

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
AUDIT & BUDGET
COMMITTEE MEETING
March 10, 2020

1. This meeting of the Public Employees Retirement Board Audit & Budget Committee was called to order by Chair David Roybal at approximately 10:00 a.m. on the above-cited date at the Senator Fabian Chavez, Jr. Board Room, PERA Building, 33 Plaza la Prensa, Santa Fe, New Mexico.

2. A quorum was established with the following members present:

Members Present:

David Roybal, Chair
Lawrence Davis, Vice Chair
Claudia Armijo
Dan Mayfield
Loretta Naranjo Lopez

Member(s) Absent:

None

Other Member(s) Present:

Shirley Ragin
Tim Eichenberg
Paula Fisher

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
Karyn Lujan, SmartSave Plan Manager
Anna Williams, Chief Financial Officer
Misty Schoeppner, Deputy General Counsel
LeAnne Larrañaga-Ruffy, Director of Equity

Others Present:

Jessica Bundy, REDW
Cait Gutierrez, REDW
Lenora Chavez, Retiree

2. APPROVAL OF AGENDA

Mr. Davis moved to approve the agenda. Mr. Mayfield seconded and the motion passed without opposition.

3. APPROVAL OF CONSENT AGENDA

Mr. Davis moved to approve. Mr. Mayfield seconded and the motion passed with Ms. Naranjo Lopez abstaining.

4. CURRENT BUSINESS

A. PERA SmartSave – Custody Transfer Process – Internal Audit Report

Jessica Bundy of REDW said that her firm recently completed an internal audit regarding the 457-plan transition to a new vendor. The audit checked for internal controls and completion of the transfer.

Cait Gutierrez, REDW, reviewed the procedures used for the audit. The reconciliation summary and detailed reconciliations were audited to ensure they were accurately performed, and the ending balances agreed. How the participant accounts were transferred, and the controls in place over the accuracy of the data transferred were reviewed. A selection of 60 participants was used to look at various components of the transfer. Participation notification was also reviewed.

Ms. Naranjo Lopez said she was aware of participants who had issues with the transition and asked why that was not part of REDW's report. Ms. Bundy said the audit was an overall reconciliation. Ms. Naranjo Lopez said it appears that REDW was not given all of the information.

Karyn Lujan, SmartSave Manager, said REDW audited the transfer of all account balances. Problems following the transition, regarding payments or distribution checks, is a separate issue.

Chair Roybal suggested that the participant who encountered problems contact Ms. Lujan.

The 60 participants were a random selection through REDW's software, stated Ms. Bundy. Mostly, REDW focused on controls in place and documentation for the performed reconciliations on the Voya side.

Ms. Gutierrez said there were observations as a result of the testing. However, there were two process improvement recommendations forwarded to staff. Because a transfer of assets of this type happens infrequently, these are merely after-the-fact suggestions. PERA should consider performing an independent reconciliation, or reviewing the reconciliations performed by the service provider, to ensure all assets are adequately transferred for any future custody transfer. It was noted that Voya had an excellent reconciliation process.

Ms. Lujan pointed out that the assets are not housed at PERA. While PERA was

privity to all of the data during the transition, PERA currently lacks the resources to conduct this type of reconciliation. When this transition occurs again, PERA will consider contracting for the service.

Ms. Naranjo Lopez requested a report indicating the number of participants that kept their accounts with Nationwide and identifying how many individuals had problems with distribution after the transition.

Ms. Lujan offered to develop a summary of issues she was aware of following the transition.

REDW's other recommendation was for PERA to upload demographic information to Voya, and Ms. Lujan said she is currently working on that.

CIO Dominic Garcia thanked REDW for their audit work.

B. 2020 Work Plan

[Exhibit 1: 2020 Audit & Budget Committee Work Plan]

Mr. Mayfield moved to approve the 2020 work plan and Mr. Davis seconded.

Ms. Naranjo Lopez said there were large time gaps in the plan, and that concerned her.

Renada Peery-Galon, Administrator Services Director, said she understood the committees were meeting quarterly and the work plan was developed within that schedule.

Mr. Davis noted that the majority of the items listed on the work plan will be vetted by the full Board.

Referring to the 1 percent the retirees did not receive in 2013, Ms. Naranjo Lopez said that she wanted to see how that money was used to pay down the unfunded liability. She asked that that information be included in the work plan for the committee's review, as well as an educational course.

Ms. Armijo suggested the committee approve the work plan and entertain amending it in the future. Plan amendments would be based on a written request for specific information which could be an agenda item.

The motion passed by majority voice vote with Ms. Naranjo Lopez voting against. Explaining her vote, Ms. Naranjo Lopez said that members have said to her that PERA's information is not clear, i.e., salary increases without an explanation.

5. OTHER BUSINESS

None was presented.

6. **ADJOURNMENT**

Having completed the agenda, and upon motion and second, Chair Roybal adjourned this meeting at approximately 10:10 a.m.

Approved by:

David Roybal, Chair
Audit & Budget Committee

ATTEST:



Wayne Propst, Executive Director

Exhibit(s) Attached:

Exhibit 1: 2020 Audit & Budget Committee Work Plan