



October 16, 2015

Board of Trustees  
Educational Retirement Board of New Mexico  
P.O. Box 26129  
Santa Fe, NM 87502-0129

**Subject: GASB Reporting and Disclosure Information for ERB Fiscal Year Ending  
June 30, 2015**

Members of the Board,

This report provides information required by the Educational Retirement Board of New Mexico (ERB) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the governmental employers participating in ERB in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by governmental employers in financial reporting for the fiscal year ending June 30, 2016. The information provided herein was prepared for the purpose of assisting ERB and the governmental employers in the compliance with the financial reporting and disclosure requirements of GASB Nos. 67 and 68.

The calculation of the liability associated with the benefits referenced in this report was performed for the purpose of satisfying the requirements of GASB Nos. 67 and 68 and is not applicable for purposes of funding the plan. A calculation of the plan's liability for other purposes may produce significantly different results. This report may be provided to parties other than ERB only in its entirety and only with the permission of ERB.

The total pension liability, net pension liability, and certain sensitivity information shown in this report 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 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on June 12, 2015. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. For purposes of projecting future benefits, it is assumed that the full COLA will be paid in all future years. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Nos. 67 and 68.

This report provides the Collective Pension Amounts under GASB No. 68 which will be allocated to the governmental employers participating in ERB. It is our understanding that each governmental employer's proportionate share will be determined based on the employer's contribution to ERB as a percentage of the total contribution to ERB by all employers. It is also our understanding that the proportionate share of the Collective Pension Amounts associated with the governmental employers will be calculated by ERB.

This report is based upon information, furnished to us by ERB, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERB.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Nos. 67 and 68. The historical information in this report will begin with the information presented for the ERB fiscal year ending June 30, 2013.

Paragraph 57 of GASB No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions reported to ERB subsequent to June 30, 2015.

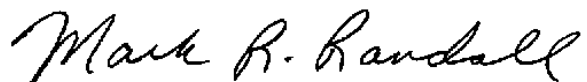
This report complements the actuarial valuation report as of June 30, 2015, provided for plan funding purposes, which was also provided to ERB and should be considered together as a complete report for the plan year ending June 30, 2015. Please see the actuarial valuation report as of June 30, 2014 and the Actuarial Experience Study report, dated June 12, 2015, for additional discussion of the actuarial valuation that was used in the roll-forward, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, this report is complete and accurate and is in accordance with generally recognized actuarial practices and methods. Mr. Falls and Mr. Randall are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,



R. Ryan Falls, FSA, MAAA, EA  
Senior Consultant



Mark R. Randall, FCA, EA, MAAA  
Chief Executive Officer

## Summary of Population Statistics

The total pension liability described in this report is based on the ERB plan membership as of June 30, 2014:

### Summary of Population Statistics

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	42,246
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	36,589
Active Plan Members	61,173
Total Plan Members	<u>140,008</u>

### Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based on an expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the 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.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels. Additionally, contributions received through Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

### Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2015. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

1% Decrease	Current Single Rate Assumption	1% Increase
6.75%	7.75%	8.75%
\$ 8,715,594,530	\$ 6,477,266,299	\$ 4,596,837,569

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**AS OF JUNE 30, 2015**

<b>Fiscal Year</b>	<u><b>2015</b></u>
<b>Additions</b>	
Contributions	
Employer	\$ 389,767,317
Member	294,560,840
Employer for ARP members	5,362,304
<b>Total Contributions</b>	<u>\$ 689,690,461</u>
Net Investment Income	
Investment income	\$ 447,816,245
Investment expenses	(18,078,167)
<b>Net Investment Income</b>	<u>\$ 429,738,078</u>
<b>Total Additions</b>	<u>\$ 1,119,428,539</u>
<b>Deductions</b>	
Benefit Payments and Refunds	\$ 957,183,402
Administrative Expense	10,597,846
Other	0
<b>Total Deductions</b>	<u>\$ 967,781,248</u>
<b>Net Increase in Net Position</b>	\$ 151,647,291
<b>Net Position Restricted for Pensions</b>	
Beginning of Year	\$ 11,346,075,824
End of Year	<u><u>\$ 11,497,723,115</u></u>

*This reconciliation only includes the items needed to reconcile the changes in Net Pension Liability during the fiscal year. The Reconciliation of Fiduciary Net Position required by GASB No. 67 may require additional detail regarding the changes throughout the year.*

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Changes in the Employers' Net Pension Liability and Related Ratios**

Fiscal year ending June 30,	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Total Pension Liability</b>			
Service Cost	\$ 346,956,028	\$ 350,247,724	\$ 348,266,697
Interest on the Total Pension Liability	1,321,047,780	1,254,730,237	1,202,676,449
Benefit Changes	0	0	10,093,494
Difference between Expected and Actual Experience	(86,722,485)	(114,507,809)	0
Assumption Changes	299,084,856	0	(5,035,689,829)
Benefit Payments and Refunds	(957,183,402)	(907,214,467)	(853,329,267)
<b>Net Change in Total Pension Liability</b>	<b>\$ 923,182,777</b>	<b>\$ 583,255,685</b>	<b>\$ (4,327,982,456)</b>
<b>Total Pension Liability - Beginning</b>	<b>17,051,806,637</b>	<b>16,468,550,952</b>	<b>20,796,533,408</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 17,974,989,414</b>	<b>\$ 17,051,806,637</b>	<b>\$ 16,468,550,952</b>
<b>Plan Fiduciary Net Position</b>			
Employer Contributions	\$ 395,129,621	\$ 362,462,537	\$ 299,657,530
Member Contributions	294,560,840	271,513,574	250,529,546
Pension Plan Net Investment Income	429,738,078	1,444,233,347	1,016,865,792
Benefit Payments and Refunds	(957,183,402)	(907,214,467)	(853,329,267)
Pension Plan Administrative Expense	(10,597,846)	(16,617,970)	(10,985,967)
Other	0	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 151,647,291</b>	<b>\$ 1,154,377,021</b>	<b>\$ 702,737,634</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>11,346,075,824</b>	<b>10,191,698,803</b>	<b>9,488,961,169</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 11,497,723,115</b>	<b>\$ 11,346,075,824</b>	<b>\$ 10,191,698,803</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>6,477,266,299</b>	<b>5,705,730,813</b>	<b>6,276,852,149</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>63.97 %</b>	<b>66.54 %</b>	<b>61.89 %</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,730,320,345</b>	<b>\$ 2,718,100,677</b>	<b>\$ 2,706,170,349</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>237.23 %</b>	<b>209.92 %</b>	<b>231.95 %</b>

**Notes to Schedule:**

The change in total pension liability due to assumption changes for the fiscal year ending June 30, 2013 includes the impact of the new assumptions adopted by the Board on April 26, 2013 as well as the change in the single discount rate between June 30, 2012 and June 30, 2013. The change for the fiscal year ending June 30, 2015 includes the impact of the new assumptions adopted by the Board on June 12, 2015.

The covered employee payroll is the actual payroll, imputed from the total employer contribution for active members, for the fiscal year ending June 30.

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION****Schedule of Employer Contributions**

<b>FY Ending June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2013	\$ 480,700,326	\$ 299,657,530	\$ 181,042,796	\$ 2,706,170,349	11.07 %
2014	479,884,486	362,462,537	117,421,949	2,718,100,677	13.34 %
2015	450,950,584	395,129,621	55,820,963	2,730,320,345	14.47 %

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** June 30, 2014

Notes Actuarially determined contribution rates are calculated as of June 30. Members and employers contribute based on statutorily fixed rates.

**Methods and Assumptions Used to Determine Contribution Rate for Most Recent Fiscal Year:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Amortized over a closed 30-year period from June 30, 2012, ending June 30, 2042
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	Composed of 3.00% inflation, plus 1.25% productivity increase rate, plus step-rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates based on age and service. Adopted by the Board on April 26, 2013 in conjunction with the six year experience study for the period ending June 30, 2012.
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment, projected to 2014 using Scale AA (with one-year setback for females).

**GOVERNMENTAL EMPLOYER FINANCIAL STATEMENTS****Pension Expense for ERB Fiscal Year Ending June 30, 2015**

To be used for Governmental Employer Reporting for Fiscal Year Ending June 30, 2016

**A. Expense**

1. Total Service Cost	\$ 346,956,028
2. Interest on the Total Pension Liability	1,321,047,780
3. Current-Period Benefit Changes	0
4. Member Contributions	(294,560,840)
5. Projected Earnings on Plan Investments	(879,553,371)
6. Administrative Expense	10,597,846
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of Deferred Outflow (Inflow) of Resources due to Liabilities	24,661,753
9. Recognition of Deferred Outflow (Inflow) of Resources due to Assets	(39,706,283)
<b>10. Total Pension Expense</b>	<b>\$ 489,442,913</b>

**Recognition of Deferred Outflows and Inflows of Resources**

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2015 fiscal year, the expected remaining service lives of all employees was 549,356 years for ERB. Additionally, the ERB plan membership (active employees and inactive employees) was 140,008. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2015 fiscal year is 3.92 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

## GOVERNMENTAL EMPLOYER FINANCIAL STATEMENTS

### Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods For ERB Fiscal Year Ending June 30, 2015

To be used for Governmental Employer Reporting for Fiscal Year Ending June 30, 2016

#### A. New Deferred Outflows and Inflows of Resources by Source Established in Fiscal Year

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 86,722,485	\$ (86,722,485)
2. Assumption Changes	299,084,856	0	299,084,856
3. Net Difference between projected and actual earnings on pension plan investments	449,815,293	0	449,815,293
<b>4. Total</b>	<b>\$ 748,900,149</b>	<b>\$ 86,722,485</b>	<b>\$ 662,177,664</b>

#### B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 51,635,405	\$ (51,635,405)
2. Assumption Changes	76,297,158	0	76,297,158
3. Net Difference between projected and actual earnings on pension plan investments	89,963,059	129,669,342	(39,706,283)
<b>4. Total</b>	<b>\$ 166,260,217</b>	<b>\$ 181,304,747</b>	<b>\$ (15,044,530)</b>

#### C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 0	\$ 120,082,567	\$ (120,082,567)
2. Assumption Changes	222,787,698	0	222,787,698
3. Net Difference between projected and actual earnings on pension plan investments	359,852,234	389,008,022	(29,155,788)
<b>4. Total</b>	<b>\$ 582,639,932</b>	<b>\$ 509,090,589</b>	<b>\$ 73,549,343</b>

#### D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

Fiscal Year Ending June 30	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2016	\$ 166,260,217	\$ 181,304,747	\$ (15,044,530)
2017	166,260,217	177,763,268	(11,503,051)
2018	160,156,441	150,022,574	10,133,867
2019	89,963,057	0	89,963,057
2020	0	0	0
Thereafter	0	0	0
<b>Total</b>	<b>\$ 582,639,932</b>	<b>\$ 509,090,589</b>	<b>\$ 73,549,343</b>