



THE VOICE OF THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

PERA Board 2003

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 476-7097

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 314-0440

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 827-3600

The Honorable Robert Vigil
 State Treasurer
 955-1122

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 Energy, Minerals &
 Natural Resources Dept.
 476-3226

Mr. Danny Sandoval
 Children, Youth & Families Dept.
 827-8069

Mr. Hamish Thomson,
 Office of the Attorney General
 222-9020

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Ms. Susan H. Biernacki
 City of Albuquerque
 768-4500

Mr. Lou Hoffman
 City of Albuquerque
 768-3396

Ms. Cynthia Borrego
 City of Albuquerque
 924-3335

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Mr. Fabian Chavez
 988-2573

Mr. Victor Montoya
 474-3831

EXECUTIVE DIRECTOR

Mr. Terry Slattery
 827-4702

PERA in Albuquerque



Janice Campos

PERA members in the metropolitan Albuquerque area will no longer have to drive to Santa Fe to receive personal assistance with the opening of a PERA satellite office in Albuquerque on January 21, 2003. The satellite office is located at 2500 Louisiana Blvd., N.E., suite 101, across from Coronado Center. PERA shares a suite with the Educational Retirement Board and Retiree Health Care.

Janice Campos, a former Department of Education consultant and teacher in the Albuquerque Public Schools, is the public relations specialist assigned to the satellite office. Ms. Campos can be reached by telephone at 883-4503; fax at 883-4573 or by e-mail at jicampos@pera.state.nm.us.

“With such a large concentration of members in the Bernalillo County area, we are extremely pleased to offer the
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INVESTING YOUR RETIREMENT FUNDS SUCCESSFULLY

by Bob Gish, director of investments



Stock market results, after the worst quarter for the U.S. since 1937, aren't as bad as you might think if a broadly diversified portfolio of U.S. stocks has been maintained. A diversified portfolio would include the S&P 500 Index and U.S. bonds, such as the Lehman Aggregate Index. This holds true even though all the major U.S. stock indexes: the S&P 500 Index, the Russell 3000 Index, the Wilshire 5000 Index and the NASDAQ Index were down 43.73%, 42.96%, 45.62% and 74.17%, respectively, from 4/31/00 through 9/30/02. The model portfolio with 60% invested in the S&P 500 Index and 40% invested in the Lehman Aggregate Bond Index would have produced returns of a negative 3.93% and a positive 0.3% for the three-year periods ending 9/30/02 and 11/29/02, respectively; the most recent period for which data was available at the time of this writing.

It sounds unbelievable doesn't it? It isn't what you hear about or read about in the media headlines or one-liners, is it? But it is true; the principle of broad diversification of investments, including fixed-income investments and even some cash, has been working for your PERA retirement fund. Here are the numbers for various periods ending 9/30/02 followed by the returns after the stock market rally from October 9, 2002 through November:

Annualized (or compounded, except for 1 year and the current quarter) Returns:

As of 9/30/02

	10 years	5 years	3 years	1 year	quarter
S&P 500	8.98%	-1.62%	-12.87%	-20.37%	-17.28%
Lehman Agg.	7.35%	7.83%	9.49%	8.60%	4.58%
60%/40% mix	8.33%	2.16%	-3.93%	-8.78%	-8.54%
NM PERA	9.4%	5.1%	0.3%	-2.3%	7.1%

While being down somewhere between 3.9%, annualized (or compounded for three

years) and down 8.8% for one year is bad enough, it is relatively little compared to the cumulative losses for the major indexes cited above (-43% to -74%)! The important thing to notice, is that a member of PERA participating in the Deferred Compensation Program using the suggested allocation of 60% S&P 500 Index and 40% Lehman Aggregate Bond Index, could have earned 92.74% of the positive returns that you would've earned if you had been 100% invested in the S&P 500 Index over the last ten years by diversifying (as shown in the first column, above). For the five-year period, you would have had a positive return of 2.16% compounded annually, and losses for the last three- and one-year periods would have been reduced by 69.5%. That is significant by anybody's measure.

Most U.S. stock indexes closed at their current lows on October 9, 2002. Since that date, U.S. stocks rallied through the end of November. The annualized (compounded) returns of the 60%/40% allocation mix for the respective periods up to ten-years ending 11/29/02 are presented below.

As of 11/29/02

	10 years	5 years	3 years	1 year	qtr
S&P 500	10.13%	0.97%	-11.12%	-16.55%	2.69%
Lehman Agg.	7.464%	7.321%	9.177%	7.337%	1.13%
60%/40% mix	9.064%	3.51%	-3.001%	-6.995%	2.066%

Fortunately for PERA's members and retirees, the results for the last three years ending in September were further cushioned by an even broader diversification of investments, including limited amounts of international stocks and somewhat reduced allocations to all stocks (55% instead of 60%) and increased allocations to bonds and cash (45% instead of 40%). In addition, PERA allocates a significant portion of both its stock and bond portfolios to active managers, who are expected to earn investment returns in excess of their respective benchmarks (or bogies). NM PERA's results vs. a universe of 59 of the largest public pension plans in the U.S. were:

CESSFULLY – Part III

As of 9/30/02

	10 years	5 years	3 years	1 year	quarter
Avg. Large Public Pension	7.9%	2.6%	-2.1%	-6.6%	-9.1%
NM PERA	9.4%	5.1%	0.3%	-2.3%	-7.1%

As a result, PERA's performance ranked in the top percentile (number one fund) for the five-year period ending September 30, 2002! PERA's returns for the ten-year period also ranked in the top percentile.

As mentioned in Parts I and II of these LaVoz articles, the path to successful investing would be easy if we knew the future. Since we don't, diversification is an investment tool that has been successfully tested by time and the experts.



Using these two indexes with only 60% of the funds invested in the stock market could have produced the same results as having 80-90% or more of those funds invested in U.S. stocks, as represented by the S&P. This would have been accomplished with substantially less risk than investing 100% of one's assets in the S&P for the same period. PERA, using this method combined with active managers, had total fund returns of 9.4% for the ten-year period. The assumed return PERA needs to earn on its investments to meet its obligations to current and future retirees over the long term is 8% per year. Thus, with less risk than investing 70%, 80% or 90% of the fund in the stock market, PERA has achieved returns that have exceeded the long-term target by 1.4%, (or 17.5% in relative terms; 9.4% minus 8.0%-1.4%; 1.4% divided by 8.0% = 17.5%.)



Legislative Issues Focus of PERA Board Retreat

Changes to the retiree earnings cap, the purchase of "air time" and the sale of the PERA building and surrounding property were topics of discussion by Board members and executive staff at a PERA Board meeting and retreat held in the Village of Ruidoso on October 29 and 30, 2002.

PERA Municipal Board member Rafael Salas arranged for the Board meeting and work session to be held in the Ruidoso Convention Center. The Board usually meets in Santa Fe twice a month. Several times a year, however, the Board travels to other parts of New Mexico to meet with PERA members and to hear their concerns.

The Board discussed principles of how to evaluate legislative proposals with Ken Alberts of Gabriel, Roeder, Smith and Company, PERA's actuaries. PERA has already been informed that modification or removal of the retiree earnings cap set by statute will be introduced in the upcoming legislative session. Presently, retirees returning to work for a PERA affiliate may earn up to \$15,000 a calendar year. If earnings exceed that amount, the retiree's pension is suspended until he or she terminates employment with the affiliate. PERA's actuary informed the Board that an increase to earnings of \$25,000 a year would have a minimal fiscal impact on the fund but that removing the earnings limit entirely would have a negative impact on the fund. (Note: At its December 2002 meeting, the Board voted to support earnings cap guidelines that would increase the earnings limit to \$25,000 a calendar year or to 1,000 hours of service during a calendar year, whichever is less, if such legislation is introduced.)

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Letter From the Director



Progress in the New Year

by Terry Slattery, CEBS, executive director

Dear PERA members and friends,

We look forward to an exciting year for PERA in 2003. Here are some highlights:

In January, the PERA Board welcomed two re-elected members, Rebecca Vigil-Giron, ex officio member of the Board who was re-elected Secretary of State, and Danny Sandoval, State member. In addition, there are two new Board members, Cynthia Borrego, a Municipal member, and Robert Vigil, ex officio member and incoming State Treasurer. We look forward to working with these and all our Board members.

We will have elections for several positions on the Board, starting in February. The positions include one each of: a State member, a County member and a Retiree member. If you have an interest in possibly serving on the Board, please contact Executive Assistant Jane Clifford at 827-1232 for more information and the schedule for the election.

Progress continues on our new pension administration system. We have been working with the vendor, Covansys, Inc., to design a harmonious blend of PERA's unique requirements and the vendor's

Clarety pension administration system product. We are well into the first of the two phases of our pension project, the membership portion, which we expect will be in operation within the next year and a half.

We have begun the 2003 legislative session. The Board recently adopted a set of principles by which to determine whether to support proposed legislation. As always, we will be examining bills affecting PERA to be sure that the financial soundness of PERA is enhanced or protected.

A handwritten signature in cursive script that reads "Terry Slattery".

Terry Slattery, CEBS
Executive Director

Albuquerque Office, continued from pg. 1

convenience of receiving service in the Albuquerque office,” said PERA Board Chair Jeff Varela. “The one-stop location with PERA, the Educational Retirement association and Retiree Health Care will be a real benefit to our members.” The Albuquerque office will be offering a variety of member services as well as providing seminars to PERA members on their benefits as a member and retirement issues. PERA will also work closely with employers in Bernalillo, Valencia, Torrance and Sandoval counties to



PERA's satellite office is located at 2500 Louisiana Blvd.

provide training geared specifically toward each affiliate's needs.

PERA has already begun working closely with Patricia Miller, Director of the Department of Human Resources for the City of Albuquerque, to notify city and Bernalillo County employees that a PERA representative is now available to assist members with their retirement applications. For many years the city's Human Resources Department provided this service to their members.

Deferred Compensation News...

INCREASED CONTRIBUTION LIMITS PROVIDE STRONG START TO A NEW YEAR



It's a new start . . . and what better way to kick off 2003 than by giving yourself a bit of a financial "boost." Take advantage of the increased contribution limits allowed in the Deferred Compensation Program through the enactment of the

Economic Growth and Tax Relief Recovery Act of 2001. For 2003, you can contribute a maximum of \$12,000 to your 457(b) retirement plan. If you turned 50 during 2002, you can also enjoy the Older Workers Catch-up provision of an additional \$2,000 during the coming year. Government and municipal workers can save an additional \$24,000 (2 x the \$12K maximum) through the Normal Retirement Age (NRA) Catch-up Provisions. Call ING at 1-800-584-6001 or your local ING representative at 505-954-4507 (Santa Fe) or 505-954-4507 (Albuquerque) to evaluate the most effective measures to help build your retirement account.

Ms. Campos is in the process of meeting with personnel from area affiliates to set up training schedules and scheduling office hours when she will be available for individual member counseling. Mailings will be sent to affiliates and members with notification of upcoming events. Seminars will also be posted on the PERA website at www.state.nm.us/pera

Legislative Issues, continued from p. 3

Air time – or service credit not tied to actually working – is another issue showing legislative interest. The consensus of the Board was that a maximum of up to 12 months of air time purchased within 12 months of retirement was an acceptable limit. The air time would be used only for the purpose of calculating the member's retirement benefit and would not be used toward calculating final average salary. A member would have to pay the full actuarial cost of each month purchased. (Note: Also at the December 2002 committee meeting, the Board voted to support 12 months of airtime with additional restrictions, such as prohibiting members of a 20-year retirement plan or a plan with a 20% enhancement from purchasing air time.

Board members unanimously agreed that they did not want to sell the PERA building and surrounding property to the state. The Board determined that the building is a tangible asset that belongs to the trust fund. The building also generates revenue from rent received from tenants. The building's revenue potential is even more important now that returns from the stock market are diminishing and fund obligations to members and retirees are increasing.

Six PERA Staff Members Receive Service Pins

PERA would like to thank the following members of our staff for their dedicated work for our members:

- Nora Solano--15 years
- Claudine Serna--10 years
- Alex Coriz--10 years
- Jane Clifford--5 years
- Eric Martinez--5 years
- Fred Reynolds--5 years

PERA Board Update

Board Chair, Jeff Varela, Named Head of State Personnel

Jeff Varela was appointed December 23, 2002, by governor-elect, Bill Richardson, as the director of the Office of Personnel. Mr. Varela was the deputy director of Regulation and Licensing, Boards and Commissions before being appointed as the head of State Personnel.

New State Treasurer in Ex-Officio Position

PERA's ex-officio Board member Michael Montoya was replaced by incoming State Treasurer Robert E. Vigil at the Board meeting January 14. Mr. Vigil previously served as the deputy state treasurer. Mr. Vigil is a Certified Public Accountant, or CPA, and earned a Bachelor of Arts in accounting and business administration from New Mexico Highlands University. He has also previously served as State Auditor.

Cynthia Borrego Starts First Term on PERA Board

Cynthia Borrego was sworn in as the new municipal representative, January 14 2003. Ms. Borrego formerly served as president of New Mexico Supervisors and Professionals Association for Bernalillo County and lobbied to have Constitutional Amendment #4 passed in an effort to protect the PERA fund from outside interests.

Returning Members

Danny Sandoval and Rebecca Vigil-Giron are returning to the PERA Board, having won respectively, a seat as state Board member and the election as secretary of state, which continues Ms. Vigil-Giron's service as an ex-officio member.