New Issue

This Official Statement has been prepared by the State Board of Finance to provide information on the State of New Mexico$157,560,000 Severance Tax Bonds, Series 2013A (the "Series 2013A Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision, a prospective investor should read the entire Official Statement. Certain capitalized terms used in the cover page and elsewhere in this Official Statement have the meanings given in the Official Statement.

THE STATE OF NEW MEXICO
$157,560,000 SEVERANCE TAX BONDS, SERIES 2013A

Dated: Delivery Date	**Due: July 1, as shown on the inside front cover**
Ratings	"Aa1" Moody's Investors Service, Inc. "AA" Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business.
Tax Exemption	In the opinion of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of New Mexico personal income taxes as described herein. See "TAX MATTERS."
Redemption of Series 2013A Bonds	The Series 2013A Bonds maturing on or after July 1, 2019 are subject to optional redemption by the State in whole or in part on any date on or after July 1, 2018 at par plus accrued interest.
Sources of Payment	The Bonds are special limited obligations of the State payable primarily from, and secured by, taxes levied upon certain natural resource products severed and saved from the soil of the State deposited into the Severance Tax Bonding Fund.
Priority	The Bonds are being issued under the authority of the State of New Mexico Severance Tax Bonding Act. The Bonds will be on a parity with Severance Tax Bonds now or hereafter outstanding and senior to Supplemental Severance Tax Bonds now or hereafter outstanding.
Purposes	Net proceeds of the Series 2013A Bonds are being used to provide funds to finance capital improvements approved by the State Legislature.
Interest Payment Dates	January 1 and July 1, commencing January 1, 2014.
Closing/Settlement	On or about July 23, 2013.
Denominations	$5,000
Book-Entry System	The Depository Trust Company
Registrar/Paying Agent	State Treasurer of New Mexico
Bond Counsel	Brownstein Hyatt Farber Schreck, LLP
Disclosure Counsel	Brownstein Hyatt Farber Schreck, LLP
Issuer Contact	State Board of Finance: Stephanie Schardin Clarke, Director, 505-827-3930; stephanie.schardin@state.nm.us

Dated: June 18, 2013

Fiscal Year 2013. Based on the consensus revenue group projections for Fiscal Year 2013 made in December 2012, recurring general fund revenues are projected to decrease by approximately 1.6 percent over Fiscal Year 2012. Total recurring revenue is estimated to be approximately $5.7 billion. The price of oil is expected to average $85.00 per barrel and the price of natural gas is expected to average $4.50 per mcf. Much of the decline in revenue is projected to occur in severance taxes, mineral rents and royalties and general sales tax revenues, the latter of which are projected to decrease as a result of cuts to federal government contracts under sequestration. In addition to these declines, New Mexico is expected to receive about $20 million less in Federal Mineral Leasing revenue share in Fiscal Year 2013 as a result of federal budget cuts. The Fiscal Year 2013 budget includes $5.7 billion in recurring appropriations, which represents a 4.2 percent increase in spending. Federal spending cuts could reduce appropriations by an estimated $70 million. General fund reserves are estimated to be $604.1 million at the end of Fiscal Year 2013, approximately 10.7 percent of Fiscal Year 2013 recurring appropriations. This figure has not been adjusted to reflect the decline in general fund revenue as a result of Federal Mineral Leasing spending cuts.

Fiscal Year 2014. Based on the consensus revenue group projections for Fiscal Year 2014 made in December 2012, recurring general fund revenues are projected to increase by approximately 3.9 percent over Fiscal Year 2013. Total recurring revenue is estimated to be approximately $5.9 billion. The Fiscal Year 2014 budget includes $5.9 billion in recurring appropriations. This represents a 4.2 percent increase in spending, and includes funding for a 1 percent state employee salary increase and a 3 percent salary increase for state police. The legislative and executive budget recommendations were similar in total funding, but differed slightly in the details. Both branches of government agreed to allow modest but conservative growth in anticipation of reduced federal funding under sequestration. The budget includes a 2.7 percent increase in public safety, a 4.6 percent increase in public education, and a 2.8 percent increase in Medicaid funding. With these appropriations, Fiscal Year 2014 reserves are estimated to be $642.2 million or 10.9 percent of recurring appropriations. This figure does not include an estimated decrease in Federal Mineral Leasing in Fiscal Year 2014 of $32.4 million.

During the 2013 legislative session, Governor Martinez signed into law tax reform legislation that is intended to make New Mexico more competitive with neighboring states and encourage diversification of the state economy. The bill, which was a compromise between the governor and legislative leadership, will phase in a reduction of the top corporate tax rate from 7.6 percent to 5.9 percent, allow a single sales factor election for manufacturers, and mandate combined reporting for large retailers while providing incentive for those retailers to bring non-retail operations to New Mexico. The tax package also tightens existing credits for high wage jobs and a gross receipts manufacturing deduction to ensure the legislation benefits intended activities, phases out a revenue sharing subsidy to local governments, and increases the percentage of the film credit on television series while preserving the credit cap of $50 million. The package (without taking into account expected increased economic activity) is estimated to increase general fund revenues by approximately $10 million in Fiscal Year 2014 and $5 million in Fiscal Year 2015, and thereafter decrease general fund revenues by $47 million in Fiscal Year 2016 and $71 million in Fiscal Year 2017. Projections expect the decreasing revenues in subsequent years to ultimately be offset by the phase out of the local government subsidy.

Pension and Other Retirement Funds and Benefits

Legislative History. As with many other states, the State has ongoing funding issues regarding its pension and other retirement funds. In Fiscal Year 2012, the State experienced continued deterioration in the funded ratios and increases in the accrued liabilities of its two pension programs. As set forth below, steps have been proposed by the program funds to reform pension programs and to better ensure the continued viability of the programs.

The Legislature enacted the Educational Retirement Act, Section 22-11-1 et seq. NMSA 1978, the Public Employees Retirement Act, Section 10-11-1 et seq. NMSA 1978, and the Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19, NMSA 1978, which created the retirement plans that cover most employees of the State and its political subdivisions. These retirement plans are managed by the Educational Retirement Board ("ERB"), the Public Employees Retirement Association ("PERA"), and the New Mexico Retiree Health Care Authority ("NMRHCA") and described below. The Legislature establishes all financing provisions of the plans and the provisions are not subject to negotiation. Financing provisions include employee and employer contributions, fund investment provisions and benefit provisions. In 1998, the voters amended the State Constitution, adopting Section 22 of Article XX, which states that upon meeting the minimum service requirements of an applicable retirement plan created by law for employees of the State or any of its political subdivisions or institutions, a member of a plan shall acquire a vested property right with due process protections under the applicable provisions of the New Mexico and United States Constitutions. The amendment also stated that nothing in Section 22 shall be construed to prohibit modifications to retirement plans that enhance or preserve their actuarial soundness. As with other pension funds nationwide, New Mexico's pension funds were affected by the significant market turmoil related to the downturn in the nation's economy that began in 2008. While as of June 30, 2012, the funds had recovered substantially all of the losses incurred during the 2008 – early 2009 period, issues persist regarding the long-term financial status of the funds.

Recent legislative changes enacted during the 2009, 2010 and 2011 legislative sessions also amended various provisions of the Educational Retirement Act, the Public Employees Retirement Act, and the New Mexico Retiree Health Care Act to improve the long-term stability of these funds.

House Bill 573 (Chapter 288, Laws 2009) increased the years of service requirement from 25 years to 30 years for new members who joined ERB and PERA on or after July 1, 2010. Existing ERB and PERA members remain under the 25-year service requirement. In addition, House Bill 573 increased payroll contributions by employers and employees to the New Mexico Retiree Health Care Fund (the "NMRHCF"). House Bill 573 also included training requirements for members of the ERB and PERA boards.

House Bill 631 (Chapter 286, Laws 2009) added a section to the Educational Retirement Act to extend the rule whereby ERB members could retire with full benefits if their combined service and age at retirement met or exceeded 75, to a combined service and age at retirement of 80 for new ERB members hired after July 1, 2010.

House Bill 351 (Chapter 287, Laws 2009) increased the employer/employee contribution to the NMRHCF from 1.95 percent to 3 percent for most employers and employees. The contribution increase was slightly higher for employees in an enhanced retirement plan. The increase is being phased-in over a four-year period. Due to the passage of this legislation, the NMRHCA estimates that solvency will be extended from approximately 2018 to 2027.

House Bill 854 (Chapter 124, Laws 2009) modified most employer and employee contributions to the State's retirement funds for Fiscal Years 2010 and 2011, shifting 1.5 percent of the annual contribution rate from employers to employees for those employees with a full-time equivalent annual salary greater than $20,000.

House Bill 628 (Chapter 178, Laws 2011) extended the existing 1.5 percent shift made in House Bill 854 through Fiscal Year 2013 and shifted an additional 1.75 percent of the annual contribution rate from employers to employees for Fiscal Year 2012, with the potential of that shift continuing in Fiscal Year 2013 if the Secretary of the DFA certified to the Legislative Finance Committee, the ERB and PERA that: (a) general fund revenues in Fiscal Year 2012 would not be at least $100 million more than forecast to be in the Fiscal Year 2012 budget; and, (b) total state reserve funds at the end of Fiscal Year 2012 would be less than 5 percent or more of general fund appropriations in Fiscal Year 2012. In January 2012, the Secretary of the DFA indicated that the requirements to continue the additional 1.75 percent contribution shift would not be met. Accordingly, the additional 1.75 percent of the annual contribution rate shifted back from the employees back to the employers for Fiscal Year 2013. The 1.5 percent contribution shift from the employers to the employees remains in place through Fiscal Year 2013. House Bill 628 also required an actuarial study by PERA and ERB prior to September 20, 2013 to analyze whether contribution rate changes have had an adverse actuarial effect on the retirement systems.

House Bill 129 (Chapter 6, Laws 2011) required retired members who return to work with an educational employer pursuant to Paragraphs A, B or F of Section 22-11-25.1 NMSA 1978 to pay non-refundable contributions to the Educational Retirement Fund equal to the amount paid by non-retired employees. Formerly, the employers had paid those contributions. Employers continue to pay the employers' contributions to the Fund for retired members who return to work under the statute.

2013 Legislative Developments. A significant number of bills relating to the State's pension and other retirement funds and benefits were introduced in the 2013 legislative session, which concluded on March 16, 2013.

PERA Amendments. Senate Bill 27 (Chapter 225, Laws 2013), which was endorsed by the PERA board, amends the Public Employees' Retirement Act. The bill reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to -work retirees; provides for an increase in the statutory employee contribution rate of 1.5 per cent (subject to certain requirements) for employees earning $20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4 per cent beginning in fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5 for most members; and makes several other clarifying and technical changes. Senate Bill 27 was passed by the legislature and sent to the Governor, who signed the legislation on April 5, 2013.

ERB Amendments. Senate Bill 115 (Chapter 61, Laws 2013), endorsed by the ERB (duplicated at introduction with House Bill 64) amends the Educational Retirement Act. The bill increases employee contributions to 10.1 percent in fiscal year 2014 and 10.7 per cent in fiscal year 2015; keeps in place scheduled increases in employer contribution rates; creates a new tier membership for persons who become members of the ERB fund after July 1, 2013; creates certain actuarial limitations on benefits of new tier members; places limitations on future cost of living increases for current and future retirees which are tied to the future funded ratios of the plan; and makes certain other clarifying and technical changes. Senate Bill 115 was passed by the legislature and sent to the Governor, who signed the legislation on March 29, 2013. Senate Bill 115 will become effective July 1, 2013. The projected actuarial funded ratio in 2043 with changes made by Senate Bill 115 is 100.7%.

Judicial and Magistrate Retirement Amendments. Senate Bill 25 amends the Judicial Retirement Act and the Magistrate Retirement Act. The bill adjusts employee contributions; converts employer contributions to a percentage of employee salary; increases age and service requirements; adjusts and limits cost of living increases and ties increases to the future funding ratios of the plan; makes certain adjustments to benefit and vesting calculations; and makes certain other clarifying and technical changes. Senate Bill 25 was passed by the legislature and sent to the Governor, who vetoed the legislation. The proposed amendments would have affected approximately 250 individuals.

Legislative Retirement Amendments. Senate Bill 114 provides temporary changes to the eligibility provisions of laws relating to state legislative pensions. The bill provides that certain legislators who failed to make timely contributions to the plan may qualify by making a payment of seven hundred dollars and also provides for certain other benefits for other members through making additional contributions. Senate Bill 114 was passed by the legislature and sent to the Governor, who vetoed the legislation. The proposed amendments would have affected approximately 100 individuals.

Other Legislation. Various other bills relating to pension and other retirement funds and benefits were introduced in the 2013 Legislative Session including Senate Bill 26 (PERA changes), Senate Bill 71 (retiree health care changes), Senate Bill 86 (PERA and ERB changes), Senate Bill 121 (PERA public safety member changes), Senate Bill 168 (PERA public safety member changes), Senate Bill 317 (PERA cost of living adjustments), House Bill 95 (Judicial and Magistrate retirement adjustments), House Bill 96 (ERB sick leave adjustments), House Bill 147 (PERA return to work adjustments) and House Bill 252 (public safety fund contributions to PERA). These bills did not pass, but certain of the provisions of these various bills were included in some form in those items of legislation that were passed.

Educational Retirement Board-Historic Financial Information. The ERB had 132,223 members as of June 30, 2012, including active, retired, inactive vested and inactive non-vested members. The market value of Educational Retirement Fund (the "Fund") as of June 30, 2012 was $9.5 billion, which was up from a low of $6.0 billion in February 2009. The ERB had investment gains for the Fiscal Year 2012 of 1.6 percent. Based on preliminary data, the market value of the Fund as of December 31, 2012 increased to $9.9 billion. Investment returns for the quarter and 12-month period ending December 31, 2012 were 1.4 percent and 13.6 percent, respectively.

In April 2011, the ERB voted to change its assumed rate of return on the pension fund's investments from 8.0 percent to 7.75 percent. As of June 30, 2012, the actuarial value of assets was $9.5 billion and the unfunded accrued actuarial liability ("UAAL") was $6.2 billion based on the 7.75 percent assumed rate of return. The pooled nature and structure of the Fund, which covers all employees working in K-12, higher education and special state schools, and certain employees in state and special purpose agencies, does not allow the UAAL of the Fund to be apportioned among multiple employers. Others changes were made to the ERB's actuarial assumptions in April 2011, the most significant of which included: changing the funding method to traditional individual entry age normal; revising post-retirement mortality to reflect slightly longer life expectancy; changing retirement rates at ages 65 and 69 and with 25 or more years of service; decreasing salary increases for members with 10 or more years of service; and decreasing membership growth assumptions. The combined effect of the changes in actuarial assumptions, including to the assumed investment return rate, increased the UAAL by $426.1 million. Based on the 7.75 percent assumed rate of return and the other changes described, the estimated funding ratio (ratio of the actuarial value of assets to actuarial accrued liability) as of June 30, 2011 was 63.0 percent. The funded ratio on June 30, 2012 was 60.7 percent.

The change in the assumed rate of return was recommended by the ERB's outside actuaries and was made after consultations with the ERB's internal investment staff and its general investment consultant. The ERB will continue to monitor both its investment returns and general market conditions and may again change its assumed rate of return as market conditions and experience warrant.

As of June 30, 2012, the UAAL had an infinite amortization period based on the 7.75 percent assumed rate of return. The amortization period, also referred to as the funding period, is a calculation based on actuarial models of the period required to amortize the UAAL, assuming ERB's experience exactly follows actuarial assumptions. As required by Governmental Standards Accounting Board ("GASB") Statement 25, the calculation is based on current contribution rates and does not take into account the statutorily scheduled increases in those rates described below.

Member and employer contribution rates are established by State statute. In 2005, the Legislature amended Section 22-11-21 NMSA 1978 to increase the employer contribution rate by 0.75 percent for each of the seven years beginning July 1, 2005, and to increase member contribution rates by 0.075 percent for each of the four years beginning July 1, 2005. In the 2009 regular legislative session, the Legislature modified employer and member contribution rates for Fiscal Years 2010 and 2011 to shift 1.5 percent of the employer contribution rate to members whose annual salary exceeds $20,000, resulting in a member contribution rate of 9.4 percent. In the 2011 regular legislative session, the Legislature again modified employer and member contribution rates for Fiscal Year 2012 to extend the 1.5 percent shift and add an additional 1.75 percent shift; for members whose salary exceeds $20,000, the Fiscal Year 2012 contribution rate was 11.15 percent. As a result of the expiration of the 1.75 percent contribution shift described above, the contribution rate for those members whose salary exceeds $20,000 is 9.4 percent in Fiscal Year 2013. For those members whose annual salary is $20,000 or less, the contribution rate remains at 7.9 percent.

In both the 2010 and the 2011 regular legislative sessions, the Legislature also modified employer contribution rates. In Fiscal Years 2010 and 2011, the employer contribution rate for members whose salary is greater than $20,000 was 10.9 percent. The employer contribution rate for those members was 9.15 percent in Fiscal Year 2012. The employer contribution rate in Fiscal Year 2013 has returned to 10.9 percent. The contribution rate for members whose salary is $20,000 or less is 12.4 percent in Fiscal Years 2010, 2011, 2012, and 2013. In Fiscal Year 2014, the employer contribution rate for all members employed, regardless of salary, will increase to 13.15 percent. Beginning in Fiscal Year 2015, the employer contribution rate will be 13.9 percent for all members employed. As noted above, GASB Statement 25 does not permit the consideration of contribution rates not yet in effect, so the funding period is reported based on the contribution rates actually in effect as of the date the contribution is made. In addition, New Mexico universities and colleges make an additional contribution of 3 percent of the salary of those employees who elect to participate in the Alternative Retirement Plan ("ARP"), a defined contribution retirement plan available to certain faculty and professional employees, to satisfy the UAAL attributable to participation in the ARP.

GASB Statement 25 also requires ERB to report the annual required contribution of the employer (the "ARC") and the percentage of the ARC contributed. ERB meets 100 percent of its statutorily required employer contributions annually. The following table lists the ARC and the ERB funded ratio for Fiscal Years 2008 through 2012.

Table A-1

ERB Funded Ratio

Fiscal Year	Annual Required Contribution	Funded Ratio
2008	$368,196,682	71.5%
2009	$375,430,722	67.5
2010	$357,220,043	65.7
2011	$377,884,749	63.0
2012	$400,461,343	60.7

Source: Educational Retirement Board.

In September 2011, the ERB adopted goals of achieving an 80 percent funded ratio by 2030 and a 95 percent funded ratio by 2040. The amendments to the Educational Retirement Act made through enactment of Senate Bill 115 (Chapter 61, Laws 2013) are intended to assist the ERB in achieving these goals.

ERB pensions are adjusted annually beginning on the later of either July 1 of the year in which a member reaches age 65 or July 1 following the year a member retires. The adjustment is ½ of the CPI percentage increase, except that it will not exceed 4 percent or be less than 2 percent in absolute value. If the absolute value of the CPI percentage increase is less than 2 percent, the adjustment is the same as the CPI percentage increase. Pensions cannot be decreased if there is a decrease in the CPI.

In 2010, the ERB changed the manner in which interest was calculated on members' contributions that are subject to refund so that it would be calculated in a manner similar to a savings account. As a result of a programming error, interest was miscalculated on refunds during July and August 2010 leading to overpayment of approximately $1.7 million to 693 individuals. The software was corrected after staff became aware of the error. Subsequently, the ERB undertook steps to recover the overpayments. To date, between $1.1 and $1.2 million has been recovered. The ERB has entered into payment plans with a number of the recipients through which it expects to recover additional funds and is continuing to pursue recovery from others who were overpaid.

The Public Employees Retirement Association-Historic Financial Information. PERA had 85,106 members as of June 30, 2012. As of September 30, 2012, the total market value of PERA Fund was $12.3 billion. The September 30, 2012 quarterly PERA total fund investment return was 5.07 percent and the 12 month total fund investment return as of that date was 16.7 percent. On a preliminary basis, the market value of the PERA Fund as of December 31, 2012 increased to $12.4 billion with an investment return of 2.01 percent for the quarter.

Cavanaugh Macdonald Consulting, LLC completed an actuarial valuation of the PERA Fund, Judicial Retirement Fund, Magistrate Fund, Legislative Division and Volunteer Firefighter Fund ("VFF") as of June 30, 2012. In July 2012, the PERA Board accepted the actuary's revised assumptions that the assets, benefit values, reserves and computed contribution rates reflect utilization of an inflation rate of 3.5 percent per annum, a real rate of return on investment of 7.75 percent and salary increases for longevity and merit at 4.0 percent, each compounded annually.

Actuarial information for each fund as of June 30, 2012 is shown in Table A-2.

TABLE A-2

Summary of State Retirement Funds Managed by PERA
(Dollars in thousands)

	PERA[1]	Judicial	Magistrate	VFF	Legislative
Membership	85,106	263	140	6,638	294
Actuarial Information					
Accrued Liability[2]	$17,788,044	$147,923	$58,037	$28,219	$27,429
Actuarial Value of Assets[3]	$11,612,047	$75,507	$30,878	$47,382	$25,168
Unfunded (Overfunded) Accrued Liability	$6,175,997	$72,416	$27,158	$(19,162)	$2,260
Present Value of Statutory Obligations	$21,300,016	$174,822	$63,225	$31,671	$30,288

(1) Includes both the state and municipal divisions.
(2) Includes the accrued liability of both the retired and active members.
(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to an 7.75 percent annual return are smoothed in over a four-year period.

Source: Public Employees Retirement Association.

As of June 30, 2012, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2012. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 65.3 percent as of June 30, 2012 and the UAAL of the PERA Fund has been calculated to be approximately $6.2 billion. The State's portion of the UAAL of the PERA Fund is 50.1 percent, or $3.1 billion. As of June 30, 2011, the funded ratio was 70.5 percent and the UAAL of the PERA Fund was calculated to be approximately $4.8 billion. The primary cause of the deterioration of the funded ratio and increase in accrued actuarial liability is the investment losses applied over the four plan years between 2009 and 2012. On a market value basis, PERA's funded ratio is approximately 65.1 percent as of June 30, 2012. The PERA Board has reviewed the results of its June 30, 2012 actuarial valuation, which indicates that additional contributions and significant benefit reforms are required in order to properly fund the PERA retirement plans. The PERA Board's reform proposal (Senate Bill 27) will have an immediate impact on reducing the $6.2 billion unfunded liability and restore the fund to approximately 100 percent funded status by 2042.

GASB Statement 25 requires PERA to report its ARC and the percentage of the ARC contributed. PERA meets 100 percent of its statutorily required employer contributions annually. The following tables list the funded ratios for each individual PERA fund for Fiscal Years 2008 through 2012.

TABLE A-3

Funded Ratio of State Retirement Funds Managed by PERA

Fiscal Year	PERA	Judicial	Magistrate	VFF	Legislative
2008	93.3%	78.3%	93.2%	285.8%	93.4%
2009	84.2	60.5	66.3	242.5	86.9
2010	78.5	61.2	65.8	231.3	82.9
2011	70.5	56.0	59.8	173.4	89.2
2012	65.3	51.0	53.2	167.9	91.8

Source: Public Employee Retirement Association.

New Mexico Retiree Health Care Authority-Historic Financial Information. The RHCA was enacted for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service positions in the State and their eligible dependents. NMRHCA offers both pre Medicare and Medicare plans, as well as dental, vision and life insurance plans to eligible retirees. There were approximately 51,000 enrolled members as of July 2012 and approximately 300 participating public entities.

While NMRHCA experienced an investment loss in Fiscal Year 2012 of approximately 2 percent, NMRHCA has been able to add over $50 million to its trust fund over the past two years. NMRHCA's market value as of December 31, 2012 was $256.5 million.

The Retiree Health Care Act provides that the benefits offered to retired public employees may be modified, diminished or extinguished by the Legislature, and that the Act does not create any contract, trust or other rights in public employees to health care benefits.

NMRHCA, the agency that administers the Retiree Health Care Act, has a revenue base comprised of active employee payroll deductions, participating employer contributions, monthly premium contributions of enrolled participants, investment income, and amounts distributed annually from the Taxation Administration Suspense Fund ("TAA Fund"). Employer and employee contribution rates are established in statute as is the amount distributed from the TAA Fund. Respective employer/employee contribution rates were 2 percent and 1 percent of the participating employee's salary for Fiscal Year 2012.

Based on the GASB Statement 43 valuation for Fiscal Year 2012, and assuming that the NMRHCA Fund is an equivalent arrangement to an irrevocable trust and, hence using a discount rate of 5 percent, the UAAL has been calculated to be approximately \$3.6 billion. As required by GASB Statement 43, this calculation takes into consideration only current assets of the NMRHCA Fund. The NMRHCA continues to look for additional opportunities to further strengthen the financial standing of the NMRHCA. The NMRHCA Board of Directors has passed a five-year solvency plan to ensure the long term financial stability of the program through a series of targeted benefit reductions and increases to contribution levels from participating employees and their employers. In addition to increased retiree cost sharing through plan design changes, the solvency plan calls for proportionately higher premiums for retirees who retired younger (decreased premium subsidies to pre-Medicare retirees), didn't work or pay into the system as long (increasing years of service required to receive maximum subsidy) and decreased subsidies for family members. Taken as a whole, the plan is projected to extend the life of the NMRHCA's trust fund into 2045.

As recently as five years ago, the NMRHCA was projected to be insolvent as early as 2014. However, actions taken by the NMRHCA decreasing subsidy levels, increasing premiums and modifying plan designs, coupled with increases in employer/employee contribution rates have extended the NMRHCA's solvency to approximately 2029.

GASB Statement 43 also requires the NMRHCA to report its ARC and the percentage of the ARC contributed. The following table lists the NMRHCA ARC and percentage of the ARC contributed for Fiscal Years 2008 through 2012.

TABLE A-4

NMRHCA Annual Required Contribution

Fiscal Year	Annual Required Contribution	Percentage Contributed
2008	\$286,538,244	33.8%
2009	\$297,999,753	37.6
2010	\$309,919,743	34.1
2011	\$326,994,988	36.9
2012	\$340,074,787	39.8

Source: New Mexico Retiree Health Care Authority.

Severance Tax Permanent Fund and the Land Grant Permanent Fund

The Severance Tax Permanent Fund ("STPF") was established in the State Treasury in 1973 to receive the residual revenues from the Bonding Fund and serve as an endowment for future capital projects. In 1976, the electorate approved a constitutional amendment giving the STPF constitutional status. In 1982, the electorate approved a second constitutional amendment that removed the discretionary power of the Legislature to appropriate funds from the corpus of the STPF, thereby creating a permanent endowment fund. Distributions from investments of the STPF, however, may be appropriated by the Legislature in the same manner as other general revenues are appropriated. Severance tax receipts have been the primary source of funding for the STPF. The State Investment Council ("SIC") invests the corpus and non-appropriated income of the STPF. The market value of the STPF as of June 30, 2012 was approximately \$3.9 billion, an increase of approximately 0.2 percent from the prior Fiscal Year. Performance for the one year period ended June 30, 2012 was 2.7 percent below the Fund benchmark, and investment performance for the quarter ended June 30, 2012 was 0.3 percent below the fund policy index. Funds on deposit in the STPF are not pledged to and may not be used to pay any Bonds.