	5,792,672	0.13%
CCC	538,689	0.01%
NR	25,573,662	0.56%
CMO/REMIC	28,551,985	0.63%
AAA	86,414	0.00%
AA+	23,835,591	0.53%
AA	248,902	0.01%
A+	45,619	0.00%
BBB+	289,320	0.01%
BBB-	417,655	0.01%
B-	1,575,841	0.03%
CCC	99,727	0.00%
NR	1,952,918	0.04%
COMMERCIAL MORTGAGE BACKED	245,855,757	5.42%
AAA	59,220,667	1.30%
AA+	17,151,072	0.38%
AA	25,493,883	0.56%
AA-	1,665,312	0.04%
A+	18,648,518	0.41%
A	3,845,395	0.08%
A-	12,608,782	0.28%
BBB+	15,207,089	0.34%
BBB	4,463,901	0.10%
BBB-	16,190,382	0.36%
BB+	7,368,280	0.16%
BB	731,357	0.02%
BB-	299,912	0.01%
B+	711,508	0.02%
NR	62,249,699	1.37%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

S & P Ratings	Market Value	% of Portfolio
MORTGAGE BACKED SECURITIES	614,394,071	13.53%
AA+	614,394,071	13.53%
TREASURY BILLS	652,002	0.01%
A-1+	652,002	0.01%
MISCELLANEOUS	16,925,956	0.37%
NR	16,925,956	0.37%
MONEY MARKETS	32,733,058	0.72%
NR	32,733,058	0.72%
STIF	716,721,525	15.79%
NR	716,721,525	15.79%
	\$ 4,539,392,273	100.00%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

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 year 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, 2015 and its exposure to interest rate risk are as follows:

Bond Category	Weighted Average Maturity in Years	Market Value Plus Accrued Income	Percent of Fixed Income Portfolio
Government Bonds	6.93	\$ 1,546,784,924	40.72%
Municipal Bonds	22.15	\$ 15,242,963	0.40%
Mortgage Backed	24.57	\$ 619,314,345	16.30%
Corporate Bonds	9.19	\$ 1,166,739,539	30.71%
Commercial Mortgage Backed	13.11	\$ 246,811,243	6.50%
Asset Backed	2.60	\$ 175,314,460	4.61%
CMO/REMIC	8.01	\$ 28,631,928	0.75%
Subtotal Fixed Income Investments		\$ 3,798,839,402	100.00%
Cash and Short Term Investments		\$ 795,010,657	
Total Investments Subject to Interest Rate Risk		\$ 4,593,850,059	

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

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

At June 30, 2015, PERA had no investments with a concentration of greater than 5% of total investments.

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 (non-U.S. equity) allocation is less than 25% of PERA's total combined-funds' assets. Since this portfolio is broadly diversified among many countries, the likelihood of a decline in the market value of a single local currency (the non-U.S. currency) or of several local currencies versus the U.S. dollar such that the impact on PERA's total assets is mitigated.

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, 2015.

		<u>Market Value (included in investments)</u>				
	<u>Currency</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Alternative Investments</u>	<u>Total</u>	<u>Deposits</u>
AED	UAE Dirham	\$ 7,331,096.78	\$ -	\$ -	\$ 7,331,096.78	\$ -
AUD	Australian Dollar	152,114,002.61	14,895,528.63	-	167,009,531.24	498,827.78
BDT	Bangladeshi Taka	112,854.71	-	-	112,854.71	1,927,481.74
BGN	Bulgarian Lev	52,178.96	-	-	52,178.96	-
BRL	Brazilian Real	54,665,962.58	361,622.46	-	55,027,585.04	930,666.91
BWP	Botswanan Pula	1,297,639.09	-	-	1,297,639.09	-
CAD	Canadian Dollar	176,457,618.13	14,067,957.70	-	190,525,575.83	1,004,058.66
CHF	Swiss Franc	212,411,905.08	-	-	212,411,905.08	368,658.15
CLP	Chilean Peso	13,675,088.69	-	-	13,675,088.69	154.88
COP	Colombian Peso	6,530,944.62	-	-	6,530,944.62	85,743.39
CZK	Czech Koruna	3,629,453.83	-	-	3,629,453.83	214,947.99
DKK	Danish Krone	35,485,750.33	5,434,161.80	-	40,919,912.13	447,378.40
EGP	Egyptian Pound	147,031.59	-	-	147,031.59	4,409,662.61
EUR	Euro	695,291,835.46	137,981,617.64	62,158,065.00	895,431,518.10	8,924,136.16
GBP	British Pound	507,276,958.57	34,397,716.60	22,902,817.46	564,577,492.63	1,038,994.95
GHS	Ghanaian Cedi	664,237.37	-	-	664,237.37	30,465.27

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

		Market Value (included in investments)				
	Currency	Equity	Fixed Income	Alternative Investments	Total	Deposits
HKD	Hong Kong Dollar	216,134,039.54	-	-	216,134,039.54	547,793.96
HRK	Croatian Kuna	1,929,021.91	-	-	1,929,021.91	14,617.39
HUF	Hungarian Forint	4,101,717.44	-	-	4,101,717.44	146,422.41
IDR	Indonesian rupiah	19,974,137.50	-	-	19,974,137.50	590,313.95
ILS	Israeli New Sheqel	11,053,095.23	-	-	11,053,095.23	149,787.02
INR	Indian Rupee	58,022.62	28,268.14	-	86,290.76	2,454,456.37
JOD	Jordanian Dinar	328,580.94	-	-	328,580.94	47,061.69
JPY	Japanese Yen	576,858,185.04	61,051,831.58	-	637,910,016.62	2,538,024.90
KES	Kenyan Shilling	1,936,241.56	-	-	1,936,241.56	652.90
KRW	South Korean Won	91,447,367.26	9,416,915.44	-	100,864,282.70	789,475.84
KW						
D	Kuwaiti Dinar	752,970.76	-	-	752,970.76	549,644.66
LKR	Sri Lankan Rupee	331,398.60	-	-	331,398.60	-
MAD	Moroccan Dirham	1,895,502.45	-	-	1,895,502.45	32,775.39
MUR	Mauritian Rupee	2,059,099.95	-	-	2,059,099.95	1,296.32
MXN	Mexican Peso	37,849,506.92	6,338,591.65	-	44,188,098.57	573,372.41
MYR	Malaysian Ringgit	24,263,355.27	-	-	24,263,355.27	657,257.48
NGN	Nigerian Naira	141,577.18	-	-	141,577.18	1,614,906.09
NOK	Norwegian Krone	17,810,351.46	8,316,967.68	-	26,127,319.14	201,649.32
NZD	New Zealand Dollar	4,463,666.85	10,333,807.01	-	14,797,473.86	2,409,046.82
OMR	Omani Rial	1,921,820.41	-	-	1,921,820.41	9,495.18
PEN	Peruvian Nuevo Sol	1,425,028.57	-	-	1,425,028.57	-
PHP	Philippine Peso	15,458,825.53	5,074,044.23	-	20,532,869.76	228,974.44
PKR	Pakistani Rupee	-	-	-	-	2,113.19
PLN	Polish Zloty	15,341,217.50	-	-	15,341,217.50	100,438.50
QAR	Qatari Rial	8,776,177.52	-	-	8,776,177.52	-
RON	Romanian Leu	1,942,640.62	-	-	1,942,640.62	15,399.32
RUB	Russian Ruble	6,030,284.27	-	-	6,030,284.27	400,619.29
SAR	Saudi Riyal	-	-	-	-	-
SEK	Swedish Krona	75,827,074.69	9,861,773.09	-	85,688,847.78	437,428.49
SGD	Singapore Dollar	30,264,953.10	9,944,450.20	-	40,209,403.30	416,315.64
THB	Thai Baht	19,945,512.05	4,514,149.66	-	24,459,661.71	0.01
TND	Tunisian Dinar	172,307.69	-	-	172,307.69	(5,239.95)
TRY	Turkish Lira	15,362,509.32	-	-	15,362,509.32	101,788.38
TWD	New Taiwan Dollar	85,180,334.43	-	-	85,180,334.43	1,103,294.82
VND	Vietnamese Dong	39,656.00	-	-	39,656.00	5,032.40
ZAR	South African Rand	56,883,040.85	-	-	56,883,040.85	241,394.29
		\$3,215,103,779.43	\$332,019,403.51	\$85,060,882.46	\$3,632,184,065.40	\$ 36,256,785.81

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)

C. ALTERNATIVE INVESTMENTS

Alternative Investments are described as investments that are not traditional assets such as: stocks, bonds or cash. For the purposes of PERA's investment portfolio, Alternative Investments are classified by investment strategies that include Absolute Return (Hedge Funds), Private Equity, Real "Tangible" Assets, and Real Estate. As of June 30, 2015, the total allocation to Alternative Investments was 17% of the investment portfolio (5% to Private Equity, 3% to Real Assets, 3% to Real Estate, and 6% to Absolute Return).

Absolute Return (Hedge Funds). Absolute Return is defined as investment assets in varying hedge fund strategies for the purpose of providing positive returns regardless of market direction. The stated target for Absolute Return investments is to produce returns at LIBOR +5%. Absolute Return portfolio is comprised of 100% single manager or direct hedge funds in such strategies as: Market Neutral, Discretionary Macro, Systematic Macro and Multi-Strategy. As of June 30, 2015, PERA had a total market value of \$845,242,754 of assets invested in Absolute Return.

Private Equity. Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years). PERA's Private Equity portfolio will likely have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have yet to be realized. PERA's Private Equity investments are made in such strategies as: Buyouts, Venture Capital, and Distressed Debt. As of June 30, 2015, PERA had committed \$1,333,803,000 to Private Equity limited partnerships and funded a portion of the total commitment for a market value of \$683,344,231.

Real "Tangible" Assets. Real Asset investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments will include both private limited partnerships, publicly traded assets and limited liability companies that have an ownership interest in properties where the majority value of the property is derived from income-producing energy-related businesses. As of June 30, 2015, PERA had committed \$838,408,000 to Real Assets partnerships and funded a portion of the total commitment for a market value of \$448,268,082, including the Public MLP allocations.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 3. DEPOSITS, INVESTMENTS, AND ALTERNATIVE INVESTMENTS
(CONTINUED)**

C. ALTERNATIVE INVESTMENTS (CONTINUED)

Real Estate and Real Estate Investment Trusts (REITS). Real Estate investments are investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, and “opportunistic”, which derive their return primarily through appreciation. REITS include equity investments in publicly traded securities of a company dedicated to owning, and/or operating income-producing real estate, including but not limited to apartments, shopping centers, offices and warehouses. As of June 30, 2015, PERA had committed \$690,930,000 to Real Estate limited partnerships and funded a portion of the total commitment for a market value of \$453,385,778, including the Public REIT allocations.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments are as follows:

Type	Change in Fair Value		Fair Value		Notional	Unit of Value
	Classification	Amount	Classification	Amount		
Futures: Equity Index	Investment Revenue	\$(6,808,528)	Investments	\$459,783,890	757,749	1,405,408,681
Futures: Bond Index	Investment Revenue	307,797	Investments	(56,427,719)	(65,500,000)	(56,735,515)
Futures: Interest Rate	Investment Revenue	51,940	Investments	788,282	-	826,810
Options: Fixed Income	Investment Revenue	(81,649)	Investments	138,133	1,598,781,728	259,928
Swaps: Fixed Income	Investment Revenue	(325,168)	Investments	(325,168)	138,289,000	-

Derivatives Counterparty Credit Risk. PERA enters into various types of derivative transactions to which the counterparty credit risk of PERA non-exchange traded investment derivatives instruments outstanding are subject to loss exposure at June 30, 2015. Credit ratings of these counterparties range from AAA to not rated and include currency forward contracts, equity futures, and fixed income futures.

Derivatives Custodial Credit Risk. The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement 40. At June 30, 2015, all of PERA's investments in derivative instruments are held in PERA's name and are not exposed to custodial credit risk.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4. DERIVATIVES (CONTINUED)

Derivative Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERA's derivative exposure to foreign currency risk are in the markets of the Australian Dollar, Canadian Dollar, Euro, British Pound Sterling, Hong Kong Dollar, Japanese Yen, and South African Rand. Detailed below are derivatives with foreign currency risk at June 30, 2015:

Currency	Description	Market Value
AUD	Australian Dollar	
	Options: Fixed Income	\$ 136,065
	Futures: Equity Index	2,720,941
CAD	Canadian Dollar	
	Futures: Equity Index	3,165,351
EUR	EURO	
	Futures: Interest Rate	(90,468)
	Futures: Equity Index	11,903,564
HKD	Hong Kong Dollar	
	Futures: Equity Index	3,718,353
JPY	Japanese Yen	
	Options: Fixed Income	2,068
	Futures: Equity Index	7,024,158
GBP	Pound Sterling	
	Futures: Equity Index	6,290,797
ZAR	South African Rand	
	Futures: Equity Index	2,198,074
Total Derivative Foreign Currency Risk		\$ 37,068,903

Equity Futures. Equity futures are exchange-traded futures contracts used to replicate the performance of an underlying stock market index. PERA's index futures held by managers are for long-term exposure (non-hedging), and they are carried at fair value. Indices for futures include well-established indices such as S&P, FTSE, DAX, CAC40 and other G12 country indices.

Fixed Income Futures. Fixed income futures contracts are also exchange-traded derivatives. The exchange's clearing house acts as counterparty on all contracts, sets margin requirements, and also provides a mechanism for settlement. Futures typically have interim partial settlements, or "true-ups", in margin requirements. A futures contract gives the holder the obligation to make or take delivery under the terms of the contract.

Commodity Futures. Commodities futures, or futures contracts, are agreements to buy or sell a set amount of a commodity at a predetermined price and date. Buyers use these to avoid the risks associated with the price fluctuations of the product or raw material, while sellers try to lock in a price for their products. Futures are the obligation of the purchase or sale of the underlying asset.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4. DERIVATIVES (CONTINUED)

Fixed Income Option. An option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price. The buyer of the option gains the right, but not the obligation, to engage in that transaction, while the seller incurs the corresponding obligation to fulfill the transaction. The price of an option derives from the difference between the reference price and the value of the underlying asset (commonly a stock, a bond, a currency or a futures contract) plus a premium based on the time remaining until the expiration of the option. The nature of credit risk is default or non-performance of the counterparty to fulfill its contractual obligations.

Fixed Income Swap. A swap is a derivative in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved. Specifically, the two counterparties agree to exchange one stream of cash flows against another stream. The swap agreement defines the dates when the cash flows are to be paid and the way they are calculated. The nature of credit risk is default or non-performance of the counterparty to fulfill its contractual obligations.

Forward Currency Contracts. The Funds may enter into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The maximum potential loss is the aggregate face value at the time the contract was opened. Management believes the likelihood of such loss is remote. At June 30, 2015, the Funds had outstanding forward exchange currency contracts to purchase and sell foreign currencies of \$3,048,360. The fair values of these outstanding contracts were to purchase foreign currencies of \$563,600,244 and to sell foreign currencies of \$560,551,884, respectively. The fair values of the contracts are reflected in the Statement of Plan Net Position. Gains and losses on forward currency may occur to the extent that the fair value of the contracts varies from the actual contract amount and are recorded as incurred in the Statement Changes in Plan Net Position.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. SECURITIES LENDING

NMSA 1978 10-11-132 and PERA's policies permit 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 a fee plus collateral. The fee is negotiated for each separate transaction and split 90%/10% between PERA and JP Morgan, PERA's current securities lending agent. Approved collateral accepted against loaned securities are held by PERA's custodial agent and marked to market daily. Such approved collateral is limited to USD cash, Overnight Treasury Repurchase Agreements, Treasuries, Agencies, Commercial Paper, and 2a-7 Money Market Funds. The securities lending agent may invest cash collateral received into eligible securities as defined in a governing securities lending agreement.

The securities lending agent is restricted to a maximum loan value of \$600,000,000 inclusive of all loaned securities. During FY 2015, the average securities loaned balance was \$408,331,197, on a base of average lendable assets of \$8,590,130,605. The average utilization rate over the fiscal year was 4.8%, with net earnings of \$3,773,402. As of June 30, 2015, PERA's participation in the Securities Lending program was terminated, in preparation of an upcoming custodial bank transfer. As a result of this termination, cash collateral had a principal balance and market value of \$4,325, with no unrealized losses.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
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	15,174,597	23,662	(334,050)	14,864,209
Automobile	80,107			80,107
	<u>\$ 29,485,914</u>	<u>\$ 23,662</u>	<u>\$ (334,050)</u>	<u>\$ 29,175,526</u>
Accumulated depreciation:				
Building	\$ (1,721,288)	\$ (421,540)		\$ (2,142,828)
Property and equipment	\$ (33,572)	\$ (333)		\$ (33,905)
Computer equipment and software	(13,953,117)	(265,339)	334,050	(13,884,406)
Automobile	(78,469)	(1,638)		(80,107)
	<u>\$ (15,786,446)</u>	<u>\$ (688,851)</u>	<u>\$ 334,050</u>	<u>\$ (16,141,247)</u>
Total	<u>\$ 13,699,468</u>	<u>\$ (665,189)</u>	<u>\$ 0</u>	<u>\$ 13,034,280</u>

The following are included in the above schedule.

- Depreciation and amortization expense, reported as part of administrative expenses, for the year was \$688,851.
- PERA disposed of \$334,050 in capital assets in FY15, consisting of obsolete computer software and equipment.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. 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 8. RETIREMENT PLANS

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, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. For fiscal year 2015, 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 2014, 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, 2015, 2014, and 2013 were \$674,307, \$596,543, and \$565,115, respectively, equal to the amount of the required contributions from the employer for each year. In addition, the employees contributed an additional \$354,022, \$321,884, and \$334,051, respectively, equal to the amount of the required contributions from employees for each year.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8. RETIREMENT PLANS (CONTINUED)

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 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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

The Retiree Health Care Act (Section 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer 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, 2015, 2014, and 2013 were \$81,773, \$71,172, and \$74,948, for employer contributions and \$47,021, \$36,085 and \$37,474 in employee contributions, respectively, which equal the required contributions for each year.

NOTE 10. MARKET VOLATILITY

Fiscal year 2015 started off with transformational shifts in two major economic factors as commodities led by oil began a steep decline in June 2014 and finished the year at a price per barrel of \$55, and continued to fall over the first half of 2015. The U.S. dollar began its rise shortly after the drop in oil commenced led by economic uncertainty and the beginnings of a monetary stimulus program in Europe and ended the year up over 10% versus the euro and the yen. The second half of the fiscal year saw

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10. MARKET VOLATILITY (CONTINUED)

mixed results in most markets as uncertainty regarding the U.S. Federal Reserve tightening cycle caused widespread discomfort, concerns regarding China's economic growth with an eventual unexpected devaluation of China's currency. This led to heightened anxiety over the health of the world's second-largest economy and global growth in general.

In the first fiscal quarter, the U.S. equity market hit all-time highs but then fell back as both equity and fixed income markets experienced a volatile quarter as investors were faced with numerous geopolitical events such as continued problems in Ukraine, U.S. military involvement in Iraq and Syria and pro-democracy protests in Hong Kong. The U.S. stock market was basically flat even though there was good economic news with a GDP increasing at 4.9% and solid jobs growth. Both developed and emerging countries markets fell as European's fiscal woes continued with investors digesting sluggish growth prospects, ongoing saber-rattling between Russia and Ukraine to the region's east, and the contentious referendum in Scotland seeking political independence from Great Britain that was ultimately rejected. The European Central Bank drove short-term rates into negative territory to spark economic activity in the region. The U.S. Treasury yield curve flattened somewhat over the quarter; yields on paper below one year in maturity as well as rates beyond ten years moved lower, while rates on intermediate-term securities rose slightly. Credit spreads, which had been tightening over the first six months of 2014, widened over the quarter. With short-term rates in Europe now officially negative, investors moved up the curve into longer-term issuance, giving long-dated global bonds a performance boost. Emerging market debt eked out small gains overall despite weakness in major developing economies as well as uncertainty as to the timing of tighter U.S. Fed money policy.

During the second fiscal quarter, the U.S. market finished up over 5% as solid jobs growth and low inflation increased investors' risk tolerances. Developed and emerging markets returns were positive in local terms but in negative territory when converted to the U.S. dollar as the impact of a rising U.S. dollar was a headwind for U.S. investors. Inflation rates in European markets fell in anticipation of intervention by the central banks to increase economic growth. China's own economic slowdown, combined with Russia's recent struggles with a sagging ruble and sinking oil prices, held back emerging market performance overall. The U.S. Treasury yield curve ended the quarter considerably flatter, with yields sharply lower, prices up, in maturities beyond five years. High yield credit spreads widened, as prices fell, and were closer to historical averages.

For the third fiscal quarter, the U.S. market experienced modest gains and had not experienced a down quarter in nearly three years. The Federal Reserve went to great lengths to express that, while a rise in rates was nearing, they are likely to be very cautious in the timing and pace of any interest rate increases. Both developed and emerging markets rebounded with European stocks advancing as European central banks relaxed monetary policy, including quantitative easing bond-buying programs, sent stock prices soaring. Pacific region stocks also rallied as their economies achieved more solid footing in the first quarter, aided by sharply lower energy prices. Although China's and India's stock markets enjoyed stunning gains, other emerging market economies experienced more muted performance, especially in the

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10. MARKET VOLATILITY (CONTINUED)

Americas. Treasuries benefited from investor unease over a possible U.S. economic slowdown accompanied by remarkably low inflation. Credit spreads ticked slightly wider over the quarter. European bond markets held their own in local-currency terms, although the rally in U.S. Treasuries dampened their gains. Despite the broad-based uncertainty regarding global economic growth and upcoming U.S. monetary policy changes, emerging market bonds also managed positive performance.

The U.S. market was flat during the fourth quarter as employment conditions continued to show steady growth since the Credit Crisis. During this quarter, the U.S. recovered all of the lost jobs during the credit crisis and the labor force is growing but wages remained stagnant. China's stock market suffered a deep correction in June but developed and emerging market returns were slightly positive as the U.S. dollar weakened. U.S. fixed income returns fell as the U.S. Federal Reserve refrained from raising short-term interest rates in the second quarter but investors sold bonds to lock in gains and prepare for higher rates. U.S. Treasury yields rose over the quarter at all maturities beyond one year and long term treasury prices fell by 8%.

In the context of this 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.

NOTE 11. INVESTMENT PLACEMENT AGENTS

Placement agents are entities who act on behalf of an investment manager as a finder, solicitor, marketer, consultant, broker or other intermediary to raise funds from investors. The role of a placement agent can vary depending on the needs of their clients. About 1% of PERA's private investments involve placement agents. In each case, the agent is an established firm as opposed to an individual. A typical agent's fee is 1 to 2 percent of the amount invested. PERA staff and consultant review affected managers on a quarterly basis.

Currently, 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 placement agents. PERA states in the Investment Policy the disclosure requirements of NMSA 1978, 10-11-133.1 as it pertains to private investments. PERA's two investment consultants, Wilshire and Cliffwater, LLC, do not receive any form of compensation other than client advisory fees and do not accept compensation from investment management organizations or their marketers. Cliffwater, LLC only recommends an investment management firm to PERA once they have extensively performed due diligence with the firm's portfolio management professionals.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP

The components of the net pension liability of the plan's membership at June 30, 2015, *by fund*, were as follows:

PERA FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total pension liability	\$ 18,516,054,874
Plan net position	<u>14,255,528,543</u>
Net pension liability	\$ 4,260,526,331
Ratio of plan net position to total pension liability	76.99%

JUDICIAL FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total Pension Liability	\$137,037,970
Plan's Fiduciary Net Position	<u>88,988,252</u>
Net Pension Liability	\$48,049,718
Ratio of Fiduciary Net Position to Total Pension Liability	64.94%

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

MAGISTRATE FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total Pension Liability	\$ 63,536,415
Plan's Fiduciary Net Position	<u>33,187,494</u>
Net Pension Liability	\$ 30,348,921
Ratio of Fiduciary Net Position to Total Pension Liability	52.23%

VOLUNTEER FIREFIGHTER FUND

Calculation of the Net Pension Liability (NPL) as of Fiscal Year Ending June 30, 2015	
Total Pension Liability	\$44,477,629
Plan's Fiduciary Net Position	<u>62,103,236</u>
Net Pension Liability	\$(17,625,607)
Ratio of Fiduciary Net Position to Total Pension Liability	139.63%

Actuarial assumptions—The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2014. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2015. These assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

PERA	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% 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.
Experience Study Dates	July 1, 2008 to June 30, 2013

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

Summary of Actuarial Methods and Assumptions, *by fund*

JUDICIAL	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	30 years
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	89 years
Payroll Growth	3.50% annual rate
Projected salary increases	4.25% annual rate
Includes inflation at	3.0% 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, 2008 to June 30, 2013

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

MAGISTRATE	
Actuarial date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense SEIR 5.61%
Projected benefit payment	86 years
Municipal bond rate	3.82%
Discount rate	5.61%
Payroll Growth	3.50%
Projected salary increases	3.75%
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, 2008 to June 30, 2013

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

VOLUNTEER FIREFIGHTER	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Amortization period	30 Years
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.75% 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, 2008 to June 30, 2013

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments for all funds 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:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	100.0%	

Discount rate. The discount rate used to measure the total pension liability of the PERA, Judicial and Volunteer Firefighter funds was 7.75 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 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 7.75% 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.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

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

The following presents the net pension liability of PERA, Judicial and Volunteer Firefighter funds, calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate (\$ thousands):

PERA FUND

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
System's net pension liability	\$6,534,375,512	\$4,260,526,331	\$2,371,407,413

JUDICIAL FUND

	1% Increase (8.75%)	Current Discount Rate (7.75%)	1% Decrease (6.75%)
Net Pension Liability	36,745,899	48,049,718	61,188,155

VOLUNTEER FIREFIGHTER FUND

	1% Increase (8.75%)	Current Discount Rate (7.75%)	1% Decrease (6.75%)
Net Pension Liability	(21,893,584)	(17,625,607)	(12,504,268)

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. NET PENSION LIABILITY OF PLAN MEMBERSHIP (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability of the Magistrate fund was 5.61 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 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, a 5.61% 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 expected rate of return on assets of 7.75% and the 20-year tax-exempt municipal bond rate 3.82% as of the measurement date.

The following presents the net pension liability of the Fund, calculated using the discount rate of 5.61 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 (4.61 percent) or 1-percentage-point higher (6.61 percent) than the current rate:

	1% Increase (6.61%)	Current Discount Rate (5.61%)	1% Decrease (4.61%)
Net Pension Liability	\$24,309,895	\$30,348,921	\$37,547,869

June 30, 2014 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, 2015 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 performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. According to 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.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13. CASH RECONCILIATION (CONTINUED)

DFA asserts that “1. The difference between statewide agency claims against the SFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used; 2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP”. This information was communicated by DFA via a memo, dated October 28, 2015, issued by the State’s Controller, Ronald Spilman.

General Fund Investment Pool DFA Reconciliation Impact to PERA. PERA believes the cash invested in the State Treasurer Overnight Pool is represented fairly and contains no material misstatements, due to the cash reconciliation done by PERA. PERA has established internal control procedures applying the State of New Mexico Manual of Model Accounting Practices (MAP). These procedures are designed to implement necessary and mandatory controls to avert accounting errors and violations of state and federal law and rules related to financial matters. In addition, PERA ensures that any disbursement of funds does not exceed the unencumbered funds at its disposal. Incorporating the State’s financial software system (SHARE) and daily internal reporting and reconciliation throughout the fiscal year, PERA maintains optimum fiscal safeguards. This ensures that the cash balances in SHARE are correct to the extent that PERA has control (i.e., collection, depositing, reconciling, and documentation of outstanding items) of the cash, its receipts and transfers to the state general fund and other state agencies pursuant to state statute. Each deposit, payment voucher, investment, and any other item that affects cash is verified daily against SHARE to ensure the amount was posted correctly into the State’s general ledger system. Any discrepancies are noted immediately and reported to the Department of Finance and Administration and State Treasurer’s Office.

Interest in the General Fund Investment Pool. State law (Section 8-6-3 NMSA 1978) requires the Department’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2015, the Department had the following invested in the General Fund Investment Pool: \$33,938,818.

Interest Rate Risk - The New Mexico State Treasurer’s Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13. CASH RECONCILIATION (CONTINUED)

PERA believes the cash invested in the State Treasurer Overnight Pool is represented fairly and with no material misstatements due to the reconciliation done by PERA. Each deposit, payment voucher, investment, and any other item that affects cash is verified monthly against SHARE to ensure the amount was posted correctly into the State’s general ledger system. Any discrepancies are noted immediately to the Department of Finance and Administration and State Treasurer Office.

NOTE 14. SPECIAL ITEM

On June 11, 2015, PERA was awarded \$50 million in settlement of PERA’s claims against Wells Fargo. The settlement agreement specifies payments of the \$50 million in two parts; \$40 million within 10 days of execution and \$10 million upon transfer of the Victoria investment (both transfers to go to the escrow account named, Public Employees Retirement Association of New Mexico, Bernstein Liebhard LLP, jointly controlled until final distribution). Of this awarded amount, \$25 million was wired to PERA’s custody bank on June 29, 2015. The \$25 million was allocated (based on 6/30/15 allocation percentages) amongst PERA’s plans as follows:

PERA:	\$24,685,548
Judicial:	150,653
Magistrate:	56,879
Volunteer Firefighter:	106,920
Total	\$25,000,000

Another \$10 million was transferred to PERA on July 15, 2015 (FY 16). The remainder of the award money will be transferred to PERA in FY 16. A portion of the remaining \$15 million will be used to pay for attorney fees after the court has decided what amount to award the attorneys. Any remaining funds will be transferred to PERA after the attorney fees have been determined and paid.

Based on the understanding of GASB 34 requirements, PERA Management believes the settlement award from Wells Fargo should be accounted for and disclosed as a special item. Consistent with paragraph 56, the settlement was within Management’s control, but is infrequent in nature.

As detailed in the table above, a special item, will be accounted for *by fund* in the FY 15 financial statements and notes to the financial statements.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15. 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 2015 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 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 2015 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 balances as of June 30, 2015 are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighter Retirement Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Members Contribution Reserve	\$ 2,373,610,117	\$ 11,063,301	\$ 3,073,097	\$ -
Employers Accumulation Reserve	4,009,036,763	58,706,428	23,609,349	3,000,000
Retirement Reserve Fund	7,872,798,542	19,218,524	6,505,048	59,103,236
	<u>14,255,445,422</u>	<u>88,988,253</u>	<u>33,187,494</u>	<u>62,103,236</u>
Subtotal				
Deferred Compensation Fund	83,120	-	-	-
	<u>83,120</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 14,255,528,542</u>	<u>\$ 88,988,253</u>	<u>\$ 33,187,494</u>	<u>\$ 62,103,236</u>

REQUIRED SUPPLEMENTARY INFORMATION

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Year Ended June 30, 2015**

PERA

	2014	2015	2016	2017	2018
Total pension					
Service	\$ 418,995,891	\$ 389,052,473			
Interest	1,286,996,350	1,335,949,923			
Benefit changes					
Difference between expected and actual experience		59,112,343			
Changes of assumptions	(91,856,820)				
Benefit payments	(905,329,141)	(966,236,566)			
Refunds of contributions	(47,376,975)	(46,010,197)			
Net change in total pension liability	\$ 661,429,305	\$ 771,867,976			
Total pension liability - beginning	\$ 17,082,757,593	\$ 17,744,186,898			
Total pension liability - ending (a)	\$ 17,744,186,898	\$ 18,516,054,874			
Plan net					
Contributions - employer ¹	\$ 370,766,329	\$ 317,163,961			
Contributions - member ²	174,037,205	258,919,779			
Net investment income	2,118,284,928	251,488,279			
Benefit payments	(905,329,141)	(966,236,566)			
Administrative expense	(10,336,324)	(9,885,765)			
Refunds of contributions	(47,376,975)	(46,010,197)			
Other	17,005,791	25,296,313			
Net change in plan net position	\$ 1,717,051,813	\$ (169,264,196)			
Plan net position - beginning	\$ 12,707,740,926	\$ 14,424,792,739			
Plan net position - ending (b)	\$ 14,424,792,739	\$ 14,255,528,543			
Net pension liability - ending (a) - (b)	\$ 3,319,394,159	\$ 4,260,526,331			

¹ Includes \$74,357,341 of employer paid plan member contributions for 2014 (in accordance with Question 40 in the GASB 67 Implementation Guide).

² Includes service purchases.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Year Ended June 30, 2015**

JUDICIAL

	2014	2015	2016	2017	2018
Total pension liability					
Service	\$ 3,792,564	\$ 3,344,275			
Interes	10,798,432	9,900,234			
Benefit	(16,058,954)	0			
Difference between expected and actual	0	755,126			
Changes of	(1,003,702)	0			
Benefit payments	(8,770,177)	(9,373,041)			
Refunds of contributions	(52,562)	(40,197)			
Net change in total pension liability	(11,294,399)	4,586,397			
Total pension liability - beginning	143,745,972	132,451,573			
Total pension liability - ending (a)	132,451,573	137,037,970			
Plan net position					
Contributions -	3,740,786	4,196,276			
Contributions - member	1,085,631	1,579,180			
Net investment	13,196,711	1,511,658			
Benefit payments	(8,770,177)	(9,373,041)			
Administrative expense	(63,610)	(60,019)			
Refunds of contributions	(52,562)	(40,197)			
Other	485,893	33,095			
Net change in plan net position	9,622,672	(2,153,048)			
Plan net position - beginning	81,518,628	91,141,300			
Plan net position - ending (b)	91,141,300	88,988,252			
Net pension liability - ending (a) - (b)	41,310,273	48,049,718			

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Year Ended June 30, 2015**

MAGISTRATE

	2014	2015	2016	2017	2018
Total pension liability					
Service	\$ 1,428,353	\$ 947,730			
Interes	3,688,653	3,444,833			
Benefit	(7,527,733)	0			
Difference between expected and actual	0	6,703,398			
Changes of	(7,643,920)	0			
Benefit payments	(3,689,881)	(3,955,687)			
Refunds of contributions	(15,477)	(4,918)			
Net change in total pension liability	\$ (13,760,005)	\$ 7,135,356			
Total pension liability - beginning	\$ 70,161,064	\$56,401,059			
Total pension liability - ending (a)	\$ 56,401,059	\$63,536,415			
Plan net position					
Contributions -	\$ 793,044	\$ 936,602			
Contributions - member	266,120	489,642			
Net investment	5,199,209	579,091			
Benefit payments	(3,689,881)	(3,955,687)			
Administrative expense	(24,275)	(22,660)			
Refunds of contributions	(15,477)	(4,918)			
Other	216,853	(19,486)			
Net change in plan net position	\$ 2,745,593	\$ (1,997,416)			
Plan net position - beginning	\$ 32,439,317	\$35,184,910			
Plan net position - ending (b)	\$ 35,184,910	\$33,187,494			
Net pension liability - ending (a) - (b)	\$ 21,216,149	\$30,348,921			

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Year Ended June 30, 2015**

VOLUNTEER FIREFIGHTER

	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 1,253,736	\$ 1,250,564			
Interest	2,871,904	3,104,991			
Benefit	0	0			
Difference between expected and actual	0	874,372			
Changes of	408,092	0			
Benefit payments	(1,418,943)	(1,633,388)			
Refunds of contributions	0	0			
Net change in total pension liability	3,114,789	3,596,539			
Total pension liability - beginning	37,766,301	40,881,090			
Total pension liability - ending (a)	40,881,090	44,477,629			
Plan net position					
Contributions - employer	750,000	750,000			
Contributions - member	0	0			
Net investment	8,919,556	1,093,757			
Benefit payments	(1,418,943)	(1,633,388)			
Administrative expense	(44,316)	(42,596)			
Refunds of contributions	0	0			
Other	404,492	12,201			
Net change in plan net position	8,610,789	179,974			
Plan net position - beginning	53,312,473	61,923,262			
Plan net position - ending (b)	61,923,262	62,103,236			
Net pension liability - ending (a) - (b)	(21,042,172)	(17,625,607)			

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY
Year Ended June 30, 2015**

PERA

	2014	2015	2016	2017	2018
Total pension liability	\$ 17,744,186,898	\$ 18,516,054,874			
Plan net position	<u>14,424,792,739</u>	<u>14,255,528,543</u>			
Net pension liability	\$ 3,319,394,159	\$ 4,260,526,331			
Ratio of plan net position to total pension liability	81.29%	76.99%			
Covered-employee payroll	\$ 2,102,265,325	\$ 2,248,254,276			
Net pension liability as a percentage of covered-employee payroll	157.90%	189.50%			

JUDICIAL

	2014	2015	2016	2017	2018
Total pension	\$132,451,573	\$137,037,970			
Plan net position	<u>91,141,300</u>	<u>88,988,252</u>			
Net pension	\$41,310,273	\$48,049,718			
Ratio of plan net position to total pension	68.81%	64.94%			
Covered-employee payroll	\$13,163,305	\$15,084,263			
Net pension liability as percentage of covered-employee payroll	313.83%	318.54%			

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF NET PENSION LIABILITY
 Year Ended June 30, 2015**

MAGISTRATE

	2014	2015	2016	2017	2018
Total pension	\$56,401,059	\$63,536,415			
Plan net position	<u>35,184,910</u>	<u>33,187,494</u>			
Net pension	\$21,216,149	\$30,348,921			
Ratio of plan net position to total pension	62.38%	52.23%			
Covered-employee payroll	\$3,515,567	\$5,065,798			
Net pension liability as percentage of covered-employee payroll	603.49%	599.09%			

VOLUNTEER FIREFIGHTER

	2014	2015	2016	2017	2018
Total pension	\$ 40,881,090	\$ 44,477,629			
Plan net position	<u>61,923,262</u>	<u>62,103,236</u>			
Net pension	\$ (21,042,172)	\$ (17,625,607)			
Ratio of plan net position to total pension	151.47%	139.63%			
Covered-employee payroll	N/A	N/A			
Net pension liability as percentage of covered-employee payroll	N/A	N/A			

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2015**

PERA

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contributions*	\$ 317,163,961	\$ 370,766,329	\$ 285,560,291	\$ 274,905,978	\$ 283,376,830	\$ 291,683,000	\$ 311,081,925	\$ 292,569,000	\$ 269,570,849	\$ 249,740,237
Actual employer contributions*	<u>317,163,961</u>	<u>370,766,329</u>	<u>285,560,291</u>	<u>274,905,978</u>	<u>283,376,830</u>	<u>291,683,000</u>	<u>311,081,925</u>	<u>292,569,000</u>	<u>269,570,849</u>	<u>249,740,237</u>
Annual contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered-employee payroll	\$2,248,254,276	\$2,102,265,325	\$2,049,737,510	\$1,994,280,107	\$1,935,013,761	\$1,993,516,921	\$2,081,259,498	\$1,965,064,160	\$1,908,519,615	\$1,774,918,446
Actual contributions as a percentage of covered-employee payroll	14.11%	17.64%	13.93%	13.78%	14.64%	14.63%	14.95%	14.89%	14.12%	14.07%

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

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2015

JUDICIAL

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$4,918,978	\$6,412,805	\$7,235,448	\$5,834,621	\$5,784,453	\$5,658,174	\$4,690,274	\$4,549,247	\$4,149,058	\$3,851,188
Actual employer contributions	<u>4,196,276</u>	<u>3,740,786</u>	<u>3,527,270</u>	<u>3,266,203</u>	<u>3,823,546</u>	<u>3,698,949</u>	<u>4,058,271</u>	<u>3,832,000</u>	<u>3,622,534</u>	<u>3,153,706</u>
Annual contribution deficiency (excess)	722,702	4,197,035	3,708,178	2,568,418	1,960,907	1,959,225	632,003	717,247	526,524	697,482
Covered-employee payroll	15,084,263	13,163,305	13,226,142	12,690,503	12,266,852	13,041,980	13,011,196	11,697,421	11,754,248	10,059,893
Actual contributions as a percentage of covered-employee payroll	27.82%	28.42%	26.67%	25.74%	31.17%	28.36%	31.19%	32.76%	30.82%	31.35%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2015

MAGISTRATE

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$1,966,543	\$1,992,392	\$2,286,413	\$1,793,261	\$2,013,684	\$1,698,108	\$1,151,061	\$1,029,865	\$943,884	\$1,009,203
Actual employer contributions	<u>936,602</u>	<u>793,044</u>	<u>805,337</u>	<u>676,073</u>	<u>894,644</u>	<u>825,317</u>	<u>1,000,180</u>	<u>981,000</u>	<u>920,000</u>	<u>848,975</u>
Annual contribution deficiency (excess)	\$1,029,941	\$1,199,348	\$1,481,076	\$1,117,188	\$1,119,040	\$872,791	\$150,881	\$48,865	\$23,884	\$160,228
Covered-employee payroll	\$5,065,798	\$3,515,567	\$3,136,834	\$3,213,712	\$3,405,121	\$3,519,570	\$4,128,599	\$3,363,342	\$3,464,587	\$3,149,560
Actual contributions as a percentage of covered-employee payroll	18.49%	22.56%	25.67%	21.04%	26.27%	23.45%	24.23%	29.17%	26.55%	26.96%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2015

VOLUNTEER FIREFIGHTER

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required employer contributions	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Actual employer contributions	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
Annual contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
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

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
Year Ended June 30, 2015**

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

<u>2014</u>	<u>2015</u>
17.4%	1.9%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

PERA

Summary of Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll Growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

JUDICIAL

Summary of Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	30 years
Asset valuation method	4 Year Smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll Growth	3.50% annual rate
Projected salary increases	4.25% annual rate
Includes inflation at	3.0% annual rate

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

MAGISTRATE

Summary of Actuarial Methods and Assumptions

Actuarial date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Municipal bond rate	3.82%
Discount rate	5.61%
Payroll Growth	3.50%
Projected salary increases	3.75%

VOLUNTEER FIREFIGHTER

Summary of Actuarial Methods and Assumptions

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Open
Amortization period	30 years
Asset valuation method	4 Year Smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll Growth	N/A
Projected salary increases	N/A

SUPPLEMENTAL INFORMATION

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
SCHEDULE OF REVENUES, APPROPRIATION, AND EXPENSES-
BUDGET AND ACTUAL PUBLIC EMPLOYEES RETIREMENT FUND ONLY
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues and Appropriations				
Other state funds:				
Interest income	\$ 40,240,271	\$ 43,415,986	\$ 486,126,268	\$ 442,710,282
Deferred Comp Plan Income	<u>116,229</u>	<u>116,229</u>	<u>118,298</u>	<u>2,069</u>
Total Revenue	<u>40,356,500</u>	<u>43,532,215</u>	<u>486,244,566</u>	<u>442,712,351</u>
 Expenditures				
Administration				
Contractual services	33,317,500	36,038,415	30,066,678	5,971,737
Personnel services and benefits	5,965,400	6,213,700	5,512,130	701,570
Other operating costs	<u>1,073,600</u>	<u>1,280,100</u>	<u>1,043,322</u>	<u>236,778</u>
Total Expenditures	<u>40,356,500</u>	<u>43,532,215</u>	<u>36,622,130</u>	<u>6,910,085</u>
 Change in net assets, budget items			\$ 449,622,436	
 Non-budget revenues and expenses:				
Investment earnings and change in fair value			(206,534,270)	
Depreciation Expense			(680,163)	
Compensated Absences			(233,831)	
Contributions from members and employers (plus service credit purchase)			576,083,740	
Other Administrative and Investment Expenses			(571,660)	
Other Income/Special Item			25,296,313	
Benefit payments to retirees and beneficiaries			(966,236,566)	
Refunds to terminated employees			<u>(46,010,197)</u>	
 Increase (Decrease) in plan net assets			(169,264,198)	
 Net Position held in trust for pension benefits				
Balance - beginning of year			<u>14,424,792,741</u>	
 Balance - end of year			<u><u>\$ 14,255,528,543</u></u>	

Note: Deferred Compensation Fund Administrative revenues and expenses are excluded from the PERA fund budget amounts and included below as those amounts are separately budgeted.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
OTHER SUPPLEMENTAL SCHEDULES
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
PUBLIC EMPLOYEES RETIREMENT FUND ONLY
Years Ended June 30, 2015 and 2014**

	2015	2014
Investment Expenses:		
Investment Manager Fees	\$ 24,877,075	\$ 28,355,973
Consultant Fees	2,614,150	2,604,581
Information Technology Services	65,167	27,498
Legal Fees	178,790	434,164
Total Investment Expenses	\$ 27,735,183	\$ 31,422,216
Administrative Expenses:		
Other Contractual Services:		
Information Technology Services	1,308,379	2,292,580
Legal Fees	412,448	508,486
Audit Fees	140,340	144,033
Medical Services	52,082	60,406
Other Professional Services	421,245	81,998
Total Other Contractual Services	2,334,494	3,087,503
Other Administrative Services:		
Personnel Services and Benefits	5,512,130	4,788,928
Other Operating Costs	1,044,539	1,729,885
Compensated Absences	233,831	233,827
Depreciation Expense	680,163	496,180
Total Other Administrative Services	7,470,663	7,248,820
Total Administrative Expenses	\$ 9,805,157	\$ 10,336,323
Total Investment and Administrative Expenses	\$ 37,540,340	\$ 41,758,539

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
OTHER SUPPLEMENTAL SCHEDULES
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
DEFERRED COMPENSATION FUND ONLY
Years Ended June 30, 2015 and 2014

	2015	2014
Investment Expenses:		
Investment Manager Fees	\$ -	\$ -
Consultant Fees	-	-
Information Technology Services	-	-
Legal Fees	-	-
Total Investment Expenses	\$ -	\$ -
Administrative Expenses:		
Other Contractual Services:		
Information Technology Services	-	-
Legal Fees	-	-
Audit Fees	-	-
Medical Services	-	-
Other Professional Services	-	-
Total Other Contractual Services	-	-
Other Administrative Services:		
Personnel Services and Benefits	70,028	68,719
Other Operating Costs	4,479	5,644
Compensated Absences	6,102	6,102
Depreciation Expense	-	-
Total Other Administrative Services	80,609	80,465
Total Administrative Expenses	\$ 80,609	\$ 80,465
Total Investment and Administrative Expenses	\$ 80,609	\$ 80,465

Note: These Deferred Compensation Fund administrative expenses are included in the PERA fund administrative expenses on page 26, but separated for budget purposes.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
OTHER SUPPLEMENTAL SCHEDULES
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
JUDICIAL RETIREMENT FUND ONLY
Years Ended June 30, 2015 and 2014

	2015	2014
Investment Expenses:		
Investment Manager Fees	\$ 152,257	\$ 190,531
Consultant Fees	16,002	-
Information Technology Services	399	169
Legal Fees	1,094	2,672
Total Investment Expenses	169,752	193,372
Administrative Expenses:		
Other Contractual Services:		
Information Technology Services	8,009	14,109
Legal Fees	2,525	3,129
Audit Fees	859	886
Medical Services	319	372
Other Professional Services	2,578	505
Total Other Contractual Services	14,290	19,001
Other Administrative Services:		
Personnel Services and Benefits	33,741	29,471
Other Operating Costs	6,394	10,646
Compensated Absences	1,431	1,439
Depreciation Expense	4,163	3,053
Total Other Administrative Services	45,729	44,609
Total Administrative Expenses	\$ 60,019	\$ 63,610
Total Investment and Administrative Expenses	\$ 229,771	\$ 256,982

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
OTHER SUPPLEMENTAL SCHEDULES
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
MAGISTRATE RETIREMENT FUND ONLY
Years Ended June 30, 2015 and 2014**

	2015	2014
Investment Expenses:		
Investment Manager Fees	\$ 57,485	\$ 72,710
Consultant Fees	6,041	-
Information Technology Services	151	65
Legal Fees	413	1,020
Total Investment Expenses	\$ 64,091	\$ 73,795
Administrative Expenses:		
Other Contractual Services:		
Information Technology Services	3,024	5,384
Legal Fees	953	1,194
Audit Fees	324	338
Medical Services	120	142
Other Professional Services	974	193
Total Other Contractual Services	5,395	7,251
Other Administrative Services:		
Personnel Services and Benefits	12,740	11,247
Other Operating Costs	2,414	4,063
Compensated Absences	540	549
Depreciation Expense	1,572	1,165
Total Other Administrative Services	17,266	17,024
Total Administrative Expenses	\$ 22,661	\$ 24,275
Total Investment and Administrative Expenses	\$ 86,752	\$ 98,070

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
OTHER SUPPLEMENTAL SCHEDULES
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
VOLUNTEER FIREFIGHTER RETIREMENT FUND ONLY
Years Ended June 30, 2015 and 2014

	2015	2014
Investment Expenses:		
Investment Manager Fees	\$ 108,058	\$ 132,739
Consultant Fees	11,356	-
Information Technology Services	283	118
Legal Fees	777	1,861
Total Investment Expenses	\$ 120,474	\$ 134,718
Administrative Expenses:		
Other Contractual Services:		
Information Technology Services	5,684	9,829
Legal Fees	1,792	2,180
Audit Fees	610	618
Medical Services	226	259
Other Professional Services	1,830	352
Total Other Contractual Services	10,142	13,238
Other Administrative Services:		
Personnel Services and Benefits	23,945	20,532
Other Operating Costs	4,538	7,417
Compensated Absences	1,016	1,003
Depreciation Expense	2,955	2,127
Total Other Administrative Services	32,454	31,079
Total Administrative Expenses	\$ 42,596	\$ 44,317
Total Investment and Administrative Expenses	\$ 163,070	\$ 179,035

OTHER INFORMATION

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
SCHEDULE OF VENDORS
YEAR ENDED JUNE 30, 2015**

Requests for Proposal (RFP) or Request for Bids (RFB) in FY15	Vendors that Submitted Proposals/Bids	In-State or Out-of-State Vendor	In-State Vendors Choosing Veterans' Preference	Scope of Work	Vendor Awarded the Contract	Dollar Amount of Contract
Sole Source for RIO Maintenance	Hewlett-Packard State & Local Enterprise Inc.	NA	NA	Maintenance of the Retirement Information Online (RIO) system	Hewlett-Packard State & Local Enterprise Inc.	\$1,044,400
Internal Audit RFP	Barraclough & Associates, P. C.	In-State	NA	Internal auditing services to assist PERA in maintaining effective controls	REDW LLC	\$75,000
	REDW LLC	In-State	NA			
Repairs to Rammed Earth RFP	Sims General Building Inc.	In-State	N/A	Repairs to the rammed earth on the exterior of the PERA building	Sims General Building Inc.	\$436,600
	New Mexico Earth Works	In-State	N/A			
	Crocker LTD.	In-State	N/A			
Investment Management RFB*	Blacrock (Active)	Out-of-State	N/A	Investment Management Services - Fixed Income	Blackrock (Active), Manulife Asset Management and Prudential Investment Management	Assets Under Management (Estimated to be over \$60,000)
	Manulife Asset Management	Out-of-State	N/A			
	Pacific Investment Management Company	Out-of-State	N/A			
	Franklin Advisors	Out-of-State	N/A			
	Prudential Investment Management	Out-of-State	N/A			
Custody Banking Services RFP*	JP Morgan Chase Bank	Out-of-State	N/A	Custody Banking Services	Bank of New York Mellon	\$1,387,500
	Bank of New York Mellon	Out-of-State	N/A			
	Northern Trust	Out-of-State	N/A			
	State Street	Out-of-State	N/A			
Investment Management RFI*	Parametric Portfolio Associates	Out-of-State	N/A	Emerging Market Equity Investment Management Services	Parametric Portfolio Associates	Assets Under Management & Performance (Estimated to be over \$60,000)
	Axiom International Advisors	Out-of-State	N/A			
	Causeway Capital Management	Out-of-State	N/A			
	Fisher Investments Institutional Group	Out-of-State	N/A			
	J.P. Morgan Investment Management	Out-of-State	N/A			
	Quantitative Management Associates	Out-of-State	N/A			
	Vontobel Asset Management	Out-of-State	N/A			
Investment Management RFI*	Principal Global Investors	Out-of-State	N/A	International SMALL CAP Equity Investment Management Services	Principal Global Investors	Assets Under Management & Performance (Estimated to be over \$60,000)
	Acadian Asset Management	Out-of-State	N/A			
	AQR Capital Management	Out-of-State	N/A			
	Copper Rock Capital Partners	Out-of-State	N/A			
	LSV Asset Management	Out-of-State	N/A			
	Oberweis Asset Management	Out-of-State	N/A			
	OFI Global Asset Management	Out-of-State	N/A			
	Thompson, Siegel & Walmsley ("TS&W")	Out-of-State	N/A			
Victory Capital Management	Out-of-State	N/A				
Investment Legal Services RFI*	K&L Gates	Out-of-State	N/A	External Legal Services Provider	K&L Gates, Morgan Lewis and Reinhart, Boerner, Van Deuren	Amount Depends on Work Assigned (Estimated to over \$60,000)
	Morgan Lewis	Out-of-State	N/A			
	Foster Pepper	Out-of-State	N/A			
	Squire, Patton, Boggs	Out-of-State	N/A			
	Reinhart, Boerner, Van Deuren	Out-of-State	N/A			
	Kutak Rock	Out-of-State	N/A			
Jackson Walker	Out-of-State	N/A				

*Investment Contracts that are Exempt from Procurement Code.

**REPORT OF INDEPENDENT AUDITORS 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**

To Members of the Retirement Board of the
Public Employees Retirement Association of New Mexico and
Mr. Timothy 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 fiduciary net position and statements of changes in fiduciary net position of the Public Employees Retirement Fund, Judicial Retirement Fund, Magistrate Retirement Fund, Volunteer Firefighters Retirement Fund and 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, 2015, and the related notes to the financial statements, which collectively comprise PERA's basic financial statements and have issued our report thereon dated November 24, 2015. 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 other auditors' testing of internal controls 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.

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

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.

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 results 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.

Mess Adams LLP

Albuquerque, New Mexico
November 24, 2015

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015**

2014-001	Completeness of Census Data- Active Participants (Other Matter)	Resolved
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**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015**

A. OTHER MATTERS AS REQUIRED BY THE NEW MEXICO STATE AUDIT RULE

None

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
EXIT CONFERENCE
June 30, 2015**

We discussed the financial statements and recommendations contained in this letter during the exit conference held November 19, 2015. The exit conference was attended by the following individuals:

Public Employees Retirement Association

Wayne Propst	Executive Director
Susan Pittard	Chief of Staff/General Counsel
Natalie Cordova	Chief Financial Officer
Renada Peery-Galon	Administrative Services Director
Valerie Sandoval	Finance and Budget Manager
Theresa Storey	Financial Coordinator
Greg Trujillo	Deputy Director
Jonathan Grabel	Chief Investment Officer
Jude Perez	Deputy Chief Investment Officer
Kristin Varela	Portfolio Manager

Patricia French	Municipal Member
Louis Martinez	Municipal Member
Paula Fisher	State Member
John Reynolds	State Member
Jackie Kohlasch	State Member
Daniel Esquibel	Municipal Member
Stewart Logan	County Member
Loretta Naranjo-Lopez	Retiree Member
Daniel Mayfield	Retiree Member

Moss Adams LLP

Lisa Todd	Partner
Sara Brownstein	Manager