

# **PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

## **BOARD MEETING**

**July 30, 2020**

1. This monthly meeting of the Public Employees Retirement Board was held on the date cited above via Zoom tele/videoconferencing. John Melia, Chair, called the meeting to order at approximately 9:08 a.m.

### **2. & 3. Pledge of Allegiance and Roll Call**

Following the Pledge of Allegiance, Trish Winter, Executive Assistant, undertook the roll call. Meeting attendance met quorum, with the following members present:

#### **Members Present:**

John Melia – Municipal, Chair  
David Roybal – State, Vice-Chair  
Claudia Armijo – State  
Lawrence Davis – Municipal  
Paula Fisher – State  
Patricia French – Municipal  
Dan Mayfield – Retiree  
Loretta Naranjo Lopez – Retiree  
Steve Neel – State  
Shirley Ragin – County  
Tim Eichenberg – *Ex-officio*

#### **Member(s) Absent:**

Maggie Toulouse Oliver – *Ex-officio*

#### **Staff Members Present:**

Susan Pittard, Chief of Staff/General Counsel  
Wayne Propst, Executive Director  
Greg Trujillo, Deputy Executive Director  
Trish Winter, Executive Assistant

#### **Others Present:**

Jessica Bundy, REDW  
Caitlin Gutierrez, REDW

### **4. Approval of Agenda**

Ms. Loretta Naranjo Lopez requested removal and deferral of Agenda Items C and D to the next Board meeting giving the following reasons:

Agenda Item C – Presentation of Governance Audit: Ms. Naranjo Lopez expressed concerns that the Board, as a whole, has not previously reviewed this report, which includes statements of Board recommendations. Ms. Naranjo Lopez suggested an investigation into who purportedly spoke on behalf of the Board regarding this content. She requested the full Board review this report as a whole and the statements within it for consideration at the next Board meeting.

Agenda Item D – Request for Payment of Magazine and Newspaper Subscriptions for Trustee Loretta Naranjo Lopez: Ms. Naranjo Lopez recommended these magazines and resources would be beneficial to all Board members, based on her experience as an investor with the New Mexico Care Board. She noted the Board has a duty to maximize returns and suggested, as a public employee's

retirement association, a discount may be available. Deferral requested to allow consideration of full Board membership.

Ms. Patricia French seconded the motion to remove and defer Agenda Items C and D.

***Discussion:***

Mr. Tim Eichenberg requested that the Board consider the removal and deferral of Agenda Items C and D as separate items and a vote on each.

Agenda Item C – Presentation of Governance Audit: Ms. Naranjo Lopez reiterated the motion to remove this item and defer to the next Board meeting, citing the reasons as noted previously. Ms. French seconded the motion. The motion to remove and defer Agenda Item C failed with a roll call vote of seven to four as follows:

John Melia	No
David Roybal	No
Claudia Armijo	Yes
Lawrence Davis	No
Paula Fisher	Yes
Patricia French	Yes
Dan Mayfield	No
Loretta Naranjo Lopez	Yes
Steve Neel	No
Shirley Ragin	No
Tim Eichenberg	No

Item D -- Request for Payment of Magazine and Newspaper Subscriptions for Trustee Loretta Naranjo Lopez: Ms. Naranjo Lopez reiterated the motion to remove this item and defer to the next Board meeting, citing reasons as noted previously, and noted that the subscriptions are for the Wall Street Journal and Barron's. Ms. Naranjo Lopez suggested a rewording of the Agenda item to recommend these named subscriptions for the whole Board. Ms. Naranjo Lopez also queried the inclusion of this matter as an Agenda item for Board members, as materials requested in the past, such as books and subscriptions have been provided to Board members. Member Patricia French suggested the item should be reworded, 'for those who would like to subscribe', saying that the subscriptions should not be obtained for everyone if they do not want it. Ms. Naranjo Lopez agreed.

Chair John Melia proposed a motion to remove and defer Agenda Item D to the next Board meeting, and for Ms. Naranjo Lopez to clarify by email the wording of the action item. Ms. Naranjo Lopez clarified verbally that, if deferred, the Agenda Item for next month's meeting should state 'request for payment of magazine and newspaper for the Wall Street Journal and Barron's for all Board members that would like to have a subscription'. Ms. French seconded the motion. The motion to remove and defer the reworded Agenda Item D to the next Board meeting was passed by a unanimous roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Patricia French	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

Mr. Dan Mayfield moved to approve the Agenda as amended. Ms. Fisher seconded. The motion to approve the Agenda as amended was passed by roll call vote on a vote of nine to one as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Patricia French	[no vote – audio problems]
Dan Mayfield	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

**5. Approval of Consent Agenda**  
*[Exhibit 1: Consent Agenda]*

Ms. Loretta Naranjo Lopez requested Item 1 on the Consent Agenda: Approval of Minutes April 30, 2020, and May 2020 be moved, and placed at the end of the current Agenda. Mr. Dan Mayfield moved the motion to approve the Consent Agenda with the move of Item 1, the Approval of Minutes from April 30, 2020 and May 28, 2020 to the current Agenda. Seconded by Ms. Fisher. The Consent Agenda, as amended, was approved by unanimous roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Patricia French	[no vote – audio problems]
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

**6. Unfinished Business (Removed from Consent Agenda)**

***Discussion re Agenda***

Ms. Trish Winter, Executive Assistant, confirmed that at the May 28, 2020, Board meeting Ms. Loretta Naranjo Lopez requested moving the minutes from the Consent Agenda to the regular Agenda, that was done. Ms. Naranjo Lopez was no longer present at the meeting when the item occurred.

***Discussion re previous minutes***

Ms. Naranjo Lopez advised that the Board meeting minutes of April 30, 2020 stating, “Ms. Naranjo Lopez said she would be voting against the Agenda because it is incorrectly sequenced” is incorrect. Ms. Lopez advised she was specifically referring to the Robert’s Rules of Order, which she considers are not being followed during Board meetings. Ms. Naranjo Lopez requested written clarification on the interpretation/definition of the Robert’s Rules of Business for Board meetings. Mr. Melia will seek advice from the Parliamentarian.

Ms. Naranjo Lopez advised that the Board meeting minutes from May 28, 2020, do not include a statement she made about allegations of a bribe, and a whistle-blower statement she read

verbatim at the meeting as an exhibit. Ms. Naranjo Lopez also expressed concern that other member's exhibits are attached to minutes as a part of the record, but hers are not.

Chair John Melia advised the minutes and audio of these two meetings will be reviewed for accuracy by Ms. Trish Winter, Executive Assistant. Any amendments and/or attachment of Ms. Naranjo Lopez's whistle-blower statement are to be incorporated and/or attached as an exhibit if found to be an accurate record of the meeting.

***Discussion re Board meeting minutes format, content, and release***

Chair John Melia noted that the responsibility for the recording of the minutes has changed. Ms. Trish Winter confirmed she is not transcribing the minutes. Ms. Patricia French and Susan Pittard, Chief of Staff/General Counsel, confirmed the accepted practice of Board meeting minutes is non-verbatim. Verbatim content/statements read during the meeting should be attached to minutes for reference as exhibits. Mr. Lawrence Davis queried whether there is a legal requirement to publish minutes within a specified time-period given delays releasing minutes in recent months. Members responded there is not.

**Executive Session – Board recess to Executive Session pursuant to NMSA 1978, Section 10-15-1(H) (3)**

Ms. Naranjo Lopez moved to go into Executive Session as above. Mr. Lawrence Davis seconded. The motion passed by roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Patricia French	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

Mr. Eichenberg advised he would not participate in the Executive Session but would return when the meeting resumed.

*[break in audio recording]*

Ms. Naranjo Lopez moved to come out of executive session. Ms. Neel seconded the motion. The motion passed by roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Patricia French	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

Chair Melia advised the only matter discussed in the Executive Session was the Administrative Appeal of Mr. Justin Baca. Chair Melia also advised he was not present and did not participate in the Executive Session due to his previous relationship with Mr. Baca.

## **7. New Business**

### **A. Final Decision on Administrative Appeal**

Mr. Roybal moved that in the matter of the Appeal of Justin Baca, PERA ID 515559 the Board adopt the Hearing Officer's recommended findings of fact and conclusions of law, approve the Hearing Officer's recommended decision, and deny the claimant's request for PERA Duty Disability Retirement Benefits. Ms. Fisher seconded the motion. The motion passed by roll call vote of nine to zero with two abstentions.

John Melia	Abstained
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Patricia French	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Abstained

### **B. Approval of Interest Rate Resolutions**

*[Exhibit 2: Interest Rate Resolutions]*

Susan Pittard, Chief of Staff/General Counsel, briefed the Board on their required approval of annual interest rate resolutions, to become effective on January 1, 2021. The proposed resolutions did not have any changes from those currently in effect. Ms. Pittard advised the rate applied for both forfeited and unremitted contributions is at 7.25%, which represents the opportunity cost lost for not having the money in the trust fund to be invested. The only resolution different is that for overpayments which are gained by providing PERA with fraudulent information. This rate is set at 10%.

Resolutions 20-07, 20-08, and 20-09 (Agenda items B 1, 2, and 3) are for forfeited service credit under the PERA, JRA and Magistrate plans respectively.

Resolutions 20-11, 20-12, and 20-13 (Agenda items B 5, 6, and 7) are for unremitted contributions or late contributions that are not paid to PERA under the PERA Act, JRA, or MRA respectively. Resolution 20-13 is for unremitted contributions applied to the legislative plan.

Resolution 20-14 (Agenda item B 8) is for the overpayment of benefits gained by fraudulent information that is set at 10%.

There were no questions from the Board

[Ms. French excused herself from the remainder of the meeting.]

Mr. Mayfield moved to approve Resolutions 20-07, 20-08, and 20-09 concerning interest on repayments for reinstatement of forfeited service credit for funds. Mr. Neel seconded. The motion was passed by unanimous roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

Mr. Davis moved to approve Resolutions 20-10, 20-11, and 20-12 concerning interest rate as applied to unremitted or late PERA contributions for funds. Mr. Mayfield seconded. The motion was passed by unanimous roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

Mr. Mayfield moved to approve Resolution 20-13 concerning the interest rate of unremitted member contributions for the legislative and lieutenant funds. Mr. Neel seconded. The motion was passed by unanimous roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Dan Mayfield	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

Mr. Mayfield moved to approve Resolution 20-14 concerning the rate of interest on the overpayment of benefit. Mr. Neel seconded. The motion was passed by unanimous roll call vote as follows:

John Melia	Yes
David Roybal	Yes
Claudia Armijo	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Dan Mayfield	Yes

Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Tim Eichenberg	Yes

### **C. Presentation of the Governance Audit**

*[Exhibit 3: Governance Audit]*

Ms. Jessica Bundy and Ms. Caitlyn Gutierrez from REDW presented the 2020 Internal Governance Audit, the purpose and objectives of which were to evaluate the overall governance of PERA to determine compliance with fiduciary requirements, laws, regulations, and best practices. The evaluation included whether Board training complied with the New Mexico Administrative Code, the controls and processes in place for identifying Code of Conduct violations, controls surrounding the approval of investment policy changes, and compliance with asset allocation benchmarks.

Due to the magnitude of PERA's governance area, the scope of the audit focused and prioritized areas and outcomes with the most impact on improving the PERA governance structure. Audit observations were split into two groupings. These are critical high-risk observations affecting Board productivity, transparency, and effectiveness and reporting and administration areas of importance that may require improvement.

The presentation to the Board summarized the Governance Audit findings into the two groupings as mentioned. A summary of each observation and related recommendations was presented for each grouping, followed by Management and Board responses already provided.

Board Policy was found to be in place, which included detail of requirements to be followed. However, to ensure consistency, some procedures and monitoring were lacking. The report recommendations are intended to build a foundation for a good governance structure, and then expand into other areas of concern and risk.

Observation 1, communication and decision-making, was broken down into five distinct pieces, with recommendations for each:

Strategic direction: Board Policy Section 2.10 addresses the need for a strategic direction for PERA, and states the Board will delegate the strategic objectives to the Executive Director and Chief Investment Officer, who subsequently delegate to staff. A Board questionnaire identified a trend where all Board members and Executive Management who responded felt there was either not a unified vision at the Board management level or actions by the Board gave the appearance a unified vision did not exist, which impacts on the ability of the Board to act as a cohesive group when making decisions. It was recommended that the Board, in collaboration with management, develop a long-term strategic vision for the Agency, and ensure all decisions made adhere to that vision. Management will be responsible for the execution, while the Board will function as an oversight body and perform periodic monitoring to ensure compliance with performance metrics.

Integrity and fiduciary responsibility: Board Policy Section 1.4 states that Board members are to act with integrity when meeting fiduciary responsibility to members and beneficiaries, and engage in inclusive decision-making processes. This supports expectations that the Board speaks in a unified voice. The review of Board meeting audio observed many decisions were despite the majority vote made. Board members continued to speak on decisions in subsequent meetings, therefore giving the appearance that the Board does not have a unified voice. It was recommended that the Board put procedures in place to ensure once a majority vote is made, that the Board accepts the decision, and any non-compliance at future meetings is addressed.

Discussions and conduct: Board Policy Section 1.60 assigns responsibility to the Board for creating and maintaining an atmosphere that encourages frank and collegial discussions at Committee, Board, and management levels. Board Policy 3.10 discusses the need for Board members, management, and staff to conduct themselves in a way that is expected of a fiduciary. The review of Board meeting audio found several instances where disagreements between Board members resulted in negative commentary and accusations regarding other Board members, staff and consultant qualifications, and competency. It was recommended that the Board consider implementing an Oversight Committee to monitor compliance with Board Policy and procedure consistently and address repeated occurrences of noncompliance with disciplinary measures.

Meeting conduct: Board Policy Section 2.51 requires Board members to act in the best interests of PERA consistent with their fiduciary duty. NMSA also addresses this by asking Board members to conduct themselves in a manner that justifies the confidence placed in them by the people. The review of Board meetings identified two instances where a quorum was lost when Board members intentionally walked out of the meeting to avoid a vote being placed, thus resulting in the delay of critical business. It was recommended, again, that the Board consider disciplinary action under Policy Section 9.34 should this occur again.

Complaints process: It was determined there is no formal process in place to address complaints or concerns by Board members, management, or staff via an internal process. Because of this, external legal representation was obtained, resulting in legal fees paid by PERA of approximately \$50,000, which ultimately resulted in no additional resolution. It was recommended that PERA implement a formal complaint process, similar to the one that is already in place for member and beneficiary complaints to allow the Board and management to express their concerns in a formalized manner. Should those concerns not be addressed internally, it was recommended that procedures be implemented for escalation to either to the Office of State Auditor, or other oversight agency, as appropriate.

The management response to Observation 1 was that they are available to assist the Board in developing its five-year Strategic Plan and an Annual Work Plan that verifies all requirements to policy and procedure. They also believe a standing Governance Committee could potentially be tasked with monitoring code of conduct, and review complaints. Management responded they could assist the Board to develop a formal complaint process for Board members at their request.

The Board response for Observation 1 agrees with the need to establish a unified vision and develop processes to ensure good communication and consistent decision-making. They will work to develop an Oversight Committee, who will be tasked with reviewing current policy and procure and proposing changes, with a strong consideration towards enhancing the accountability, monitoring and disciplinary function of the Board. This should be completed by the end of the FY21. To focus on the short term, a standing informational Agenda item will be added to each Board meeting for the rest of 2020. This will focus on the observations identified during this audit, and any progress made.

Observation 2 relates to non-financial conflict of interest reporting. The current Board Policy includes what Board members are not allowed to engage in when serving in the Board capacity, as well as how they must conduct themselves during discussion or a vote when a conflict may exist. The testing determined that there were several instances where a conflict appeared to exist at the Board level, but there was no process in place to identify and discuss that conflict to ensure it did not impair fiduciary responsibility. Board policies were revised in December 2019 to require disclosure of affiliations that may impair independence. As at the time of testing, the process had not been completed. It was recommended that while the update to policy is a great start, a form should be developed for the required reporting of those conflicts, to be provided to the Executive Director for reporting at the next Board meeting. It was also recommended that a process be implemented to monitor conflicts. This should be undertaken annually, as is required by current policy, but also periodically to ensure that conflicts are timely addressed as they arise. Training on the standards of



conduct section of the Board Policy was also recommended. The recommendation also included that the Rules and Administration Committee be tasked with enforcing standards of conduct, monitoring compliance, and reporting exceptions periodically.

The management response for Observation 2 agrees that the development of a non-financial conflict of interest form could assist Board members to accurately disclose potential conflicts or perceived conflicts of interest and that they will work with the Board at their request to provide educational opportunities to identify any actual or perceived conflicts. They will also develop an annual curriculum for such training. Once the process is adopted, they will assist the Board to facilitate compliance as needed. Management believes a Governance Committee could provide appropriate oversight for monitoring conflicts of interest.

The Board response for Observation 2 agreed that enhancements can be made to the non-financial conflict of interest policy, and they will work with management to implement a process to discuss. Also, they will task the Oversight Committee developed in Observation 1 with ensuring compliance with the Standards of Conduct policies by the end of FY21.

Observation 3 relates to the annual evaluation of the Board, as is required by Board Policy Section 2.19. Testing determined that this self-evaluation has not taken place, and recommend that PERA conduct a formalized self-evaluation annually, with mandatory attendance to ensure all voices are heard on the Board.

The Board response for Observation 3 agreed to the findings that an evaluation is needed. This will be conducted by the end of the FY21. This is a Board only response as a Board related requirement.

Observation 4 addresses the Meeting Agenda and materials process under Board Policy Section 2.84. This requires a seven-day advance posting time of related materials before the scheduled Board or Committee meeting. Testing identified meetings where the Agenda was and the initial materials were not uploaded or posted at least seven days prior. Also, the review of Board meeting minutes indicated the approval of the Agenda often takes a significant amount of time due to a lot of movement of items either off the Agenda or onto the Consent Agenda. It was recommended that PERA consider reevaluating the Agenda and materials process to ensure information is uploaded at least seven days before ensure there is adequate time to review materials so Board members are prepared to make decisions.

The Management response to Observation 4 advises of the attempt, to the extent practicable, to post the Board an Agenda seven days before meetings. They explain that the way Board portal works is even if they're posted seven days prior, any subsequent changes replace the footprint date and make it appear that those materials are posted outside of the seven-day window. They will work on improving those communications and efficiency of receiving materials and approval of Agendas from the Board and Committee Chairs.

The Board's response to Observation 4 indicates there will be a review of the process to compile Agenda items and related material to determine if improvements can be made to ensure adequate review of materials in advance of the Board meeting. This will be completed by the end of the FY21.

Observation 5 covers the Annual Evaluation of the Executive Director. As per Board Policy, an annual evaluation of the Executive Director should be occurring. Testing determined that this evaluation did not occur in FY19. It was thought that an evaluation in FY20 did not occur, however, due to the testing timeline it was uncertain if this would occur in a later meeting. It was recommended that the Board implement a process to ensure that Executive Director Evaluation is performed annually, with any action items developed during the evaluation monitored regularly. It was also

recommended that 360 evaluations be considered to incorporate feedback from all levels of the organization.

The Board's response to Observation 5 agrees an evaluation needs to take place and will conduct one by the end of FY21.

Observation 6 relates to the reporting of gifts. Board Policy states that, at least semi-annually, Board members, the Executive Director, and Executive Staff are to disclose anything of value received in their capacity as a PERA Board member or Management via the gift reporting form. The audit process found instances where the form was not submitted timely or not submitted at all. Also, it was found that there was no review in place by Management or the Board to determine if any gifts received violated policy or state statute. It was recommended that PERA should implement an independent review of the gift reporting forms for compliance purposes by designating an appropriate individual from management to review and sign off on the forms and ensure that potential issues are addressed. An update of Board Policy was also recommended to better define the timing of when the report should be filed so the deadline is clear. The current policy states immediately following, which is a little bit vague.

The Management's response to Observation 6 agreed with the independent review of gift reporting to comply with best practices and attempts to assist Board members in complying with reporting requirements. PERA contractually requires external professional service providers to report gifts to Board members and staff. Management will commence reporting compliance with gift recording to the Board at their regular meetings on a bi-annual basis. Management believes a Governance Committee could be best suited to receive forms on gift reporting and form oversight over this compliance function.

The Board response to Observation 6 is in agreeance and an informal Agenda item will be added to inform Board members who have yet to submit their gift reporting forms that they are due. This will take place beginning in FY21.

Observation 7 relates to external education reporting. According to Board Policy, each Board member is required to verbally report to the Board on any event requiring outside travel of New Mexico, which PERA has paid, within 60 days of the travel being completed. Testing of the Board audio minutes determined reporting on education travel is not being done consistently under this policy. It was recommended that PERA should consider implementing a process where Board members are reporting on out of state travel within the 60-day requirement. Alternatively, since Board meetings typically have a full Agenda, it was recommended the Board consider implementing a questionnaire that the Board member can fill out before the meeting. This could then be included in the Board packet and reviewed by all Board members for informational purposes only.

The Management response to Observation 7 suggests that when an in-person report is not practical with existing deadlines, Board members be allowed to provide a written report for the record. This alternative will require modification to the current Board Policies and Procedures. Additionally, management will provide a quarterly report to the Board at the regular meeting on all Board travel, and the costs associated with the travel.

The Board's response to Observation 7 agrees, and the Board procedures will be updated to convert external education reporting to a written process, which will be included in the Board packet. These changes will take place in FY21.

Observation 8 relates to Education Affidavits. According to NMAC, each Board member shall annually certify his or her compliance with the statutory requirements via the education affidavits on or before December 31 of each calendar year. Testing determined that affidavits are not being completed timely or being consistently signed and dated. It was recommended PERA should implement a process to ensure all education affidavits are certified before the December 31 deadline.

An internal review of each of the forms was also recommended to ensure the Board members are receiving the required amount of education, and compliance with training requirements.

The Management response to Observation 8 states that they will provide monthly reminders during the fourth quarter of the calendar year to track Board member compliance with this requirement. Management will report on the status of the completed education affidavits annually to the Board at their regular meeting.

The Board's response to Observation 8 agrees. An informal Agenda item will be added to inform Board members who have yet to submit their education affidavits that they are due. This will take place beginning in FY21.

Observation 9 relates to process improvement recommendations over Board education costs. Testing determined that PERA is tracking Board education costs on a fiscal year basis to align with the Agency's budget process. However, to conform with statutory requirements and certifying compliance on or before the December 31 NMAC deadline, externally provided training is tracked on a calendar year basis. It was recommended the Board consider updating the Policies and Procedures to align with the NMAC section of tracking the education costs on a calendar year basis, to ensure both matches.

Also, Board Policy states that a Board member may attend one, ideally two, relevant education conferences or seminars each fiscal year, if adequate funding is provided. Testing found that there were some instances where Board members attended three conferences during the fiscal year. It was recommended that the Board consider a per person budget that aligns with the requirements of the Board Policy, as opposed to an overall budget. This would ensure that all Board members have the opportunity to attend training if they desired. Additionally, it was recommended the Board consider presenting the total travel costs per Board member throughout the year to determine if Board member's education requests are responsible and compliant with the Board Policy and not exceeding that budget.

Ms. Bundy concluded the presentation by asking if Management or the Chair Melia had anything to add to the summary of responses.

Mr. Propst advised he had nothing further to add to the Management responses already provided, and that the administrative areas for improvement have all been noted and taken to heart. He expressed thanks and appreciation to Ms. Bundy and Ms. Gutierrez of REDW for their work and recommendations to PERA to ensure compliance with all Board Policies and Procedures.

Chair Melia said that he appreciated all the hard work that had gone into the audit, and that although this was not a good audit for the Board, he felt members would already have known some issues needed addressing. Chair Melia advised for the remainder of his time as Board Chair he wished to focus on, and be dedicated to addressing the issues raised, and saw them as areas of opportunity. He indicated that in collaboration with the expertise of the Board, Management, and REDW, the work undertaken in the audit, and in the future to fix issues would be appreciated.

### ***Questions and feedback***

Ms. Loretta Naranjo Lopez reiterated her earlier statement that she would like an investigation into who purportedly spoke on behalf of the Board, as the Board as a whole had not reviewed the matters raised in the report presented by REDW. Ms. Naranjo Lopez asked that REDW respond to the question of who provided the Board's response. Ms. Naranjo Lopez advised that because the full Board had not reviewed, discussed, provided responses to, or approved the report she considered it false and misleading. She also voiced concerns that if depending on who drafted the responses, in particular, if staff had done so, that it raises an issue of bias.

Chair Melia responded to Ms. Naranjo Lopez's question, advising that as he was the person responsible for the Board responses to the REDW report, he was the appropriate person to answer. Chair Melia advised that the audit findings were given to him, as Chair of the Board, and David Roybal as Vice-Chair of the Board and Chair of the Audit and Budget Committee. As per past practice with audit findings, the Board responses were compiled by himself as the Chair in conjunction with Mr. Roybal in his capacity as the Vice-Chair and the Chair of the Audit and Budget Committee, together with Ms. Bundy and Ms. Gutierrez of REDW. He advised that staff were not spoken with, and did not contribute to the responses given. He advised that no actions had been enforced, nor rules or policies changed without proper Board procedures.

Ms. Bundy of REDW advised that it is a normal process for an internal audit to rise to the level of the Chair, and the Vice-Chair of the Audit Committee and since Mr. Roybal is both the Vice-Chair and the Audit Committee Chair, that appears appropriate. Ms. Bundy also advised that the last Governance Audit also went through a similar process with the Chair, the Vice-Chair, and the Audit Committee Chair.

Ms. Naranjo Lopez thanked Chair Melia and Ms. Bundy for their responses to her question and confirmed the names of the people who contributed to the audit responses. She restated her position that she considers decisions should be made and voted on as Board.

Dan Mayfield thanked Chair Melia and Vice-Chair Mr. Roybal for the work and time taken to respond to the audit findings. Mr. Mayfield's feedback indicated he considered the responses to be well thought out and provided the Board many areas to work on. Mr. Mayfield mentioned that the Board had the prerogative during the meeting underway if they want to change any of those answers as they see fit.

Chair Melia advised he wished to provide further follow-up to the audit by saying that any changes, or anything new, different, or that needs enforcing is going to take the full committee. He expressed concern that some of the issues raised have been occurring for so long they may seem normal to the Board. Mr. Melia mentioned no fault or blame was being apportioned to any particular Board members, and that as Board members who meet once a month, and with Board member turnover, it can be difficult to keep on top of and enforce policies and procedures as compared to a PERA employee, working with them daily. He said the Oversight Committee to be established would work with the Board, staff, and REDW. There will be standing Agenda item on future Board meetings to address issues identified and raised by the Oversight Committee more efficiently and can modify any processes that need to be, and enforce the framework that is already in place.

Steve Neel thanked both Chair Melia and Vice-Chair Roybal for their thoughtful responses to the audit, saying he considered they made a lot of sense, and that he feels completely comfortable with Chair Melia speaking on his behalf. Mr. Neel advised he considered the REDW report to be a fair and objective read of the Board, pointing to what he would describe as the most critical issue within the Board, and its management. Mr. Neel mentioned that REDW is the second third-party organization that has pointed out the Board's dysfunction, the first being the State Auditor. Mr. Neel thanked Ms. Bundy and Ms. Gutierrez for their work and spoke of the challenge of assessing a client, or your bosses, and that he thought the report had been done thoughtfully and well. Mr. Neel asked the extent to which they had worked with Boards and Commissions audits in the past.

Ms. Bundy advised she has worked in public accounting for the past 15 years. Ms. Bundy estimated annually working with about 50 clients over that period, with some variance year to year. Ms. Bundy advised she and Ms. Gutierrez both work directly and interact with clients and Boards around reporting and refining processes following audit findings, as well as with other REDW colleagues.

Mr. Neel acknowledged the importance of having that experience to draw from for the recommendations and best practices for Board moving forward, and that he considered they are in a position to assess and to make recommendations.

Lawrence Davis thanked EDW and the Board Chair for the report and as a previous auditor himself, acknowledged the challenges of reporting dysfunction factually, and making suggestions for governance to move forward. Mr. Davis spoke to the difficulty as Board members to acknowledge and accept changes are needed, however, that the Board owes it the members who have a vested interest in their retirement to move on and implement change rather than continually revisit past issues, which stall progress and improving efficiencies.

Chair Melia thanked REDW again and asked that the takeaway be a commitment to the clearing and resolving the issues identified in the audit. Ms. Bundy thanked the Board for their time, and resolve to take the findings seriously, and look to making improvements in the future.

#### **E. Strategic Planning Workplan Discussion**

*[Exhibit 4: Strategic Planning document]*

Chair Melia presented the draft of the Strategic Planning document compiled with PERA staff, and previously circulated to Board members for input and feedback. Mr. Melia advised the only feedback received was from Ms. Naranjo Lopez, who requested the inclusion of presenters external to PERA as neutral third parties with experience and expertise. Mr. Melia agreed and advised this had been discussed with Wayne Prost, Executive Director, and Dominic Garcia, Chief Investment Officer, who are actively working on including outside speakers. The first workgroup with an external presenter had been scheduled following this Board meeting, however, due to the presenter being unable to attend this was canceled. Ms. Loretta Naranjo Lopez thanked Chair Melia and the members of the Board for considering and implementing her suggestions.

Lawrence Davis queried the discount rate of 7.25 under the sitting investment strategy, noting other funds have recently adjusted their discount rates. Stephen Neel confirmed ERB have recently lowered their discount rate. Chair Melia acknowledged the trend and advised he has raised the discount rate with Mr. Propst, Executive Director, and Mr. Garcia, Chief Investment Officer. Mr. Melia advised that before changes are made to the discount rate, the intricacies of how it applies to PERA's risk share model and Senate Bill 72 need to be understood, which will be part of the education process going forward.

#### **F. Executive Director's Report**

*[Exhibit 4: Executive Director's Report]*

Wayne Propst, Executive Director, presented the Executive Director's Report. Items brought to the attention of the Board included:

The interim Legislative Committees have been delayed due to COVID-19. The first hearing is scheduled for August 19, 2020. The Agenda was pending, however, it was expected the focus would be on the impact of COVID-19 over the next six to 12 months, both administratively for the Agency, and in terms of investments. Mr. Propst will be presenting and will share his presentation with the Board via the Board portal as soon as completed.

The mailing of COLA and 13<sup>th</sup> Check letters to members had been completed in the previous week. Member Services staff handled approximately 500 calls on the Monday following the mail out, with a positive response from members so far. Mr. Propst thanked Mr. Trujillo and his staff, the User Administration staff, IT staff, and Member Services staff, and acknowledged the work of these teams in implementing changes to legislation.

Preparation of Active Member Statements will commence in the next one to two weeks, with approximately 75,000 active members due to Annual Statements later in August. Ballots for the municipal and retiree seats for the upcoming Board election seats will also be mailed shortly.

Audit fieldwork for FY20 has begun, led by Anna Williams, Chief Financial Officer. That audit process will continue over the next several months, leading to the release of the comprehensive Annual Financial Report in January 2021.

The PERA website has been revised and refreshed over the past several weeks to improve navigation and appearance. This project was led by Christina Perea, Outreach Director. Mr. Propst encouraged the Board members to visit the website, and welcomed suggestions for further improvements.

Iterations of staff schedules for staff working in the PERA offices and remotely have been revised as per Executive Orders from the Governor's Office due to the COVID-19 pandemic. The Agency is currently focused on how to work with staff schedules and needs of people who have school-aged children to address any specific needs that they have in terms of their work schedule. An updated schedule will be released in the next week to cover August and most likely September 2020. Mr. Propst advised staff seem to be doing well, and are continuing to do their best to service members.

All critical tasks, such as payroll are being completed. Mr. Propst advised he believed 174 retirees had been added to the payroll this month, a high since the beginning of the pandemic. The payroll payout for the next day was for us over \$110 billion in benefits, including 13<sup>th</sup> checks and the cost of living adjustments.

Chair Melia thanked Mr. Propst and his staff for the report, and their efforts to accommodate staff, and ensuring the core service of members have received payments has continued during recent events.

Greg Trujillo, Deputy Executive, provided an update on the upcoming Board elections. The election edition of *La Voz* was due to be mailed in the next day or so, with information retiree election and municipal legislation. The election vendor is AES. Members will receive their mail ballots by next Friday, August 7, 2020. The due date for the return of ballots to AES is by September 18, 2020, at noon, and results will be known from those two elections that night. The Board will certify those results in their Annual Meeting in October 2020.

Mr. Trujillo reminded the Board of their adoption of post-election recommendations made by AES in November of 2019. These included the recommendation that people voting in the election sign the returning envelope with the returned ballot. The requirement for this cycle is that all returned ballot envelopes include the member's signature. If a ballot envelope is returned without a signature, the ballot will not be counted.

### ***Questions and discussion:***

Lawrence Davis questioned the spike in contributions in January presented in the graph from the Executive Director's Report. Mr. Propst and Mr. Trujillo advised this would have been a three pay period month.

Mr. Davis thanked and praised Mr. Propst, Mr. Trujillo, Ms. Winter, Ms. Pittard, and all PERA staff for their work and commitment to members during current pandemic circumstances.

Chair Melia queried a significant upwards spike showing in numbers of active members over May/June as presented in the Executive Director's Report. Mr. Trujillo advised this could be due to the incorrect inclusion of active volunteer firefighters, who are not usually included in the active

count, as they are not paying contributions. Mr. Trujillo apologized and said he would review the report.

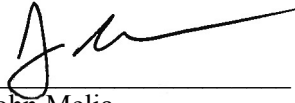
Dan Mayfield thanked Mr. Propst and Mr. Trujillo and their staff for the very clear and understandable letter that went out to retirees. He advised he was received a lot of favorable feedback from members.

Paula Fisher queried whether the inclusion of Juvenile Correction and Probation Officers with the Adult Corrections and State Place fun was still going to take effect. Mr. Propst advised as part of Senate Bill 72, this was due to take effect from July 1. However, there is a provision in Senate Bill 72 that requires an election to be held, which has not occurred yet. Mr. Propst indicated he expected this would take place in spring, with the plan to become effective for the first pay period after July 1 of 2021.

## 7. **Adjournment**

Having completed the Agenda and with no further business to come before the Board, Chair Melia declared the meeting adjourned at 11:40am.

Approved by:



John Melia  
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

### Exhibits attached

*Exhibit 1: Consent Agenda*

*Exhibit 2: Interest Rate Resolutions*

*Exhibit 3: Governance Audit*

*Exhibit 4: Strategic Planning document*

*Exhibit 5: Executive Director's Report*



INVESTED IN TOMORROW.

**PERA Board Meeting**  
**July 30, 2020**  
**CONSENT AGENDA**

- 1. Approval of Minutes:** April 30, 2020 and May 28, 2020
- 2. Ratification of Retirements -** Benefits processed through: 6/1/2020 and 7/1/2020
  - a. Normal
  - b. Deferred
  - c. Reciprocity to ERA
  - d. Non-Duty Death
  - e. Non-Duty Disability
  - f. Reciprocity to PERA
- 3. Duty & Non Duty Deaths**
  - a. Steven Paul - Non-Duty
  - b. Beatrice Krueger - Non-Duty
  - c. Dave Martinez - Non-Duty
- 4. Affidavits for Free Military Service:**
  - a. Roland Alarid - 15 months
- 5. Resolutions**
  - a. The City of Rio Communities adopted Resolution No. 2020-176 to adopt the PERA Smart Save Deferred Compensation Plan to offer to its employees.
  - b. Torrance County Resolution No. 2020-19 – A Resolution Authorizing an Election for Adoption of Municipal Police Member Coverage Plan 4. The election is scheduled for August 31, 2020.
  - c. City of Eunice Resolution No. 3259 – A Resolution Authorizing an Election for Adoption of Municipal Fire Member Coverage Plan 4. The election is scheduled for August 15, 2020.
  - d. City of Eunice Resolution No. 3258 – A Resolution Authorizing an Election for Adoption of Municipal Police Member Coverage Plan 4. The election is scheduled for August 15, 2020.
- 6. Educational Conferences**
  - a. Loretta Naranjo Lopez 31st Annual Pension & Financial Services Conferences; Chicago, IL; December 7-10, 2020; Registration Expenses to be paid by PERA
- 7. Setting of Meetings: August 2020 Meetings**

a. Disability Review Committee	August 11, 2020	1:00pm
b. Investment Committee	August 27, 2020	9:00am
c. Board Meeting	August 27, 2020	following Investment Committee

Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 505-476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



**RESOLUTION NO. 20-07**

**RESOLUTION CONCERNING INTEREST ON REPAYMENTS  
FOR REINSTATEMENT OF FORFEITED PERA SERVICE CREDIT**

**WHEREAS**, NMSA 1978, Section 10-11-4(F) of the Public Employees Retirement Act provides that PERA members who have forfeited service credit by withdrawal of member contributions may reinstate the forfeited service credit by repaying the amount withdrawn plus compounded interest from the date of withdrawal to the date of repayment at the rate set by the Board; and,

**WHEREAS**, PERA Rule 2.80.600.30.B NMAC provides that the rate or rates of interest for the reinstatement of forfeited service credit shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following interest rate schedule:

Beginning January 1, 2121, the rate of interest on repayments for the reinstatement of service credit shall be calculated as follows:

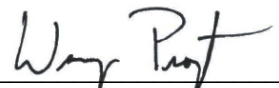
- A. For contributions withdrawn prior to January 1, 1984, interest shall be calculated at the rate of 5.25% compounded annually from the date of withdrawal through December 31, 1983, at the rate of 10.0% compounded annually through December 31, 2001, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- B. For contributions withdrawn on or after January 1, 1984, interest shall be calculated at the rate of 10.0% compounded annually from the date of withdrawal through December 31, 2001, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- C. For contributions withdrawn on or after January 1, 2002, interest shall be calculated at the rate of 8.0% compounded annually from the date of withdrawal through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.

- D. For contributions withdrawn on or after January 1, 2015, interest shall be calculated at the rate of 7.75% compounded annually from the date of withdrawal through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- E. For contributions withdrawn on or after January 1, 2017, interest shall be calculated at the rate of 7.25% compounded annually from the date of withdrawal to the date of repayment.

**PASSED, ADOPTED AND APPROVED THIS 30 DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY:   
John Melia, PERA Board Chair

ATTEST:   
Wayne Propst, Executive Director

**RESOLUTION NO. 20-08**

**RESOLUTION CONCERNING INTEREST ON REPAYMENTS  
FOR REINSTATEMENT OF FORFEITED JRA SERVICE CREDIT**

**WHEREAS**, NMSA 1978, Section 10-12B-5(B) of the Judicial Retirement Act provides that JRA members who have forfeited service credit by withdrawal of member contributions may reinstate the forfeited service credit by repaying the amount withdrawn plus compound interest from the date of withdrawal to the date of repayment at the rate set by the board; and,

**WHEREAS**, JRA Rule 2.83.400.8.B.3 NMAC provides that the rate of interest for the reinstatement of forfeited service credit shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following interest rate schedule:

Beginning January 1, 2021, the rate of interest on repayments for the reinstatement of service credit shall be calculated as follows:

- A. For contributions withdrawn prior to January 1, 1984, interest shall be calculated at the rate of 5.25% compounded annually from the date of withdrawal through December 31, 1983, at the rate of 10.0% compounded annually through December 31, 2001, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- B. For contributions withdrawn on or after January 1, 1984, interest shall be calculated at the rate of 10.0% compounded annually from the date of withdrawal through December 31, 2001, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- C. For contributions withdrawn on or after January 1, 2002, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.

- D. For contributions withdrawn on or after January 1, 2015, interest shall be calculated at the rate of 7.75% compounded annually from the date of withdrawal through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- E. For contributions withdrawn on or after January 1, 2017, interest shall be calculated at the rate of 7.25% compounded annually from the date of withdrawal to the date of repayment.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY: \_\_\_\_\_

  
John Melia, PERA Board Chair

ATTEST: \_\_\_\_\_

  
Wayne Propst, Executive Director

**RESOLUTION NO. 20-09**

**RESOLUTION CONCERNING INTEREST ON REPAYMENTS  
FOR REINSTATEMENT OF FORFEITED MRA SERVICE CREDIT**

**WHEREAS**, NMSA 1978, Section 10-12C-5(B) of the Magistrate Retirement Act provides that Magistrate Retirement Act members who have forfeited service credit by withdrawal of member contributions may reinstate the forfeited service credit by repaying the amount withdrawn plus compound interest from the date of withdrawal to the date of repayment at a rate set by the Board; and,

**WHEREAS**, MRA Rule 2.84.400.8(B)(3) NMAC provides that the rate of interest for reinstatement of forfeited service credit shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following interest rate schedule:

Beginning January 1, 2021, the rate of interest on repayments for the reinstatement of service credit shall be calculated as follows:

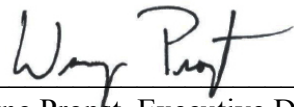
- A. For contributions withdrawn prior to January 1, 1984, interest shall be calculated at the rate of 5.25% compounded annually from the date of withdrawal through December 31, 1983, at the rate of 10.0% compounded annually through December 31, 2001, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- B. For contributions withdrawn on or after January 1, 1984, interest shall be calculated at the rate of 10.0% compounded annually from the date of withdrawal through December 31, 2001, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- C. For contributions withdrawn on or after January 1, 2002, at the rate of 8.0% compounded annually through December 31, 2014, at the rate of 7.75% compounded annually from the date of withdrawal through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.

- D. For contributions withdrawn on or after January 1, 2015, interest shall be calculated at the rate of 7.75% compounded annually from the date of withdrawal through December 31, 2016, and at the rate of 7.25% compounded annually thereafter up to the date of repayment.
- E. For contributions withdrawn on or after January 1, 2017, interest shall be calculated at the rate of 7.25% compounded annually from the date of withdrawal to the date of repayment.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY:   
John Melia, PERA Board Chair

ATTEST:   
Wayne Propst, Executive Director

**RESOLUTION NO. 20-10**

**RESOLUTION CONCERNING INTEREST RATE AS APPLIED  
TO UNREMITTED OR LATE PERA CONTRIBUTIONS**

**WHEREAS**, NMSA 1978, Sections 10-11-124 and 10-11-126 of the Public Employees Retirement Act require each affiliated public employer to remit to PERA all member and employer contributions specified by applicable PERA coverage plans in accordance with PERA procedures and schedules, and provide that PERA may assess interest on all contributions not timely received; and,

**WHEREAS**, PERA Rule 2.80.500.8.C NMAC provides that the rate of interest for unremitted contributions shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following:

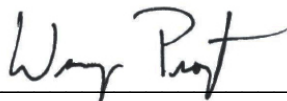
- A. Interest on unremitted PERA contributions will be calculated from January 1, 1990 through the date of payment at the following rates:
- (1) From January 1, 1990 through December 31, 1990 at the State Treasurer's average overnight investment rate annualized as 8.0366%.
  - (2) From January 1, 1991 through December 31, 1991 at the combined annualized rate of 8.0778%.
  - (3) From January 1, 1992 through December 31, 1992 at the rate of 10.7%.
  - (4) From January 1, 1993 through December 31, 2001 at the rate of 12.3%.
  - (5) From January 1, 2002 through December 31, 2014 at the rate of 8.0%.
  - (6) From January 1, 2015 through December 31, 2016 at the rate of 7.75%.
  - (7) From January 1, 2017 forward at the rate of 7.25%.

B. The above interest rates shall be compounded annually and shall be applied to the outstanding balances due PERA for the PERA Fund.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY:   
John Melia, PERA Board Chair

ATTEST:   
Wayne Propst, Executive Director



**RESOLUTION NO. 20-11**

**RESOLUTION CONCERNING INTEREST RATE AS APPLIED  
TO UNREMITTED OR LATE JRA CONTRIBUTIONS**

**WHEREAS**, NMSA 1978, Section 10-12B-3 of the Judicial Retirement Act requires each member's court to remit to PERA all member and employer contributions for JRA members in accordance with PERA procedures and schedules, and provides that PERA may assess interest on all contributions not timely received; and,

**WHEREAS**, JRA Rule 2.83.1200.8(C) NMAC provides that the rate of interest for unremitted contributions shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following:

- A. Interest on unremitted JRA contributions will be calculated from January 1, 1990 through the date of payment at the following rates:
- (1) From January 1, 1990 through December 31, 1990 at the State Treasurer's average overnight investment rate annualized as 8.0366%.
  - (2) From January 1, 1991 through December 31, 1991 at the combined annualized rate of 8.0778%.
  - (3) From January 1, 1992 through December 31, 1992 at the rate of 10.7%.
  - (4) From January 1, 1993 through December 31, 2001 at the rate of 12.3%.
  - (5) From January 1, 2002 through December 31, 2014 at the rate of 8.0%.
  - (6) From January 1, 2015 through December 31, 2016 at the rate of 7.75%.

- (7) From January 1, 2017 forward at the rate of 7.25%.
- B. The above interest rates shall be compounded annually and shall be applied to the outstanding balances due PERA for the Judicial Retirement Fund.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY: \_\_\_\_\_  
John Melia, PERA Board Chair

ATTEST: \_\_\_\_\_  
Wayne Propst, Executive Director

**RESOLUTION NO. 20-12**

**RESOLUTION CONCERNING INTEREST RATE AS APPLIED  
TO UNREMITTED OR LATE MRA CONTRIBUTIONS**

**WHEREAS**, NMSA 1978, Section 10-12C-3 of the Magistrate Retirement Act requires each member's court to remit to PERA all member and employer contributions for MRA members in accordance with PERA procedures and schedules, and provides that PERA may assess interest on all contributions not timely received; and,

**WHEREAS**, MRA Rule 2.84.1200.8(C) NMAC provides that the rate of interest for unremitted contributions shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following:

- A. Interest on unremitted MRA contributions will be calculated from January 1, 1990 through the date of payment at the following rates:
- (1) From January 1, 1990 through December 31, 1990 at the State Treasurer's average overnight investment rate annualized as 8.0366%.
  - (2) From January 1, 1991 through December 31, 1991 at the combined annualized rate of 8.0778%.
  - (3) From January 1, 1992 through December 31, 1992 at the rate of 10.7%.
  - (4) From January 1, 1993 through December 31, 2001 at the rate of 12.3%.
  - (5) From January 1, 2002 through December 31, 2014 at the rate of 8.0%.
  - (6) From January 1, 2015 through December 31, 2016 at the rate of 7.75%.

- (7) From January 1, 2017 forward at the rate of 7.25%.
- B. The above interest rates shall be compounded annually and shall be applied to the outstanding balances due PERA for the Magistrate Retirement Fund.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY:   
John Melia, PERA Board Chair

ATTEST:   
Wayne Propst, Executive Director

**RESOLUTION NO. 20-13**

**RESOLUTION CONCERNING INTEREST RATE ON UNREMITTED MEMBER CONTRIBUTIONS FOR LEGISLATIVE AND LIEUTENANT GOVERNOR SERVICE**

**WHEREAS**, NMSA 1978, Section 10-11-43.4 of the Public Employees Retirement Act allows legislators and lieutenant governors to remit contributions for legislative or lieutenant governor service to PERA during the year service credit is earned or thereafter in accordance with PERA procedures; and

**WHEREAS**, NMSA 1978, Section 10-11-124 provides that PERA may assess interest on all member contributions not timely received; and,

**WHEREAS**, PERA Rule 2.80.1200.11 NMAC further provides that the rate of interest for unremitted legislative and lieutenant governor member contributions shall be set annually by the Board and shall be effective beginning the next succeeding January 1st;

**NOW, THEREFORE, BE IT RESOLVED** that the PERA Board hereby adopts the following interest rate schedule:

Beginning January 1, 2021, the rate of interest on unremitted contributions for legislative and lieutenant governor service credit shall be calculated as follows:

- A. For calendar years prior to January 1, 1984, interest shall be calculated at the rate of 5.25% compounded annually from December 31 of the applicable year through December 31, 1983.
- B. For calendar years between December 31, 1983 and December 31, 2001, interest shall be calculated at the rate of 10.0% compounded annually from December 31 of the applicable year through December 31, 2001; except that no interest shall accrue during the period from January 1, 1989 through December 31, 1996.

- C. For calendar years between December 31, 2001 and December 31, 2014, interest shall be calculated at the rate of 8.0% compounded annually from December 31 of the applicable year through the date of payment.
- D. For calendar years between December 31, 2014 and December 31, 2016, interest shall be calculated at the rate of 7.75% compounded annually from December 31 of the applicable year through the date of payment.
- E. For calendar years after December 31, 2016, interest shall be calculated at the rate of 7.25% compounded annually from December 31 of the applicable year through the date of payment.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY: \_\_\_\_\_

John Melia, PERA Board Chair

ATTEST: \_\_\_\_\_

Wayne Propst, Executive Director



**PERA**

Public Employees  
Retirement Association  
of New Mexico

INVESTED IN TOMORROW.

**RESOLUTION NO. 20-14**

**RESOLUTION CONCERNING RATE OF INTEREST ON  
OVERPAYMENT OF BENEFIT**

**WHEREAS**, NMSA 1978, Section 10-11-4.2(B) (1997) of the Public Employees Retirement Association Act authorizes interest on any amount of repayment due from an overpayment of benefit gained as a result of fraudulent information provided by the member or a beneficiary; and

**WHEREAS**, NMSA 1978, Section 10-11-4.2(B) (1997) provides that interest shall be at a rate set by the PERA Board; and,

**WHEREAS**, PERA Rule 2.80.800.8 NMAC directs the Executive Director to make all reasonable efforts to collect any pension overpayment made for any reason; and

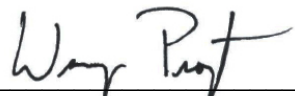
**WHEREAS**, the Executive Director is diligently seeking collections for overpayments.

**NOW, THEREFORE, BE IT RESOLVED BY THE PERA BOARD** that the interest on overpayment of benefits shall be set at the rate of 10.0% compounded annually thereafter up to the date of repayment.

**PASSED, ADOPTED AND APPROVED THIS 30th DAY OF JULY, 2020.**

RETIREMENT BOARD OF THE  
PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO

BY:   
John Melia, PERA Board Chair

ATTEST:   
Wayne Propst, Executive Director





**Public Employees Retirement Association of New Mexico**  
**Internal Audit**  
**Governance and IPS Compliance**

**Table of Contents**

	<u>Page</u>
INTRODUCTION.....	1
PURPOSE AND OBJECTIVES.....	1
SCOPE AND PROCEDURES PERFORMED.....	1
OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES.....	5
PROCESS IMPROVEMENT RECOMMENDATIONS .....	14

# **Public Employees Retirement Association of New Mexico Governance and IPS Compliance Report**

## **INTRODUCTION**

We performed the internal audit services described below solely to assist the Public Employees Retirement Association of New Mexico (PERA) in evaluating the process and internal controls related to governance, fiduciary responsibility and training as well as compliance with the Investment Policy Statement. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of reports and processes, it is possible that significant issues related to the areas tested may not have been identified.

## **PURPOSE AND OBJECTIVES**

Our internal audit focused on evaluating overall governance at PERA to determine compliance with fiduciary requirements, laws and regulations, and best practices. We evaluated whether Board training was in compliance with the New Mexico Administrative Code and the process in place for identifying and addressing code of conduct violations, including fraud, waste and abuse. We tested PERA Board Members and employees to ensure conflict of interests were reported timely. Our internal audit also focused on evaluating PERA's processes and controls surrounding the approval of investment policy changes and compliance with asset allocation benchmarks. Considering the magnitude of the Governance area for PERA, it was not possible to test all areas within governance. Our procedures instead focused on the areas and subsequent outcomes that could provide the most impact on improving the PERA Governance structure and related controls.

## **SCOPE AND PROCEDURES PERFORMED**

**In order to gain an understanding of the processes and operations, we interviewed and/or conducted inquiries via questionnaires for the following Board Members and PERA personnel:**

- John Melia, Municipal Member Board Chair
- David Roybal, State Member Vice-Chair
- Steve Neel, State Member

- Paula Fisher, State Member
- Claudia Armijo, State Member
- Patty French, Municipal Member
- Lawrence Davis, Municipal Member
- Shirley Ragin, County Member
- Loretta Naranjo-Lopez, Retiree Member
- Dan Mayfield, Retiree Member
- Tim Eichenberg, Ex-Officio Member, New Mexico State Treasurer
- Greg Trujillo, Deputy Director
- Dominic Garcia, Chief Investment Officer
- Anna Williams, Chief Financial Officer
- Susan Pittard, General Counsel/Chief of Staff

**In order to gain an understanding of the processes, we read relevant portions of:**

- New Mexico State Statutes Annotated 1978
- NM Administrative Code (Public Employee Retirement Act)
- PERA Board Policies and Procedures revised December 2019
- PERA Investment Committee Charter revised October 2010
- Investment Policy Statement revised December 2019
- Board of Trustees and Committee meeting minutes for 2019 and 2020 (where available)
- Letter from NM State Auditor, Brian Colón to PERA Board of Trustees dated May 2019
- Chartered Financial Analyst (CFA) Institute’s Elements Of An Investment Policy Statement For Institutional Investors
- Fi360 Prudent Practices for Investment Advisors

**We performed the following testwork:**

***Board Policies and Procedures:*** We obtained the December 2019 Board Policies and Procedures and tested to determine if they were reviewed and approved in accordance with policy requirements of a biennial review.

***Board Education and Training:*** We gained an understanding of the process used to select trainings for Board Members as well as the process for approval of external travel requests to determine whether the selection process allows for Board Members to receive relevant training. We then obtained a listing of all Board Members as of March 2020 and tested to determine:

- Board Members certified compliance with statutory requirements of Section 10-11-133(F) NMSA 1978 on the signed affidavit on or before December 31, 2019, in accordance with 2.80.200.21 NMAC;

- Board Members attended at least 8 hours of training in pension fund investing, fiduciary obligations or ethics during the calendar year for both calendar year 2019 and 2018 to ensure compliance with Section 10-11-133 (F) NMSA 1978;
- Board Members did not attend more than 2 relevant externally provided conferences or seminars each fiscal year.

Additionally, we obtained a listing of new Board Members with terms beginning in calendar year 2019 and 2020 and tested to determine that new Board member orientation was completed within two months of the start of their term.

Lastly, we analyzed Board member travel and registration costs associated with externally provided trainings for FY 2019 and 2020 to determine if trainings attended and relevant costs were in line with PERA budget and Board policies and procedures.

***Survey of Board Members and Executive Management:*** Utilizing a questionnaire, we requested responses from PERA Board Members and executive staff to assist in identifying potential areas for improvement within the PERA governance structure in the following areas:

- Board Vision;
- Conflict of Interest, Fraud, Waste and Abuse Identification and Resolution;
- Agency Communication;
- Roles and Responsibilities;
- Decision Making;
- Board Meeting Length and Frequency; and,
- Board Training.

We then reviewed Board meeting and Investment Committee meeting audio for the period starting January 2019 to April 2020 to identify specific instances that supported or provided additional context for areas identified within the Board and Executive Management questionnaire.

***Board Meeting Attendance:*** We reviewed Board meeting attendance for the period starting January 2019 to April 2020 to determine if Board Members were in compliance with attendance requirements per Board policy.

***Board Meeting Agendas and Minutes:*** For all Board meetings occurring from January 2019 to April 2020, we selected a sample of 6 and tested to determine:

- The agenda and related board materials were provided to Board Members at least 7 days prior to the scheduled meeting date in accordance with Board Policy.
- The Notice of Meeting was provided to the public at least 72 hours prior to the meeting and included a list of specific items of business to be discussed at the meeting and how the public may obtain a copy of the agenda in accordance with the Open Meetings Act.
- The Board Meeting agenda was posted to the PERA website 72 hours prior to the meeting.

In addition, we tested to determine if Board meeting minutes were documented and approved by the Board as well as made available on the PERA website upon approval.

***Office of the State Auditor (OSA) Letter Recommendations:*** We obtained the letter from the OSA to the PERA Board dated May 2019 and analyzed the letter to determine if action steps had been taken to resolve concerns brought up in the letter.

***Standards of Conduct for Board Members:*** We obtained an understanding of the process to identify and report on financial conflict of interests in accordance with Board policy section 3.00 Standards of Conduct. For all Board Members as of March 2020, we obtained the Financial Disclosure forms and tested to determine:

- Board Members completed their disclosure statement on or before January 31 for the year;
- The Financial Disclosure form was free from conflicts that would impair or threaten the individual's ability to act in the best interest of PERA and its Members.

We obtained the Gift Reporting forms for the same criteria above and tested to determine:

- Board Members completed and signed a Gift Reporting form for January 2019 through June 2019;
- Board Members completed and signed a Gift Reporting form for July 2019 through December 2019;
- Board Members did not report a single gift with a value over \$50;
- Total of gifts reported as received did not exceed \$150 for the year.

We then obtained an understanding of the process in place to identify and report Board nonfinancial conflicts of interest. Utilizing the Board questionnaire and review of Board meeting audio, we determined if conflict of interests appeared to exist and what action steps were taken to address them and determine if a conflict existed.

Finally, utilizing the Board questionnaire and review of Board meeting audio, we determined the process in place by the Board to monitor compliance with Board Member conduct related provisions of the Board policy including the requirement for the Board to speak in a unified voice when making decisions.

***Code of Conduct for PERA Employees:*** We obtained an understanding of the process to identify and report on nonfinancial conflict of interests for PERA employees. We then obtained a listing of all PERA employees with start dates before April 2020 from PERA Human Resources. From the listing of 82 employees, we select a sample of 9 and tested to determine:

- PERA Employee Conflict of Interest form was signed and submitted timely;
- Governor Code of Conduct Acknowledgement form was signed and filed in the employee's personnel file;
- Employee attended the required Code of Conduct training provided by PERA Human Resources.

Additionally, we gained an understanding of the process in place to monitor conflicts of interest disclosed by PERA employees on the Employee Conflict of Interest form.

***Assessment and Compliance with the IPS:*** We obtained the executed IPS dated July 26, 2018, and compared it to the Chartered Financial Analyst Institute’s and the Fi360 recommendations to ensure that all recommended areas were included.

***IPS Policy Changes:*** We requested all policy changes and supporting documentation from the last IPS internal audit performed in 2015 to May 2020. For each major change identified in 2017 and 2018, we verified changes were properly presented and approved by the Board. In addition, we gained an understanding of the updated roles and responsibilities approved in the 2017 IPS and performed inquiries to determine if Board Members and staff were adhering to the updated roles and responsibilities for investment related activities.

***Portfolio Composition:*** We obtained the investment holdings by asset class as of December 2019 and tested to determine if asset allocations adhered to the allowable IPS allocation ranges.

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

As a result of our testing, REDW identified the following observations which are prioritized based on the areas we believe can provide the most impact to PERA Governance. The observations have been split into two groupings with the first focusing on critical, high risk observations impacting Board productivity, transparency, and effectiveness and the second grouping focusing on reporting and administration.

### **Observations Relating to Board Productivity, Transparency, and Effectiveness**

#### ***1) Communication and Decision Making***

Effective communication and decision making between Board Members and PERA staff is integral to good governance and the management of the Agency and Fund. Several sections within the 2019 Board Policies and Procedures address required communication and planning expectations by the Board and staff and appear to not be consistently followed.

1. Board Policy section 2.11 states the Board is to “set the long-term strategic direction for PERA, focusing on the goals of PERA against which performance is measured and monitored.” In addition, Board Policy section 2.14 states the Board shall “delegate execution of the established Board policy and strategic objectives to the Executive Director and the Chief Investment Officer, and through them, re-delegation to PERA staff.” Through the questionnaire responses, we identified a trend where all Board Members and executive management who responded felt there was not a unified vision around the strategic direction at the Board level or, actions by the Board gave the appearance that a unified vision did not exist. The lack of unified visions amongst the Board appears to further escalate the inability of the Board to act as a cohesive group and speak with a unified voice when communicating and making decisions.
2. Board Policy section 1.40 states “The Board will act with integrity in meeting its fiduciary responsibilities to PERA’s Members and beneficiaries. The Board will make efficient, effective, prudent and visionary decisions in fulfilling its mission....The Board will engage in inclusive decision making processes, which support its expectations that the Board speaks with a unified voice.” Based on the board meeting audio, we observed many decisions made by a majority vote where despite the decisions made, Board Members continued to speak out

on the decisions in subsequent meetings thus violating Board policy 1.40 stating the Board will speak with a unified voice. In addition, this caused disruption at subsequent meetings and took away from the importance of current business.

3. Board Policy section 1.60 states “The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and Committee levels and between the Board and PERA management.” In addition, Board Policy section 3.10 states “Board Members, the Executive Director and the PERA staff shall conduct themselves with integrity and dignity, exercising care, prudence, and diligence required of public pension fund fiduciaries. Board Members, the Executive Director and staff should also avoid conduct that gives the appearance of impropriety.” Based on review of board meeting audio, we observed several instances of Board Members having disagreements that resulted in accusations and negative commentary regarding other Board Members, staff, and consultant qualifications and competence which violates Board Policy 1.60 and 3.10 to act with integrity and dignity and an atmosphere of collegial discussion. In addition to REDW’s observations relating to Board conduct, the OSA also provided commentary regarding the necessity for the Board to act within its fiduciary responsibilities. In a letter dated May 2019 from the OSA regarding “PERA Raises, FY20 Operating Budget, and Fiduciary Duties,” the OSA commented “...Fiduciary duties are the highest level of duties, and require the persons acting in a fiduciary capacity to act solely on behalf of the members and other beneficiaries within the scope of the fiduciary relationship. The Board members are strictly accountable for this stewardship and are required to demonstrate the requisite care, loyalty, and impartiality....The Board’s conduct could be deemed to be in violation of its fiduciary duties to the members.”
4. Board Policy section 2.51 states “At all times, individual Board Members shall act in the best interest of PERA consistent with their fiduciary duty, ensuring the highest standard of duty to PERA’s members and beneficiaries, and in conformance to the Board’s policies.” In addition, NMSA 10-16-3 Ethical Principles of Public Service states “Public officers will use powers and resources to advance the public interest. Legislators and public officers and employees shall conduct themselves in a manner that justifies confidence placed in them by the people.” In two instances, quorum was lost when Board Members walked out of the meeting to avoid a vote being able to take place thus resulting in a delay of the critical business being handled which violates Board Policy section 2.51 and NMSA 10-16-3. In one instance, the Board was unable to approve the FY2020 budget by the statutory deadline which the OSA deemed “reckless or negligent, or both, and coupled with the Board’s lack of focus on its fiduciary responsibilities puts our retirees and future generations of retirees at risk. The Board’s behavior is unacceptable and harms the fund’s membership.”
5. Our inquiry determined there were multiple instances of complaints or concerns brought up both at the Board and/or management level that were not addressed. Further discussion revealed there is no process in place to formally address complaints or concerns through an internal process. As a result, in some situations, external legal representation was obtained and PERA incurred additional legal fees approximating \$50,000 that ultimately resulted in no additional resolution. While the legal fees were not material to the fund, they do not appear to have been utilized for purposes in line with fiduciary responsibility.

**Potential Risk: High**— The observations identified above highlight several potential risk areas which are summarized below:

1. The perception that the Board Members and PERA staff do not have shared strategic goals and objectives nor a unified approach when decisions are made reduce public trust and negatively impact the public's and the PERA member's trust in the organization. Without a common strategic vision between PERA staff and the Board, there is an elevated risk the organization may not meet its long-term goals and objectives.
2. Disagreements and negative commentary about others in public meetings escalates the risk that PERA may be unable to recruit and hire employees as well as recruit Board Members to replace those who opt to retire as people may be hesitant to join an agency with the appearance of a toxic environment.
3. The absence of an internal process to address complaints increases the risk that PERA may continue to incur legal fees which must be paid from the trust funds and ultimately impact PERA membership as those monies should be used to continue advancing the agency in a positive direction.
4. While the Board took action to remedy the misalignment of Board policy to state statute referenced in both the OSA and NM Attorney General letters, little was done to address the continued behavior that gives the perception that fiduciary responsibility is not being upheld thus escalating the risk that the PERA Board may continue to function in a dysfunctional environment.

**Recommendations:** In order to enhance communications between Board Members and staff as well as the Board itself, and ultimately support the goal of a unified vision, we recommend the following action steps:

1. The Board should work to develop a long-term strategic vision for the agency and all decisions should adhere to that vision. The Board should collaborate with management to come up with performance metrics to which success is measured against. Management should be responsible for the execution of the vision and action steps with the Board being the oversight function. Periodic monitoring by the Board should take place to ensure compliance with performance metrics established and any variances should be discussed with management so adjustments can be developed.
2. Once a majority vote is made, procedures should be put in place to ensure the Board accepts the vote and a unified approach is taken for all subsequent communications. A process should be implemented to address situations that arise where a Board Member does not comply. While it is not expected for all Board Members to agree unanimously on every decision, it is critical for all Board Members to acknowledge and accept the majority vote and ultimately support the Board in its decisions for PERA Membership.
3. All Board Members are required to sign that they acknowledge Board policies and procedures however, there does not appear to be any process in place to identify and resolve noncompliance. PERA should consider implementing an oversight committee to monitor compliance with Board policies and procedures. Repeated issues of noncompliance should be addressed and evaluated to determine appropriate action steps such as sanctioning of a Board member or removal. This process needs to be consistently followed and monitored.
4. In the event Board members purposefully walk out of a meeting to prevent business from moving forward, disciplinary action in accordance with Board Policy section 9.34 should occur.



5. PERA should consider implementing a formal complaint process for Board Members and management to utilize similar to the one developed for member/beneficiary complaints in Board Policy section 12.82. This would allow Board Members and management to express their concern in a formalized manner and provide a more open, collaborative form of communication regarding concerns or complaints. These complaints would be submitted to the Board Chair and must contain documentation to support the complaint prior to submission. The Board Chair will determine if the complaint will move forward to the full Board or designated committee based on information received. In the event a complaint is not properly addressed, procedures should be put in place for escalation to the OSA or other oversight agency.

**Management Response:** Management is available to assist the Board in developing a 5-year strategic plan and an annual work plan that verifies all requirements in Board Policies and Procedures have been met within prescribed deadlines. Management believes a standing Governance Committee could potentially be tasked with monitoring a Code of Conduct and review complaints. Management will assist the Board to develop a formal complaint process for Board Members at their request.

**Board Response:** The Board agrees with the need to establish a unified vision and development of processes to ensure good communication and consistent decision making. The Board will work to develop an oversight committee who will be tasked with reviewing current policies and procedures and proposing changes with a strong consideration towards enhancing the accountability, monitoring and disciplinary functions of the Board. The establishment of the committee and policy review will be completed by the end of FY 2021. In order to focus more on the short-term, a standing informational agenda item will be added to each board meeting for the rest of 2020 which will focus on the observations identified during this internal audit and any progress made as well as development of action items as necessary.

## ***2) Nonfinancial Conflict of Interest Reporting***

Board Policy section 3.60 states Board Members, the Executive Director and Executive Staff shall not engage in any outside employment or other activity that is not compatible with the full and proper discharge of their duties and responsibilities with the Board. In addition, Board Policy section 3.11 states “Board Members and the Executive Director shall make decisions consistent with their fiduciary duty....Board Members and the Executive Director shall disclose and refrain from participating in any discussion or decision concerning an investment, benefit, or other action in which the Board Member has an interest or conflict, including abstention from voting regarding the action.” Our testing determined several instances where a conflict of interest appeared to exist at the Board level; however, there did not appear to be a process in place to identify and discuss the conflict to ensure it did not impair fiduciary responsibilities.

In December 2019, the Board revised the Policies and Procedures to include section 3.33, which states, “Board Members shall disclose their employment, union affiliations, and any other organizational or association affiliations to the Executive Director annually, and the Executive Director shall make that information available to the Board at the next regular Board meeting after such information is collected. The Board can determine, in its discretion, whether a conflict of interest may exist for any particular Board Member by majority vote, and can discuss whether recusal from a decision would be recommended and/or necessary.” As of testing, the Board had yet to complete this process.

**Potential Risk: High**—The perception that Board Members are not being transparent in their reporting of potential conflicts of interest can negatively impact the public’s and PERA Membership’s trust in the Board. Additionally, if Board Members are engaging in external activities that interfere with the efficient operation of the Board, Board Members may not be fulfilling their fiduciary duties.

**Recommendations:** While the addition of Board policy section 3.33 provides a good initial oversight function to nonfinancial conflicts, we recommend PERA consider adding the following to the process:

1. Develop a nonfinancial conflict of interest form to assist Board Members in properly disclosing any employment, union affiliations, and any other organizational or association affiliations.
2. Put into practice requirements under Board Policy section 3.33, which requires Members to disclose their employment, union affiliations, and any other organizational or association affiliations to the Executive Director annually via the nonfinancial conflict of interest form. The Executive Director must make the information available at the next Board meeting.
3. In addition to monitoring conflicts of interest on an annual basis as required by Board Policy, the Board should establish a method of monitoring conflicts of interest that arise throughout the year to ensure they are addressed timely.
4. Provide Standards of Conduct training to Board Members on an annual basis and stress the importance that the annual acknowledgement of the Board Policy and Procedures includes acknowledgement of adherence to the Standard of Conduct.
5. Lastly, the Board should consider tasking the Rules and Administration Committee with enforcing the PERA Standard of Conduct during Board and committee meetings as well as during interactions with PERA Membership and the general public. The Committee would also be responsible for monitoring Board member compliance with the Standard of Conduct and reporting on exceptions on a periodic basis.

**Management Response:** Management agrees that the development of a nonfinancial conflict of interest form could assist Board Members to accurately disclose potential or perceived conflicts of interest. Management will work with the Board at their request to provide educational opportunities focused on disclosure of commercial, economic or employment relationships, as well as personal or employment affiliations, to identify any actual or perceived conflicts and will work with Board leadership and Board Fiduciary Counsel to develop an annual curriculum for such training. Once the Board adopts a process for monitoring, reviewing and reporting conflicts of interest, management will assist the Board to facilitate compliance as needed. Management believes a Governance Committee could provide appropriate oversight for monitoring conflicts of interest.

**Board Response:** The Board agrees enhancements can be made to the nonfinancial conflict of interest policy and will work with management to implement a process to disclose nonfinancial conflicts of interest to ensure a robust and transparent process is created. In addition, the Board will task the oversight committee developed in Observation 1 with ensuring compliance with Standards of Conduct policies for all board members. This will be completed by the end of FY 2021.

### ***3) Annual Evaluation of the Board***

Board Policy Section 2.00 Board's Role and Duties subsection 2.19 requires the Board to evaluate their performance annually at the retreat and take any steps necessary to improve Board operations. Our testing determined the Board has never conducted a self-evaluation.

**Potential Risk: High**—Self-evaluation plays a critical role in assessing the effectiveness of the Board. The absence of this activity enhances the risk that the Board is not considering possible areas of improvement.

**Recommendations:** PERA should implement a process to conduct a formalized self-evaluation annually to ensure compliance with Board policy section 2.00. This should be performed at the Board retreat and all Board Members should be required to participate to ensure all voices are heard. Consider identifying a facilitator for this process to help make this evaluation effective and helpful for PERA.

**Board Response:** The Board agrees an evaluation needs to take place and will conduct one by the end of FY 2021.

### **Observations Relating to Reporting and Administration**

#### ***4) Meeting Agendas and Materials***

Board Policy Section 2.84 states, "To the extent practicable, the agenda and related materials for Board and standing Committee regular meetings shall generally be distributed to the Board and/or Committee Members at least 7 calendar days in advance of the meeting." Board Members may continue to add agenda items up to 72 hours prior to the meeting and additional materials are added to the Board Portal as necessary. During our testwork, we determined:

- For three of 6 board meetings tested, the agenda was not uploaded to the Board Portal at least 7 calendar days prior to the board meeting. Variances ranged 4 to 6 days prior to the meeting.
- For five of 6 board meetings tested, the initial meeting materials were not posted at least 7 calendar days prior to the board meeting. Variances ranged from 3 to 6 days prior to the meeting.

In addition, during our review of board meeting audio, it was observed that there were several instances where approval of the agenda took a significant amount of time and discussion as there were agenda items that needed to be either removed or moved off the consent agenda.

**Potential Risk: Moderate**—If Board Members do not receive adequate time to review meeting materials and agendas, members might not have the necessary information to make decisions that align with PERA's mission.

**Recommendations:** PERA should implement a process to ensure Board member initial materials are uploaded at least 7 days prior to the meeting date to ensure Board Members have adequate time to review materials, develop questions and prepare discussion items, if necessary. PERA Board Members and staff should re-evaluate the decision making process to determine if improvements can be made to enhance communications prior to decisions being made. This would ensure Board Members have all necessary and relevant information to be able to make an informed decision regarding an issue. Alternatively, consider revising the information included

in the Board packet to better align with the timeline in place to allow adequate review of materials. Lastly, the Board Chair, with collaboration from management, should consider revising the agenda process.

**Management Response:** Management attempts to the extent practicable to post Board and Committee agendas and materials seven calendar days prior to all meetings. Management notes that the way the Board Portal works, even if all materials are posted seven calendar days in advance, any subsequent change to posted items, regardless of how minor, replaces the posting “footprint” date and will make it appear as if agendas and materials were posted outside of the seven day window. Management notes that all Board Effects users receive an email each time something is added to the Portal. Management will work on improving communication and efficiency of receiving materials and approval of agendas from Board and Committee Chairs.

**Board Response:** The board will review the process to compile agenda items and related materials to determine if improvements can be made in order to ensure adequate review of materials in advance of a Board meeting. We will complete this by end of FY 2021.

#### ***5) Annual Evaluation of the Executive Director***

Board Policy section 2.13 states, “The Board shall evaluate the Executive Director at least annually.” and Board Policy section 10.31 states “The Executive Director shall be formally evaluated by the Board in closed session at least once a year, following the close of the fiscal year.” Our testing determined the evaluation did not occur for FY 2019.

**Potential Risk: Moderate**—Evaluation of Executive Director performance plays a critical role in assessing the current status of the agency. The absence of this activity enhances the risk that the Board is not considering possible opportunities for growth nor celebrating achievements for the Executive Director.

**Recommendations:** The Board should implement a process to ensure the Executive Director evaluation is performed annually and any action items developed during the evaluation should be regularly monitored. Consider conducting a 360 evaluation process that incorporates feedback from all levels of the organization.

**Board Response:** The Board agrees an evaluation needs to take place and will conduct one by the end of FY 2021.

#### ***6) Gift Reporting***

Board Policy section 3.53 requires that at least semi-annually, Board Members, the Executive Director, and Executive Staff disclose anything of value received in their capacity as a PERA Board Member via the PERA Gift Reporting Form. The form is required to be completed even if no gifts were received. The reports shall be filed in the Executive Director’s Office with the Executive Director’s Executive Assistant immediately following the six-month period covered by the report. Board Members may file reports more frequently than semi-annually. Our testing determined:

- Two of 12 Board Members did not complete the January 2019 through June 2019 Gift Reporting Form until January 2020.

- One of 12 Board Members began their term in May 2019 however, a Gift Reporting Form was not completed for the January 2019 through June 2019 period.
- One of 12 Board Members tested ended their term in December 2019, however a Gift Reporting Form was not completed by the Board member for the six month period July 2019 through December 2019.

In addition, our testing determined there is no review in place by management or the Board to determine if any gifts received violated Board policy or state statute.

**Potential Risk: Moderate**—The perception that Board Members are not being transparent in their reporting of gifts received from vendors can negatively impact the public's and PERA member's trust in the Board. As with other compliance areas, failure to adhere to statutory requirements by the Board may impair the Board's ability to enforce other policies.

**Recommendations:** PERA should implement an independent review of Gift Reporting Forms for compliance purposes by designating an appropriate individual from management to review and sign off on the forms to ensure any potential issues are addressed. Additionally, this will aid in ensuring the statutory reporting requirements are met. In addition, Board Policy section 3.53 (B)(ii) states that reporting "shall be filed immediately following the six month period covered by the report." We recommend the Board policies be updated to better define the timing of when reports are to be filed so the deadline is clear.

**Management Response:** Management agrees that an independent review of gift reporting complies with best practices and attempts to assist Board Members to comply with reporting requirements. PERA contractually requires external professional service providers to report gifts to Board Members and staff. Management will begin reporting to the Board at a regular meeting on a bi-annual basis on the Board and staff compliance with gift reporting requirements. Management believes a Governance Committee could be best suited to receive gift reporting reports and perform oversight of this compliance function.

**Board Response:** The Board agrees with this observation and will add an informational agenda item to inform Board Members who have yet to submit their Gift Reporting Forms that they are due. This will take place beginning in FY 2021.

## ***7) External Education Reporting***

In accordance with Board Policy Section 7.110 Report on Travel, "Each Board member shall verbally report to the Board on any event requiring travel outside of New Mexico for which PERA has paid within sixty (60) days after travel has been completed. Such verbal report shall be made on the record at a regular Board meeting." Our review of Board meeting audio minutes determined:

- During the June 2019 meeting, five Board Members were on the agenda to report on education travel however, three were absent (excused) and did not give their report at the June meeting or the subsequent July meeting.

- During the December 2019 meeting, five Board Members were on the agenda to report on education travel however, three were absent (excused) and did not give their report at the December meeting or the subsequent January meeting. One member left the meeting due to disagreements and did not report on their travel at either the December or January meeting. The final member presented their travel in accordance with policy.

**Potential Risk: Low**—It is critical for Board Members to share the information received at various trainings to ensure all Board Members benefit from the information obtained and to determine if the conference is worthwhile for other Board Members to attend. The absence of this reporting increases the risk that Board Members are attending conferences that may not be enhancing the knowledge base for the PERA Board as a whole.

**Recommendations:** PERA should implement a process to ensure Board Members are reporting on out of state education travel within the 60 day requirement. Alternatively, since the Board meetings are typically full, PERA should consider implementing a questionnaire that Board Members can fill out prior to the meeting which can then be included into the board packet and reviewed by all board members for informational purposes only.

**Management Response:** Management suggests that when in person reports are not practical within existing deadlines, Board Members be allowed to provide a written report for the record. This alternative will require modification to current Board Policies and Procedures. Additionally, management will provide a quarterly report to the Board at a regular meeting on all Board travel and the costs associated with the travel.

**Board Response:** The Board agrees with this observation and will update the Board procedures to convert external education reporting to a written process which will be included in the Board packet. These changes will take place during FY 2021.

### **8) Education Affidavits**

According to NMAC 2.80.200.21, each Board member shall annually certify his or her compliance with the statutory requirements of NMSA 1978, section 10-11-133(F) via an Education Affidavit on or before December 31st of each calendar year. Our testwork determined:

- Eight out of 12 Board Members did not certify compliance with statutory requirements of Section 10-11-133(F) NMSA 1978 via the Education Affidavit until after December 31, 2019. Variances ranged one to two months after year-end;
- Two out of 12 Board Members submitted but did not sign and date their Education Affidavit for calendar year 2019, violating PERA Rule 2.80.200.21B which requires Board member to certify education annually;
- One out of 12 Board Members did not submit their Education Affidavit for 2019.

**Potential Risk: Low**—If an adequate process is not in place to ensure Board Members certify mandatory education requirements by the deadline according to state statute, PERA may continue to be in noncompliance with statute requirements on education certification however, since they are completing the forms, just not submitted them timely, this reduces the risk to low.

**Recommendations:** PERA should implement a process to ensure all Education Affidavits are certified prior to the December 31 deadline. An internal review should be performed on each

form submitted to ensure Board Members are receiving the required amount of education to ensure compliance with training requirements.

**Management Response:** Management will provide monthly reminders during the 4<sup>th</sup> quarter of the calendar year to track Board Member compliance with statutory educational requirements. Management will report to the Board annually at a regular Board meeting on the status of completed education affidavits.

**Board Response:** The Board agrees with this observation and will add an informational agenda item to inform Board Members who have yet to submit their Education Affidavits that they are due. This will take place beginning in FY 2021.

## PROCESS IMPROVEMENT RECOMMENDATIONS

### *9) Board Education Costs*

During our testwork over Board education costs, we determined PERA is tracking board education costs on a fiscal year basis to align with the agency's budget process. However, externally provided trainings are tracked on a calendar year basis to conform with statutory requirements of certified compliance on or before December 31, 2019, in accordance with 2.80.200.21 NMAC. The Board should consider updating the policies and procedures to align with the NMAC code section of tracking education costs on a calendar basis.

In addition, Board Policy section 7.12 states, "if adequate funding is provided, a Board Member may attend one (1) and ideally two (2) relevant educational conferences or seminars every fiscal year." Our testing determined two instances where a Board Member attended three conferences during the fiscal year. We recommend the Board consider a per person budget that aligns with the requirements of Board Policy as opposed to an overall budget for the Board to ensure all Board Members have the opportunity to attend trainings if desired. Additionally, we recommend the Board consider presenting total travel costs per board member throughout the fiscal year to determine if Board members education travel requests are reasonable, compliant with Board Policy, and do not exceed budget.

\* \* \* \* \*

This report is intended for the information and use of the PERA management, the audit committee, Members of PERA's Board and others within the organization.

REDW LLC

Albuquerque, New Mexico  
July 22, 2020

# ***SAFEGUARDING THE PROMISE***

## ***Solidifying PERA's Strategic Direction for Success***

### **Strategic Themes & Education Sessions**

- Introduction: Setting the Course
  - Importance of setting a Strategic Plan and Funding Policy
- Understanding the New Mexico Profit Share Model
  - SB72: What it Does and the Implications for the Future of PERA
  - Cashflow Primer: Breaking Down the Benefit Payments
  - Negative Cashflow: Implications and Risks
- Setting Investment Strategy to Meet the Funding Needs
  - Big Picture: Next 10-year Investment Horizon
  - Does Risk Balance Allocations Make Sense Post-COVID-19
  - The Role of Strategic Asset Allocation (SAA) w/SB72
  - Risk Mitigating Strategies and How to Make them Work Harder
  - Role of Private Assets and How to Evaluate Them
  - Putting it All Together: SAA Enhancements
- Setting the Organization for Success
  - The Traits of a Great Organization
  - Preview: Strategic Direction Resolution & Board Funding Policy

### **Key Outcomes- November 10 Board Meeting**

- Wrap Up: Review of Education and Takeaways for Action
  - Board adopt one-page resolution of a Strategic Direction
  - Board adopt Funding Policy
  - Board adopt Strategic Asset Allocation Policy enhancements



## **Draft Agenda**

### **Education Sessions (1 ½ hours)**

- 30 min            Introduction to Education Series: Setting the Course
- **Description:** This session will briefly provide an overview of the proceeding education sessions for the Board over the coming months with action items to be considered in December. Second, this session will enlist a presenter to describe the importance of PERA in the State of New Mexico and how now is the opportunity for PERA to adopt pension best-in-class practices to ensure sustainability and PERA remains a top tier benefit.
- Presenters:**
- 1 hour            Importance of Setting a Strategic Plan and Funding Policy
- **Description:** The combination of the Board's Governance audit, the passage of SB72, and the impact of COVID-19 provide an opportune time for the Board and Staff to work together to set a Strategic course for the system. This session will offer a panel that discusses the importance of having a strategic direction for a public pension plan and how a funding policy is central and what it looks like.
- Presenters:**

### **Education Sessions (2 hours)**

#### **Theme: Understanding the New Mexico Profit Share Model**

- Session 1.        1 hour            SB72: What it does and the implications for the future of PERA
- **Description:** The passage of SB72 significantly alters the benefit design and funding of PERA into a few parts: the Statutory Benefit, the Profit Share, and UAAL. This session identifies what the final legislation does, how it works, and the future implications for PERA in terms of sustainability. Second, it examines what the current actuarial return assumption assumes for the Statutory Benefit, the Profit Share, and UAAL. Lastly, this session examines if there is a difference between assumed rate of return and discount rate.
- Presenters:**
- Session 2.        30 minutes        Cashflow Primer: Breaking down the promised benefit payments
- **Description:** Meeting the promised benefit comes down to cashflows. This session has a quick education on pension cashflows 101 (contributions & distributions). Next, the session identifies the projected 40-year future cashflows for PERA and examines various return and income scenarios to provide forecasts/probability for meeting Statutory Benefit, UAAL paydown, and implied returns for funding the Profit Share.

**Presenters: Cavanaugh, Tom, Dominic**

Session 3. 30 minutes Negative Cashflow: Implications and Risks

- **Description:** PERA has a negative cashflow situation. This session discusses what this means and the risk associated—risk to exhaustion. What is the true risk of not meeting statutory benefit payments and what does this mean for funding ratios?

**Presenters: Cavanaugh, Tom, Dominic**

### **Education Sessions (2 hour)**

#### ***Theme: Setting Investment Strategy to Meet the Funding Needs***

Session 4. 1 ½ hour Big Picture: Next 10-year Investment Horizon

- **Description:** As a long-term investor, what economic and market environment are we facing going forward? How does an institution get to required returns? What key issues should a pension be focused on? Does risk balance and the use of leverage still make sense? What initiatives are other pensions and institutional investors engaged in?

**Presenters: PIMCO, Bridgewater, Alliance Bernstein, GMO**

Session 5. 30 min Does Risk Balance Allocations Make Sense Post-COVID-19?

- **Description:** This session explores what risk balance in asset allocation means and whether it is a relevant approach to long-term asset allocation given market environment post-COVID-19.

**Presenters: Wilshire, Mellon, Bridgewater**

### **Education Sessions (2 hour)**

Session 6. 1 Hour 15 Minutes Role of Strategic Asset Allocation with SB 72

- **Description:** This session will provide an introductory section on what Strategic Asset Allocation is and how much of the portfolio results it drives. Next, given the benefit changes in SB72, can the risk/return objective of SB72 adjust? What amount and type of risk should PERA target to meet funding requirements? What is the likelihood of meeting objectives? How much income should the portfolio generate?

**Presenters: Wilshire, Dominic**

Session 7. 45 minutes How to Make Risk Mitigating and Income Assets Work Harder

- **Description:** This session explores the role of risk mitigating & income-oriented assets. Next, given low rates environment, it examines the impact risk mitigating assets can have in a stress scenario and strategies to improve income generation (alt. credit). Finally, the session will explore enhancements through leverage or other assets to improve the risk/return proposition and risk mitigating role.

**Presenters: Wilshire, PIMCO, Blackrock**

### **Education Sessions (2 hour)**

Session 8.      30 min              Role of Private Assets and How to Evaluate Them

- **Description:** This session explores the purpose private assets serve in the portfolio and what are best practices to evaluate their value add.

**Presenters: Wilshire, Landmark, Aksia**

Session 9.      30 min              Putting it All Together: SAA Enhancements

- **Description:** This session will examine current risk/return expectations over the next 10 years and 30 years for PERA based on current SAA targets and active risk budget assumptions. Second, the session will provide possible enhancements/recommendations to the SAA and how that aligns with SB72 and improves potential outcomes to meet Statutory Benefit and Profit Share cola.

**Presenters: Wilshire, Dominic**

Session 10.      30 min              Traits of a Great Organization and Preview of Board Resolutions

- **Description:** This session will highlight proven traits of a great organization. What it achieves. How organizations get to Great. Next, the session will preview PERA's draft Strategic Direction and Funding Policy resolutions.

**Presenters: Chair, Wayne, Dominic; presenter TBD**

### **Education Sessions/Board Meeting**

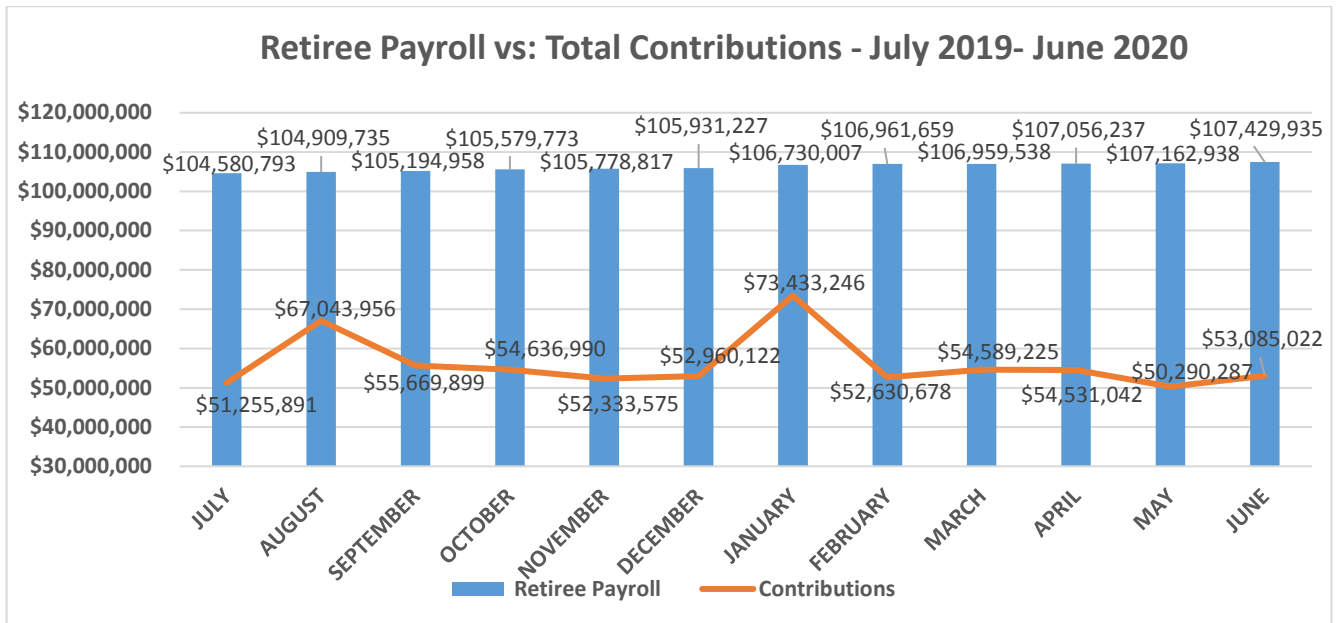
Wrap Up: Review of Education and Takeaways for Action

- **Description:** Summarize key points from months-long education, research, and review to provide potential recommendations: Board resolution on Strategic Direction Document, Funding Policy, and SAA Enhancements & Actuarial Hurdle.

**Presenters: Chair, Wayne, Dominic, Cavanaugh, Wilshire**



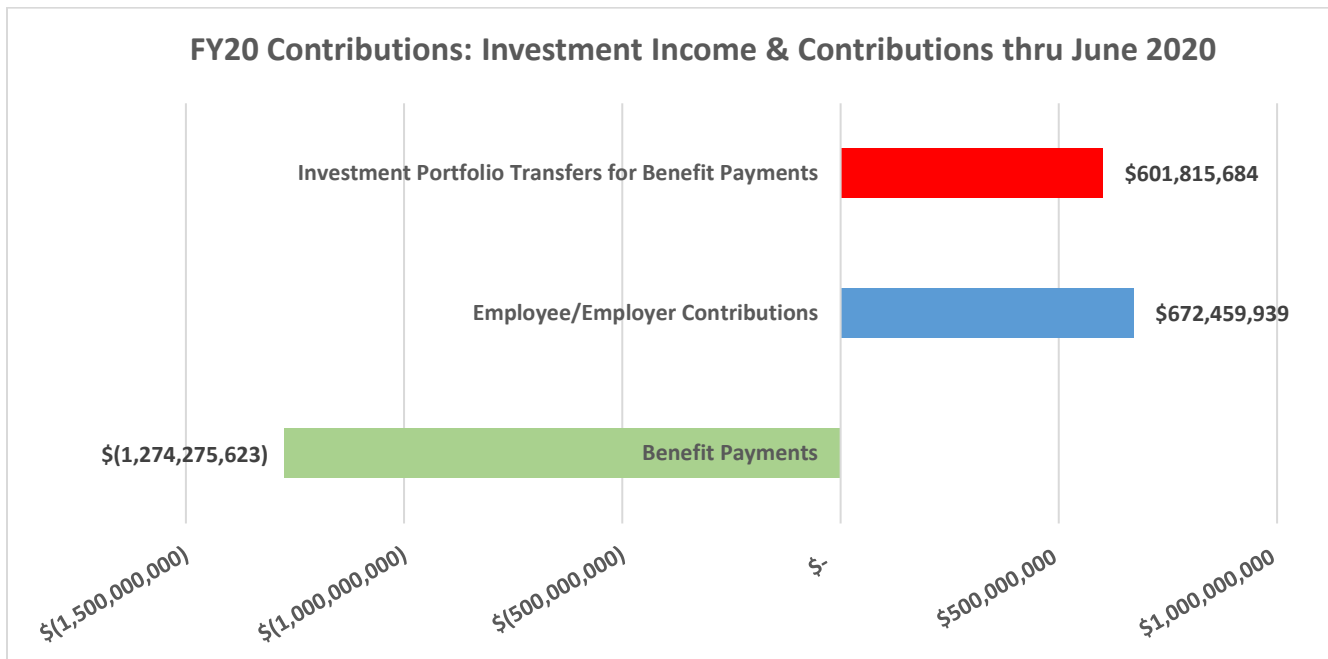
## EXECUTIVE DIRECTOR'S REPORT PERA BOARD MEETING – July 30, 2020

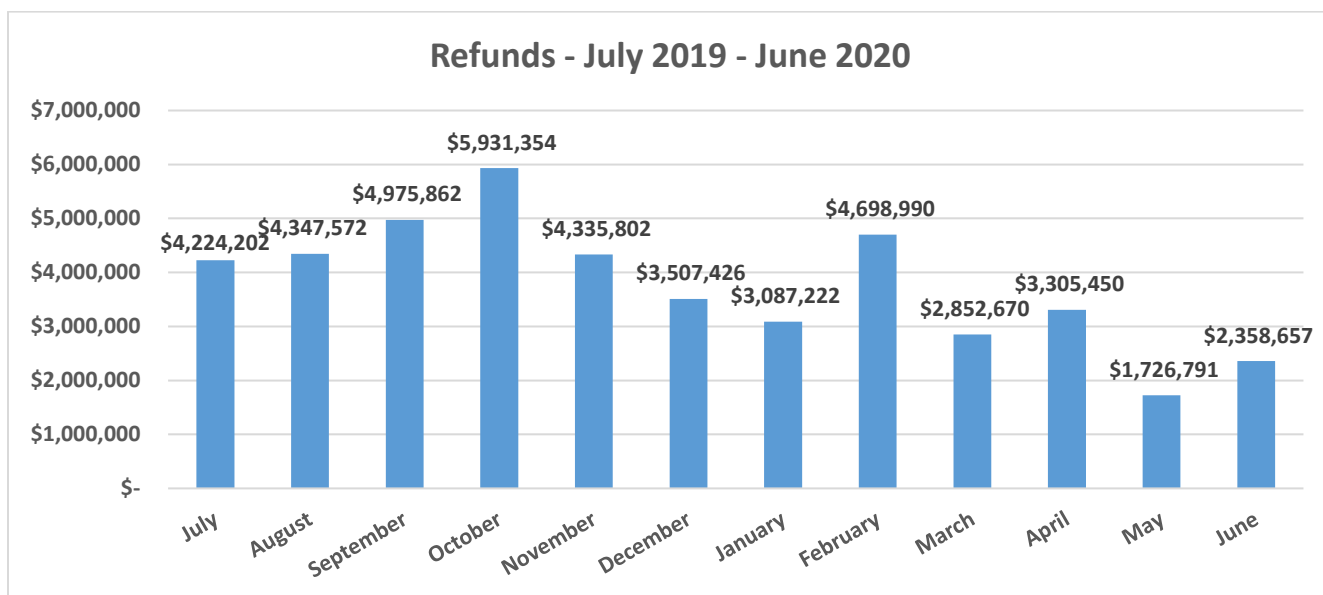


**Total Retiree Payroll = \$1,274,275,617**

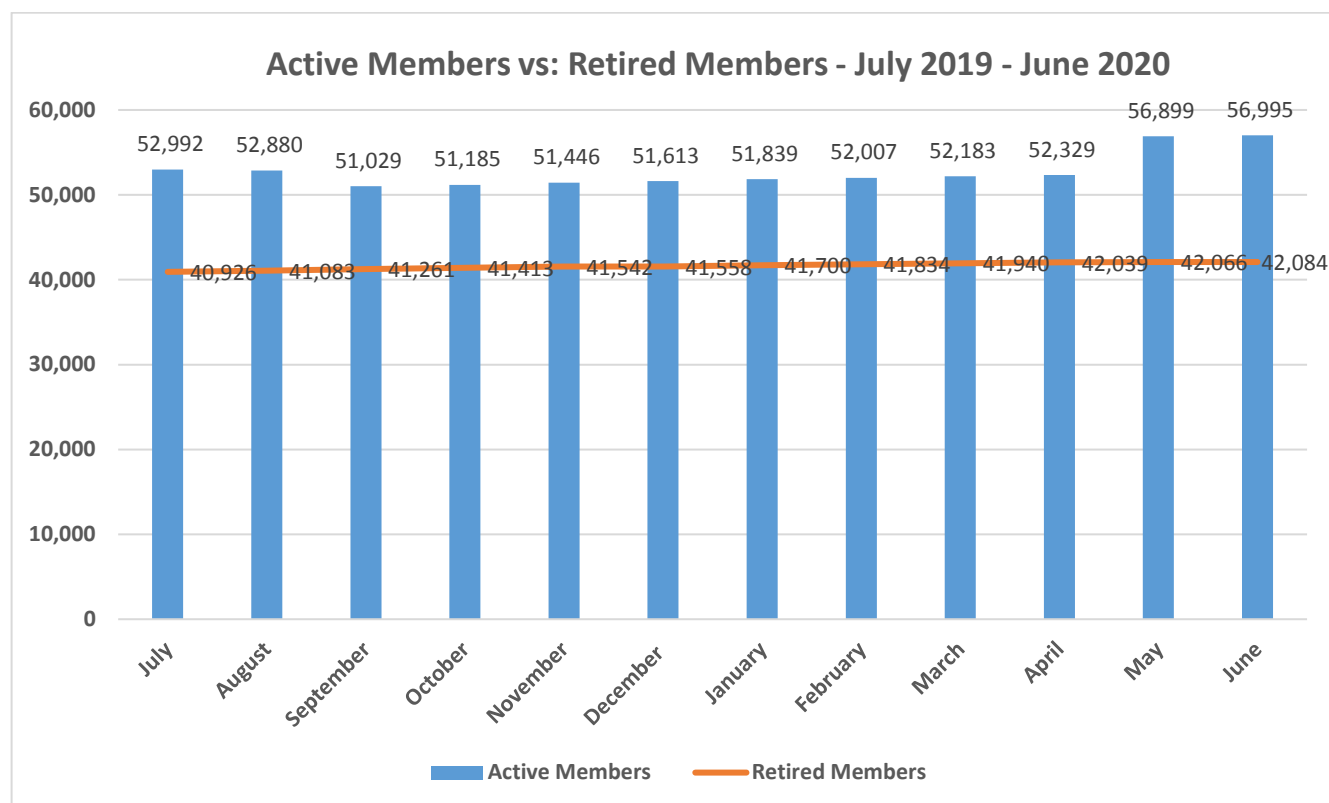
**Total Contributions: \$ 672,459,933**

**\*\* Due to adjustments to Employer reports contributions amounts are subject to change**





**\*\* Total Refunds Paid during this period was \$43,351,998**



VACANCY REPORT			
Position	Division	Date Vacated	Status
Attorney	Legal Division	4/30/2019	On Hold
Financial Analyst Advanced	Investments	6/29/2019	Pending Reclassification
Investment Associate	Investments	7/1/2019	Pending Approval
Investment Associate	Investments	7/1/2019	Pending Interviews
Investment Associate	Investments	7/1/2019	Pending Interviews
Accountant & Auditor A	Refunds	5/2/2020	Pending offer
Administrative Services Director	Executive	5/2/2020	Pending Approval

*PERA has 87 authorized FTE and currently has 7 vacancies*

ADDITIONS/DEPARTURES/PROMOTIONS			
Employee	Position/Division	Date Started/Vacated	Status
Andrea Lucero	Accountant & Auditor A	5/30/2020	Promotion
Ramona Moore	Bus Ops Specialist A	6/27/2020	New Hire

2020 AIR TIME PURCHASES		
Plan Type	June Purchases	July Purchases
State Plan 3	11	3
Municipal Plan 2	8	5
Municipal Plan 3	5	5
Municipal Plan 4	0	0
Municipal Detention Plan 1	0	0
Municipal Fire Plan 5	3	3
Municipal Police Plan 4	0	0
Municipal Police Plan 5	2	2
State Police/Corrections Plan	<u>4</u>	<u>4</u>
<b>TOTAL:</b>	<b>34</b>	<b>22</b>

2020 AIR TIME PURCHASES		
No. of Months	June Purchases	July Purchases
1	2	4
2	3	3
3	4	1
4	1	0
5	2	1
6	3	0
7	0	0
8	0	0
9	2	0
10	0	1
11	0	1
12	<u>17</u>	<u>11</u>
<b>TOTAL:</b>	<b>34</b>	<b>22</b>

Independent Contracts Reviewed – June 2020	
Entity	# of Contracts Reviewed
New Mexico Development Disabilities Planning Council	4
New Mexico Medical Board	3
New Mexico Department of Health	6
New Mexico Human Services Department	2
New Mexico Office of the Attorney General	2
New Mexico Racing Commission	1
CYFD NM Early Childhood Education and Care Dept.	1
New Mexico Taxation & Revenue Department	1
New Mexico Regulation & Licensing Department	5
Town of Springer	1
New Mexico Legislative Finance Committee	1
Office of Superintendent of Insurance	2
Sandoval County LDWI Program	1
Office of Second Judicial District Attorney	10
New Mexico Department of Public Safety	4
New Mexico Legislative Education Study Committee	1
<b>Total:</b>	<b>45</b>
<b><u>Reviewed, but “Not in Pay Status</u></b>	
New Mexico Development Disabilities Planning Council	9
New Mexico Racing Commission	1
New Mexico Central Region Educational Cooperative	1
New Mexico Department of Health	1
New Mexico Taxation & Revenue Department	1
Office of Superintendent of Insurance	<u>1</u>
<b>Total:</b>	<b>14</b>
<b><u>Reviewed, but not a PERA Member</u></b>	
New Mexico Development Disabilities Planning Council	<u>3</u>
<b>Total:</b>	<b>3</b>
<b><u>Reviewed, but Need More Information</u></b>	
Town of Springer	1
New Mexico Human Services Department	1
New Mexico Legislative Education Study Committee	<u>1</u>
<b>Total:</b>	<b>3</b>
<b><u>Total Contracts Reviewed</u></b>	<b>65</b>

PERA SmartSave Items of Interest – June 2020		
<u>County by Region North - Chris Day</u>	<u>Individual Meetings</u>	<u>Tele-outreach</u>
Colfax		2
Rio Arriba		4
San Juan		9
San Miguel		1
Santa Fe	5	25
Taos		4
<u>County by Region Central - Paul Lium</u>	<u>Individual Meetings</u>	<u>Tele-outreach</u>
Bernalillo	9	70
Cibola		2
Curry		1
Guadalupe		1
Sandoval		2
<u>County by Region South - Linda Miller</u>	<u>Individual Meetings</u>	<u>Tele-outreach</u>
Catron		15
Chaves		37
Dona Ana		20
Eddy		7
Grant		1
Hidalgo		4
Lea		1
Lincoln		4
SmartSave Assets as of 6/30/2020 - \$662,334,590		
SmartSave Participants as of 6/30/2020 - 23,265		



## **RETIREE HEALTH CARE AUTHORITY BOARD MEETING**

### **June 2, 2020**

The regular board meeting of the Board of Directors for the Retiree Health Care Authority was held on June 2, 2020 at 9:30 am via Go-To Meeting due to the Governors Executive Order 2020-004 declaring a state of public health emergency due to COVID-19.

#### Committee Reports:

- No Wellness Committee
- No Legislative Committee
- No Finance Committee
- Audit Committee immediately following Board meeting
- Executive Committee met to discuss Agenda
- Terry Linton reported on the adhoc Officer nominating committee
  - o President – Doug Crandall and Jan Goodwin
  - o Vice President – Therese Saunders
  - o Secretary – LeAnne Larrañaga-Ruffy and Pamela Moon

#### The Executive Directors update included the following:

- Delta Dental Premium Waiver – Pandemic relief program to ease the financial burden for their clients by crediting one month of premium reflected on the June invoice. Members were notified in May.
- Summer Newsletter was sent out, including updated office hours and the cancellation of in person Medicare seminars
- Employer Allocation schedules -
- HR updates
  - o Offer letter has been sent out for the Front Desk position in ABQ
  - o The Front desk job is open in Santa Fe
- Albuquerque Office Relocation – 6300 Jefferson  
Working with Contract Associates to buy furniture. On track to move in by first week of November
- Legislative –
  - o Special session is scheduled for June 18, 2020.
- COVID-19 Testing and Treatment
  - o The Health plans have been providing a range of resources for members, including waiving co-pays, online visits and mental health help.
  - o BCBS – 29 claims
  - o Presbyterian – 17 claims
  - o No deaths reported
- April 30, 2020 SIC report fund balance is \$746 million, \$25 million less than projected by end of FY.

Annual Board Retreat Agenda provided for consideration.



2021 Preliminary Plan Discussion – reviewed intent to preclude payment of excise tax and Pre-Medicare/Medicare supplement rate plans

**Action Items: Approved**

- Minimum Age and Years-of-Service Requirements Rule change – extended by 7 months from January 1, 2021 to July 31, 2021
- Attestation of Intent to preclude payment of excise tax

The next meeting will be the Annual Board meeting on July 9 & 10, 2020 via Teleconference – GoToMeetings.