

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

April 25, 2019

This annual and monthly meeting of the Public Employees Retirement Board was called to order by Jackie Kohlasch, Chair, at approximately 9:10 a.m. on the above-cited date at the PERA Building, 33 Plaza la Prensa, Senator Fabian Chavez, Jr. Board Room, Santa Fe, New Mexico.

1. Roll Call

The Pledge of Allegiance occurred directly following roll call which indicated a quorum with the following members present:

Members Present:

Jackie Kohlasch - State, Chair
John Melia - Municipal
Claudia Armijo – State
Tim Eichenberg - *Ex-officio*
David Roybal - State
Patricia French - Municipal
Dan Mayfield - Retiree
Loretta Naranjo Lopez - Retiree
Steve Neel - State

Member(s) Absent:

James Maxon – County
Lawrence Davis - Municipal
Maggie Toulouse Oliver - *Ex-officio*

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investment Officer
Greg Trujillo, Deputy Executive Director
Misty Schoeppner, Deputy General Counsel
Renada Peery-Galon, ASD Director
LeAnne Larrañaga-Ruffy, Director of Equity
Anna Williams, Chief Financial Officer
Karyn Varela, Deferred Compensation Plan Manager
Trish Winter, Executive Assistant
Emily Garcia, Financial Specialist
Mark Montoya, Investment Division
Jose Trujillo, Outreach

Others Present:

Ernie Marquez, Automated Election Services

Tim Sanchez, Automated Election Services
Tom Toth, Wilshire
Adam Hathaway, Parliamentarian
Lenora Chavez
Victor Baca
Jake Salazar
Conny Maki
M. Sanchez
Jeff Riggs

2. Approval of Agenda

Mr. Mayfield moved to approve the agenda. Prior to obtaining a second, Ms. Armijo asked to amend the motion removing E, Approval of the FY20 Operating Budget, which included the 4 percent wage increase authorized by the legislature. Mr. Eichenberg moved to approve Ms. Armijo's motion to approve the agenda as amended.

According to Robert's Rules of Order, the purpose of a second is to make sure that more than one member wants to discuss something. So once discussion begins the second is assumed, stated Parliamentarian Hathaway. Ms. Naranjo Lopez and Ms. French disagreed with the Parliamentarian's assessment.

Mr. Eichenberg seconded Mr. Mayfield's motion as amended by Ms. Armijo.

Ms. Armijo explained there was only a segment of E that required removal which is the wage increase.

Ms. Armijo reminded the Board that in February they passed a resolution requiring that all pay raises for exempt staff would come before the Board and the Board would meet in Executive Session for deliberation before acting on the increase. Those pay increases authorized by the legislature, not mandated, would violate the Board's action. She said the pay increases would not be effective until July and the Board has two more meetings to properly agenzize the executive session to deliberate before acting on the pay increases.

Mr. Mayfield suggested rescinding the resolution to allow PERA's budget to move forward. Ms. French recommended staying with the Board's previous action.

Mr. Eichenberg called the question which Ms. French seconded. The motion passed by majority [5-2] voice vote. [Members Neel and Melia were not present for this action.]

The amendment removing the portion of item E having to do with exempt employees' 4 percent wage increase passed by majority [4-3] voice vote. [Members Neel and Melia were not present for this action.]

Chair Kohlasch asked if there was discussion before voting on the amended agenda.

Renada Peery-Galon, ASD Director, advised the Board that the operating budgets are due

to DFA on May 1st. Ms. Armijo said the operating budget will be voted on, just not the wage increases. Ms. Peery-Galon explained that is part of the operating budget as part of the General Appropriation Act. The E-1 for salaries automatically includes the 4 percent in the operating budget. Ms. Armijo said the discussion brought forward by Ms. Peery-Galon was not appropriate at this time and could be addressed under item E.

The agenda as amended passed by majority [5-3] voice vote. [Mr. Melia was not present for this vote.]

3. Approval of Consent Agenda
[Exhibit 1: Consent Agenda]

Chair Kohlasch advised the Board that the March 28, 2019 minutes were placed on the Board portal late and they would be removed from the consent agenda.

Ms. French moved to approve the consent agenda with the removal of item 7 (Educational Conferences).

Parliamentarian Hathaway said according to Robert's Rules of Order, a motion and a second would be made to adopt and during discussion a motion to amend would come forward.

Item 1 (approval of minutes) was removed.

Clarifying last month's consent agenda, Ms. Naranjo Lopez said the conference she is attending is Accelerate Investors 2019 occurring June 18-19 in New York.

Before a vote, Ms. French said she pulled the Board travel (education conferences) off the consent because during the last meeting there was a member who traveled without Board approval. She said she brought it up at the last meeting and the Chair offered that the Board failed to have a quorum and an exception was made for that travel. Ms. French said she did a little study and there are no exceptions. She reminded the board that she went to a conference in California, where she paid for her own travel and hotel. She was sanctioned for one year, taken off committees and not allowed to travel outside the state because she attended a conference without Board approval. Following the Board's \$6,000 investigation it was found her only misdeed was failing to tell the Board of her travel plans.

Ms. French said if it "wasn't right for me...then it's not right for Member Melia...the only difference that I can see between he and I, is that I am a female of color and he is a white male."

Mr. Eichenberg called the question.

The motion to pass the consent agenda with the removal of items 1 and 7 passed.

Consent Agenda Item 7

Ms. Armijo asked whether PERA paid for Mr. Melia's travel and Chair Kohlasch confirmed they did. The Chair stated that then Board Chair Maxon did not place the travel on

the Special Board meeting agenda and at the following meeting, the Board failed to obtain a quorum so she approved the travel herself. Ms. French pointed out that there are no exceptions.

Ms. Armijo said this illustrates the problems that the Board is having with regard to processes. Stating that she agreed with Ms. French that there is no exception, she asked the Chair why she didn't call a special meeting to approve the travel for consistency sake.

The Chair responded that calls were made to hold a special meeting and Board members were unable to attend.

Ms. Armijo stated that it is not a good idea to be inconsistent with policy application and it opens PERA up to more criticism.

Ms. Naranjo Lopez agreed with Ms. French adding that she was censured with no basis. She added that as a woman of color she too is treated differently.

Mr. Melia said the two incidents were not comparable, he was attending a conference and Ms. French stated she was not attending a conference. Ms. French said the issue was not about Mr. Melia but rather Board travel without Board approval.

Mr. Melia pointed out that the Board meeting that listed his travel on the consent agenda failed to have a quorum and then Chair Kohlasch tried to hold a special meeting and members were unable to attend. He said he understood that it would not be an issue and attended. The travel was well documented and not concealed from the membership. He agreed with Ms. Armijo that the Board should be consistent.

Mr. Eichenberg moved to approve Consent Agenda item 7, Educational Conferences a, b and d (item c was not listed). Ms. French seconded.

As a point of clarification, Ms. French said she pulled this from the consent agenda not because she had an issue with the travel that was posted but she wanted to discuss Board member travel without Board approval.

Ms. Naranjo Lopez said she wanted to make sure that the clarifications she made to her previously approved travel was corrected.

The motion passed without opposition.

4. Current Business

A. 2019 Election Report

- 1. Approval of Nominating Petition Count and Candidates for State Position**
- 2. Approval of Nominating Petition Count and Candidates for County Position**
- 3. Approval of Nominating Petition Count and Candidates for Retiree Position**

Ernie Marquez, Automated Election Services, directed the Board to the materials provided within their packets. He identified the individuals who requested petitions, those individuals who returned the nominating petitions by the deadline, and candidates for the three positions. He outlined the procedures used to verify signatures, and the total accepted signatures of each candidate. Based on the number of signatures, Mr. Marquez announced the following order the candidates will appear on the ballots:

State Position:

Robert Doucette
Yvonne Aragon
Paula Fisher

County Position:

Stewart J. Logan
Shirley Ragin
Gail Rogers Tripp

Retiree Position:

Loretta Naranjo Lopez
Robert Schilling
Jeffrey Riggs
Jacqueline Geoffrion

At this point, the Board lost its quorum and the Parliamentarian advised that the Board could discuss the issue but no action could be taken.

A quorum was regained and Mr. Mayfield introduced the following motion, that the PERA Board Nominating Petition Count and Candidates for State, County and Retiree Positions be accepted. Mr. Neel seconded and the motion passed. [Mr. Eichenberg and the Chair were not present for this action.]

Vice Chair Melia thanked Mr. Marquez for his services.

B. Approval of Investment Procurement Policy

Mr. Mayfield noted that this policy has been discussed for many months and changes have been made to reflect the Board's concerns. He introduced the following motion, that the PERA Board approve the Investment Procurement Policy. Mr. Neel seconded.

[With the departure of Ms. French, Ms. Armijo and Mr. Eichenberg the Board no longer had a quorum.]

Mr. Naranjo Lopez said she sent notes to staff advising them of her concerns. One of the issues is that the policy grants the Chair and Vice Chair approval for the Board. Also, the policy lacks oversight and favoritism could occur. There should be links to the statutes the policy refers to. She said she still has concerns regarding the policy.

Susan Pittard, General Counsel, said the Board members were copied Ms. Naranjo Lopez's questions and staff responses to each. She reviewed a power point presentation setting out that the purpose of the updates is intended to align the Procurement Policy with the

Investment Policy Statement which was approved in July 2018. The governing structure that is currently in place is not changed. PERA's investment-related contracts and services are exempt from the State Procurement Code.

Ms. Pittard reviewed the key updates noting the definitions have been revised to conform to current terminology, practices, the Investment Policy and the SmartSave Investment Policy. In accordance with the Board's governance changes, the policy identifies which contracts are exempt from the normal process of an RFP or RFI. All of these actions will be brought to the Investment Committee's attention for review. The policy includes the processes for the exemptions of the RFP and RFI processes. Also, public notice for RFPs was expanded.

Referring to the Board's final procurement authority, Ms. Pittard identified the following items: the strategic consultant, specialty consultants, the SmartSave investment consultant, and the SmartSave third-party administration. All of these services are done through the procurement process. She identified the CIO's authority to select the liquid and illiquid investment managers and other services providers. She noted that Evergreen contracts for investment managers have a 30-day termination provision, restrictions that limit third-party marketers, clarification that responses to RFP and RFIs are disclosable under IPRA, and also policy regarding the no-contract period.

Ms. Pittard and CIO Dominic Garcia were available for questions.

According to Mr. Leiderman, Ms. Naranjo Lopez said the Board has the ultimate legal responsibility and authority to make all investment decisions governing the plan. She said the Board is not making decisions and instead the CIO is making all decisions. She mentioned that in the past the Board met with the managers and now they don't. The Board is still liable.

Ms. Pittard noted that Mr. Leiderman also stated that the proposed policy is a prudent expansion of the Board's authority and he recommended adoption. She said staff understands Ms. Naranjo Lopez's disagreement with the governance decision the Board made in 2017.

Ms. Naranjo Lopez said she had no confidence in Mr. Leiderman's decision but she does agree with him when he says the Board has fiduciary responsibilities.

Mr. Neel thanked staff for addressing his recommendations. Some of his suggestions were made to address the Board's fiduciary responsibilities. He said it is important to appreciate that PERA has professional investment staff who works in the field every day while the Board reads the material and meets a few times a month. "We have to depend on quality, professional staff to make decisions." This dovetails with the Investment Policy and provides staff with the mandate to move forward. He said that performance needs to be assessed and individuals held accountable.

Mr. Neel said if there are amendments to the policy they should be drafted and voted upon.

Mr. Melia pointed out that the fund has gone from the bottom percentile to the top 25 percent.

5. Adjournment

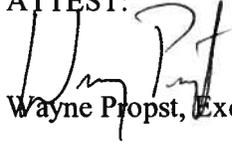
Lacking a quorum, the meeting was declared adjourned at 10:15 a.m.

Approved by:



Jackie Kohlasch, PhD
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Attached Exhibit(s):

Exhibit 1: Agenda

Exhibit 2: Consent Agenda