

**New Mexico
Public Employees Retirement Association
Board Meeting
Thursday, February 24, 2022**

1. Call to Order

This meeting of the New Mexico PERA Board was held on the date cited above via Zoom Tele/video conferencing. Chair, Claudia Armijo, called the meeting to order at approximately 9:01am.

2. Pledge of Allegiance

Roberto Ramirez led the Pledge of Allegiance.

3. Roll Call

The meeting attendance met quorum with the following members present;

Board Members Present

Board Member(s) Absent

Claudia Armijo
Valerie Barela
Lawrence Davis
Tim Eichenberg [out at 9:30am]
Paula Fisher
Loretta Naranjo Lopez
Steve Neel [out at 10:20 am]
Francis Page
Shirley Ragin [out at 9:30 am]
Roberto Ramirez
Diana Rosales Ortiz
Maggie Toulouse Oliver [out at 10:30am]

Staff

Greg Trujillo, Executive Director
Trish Winter, Executive Assistant
Anna Williams, Deputy Director
Kristin Varela, Interim CIO
Misty Schoeppner, Deputy General Counsel
LeAnne Larrañaga Ruffy, Acting Deputy CIO
Jessica Trujillo, HR Manager
Geraldine Garduno, Assistant General Counsel
Karyn Lujan, SmartSave Plan Manager

Angela Romero, Albuquerque Manager
Frank Mihail, Investments
Loretta Lopez, Assistant Legal Counsel
Sara Hume, Investments
Jovanna Archuleta, Investments

Others in Attendance

Rose Dean, Wilshire
Ernie Marquez, Automated Elections Systems
Charlie Marquez, Broadspectrum Consulting
Steve DiGirolamo, Wilshire
Kevin Balaod, Journalist
Darren Cordova
Susan Porter

4. Approval of Agenda

Chair Armijo brought attention to Item 8.B which should read “Informational” as opposed to “Action”.

Paula Fisher moved to amend the agenda, making Item 8 (B) an action item not an informational item. Francis Page seconded the motion. The motion passed unanimously by a roll call vote as follows:

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

Paula Fisher moved to approve the agenda as amended. Francis Page seconded the motion. The motion passed unanimously by a roll call vote as follows:

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes

Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

5. Approval of January 27, 2022 Board Meeting Minutes

Ms. Naranjo Lopez moved to approve January 27, 2022 Board Meeting Minutes. Francis Page seconded the motion. The motion passed unanimously by roll call vote as follows:

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

6. Approval of Consent Agenda

Ms. Naranjo Lopez stated that she would like to attend the same conference Chair Armijo and Member Fisher have on the Consent Agenda and asked that her request be put on this consent agenda. Chair Armijo responded to Ms. Naranjo Lopez stating this would serve as her request to add to next month's consent agenda.

Ms. Naranjo Lopez moved to approve the Consent Agenda. Francis Page seconded the motion. The motion passed unanimously by a roll call vote as follows:

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes

Maggie Toulouse Oliver Yes

7. Unfinished Business

A. Items removed from consent agenda if necessary

There were no items removed from the Consent Agenda.

8. New Business

A. 2021 Board Election Wrap-up

Ernie Marquez, with Automated Elections Systems, reported on the low participation in the 2021 elections but added this is a common occurrence with NMPERA state board positions. They tend to have 10% response plus or minus. There is, however, better participation for retiree's elections.

For the first time, petitions were accepted with electronic signatures, but there were few electronic signatures. Other than original petitions, it was also allowed for petitions to be faxed or emailed. They then had to be verified to ensure no duplicate names before they were qualified. He stated this process took a little longer but it functioned well.

During the elections, all eligible voters were mailed a ballot. A total of 32,800 ballots were issued, only 2,814 were tallied. Out of the 2,814 ballots tallied, 2,760 were done through the vote tabulator, 54 ballots were rejected by the vote tabulator for various reasons. Some ballots come back with just a picture of the candidate. He informed the Board that 1,861 votes were cast for Chair Armijo while Kenneth Figueroa got 951 votes. He said the elections went well but he had hoped for better participation.

Diana Rosales Ortiz asked Mr. Marquez to remind the Board where Mr. Figueroa was from. Greg Trujillo stated Mr. Figueroa was from Alamogordo and he was a state police officer. Ms. Rosales Ortiz observed that she was encouraged by more member participation and nominees throughout the state, not only those in Albuquerque and Santa Fe.

Ms. Naranjo Lopez inquired if there was a written report about the same. Mr. Trujillo confirmed the official written report was presented to the Board in September at the annual meeting when the Board voted to certify the winners. He indicated it was in the Board portal in the September meeting.

Tim Eichenberg inquired about the per diem and mileage members are paid to attend Board meetings. Mr. Trujillo said he believed a \$95 per diem was available for retiree members and those board members who had to take time off work to attend a meeting plus mileage reimbursement at \$0.44 a mile for more than 25 miles. Ms. Williams added the mileage cost changes every year.

Chair Armijo asked about the positions in the Board that the per diem applies to. Ms. Winter stated per diem applies to the retirees and those board members who had to take time off work to attend a meeting. For the Board members employed by the state or county, the per diem

applies to them only if they must take the day off from work. Therefore, there was no double-dipping.

Mr. Eichenberg also asked for clarification for people who came from far, like Las Cruces of Farmington areas, if they are entitled to a per diem on the meeting day only or the day travel day as well for in-person meetings. Mr. Eichenberg mentioned when he came on the Board, there was someone from Las Cruces who traveled either the previous night or the morning of the meeting and there were several people from Farmington.

Mr. Trujillo confirmed there had been board members from Las Cruces and Farmington and they would get the per diem for the day of the meeting. The fund would also pay for the hotel room and their mileage if they had to stay the night before the meeting.

Mr. Eichenberg asked for clarification if the mileage only covers one way even though they spent a night. Mr. Trujillo explained that the mileage is roundtrip.

B. 2022 Board Election Determinations

Mr. Trujillo reminded the Board that in 2021, they made some rule changes that gave them flexibility in the way future elections are handled. He added that Mr. Marquez was going to discuss some of the capabilities Automated Election System can offer. This would give the Board enough time to think about it and see if they want to change the process.

He emphasized the 10% participation rate in the last election and hoped it will give them some options to evaluate to increase the participation rate.

Chair Armijo relayed concerns of some Board and NMPERA members about membership engagement not just with voting but also general information. She urged the Board to keep an open mind on this matter and see what their options are.

Mr. Marquez stated they offer different opportunities for voter participation for members to cast their votes. He noted they also offer voting by phone where you can call in and he believed many members have used this type of voting for credit union elections. He also encouraged members to use this type of voting also.

Mr. Marquez acknowledged there would be additional charges with the new system but still believed each NMPERA member would be mailed a ballot so they can turn it in whether by mail-in, by phone or other means. He further stated that all those charges could go up to \$200,000 for an election and requested some time to figure out how much it would cost.

Chair Armijo asked Mr. Marquez what it meant by vote by phone and if the calls had to be recorded. Mr. Marquez answered that the vote would not record a voice, it would record the code entered into the phone. You would not know who it was but there would be a code matching the vote.

Chair Armijo encouraged the members to investigate the issues and said they would need more information and it would be reviewed and processed by the Rules & Administration Committee.

Mr. Marquez stated he would send information to Mr. Trujillo during the next election about the additional costs and any other procedures the Board may need to know. Chair Armijo agreed that would be helpful and added that Mr. Marquez sends a PowerPoint presentation of how the process works schematically.

Mr. Page suggested adopting proxy voting. He explained that whenever he does proxy voting for his investment, they send him a card with a number, he goes online and enters the numbers and votes for his whoever he wants on those proxy elections.

Chair Armijo said that's something they must investigate carefully and the cost is an element in the decision making.

C. 2022 Legislative Wrap-up

Mr. Trujillo acknowledged the presence of Charlie Marquez and stated any questions for him were welcomed.

Mr. Trujillo then went on to brief the Board on the legislative session. During the session he provided updates to the Board daily.

Two bills were waiting for the governor's signature. One is the SB 2 which was regarding changes to judicial and magistrate retirement and was amended multiple times through the session.

Ms. Naranjo Lopez stated that retirees were concerned that they were giving benefits to certain plans such as magistrates increasing their benefits. They have a plan that's 50% unfunded and they're not meeting their fiduciary responsibility when they allow those things to go on. She added that was the plan that needed special attention but it's unfunded and they're not paying attention to it. She did agree with how they continued to give the judiciary more benefits. She wondered how they were 70% and the retirees benefits were taken away.

Ms. Naranjo Lopez further stated that plan was still underfunded by \$5 billion. She further stated that the retirees want the SB72 repealed and their COLA returned but until then they shouldn't be giving out any more benefits and be careful about plans that are not fully funded. She pointed out that giving out benefits doesn't make the Board look good. She observed that the retirees are most impacted during inflation and they've denied them their cost of living adjustment. She wanted to know who spoke for the bills that were presented but were not voted on the previous month. She also asked why they didn't receive the report for Charlie Marquez.

Mr. Trujillo stated he took direction from Chair Armijo and Legislative Committee Chair Roberto Ramirez about any bill that didn't come before the full Board. There were several items they stayed neutral on and just answered technical questions.

He added that Mr. Marquez was on the call and a status report from him had been included in the Board packet.

Mr. Trujillo reported that Senate Bill 159 was amended and sponsored by Senator's Ingle and Wirth. This bill increases the percentage per diem a member will receive in retirement. The only amendment allows for legislators who had not enrolled in the retirement plan, a 180-day window to enroll. Several freshmen last year especially with COVID missed the window to enroll. He thought that portion of the bill helped enroll members.

Chair Armijo asked when the window period ends. Mr. Trujillo answered July 1st of the year they are elected is the last day they can enroll unless someone is appointed midterm.

Mr. Page asked what the position of the Board was on the bill. Mr. Trujillo mentioned he sought direction from Chair Armijo and Mr. Ramirez and they supported it. He added they did ask for an initial contribution and it will cost the plan \$30,000 more a month. They requested funding in the bill and it was included in the original bill but was later removed in Senate Finance.

Chair Armijo wanted Mr. Trujillo to confirm if historically the legislative fund has been 100% or more funded. Mr. Trujillo confirmed that it's been well over 100% funded during his time with NMPERA. He added they were at 140.1% with this bill and this will drop it to 128.9%. He agreed that it does eat into the surplus but it's still well-funded. With the \$75,000 coming to them in FY 2025, they don't see it as an issue to the funding of the plan.

Ms. Naranjo Lopez asked Mr. Trujillo to point out on which page in his memorandum had the report of Mr. Marquez because she couldn't find it. She recommended the legislature give over 100% to retirees instead of giving themselves a raise and reiterated the repeal of SB 72.

Mr. Trujillo stated the 2022 session wrap-up was his memo to the Board and Mr. Marquez's report was titled "2/22/22 PERA Legislative Summary Report".

Ms. Naranjo Lopez asked the NMPERA Board request all proposed bills to the legislature to be presented to the Board 6 months before the session with analysis. If not, they should deny all bills to go to the legislature. She added that legislators should respect the position of the Board.

Chair Armijo informed Ms. Naranjo Lopez her request was impossible for bills to come before the board that much before the Legislative session because there is no guarantee when a bill is drafted. She added that their staff working with Mr. Ramirez and herself worked well with the deadlines and Mr. Trujillo was able to get actuarial information on all the bills.

Mr. Marquez said he appreciated working with Mr. Trujillo and Mr. Ramirez and was in regular contact with them regarding the legislation. It was clear what their positions were and he was able to discuss each item with clarity and argue the point with the information given from the Board.

Mr. Davis also appreciated Mr. Trujillo and his team as well as Mr. Marquez for always doing a great job. He added that even if he doesn't respond to Mr. Trujillo, he reads all the updates that he sends on what's going on with the legislature.

In conclusion, Mr. Trujillo informed the Board that a memorial passed declaring August 1, 2022 as PERA Day. There will be certificates for the Board members and they will be sent when received. If all goes well, the Governor will designate August 1st as PERA Day when they will celebrate their 75th anniversary.

Board Recessed to Executive Session NMSA 1978, 10-15-1 (H) (3)

Administrative Appeals

1. Billy Alexander

Francis Page moved to recess to Executive Session. Lawrence Davis seconded the motion. The motion passed unanimously by roll call vote as follows:

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

Board Convened to Regular Sessions

D. Final Decision on Administrative Appeals

1. Billy Alexander

Francis Page moved to come out of executive sessions. Ms. Naranjo Lopez seconded the motion. The motion passed unanimously by a roll call vote as follows:

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Roberto Ramirez	Yes

Diana Rosales Ortiz Yes
Maggie Toulouse Oliver Yes

Francis Page moved to adopt the Hearing Officer’s Recommended Findings of Fact; adopt the Hearing Officer’s Recommended Conclusions of Law; and Approve the Hearing Officer’s Recommended Decision. Ms. Naranjo Lopez seconded the motion. The motion passed unanimously by a roll call vote as follows:

Claudia Armijo Yes
Valerie Barela Yes
Lawrence Davis Yes
Paula Fisher Yes
Loretta Naranjo Lopez Yes
Steve Neel Yes
Francis Page Yes
Roberto Ramirez Yes
Diana Rosales Ortiz Yes
Maggie Toulouse Oliver Yes

Steve Neel stated he would be leaving the meeting.

E. Board Member Education Conference Reports

1. Paula Fisher – Pension Bridge Alternative 2021 Virtual Conference

Ms. Fisher reported she attended a Pension Bridge virtual conference in 2021. The classes had many good speakers and they had one on one meetings with the consultants. The meetings were prescheduled and she was able to attend two.

She stated she wished she had the opportunity to participate more but her connection was not great at the time. She however appreciated the fact that she listened to various great speakers and listened to their insights.

F. CIO Report

Interim CIO, Kristin Varela stated she would be brief as there was a 10:30am speech by the President that some of the Board members might want to listen to.

She directed the attention of the members to the December monthly update. It was the most recent finalized report and she wanted to highlight some details.

Ms. Varela reported that December closed a strong calendar year for the fund. Their market value increased by \$321 million and another open high of \$18.36 billion for the end of December period. They transferred \$63 million from the cash account to pay benefits. 54% of fiscal year to date benefit payments have been funded from investment activity.

Ms. Varela noted that the team completed the normal end-of-year Fund rebalance. And they are entering the calendar year 2022 with \$680 million in liquid cash available for them to manage the fund. She assured the members that this liquid cash provided flexibility to navigate through any uncertainty that might occur this year.

In addition, there were some implementation updates from January 19th. They had two proposals presented to PRISM and agreed upon by the Portfolio Fit and Process Review Team. One is a new mandate with an existing partner, \$100 million to a multifamily open-end fund structure. The other is a continuation of their theme to restructure credit risk. The intention is to eliminate active risks and right-size the liquidity for the alternative credit allocation.

December was a strong close for the calendar year, generating a 16.37% return for the fund, for the calendar year 2021, which was a calendar year with very strong returns for the portfolio. When you compared to the actuarial rate of return, they are well above pace.

She reported there are some internal estimates for January as well. At the beginning of the year, they observed some volatility which they typically do, driven by persistent fears of rising inflation, the geopolitical risks associated with Russia and Ukraine conflict, and uncertainty associated with rising interest rates.

January was slightly negative for the month, and was estimated to be down about 2.3%, but for the fiscal year estimates are still pacing near 4%. That activity reflects an estimated \$17.8 billion NAV as of January.

She implied that no one loves negative months and that's why they are long-term investors. Even more, they should look at how their portfolios implementation outpaced the market. What they're seeing are favorable downside protection and capital preservation. For the Fiscal Year to date period, returns are exceeding their policy benchmark by almost 300 basis points. Diversification is paying off and in a volatile market, risk balance is assisting in weathering the storm.

Ms. Varela informed the Board they had two new hires and are fully staffed on the operation side. She mentioned that Justin Deubel is coming on as the investment account manager and added that Justin is a former member of NMPERA and was rejoining them. She also noted, that there was an opportunity to recruit from within the agency and allow someone to continue their upward progression at NMPERA. She stated that Valerie Hayas has been with PERA for several years in the Financial/Accounting Division and had just moved to the investment operations team as the data and compliance manager.

Ms. Varela also stated that Isaac Olaoye, their investment accountant had completed his CPA and congratulated him on having been able to multitask through work and the exam.

Ms. Varela further acknowledged the current political situation between Russia and Ukraine and the uncertainty and volatility it brings to the market. She highlighted that there were early projections of the market being down.

Ms. Varela urged the Board to not be reactive when analyzing the market. She believed inflation will rise higher with the rise in the cost of energy due to the possible imminent sanctions against Russia. She also noted that she believes this will affect global the emerging market health. This volatility will cause equities to go down further except for defense and energy stocks. She noted that there is not much certainty to make any actionable moves and confirmed that her team will stay the course and monitor evolving markets. She reiterated that they would stick to their strategic planning and remove any emotional bias.

She further noted that the team will be tasked with monitoring their managers and understanding the risk that is within their portfolio. One of their biggest focus this year is ample liquidity and corrections like this cause decline and stress on the marketable assets, but they have a liquid path to enable them to pay benefits and meet their abilities.

Ms. Varela observed that with corrections comes opportunity and noted that this larger pool of liquidity would allow the team to work with their managers and focus on opportunities that may present itself. She added they may not like how the market is looking at the moment but that's what their asset allocation is built for.

They have talked about balancing risks across economic regimes, which are defined as growth, rates, and inflation. What they are seeing now is growth is declining while rates and inflation are rising and that's a positive balance. The market is always going to be uncertain and this diversified risk balanced approach is what is going to help weather the storm.

Chair Armijo thanked Ms. Varela for the presentation and the additional information to the Board. Mr. Davis also thanked Ms. Varela for the thorough insights she had given on the current developments in Russia and Ukraine. He agreed they would not be making emotional decisions considering what is going on. Mr. Davis stated that Russia invading Ukraine was not a small development and it's going to have a huge impact on the market. He agreed that they are well diversified.

Mr. Davis further recommended that they need to have foresight and not just stay where they are. They need insight on how to move forward because the situation is not going away soon. He sought to get that insight from Ms. Varela. Ms. Varela agreed with Mr. Davis that the situation was a large fundamental shift in the market and it will affect different markets in both the short and long terms.

She reminded the Board they are long-term investors and when they are doing their asset allocation plan, they are planning for a 30+ projection. It is difficult to anticipate war or how it impacts the overall economy but what they can do is balance those risks accordingly. She further believes staying the course is prudent because they have built a lower beta, highly defensive portfolio. Ms. Varela added that their managers are more defensive and lower beta oriented, and they're continuing to focus on capital preservation.

She also indicated what might change for them is how they view risk in their upcoming strategic sessions. Their conversations have been focused on if they're targeting enough risk in the portfolio and if any addition to risk should be considered. The kind of correction this

situation is presenting might require the Board to take a step back and view their risks holistically, to make sure they are comfortable with a changing risk profile in a declining market.

Ms. Varela stated that bonds may not be the most exciting place for investors because of their lower return. She added they are, however, a stabilizer because of their liquidity and stability. She further stated that in the short term, staff will stick to policy, monitor managers closely, and manage Fund liquidity. For the long term, she believed this would drive how they approached allocation to risk and liquidity in the coming months, in terms of strategic asset allocation.

Ms. Varela admitted she did not give specific details, because of the early evolution of this conflict, but confirmed that they will gain more clarity with time as they understand more about sanctions that countries will impose on Russia. They expect aggressive sanctions even though they will impact the inflationary environment for consumers. She mentioned markets have received consistent communication from the Fed on tapering acceleration and increasing interest rates but did believe this uncertainty and correction environment might make the Fed reconsider this stance.

Ms. Varela reiterated that the uncertainty was real and more clarity is needed before they make any big decisions. She urged the Board to stay the course and have trust in the diversified low-risk investment strategy and it will pay off as it has before. She said as they move into the future, they will keep these corrections in mind when thinking about the type of risk they want to take.

Mr. Davis agreed with Ms. Varela and noted they should not wait for the Board to reassess the risk in this situation. He likened it to the onset of COVID19 and how it shook the markets and brought huge reductions in spending and huge market disruptions. He stated Ms. Varela and her team were the experts and they were looking to them for insights and advice on the way forward. He encouraged the Board to work with the investment staff and come up with plans.

He mentioned he would like to be proactive and not reactive. He urged them to communicate if they should stay the course and have their insights on the communication. He looked forward to their communication about that.

Ms. Varela emphasized they were doing exactly that and were focused on direct asset management and their team had shifted focus from quantitative monitoring to qualitative monitoring. Alpha teams have been directed to have in-depth discussions with all their liquid asset managers to understand what risks they're taking and if they see any shifts in their strategy that they need to deploy.

She reminded the Board that their strategic asset allocation is policy. They won't see a shift outside their adopted ranges because they were adopted as long-term strategic planning and goals. They can act accordingly within their active risk budget as adopted by the Board.

They will be managing the overall strategies impacted by severe market drawdowns daily. She clarified when she says stay the course, she meant to stay the strategic course, but clarified that her team was working proactively with managers and there are a lot of internal activities occurring on the ground.

Chair Armijo brought up the fact that Ms. Varela had the authority within certain parameters to make decisions without coming back to the Board. She appreciated Ms. Varela for being aware of those parameters.

Ms. Naranjo Lopez congratulated the new hires, Justin and Valerie, and also congratulated Isaac on completing his CPA. She inquired about the whereabouts of the hedge fund report she was supposed to get. She added that she was aware they were given \$1.5 billion and wanted to confirm if staff was still working on it.

Ms. Varela informed the Board that Ms. Naranjo Lopez requested an overview of the hedge fund allocations the previous month. There was a direct \$1.5 billion allocation that Ms. Naranjo requested. She stated they were utilizing that as an opportunity to develop their first educational primer on investment PCs. They will be posting it to the Board portal under the library resource that says investment resources.

This will highlight an intro to what a hedge fund is, how NMPERA views the hedge fund space, how they allocate to them, and what governance is in place. She believed the question Ms. Naranjo Lopez meant to ask was how they're able to allocate into hedge funds.

Ms. Varela said they have allocated hedge funds through the bonds plus allocation. There's been a lot of educational resources provided to the Board and staff on portable alpha specifically and they will refresh those educational pieces for reference for everyone. She added that hedge funds are implementation path just like any other investment structure. They wanted to give the Board a view of how they view those opportunity sets and how they hold those managers accountable.

Hedge funds specifically have a stigma attached to them and they're known as being more complex and less transparent. They were going to use this question to paint the whole picture of how they're thinking about their alpha capture and what fees they're willing to pay to receive value.

She stated they are developing a Board member request compliance program and Valerie Hayas will take on all the compliance initiatives. Board requests are one of the initiatives that will ensure members won't wait as long as Ms. Naranjo Lopez has for receive a response. She apologized to Ms. Naranjo Lopez for the long wait. Ms. Varela said they will start tracking compliance reporting requests and giving feedback on how long it will take their team to respond and what the deliverables look like. She indicated they are in the final touches and the report will be posted on the portal soon. They will then offer one on one time with any member that would like to talk about strategies, the hedge fund holistically, or their views on the space.

Ms. Naranjo Lopez was concerned that they allocated \$1.5 billion to an unlicensed investment bank and to her understanding, that violated federal laws that require licenses. She added that when she joined the Board in 2005, Richard Fillato advised her to be careful about hedge funds. She was worried because the previous CIO took them out of it and he ended up tripling his salary and he is the one who provided the allocation. She said that she will send Ms. Varela an article in the magazine that raised concerns about hedge funds and emphasized the seriousness of getting the information.

Ms. Varela clarified that all managers they've allocated for the last three years have been registered, audited, and fully governed by the SEC. They're highly reputable and well-established managers that are actively managing capital for many institutional peers. She added that active allocations to the hedge funds are closer to \$900 million, not \$1.5 billion. The original conversation the previous CIO had before his departure was an increase in bonds plus a portable alpha allocation, to \$1 billion, but they paused that increase once the CIO departed. .

Ms. Varela stated the commitment stopped at about \$800 million and they will have an update in March on the program. They will show the Board the success of the program and the managers in the book with their returns. Ms. Varela further emphasized their managers are registered investment advisors managing reputable capital, and they've allocated them following the active risk budget educational endeavors that the past CIO and Wilshire provided.

Chair Armijo thanked Ms. Varela for turning a Board request into an educational tool for the whole Board.

Ms. Fisher also thanked Ms. Varela for her transparency and the updates she sends to them. She also appreciated Ms. Varela and her team for strategizing to monitor their respective areas. She welcomed the new hires to their team.

Chair Armijo echoed Ms. Fisher's sentiments and congratulated Isaac on completing his CPA.

Mr. Davis explained he aimed responsibility towards Ms. Varela and her team for insight but they also looked forward to the insights of Wilshire and Rose Dean as the Board consultants. He encouraged them to increase their communication and insights. He also noted they work well with the investment team even though they're an independent arm of the Board.

Ms. Varela revealed that Wilshire will be the highlight of their March investment committee. They will do a formal review of the last quarter with Ms. Dean and Steve DiGirolamo, talking about the impact of current situations.

They will also be the Board's primary consultant to evaluate the strategic risk profile the Board should take into the future. She added that they are always available for questions and accessible. Ms. Dean assured the Board that they are always available for questions from the Board. She added that on the tactical side as things develop, they're always in constant communication with the staff. Any changes or recommendations that need to be made to the portfolio will be communicated to both the staff and Board.

G. Executive Director's Report

Mr. Trujillo reported that the retiree's payroll keeps growing. The report he saw in February was close to \$115 million but they will wait till those numbers are final. He noted that it was high on the benefits they payout to the retirees.

He highlighted that an Assistant General Counsel had been hired, Loretta Lopez who came with experience at the state risk management division, was the head of Workers Comp Administration, and a former Metro Court judge. He was glad they were able to get her on board and believed she will be a wonderful asset on the disability committee. There were also several internal promotions in February and there are vacancies because of that.

Mr. Trujillo sought to confirm from the Board if they received welcome emails from Board Smart. He explained that Board Smart was the tool they were briefed about that would help with Board training and some specific training towards public pensions. He stated the emails will be resent to those who had not received them because the training was expected to start before the March committee meeting. Relevant topics will be sent to each committee to give them extra reading material in preparation for their meetings.

Ms. Fisher appreciated Mr. Trujillo for the internal promotions because it was an encouragement to employees.

9. Public Comment

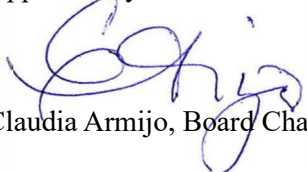
There were no comments from the public.

10. Adjournment

Chair Armijo announced they will start to have committee reports on the Board Agenda, after a committee meets. The chair of the committee will give the Board an update on what the committee is doing.

With no further business to discuss, Chair Armijo adjourned the meeting at approximately 10:59 am.

Approved by:


Claudia Armijo, Board Chair

ATTEST:


Greg Trujillo, Executive Director

Exhibit(s)