

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
LEGISLATIVE COMMITTEE MEETING

October 11, 2016

This meeting of the Public Employees Retirement Board Legislative Committee was called to order by Chair Cathy Townes at approximately 11:12 a.m. on the above-cited date in the PERA Building, Senator Fabian Chavez, Jr. Board Room, 33 Plaza la Prensa, Santa Fe, New Mexico.

Roll was called by Executive Director Wayne Propst and a quorum was established as follows:

Members Present:

Cathy Townes, Chair
James Maxon, Vice Chair
Dan Esquibel
Paula Fisher
Loretta Naranjo Lopez

Member(s) Excused:

None

Other Member(s) Present:

Dan Mayfield
John Melia
Patty French
Jackie Kohlasch

Staff Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Jon Grabel, Chief Investment Officer
Greg Trujillo, Deputy Director
Renada Peery-Galon, ASD Director
Natalie Cordova, Chief Financial Officer
Dana David, Assistant General Counsel
Jude Perez, Deputy CIO
LeAnne Larrañaga-Ruffy, Portfolio Manager
Kristin Varela, Portfolio Manager
Emily Lopez, Financial Specialist
Karyn Lujan, Deferred Compensation Plan Manager
Trish Winter, Executive Assistant

Others Present:

Ben Hoecherl, AVP Business Development Nationwide

2. APPROVAL OF AGENDA

Ms. Fisher moved approval. Her motion was seconded by Mr. Esquibel and passed by unanimous voice vote.

3. APPROVAL OF CONSENT AGENDA

Chair Townes indicated that she reviewed the consent agenda and found it accurate and in order.

Mr. Melia moved approval. His motion was seconded by Mr. Esquibel and passed by unanimous voice vote.

4. CURRENT BUSINESS

A. Proposed Legislation for 2017

1. Review of Treasurer Eichenberg's Transparency Reporting Requirements Legislation

Renada Peery-Galon, ASD Director, said this draft legislation deals with transparency and additional financial information. PERA is committed to transparency and the agency conveys this through various means. Regarding the information required within the draft legislation, Ms. Peery-Galon said PERA has historically made the information available. The agency supports the legislation's intent for further transparency.

Ms. Peery-Galon noted that a spreadsheet was provided outlining where PERA makes the information available. She reviewed the different areas where the legislation requests additional financial information and she demonstrated that PERA currently has all the information and it is all easily pulled together.

Ms. Peery-Galon said PERA gives presentations to the legislation throughout the year and certain components of the requested information are within the budget.

Ms. French pointed out that PERA does present its information net of fees as requested in the proposed legislation while another agency does not. She said her concern is that the bill will change as it reaches the floor and SIC may be removed from the reporting component.

Ms. Propst said it is up to the Board as to whether they want to support this bill. From a staff perspective this is legislation that can be supported. As drafted the bill

applies to PERA, ERB, the State Treasurer and SIC. Chief Financial Officer Cordova has noted there are some technical issues within the draft legislation that may require review.

CIO Grabel pointed out that last year PERA was involved in three IPOC sessions where the discussion focused on fees. That culminated with ISC, ERB and PERA providing a joint presentation on fees with a joint template. In terms of the spirit of the draft legislation, Mr. Grabel said disclosure is good for the participants.

B. Update on Special Legislative Session

Mr. Propst said over the course of the special seven-day session the Board was advised via email of occurrences. The session was difficult and disjointed but in the end there were two issues related to PERA that came up. An attempt to take \$10 million in what was referred to as a “surplus” in the legislative fund failed to move forward. Mr. Propst said the agency made it clear that taking those funds was unconstitutional and in violation of Section 22 of the State Constitution. In the end, it appeared there was an understanding that the \$10 million was not surplus but rather part of and comingled and invested within the PERA fund.

The other PERA related provision had to do with the \$2.4 million distribution from the oil and gas distribution fund to the legislative plan. The legislative plan is overfunded and has been for some time. The annual cost of paying benefits is approximately \$700,000 and the distribution is \$2.4 million from that fund in addition to the \$600 per year from active legislators. Three years ago, PERA supported legislation that redirected the \$2.4 million to help shore up the Judicial and Magistrate plans. That legislation passed but Governor Martinez vetoed it. Had it not been vetoed the issues JRA and MRA are facing would not be as dire as they appear now. As part of the legislation that passed this special session there was a substantial reduction to the distribution to PERA. It is still enough to fund the normal cost of maintaining over 100 percent funding for that plan.

Mr. Propst said not raiding the trust fund was of paramount importance during this special session. Taking money from the trust and redirecting it to the general fund is very unfortunate. He said it was a difficult political issue while across state government programs are being cut.

Mr. Propst said the pension swap had been discussed before the session but did not appear in any of the bills.

The purpose of the special session was to address the \$250 million deficit from the previous fiscal year; the current fiscal year contain a \$450 million deficit. The legislature believes that through the actions taken they have plugged both deficits. Depending on oil and gas and taxes they may be faced with further reductions. He said the recent cuts were “no longer cutting to the bone but rather amputating” and state agencies are feeling it.

Chair Townes said she was hopeful a pension swap would not be enacted.

Mr. Propst recalled that legislation reduced the solvency period by three or four years for RHCA. He offered to forward a memo from RHCA.

Ms. French said she was a recipient of a mass email regarding diverting funds from PERA. She was told by a senator that it was not unconstitutional until it's done. Mr. said there was an education issue regarding the stripping of trust funds that should occur with the Board as well as the legislators.

Responding to Mr. Esquibel's question, Mr. Grabel said the price of oil has rallied a lot over the last month. He was unsure of the volume of the price point that the State assumes in terms of calculating its budget but part of the temporary rise is a function of refinery issues and production being taken off line.

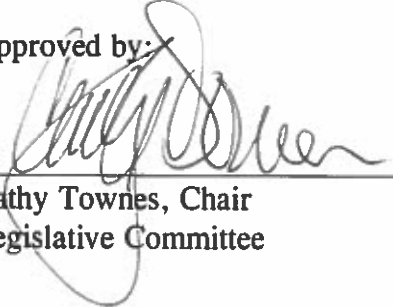
5. **OTHER BUSINESS**

None was presented.

6. **ADJOURNMENT**

Chair Townes declared the meeting adjourned at approximately 11:40 a.m.

Approved by:



Cathy Townes, Chair
Legislative Committee

ATTEST:



Wayne Propst, Executive Director