



INVESTED IN TOMORROW.

PERA Board Meeting

meeting via zoom

Thursday, May 28, 2020

9:00 a.m.

AGENDA

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Approval of Agenda
5. Approval of Consent Agenda
6. Reports of Committees

A. Investment Committee

- | | | |
|--|--------|--|
| 1. Approval of Annual Risk Budget & Active Target Return | Action | Steve Neel, Investment Committee Chair |
|--|--------|--|

Board will meet in Executive Session NMSA 1978, §10-15-1 (H) (3)

Administrative Appeal - Final Review

Marah deMuel, NM Office of the Attorney General

1. Nicolette Barela

Board will Convene to Regular Session

7. New Business

A. Final Decision on Administrative Appeal

John Melia, Board Chair

- | | |
|-------------------------------------|--------|
| 1. Nicolette Barela (PID # 495820). | Action |
|-------------------------------------|--------|

B. 2020 Board of Trustees Election

- | | |
|----------------------------------|--|
| 1. 2020 Election Report from AES | Ernie Marquez, Automated Election Services |
|----------------------------------|--|

- | | |
|--|--------|
| a. Approval of Nominating Petitions Counts and Candidates for State Position | Action |
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- | | |
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| b. Approval of Nominating Petitions Counts and Candidates for Municipal Position | Action |
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- | | |
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| c. Approval of Nominating Petitions Counts and Candidates for Retiree Position | Action |
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- | | | |
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| 2. Action Regarding 2020 State Position Election | Action | John Melia |
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- | | | |
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| C. Termination of withholding of RPENM membership dues from PERA retirement benefits | Action | John Melia |
|--|--------|------------|

- | | | |
|--|---------------|---|
| D. Update on Municipal and County Furloughs/Possible PERA Impact on Service Credit | Informational | Greg Trujillo, Deputy Director;
Susan Pittard, General Counsel |
|--|---------------|---|

- | | | |
|--------------------------------|---------------|-------------------------------------|
| E. Executive Director's Report | Informational | Wayne Propst,
Executive Director |
|--------------------------------|---------------|-------------------------------------|

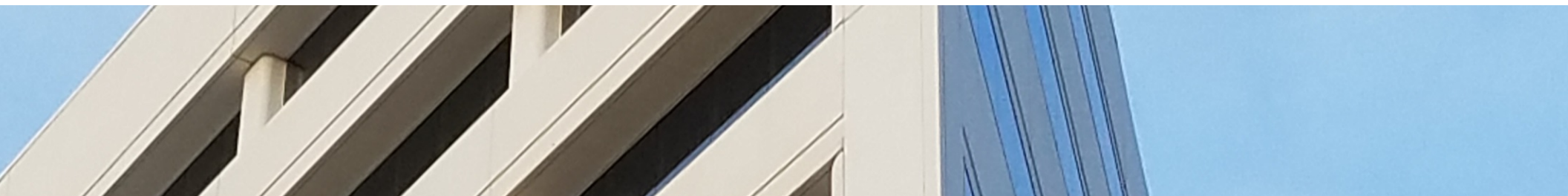
8. Adjournment

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 505-476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



WILSHIRE ASSOCIATES

Wilshire Consulting



New Mexico PERA Active Risk Budget Recommendation

Thomas Toth, CFA, Managing Director

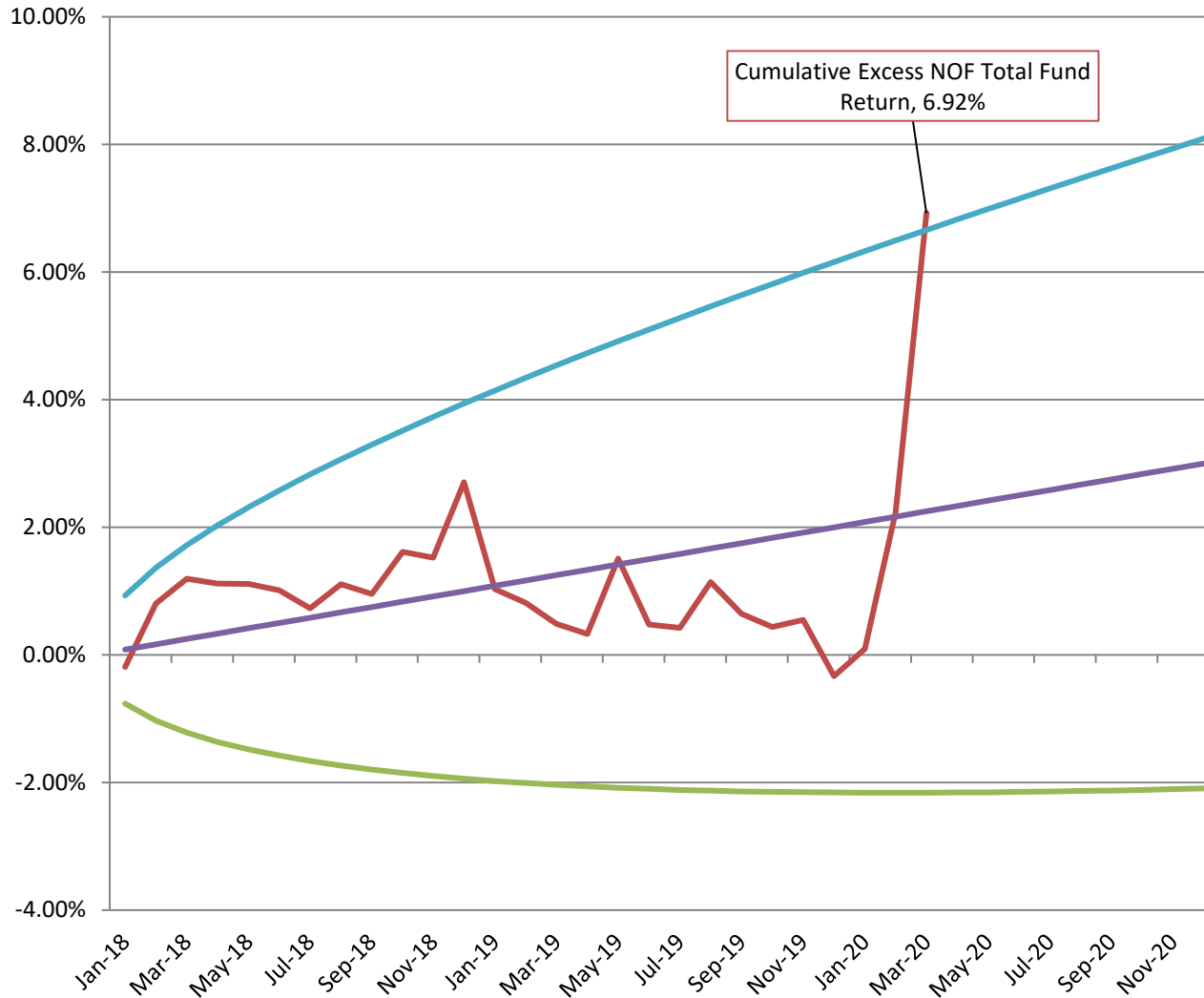
May 2020

Risk Budget Recommendation

- Recommend no change with the same active risk budget target for 2020
- Target of 1.5 % with a range of 1.0% to 2.0% on a 4-year rolling basis to align with SB72 time horizons
 - » Selection impacts are expected to account for approximately 13% of the active risk
 - » Allocation impacts primarily from illiquid implementation are expected to account for approximately 87% of the active risk
- Active risk budget of 1.0-2.0% is expected to generate 1.6% in active return
 - Importantly, the realized active return will vary over time

Active Risk Budget Results (est. March 2020)

Total Fund v. Policy Index
Cumulative Distribution, 95% confidence interval
1.0% active return and 1.5% active risk expectation



Total Fund 1-Year Tracking Error estimate as of March 2020 = **4.28%** driven by most recent market volatility

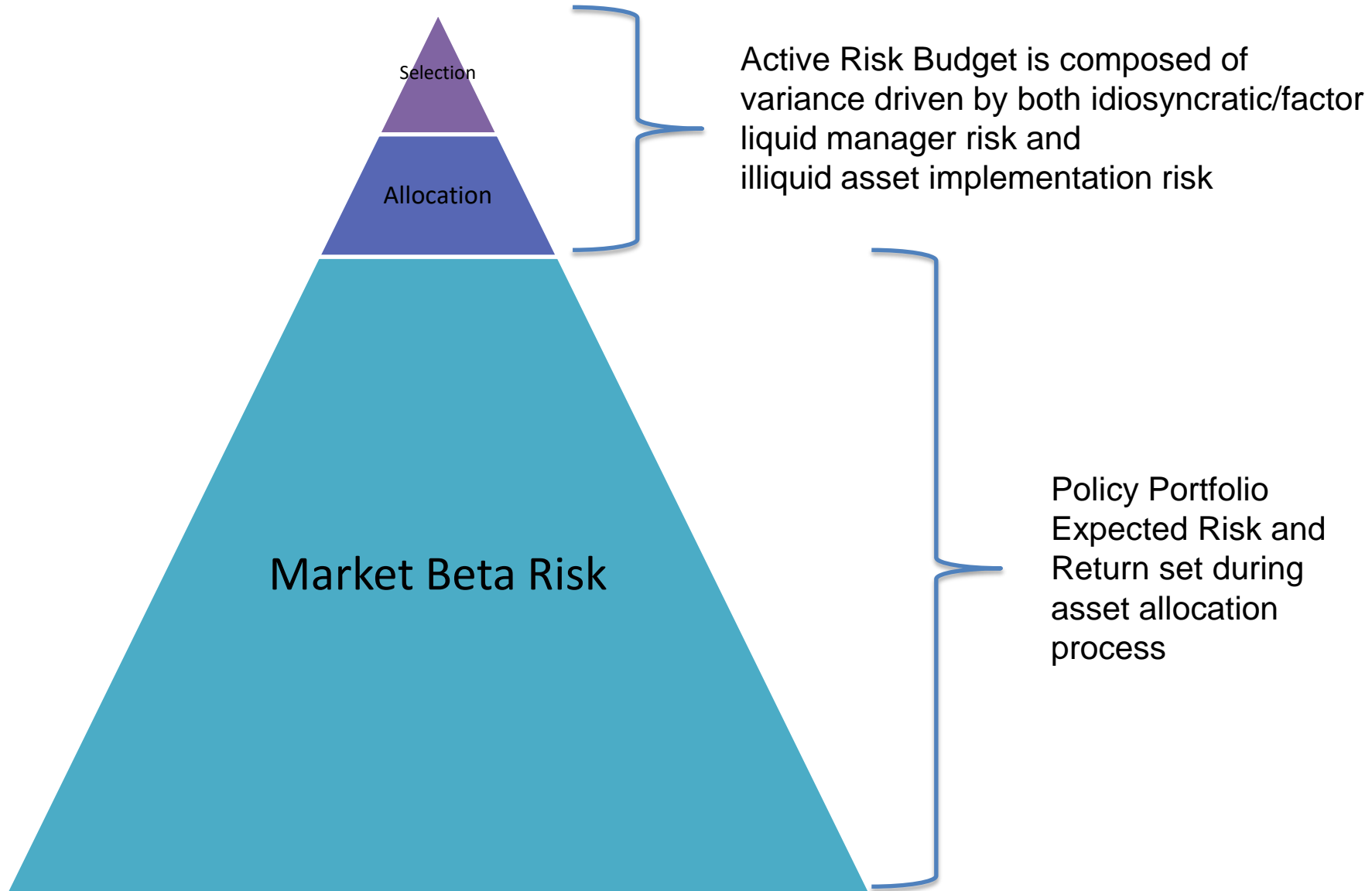
- Cumulative Excess NOF Total Fund Return
- Lower Band
- Target
- Upper Band

Risk Budget Framework

For 2020, the risk framework includes the same three components – Beta, Allocation, Active Selection

- **Beta** captures the return and risk impact of the policy portfolio composed only of liquid markets
- **Allocation** captures the impact of utilizing both illiquid investments and strategy weights that differ from policy beta targets
- **Active Selection** uses active risk and return estimates to capture idiosyncratic sources of return and risk within strategies

Total Fund Risk Budgeting



Risk Budget Activity

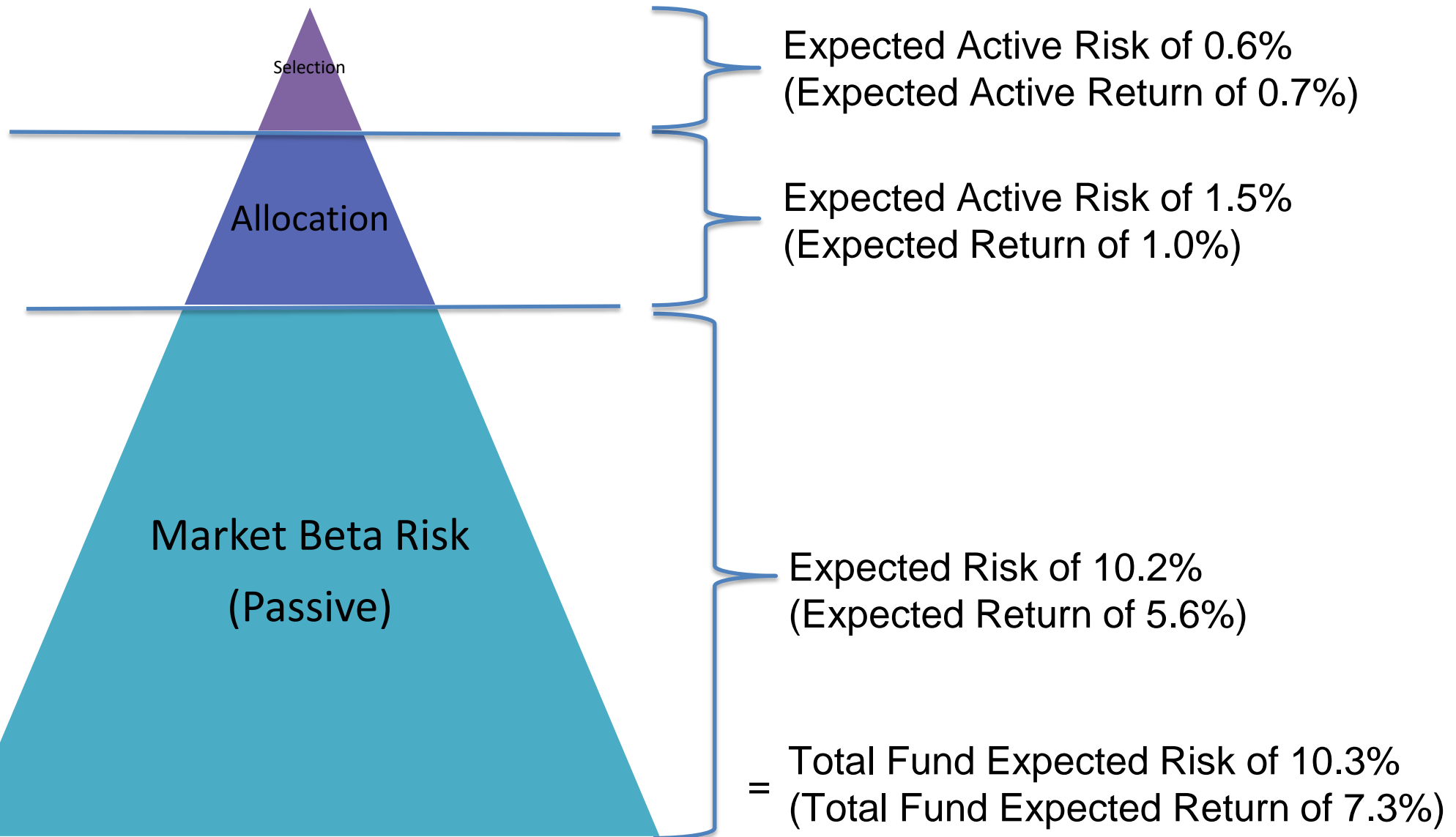
Allocation

- During 2019 and 2020, PERA implemented a structural risk hedging program with Legal & General
 - Reduce active risk impact from implementation differences relative to policy benchmarks
 - 22 bps of risk reduced to 0 bps at target weights
 - Utilized across global equity and credit portfolios

Active

- Portable alpha program aims to utilize active risk in a more efficient manner to improve risk adjusted active returns
- Expanded active risk allocated in Core Fixed Income to take advantage of dislocations in spread markets

Total Fund Risk Budgeting 2020



Risk Budget Contributions

- Where is the active risk budget being “spent”?

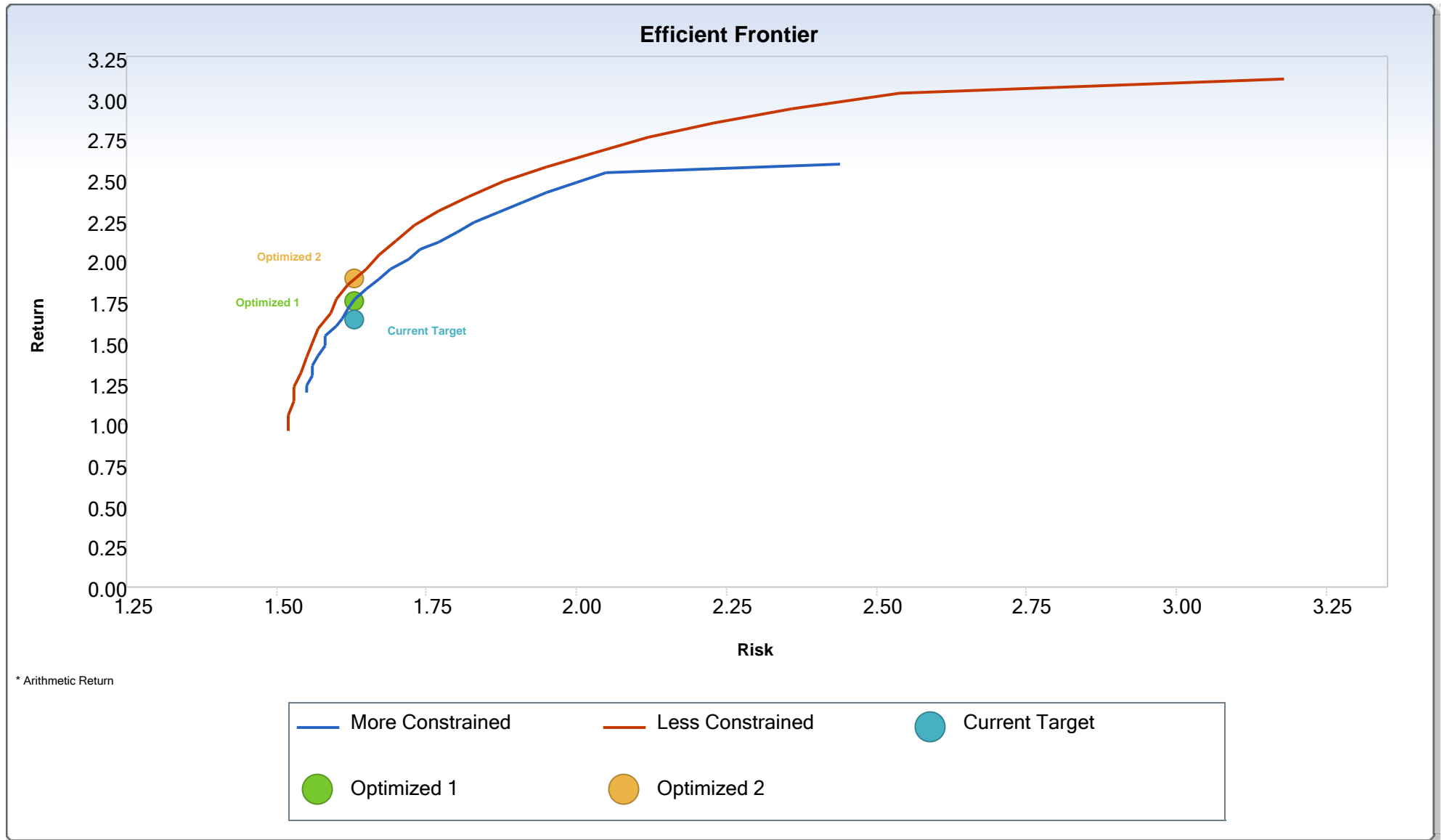
Active Risk Contribution	
4% Portable Alpha	
Global Equity Public Equity	0.05%
Risk Mitigation	0.03%
Liquid Credit and Alternative Liquid Credit	0.07%
Liquid Real Assets	0.03%
Liquid Real Estate	0.01%
Portable Alpha Program	0.02%
Private Equity	0.72%
Private Credit	0.09%
Private Real Estate	0.22%
Private Real Assets	0.39%
Risk Parity (15% Volatility)	0.00%
Total Portfolio	1.63%

- Traditional liquid active strategies contribute about 18 bps, focused on less efficient markets
 - Small Cap
 - International
 - Emerging Markets
- Portable alpha contributes 2 bps
- Illiquid private assets contribute 142 bps

Risk Framework – Stress Testing

- Market risk environment fluctuates over time
- Understanding how changes in the market environment impact the expected active risk is important
- Risk Budget modeling was stressed to simulate a moderate and extreme correlation environment between active risks
 - Base case target active risk is 1.5%
 - Moderate case active risk estimate increases to 2.0%
 - Extreme case active risk estimate increases to 2.25%
- Probability of tracking error exceeding 2.00% given probability of base, moderate, and extreme scenarios is about 24%

Risk Budget Optimizations



Risk Budget Optimizations - Detail

	Assumptions		Optimizations				
	Active Return	Active Risk	Current	Optimized More Constrained	Constraint	Optimized Less Constrained	Constraint
Global Equity - Index	0.00	0.00	10.5	11.8	equal 19.5%	0.0	No Constraint
Global Equity - Active	0.59	5.00	0.0	1.3		2.2	
US - Large Cap	0.30	3.00	0.0	0.0		0.0	
US - Small Cap	2.19	6.85	3.0	1.4		1.1	
Non-US Large Cap	1.35	4.00	3.0	0.9		1.1	
Non-US Small Cap	1.96	5.00	1.0	3.3		3.9	
Emerging Markets	1.06	4.00	2.0	0.8		0.4	
Global Low Volatility Equity - Index	0.00	0.00	7.0	5.3	equal 7%	0.0	
Global Low Volatility Equity - Active	0.59	5.00	0.0	1.7		0.0	
Core Fixed Income - Index	0.00	0.00	0.0	0.0	equal 19.5%	0.0	
Core Fixed Income - Active	1.15	1.40	13.0	12.9		19.1	
Global Core Fixed Income	0.45	0.75	2.5	0.0		8.9	
Portable Alpha Components (Market Neutral)	3.47	4.50	4.0	6.6		6.6	
High Yield	0.36	3.00	2.0	3.8	equal 9%	0.0	
Alternative Liquid Credit	0.48	4.00	2.0	0.0		0.0	
EMD	0.97	4.00	3.0	2.7		0.0	
Credit Oriented Hedge Funds	2.94	8.50	2.0	2.5		1.6	
TIPS	0.04	0.40	0.0	0.0	equal 7%	0.0	
Global TIPS	0.20	0.40	0.0	0.0		6.6	
Commodities	1.25	5.50	0.0	3.0		4.0	
Public Real Estate	1.80	4.28	2.0	1.1		1.6	
Public Real Assets (TIPS, Commodities, Listed Infrastructure)	1.80	3.35	5.0	3.0		5.0	
Equity Event Driven Hedge Funds	2.94	8.50	Removed from optimization assuming any exposure would be incorporated into portable alpha				
Private Equity	3.80	12.00	9.0	9.0	to target weight	9.0	to target weight
Private Credit	1.78	6.50	6.0	6.0		6.0	
Private Real Estate (Core, Value Add, Opportunistic)	2.00	12.00	5.0	5.0		5.0	
Private Real Assets (Oil and Gas Partnerships, Infrastructure)	5.20	10.00	8.0	8.0		8.0	
Cash (adjusted for borrowing rate)	0.00	0.00	0.0	0.0		0.0	
Risk Parity (15% Volatility)	0.00	0.00	10.0	10.0	equal 10%	10.0	equal 10%
Total			100.0	100.0		100.0	
Return			1.64	1.75		1.89	
Risk			1.63	1.63		1.63	
Information Ratio			1.01	1.07		1.16	

Final Risk Budget Recommendation

- Recommend no change with the same active risk budget target for 2020
- Target of 1.5 % with a range of 1.0% to 2.0% on a 4-year rolling basis to align with SB72 time horizons
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MEMORANDUM

TO: PERA Board of Directors

FROM: Ernie Marquez, Election Director
Automated Election Services

SUBJECT: 2020 Petition Verification Process

DATE: April 15, 2020

The following is a list of members requested nominating petitions;

STATE POSITION

Lisa Medina Lujan
J. Michael Sisneros

MUNICIPAL POSITION

Christopher H. Daniel
Roberto Ramirez

RETIREE POSITION

Jesus Friez
Dan Mayfield
Jan Marentes
Francis Page

The following members returned the nominating petition in- person to my office at 7000 Zenith Court in Rio Rancho New Mexico by the deadline of 5 PM on May 4, 2020

STATE POSITION

J. Michael Sisneros

MUNICIPAL POSITION

Christopher H. Daniel
Roberto Ramirez

RETIREE POSITION

Jesus Friez
Dan Mayfield
Francis Page

Here is the procedure used by our company to validate nomination signature and qualifying the candidates.

Upon receipt of the petitions, the sheets were counted, first and last page were time stamped in front of the candidate and a receipt reflecting the number of petitions submitted was given to the candidate. The petitions were then placed in a manila folder with a label containing their name with a copy of the receipt.

Section 2.80.200.60 C, of New Mexico Administrative Code Title 2, Chapter 80, Part 200 states that in order to be eligible as a candidate for the retiree position you must have a minimum of 50 valid nominations. Section 2.80.200.70. A (3) goes on to say that in order to be eligible as a candidate for the state or municipal positions you must have a minimum of 150 valid nominations

A valid nomination shall include a signature, legible printing of the members 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 members date of birth; or
- (c) the members PERA Identification number.

Rule 2.80.200.60 and 2.80.200.70 allows validation in various ways and the electronic file of qualified PERA members that was sent to us by P.E.R.A. contained name, address, date of birth, last four digits of the social security number and PERA identification numbers. Our IT division worked the data and set-up an AutoVote Tracking System for name verification.

Our staff began the process of verifying the names on the petitions and wanted to give the nominator the benefit of the doubt so we started with the last name if we could not locate them using the last name our system would allow us to check by first name then we would compare it to the date of birth. Many signed the petition and included the PERA ID or the last four digits of the Social Security Number which made it easy for us to locate and validate, in some cases there were names that no matter how we searched they were not located in the data, those were not validated. There were a few signatures that were illegible, those were also not validated.

After close review and tabulation of the nominating petitions by our company the following totals have been determined:

State Position	Petition Pages Submitted	Total Signature Submitted	Total Signature Rejected	Total Signatures Accepted
J. Michael Sisneros	3	27	1	26

Municipal Position				
Christopher Daniel	34	278	40	238
Roberto Ramirez	25	189	22	167

Retiree Position	Petition Pages Submitted	Total Signature Submitted	Total Signature Rejected	Total Signatures Accepted
Francis Page	51	142	19	123
Dan Mayfield	30	121	5	116
Jesus Fritz	3	30	4	26

If you have any question regarding the process or the results, please feel free to contact me at anytime at 1-800-833-5568 ext. 6534.



PERA

Public Employees
Retirement Association
of New Mexico

John Melia, Chair,
Municipal Member
Wayne Propst
Executive Director

P: (505) 476-9300
F: (505) 476-9401
Toll Free:
1(800) 342-3422

INVESTED IN TOMORROW.

To: John Melia, Chair
David Roybal, Vice Chair
PERA Board Members

From: Susan Pittard, General Counsel

Re: 2020 Election, State Member Position

Date: May 20, 2020

In January 2020, the Board passed Resolution No. 20-04, which, among other things, called for nominations for one state member position for a four-year term being vacated on December 31, 2020. Resolution 20-04 required nominating petitions to be returned to PERA's independent contractor, Automated Election Services, Monday May 4, 2020 before 5:00 p.m.

Only one potential candidate for the State member position submitted nominating petitions before the May 4, 2020 5 p.m. deadline. The candidate submitted nominating petitions by facsimile. All instructions to the candidates who requested petitions clearly indicate that **original** signatures are required. Regardless, the candidate did not submit sufficient nominations under PERA rules and regulations¹. As a result, no candidate is qualified for the State member position ballot under PERA's rules and regulations regarding election of non-retired members of the Board.

The Board is presented with an unprecedented situation. Since no candidate qualified for the State Member Position Ballot, the Board must decide on how to proceed. Staff has identified two possible options for the Board to fill the State Position on the Board for the 2021-2024 term, as follows:

1. Extend the deadline for return of nominating petitions for the State member position.

Under this option, the Board could adopt a new resolution extending the time period for return of nominating petitions for the State seat. For example, a timeline asking for nominations for the State position be due no later than June 26, 2020 meets all the deadline requirements of NMAC 2.80.200.70.A². A draft Resolution and timeline is provided for review. It is uncertain whether this option will yield state candidates for the Board given the current public health emergency. If there are no qualifying candidates after extending the time for nominating petitions, the Board may want to declare a vacancy as set out in option number 2 below.

¹ NMAC 2.80.200.70 (A)(3) requires, that 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 petitions.

² NMAC 2.80.200.70 (A) requires nominating petitions be due not earlier than six months prior or later than one month prior to the election for the position of non-retired board member.



2. Declare a vacancy in January 2021, appoint for one year and hold an off-cycle state member position election to fill the remaining three years of the state member term.

Since no state member qualified for the 2020 Board Election ballot, there is a vacancy. The Board may declare a vacancy and appoint a successor to the position. A one-year appointment comports with recent Board action regarding a statutory change to preclude appointment to the Board in excess of one year. This hybrid option allows the state member position to be filled and there is no disruption to the current 2020 election. In addition, 2021 may provide more normalcy in business operations to allow for candidates to obtain nominating signatures to hold a contested election for PERA's state members.

cc: Wayne Propst
Greg Trujillo

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO
2020 State Position Board Election Timeline Amended
 Nominee/Candidate Checklist

Nominating Petitions

	Date	Item
	Fri., Aug. 14, 2020	<i>Deadline for state candidate nominating petitions with original signatures to be received at Automated Election Services by 5 p.m.</i>
	Thurs., Aug. 27, 2020	<ul style="list-style-type: none"> • PERA Board receives Report on State member Nominating Petitions from Automated Election Services and approves nominees • Nominees notified of results
	Fri., Sept. 11, 2020	<i>Deadline for state candidate biographies and photographs in designated formats to be received at Automated Election Services, 7000 Zenith Ct., Rio Rancho, NM 87144-6467 by 5 p.m.</i>

Election Ballots

	Date	Item
	Sept/Oct 2020	State candidate information biographies and photos published in Round-the-Roundhouse and digital edition of La Voz
	Tue., Nov, 10, 2020	State ballots mailed out by Automated Election Services
	Thurs., Dec. 10, 2020	<ul style="list-style-type: none"> • Deadline for state ballots to be received at Automated Election Services' designated Post Office locked box by 12:00 p.m. • Ballot count completed by Automated Election Services
	Tues., Dec. 15, 2020	<ul style="list-style-type: none"> • Certification of state election results by PERA Board at 2020 Special PERA Board Meeting. • Newly elected State Board Members notified

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RESOLUTION NO. 20-06

**RESOLUTION CALLING FOR NOMINATIONS
FOR ONE STATE MEMBER FOR A FOUR-YEAR TERM**

WHEREAS NMSA 1978, Section 10-11-130(C), provides that the elections of elected members of the retirement board shall be certified at the time of the annual meeting of the association and conducted according to the rules and regulations of the retirement board; and

WHEREAS, pursuant to NMSA 1978, Section 10-11-130(D), the regular term of office of the elected members of the retirement board is four years, the term of one retirement board member under a state coverage plan shall expire annually on December 31; and

WHEREAS, the New Mexico Public Employees Retirement Board has adopted rules and regulations establishing procedures for nominating and electing members of the Public Employees Retirement Association for positions on the Public Employees Retirement Board; and

WHEREAS, PERA Rule 2.80.200.70(A) NMAC requires the Public Employees Retirement Board to adopt a resolution during its January meeting specifying when nominating petitions are due to be returned for the non-retired member positions, which shall be not earlier than six months prior and not later than one month prior to the election for the position; and

WHEREAS, PERA Rule 2.80.200.70(A)(1) NMAC requires that 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;

WHEREAS, pursuant to PERA Rule 2.80.200.60(A) NMAC the Public Employees Retirement Board adopted Resolution 20-04a on January 14, 2020, and subsequently amended on January 30, 2020, specifying when nominating petitions are due to be returned to PERA for the state board member position: and

WHEREAS, no state member candidate submitted nominating petitions sufficient to qualify for the 2020 state member ballot; and

WHEREAS, declaration of a public health emergency and stay at home order in the State of New Mexico by Executive Order 2020-004, may have contributed to the inability of state member candidates submitting valid nominating petitions to qualify for the 2020 state member election ballot; and

WHEREAS, NOW, THEREFORE; BE IT RESOLVED BY THE PUBLIC EMPLOYEES RETIREMENT BOARD as follows:



There is good cause to extend the timeline for the 2020 Board election for the state member position, which shall be held in accordance with PERA Rule 2.80.200 NMAC and the results shall be certified at the PERA annual meeting on Thursday, October 29, 2020, or as such meeting is continued thereafter.

Nominating petitions for one (1) state member position for a four-year term on the Public Employees Retirement Board shall be available from Automated Election Services (1-800-833-5568 ext. 6534) beginning on Monday June 1, 2020. Nominating petitions with original signatures must be received at Automated Election Services, 7000 Zenith Ct., Rio Rancho, New Mexico 87144-6467 by 5 p.m. on Friday, August 14, 2020 to be counted.

The method of voting for the 2020 PERA Board state member election shall be mailed paper ballots.

The Executive Director of the Public Employees Retirement Association is authorized and directed to take any and all steps necessary for the proper conduct of the nominating and election process, including retaining Automated Election Services, an independent contractor firm, for the 2020 Board state member election.

ADOPTED AND APPROVED THIS 28TH DAY OF MAY, 2020.

**RETIREMENT BOARD OF THE
PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION OF NEW MEXICO**

BY: _____
John Melia, PERA Board Chair

ATTEST: _____
Wayne Propst, Executive Director



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Memorandum

From: Greg Trujillo, Deputy Director

To: John Melia, Board Chairman

Date: May 22, 2020

Subject: RPENM & AFSCME Dues – Collection Procedures/RPENM Litigation Costs

PERA has historically withheld dues from retired members that elect to participate in the Retired Public Employees of New Mexico (RPENM) and the American Federation of State, County and Municipal Employees (AFSCME) retiree organizations. These dues are withheld each July, currently in the amounts of \$30.00 for each RPENM member and \$24.00 for each ASCME member. PERA mails a check to each organization annually in July.

PERA staff performs administrative tasks such as adding withholdings for new members, removing members that no longer want to participate or are deceased and taking calls from members on what the dues are for. If a member requests a refund of their dues we must direct them to either group to request such a refund, PERA will not issue a refund as it has already forwarded the funds to the appropriate organization. In the past few years considerable time was spent working with RPENM to assist in cleaning up their membership lists, specifically working to remove deceased members from their lists. It should be noted PERA does not receive any sort of administrative fee for this support.

Below is the number of members of each organization and amount of dues collected since FY2014:

	RPENM	TOTAL	AFSCME	TOTAL
FY2014	3,127	\$ 75,048.00	1,961	\$ 29,415.00
FY2015	3,102	\$ 93,060.00	1,881	\$ 28,235.00
FY2016	3,776	\$ 113,280.00	1,771	\$ 42,504.00
FY2017	3,922	\$ 117,660.00	1,675	\$ 40,200.00
FY2018	4,242	\$ 127,260.00	1,588	\$ 38,112.00
FY2019	4,273	\$ 128,190.00	1,505	\$ 36,120.00
	TOTAL:	\$ 654,498.00	TOTAL:	\$ 214,586.00

It should be noted there is no statutory requirement or administrative rule that requires PERA to provide these services. PERA withholds these membership dues as a courtesy to our members.



On September 25, 2019 RPENM filed a lawsuit in the United States District Court against the PERA Board and Wayne Propst and Susan Pittard. The costs to date for defending this lawsuit are as follows:

Reed Smith, LLP – approximately \$5,841.00 (this does not include any travel expenses for counsel to attend the October 31, 2019 Board meeting).

Park & Associates LLP (Al Park, New Mexico Risk Management Division assigned counsel) – approximately \$13,000.

Brennan & Sullivan, PA (Jamie Sullivan, New Mexico Risk Management Division assigned counsel) – \$ 8,270.71.

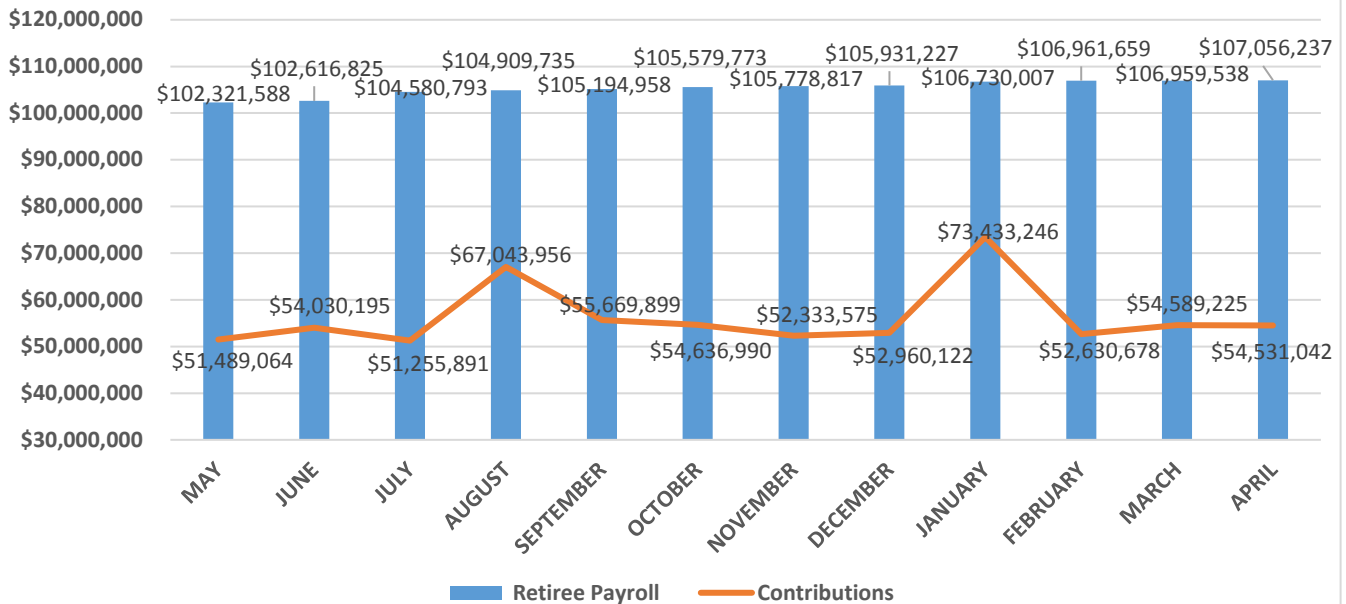
Total: **\$27,111.71.**

On January 24, 2020 the Court issued an order dismissing the claims against the PERA Board. On April 17, 2020 the Court dismissed the claims against Wayne Propst and Susan Pittard. On May 13, 2020 RPENM filed a Notice of Appeal with the Tenth Circuit Court of Appeals in Denver appealing the District Court's dismissal of the claims against Wayne Propst and Susan Pittard. The appeal does not appear to appeal the dismissal of the claims against the PERA Board, although a call to counsel for RPENM to confirm this has not yet been returned. Al Park, the Board's Risk Management-assigned counsel in this matter, has stated that pending the filing of RPENM's docketing statement he intends to file an entry of appearance in the Tenth Circuit. If the docketing statement does not address the eleventh amendment immunity claim that was the basis for the Court's dismissal of the Board, he will move to dismiss the Board from the appeal.



EXECUTIVE DIRECTOR'S REPORT PERA BOARD MEETING – May 28, 2020

Retiree Payroll vs: Total Contributions - May 2019- April 2020

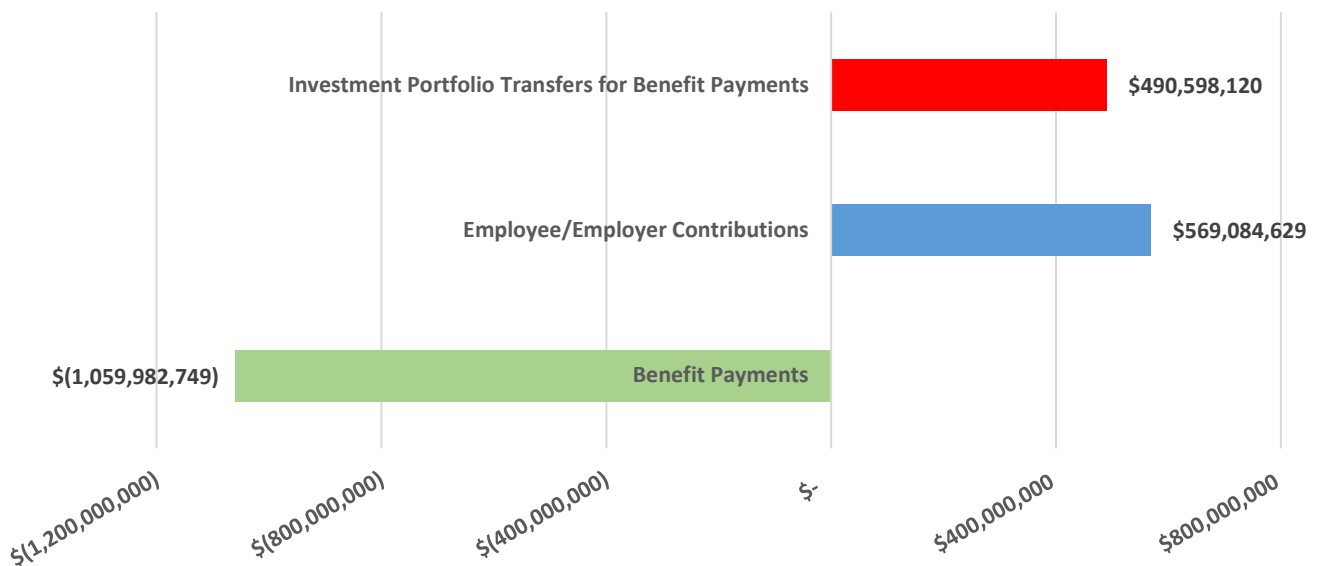


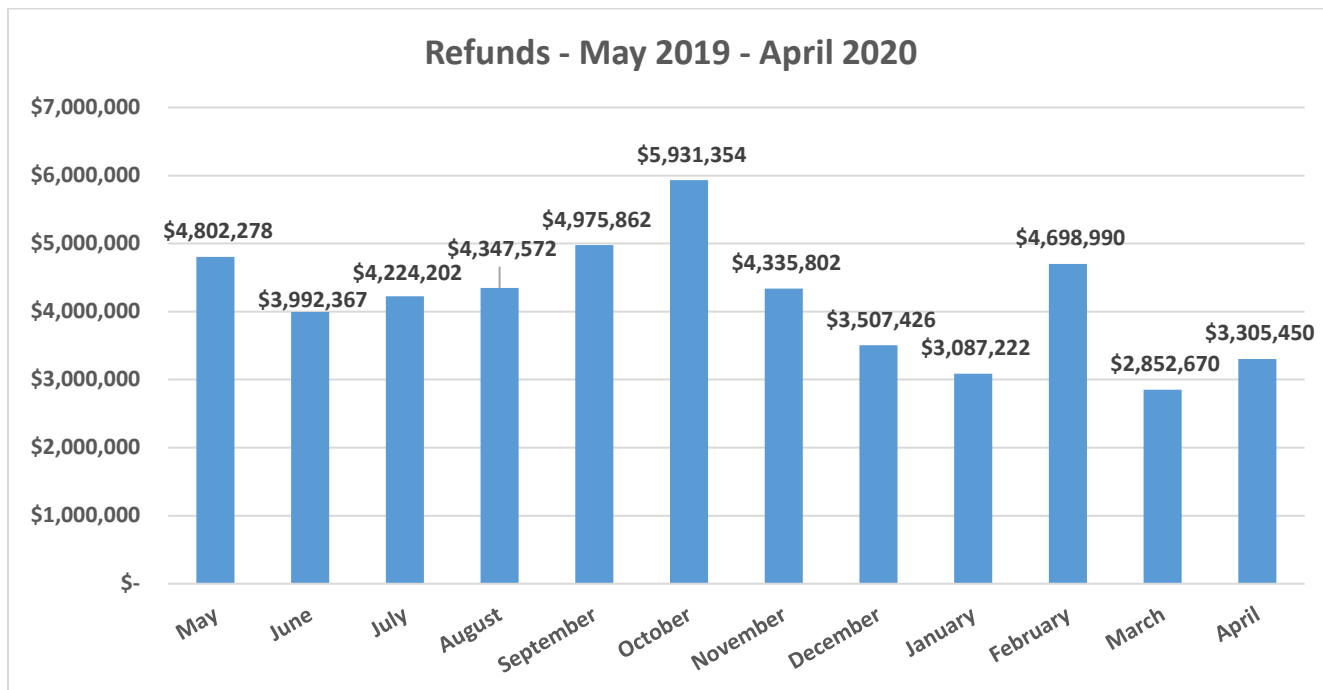
Total Retiree Payroll = \$1,264,621,157

Total Contributions: \$ 674,603,883

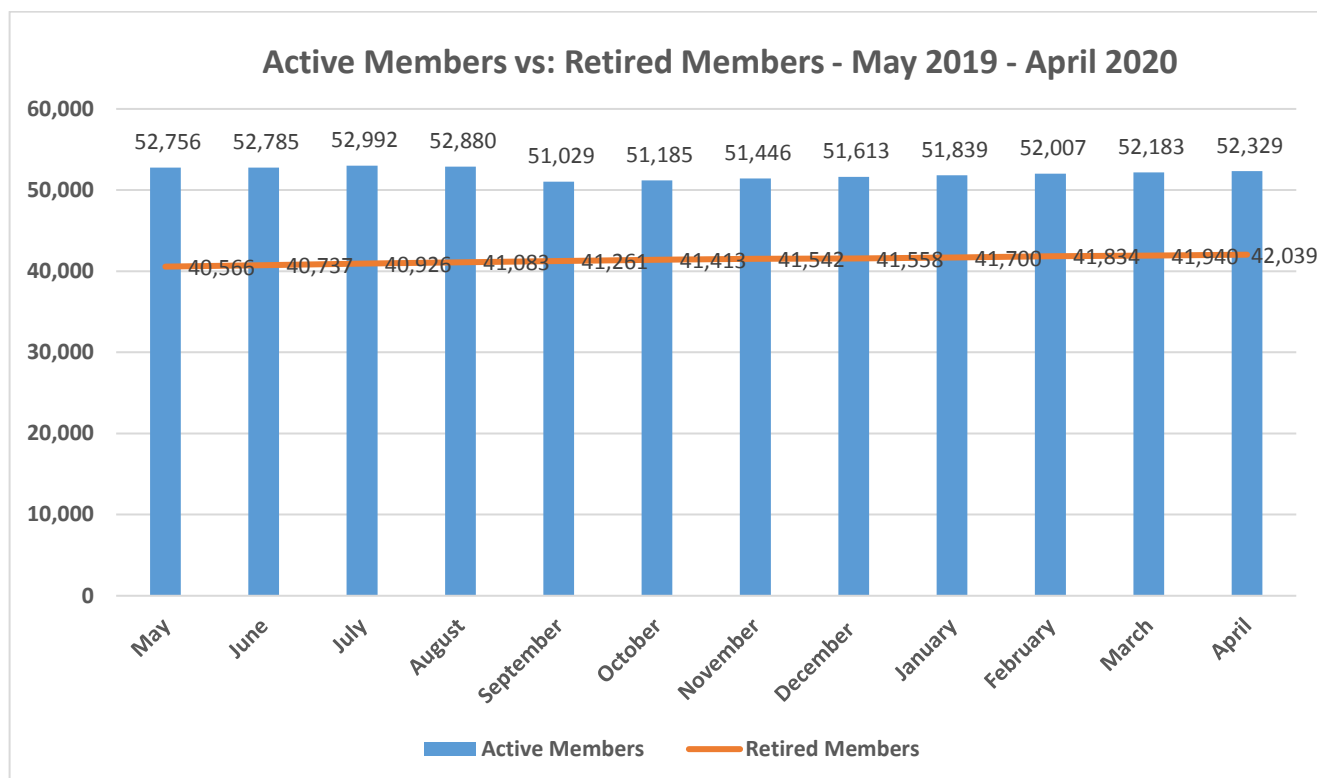
**** Due to adjustments to Employer reports contributions amounts are subject to change**

FY20 Contributions: Investment Income & Contributions thru April 2020





**** Total Refunds Paid during this period was \$50,061,195**



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

PERA has 87 authorized FTE and currently has 7 vacancies

ADDITIONS/DEPARTURES/PROMOTIONS			
Employee	Position/Division	Date Started/Vacated	Status
Jacob Martinez	IT Security & Compliance Administrator	5/30/2020	New Hire

2020 AIR TIME PURCHASES		
Plan Type	February Purchases	March Purchases
State Plan 3	8	11
Municipal Plan 2	2	1
Municipal Plan 3	2	6
Municipal Plan 4	0	0
Municipal Detention Plan 1	1	0
Municipal Fire Plan 5	0	0
Municipal Police Plan 4	0	0
Municipal Police Plan 5	4	5
State Police/Corrections Plan	<u>0</u>	<u>3</u>
TOTAL:	17	26

2020 AIR TIME PURCHASES		
No. of Months	February Purchases	March Purchases
1	1	2
2	1	0
3	1	3
4	4	3
5	0	1
6	2	0
7	1	0
8	0	1
9	0	1
10	1	0
11	0	0
12	<u>6</u>	<u>15</u>
TOTAL:	17	26

Independent Contracts Reviewed	
Entity	# of Contracts Reviewed
Legislative Education Study Committee (LESC)	1
State of New Mexico Legislative Finance Committee	2
New Mexico Environment Department (Westar)	1
New Mexico Office of the Second Judicial District	1
New Mexico Compilation Commission	1
New Mexico Department of Health	1
New Mexico Office of the Second Judicial District	1
City of Hobbs	<u>1</u>
Total:	9

PERA SmartSave Items of Interest – May 2020		
<u>County by Region North - Chris Day</u>	<u>Individual Meetings</u>	<u>Tele-outreach</u>
Colfax		1
Rio Arriba		2
San Juan		7
San Miguel		3
Santa Fe	4	12
Taos		1
<u>County by Region Central - Paul Lium</u>	<u>Individual Meetings</u>	<u>Tele-outreach</u>
Bernalillo	4	48
De Baca		1
Guadalupe		
McKinley		3
<u>County by Region South - Linda Miller</u>	<u>Individual Meetings</u>	<u>Tele-outreach</u>
Chaves		3
Dona Ana		20
Eddy		9
Grant		4
Lincoln		1
Luna		4
Otero		2
Sierra		1
SmartSave Assets as of 4/30/2020 - \$629,021,731.52		
SmartSave Participants as of 4/30/2020 - 23,304		



INVESTED IN TOMORROW.

PERA Board Meeting
May 28, 2020
CONSENT AGENDA

- 1. Approval of Minutes:** April 30, 2020
- 2. Ratification of Retirements - Benefits processed through: 5/1/2020**
 - a. Normal
 - b. Deferred
 - c. Reciprocity to ERA
 - d. Non-Duty Death
 - e. Non-Duty Disability
 - f. Reciprocity to PERA
- 3. Duty & Non Duty Deaths**
 - a.
- 4. Affidavits for Free Military Service:**
 - a. Jesus Cortez - 6 months
- 5. Resolutions**
 - a. City of Rio Communities Resolution No. 2020-172 Resolution Approving Affiliation with the Public Employees Retirement Association and Participation in Municipal General Member Coverage Plan 1, Municipal Police Plan 1, and Municipal Fire Plan 1, effective July 1, 2020.
 - b. City of Rio Communities Resolution 2020-173 Resolution Authorizing Employer Pick Up of Member Contributions for Determining Tax Treatment Under the Internal Revenue Code, effective July 1, 2020
- 6. Educational Conferences**
 - a. Loretta Naranjo Lopez 7th Annual Hispanic Heritage Foundation Investors Forum; Virtual; June 11, 2020; Registration Expenses to be paid by PERA
- 7. Setting of Meetings: June 2020 Meetings**

a. SmartSave Committee	June 9, 2020	9:00 a.m.
b. Audit & Budget Committee	June 9, 2020	following SmartSave Committee
c. Rules & Administration Committee	June 9, 2020	following Audit & Budget Committee
d. Ad Hoc ED Resolution Committee	June 9, 2020	following Rules & Administration Committee
e. Disability Review Committee	June 9, 2020	2:00 p.m.

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

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING
April 30, 2020

1. This monthly meeting of the Public Employees Retirement Board was called to order by John Melia, Chair, at approximately 9:00 a.m. on the above-cited date.

Chair Melia made the following statement: In accordance with the Public Health Emergency Order issued by the State of New Mexico, and pursuant to the New Mexico Attorney General's Open Government Division Advisory during Covid-19 stated Public Health Emergency, which authorizes public entities to conduct virtual meetings, PERA's Board of Trustees meeting is being conducted today, April 30, 2020, through a webinar. Please note that this meeting is open to the public, and all interested persons may attend by using the dial-in number or virtual webinar meeting information provided on PERA's website.

2. & 3. Roll Call

Roll call followed the Pledge of Allegiance and indicated a quorum with the following members present:

Members Present:

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

Member(s) Absent:

Claudia Armijo - State
Maggie Toulouse Oliver - *Ex-officio*

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investment Officer
Greg Trujillo, Deputy Director
Renada Peery-Galon, Administrator Services
Director Trish Winter, Executive Assistant
Kristin Varela, Deputy Chief Investment Officer
Anna Williams, Chief Financial Officer
Ron Gallegos, IT

Others Present:

Tom Toth, Wilshire

Chair's Statement

Chair Melia encouraged the Board members participating, to be patient with each other, staff and the consultants participating today, given the limitations of virtual technology. In accordance with the Attorney General's Advisory Guidance, Chair Melia said today's investment committee will be conducted as follows: 1) We will adhere to the agenda; 2) Please address all comments/questions regarding any agenda item through the Chair, in order to minimize confusion for the participants and listening public; 3) Please wait to be called on by the Chair, and identify yourself by name prior to speaking; and 4) Greg Trujillo will be today's meeting administrator, he can identify who is participating in the meeting either by Zoom or telephonically. If you are participating through Zoom, please use the raise your hand tool to be recognized by the Chair to speak. Do not speak over another speaker. If there is any unnecessary disruption, Mr. Trujillo will be asked to mute audio to regain the appropriate level of decorum necessary to complete the business of the Board today. Lastly, all votes of the committee will be conducted by roll call vote.

4. Approval of Agenda

Mr. Mayfield moved to approve the agenda as published. Mr. Davis seconded.

Ms. Naranjo Lopez said that, according to Robert's Rules of Order, Eleventh Edition, page 360, "New Business" is an opportunity for members to introduce new items of business. She suggested that the items under today's agenda as New Business are incorrectly labeled. Chair Melia offered to look into that with staff.

Ms. Naranjo Lopez said she would be voting against the agenda because it is incorrectly sequenced.

Chair Melia remarked that items B. 2 Approval of Annual Active Risk Budget & Active Target Returns and B. 3, 2020 Investment Committee Work Plan were not dealt with at the April 28th Investment Meeting and requested amending the agenda to remove those two items.

[Board members Eichenberg and Fisher joined the meeting at this time.]

Mr. Neel moved to amend the agenda with the removal of items B. 2 and 3 and Mr. Mayfield seconded. The motion to amend the agenda passed by unanimous roll call vote.

Mr. Mayfield moved to approve the agenda as amended and Ms. French seconded. The motion passed by majority [9-1] roll call vote with Ms. Naranjo Lopez voting against.

Ms. French requested that the Chair review Robert's Rules and address the discrepancy brought forward by Ms. Naranjo Lopez regarding new business.

5. Approval of Consent Agenda

[Exhibit 1: Agenda]

Mr. Davis moved to approve and Mr. Neel seconded. The motion passed by majority [8-2] roll call vote with Members French and Naranjo Lopez voting against.

6. New Business

A. Approval of FY 21 Operating Budget

Mr. Roybal, Chair of the Audit & Budget Committee, said that PERA's FY21 operating budget is based on the request of \$36.2 million which is a decrease of 1+ percent from the FY20 budget. He reminded the Board that PERA's FY21 appropriation request was approved by the Board at its August meeting. This budget is based on that appropriation request. The appropriation budget goes through a legislative process, and during that process the budget was decreased by \$19,200 for salaries and benefits to hold them flat to the FY20 operating budget. They also provided an increase of \$276,400 for a 4 percent compensation increase for the employees. An additional \$28,300 in the personal services and benefits category for a 5 percent increase for the PERA contribution rate. Overall, the FY21 operating budget totals \$36.4 million which is still a decrease of .35 percent from the FY20 operating budget and Mr. Roybal offered kudos to the PERA staff. There is a budget vacancy rate of 3.9 percent.

The Governor has stated that a special session will be called to discuss the revenue shortfalls.

Mr. Roybal said that PERA's operating budget is derived from the trust fund, and any amounts not used revert to the trust fund. As a budget director for the State, Mr. Roybal said he is familiar with, and appreciates the clarity of, the budget presented by PERA.

Chair Melia opened the floor for discussion and questions.

Mr. Mayfield moved to approve the FY21 Operating Budget.

Ms. French recognized that while the budget is a slight decrease from last year the significant increase from a few years ago overrides it. She noted that the state approved the budget before the financial shortfalls surfaced. In an effort to protect the membership's money, she asked whether staff investigated reducing the budget with the pandemic's affect on the market, oil and gas and the state.

Mr. Roybal said he understood the questions brought up by Ms. French would be addressed during the special session. Once called, if the session results in an overall cut to all budgets, then staff will make those reductions. At this point, departments are required to submit budgets at the level approved by the legislature. Ms. French said she preferred being proactive rather than reactive.

Renada Peery-Galon, Administrator Services Director, said it is anticipated that a special session will be called. It is unknown what actions will result, but there will be changes to the General Appropriation Act. Decreases are expected and the operating budget will be adjusted to meet those changes.

Ms. Peery-Galon said that the focus of the cuts are usually on general fund revenues and PERA has general fund dollars to operate the Social Security Administration Program.

Ms. Naranjo Lopez announced that she will be voting against the budget because salaries should have been cut similar to the cuts retirees are experiencing. She said retirees are being made to

pay for plans that are not appropriately funded. Approving this budget when \$55 million is being taken from retirees is concerning, offered Ms. Naranjo Lopez.

Mr. Neel offered a second to Mr. Mayfield's motion to approve the FY21 Operating Budget.

Ms. Fisher remarked that the budget should be tabled, reviewed and reconsidered in light of the pandemic. Ms. Peery-Galon noted that submission of a budget altered from what was approved by the legislature will be an audit finding on the agency.

Ms. Naranjo Lopez suggested PERA receive permission to adjust the budget rather than wait for a special session. She recommended an outside organization review the budget.

Chair Melia noted that the state provided a contribution to the fund to pay the retirees a 2 percent COLA.

Mr. Neel supported austerity and frugality in the budget and recognize that the budget needs to be submitted to the state tomorrow.

For the record, Ms. French said she would vote against the budget, and it was not to harm the agency but rather be proactive.

The motion passed by majority [7-3] roll call vote with Members French, Naranjo Lopez and Fisher voting in the negative.

B. Approval of Investment Committee Action Items

1. Approval of Liquidity Risk Management Parameters, IPS amendment

Steve Neel, chair of the Investment Committee, said the committee met on Tuesday for over four hours. The amendment to the IPS basically breaks down the portfolio with regard to levels of liquidity, and requires that the fund retains a certain level of liquidity, specifically in the most liquid asset class – core bonds and overlay strategies. The importance of this is to ensure PERA does not find itself in a liquidity crunch and be forced to sell illiquid instruments. Historically, a number of public plans have been harmed by that.

Chief Investment Officer Garcia added that this is a strong policy enhancement as a risk management and governance tool around liquidity. Currently, PERA has a very strong liquidity position.

Mr. Mayfield said this IPS amendment is very prudent and he moved to approve. Mr. Davis seconded.

Ms. Naranjo Lopez said that, “without qualified staff to implement such provisions or policies – this is misleading and could undermine the public trust” and she would be voting against this item.

The motion passed by majority [9-1] roll call vote with Ms. Naranjo Lopez voting in the negative.

C. Executive Director's Report

Executive Director Wayne Propst said that he has been sending updates to the Board on a more frequent basis. He noted that the 3rd quarter budget report shows PERA on track to save more than \$400,000 in salaries and benefits, and an additional \$1 million plus in other categories. Those monies will revert back to the trust fund.

The office is closed and it is anticipated the closure will continue at least until mid-May. A number of PERA's member entities have contacted the agency to discuss the impact of furloughs on the accrual of PERA service credit. In 2010 the PERA Board held an emergency administrative rule making, allowing part-time employees to acquire service credit otherwise eligible, without the furlough. Staff may be bringing a similar emergency rule making before the Board in May.

Ms. French recalled that PERA staff was not affected by the furloughs because they are not paid through the general fund. She understood that working 30 and more hours will have no impact on a pension, but less than 30 hours would. Mr. Propst said the Board did amend the policy for part-time employees and he would review that policy. He offered to investigate what Santa Fe City Council recently enacted regarding furloughs as well as other municipalities and counties, and report back to the Board.

Ms. French requested updates on the health of staff and Board members.

Mr. Propst said he was very proud of how well PERA staff has adjusted to working remotely and meeting payroll. At this point, contributing accounting staff is working remotely and the remittance process has been running smoothly. Late penalties have been waived. He anticipated things would become more difficult as budgetary strains are incurred.

7. Adjournment

Having completed the agenda and with no further business to come before the Board, Chair Melia declared the meeting adjourned at 10:05 p.m.

Approved by:

John Melia
Chair, PERA Board

ATTEST:

Wayne Propst, Executive Director

Exhibits attached

Exhibit 1: Consent Agenda