



June 25, 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, 2014**

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, 2015. 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, 2013. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. 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. The proportionate share of the Collective Pension Amounts associated with the governmental employers will be provided in an accompanying Excel workbook.

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 can 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 made to ERB subsequent to June 30, 2014.

This report complements the actuarial valuation report as of June 30, 2014, 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, 2014. Please see the actuarial valuation report as of June 30, 2013 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, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	40,310
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	34,097
Active Plan Members	61,177
Total Plan Members	<u>135,584</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, 2013 and June 30, 2014. 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, 2014. 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:

Current Single Rate		
1% Decrease	Assumption	1% Increase
6.75%	7.75%	8.75%
\$ 7,763,304,829	\$ 5,705,730,813	\$ 3,987,098,791

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AS OF JUNE 30, 2014

Fiscal Year	2014
Additions	
Contributions	
Employer	\$ 357,430,239
Member	271,513,574
Employer for ARP members	5,032,298
Total Contributions	\$ 633,976,111
Investment Income	
Interest, dividends, and other income	\$ 180,493,151
Investment expenses	(13,719,779)
Net realized and unrealized gains	1,277,459,975
Net Investment Income	\$ 1,444,233,347
Total Additions	\$ 2,078,209,458
Deductions	
Benefit Payments and Refunds	\$ 907,214,467
Administrative Expense	16,617,970
Other	0
Total Deductions	\$ 923,832,437
Net Increase in Net Position	\$ 1,154,377,021
Net Position Restricted for Pensions	
Beginning of Year	\$ 10,191,698,803
End of Year	\$ 11,346,075,824

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,	2014	2013
Total Pension Liability		
Service Cost	\$ 350,247,724	\$ 348,266,697
Interest	1,254,730,237	1,202,676,449
Benefit Changes	0	10,093,494
Difference between actual & expected experience	(114,507,809)	0
Assumption Changes	0	(5,035,689,829)
Benefit Payments	(868,291,384)	(811,665,051)
Refunds	(38,923,083)	(41,664,216)
Net Change in Total Pension Liability	\$ 583,255,685	\$ (4,327,982,456)
Total Pension Liability - Beginning	16,468,550,952	20,796,533,408
Total Pension Liability - Ending (a)	\$ 17,051,806,637	\$ 16,468,550,952
Plan Fiduciary Net Position		
Contributions - Employer	\$ 362,462,537	\$ 299,657,530
Contributions - Member	271,513,574	250,529,546
Net Investment Income	1,444,233,347	1,016,865,792
Benefit Payments	(868,291,384)	(811,665,051)
Refunds	(38,923,083)	(41,664,216)
Administrative Expense	(16,617,970)	(10,985,967)
Other	0	0
Net Change in Plan Fiduciary Net Position	\$ 1,154,377,021	\$ 702,737,634
Plan Fiduciary Net Position - Beginning	10,191,698,803	9,488,961,169
Plan Fiduciary Net Position - Ending (b)	\$ 11,346,075,824	\$ 10,191,698,803
Net Pension Liability - Ending (a) - (b)	\$ 5,705,730,813	\$ 6,276,852,149
Plan Fiduciary Net Position as a Percentage		
of Total Pension Liability	66.54 %	61.89 %
Covered Employee Payroll		
	\$ 2,718,100,677	\$ 2,706,170,349
Net Pension Liability as a Percentage		
of Covered Employee Payroll	209.92 %	231.95 %

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: June 30, 2013

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 Rates:

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 Fiscal Year Ending June 30, 2014**

To be used for Governmental Employer Reporting for Fiscal Year Ending June 30, 2015

A. Expense

1. Total service cost	\$ 350,247,724
2. Interest on total pension liability	1,254,730,237
3. Current-period benefit changes	0
4. Member contributions	(271,513,574)
5. Projected earnings on plan investments	(795,886,641)
6. Administrative expense	16,617,970
7. Other	0
8. Recognition of beginning deferred outflows (inflows) due to liabilities	(29,512,322)
9. Recognition of beginning deferred outflows (inflows) due to assets	(129,669,342)
10. Total Pension Expense	\$ 395,014,052

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 2014 fiscal year, the expected remaining service lives of all employees was 525,605 years for ERB. Additionally, the ERB plan membership (active employees and inactive employees) was 135,584. 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 2014 fiscal year is 3.88 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 STATEMENTSStatement of Outflows and Inflows Arising from Current and Prior Reporting Periods
For Fiscal Year Ending June 30, 2014

To be used for Governmental Employer Reporting for Fiscal Year Ending June 30, 2015

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	\$ 114,507,809	\$ (114,507,809)
2. Assumption Changes	0	0	0
3. Net Difference between projected and actual earnings on pension plan investments	0	648,346,706	(648,346,706)
4. Total	\$ 0	\$ 762,854,515	\$ (762,854,515)

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	\$ 29,512,322	\$ (29,512,322)
2. Assumption Changes	0	0	0
3. Net Difference between projected and actual earnings on pension plan investments	0	129,669,342	(129,669,342)
4. Total	\$ 0	\$ 159,181,664	\$ (159,181,664)

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	\$ 84,995,487	\$ (84,995,487)
2. Assumption Changes	0	0	0
3. Net Difference between projected and actual earnings on pension plan investments	0	518,677,364	(518,677,364)
4. Total	\$ 0	\$ 603,672,851	\$ (603,672,851)

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

Fiscal Year Ending	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
2015	\$ 0	\$ 159,181,664	\$ (159,181,664)
2016	0	159,181,664	(159,181,664)
2017	0	155,640,185	(155,640,185)
2018	0	129,669,338	(129,669,338)
2019	0	0	0
Thereafter	0	0	0
Total	\$ 0	\$ 603,672,851	\$ (603,672,851)