



INVESTED IN TOMORROW.

PERA Board Meeting
meeting via Zoom
Tuesday, December 14, 2021
following Legislative Committee

AGENDA

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of Consent Agenda
5. Reports of Committees
 - A. Rules & Administration Committee
 1. Recommended Rule Changes as Approved by Committee Action Paula Fisher, Committee Chair
 - B. Investment Committee
 1. Investment Policy Changes as Approved by Committee Action Steve Neel, Committee Chair
6. Unfinished Business
 - A. Items removed from Consent Agenda if necessary Action Francis Page, Acting Chair
7. New Business
 - A. RFI for external legal counsel for investment related services Informational

Board will Recess to Executive Session NMSA 1978, §10-15-1 (H) (2)

Limited Personnel Matters: Executive Director Compensation

Board will Convene to Regular Session

 - B. Approval of Executive Director Compensation Action Francis Page
 - C. Executive Director Evaluation Process Discussion Informational Francis Page
 - D. Board Member Education Conference Reports
 1. **Francis Page** - Market Groups, 6th Annual Southwest Institutional Forum; Santa Fe, NM; September 23, 2021
 2. **Loretta Naranjo Lopez**
 - a. Market Groups, 6th Annual Southwest Institutional Forum; Santa Fe, NM; September 23, 2021
 - b. Pension Bridge Alternative 2021 Virtual Conference; November 1-3, 2021
 3. **Paula Fisher** - Pension Bridge Alternative 2021 Virtual Conference; November 1-3, 2021;
 - C. CIO Report Informational Kristin Varela, Acting CIO
 - D. Executive Director's Report Informational Greg Trujillo, Executive Director
8. Public Comment
9. Adjournment

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 505-795-0712 or patriciab.winter@state.nm.us 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.

CONCISE EXPLANATORY STATEMENT

The New Mexico Public Employees Retirement Association (PERA) hereby amends 2.80.100.7 – General Provisions, 2.80.200.50 – Committees, 2.80.200 – Elections, 2.80.1800 – Executive Director, and 2.80.2100 NMAC – Member Contributions. The rules are currently codified in Title 2, Chapter 80 of the New Mexico Administrative Code.

Statutory Authority for Rule Promulgation:

The authority for the proposed rule changes is NMSA 1978, Section 10-11-130 of the PERA Act and Rule 20.80.200.10 NMAC, which authorize the adoption and promulgation of rules and regulations necessary to carry out the purposes of the PERA Act.

Date of Notice in New Mexico Register:

The Notice of Rulemaking was published in Volume XXXII, Issue: 18 of the New Mexico Register on September 28, 2021.

Date of Meeting Approving Rule:

December 14, 2021

Date of Adoption of Rule:

December 14, 2021 through the Order of the Board Adopting Rule Amendments.

Date of Publication of Adopted Rule in New Mexico Register:

The adopted Rule will be published in Volume XXXII, Issue: 24 of the New Mexico Register on December 28, 2021.

Effective Date of Rule:

December 28, 2021

Reasons for Adopting Rule:

1. Rule 2.80.100.7 “GENERAL PROVISIONS” -Definitions Paragraph (M), Paragraph (Q)
Rule 100 adds definitions for “Adult probation and parole officer member” and “Juvenile probation and parole officer member”. The proposed changes revise the definition of salary for purposes of inclusion of certain overtime paid for public safety members consistent with the Fair Labor Standards Act. The rule was reformatted as necessary.
2. Rule 2.80.200.50 “COMMITTEES”-Standing Governance Committee

The proposed changes create a standing Governance Committee of the PERA Board and require that committee members adhere to the New Mexico Governmental Conduct Act. The rule was reformatted as necessary.

3. Rule 2.80.200 NMAC “ELECTIONS”- Electronic Signatures on Nominating Petitions

The proposed changes allow use of electronic signatures and electronic submission of nominating petitions. The rule was reformatted as necessary.

4. Rule 2.80.1800 “EXECUTIVE DIRECTOR”-General Provisions

The proposed changes clarify the authority of the Executive Director. The rule also requires that the Executive Director adhere to the New Mexico Governmental Conduct Act. The rule was reformatted as necessary.

5. Rule 2.80.2100 “MEMBER CONTRIBUTIONS”-1099s For Representatives of Deceased Members

The proposed changes allow for representatives of a deceased PERA member, upon submitting a notarized affidavit, to receive a Form 1099-R for the limited purpose of filing taxes for the deceased member. The rule was reformatted as necessary.

Reasons for Changes from Published Proposed Rule:

There are no changes from the published proposed rules. The proposed rules, which were available for public review and introduced as an exhibit at the public hearing, have been adopted in full.

Reasons for Not Accepting Substantive Arguments from Public Comment:

There were no substantive arguments from public comment on any of the proposed rule amendments.

This is an amendment to 2.80.100 NMAC, Sections 1 and 7, effective 12/28/2021.

2.80.100.1 ISSUING AGENCY: Public Employees Retirement Association, [~~P.O. Box 2123~~] 33 Plaza La Prensa, Santa Fe, New Mexico [~~87504-2123~~]87507.
[10/15/1997; 2.80.100.1 NMAC - Rn, 2 NMAC 80.100.1, 12/28/2000; A, 12/28/2021]

2.80.100.7 DEFINITIONS: As used in the Public Employees Retirement Act:

A. “Accumulated member contributions” means amounts deducted from the salary of a member and credited to the member’s individual account, together with interest if any, credited to that account; it also includes repaid withdrawn contributions not including interest paid thereon, or amounts paid to purchase service credit as allowed under the PERA Act.

B. “Active duty” for purposes of acquiring service credit under Section 10-11-7 NMSA 1978, as amended, for periods of active duty with uniformed service of the United States, means full-time duty in the active uniformed service of the United States, including full-time training duty, annual training duty, and attendance while in the active military service, at a school designated as a service school by law or by the secretary of the military department concerned. “Active duty” does not include full-time national guard duty, which is training or other duty performed by a member of the air or army national guard of a state or territory, for which the member is entitled to pay from the United States or for which the member has waived pay from the United States. “Active duty” includes duty in the full-time military service reserve components activated pursuant to a federal call to duty, deployment for a peacekeeping mission or other declared national emergency.

C. “Adult correctional officer member” means a person who is an adult correctional officer or an adult correctional officer specialist employed by the corrections department or its successor agency.

D. “Adult probation and parole officer member” means a person who is an adult probation and parole officer employed by the corrections department or its successor agency.

~~[D.]~~ **E. “Another retirement program”** means retirement plans established by the Judicial Retirement Act, Magistrate Retirement Act, and the Educational Retirement Act.

~~[E.]~~ **F. “Elected official”** means a person elected to a public office by registered voters, who is paid a salary; “elected official” includes a person who is appointed to fill an unexpired term of an elected public office, who is paid a salary.

~~[F.]~~ **G. “Filed”** means that PERA has received the complete document as evidenced by a writing on the document indicating the date of receipt by PERA.

~~[G.]~~ **H. “Fire member”** means any member who is employed as a firefighter by an affiliated public employer, is paid a salary and has taken the oath prescribed for firefighters. The term shall not include volunteer firefighters or any civilian employees of a fire department.

~~[H.]~~ **I. “Juvenile correctional officer member”** means a member who is employed as a juvenile correctional officer by the children, youth and families department or its successor agency, but does not include any member who is a “police member” or a “fire member”.

~~[I.]~~ **J. “Juvenile probation and parole officer member”** means a person who is a juvenile probation and parole officer employed by the children, youth and families department or its successor agency.

~~[J.]~~ **K. “Leave office”** means an elected official’s successor has been duly elected or appointed and qualified for office, or upon the date of death of an elected official.

~~[K.]~~ **L. “Legal representative”** means “personal representative” as defined in the Probate Code of New Mexico which includes executor, administrator, successor personal representative, special administrator and persons who perform substantially the same functions under the law governing their status, or an attorney or a person acting pursuant to a power of attorney for a member, retired member or beneficiary.

~~[L.]~~ **M. “Municipal detention officer”** means a member who is employed by an affiliated public employer other than the state who has inmate custodial responsibilities at a facility used for the confinement of persons charged or convicted of a violation of a law or ordinance. “Municipal detention officer” includes both juvenile and adult municipal detention officers.

~~[M.]~~ **N. “Permissive service credit”** means service credit recognized by the retirement system for purposes of calculating a member’s retirement benefit, which is available only by making a voluntary additional contribution which does not exceed the amount necessary to fund the benefit attributable to such service credit.

~~[N.]~~ **O. “Police member”** means any member who is employed as a police officer by an affiliated public employer, who is paid a salary, and who has taken the oath prescribed for police officers. The term shall not include volunteers, juvenile correctional officer members, or employees who do not perform primarily police functions

including, but not limited to jailers, cooks, matrons, radio operators, meter checkers, pound employees, crossing guards, police judges, park conservation officers, and game wardens. A member who is employed by an affiliated public employer as a police officer and as a non-police officer employee shall be regarded as a police member if more than fifty percent of the member's total salary is paid as a police officer.

~~[Q:]~~ **P.** **“Private retirement program”** for the purpose of exclusion from membership under Paragraph (5) of Subsection B of Section 10-11-3 NMSA 1978, means a retirement program of the affiliated public employer which meets the internal revenue service minimum standards regarding benefits as outlined in 26 C.F.R. Section 31.3121(b) (7)F of the Employment Tax Regulations and IRS Rev. Proc. 91-40.

~~[P:]~~ **Q.** **“Reenlistment”** as used in Paragraph (3) of Subsection A of Section 10-11-6 NMSA 1978, means enlistment or voluntary entry into one of the armed services as either enlisted personnel or as a commissioned officer.

~~[Q:]~~ **R.** **“Retired member”** means a person who is being paid a normal, deferred or disability pension on account of that person's membership in the association. “Retired member” shall not include any persons receiving a pre-retirement survivor pension, post-retirement survivor pension, or reciprocity retirement pension where the payer system is not PERA, or any other person unless specifically included by definition as a “retired member”.

~~[R:]~~ **S.** **“Salary”** means the base salary or wages paid a member, including longevity pay, for personal services rendered to an affiliated public employer. “Salary” includes a member's fixed, periodical compensation from full or part time employment; shift differentials; and wages paid while absent from work on account of vacation, holiday, injury or illness, which means payment made by continuing the member on the regular payroll. “Salary” includes incentive pay that is not temporary and becomes part of member's base salary. “Salary” also includes temporary promotions, temporary salary increases, but no other temporary differentials. “Salary” shall not include overtime pay, unless the overtime payment is required for a regular scheduled tour of duty as set forth in Section 207 (k) of Title 29 of the United States code and is made on the regular payroll for the period represented by the payment. “Salary” for overtime pay required for a regular tour of duty does not include on-call or special events duty, or other duty performed by a member on a voluntary or ad hoc basis, which is temporary and does not become part of the member's base salary. “Salary” shall not include allowances for housing, clothing, equipment or travel, payments for unused sick leave, unless the unused sick leave payment is made through continuation of the member on the regular payroll for the period represented by that payment. “Salary” also ~~[does]~~ shall not include lump sum payments which are not part of the member's fixed periodical compensation, such as lump sum annual and sick leave or occasional payments to elected officials for attending meetings, allowances for any purpose, employer contributions to a private retirement program, or other fringe benefits, even if they are paid to or for a member on a regular basis, and any other form of remuneration not specifically designated by law as included in salary for Public Employees Retirement Act purposes.

~~[S:]~~ **T.** **“State legislator member”** means a person who is currently serving or who has served as a state legislator or lieutenant governor and who has elected to participate in a state legislator member coverage plan. A former legislator or former lieutenant governor may be a “state legislator member” whether or not currently receiving a pension under a state legislator member coverage plan.

~~[T:]~~ **U.** **“State system”** means a retirement program provided for in the Public Employees Retirement Act, Magistrate Retirement Act, or Judicial Retirement Act.

~~[U:]~~ **V.** **“Terminate employment”** means that a member has a complete break in service and an absolute cessation of employment with all affiliated public employers, including employment as an elected official, as evidenced by a personnel action form or other equivalent document, and the member is not reemployed by an affiliated public employer for 30 days; or upon the date of death of a member.

[10/15/1997; 11/15/1997; 1/15/1999; 12/15/1999; 2.80.100.7 NMAC - Rn & A, 2 NMAC 80.100.7, 12/28/2000; A, 12/28/2001; A, 9/30/2003; A, 6/30/2005; A, 12/15/2009; A, 12/30/2013; A, 12/28/2021]

This is an amendment to 2.80.200 NMAC, Sections 50, 60 and 70, effective 12/28/2021.

2.80.200.50 COMMITTEES:

A. The chair shall appoint no more than six board members to each of the following standing committees: rules and administration, audit and budget, legislative, investments, ~~[and]~~ deferred compensation, investment plan, and governance. The disability review committee shall have at least three but no more than five board members. The chair of the board shall appoint the chair of each committee. Though the board shall have standing committees, the board chair reserves the right to cancel any committee meeting and allow the entire board to discuss and act on matters that may be within the subject matter of standing committees.

(1) The rules and administration committee shall consider and recommend to the board new rules and amendments to or repeal of existing rules governing the organization and operation of the board and the association. Administrative matters requiring specific direction from the board may also be considered by the committee.

(2) The audit and budget committee shall provide policy assistance to the board and the executive director of PERA in fulfilling PERA's responsibilities for accounting, auditing, budgeting, and the quality and integrity of the financial reports of the association.

(3) The legislative committee shall consider and recommend to the board proposals for new statutes and amendments to or repeal of existing statutes. The committee shall also monitor the introduction and progress of proposed legislation affecting the board or association and report this information to the board.

(4) The disability review committee is described in 2.80.1000.20 NMAC.

(5) The investment committee shall review and monitor the administration of the investment policy adopted by the board.

(6) The deferred compensation committee shall review and monitor the administration of the deferred compensation plan investment policy adopted by the board.

(7) The governance committee shall develop, review and monitor compliance with the board's policies and procedures, code of conduct, and board complaint procedure and recommend to the board proposed board disciplinary actions.

B. The chair, with the advice and consent of the board, ~~[shall]~~ may appoint an election committee to consist of nine members of the association: four members from state departments, two members from non-county municipal employers, one member from a county employer and two retired members.

(1) The election committee shall serve until replaced by the chair and shall receive no compensation other than that authorized by the Per Diem and Mileage Act.

(2) The duties of the election committee are described in 2.80.200.60, 2.80.200.70 and 2.80.200.80 NMAC.

C. From time to time, the board may authorize, and the chair may appoint, such ad hoc committees as the board finds necessary.

D. Board members appointed to committees shall adhere to the standards set forth in and be subject to the enforcement provisions of the New Mexico Governmental Conduct Act.
[2.80.200.50 NMAC - Rp, 2.80.200.50 NMAC, 12/30/2015; A, 12/28/2021]

2.80.200.60 ELECTION OF RETIRED BOARD MEMBERS:

A. During the January monthly meeting, the retirement board shall adopt a resolution specifying when nominating petitions are due to be returned to PERA or an independent contractor hired by PERA to assist with the election. These nominating petitions are due not earlier than six months prior and not later than one month prior to the election for the position of retired board member. The resolution shall also specify whether the method of voting shall include mailed paper ballots, online electronic ballots or other method approved by the board.

B. Any retired member who is receiving a disability or normal retirement pension under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act is eligible for election to a retired board member position.

C. Nominating petitions shall be signed only by retired members under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. To be eligible, a candidate must have a minimum of 50 nominations. A valid nomination shall include a signature, legible printing of the retiree's name, and one of the following:

- (1) the last four digits of the retiree's social security number;
- (2) the retiree's date of birth;

(3) the retiree's PERA identification number. A nomination that does not include at least one of these elements may not be counted. For purposes of this subsection, "signature" shall include an electronic signature, in any digital format, from a single identifiable e-mail address. A retired member may sign more than one nominating petition for different candidates. The five candidates with the highest number of nominations shall be included on the ballot and the other or others shall be eliminated. The names of the five retired members receiving the highest number of nominations shall be placed on the election ballot in descending order according to the number of signatures received. In case of a nominating tie, the election committee shall determine the names and order in which they are placed on the ballot by lottery or similar method.

D. In the event any nominee is unable or unwilling to accept a nomination, that nominee's name shall be removed from the ballot and the resulting vacancy on the ballot shall not be filled. If the inability or unwillingness to accept a nomination occurs after the ballots have been printed the election committee shall treat all votes cast for that nominee as void.

E. If only one retiree is nominated for a retired board member position, the election shall be cancelled and that retiree shall automatically be declared the winner for the retired board member position pursuant to 2.80.200.80 NMAC.

F. Only retired members under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act shall be eligible to participate in the election of retired board members.

G. The campaign contribution limit of \$25.00 contained in Subsection B of Section 10-11-130.1 NMSA 1978 (2000) shall apply to each four year term retired board member election.
[2.80.200.60 NMAC - Rp, 2.80.200.60 NMAC, 12/30/2015; A, 3/14/2017; A, 12/28/2021]

2.80.200.70 ELECTION OF NON-RETIRED BOARD MEMBERS:

A. During the January monthly meeting, the retirement board shall adopt a resolution specifying when nominating petitions are due to be returned to PERA or an independent contractor hired by PERA to assist with the election. These nominating petitions are due not earlier than six months prior and not later than one month prior to the election for the position of non-retired board member. The resolution shall also specify whether the method of voting shall include mailed paper ballots, online electronic ballots or other method approved by the board.

(1) Candidates nominated for any non-retired board member position shall be vested members under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

(2) Only state members, including members under the Judicial Retirement Act or the Magistrate Retirement Act, may nominate candidates for state board member positions. Only county members may nominate candidates for the county board member position. Only non-county municipal members may nominate candidates for the remaining municipal board member positions.

(3) To be eligible, a candidate must have a minimum of 150 valid nominations of non-retired PERA members from the candidate's membership group on his or her nominating petition. A valid nomination shall include a signature, a legible printing of the member's name, the member's current employer and one of the following:

- (a) the last four digits of the member's social security number;
- (b) the member's date of birth; or
- (c) the member's PERA identification number.

A nomination that does not include at least one of these elements may not be counted. For purposes of this subsection, "signature" shall include an electronic signature, in any digital format, from a single identifiable e-mail address. A member may sign more than one nominating petition for different candidates.

(4) The five candidates with the highest number of nominations for each non-retired position shall be included on the ballot and the other or others shall be eliminated. The names of the five non-retired members receiving the highest number of nominations for a position shall be placed on the election ballot in descending order according to the number of signatures received. In case of a nominating tie, the election committee shall determine the names and order in which they are placed on the ballot by lottery or similar method.

(5) In the event any nominee is unable or unwilling to accept the nomination, his or her name shall be removed from the ballot and the vacancy on the ballot shall not be filled. If such a vacancy occurs after the ballots have been printed, the election committee shall treat all votes cast for that candidate as void.

(6) If only one member is nominated for a non-retired board member position, the election shall be cancelled and that member shall automatically be declared the winner for the non-retired board member position pursuant to 2.80.200.80 NMAC.

(7) All members of record of the membership group for which the election is held shall be eligible to receive a ballot as provided in Subparagraph (a) of Paragraph (8) below, except that only county members

shall vote in elections for the county member position, and shall not be eligible to vote in elections for non-county municipal positions. The applicable membership group for any member who is no longer a currently employed, contributing employee of an affiliated public employer shall be determined as of the last date on which the member was a currently employed, contributing employee of an affiliated public employer.

(8) For purposes of the election of non-retired board members, “member of record” shall mean the following:

(a) all persons listed in PERA electronic membership history records as members, including members covered under the Public Employees Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act, no more than 60 days prior to the date of mailing ballots;

(b) all persons who have filed with PERA a valid application for membership form 60 days or more prior to the date of mailing ballots;

(c) while members of record shall qualify to receive a ballot, in the case of those new members listed in Subparagraph (b) of Paragraph (8) of Subsection A of 2.80.200.70 NMAC, a written request for a ballot must be made to PERA.

(9) For purposes of the election of non-retired board members:

(a) ballots shall be mailed to all non-county municipal members of record in the case of an election of a non-county municipal board position;

(b) ballots shall be mailed to all county municipal members of record in the case of an election of the county municipal board position; and

(c) ballots shall be mailed to all state members of record in the case of an election of a state board position.

B. The campaign contribution limit of \$25.00 contained in Subsection B of Section 10-11-130.1 NMSA 1978 (2000) shall apply to each four year term non-retired board member election. [2.80.200.70 NMAC - Rp, 2.80.200.70 NMAC, 12/30/2015; A, 3/14/2017; A, 12/28/2021]

This is an amendment to 2.80.1800 NMAC, Sections 1, 8, 9, 10 and 11, effective 12/28/2021.

2.80.1800.1 ISSUING AGENCY: Public Employees Retirement Association, ~~[P.O. Box 2123]~~ 33 Plaza La Prensa, Santa Fe, New Mexico ~~[87504-2123]~~ 87507.
[10/15/1997; 2.80.1800.1 NMAC - Rn, 2 NMAC 80.1800.1, 12/28/2001; A, 12/28/2021]

2.80.1800.8 GENERAL PROVISIONS

A. The board, at a regular meeting, shall employ an executive director who shall serve at the pleasure of the board and at a salary set by the board. The executive director shall be the chief administrative officer of the board and of the association and serve as a fiduciary to the retirement fund. ~~[He or she.] The executive director shall attest to official actions of the board when required [and shall serve at the pleasure of the board].~~

B. The executive director is authorized to approve duly executed applications for affiliation by public employers, and applications for normal, disability and survivor pensions in order to insure timely processing of retirement pensions. In cases of disability retirement applications, approval by the disability review committee is necessary prior to approval by the executive director. All approvals by the executive director for pensions must be submitted for ratification by the board at its next regular meeting.

C. The executive director is authorized to perform any acts required of the board pursuant to a proper delegation of authority and rules and policies and procedures adopted by the board.

D. The board shall conduct an annual written evaluation of the executive director by the anniversary date of the appointment of the executive director.

E. The executive director shall adhere to the standards set forth in and be subject to the enforcement provisions of the New Mexico Governmental Conduct Act.

[10/15/1997; 11/15/1997; 2.80.1800.8 NMAC - Rn, 2 NMAC 80.1800.8, 12/28/2001; A, 12/28/2021]

2.80.1800.9 CONDUCT OF BUSINESS

A. The business affairs of the board shall be conducted by the executive director within the authority outlined by the public employees retirement act and rules and policies and procedures adopted by the board.

B. On behalf of the board, the executive director is authorized to execute vouchers, delegate others to execute vouchers, buy and sell, or assign, or otherwise acquire or dispose of stocks, bonds, notes, or other securities held by the board, and execute such other documents as may be necessary to the administration of the public employees retirement act.

C. The executive director shall obtain the board's approval before requesting a formal opinion interpreting the law from the attorney general. The director may, however, obtain advice, either oral or written, from the attorney general as the need may arise.

D. The executive director is authorized to decide whether the association will seek lead plaintiff status in securities class action lawsuits in order to ensure a timely decision is made in accordance with applicable deadlines set out by the court. The executive director shall promptly apprise the board chair of such decisions. All such decisions shall be presented at the next board meeting and the board may ratify or reject the executive director's decision. If the board rejects the executive director's decision, the association shall seek to remove itself from lead plaintiff status.

E. The executive director may recommend and propose repeal, replacement, amendments, or new rules for action by the board. Any such recommendation shall be provided to each board member with the agenda for the meeting at which the recommendation will be considered, within a reasonable time, prior to being considered by the board.

[2.80.1800.9 NMAC – N, 12/28/2021]

2.80.1800.10 ADMINISTRATIVE BUDGETS:

A. The executive director shall prepare budgets and requests for appropriations, which shall be considered and approved by the board prior to submission to the department of finance and administration or legislature.

B. The executive director shall annually prepare an organizational chart coincident with the adoption of the budget. This chart shall include a description of all positions required for the operation of the association, and the executive director shall be responsible for staffing these positions. This responsibility shall include the authority for the employment, promotion, demotion and dismissal of all employees.

[2.80.1800.10 NMAC – N, 12/28/2021]

2.80.1800.11 ACTUARY:

The executive director shall contract with an actuarial firm to be engaged for the purpose of performing routine actuarial services and annual actuarial valuations to be provided for in a contract to be approved by the board, subject to compliance with the procurement code rules and procedures.

[2.80.1800.11 NMAC – N, 12/28/2021]

This is an amendment to 2.80.2100 NMAC, Section 9, effective 12/28/2021.

2.80.2100.9 UNCLAIMED CONTRIBUTIONS:

A. A member's accumulated member contributions, plus interest, shall constitute unclaimed member contributions pursuant to Section 10-11-128 NMSA 1978 if the following conditions are met:

- (1) the member has applied for and received a refund of member contributions;
- (2) a balance of five hundred dollars (\$500) or less remains on the member's account;
- (3) PERA has sent a letter to the member's last known address on file with the association

notifying the member that the funds are available for disbursement and received no response within 60 days of the mailing.

B. A deceased member's accumulated member contributions, plus interest, shall constitute unclaimed member contributions, pursuant to Section 10-11-128 NMSA 1978, if the following conditions are met:

(1) PERA has received notification of the member's death through an authorized death notification provider or a certified copy of the member's death certificate;

(2) a survivor pension benefit is not payable;

(3) a balance of member contributions, plus interest, remains in the deceased member's account;

(4) PERA has sent an initial letter to the deceased member's last known address on file with the association and to the address of the member's refund beneficiary or estate, if known, notifying the deceased member's refund beneficiary or estate that the funds are available for disbursement and if no response is received within 60 days of mailing the initial letter, PERA has sent a final letter the following year to the deceased member's last known address on file with the association and to the address of the member's refund beneficiary or estate, if known, notifying the deceased member's refund beneficiary or estate that the funds are available for disbursement.

(5) PERA has received no response within two years of the date of the member's death.

C. Unclaimed member contributions, plus interest, shall be credited to the income fund, and the member's account shall be closed.

D. PERA shall perpetually maintain a list of members and the value of the accounts which were closed in accordance with this provision.

E. No interest shall accrue on unclaimed member contributions which have been credited to the income fund.

F. A member, beneficiary or estate of a member may at any time apply to receive a refund of unclaimed member contributions and interest accrued before the account was closed in accordance with the provisions of this rule.

G. For the limited purpose of receiving a form 1099 to file taxes for a deceased member, PERA will accept a notarized affidavit from the member's surviving representative. The affidavit shall include the deceased member's social security number, an identification of the relationship between the deceased member and surviving representative, and an affirmation that the request for the form 1099 is for the purpose of settling the affairs or filing taxes for the deceased member.

[G.] H. If a member whose account has been closed is subsequently employed by an affiliated public employer, the member's account shall be reopened effective the date of reemployment, and the account balance, accrued interest and service credit shall be restored to the amounts in effect at the time the account was closed.

[2.80.2100.9 NMAC - Rp, 2.80.2100.9 NMAC, 12/30/2015; A, 12/28/2021]

PUBLIC EMPLOYEES RETIREMENT BOARD

IN THE MATTER OF PROPOSED AMENDMENTS TO PUBLIC EMPLOYEES RETIREMENT RULES

ORDER OF THE BOARD ADOPTING RULE AMENDMENTS

This matter having come before the Board of the New Mexico Public Employees Retirement Association (“Board”) on the recommendation of the Rules & Administration Committee, a quorum of the Board having considered the matter, the Board hereby **FINDS**:

1. This matter concerns promulgation by the Board of amendments to the following rules:

Public Employees Retirement

2.80.100.7 – General Provisions, 2.80.200.50 – Committees, 2.80.200 – Elections, 2.80.1800 – Executive Director, and 2.80.2100 – Member Contributions.

2. Notice of PERA Rulemaking was published in the New Mexico Register on September 28, 2021, and in the Albuquerque Journal on October 6th, October 13th, October 20th, October 27th, and November 3, 2021, in the Albuquerque Journal. Notice was also posted on PERA’s website, the Sunshine Portal, and provided to the Legislative Council Service per the State Rules Act.

3. The Board’s Rules & Administration Committee held a formal rulemaking hearing on November 9, 2021, regarding the proposed amendments.

4. Amendments to Public Employees Retirement rules 2.80.100.7, 2.80.200.50, 2.80.200, 2.80.1800 and 2.80.2100 NMAC were proposed. The reasons for the rule amendments are documented in PERA’s Concise Explanatory Statement incorporated herein by reference as Exhibit B.

5. No oral or written comments to the proposed amendments were received. After receiving proffered exhibits and staff testimony into the record and considering the matter, the Rules & Administration Committee recommended that the Board adopt the proposed amendments, effective upon publication in the New Mexico Register on December 28, 2021.

THEREFORE, THE BOARD HEREBY ORDERS:

Public Employees Retirement Rules 2.80.100.7, 2.80.200.50, 2.80.200, 2.80.1800 and 2.80.2100 NMAC are amended to read as stated in Exhibit A to this Order, which is incorporated by reference herein, revised as necessary to meet State Records filing requirements, and effective upon publication in the New Mexico Register.

IT IS HEREBY SO ORDERED.

Dated: _____

Francis Page, Acting Chair
Public Employees Retirement Board

THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO



INVESTED IN TOMORROW.

INVESTMENT POLICY

Revised

~~April 30, 2020~~ November 9, 2021

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THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

INVESTMENT POLICY

I. INTRODUCTION

A. Statutory Authority

The Public Employees' Retirement Association of New Mexico (PERA) was created by law in 1947 and is authorized to administer the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended (the PERA Act), the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and State laws relating to the administration of public employees' retirement systems in the State of New Mexico. As of April 2016, PERA administers thirty-one retirement plans under a defined benefit structure for state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators. PERA is governed by the Retirement Board (the Board).

B. Authority and Duties of the Board

Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the PERA trust funds (the Fund) for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The PERA Act, NMSA 1978 §§ 10-11-132 and 10-11-133 generally describe the authority of the Board to invest the Fund. Both those sections incorporate and adopt the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, which require the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. Among other things, the UPIA requires that Fund investments be diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board also recognizes that care must be exercised to maintain PERA's status as a government plan that is exempt from the requirements of the federal Employees Retirement Income Security Act of 1974 and as a qualified plan that is exempt from taxation under the Internal Revenue Code.

C. Mission Statement

In recognition of its fiduciary responsibility, the Board adopts the following as the mission statement for PERA:

The mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.

D. PERA Roles and Responsibilities/Delegations of Authority

To accomplish its mission, the Board relies on PERA employees and third-party investment consultants (Investment Consultants) to properly administer the Fund and implement the investment strategies it adopts. Because of the number of parties involved, their roles in investing and managing the Fund must be clearly explained. Doing so increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

Ethics and Conflicts of Interest

The Board, and PERA employees are obligated to act in the exclusive interest of PERA members, retirees, and beneficiaries. Investment Consultants serve in a fiduciary capacity to PERA. Board members and PERA employees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make decisions in accordance with PERA's mission statement.

Board of Trustees

The primary fiduciary responsibility of the Board is to ensure prudent investment and management of the Fund. It is the responsibility of the Board to ensure that PERA employees administer investments of the Fund at reasonable cost, while preserving the quality of investments. All principal investment policy decisions are subject to approval by the Board. The Board shall oversee the management of the Fund in compliance with this Investment Policy and all applicable federal and State laws and regulations concerning the administration of a government pension plan. The Board, with the assistance of PERA investment staff (Staff) and consultants, determines the strategic direction of investment of the Fund including the strategic asset allocation target, adoption of a risk budget, and the active management strategy target, all of which shall be reviewed at least semiannually.

Investment Committee

To assist the Board in carrying out its duties, it established an Investment Committee (the Committee). The Committee makes recommendations to the Board on strategic asset allocation target, the risk budget, and the active management strategy target. The Committee establishes benchmarks, including a reference portfolio, for evaluating the performance of the total investment portfolio. The Committee shall also adopt an annual work plan and, at least quarterly, review all principal investment policy actions and performance of the portfolio. The Committee may invite Staff and Investment Consultants to inform and make recommendations to the Committee on any topic or issue pertinent to PERA's investment operations. The Committee Chair shall have the duty and the authority to set Committee meeting agendas and request specific analyses and reports from Staff and Investment Consultants.

Executive Director

The Board appoints the Executive Director (the Director). The Director is responsible for planning, organizing, and administering the operations of PERA under policy guidance and direction from the Board. In fulfilling these investment responsibilities, the Director retains and relies on Staff and Investment Consultants.

Chief Investment Officer and Investment Staff

Staff reports directly to the Chief Investment Officer (the CIO) who in turn reports to the Director. The CIO, with the assistance of Staff, has the responsibility and authority to assist the Board and the Committee in establishing investment and administrative policies. The CIO and Staff are responsible for implementing the policies and programs established by the Board. The CIO has primary responsibility to implement and direct all decisions necessary and appropriate to carry out the Board's investment policies, including the strategic asset allocation target, risk budget, and active management strategic target approved by the Board. The CIO shall report on all decisions and the progress of implementation of those decisions to the Committee.

The CIO and Staff shall manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, report on the progress of the Fund in meeting its investment objectives, and monitor and report to the Board on the performance of the Fund against the appropriate benchmarks. The CIO and staff shall have

the delegated authority to evaluate, select, monitor and terminate investment vehicles and managers necessary and appropriate to implement the Board's policies. Their actions shall be disclosed to the Board periodically, as directed by the Committee. Staff exercises the same fiduciary responsibility under applicable law as the Board.

General Counsel and Legal Staff

The Office of General Counsel and legal staff (Legal Counsel) are primarily responsible for legal compliance of the investment program and advises the Board, the Director, the CIO, and Staff on investment-related legal matters. Legal Counsel exercises the same fiduciary responsibility under applicable law as the Board.

Third Party Service Providers

- **Investment Consultants.** Investment Consultants are hired by and accountable to the Board through the authority of the Director. Investment Consultants shall report to the Board or the Committee as directed. An Investment Consultant's duty is to work with the Board and Staff in the oversight and implementation of investment objectives.

The Board's investment strategic consultant shall provide advice and recommendations to the Board or Committee regarding its strategic objectives, risk budget, and oversight and implementation of principal investment objectives.

Investment selection and monitoring consultants shall provide advice and recommendations regarding selection of investment managers and portfolio monitoring to the CIO and Staff.

- **Custodian Bank.** The Custodian Bank serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of Staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The Custodian Bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The Custodian Bank cooperates with and provides assistance to Staff and Investment Managers in the reconciliation process. PERA may opt to designate other duties to the Custodian Bank as stipulated in the professional services agreement.
- **Investment Managers.** The Board believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Investment Managers are selected by the CIO and, subject to the terms and conditions of this Policy, serve PERA through contracts that specify in principal part: investment guidelines, administrative requirements, responsibilities, and performance expectations for management of each mandate. Proxy voting is considered to be a component of the investment decision process and will be exercised in accordance with the established PERA Proxy Voting Policy. Investment Managers will report to Staff on the performance of the Fund using formats and at intervals specified by Staff. This information will be synthesized by Staff and presented to the Committee on at least a quarterly basis in accordance with established performance monitoring and oversight procedures.
- **External Legal Counsel.** The General Counsel may retain external legal counsel to advise Staff and negotiate and prepare contracts with Investment Consultants and Investment Managers to protect PERA's interests and status as a tax-exempt government plan.

II. OVERVIEW OF INVESTMENT POLICY

A. Purpose of the Investment Policy

The purpose of the Investment Policy (the Policy) is to explain implementation of the investment principles and objectives of the Board. The Policy provides a reference point for the management of PERA's assets. The Policy provides guidance to the Board and Staff, as well as Investment Consultants, Investment Managers, and the Custodian Bank. The Policy is intended to provide parameters that ensure prudence and care in the execution of the investment program.

It is the intent of the Policy to provide the foundation for prudent management of the Fund, including the standards and disciplines by which the Board can evaluate Staff, Investment Consultants, Investment Managers, and the Custodian Bank.

B. Investment Principles

Accordingly, the Board adopts the following principles and objectives to guide its investment strategies and decisions:

- Preserve the long-term principal of the Fund.
- Maximize total return within prudent risk parameters.
- Maintain sufficient liquidity to meet PERA's obligations.

III. INVESTMENT OBJECTIVES

A. Primary Objective

PERA's primary objective is to prudently invest assets in order to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board adopts the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

B. Long-Term Returns

Due to the long-term nature of PERA's pension obligations and the inherent risks in short-term tactical investing, PERA must maintain a long-term perspective in formulating and implementing its investment policy, and in evaluating its investment performance. Therefore, the Board: (1) targets a long-term rate of return commensurate with the actuarial assumed rate of return; (2) adopts an allocation policy

developed to meet the targeted rate of return over long periods of time, while minimizing volatility (risk); (3) adopts a risk budget developed to identify the risk tolerances of the total portfolio; (4) adopts an active management strategic target; and (5) minimizes the costs of investing through efficient use of internal and/or external resources.

Investment performance is measured by the following long-term objectives:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. The Board seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

PERA's progress in meeting these return measures will be reported to the Committee on at least a quarterly basis.

C. Evaluation of Risk

The Board adopts a strategic asset allocation target that is appropriate for existing and anticipated circumstances. In targeting returns, the Board takes into account the benefit levels and structure of the plans supported by the Fund. PERA will periodically conduct and present to the Committee an asset/liability study to determine the extent to which the long-term asset allocation is consistent with the liabilities of the retirement plans that it administers. In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major assets classes utilized by the Fund and develop a risk budget. PERA will regularly measure and monitor Fund risks in its management of the Fund.

In accordance with generally accepted principles for prudent investors, the allocation of capital across asset categories increases the probability of meeting or exceeding the Fund's objectives at a prudent level of risk. In establishing its risk tolerance, PERA will consider its ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Fund.

IV. ASSET ALLOCATION

A. Strategic Asset Allocation Targets

Based on recommendations by Staff and Investment Consultants, the Board shall choose the strategic asset allocation target based on its determination of the appropriate risk tolerance for PERA, and its long-term return expectations. Each asset class allocation percentage has a long-term target position within the overall portfolio and a maximum and minimum range around that target allocation. Asset class policy targets and ranges are listed in Appendix A, which is separately adopted by the Board.

The Board recognizes that the long-term target allocation may take an extended period to implement. Staff and Investment Consultants will provide the Board with regular updates on the status of targeted asset allocation of the Fund as a whole and the component asset classes. The Board will prudently monitor this progress and the Fund's performance throughout the implementation period.

The target allocation will be reviewed annually for significant economic and market changes, and as appropriate, to changes in the Fund's long-term goals and objectives. A comprehensive asset allocation study should be conducted at least every three years to verify or revise the targets.

B. Active Management Strategic Target

Based on recommendations by Staff and Investment Consultants, the Board shall choose the active management strategic target that seeks an additional return expectation for active management over and above the strategic asset allocation target.

C. Risk Budgeting

Based on recommendations by Staff and Investment Consultants, the Board shall set a risk budget that identifies the risk tolerance of the total Fund that is budgeted into two key components; 1) strategic asset allocation target risk; and 2) active risk. Active risk is the additional risk or deviation from the strategic asset allocation benchmark to achieve the active management strategic target.

D. Rebalancing Strategy

The Board authorizes the CIO and Staff to rebalance the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal in implementing the rebalancing policy is to minimize transaction costs, market impact, and opportunity costs.

The Board adopts a rebalancing policy that considers allocation ranges rather than time periods. Upper and lower allocation limits established for each asset class are defined in Appendix A. When the allocation to all asset classes remains within these limits, Staff will use cash flow to maintain the overall allocation as closely as possible to the target.

In the event that a liquid strategy within an asset class deviates from an upper or lower allocation limit, the asset class will be rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day window it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category.

Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

Staff will report the results of rebalancing activities to the Committee by no later than the subsequent regular meeting.

V. PERFORMANCE BENCHMARKS

A. Total Fund Benchmark

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are referred to as the "Policy Index" and are identified in Appendix B, which is separately adopted by the Committee. The Board may use the Policy Index to compare the Fund's actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

B. Mandate-Level Benchmarks

Benchmarks relevant to an investment shall be used as standards to measure the performance of Investment Managers. Acceptable benchmarks include but are not limited to:

- the appropriate market indices on a nominal and risk-adjusted basis;
- the performance of peers within their style group;
- adherence of the Investment Manager to the stated investment philosophy and style; and
- adherence to this Policy and the guidelines established in the investment contract.

The Board will work with Staff and the Investment Consultants to identify appropriate sub-asset class benchmarks. Staff and Investment Consultants will review the appropriateness of these benchmarks and report to the Committee on a regular basis.

VI. INVESTMENT GUIDELINES

Recognizing that capital markets are global in nature, the Board shall consider asset classes that represent all investment opportunities appropriate for PERA, as long as such investments comply with the UPIA. The terms and conditions of investment contracts are subject to legal review for compliance with applicable law and applicable investment standards.

A. Investments

Global Equity

An appropriately diversified Fund should include, commensurate with market conditions, global equity investments, both public and private. This allocation is structured to help the Fund meet its total return goals and will be implemented through strategies that include both liquid and illiquid mandates.

- **Public Equity.** The objective of public equity investments is to provide exposure to global economic growth opportunities and seek to capture capital appreciation and current income. The public equity allocation must anticipate long-term capital appreciation as it targets economic growth with an acceptable exposure to price volatility and the risk of loss. Public equity includes hedged investments that reduce broad market risks by isolating security-specific returns. The vehicles will utilize long and short positions along with leverage to accomplish their investment objectives. Equity-hedged investments will retain some broad market risk, but will generally be less volatile and have a lower correlation to broad equity markets over a full cycle.
- **Private Equity.** The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded equity securities. In making private equity investments, PERA shall consider that private equity Investment Managers typically have concentrated portfolios and generate returns by making operational changes to the acquired businesses and often employ leverage to generate superior returns.

Risk Reduction and Mitigation

An appropriately diversified Fund should include, commensurate with market conditions, an allocation of assets for risk reduction and mitigation to provide diversification, a dependable source of current income, and downside protection. PERA shall consider the risk reduction and mitigation allocation as a component of the total investment portfolio that provides lower expected volatility and a greater expectation for the preservation of capital. The risk reduction and mitigation allocation includes, but is

not limited to the following investment types:

- **Core and Global Fixed Income.** Bonds, notes or other obligations of the U.S. government, its agencies, government-sponsored enterprises, corporations, or collateralized obligations, including but not limited to mortgages are targeted to achieve risk reduction and mitigation. In addition, these portfolios may include debt obligations of non-U.S. governmental or quasi-governmental entities and corporations with an investment grade rating, which may be denominated in foreign currencies.
- **Operating Cash Management.** In order to mitigate risk and ensure liquidity, commensurate with market conditions, the services of the State Treasurer may be used for overnight investment of short-term assets. Use of a separate or commingled short-term investment fund administered by the Custodian Bank may be considered.
- **Currency.** As means to mitigate risk while realizing returns, PERA should consider active currency strategies that do not necessarily hedge existing international holdings, but instead, seek absolute return which may include leverage, cross-hedging, emerging markets, and interest-rate futures.
- **Securities Lending:** The Board may authorize a securities lending program for all or any portion of the assets held as investments by PERA. Securities may only be loaned by the designated agent(s) by contracting for the temporary exchange of securities, for a specified fee or consideration for periods not to exceed one year, with broker-dealers, banks or other recognized institutional investors.
- **Cash Overlay:** Overlay strategies may be used to manage risk, asset allocation, and market exposures through futures, options, swap agreements, or forward agreements.

Credit-Oriented Fixed Income

An appropriately diversified Fund should include, commensurate with market conditions, global credit-oriented fixed income investments to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. Credit-oriented fixed income investments shall be targeted to provide current income and total return with a strong focus on preservation of capital. In making these investments, PERA shall consider the potential volatility as compared to the risk reduction and mitigation allocation. PERA shall also consider credit-oriented fixed income investments that utilize leverage, shorting, derivatives, and illiquidity to generate greater risk-adjusted returns. Credit-oriented fixed income investments include similar types of securities as those in the risk reduction and mitigation allocation, but may have different credit characteristics at the time of purchase.

Real Assets

An appropriately diversified Fund should include, commensurate with market conditions, investments in real assets to generate current income and provide capital appreciation. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a hedge against inflation. Real assets investments may include but are not limited to liquid and illiquid securities in real estate, infrastructure, commodities, natural resources, timber, agriculture and farmland. The real assets portfolio includes market neutral strategies—these portfolios seek to avoid elevated exposure to broad market risk through the use of hedges. Market neutral strategies shall target a zero correlation with broad market movements and provide diversification benefits for the total fund.

Multi-Risk Allocation

An appropriately diversified Fund should include, commensurate with market conditions, investments

in balanced risk-based exposures to equalize the risk contribution of asset classes or risk factors comprised in the portfolio. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a liability hedge and stabilized return generator. Multi-risk investments shall include, but are not limited to, Risk Balanced/Parity strategies. PERA shall also consider multi-risk investments that utilize leverage and derivatives to generate a greater risk adjusted return.

B. Other Investment Considerations

The Board may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost and administrative complexity, authorize any investment except as otherwise expressly prohibited.

Securities Regulations

PERA shall consider, based on market considerations, whether engagement of Investment Managers registered under the Investment Company Act of 1940 is appropriate. This Act governs the operations of investment companies and their managers. PERA should work with its Investment Consultants and Investment Managers to ensure compliance with all federal and state securities laws including, but not limited to, the Securities Act of 1933 and the Investment Advisers Act of 1940. PERA recognizes that such registration is not applicable to all investment strategies or to investment opportunities located outside the United States.

Leverage

Leverage is implicit in many investment strategies and leverage in and of itself is not strictly prohibited so long as activities do not materially increase the risk level of the Plan. Leverage will be considered when deciding to retain an Investment Manager, and the Board, in conjunction with Staff, Investment Consultants, and Investment Managers, will avoid managers who employ unreasonable levels of leverage.

Liquidity

The Fund must maintain an easily accessible balance of cash equivalents and other reasonably liquid assets for the purposes of meeting the financial obligations of the Fund. The Board will govern these liquidity requirements through the utilization of a structural hierarchy, which will classify asset classes according to liquidity availability and pricing sensitivity during market stress. Convertible Liquidity is defined as a level of access from asset classes that can be liquidated in a relatively short amount of time with minimal pricing impact. Delayed Liquidity will capture all remaining asset classes that can be sold, but at a greater expense and/or over a longer time frame. Within these two classifications asset classes will be further classified across tiered availability. Liquidity guidelines are listed in Appendix C, which is separately adopted by the Board.

Derivatives

Investment Managers may use derivative instruments such as futures, options, swaps, and forwards, to implement investment strategies in a low cost, efficient manner or construct portfolios with risk and return characteristics that cannot be created with cash market securities. Derivatives may also be used within the context of a cash overlay program. The cash overlay program, administered by an Investment Manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds.

Reporting

Total Fund performance reporting will be formally presented to the Investment Committee quarterly and shall include comparative peer performance data, compiled by the Board Investment Strategic Consultant.

Illiquid asset class performance reporting will be provided to the Investment Committee quarterly and formally presented no less than twice a year, reviewing the fiscal year end and calendar year end results. All reporting shall be published to the PERA website for public reference, on a timely basis, following quarterly review.

C. Prohibited Investments

In accordance with UPIA guidelines, the Board, Staff, Investment Consultants, and Investment

Managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

Investments precluded by law or regulation:

- Transactions that involve a broker acting as a "principal" where such broker is also the Investment Manager who is making the transaction are prohibited unless otherwise approved in each manager's respective PSA.
- Any other investments as specified in each Investment Manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

VII. REVIEW AND APPROVAL OF INVESTMENT POLICY

The Board shall review the Policy from time-to-time to determine if modifications are necessary or desirable but will delegate Staff to review the Policy on an annual basis. Staff will recommend modifications as warranted. If modifications are made, they shall be promptly communicated to all Investment Managers and other interested persons.

By signing this Investment Policy the Board through its Chair, indicates its agreement therewith.

Adopted: June 25, 1992
Amended: September 14, 1993
April 28, 1994
September 28, 1995
January 29, 1998
March 23, 1998
January 27, 2000
September 26, 2002
July 31, 2003
October 31, 2003
July 1, 2005
September 28, 2005
December 29, 2005
July 27, 2006
August 31, 2006
September 28, 2006
June 1, 2007
August 30, 2007
July 31, 2008
June 24, 2010
November 29, 2012
August 28, 2014
December 18, 2014
September 24, 2015
April 28, 2016
December 14, 2017
July 26, 2018
April 30, 2020
November 9, 2021

By: _____
~~John Melia~~ Francis Page, Acting Board
Chair
Public Employees Retirement Association of New
Mexico

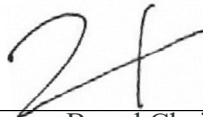
APPENDIX A. ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective July 26, 2018

| Asset Class | Lower Limit | Strategic Asset Allocation Target | Upper Limit |
|-------------------------------|-------------|--------------------------------------|-------------|
| Global Equity | 30.5% | 35.5% | 40.5% |
| Risk Reduction and Mitigation | 16.5% | 19.5% | 22.5% |
| Credit Oriented Fixed Income | 11.0% | 15.0% | 19.0% |
| Real Assets | 16.0% | 20.0% | 24.0% |
| Multi-Risk Allocation | 06.0% | 10.0% | 14.0% |

Adopted: July 26, 2018

By:



James Maxon, Board Chair

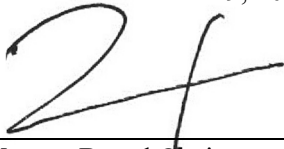
Public Employees' Retirement Association of New Mexico

APPENDIX B. BENCHMARKS

Effective: January 1, 2019

| | |
|--|--|
| | |
| Global Equity | Custom Blended Benchmark |
| Global Public Stock | MSCI ACWI IMI (\$net) |
| Global Low Volatility Equity | MSCI ACWI Minimum Volatility (\$net) |
| Hedged Equity | MSCI ACWI Minimum Volatility (\$net) |
| Private Equity | MSCI ACWI IMI (\$net) |
| | |
| Risk Reduction & Mitigation | Custom Blended Benchmark |
| Core Fixed Income | Bloomberg Barclays U.S. Aggregate |
| Global Core Fixed Income | Bloomberg Barclays Global Aggregate (Hedged) |
| | |
| Credit Oriented Fixed Income | Custom Blended Benchmark |
| Liquid Credit | Bloomberg Barclays Global High Yield (Hedged) |
| Emerging Market Debt | 50% JP Morgan EMBI Global Diversified (\$) 50% JP Morgan GBI (\$) |
| Illiquid Credit | Bloomberg Barclays Global High Yield (Hedged) |
| Credit Oriented Hedge Funds | Bloomberg Barclays Global High Yield (Hedged) |
| | |
| Real Assets | Custom Blended Benchmark |
| Liquid Real Estate | Wilshire Global REITs |
| Illiquid Real Estate | Wilshire Global REITs |
| Liquid Real Assets | Alerian MLP Index / Dow Jones – Brookfield Global Infrastructure Index / Bloomberg Barclays – U.S. TIPS / Bloomberg Commodity – Commodity Index (TR) |
| Illiquid Real Assets | Dow Jones – Brookfield Global Infrastructure Index / Bloomberg Commodity – Commodity Index (TR) |
| | |
| Multi-Risk Allocation | Custom Blended Benchmark |
| Risk Balance | Custom Blended Benchmark |

Adopted: November 29, 2018

By: 
 James Maxon, Board Chair
 Public Employees' Retirement Association of New Mexico

APPENDIX C. LIQUIDITY GUIDELINES

Effective: April 30, 2020

At no time shall Tier 1 assets fall below 10% of the total fund market value. For the purposes of liquidity, tier classifications and their corresponding asset classes are as follows:

| Convertible Liquidity | | |
|-----------------------|----------------------|--|
| Tier 1 | 1-5 Day Liquidity | Core Fixed Income Global Core Fixed Income Cash and Cash Overlay |
| Tier 2 | 5-90 Day Liquidity | Global Public Stock Global Low Volatility Equity Liquid Credit Emerging Market Debt Liquid Real Estate Liquid Real Assets Risk Balance |
| Delayed Liquidity | | |
| Tier 3 | 90-365 Day Liquidity | Hedged Equity Hedged Credit / Alternative Credit |
| Tier 4 | 1 Year + Liquidity | Private Equity Illiquid Credit Illiquid Real Estate Illiquid Real Assets Bond Plus/Portable Alpha |

Adopted: April 30, 2020

By: 
John Melia, Board Chair
Public Employees' Retirement Association of New Mexico

THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO



INVESTED IN TOMORROW.

INVESTMENT POLICY

Revised
November 9, 2021

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THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO

INVESTMENT POLICY

I. INTRODUCTION

A. Statutory Authority

The Public Employees' Retirement Association of New Mexico (PERA) was created by law in 1947 and is authorized to administer the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended (the PERA Act), the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and State laws relating to the administration of public employees' retirement systems in the State of New Mexico. As of April 2016, PERA administers thirty-one retirement plans under a defined benefit structure for state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators. PERA is governed by the Retirement Board (the Board).

B. Authority and Duties of the Board

Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the PERA trust funds (the Fund) for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The PERA Act, NMSA 1978 §§ 10-11-132 and 10-11-133 generally describe the authority of the Board to invest the Fund. Both those sections incorporate and adopt the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, which require the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. Among other things, the UPIA requires that Fund investments be diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board also recognizes that care must be exercised to maintain PERA's status as a government plan that is exempt from the requirements of the federal Employees Retirement Income Security Act of 1974 and as a qualified plan that is exempt from taxation under the Internal Revenue Code.

C. Mission Statement

In recognition of its fiduciary responsibility, the Board adopts the following as the mission statement for PERA:

The mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.

D. PERA Roles and Responsibilities/Delegations of Authority

To accomplish its mission, the Board relies on PERA employees and third-party investment consultants (Investment Consultants) to properly administer the Fund and implement the investment strategies it adopts. Because of the number of parties involved, their roles in investing and managing the Fund must be clearly explained. Doing so increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

Ethics and Conflicts of Interest

The Board, and PERA employees are obligated to act in the exclusive interest of PERA members, retirees, and beneficiaries. Investment Consultants serve in a fiduciary capacity to PERA. Board members and PERA employees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make decisions in accordance with PERA's mission statement.

Board of Trustees

The primary fiduciary responsibility of the Board is to ensure prudent investment and management of the Fund. It is the responsibility of the Board to ensure that PERA employees administer investments of the Fund at reasonable cost, while preserving the quality of investments. All principal investment policy decisions are subject to approval by the Board. The Board shall oversee the management of the Fund in compliance with this Investment Policy and all applicable federal and State laws and regulations concerning the administration of a government pension plan. The Board, with the assistance of PERA investment staff (Staff) and consultants, determines the strategic direction of investment of the Fund including the strategic asset allocation target, adoption of a risk budget, and the active management strategy target, all of which shall be reviewed at least semiannually.

Investment Committee

To assist the Board in carrying out its duties, it established an Investment Committee (the Committee). The Committee makes recommendations to the Board on strategic asset allocation target, the risk budget, and the active management strategy target. The Committee establishes benchmarks, including a reference portfolio, for evaluating the performance of the total investment portfolio. The Committee shall also adopt an annual work plan and, at least quarterly, review all principal investment policy actions and performance of the portfolio. The Committee may invite Staff and Investment Consultants to inform and make recommendations to the Committee on any topic or issue pertinent to PERA's investment operations. The Committee Chair shall have the duty and the authority to set Committee meeting agendas and request specific analyses and reports from Staff and Investment Consultants.

Executive Director

The Board appoints the Executive Director (the Director). The Director is responsible for planning, organizing, and administering the operations of PERA under policy guidance and direction from the Board. In fulfilling these investment responsibilities, the Director retains and relies on Staff and Investment Consultants.

Chief Investment Officer and Investment Staff

Staff reports directly to the Chief Investment Officer (the CIO) who in turn reports to the Director. The CIO, with the assistance of Staff, has the responsibility and authority to assist the Board and the Committee in establishing investment and administrative policies. The CIO and Staff are responsible for implementing the policies and programs established by the Board. The CIO has primary responsibility to implement and direct all decisions necessary and appropriate to carry out the Board's investment policies, including the strategic asset allocation target, risk budget, and active management strategic target approved by the Board. The CIO shall report on all decisions and the progress of implementation of those decisions to the Committee.

The CIO and Staff shall manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, report on the progress of the Fund in meeting its investment objectives, and monitor and report to the Board on the performance of the Fund against the appropriate benchmarks. The CIO and staff shall have

the delegated authority to evaluate, select, monitor and terminate investment vehicles and managers necessary and appropriate to implement the Board's policies. Their actions shall be disclosed to the Board periodically, as directed by the Committee. Staff exercises the same fiduciary responsibility under applicable law as the Board.

General Counsel and Legal Staff

The Office of General Counsel and legal staff (Legal Counsel) are primarily responsible for legal compliance of the investment program and advises the Board, the Director, the CIO, and Staff on investment-related legal matters. Legal Counsel exercises the same fiduciary responsibility under applicable law as the Board.

Third Party Service Providers

- Investment Consultants. Investment Consultants are hired by and accountable to the Board through the authority of the Director. Investment Consultants shall report to the Board or the Committee as directed. An Investment Consultant's duty is to work with the Board and Staff in the oversight and implementation of investment objectives.

The Board's investment strategic consultant shall provide advice and recommendations to the Board or Committee regarding its strategic objectives, risk budget, and oversight and implementation of principal investment objectives.

Investment selection and monitoring consultants shall provide advice and recommendations regarding selection of investment managers and portfolio monitoring to the CIO and Staff.

- Custodian Bank. The Custodian Bank serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of Staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The Custodian Bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The Custodian Bank cooperates with and provides assistance to Staff and Investment Managers in the reconciliation process. PERA may opt to designate other duties to the Custodian Bank as stipulated in the professional services agreement.
- Investment Managers. The Board believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Investment Managers are selected by the CIO and, subject to the terms and conditions of this Policy, serve PERA through contracts that specify in principal part: investment guidelines, administrative requirements, responsibilities, and performance expectations for management of each mandate. Proxy voting is considered to be a component of the investment decision process and will be exercised in accordance with the established PERA Proxy Voting Policy. Investment Managers will report to Staff on the performance of the Fund using formats and at intervals specified by Staff. This information will be synthesized by Staff and presented to the Committee on at least a quarterly basis in accordance with established performance monitoring and oversight procedures.
- External Legal Counsel. The General Counsel may retain external legal counsel to advise Staff and negotiate and prepare contracts with Investment Consultants and Investment Managers to protect PERA's interests and status as a tax-exempt government plan.

II. OVERVIEW OF INVESTMENT POLICY

A. Purpose of the Investment Policy

The purpose of the Investment Policy (the Policy) is to explain implementation of the investment principles and objectives of the Board. The Policy provides a reference point for the management of PERA's assets. The Policy provides guidance to the Board and Staff, as well as Investment Consultants, Investment Managers, and the Custodian Bank. The Policy is intended to provide parameters that ensure prudence and care in the execution of the investment program.

It is the intent of the Policy to provide the foundation for prudent management of the Fund, including the standards and disciplines by which the Board can evaluate Staff, Investment Consultants, Investment Managers, and the Custodian Bank.

B. Investment Principles

Accordingly, the Board adopts the following principles and objectives to guide its investment strategies and decisions:

- Preserve the long-term principal of the Fund.
- Maximize total return within prudent risk parameters.
- Maintain sufficient liquidity to meet PERA's obligations.

III. INVESTMENT OBJECTIVES

A. Primary Objective

PERA's primary objective is to prudently invest assets in order to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board adopts the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

B. Long-Term Returns

Due to the long-term nature of PERA's pension obligations and the inherent risks in short-term tactical investing, PERA must maintain a long-term perspective in formulating and implementing its investment policy, and in evaluating its investment performance. Therefore, the Board: (1) targets a long-term rate of return commensurate with the actuarial assumed rate of return; (2) adopts an allocation policy

developed to meet the targeted rate of return over long periods of time, while minimizing volatility (risk); (3) adopts a risk budget developed to identify the risk tolerances of the total portfolio; (4) adopts an active management strategic target; and (5) minimizes the costs of investing through efficient use of internal and/or external resources.

Investment performance is measured by the following long-term objectives:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. The Board seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

PERA's progress in meeting these return measures will be reported to the Committee on at least a quarterly basis.

C. Evaluation of Risk

The Board adopts a strategic asset allocation target that is appropriate for existing and anticipated circumstances. In targeting returns, the Board takes into account the benefit levels and structure of the plans supported by the Fund. PERA will periodically conduct and present to the Committee an asset/liability study to determine the extent to which the long-term asset allocation is consistent with the liabilities of the retirement plans that it administers. In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major assets classes utilized by the Fund and develop a risk budget. PERA will regularly measure and monitor Fund risks in its management of the Fund.

In accordance with generally accepted principles for prudent investors, the allocation of capital across asset categories increases the probability of meeting or exceeding the Fund's objectives at a prudent level of risk. In establishing its risk tolerance, PERA will consider its ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Fund.

IV. ASSET ALLOCATION

A. Strategic Asset Allocation Targets

Based on recommendations by Staff and Investment Consultants, the Board shall choose the strategic asset allocation target based on its determination of the appropriate risk tolerance for PERA, and its long-term return expectations. Each asset class allocation percentage has a long-term target position within the overall portfolio and a maximum and minimum range around that target allocation. Asset class policy targets and ranges are listed in Appendix A, which is separately adopted by the Board.

The Board recognizes that the long-term target allocation may take an extended period to implement. Staff and Investment Consultants will provide the Board with regular updates on the status of targeted asset allocation of the Fund as a whole and the component asset classes. The Board will prudently monitor this progress and the Fund's performance throughout the implementation period.

The target allocation will be reviewed annually for significant economic and market changes, and as appropriate, to changes in the Fund's long-term goals and objectives. A comprehensive asset allocation study should be conducted at least every three years to verify or revise the targets.

B. Active Management Strategic Target

Based on recommendations by Staff and Investment Consultants, the Board shall choose the active management strategic target that seeks an additional return expectation for active management over and above the strategic asset allocation target.

C. Risk Budgeting

Based on recommendations by Staff and Investment Consultants, the Board shall set a risk budget that identifies the risk tolerance of the total Fund that is budgeted into two key components; 1) strategic asset allocation target risk; and 2) active risk. Active risk is the additional risk or deviation from the strategic asset allocation benchmark to achieve the active management strategic target.

D. Rebalancing Strategy

The Board authorizes the CIO and Staff to rebalance the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal in implementing the rebalancing policy is to minimize transaction costs, market impact, and opportunity costs.

The Board adopts a rebalancing policy that considers allocation ranges rather than time periods. Upper and lower allocation limits established for each asset class are defined in Appendix A. When the allocation to all asset classes remains within these limits, Staff will use cash flow to maintain the overall allocation as closely as possible to the target.

In the event that a liquid strategy within an asset class deviates from an upper or lower allocation limit, the asset class will be rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day window it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category.

Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

Staff will report the results of rebalancing activities to the Committee by no later than the subsequent regular meeting.

V. PERFORMANCE BENCHMARKS

A. Total Fund Benchmark

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are referred to as the "Policy Index" and are identified in Appendix B, which is separately adopted by the Committee. The Board may use the Policy Index to compare the Fund's actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

B. Mandate-Level Benchmarks

Benchmarks relevant to an investment shall be used as standards to measure the performance of Investment Managers. Acceptable benchmarks include but are not limited to:

- the appropriate market indices on a nominal and risk-adjusted basis;
- the performance of peers within their style group;
- adherence of the Investment Manager to the stated investment philosophy and style; and
- adherence to this Policy and the guidelines established in the investment contract.

The Board will work with Staff and the Investment Consultants to identify appropriate sub-asset class benchmarks. Staff and Investment Consultants will review the appropriateness of these benchmarks and report to the Committee on a regular basis.

VI. INVESTMENT GUIDELINES

Recognizing that capital markets are global in nature, the Board shall consider asset classes that represent all investment opportunities appropriate for PERA, as long as such investments comply with the UPIA. The terms and conditions of investment contracts are subject to legal review for compliance with applicable law and applicable investment standards.

A. Investments

Global Equity

An appropriately diversified Fund should include, commensurate with market conditions, global equity investments, both public and private. This allocation is structured to help the Fund meet its total return goals and will be implemented through strategies that include both liquid and illiquid mandates.

- **Public Equity.** The objective of public equity investments is to provide exposure to global economic growth opportunities and seek to capture capital appreciation and current income. The public equity allocation must anticipate long-term capital appreciation as it targets economic growth with an acceptable exposure to price volatility and the risk of loss. Public equity includes hedged investments that reduce broad market risks by isolating security-specific returns. The vehicles will utilize long and short positions along with leverage to accomplish their investment objectives. Equity-hedged investments will retain some broad market risk, but will generally be less volatile and have a lower correlation to broad equity markets over a full cycle.
- **Private Equity.** The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded equity securities. In making private equity investments, PERA shall consider that private equity Investment Managers typically have concentrated portfolios and generate returns by making operational changes to the acquired businesses and often employ leverage to generate superior returns.

Risk Reduction and Mitigation

An appropriately diversified Fund should include, commensurate with market conditions, an allocation of assets for risk reduction and mitigation to provide diversification, a dependable source of current income, and downside protection. PERA shall consider the risk reduction and mitigation allocation as a component of the total investment portfolio that provides lower expected volatility and a greater expectation for the preservation of capital. The risk reduction and mitigation allocation includes, but is

not limited to the following investment types:

- **Core and Global Fixed Income.** Bonds, notes or other obligations of the U.S. government, its agencies, government-sponsored enterprises, corporations, or collateralized obligations, including but not limited to mortgages are targeted to achieve risk reduction and mitigation. In addition, these portfolios may include debt obligations of non-U.S. governmental or quasi-governmental entities and corporations with an investment grade rating, which may be denominated in foreign currencies.
- **Operating Cash Management.** In order to mitigate risk and ensure liquidity, commensurate with market conditions, the services of the State Treasurer may be used for overnight investment of short-term assets. Use of a separate or commingled short-term investment fund administered by the Custodian Bank may be considered.
- **Currency.** As means to mitigate risk while realizing returns, PERA should consider active currency strategies that do not necessarily hedge existing international holdings, but instead, seek absolute return which may include leverage, cross-hedging, emerging markets, and interest-rate futures.
- **Securities Lending:** The Board may authorize a securities lending program for all or any portion of the assets held as investments by PERA. Securities may only be loaned by the designated agent(s) by contracting for the temporary exchange of securities, for a specified fee or consideration for periods not to exceed one year, with broker-dealers, banks or other recognized institutional investors.
- **Cash Overlay:** Overlay strategies may be used to manage risk, asset allocation, and market exposures through futures, options, swap agreements, or forward agreements.

Credit-Oriented Fixed Income

An appropriately diversified Fund should include, commensurate with market conditions, global credit-oriented fixed income investments to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. Credit-oriented fixed income investments shall be targeted to provide current income and total return with a strong focus on preservation of capital. In making these investments, PERA shall consider the potential volatility as compared to the risk reduction and mitigation allocation. PERA shall also consider credit-oriented fixed income investments that utilize leverage, shorting, derivatives, and illiquidity to generate greater risk-adjusted returns. Credit-oriented fixed income investments include similar types of securities as those in the risk reduction and mitigation allocation, but may have different credit characteristics at the time of purchase.

Real Assets

An appropriately diversified Fund should include, commensurate with market conditions, investments in real assets to generate current income and provide capital appreciation. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a hedge against inflation. Real assets investments may include but are not limited to liquid and illiquid securities in real estate, infrastructure, commodities, natural resources, timber, agriculture and farmland. The real assets portfolio includes market neutral strategies—these portfolios seek to avoid elevated exposure to broad market risk through the use of hedges. Market neutral strategies shall target a zero correlation with broad market movements and provide diversification benefits for the total fund.

Multi-Risk Allocation

An appropriately diversified Fund should include, commensurate with market conditions, investments

in balanced risk-based exposures to equalize the risk contribution of asset classes or risk factors comprised in the portfolio. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a liability hedge and stabilized return generator. Multi-risk investments shall include, but are not limited to, Risk Balanced/Parity strategies. PERA shall also consider multi-risk investments that utilize leverage and derivatives to generate a greater risk adjusted return.

B. Other Investment Considerations

The Board may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost and administrative complexity, authorize any investment except as otherwise expressly prohibited.

Securities Regulations

PERA shall consider, based on market considerations, whether engagement of Investment Managers registered under the Investment Company Act of 1940 is appropriate. This Act governs the operations of investment companies and their managers. PERA should work with its Investment Consultants and Investment Managers to ensure compliance with all federal and state securities laws including, but not limited to, the Securities Act of 1933 and the Investment Advisers Act of 1940. PERA recognizes that such registration is not applicable to all investment strategies or to investment opportunities located outside the United States.

Leverage

Leverage is implicit in many investment strategies and leverage in and of itself is not strictly prohibited so long as activities do not materially increase the risk level of the Plan. Leverage will be considered when deciding to retain an Investment Manager, and the Board, in conjunction with Staff, Investment Consultants, and Investment Managers, will avoid managers who employ unreasonable levels of leverage.

Liquidity

The Fund must maintain an easily accessible balance of cash equivalents and other reasonably liquid assets for the purposes of meeting the financial obligations of the Fund. The Board will govern these liquidity requirements through the utilization of a structural hierarchy, which will classify asset classes according to liquidity availability and pricing sensitivity during market stress. Convertible Liquidity is defined as a level of access from asset classes that can be liquidated in a relatively short amount of time with minimal pricing impact. Delayed Liquidity will capture all remaining asset classes that can be sold, but at a greater expense and/or over a longer time frame. Within these two classifications asset classes will be further classified across tiered availability. Liquidity guidelines are listed in Appendix C, which is separately adopted by the Board.

Derivatives

Investment Managers may use derivative instruments such as futures, options, swaps, and forwards, to implement investment strategies in a low cost, efficient manner or construct portfolios with risk and return characteristics that cannot be created with cash market securities. Derivatives may also be used within the context of a cash overlay program. The cash overlay program, administered by an Investment Manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds.

Reporting

Total Fund performance reporting will be formally presented to the Investment Committee quarterly and shall include comparative peer performance data, compiled by the Board Investment Strategic

Consultant. Illiquid_asset class performance reporting will be provided to the Investment Committee quarterly and formally presented no less than twice a year, reviewing the fiscal year end and calendar year end results. All reporting shall be published to the PERA website for public reference, on a timely basis, following quarterly review.

C. Prohibited Investments

In accordance with UPIA guidelines, the Board, Staff, Investment Consultants, and Investment

Managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

Investments precluded by law or regulation:

- Transactions that involve a broker acting as a "principal" where such broker is also the Investment Manager who is making the transaction are prohibited unless otherwise approved in each manager's respective PSA.
- Any other investments as specified in each Investment Manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

VII. REVIEW AND APPROVAL OF INVESTMENT POLICY

The Board shall review the Policy from time-to-time to determine if modifications are necessary or desirable but will delegate Staff to review the Policy on an annual basis. Staff will recommend modifications as warranted. If modifications are made, they shall be promptly communicated to all Investment Managers and other interested persons.

By signing this Investment Policy the Board through its Chair, indicates its agreement therewith.

Adopted: June 25, 1992
Amended: September 14, 1993
April 28, 1994
September 28, 1995
January 29, 1998
March 23, 1998
January 27, 2000
September 26, 2002
July 31, 2003
October 31, 2003
July 1, 2005
September 28, 2005
December 29, 2005
July 27, 2006
August 31, 2006
September 28, 2006
June 1, 2007
August 30, 2007
July 31, 2008
June 24, 2010
November 29, 2012
August 28, 2014
December 18, 2014
September 24, 2015
April 28, 2016
December 14, 2017
July 26, 2018
April 30, 2020
November 9, 2021

By: _____
Francis Page, Acting Board Chair
Public Employees Retirement Association of New
Mexico

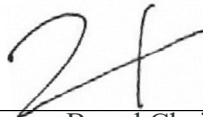
APPENDIX A. ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective July 26, 2018

| Asset Class | Lower Limit | Strategic Asset Allocation Target | Upper Limit |
|-------------------------------|-------------|-----------------------------------|-------------|
| Global Equity | 30.5% | 35.5% | 40.5% |
| Risk Reduction and Mitigation | 16.5% | 19.5% | 22.5% |
| Credit Oriented Fixed Income | 11.0% | 15.0% | 19.0% |
| Real Assets | 16.0% | 20.0% | 24.0% |
| Multi-Risk Allocation | 06.0% | 10.0% | 14.0% |

Adopted: July 26, 2018

By:



James Maxon, Board Chair

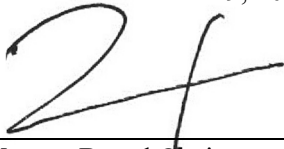
Public Employees' Retirement Association of New Mexico

APPENDIX B. BENCHMARKS

Effective: January 1, 2019

| | |
|--|--|
| | |
| Global Equity | Custom Blended Benchmark |
| Global Public Stock | MSCI ACWI IMI (\$net) |
| Global Low Volatility Equity | MSCI ACWI Minimum Volatility (\$net) |
| Hedged Equity | MSCI ACWI Minimum Volatility (\$net) |
| Private Equity | MSCI ACWI IMI (\$net) |
| | |
| Risk Reduction & Mitigation | Custom Blended Benchmark |
| Core Fixed Income | Bloomberg Barclays U.S. Aggregate |
| Global Core Fixed Income | Bloomberg Barclays Global Aggregate (Hedged) |
| | |
| Credit Oriented Fixed Income | Custom Blended Benchmark |
| Liquid Credit | Bloomberg Barclays Global High Yield (Hedged) |
| Emerging Market Debt | 50% JP Morgan EMBI Global Diversified (\$) 50% JP Morgan GBI (\$) |
| Illiquid Credit | Bloomberg Barclays Global High Yield (Hedged) |
| Credit Oriented Hedge Funds | Bloomberg Barclays Global High Yield (Hedged) |
| | |
| Real Assets | Custom Blended Benchmark |
| Liquid Real Estate | Wilshire Global REITs |
| Illiquid Real Estate | Wilshire Global REITs |
| Liquid Real Assets | Alerian MLP Index / Dow Jones – Brookfield Global Infrastructure Index / Bloomberg Barclays – U.S. TIPS / Bloomberg Commodity – Commodity Index (TR) |
| Illiquid Real Assets | Dow Jones – Brookfield Global Infrastructure Index / Bloomberg Commodity – Commodity Index (TR) |
| | |
| Multi-Risk Allocation | Custom Blended Benchmark |
| Risk Balance | Custom Blended Benchmark |

Adopted: November 29, 2018

By: 
 James Maxon, Board Chair
 Public Employees' Retirement Association of New Mexico

APPENDIX C. LIQUIDITY GUIDELINES

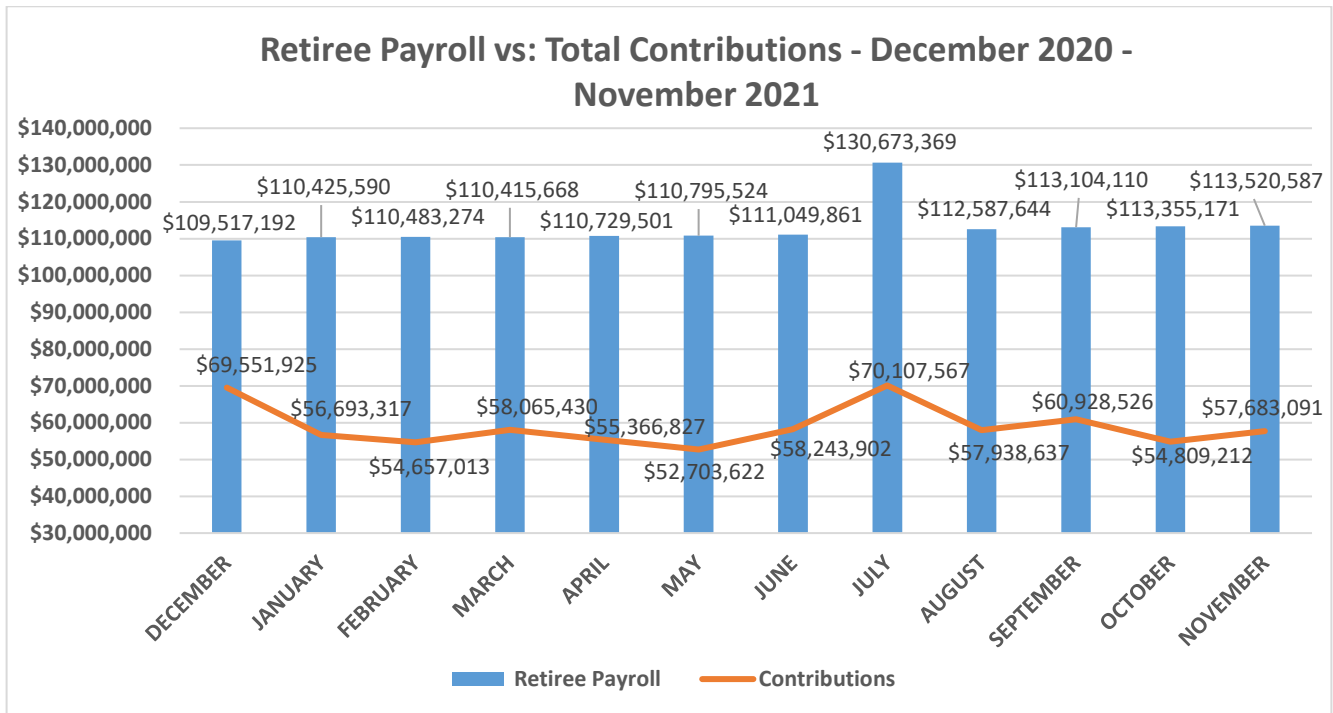
Effective: April 30, 2020

At no time shall Tier 1 assets fall below 10% of the total fund market value. For the purposes of liquidity, tier classifications and their corresponding asset classes are as follows:

| Convertible Liquidity | | |
|-----------------------|----------------------|--|
| Tier 1 | 1-5 Day Liquidity | Core Fixed Income Global Core Fixed Income Cash and Cash Overlay |
| Tier 2 | 5-90 Day Liquidity | Global Public Stock Global Low Volatility Equity Liquid Credit Emerging Market Debt Liquid Real Estate Liquid Real Assets Risk Balance |
| Delayed Liquidity | | |
| Tier 3 | 90-365 Day Liquidity | Hedged Equity Hedged Credit / Alternative Credit |
| Tier 4 | 1 Year + Liquidity | Private Equity Illiquid Credit Illiquid Real Estate Illiquid Real Assets Bond Plus/Portable Alpha |

Adopted: April 30, 2020

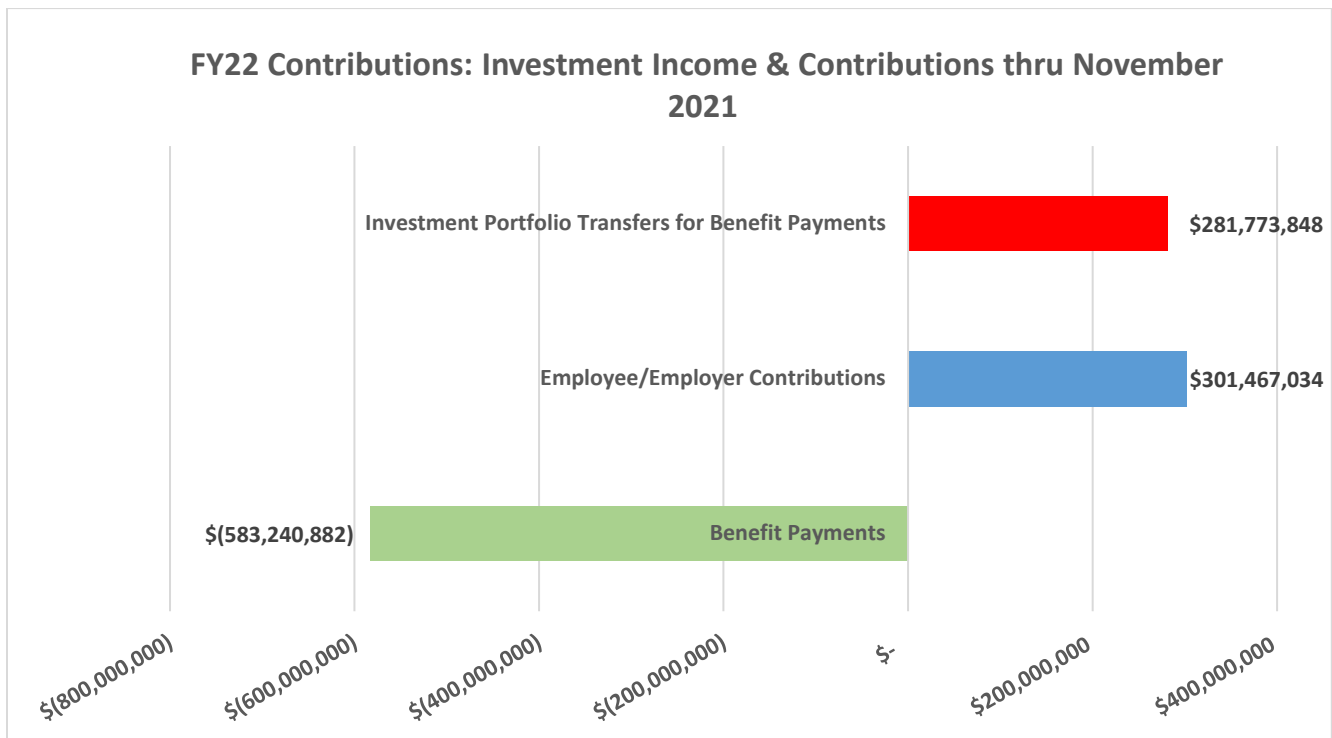
By: 
John Melia, Board Chair
Public Employees' Retirement Association of New Mexico

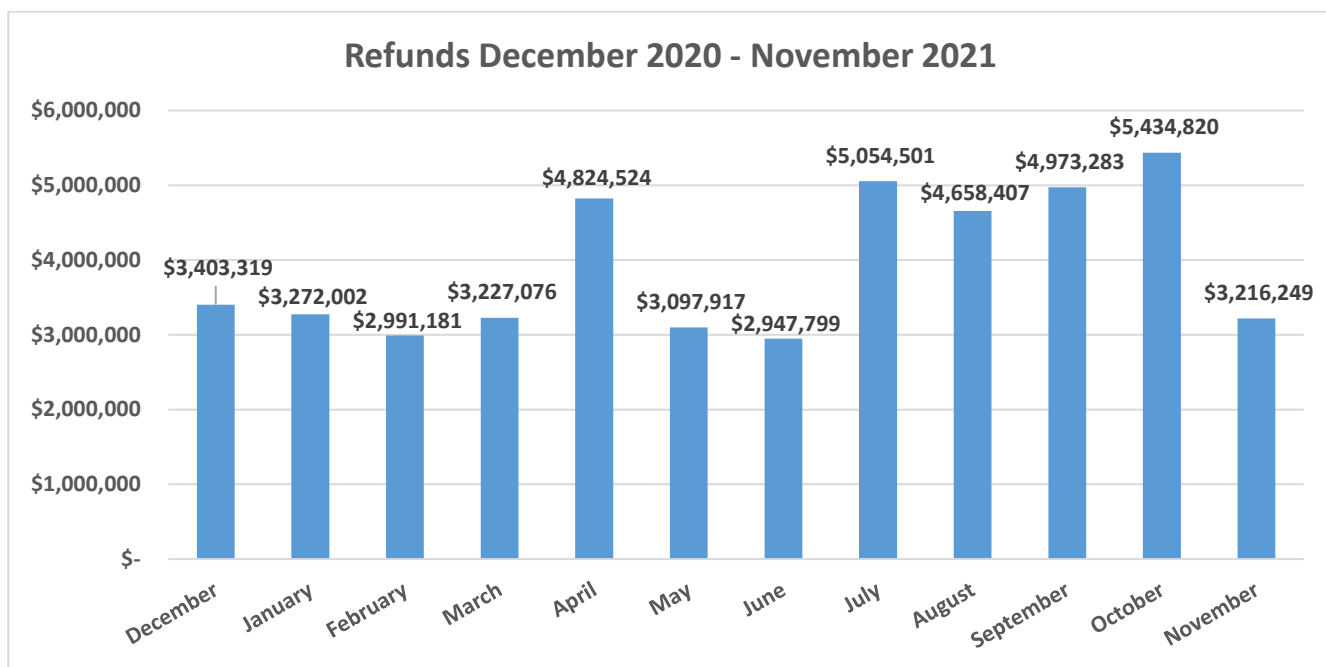


Total Retiree Payroll = \$1,356,657,491

Total Contributions: \$ 706,749,069

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





**** Total Refunds Paid during this period was \$47,101,078**

| VACANCY REPORT | | | |
|------------------------------|----------------|--------------|------------------|
| Position | Division | Date Vacated | Status |
| Attorney | Legal Division | 4/30/2019 | On Hold |
| Chief Financial Officer III | ASD | 5/2/2020 | posted |
| IT Database Administrator II | IT | 5/29/2021 | On Hold |
| Chief Investment Officer | Investments | 6/4/2021 | |
| General Counsel | Legal | 9/10/2021 | |
| IT Network Administrator II | IT | 10/16/2021 | Pending Approval |

PERA has 87 authorized FTE and currently has 6 vacancies

| ADDITIONS/DEPARTURES/PROMOTIONS | | | |
|---------------------------------|-------------------|----------------------|--------|
| Employee | Position/Division | Date Started/Vacated | Status |
| | | | |

| 2021 AIR TIME PURCHASES | | |
|-------------------------------|--------------------|--------------------|
| Plan Type | November Purchases | December Purchases |
| State Plan 3 | 8 | 1 |
| Municipal Plan 1 | 0 | 0 |
| Municipal Plan 2 | 0 | 1 |
| Municipal Plan 3 | 6 | 3 |
| Municipal Plan 4 | 0 | 0 |
| Municipal Detention Plan 1 | 0 | 0 |
| Municipal Fire Plan 5 | 5 | 1 |
| Municipal Police Plan 3 | 0 | 0 |
| Municipal Police Plan 4 | 0 | 0 |
| Municipal Police Plan 5 | 4 | 2 |
| State Police/Corrections Plan | 0 | 1 |
| | | |
| | | |
| TOTAL: | 23 | 9 |
| | | |

| 2021 AIR TIME PURCHASES | | |
|-------------------------|--------------------|--------------------|
| No. of Months | November Purchases | December Purchases |
| 1 | 1 | 1 |
| 2 | 1 | 2 |
| 3 | 4 | 0 |
| 4 | 0 | 0 |
| 5 | 2 | 0 |
| 6 | 1 | 0 |
| 7 | 0 | 0 |
| 8 | 1 | 1 |
| 9 | 0 | 0 |
| 10 | 0 | 0 |
| 11 | 1 | 0 |
| 12 | <u>12</u> | <u>5</u> |
| | | |
| TOTAL: | 23 | 9 |
| | | |

| PERA SmartSave Items of Interest – December 2021 | | | |
|---|----------------------------|----------------------|------------------|
| <u>County by Region North - Chris Day</u> | <u>Individual Meetings</u> | <u>Tele-outreach</u> | <u>In Person</u> |
| San Juan | 2 | | 1 |
| Santa Fe | 4 | 3 | 5 |
| Taos | 1 | 1 | 2 |
| | | | |
| <u>County by Region Central</u> | <u>Individual Meetings</u> | <u>Tele-outreach</u> | <u>In Person</u> |
| Bernalillo | 7 | 10 | 6 |
| Valencia | 1 | 3 | 4 |
| | | | |
| <u>County by Region South - Linda Miller</u> | <u>Individual Meetings</u> | <u>Tele-outreach</u> | <u>In Person</u> |
| Chaves | | 9 | 3 |
| Dona Ana | | 32 | |
| Eddy | | 4 | 2 |
| Grant | | 8 | |
| Lea | | 4 | |
| Luna | | 4 | |
| Otero | | 11 | |
| Sierra | | 3 | 1 |
| Socorro | | 7 | |
| | | | |
| SmartSave Assets as of 11/30/2021 - \$825,556,044 | | | |
| SmartSave Participants as of 11/30/2021 – 23,006 | | | |

| Independent Contracts Reviewed – October 2021 and November 2021 | | |
|--|--------------------------------------|---------------------------------------|
| Entity | # of Contracts Reviewed October 2021 | # of Contracts Reviewed November 2021 |
| New Mexico Legislative Finance Committee | 3 | |
| Legislative Council Services | 1 | |
| San Juan County, New Mexico Cannabis Regulations Ordinance No. 120, and San Juan County, New Mexico Resolution | 1 | |
| New Mexico State Fair | <u>2</u> | |
| Department of Game and Fish | | 1 |
| Colfax County Offices | | 1 |
| Energy, Minerals and Natural Resources Department | | 1 |
| City of Alamogordo | | <u>1</u> |
| Total: | 7 | 4 |
| | | |
| Needs more Information | | |
| New Mexico Office of the Second Judicial District Attorney | | 1 |
| New Mexico Human Services Department | | <u>1</u> |
| Total: | | 2 |
| | | |
| <u>Total Contracts Reviewed</u> | 7 | 6 |

Retired Public Employees of NM (RPENM)

RPENM Executive Director, Miguel Gomez has notified PERA Leadership of the withdrawal of its lawsuit against PERA of New Mexico.

PERA has received RPENM 2021 dues and administrative fees based on dues collection.

Outreach

- The Outreach Bureau presented 67 virtual PERA seminars to members and entities across the state
- 1,138 Facebook followers, 118 Twitter followers, 213 Instagram followers
- 2020 Volunteer Firefighter Annual Reporting season will begin January 1, 2022 until March 31, 2022.

75th Anniversary

- PERA's 75th Anniversary webpage is up and will officially launch on December 31, 2022. A hero banner will run all year to entice members to visit the webpage, which hosts PERA history, pictures, all-stars, activities, and more: <https://www.nmpera.org/anniversary>
- PERA will run a half-page ad in the Round the Roundhouse in January, March, May, July, September, and November 2022. You may have seen our recent ad in the December edition on page 3.
- PERA will share information on a monthly basis with members via the DoIT email and our municipal and legislative email distribution lists. It will also be shared during each PERA General and Retirement Seminar conducted. Information will also be shared with all members via the LaVoz newsletter following the 2022 legislative session.
- PERA will have its kick-off seminar on January 3rd at noon. It will be recorded and posted on PERA's website along with each 75th anniversary monthly seminar going forward. The seminars will be posted on the main seminar webpage where members can pre-register to attend. A flier will be shared via email distribution lists.
- PERA will have some special surprises for Board members and staff to celebrate their dedication to the agency and its members. They will be handed out during early January. PERA will also have prize giveaways all year-long to engage members to celebrate.
- To get you ready for the big upcoming celebration, here is a year of trending facts for you. In 1995, the Trust Fund sat at \$3.2 billion, there were 63,655 combined members (active & retired), the PERA Board Chair was Doug Crandall, the Executive Director was Alice Herter and the CIO was Jeffrey States. NM's Governor was Gary Johnson and our US President was Bill Clinton. Unfortunately, it was the year the Oklahoma City bombing occurred and the death of Selena shocked the world. In New Mexico, an estimated 6,000-7,000 rainbow people had arrived at the Carson National Forest in search of the "end of the rainbow". Clueless, Casino and Friday were the big box office hits and Gangsta's Paradise by Coolio and Waterfalls by TLC could be heard blaring over the radio station countdowns.



INVESTED IN TOMORROW.

PERA Board Meeting
December 14, 2021
CONSENT AGENDA

- 1. Approval of Minutes:** October 28, 2021, November 9, 2021
- 2. Reports of Committees**
 - a. Investment Committee
 1. Investment Committee Charter
- 3. Ratification of Retirements - Benefits processed through: 10/1/2021; 11/1/2021**
 - a. Normal
 - b. Deferred
 - c. Reciprocity to ERA
 - d. Non-Duty Death
 - e. Non-Duty Disability
 - f. Reciprocity to PERA
- 4. Duty & Non Duty Deaths**
 - a. Valerie Hinkle - Non-duty
 - b. Curtis Skipper - Non-duty
 - c. John Gigante - Non-duty
 - d. Yvonne Garcia - Non-duty
 - e. Darian Jarrott - Non-duty
 - f. Sharon Witherspoon - Non-duty
 - g. Rosemary Koch - Non-duty
 - h. Mary Flowers - Non-duty
- 5. Affidavits for Free Military Service:**
 - a. Ivan Varela - 9 months
 - b. Matthew J. Baca - 11 months
 - c. James Butler - 12 months
 - d. Jameal Landrum - 11 months
 - e. Ramon Morales Jr. - 12 months
 - f. Timothy Howard - 18 months
 - g. Angel Ornelas - 1 month
- 6. Setting of Meetings: January 2022**

| | | |
|--------------------------------|------------------|--------|
| a. Special Board Meeting | January 11, 2022 | 9:00am |
| b. Disability Review Committee | January 11, 2022 | 1:00pm |
| c. Board Meeting | January 27, 2022 | 9:00am |

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 or patricia.b.winter@state.nm.us 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.

**New Mexico
Public Employees Retirement Association
PERA Board Meeting
October 28, 2021**

1. Call to Order

This meeting of the New Mexico PERA Board was held on the date cited above via Zoom tele/video conferencing. Acting Chair Francis Page called the meeting to order at approximately 10:15 a.m.

2. Roll Call

The meeting attendance met quorum with the following members present;

Board Members Present

Francis Page, Acting Chair
Lawrence Davis
Tim Eichenberg
Paula Fisher
Loretta Naranjo Lopez
Steve Neel
Shirley Ragin
Roberto Ramirez
Claudia Armijo

Board Member Absent

John Melia
Diana Rosales Ortiz
Maggie Toulouse Oliver

Staff

Greg Trujillo, Executive Director
Trish Winter, Executive Assistant
Anna Williams, CFO
Kristin Varela, Acting CIO
LeAnne Larranaga Ruffy, Acting Deputy CIO
Misty Schoeppner, Acting General Counsel
Geraldine Garduno, Asst. General Counsel
Jessica Trujillo, HR Manager
Karyn Lujan, SmartSave Plan Manager
Melinda Marquez, Member Services Bureau Chief
Angela Romero, Abq Office Manager
Sara Hume, Director of Beta
Frank Mihail, Director
Jovanna Archuleta, Investments
Aaron Kayser, Investments

Other

Rose Dean, Wilshire Consulting
Tom Toth, Wilshire Consulting

Steve DiGirolamo, Wilshire Consulting
Mike Krems, Aksia
James Walsh, Albourne
Justin Deierling, Albourne
Jennifer Armstrong, Bridgewater
Carl Butkus
Kevin Balaod, PagaentMedia

3. Approval of Agenda.

Paula Fisher moved to approve the agenda. Claudia Armijo seconded the motion.

| | |
|-----------------------|-----|
| Francis Page | Yes |
| Claudia Armijo | Yes |
| Lawrence Davis | Yes |
| Tim Eichenberg | Yes |
| Paula Fisher | Yes |
| Loretta Naranjo Lopez | Yes |
| Steve Neel | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |

Roberto Ramirez made a motion to recess to Executive Session; second by Shirley Ragin.

| | |
|-----------------------|-----|
| Francis Page | Yes |
| Claudia Armijo | Yes |
| Lawrence Davis | Yes |
| Tim Eichenberg | Yes |
| Paula Fisher | Yes |
| Loretta Naranjo Lopez | Yes |
| Steve Neel | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |

Board Recessed to Executive Session at 10:25 a.m. to discuss;

NMSA 1978; §10-15-1 (H) (3)

Administrative Appeal

1. Carl J. Butkus

The Board convened in Regular Session at 10:45 a.m.

Board members present

Francis Page, Acting Chair
Claudia Armijo
Lawrence Davis
Tim Eichenberg
Paula Fisher
Loretta Naranjo Lopez
Steve Neel
Shirley Ragin
Roberto Ramirez

Chair Page stated the only business discussed in Executive Session was what was on the agenda.

Final Decision on Administrative Appeal

1. Carl J. Butkus (PID # 299204)

Shirley Ragin moved to adopt the Hearing Officer's Recommendation. Lawrence Davis seconded the motion. The motion passed 8-0 with one abstention.

| | |
|-----------------------|---------|
| Francis Page | Yes |
| Lawrence Davis | Yes |
| Tim Eichenberg | Yes |
| Paula Fisher | Yes |
| Loretta Naranjo Lopez | Abstain |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Diana Rosales Ortiz | Yes |
| Claudia Armijo | Yes |

4. Adjournment

With no further business to discuss, Acting Chair Page adjourned the meeting at approximately 10:53 a.m.

Approved by:

Francis Page, Acting Chair
PERA Board of Trustees

ATTEST:

Greg Trujillo, Executive Director

New Mexico
Public Employees Retirement Association
PERA Board Meeting
November 9, 2021

1. Call to Order

This meeting of the New Mexico PERA Board was held on the date cited above via Zoom tele/video conferencing. Acting Chair Francis Page called the meeting to order at approximately 10:15 a.m.

2. Roll Call

The meeting attendance met quorum with the following members present;

Board Members Present

Francis Page, Acting Chair
Claudia Armijo
Lawrence Davis
Tim Eichenberg
Paula Fisher
Loretta Naranjo Lopez
Steve Neel
Shirley Ragin
Roberto Ramirez

Board Member Absent

John Melia
Diana Rosales Ortiz
Maggie Toulouse Oliver

Staff

Greg Trujillo, Acting Executive Director
Trish Winter, Executive Assistant
Anna Williams, CFO
Kristin Varela, Acting CIO
LeAnne Larranaga Ruffy, Acting Deputy CIO
Misty Schoeppner, Acting General Counsel
Geraldine Garduno, Assistant General Counsel
Ron Gallegos, Chief Information Officer
Jessica Trujillo, HR Manager
Sara Hume, Director of Beta
Frank Mihail, Director
Jovanna Archuleta, Investments
Clayton Cleek, Investments
Kate Brassington, Investments
Mike Killfoil, Investments
Aaron Kayser, Investments

Other

Tom Toth, Wilshire Consulting
Rose Dean, Wilshire Consulting
Stephen DiGiralomo, Wilshire Consulting

Other (continued)

James Walsh, Albourne
Sarah Grist, Albourne
Jackie Bernson, Albourne
Justin Deierling, Albourne
Mike Krems, Aksia
Jennifer Armstrong, Bridgewater
Melody Rollins, Bridgewater
Greg Smithkeir, NM Attorney General's Office
Carl Butkus
Patricia French
Kevin Balaod, Journalist Pagaentmedia

3. Approval of Agenda. [Exhibit 1]

Paula Fisher moved to approve the agenda. Claudia Armijo seconded the motion.

| | |
|-----------------------|---------|
| Francis Page | Yes |
| Claudia Armijo | Yes |
| Lawrence Davis | Yes |
| Tim Eichenberg | unheard |
| Paula Fisher | Yes |
| Loretta Naranjo Lopez | Yes |
| Steve Neel | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |

4. New Business.

Roberto Ramirez made a motion to recess to Executive Session to discuss the Administrative Appeal of Carl J. Butkus; second by Shirley Ragin.

| | |
|-----------------------|-----|
| Francis Page | Yes |
| Claudia Armijo | Yes |
| Lawrence Davis | Yes |
| Tim Eichenberg | Yes |
| Paula Fisher | Yes |
| Loretta Naranjo Lopez | Yes |
| Steve Neel | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |

Board Recessed to Executive Session at 10:25a.m. to discuss;
NMSA 1978; §10-15-1 (H) (3)

Administrative Appeal

1. Carl J. Butkus

Board of Trustees in Executive session from 10:25a.m. to 10:45a.m.
Roll Call vote to return from Executive Session:

Board Members Present

Francis Page, Acting Chair
Claudia Armijo
Lawrence Davis
Paula Fisher
Loretta Naranjo Lopez
Steve Neel
Shirley Ragin
Roberto Ramirez

Acting Chair Page stated that the only item discussed in Executive Session was that which was on the agenda.

4.E. Final Decision on Administrative Appeal of Carl J. Butkus (PID #299204)

Shirley Ragin moved to adopt the Stipulated Findings of Fact; adopt the Hearing Officer's Recommended Conclusions of Law; and approve the Hearing Officer's Recommended Decision in the Administrative Appeal of Carl J. Butkus. Motion second by Lawrence Davis.

Motion passed 8-0 with one abstention.

| | | |
|-----------------------|-----|---------|
| Francis Page | Yes | |
| Claudia Armijo | Yes | |
| Lawrence Davis | Yes | |
| Tim Eichenberg | Yes | |
| Paula Fisher | Yes | |
| Loretta Naranjo Lopez | | Abstain |
| Steve Neel | Yes | |
| Shirley Ragin | Yes | |
| Roberto Ramirez | Yes | |

7. Public Comment.

There were no comments from the public.

8. Adjournment

With no further business to discuss, Acting Chair Page adjourned the meeting at 10:53a.m..

Approved by:

Francis Page, Acting Chair
PERA Board of Trustees

ATTEST:

Greg Trujillo, Executive Director



Ratification Report

| Last Name | First Name | Middle Name | Retirement Date | Retirement Type | Reciprocity |
|-------------|------------|-------------|--------------------|--------------------|-------------|
| Acquista | Victor | W. | 2021/11/01 | Deferred | NAP |
| ALCON | WAYNE | S. | 2021/11/01 | Normal | NAP |
| ARMIJO | DARLENE | G. | 2021/11/01 | Normal | NAP |
| Armijo | Robert | M. | 2021/11/01 | Normal | NAP |
| AYALA | MARILYN | E. | 2021/11/01 | Normal | NAP |
| BACA | ADRIAN | N. | 2021/11/01 | Normal | NAP |
| BACA | JEROME | | 2021/11/01 | Normal | NAP |
| Baca | Loretta | A. | 2021/11/01 | Normal | NAP |
| BACA | TOBY | | 2021/11/01 | Normal | NAP |
| Baird | Amanda | L | 2021/11/01 | Normal | NAP |
| BALENCIA | JAIME | N. | 2021/11/01 | Normal | NAP |
| BALOK | MARY | C. | 2021/11/01 | Normal | NAP |
| BARETA | JOSEPH | C | 2021/11/01 | Normal | NAP |
| BEIDELMAN | GARY | B. | 2021/11/01 | Normal | NAP |
| BENAVIDEZ | MARTIN | | 2021/11/01 | Normal | NAP |
| BENFORD | ANA | L. | 2021/11/01 | Normal | NAP |
| BLANCHARD | ALZINA | | 2021/11/01 | Normal | NAP |
| BLANCHFIELD | MATHEW | D. | 2021/11/01 | Normal | NAP |
| BLANTON | CHARLES | L. | 2021/11/01 | Normal | NAP |
| BLANTON | JODY | | 2021/11/01 | Normal | NAP |
| BUSCH | RYAN | C. | 2021/11/01 | Normal | NAP |
| CALDERON | DANIEL | | 2021/11/01 | Normal | NAP |
| CARDONA | ELENA | | 2021/11/01 | Normal | NAP |
| CARRIZAL | SILVIA | G. | 2021/11/01 | Normal | NAP |
| CASILLAS | MARILU | | 2021/11/01 | Deferred | NAP |
| CATES | CLARA | | 2021/11/01 | Deferred | NAP |
| CHAVEZ | RAYMOND | | 2021/11/01 | Normal | NAP |
| CHRISTESSON | KAREN | S. | 2021/11/01 | Normal | NAP |
| CISNEROS | JAMES | E. | 2021/11/01 | Normal | NAP |
| CLICK | LYNNE | | 2021/11/01 | Normal | NAP |
| COSTALES | NICK | J. | 2021/11/01 | Normal | NAP |
| COTTRELL | JOE | M. | 2021/11/01 | Normal | NAP |



PERA

Public Employees
Retirement Association
of New Mexico

INVESTED IN TOMORROW.

| | | | | | |
|--------------------|-----------|-----|------------|----------|-----|
| Cox | Lori | K | 2021/11/01 | Normal | NAP |
| COX | SCOTT | J. | 2021/11/01 | Normal | NAP |
| CURTIS | ANNA | M. | 2021/11/01 | Deferred | NAP |
| DAMITIO | MARK | E. | 2021/11/01 | Deferred | NAP |
| DICKEY | JOHN | R. | 2021/11/01 | Normal | NAP |
| DOMINGUEZ | ANDREW | J | 2021/11/01 | Normal | NAP |
| DORADO | STEVEN | S. | 2021/11/01 | Normal | NAP |
| DU PASSAGE | ELISABETH | F. | 2021/11/01 | Normal | NAP |
| DUEMLING | WILLIAM | E. | 2021/11/01 | Normal | NAP |
| DVORAK | KAREN | A. | 2021/11/01 | Normal | NAP |
| FIERRO | RICHARD | M | 2021/11/01 | Normal | NAP |
| FINCHER | ANTHONY | R. | 2021/11/01 | Normal | NAP |
| FRANKEL | JUDITH | C. | 2021/11/01 | Normal | NAP |
| FRESQUEZ | RICKY | A | 2021/11/01 | Normal | NAP |
| FUCHS | FRITZ | A. | 2021/11/01 | Normal | NAP |
| FUNK | KENNETH | D. | 2021/11/01 | Normal | NAP |
| GALLOWAY | KRISTI | JO. | 2021/11/01 | Deferred | NAP |
| GARCIA | SANTOS | G. | 2021/11/01 | Normal | NAP |
| GARCIA | STACY | J. | 2021/11/01 | Normal | NAP |
| GARCIA | VICTORIA | B. | 2021/11/01 | Normal | NAP |
| GARRIS | DARYLE | B. | 2021/11/01 | Normal | NAP |
| GOMEZ | NAOMI | S. | 2021/11/01 | Deferred | NAP |
| GONZALES | JIMMY | | 2021/11/01 | Normal | NAP |
| GONZALES | RICHARD | T | 2021/11/01 | Normal | NAP |
| GRACE FRUTOS | BONNIE | K. | 2021/11/01 | Normal | NAP |
| GRANADOS | KRISTI | L. | 2021/11/01 | Deferred | NAP |
| GREEN | BELINDA | T. | 2021/11/01 | Deferred | NAP |
| HARVEY | JODY | D. | 2021/11/01 | Normal | NAP |
| HOISINGTON | MATTHEW | S. | 2021/11/01 | Normal | NAP |
| HUEBNER | JAMES | W | 2021/11/01 | Normal | NAP |
| HUGGINS | SUZANNE | R. | 2021/11/01 | Normal | NAP |
| JOHNSON | SHELLEY | D. | 2021/11/01 | Normal | NAP |
| JOHNSON | STEVEN | C. | 2021/11/01 | Normal | NAP |
| JOSEPH | SEVA | | 2021/11/01 | Normal | NAP |
| JUAREZ- VELASCO | NORMA | I. | 2021/11/01 | Normal | NAP |



PERA

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INVESTED IN TOMORROW.

| | | | | | |
|------------|-----------|--------|------------|----------|-----|
| KEEFE | SHERYL | A. | 2021/11/01 | Normal | NAP |
| KELLY | Priscilla | Irma. | 2021/11/01 | Normal | NAP |
| KOEHLER | KELLEY | C. | 2021/11/01 | Normal | NAP |
| KROON | CHARLES | JAMES. | 2021/11/01 | Normal | NAP |
| LARIMORE | DARLENE | J. | 2021/11/01 | Normal | NAP |
| LEYBA | LINDA | S | 2021/11/01 | Normal | NAP |
| LISKO | ELI | P. | 2021/11/01 | Normal | NAP |
| LUCERO | JOE | P | 2021/11/01 | Normal | NAP |
| LUCERO | ROBERT | J. | 2021/11/01 | Normal | NAP |
| LUJAN | MARIO | M | 2021/11/01 | Normal | NAP |
| MADRID | STEVE | D. | 2021/11/01 | Normal | NAP |
| MARINO | MARGARET | M. | 2021/11/01 | Normal | NAP |
| MARISCAL | SELIA | G. | 2021/11/01 | Normal | NAP |
| MARQUEZ | VANESSA | A. | 2021/11/01 | Normal | NAP |
| MARRUJO | ELENA | H | 2021/11/01 | Normal | NAP |
| MARTINEZ | LONI | R | 2021/11/01 | Normal | NAP |
| MARTINEZ | VICTOR | G. | 2021/11/01 | Normal | NAP |
| MCCUTCHEON | DAVID | L. | 2021/11/01 | Normal | NAP |
| MENTE | ALVIN | L. | 2021/11/01 | Normal | NAP |
| MILLER | DAVID | L. | 2021/11/01 | Normal | NAP |
| MONTOYA | SYLVIA | J. | 2021/11/01 | Normal | NAP |
| NAWMAN | NORA | J. | 2021/11/01 | Normal | NAP |
| OJINAGA | JULIANNE | | 2021/11/01 | Normal | NAP |
| Owens | Barbara | J. | 2021/11/01 | Normal | NAP |
| OWENS | BRENDA | S. | 2021/11/01 | Normal | NAP |
| OWENS | JOHN | O. | 2021/11/01 | Normal | NAP |
| Pacheco | Ana | | 2021/11/01 | Deferred | NAP |
| REIN | JEFF | L. | 2021/11/01 | Normal | NAP |
| RICO | JULIE | E | 2021/11/01 | Normal | NAP |
| RIGDON | JAMES | L. | 2021/11/01 | Normal | NAP |
| RIOS | MARY | K. | 2021/11/01 | Deferred | NAP |
| RIVERA | ANTHONY | R. | 2021/11/01 | Normal | NAP |
| RIVERA | JESUS | F | 2021/11/01 | Normal | NAP |
| ROMERO | ANTHONY | L. | 2021/11/01 | Normal | NAP |
| ROMERO | GILBERT | J. | 2021/11/01 | Normal | NAP |
| Romero | Ida | C. | 2021/11/01 | Normal | NAP |
| Roybal | Betty | E. | 2021/11/01 | Deferred | NAP |



PERA

Public Employees
Retirement Association
of New Mexico

INVESTED IN TOMORROW.

| | | | | | |
|------------|------------|----|------------|----------|-----|
| RUTHERFORD | DONNA | J. | 2021/11/01 | Normal | NAP |
| SALAZAR | JOSE | C. | 2021/11/01 | Normal | NAP |
| SANCHEZ | RITA | | 2021/11/01 | Normal | NAP |
| SANDOVAL | BRANDI | E. | 2021/11/01 | Normal | NAP |
| SENA- | SYLVIA | M. | 2021/11/01 | Normal | NAP |
| GUTIERREZ | | | | | |
| Shaul | Wendy | A. | 2021/11/01 | Normal | NAP |
| SMITH | BUSTER | D. | 2021/11/01 | Normal | NAP |
| SNOW | CORDELIA | T. | 2021/11/01 | Normal | NAP |
| SPON | SANDRA | T. | 2021/11/01 | Deferred | NAP |
| SPRICK | WILLIAM | W. | 2021/11/01 | Normal | NAP |
| STONE | PRESTON | L. | 2021/11/01 | Deferred | NAP |
| SULLIVAN | KATHLEEN | E. | 2021/11/01 | Deferred | NAP |
| TELLES | SOCORRO | | 2021/11/01 | Deferred | NAP |
| Torres | Rosalie | M. | 2021/11/01 | Normal | NAP |
| TRUJILLO | RICHARD | H | 2021/11/01 | Normal | NAP |
| VIGIL | MONICA | J. | 2021/11/01 | Normal | NAP |
| WALLER | LYMAN | R. | 2021/11/01 | Normal | NAP |
| WALLER | SHARON | K. | 2021/11/01 | Normal | NAP |
| WARREN | ROY | L. | 2021/11/01 | Normal | NAP |
| WEINGARTEN | SHERRY | L. | 2021/11/01 | Normal | NAP |
| WIESE | ROXANNE | | 2021/11/01 | Normal | NAP |
| WILSON | M VICTORIA | | 2021/11/01 | Normal | NAP |
| WILSON | PAMELA | I. | 2021/11/01 | Normal | NAP |
| Woodhouse | Eric | R. | 2021/11/01 | Normal | NAP |
| YAZZIE | MONTY | L. | 2021/11/01 | Normal | NAP |
| YAZZIE | NANCY | K | 2021/11/01 | Normal | NAP |

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO INVESTMENT COMMITTEE CHARTER

I. Statement of Purpose

The purpose of the Investment Committee of the PERA Board is to:

- A. Assist the Board in carrying out its mission to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.
- B. Assist the Board in fulfilling its fiduciary duties to prudently manage PERA assets.

II. Authority

In addition to the powers otherwise granted to the PERA Investment Committee pursuant to New Mexico State Statute and Administrative Code, the Investment Committee, shall have the following authorities and powers:

- A. To develop, implement and administer an Investment Policy that complies with industry best practices for a public pension trust fund.
- B. To direct PERA staff, consultant/advisor, investment manager, or an appropriate subcommittee when deemed necessary or advisable and to request and obtain advice, assistance, documentation, or information on investment-related matters.
- C. To provide direction to the Board, PERA staff and consultant/advisor:
 - 1. In the development, review, monitoring and updating of investment policies and procedures, ~~strategies, and guidelines~~;
 - 2. Regarding action on policy and procedural decisions delegated to it by the Board;
 - 3. In accordance with the Investment Policy, evaluate appropriate investment-related issues including targeted total fund risk and assumed rate of return benchmarks, strategic asset allocation limits and ranges, s, passive vs. active investment management determinations, active risk and excess return targets, Policy asset class benchmarks, and simple reference portfolio benchmarks, for purposes of monitoring implementation effectiveness. appropriate asset classes.
- D. To contract with prudent experts, such as the Board Investment Strategic Consultants ~~and advisors~~, on investment matters with approval from the Board.
- E. To monitor investment performance in accordance with the Investment Policy.
- F. To have full access to all books, records, facilities, or personnel of PERA.
- G. Other authorities as delegated to it by the Board.

III. Duties, Responsibilities, and Requirements

The Investment Committee will take the necessary actions to ensure that:

- A. The trust is invested solely in the interest of participants and beneficiaries, to provide benefits exclusively to these participants and beneficiaries.
- B. The Investment Policy and the Procurement Policy for Investment-Related Services established by the Board are adhered to and compliance with these policies is monitored on an ongoing basis.
- C. The activities of the Chief Investment Officer (CIO) and the Investment Division are in accordance with the established Investment Policy and the Board's objectives and are executed in a fiduciary capacity.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO INVESTMENT COMMITTEE CHARTER

- D. The activities of the ~~Board Investment Strategic Consultant and contracted investment advisor-managers~~ are in accordance with the scope of services detailed in their professional services ~~agreement~~agreement or other governing documents, and that the services are executed in a fiduciary capacity.
- E. The activities of the Committee Members reflect a commitment to the ongoing educational requirements necessary to understand and oversee the complex investment strategies deployed within the trust.
- F. Risk management tools, internal controls and compliance with applicable policies, procedures, rules, laws and regulations are in place regarding the investment function.
- G. Total Fund performance reporting will be formally presented to the Investment Committee quarterly and shall include comparative peer performance data, compiled by the Board Investment Strategic Consultant.
- ~~E.H.~~ Illiquid asset class performance reporting will be provided to the Investment Committee quarterly and formally presented no less than twice a year, reviewing the fiscal year end and calendar year end results.
- I. All reporting shall be published to the PERA website for public reference, on a timely basis, following quarterly review.
- ~~F.J.~~ An annual evaluation of its performance (self-assessment) is performed according to criteria established by the Investment Committee and by Board Policies and Procedures.
- ~~G.K.~~ Any other functions as required to carry out its fiduciary duties or as requested by the Board are performed.

IV. Organization

The composition of the Investment Committee shall consist of:

- A. No more than 6 Board members, as required by New Mexico Administrative Code, to include a Committee Chairperson and Committee Vice-Chairperson that will be appointed by the Board Chairperson at the January Board meeting, or as soon as practicable thereafter;
- B. Committee members shall serve for 1 calendar year but may be reappointed annually during the January Board meeting by the Board Chairperson, or as soon as practicable thereafter;
- C. Other Board members may be temporarily appointed to the Committee by the Committee Chairperson or Committee Vice Chairperson when a quorum is not present. A quorum shall be a simple majority of the Committee members;

V. Meetings, Minutes and Communications

The Committee shall:

- A. Conduct meetings according to the requirements of the Open Meetings Act and the Board's Open Meetings Resolution and communicate actions or recommendations to the Board as soon as practical;
- B. Meet quarterly, 4 times per year according to statute and rule, monthly unless the Committee elects to meet more ~~or less often but not less than 4 times per year according to statute and rule~~;

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO INVESTMENT COMMITTEE CHARTER

- C. Provide that meeting minutes will be distributed to appropriate Committee members and staff for review prior to signature by the Committee Chairperson;
- D. Hold special or emergency meetings when deemed necessary.

VI. Charter Review and History

A. This Charter will be reviewed annually.

~~A.B.~~ The Board adopted this charter on October 12, 2010. The Board approved changes to this charter on November 9, 2021.

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- D. To contract with prudent experts, such as the Board Investment Strategic Consultant, on investment matters with approval from the Board.
- E. To monitor investment performance in accordance with the Investment Policy.
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PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO INVESTMENT COMMITTEE CHARTER

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**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
INVESTMENT COMMITTEE CHARTER**

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