



October 13, 2014

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

**Subject: GASB 67 Reporting and Disclosure Information for Fiscal Year Ending
June 30, 2014**

Dear 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." The information provided herein was prepared for the purpose of assisting ERB in the compliance with the financial reporting and disclosure requirements of GASB No. 67.

The calculation of the liability associated with the benefits referenced in this report was performed for the purpose of satisfying the requirements of GASB No. 67 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 No. 67.

This report is based upon information, furnished to us by ERB, which includes 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 No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67. The historical information in this report will begin with the information presented for the fiscal year ending June 30, 2013.

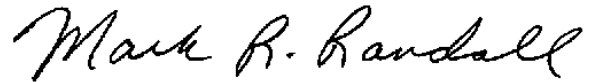
This report complements the actuarial valuation report as of June 30, 2014, provided for plan funding purposes, which was also provided to ERB and should be considered together as a complete report for the plan year ending June 30, 2014. Please see the actuarial valuation report as of June 30, 2013 for 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
Executive Vice President

Summary of Population Statistics

The total pension liability described in this report is based on the 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 the 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

The following table provides 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 primarily 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,	<u>2014</u>	<u>2013</u>
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).