

**NEW MEXICO  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Board Meeting  
February 9, 2021**

1. This PERA board meeting was held on the date cited above via Zoom Tele/video conferencing. Francis Page, the acting Chair, called the meeting to order at approximately 9:04 a.m. and adjourned at 11:36 a.m.

2. **Roll Call**

Trish Winter, Executive Assistant, undertook the roll call. Meeting attendance met quorum, with the following members present:

**Members Present:**

Francis Page, Acting Chair  
Lawrence Davis  
Tim Eichenberg (at 9:20 am)  
Paula Fisher  
John Melia  
Loretta Naranjo Lopez  
Steve Neel  
Shirley Ragin  
Roberto Ramirez  
Diana Rosales Ortiz  
David Roybal

**Staff Members Present:**

Greg Trujillo, Deputy Director  
Susan Pittard, General Counsel  
Anna Williams, ASD Director  
Dominic Garcia, CIO  
Kristin Varela, Deputy CIO  
Trish Winter, Executive Assistant  
Misty Schoeppner, Deputy General Counsel  
LeAnne Larranaga Ruffy, Investment Portfolio Manager  
Frank Mihail, Investment Portfolio Manager  
Karyn Lujan, SmartSave plan Manager  
Jessica Trujillo, HR Manager  
Isaac Olayoye, Investments  
Jessie Godfrey, Refunds Customer Service Manager  
Marlena Riggs, Budget Manager  
Joaquin Lujan, Investment Portfolio Manager  
Geraldine Garduno, Assistant General Counsel

**Others Present:**

Thomas Rey, CPA, CliftonLarsonAllen  
Kory Hoggan, CPA, Moss Adams  
Lauren Kistin, CPA, Moss Adams  
Tim Johnson, DPS Acting Secretary  
Mike Krems, TorreyCove

### 3. Pledge of Allegiance

John Melia led the Pledge of Allegiance.

### 4. Approval of Agenda

Steve Neel moved to amend the agenda by eliminating Items 5A.1 and 5A.2 from the agenda since they are a fait accompli. Mr. Melia and Executive Director, Wayne Propst, have already resigned. Mr. Neel felt that it is not within the Board's purview to accept something that has been completed. Lawrence Davis seconded the motion.

Loretta Naranjo Lopez disagreed and stated that the Board oversees the Executive Director and they need to accept the resignation. She proposed a motion to amend the original motion. Ms. Naranjo Lopez agreed with item 5 A.1 and stated that the action is not necessary.

Under the Board's rules, the Chair's term ends after one year. They can run for reelection but the position is vacant until the Board fills it. Ms. Naranjo Lopez stated that accepting the resignation would make a board member feel weak.

On 5A.2, Ms. Naranjo Lopez stated that the Board is responsible and she will not accept taking it off the agenda. Ms. Naranjo attempted to amend the motion. Mr. Neel responded and stated that it would be purposeless for Mr. Propst to continue his employment with PERA if the Board chooses not to accept his resignation. Mr. Propst has resigned and the Board cannot compel him to continue working

Mr. Melia stated that it would be a waste of time to discuss his resignation. He had resigned at the last Board meeting and had had no communication with any board members since then. It was a waste of time voting on something that had already been done and regardless of the vote, the Board had no control over it.

Ms. Naranjo Lopez requested an amendment that the New Mexico PERA Board accepts the Executive Director's tendered resignation referencing the Albuquerque Journal article and Santa Fe New Mexican. She pointed out that this was the first time the Board was informed.

David Roybal called a point of order and requested that they go back to the original motion. Ms. Naranjo Lopez was requested to propose an amendment. She insisted to continue reading her statement.

Mr. Neel stated that there was no second to Ms. Naranjo Lopez's motion. He reiterated that the Board should go back to the original motion and have a roll call vote. Francis Page stated that he will remove 5A.1 from the agenda. Ms. Naranjo Lopez pointed out that it is only the Chair that can take off the agenda item.

Susan Pittard, General Counsel, explained that the agenda has already been published. The Chair cannot take something off the agenda. It needs to be amended to remove the items. Ms. Pittard cautioned against the amendment offered by Ms. Naranjo Lopez as it would be outside the scope of what has been noticed. Ms. Pittard further explained that the Board does not have the authority to preclude someone from holding office or seeking Board membership. Ms. Naranjo Lopez's motion was therefore outside the scope of the Board's authority.

The motion to amend the agenda by removing items 5A.1 and 5A.2 passed by a roll call vote of 8-3 as follows:

Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	No
John Melia	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Francis Page	No

Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

Chair Page asked if he had the authority to run the Board because 5A.1 had been removed. Ms. Pittard explained that Mr. Page was elected Vice-Chair and therefore can run the meeting in the absence of a Chair.

Ms. Naranjo Lopez reiterated that the Chair’s term had ended and there was no need for him to resign. She asked for clarification on that point. Ms. Pittard clarified that Mr. Melia is no longer the Chair. The Vice-Chair can therefore take over and have the duties and responsibilities delegated by the established Board according to Board Policies and Procedures 2.63.

Chair Page motioned to amend the agenda by removing Item 6B.2 (Executive Director Hiring Process) from the Executive Session. Lawrence Davis seconded the motion.

Ms. Pittard explained that the only item that will be discussed in Executive Session is Item 6B.1. She stated that the discussion of how the Board will conduct the hiring for the Executive Director in the Executive Session and needs to be done in the Open Session. The Chair is inclined to defer it to the meeting on the 25<sup>th</sup>.

Ms. Naranjo Lopez indicated that because of timing, the Board should move forward on the hiring process. She suggested that they take it nationwide to get someone who understands investments and has the qualifications.

A question was raised about the need for discussing Mr. Trujillo’s temporary pay increase in closed session when it is public information. Ms. Pittard explained that there is an exemption under the Open Meetings Act to discuss a specific employee and their qualifications related to a temporary promotional increase. The Board action has to be taken in public, which is stated under 6B.1. It was agreed that anything regarding the temporary promotional increase, including Mr. Trujillo's qualifications, can be discussed behind closed doors.

Ms. Naranjo Lopez asked if the Board would move forward to hire a new director. Chair Page responded that it would not be done today. Ms. Naranjo Lopez pointed out that they need to get legal advice, in writing, on whether the hiring process could go forward if the Board doesn’t accept the resignation of the former executive director.

Responding to Ms. Naranjo Lopez, Ms. Pittard stated that even though the Executive Director perhaps did not send a written letter to the Board, he had taken steps with the State’s share system to terminate his employment. The termination is effective on the 12<sup>th</sup> and the Board cannot take any other action to change that. She further explained that the Board will have to vote on whether to perform a written legal opinion on that issue. Ms. Naranjo Lopez noted the risk of the director suing the Board if they did not accept his resignation.

The motion to amend the agenda by removing item 6B.2 passed by a unanimous roll call vote as follows:

Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

John Melia moved to approve the agenda as twice amended. Steve Neel seconded the motion. The motion passed by a roll call vote as follows:

Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

## **5. B Election of 2021 Board Officers**

### *1. Board Chair Election*

Acting Chair Page indicated that during the last election the nominees, Mr. Roybal, Ms. Fisher, and Ms. Naranjo Lopez, got 6, 5, and 1 vote respectively. He gave them the platform to give speeches.

Mr. Roybal thanked the acting chair and stated that he wants to be Chair for two reasons;

1. To be the voice for all the PERA members, both retired and active. He would listen to all the members and bring their concerns to the Board for discussion.
2. Progress on investments. He indicated that the existing asset distribution needs to be evaluated and how it compares with other public pension schemes which could have done better. He also mentioned that the Board is currently spending a lot of time on administrative supervision and Robert's Rules of Order and personal attacks. They've got to get back to being fiduciaries.

Ms. Fisher stressed the need for the Board to collaborate as one of its priorities. She said she would support the Board to be able to work professionally together without shouting to be better fiduciaries. With bills such as Senate Bill 90 and Senate Bill 72, she highlighted the need to focus on the issue of increasing unfunded liability.

Ms. Naranjo Lopez reiterated the goals that she had stated at the previous meeting. She questioned the time commitment of the other two members and their plan to improve investment results. In addition, Ms. Naranjo Lopez stated that she will: deal with asset allocation, evaluate managers and ensure that they consistently deliver 10% net of fees, and oversee in-sourcing at least half or two-thirds to cut costs.

Responding to Ms. Naranjo Lopez, Mr. Roybal agreed that the focus on investments is important. He indicated that his second goal touched on time and noted that the Board had spent 41 minutes of this meeting going through the agenda. That time could be spent on investments.

With regards to asset allocation, Mr. Roybal stated that they need to be meeting with the investment team frequently and get better reports. He added that being the chairman, he can help the communication between the Board by eliminating all the unnecessary back and forth and move it forward.

Responding to Ms. Naranjo Lopez, Ms. Fisher concurred with Mr. Roybal's sentiments and added that she has experience with a leadership role. Regarding investments, Ms. Fisher stated that they would work together with the investments team and also look at the money managers.

Ms. Naranjo Lopez differed with Mr. Roybal on his point about consultants. She stated that she would get rid of the consultants because they do not have the qualifications to deal with investments and consider cost-savings by insourcing.

Mr. Neel inquired how the three nominees planned to put trustees on committees. Responding to Mr. Neel, Mr. Roybal indicated that he had covered committee assignments during his presentation at the previous meeting. He explained that he would first ask for preference and ask the board members the committees they would like to be in. He also emphasized the need to have the right board members chairing the committees by putting their strengths in the right places.

Ms. Fisher echoed Mr. Roybal's sentiments on reaching out to the members and asking for their preference. She acknowledged the CPAs on board and stated that they would fit in all aspects of the audit and investments. She would also utilize everyone's skill, strengths, and knowledge per the fiduciary responsibilities.

Ms. Naranjo Lopez stated that she would follow the rule of rotating each member because the Board bailed on that. The rotations would ensure that each member has experience in all the different committees of the PERA Board. She would also treat each member equally and consider their recommendations.

There were no more discussions.

The Acting Chair called for a roll call vote to elect a Board Chair. The results of the vote were as follows: David Roybal, 5 votes; Paula Fisher, 5 votes; Loretta Naranjo Lopez, 1 vote. Majority of 6 needed, vote fails.

Lawrence Davis	David Roybal		
Tim Eichenberg		Paula Fisher	
Paula Fisher		Paula Fisher	
John Melia	David Roybal		
Loretta Naranjo Lopez			Loretta Naranjo Lopez
Steve Neel	David Roybal		
Francis Page		Paula Fisher	
Shirley Ragin	David Roybal		
Roberto Ramirez		Paula Fisher	
Diana Rosales Ortiz		Paula Fisher	
David Roybal	David Roybal		

## **5. C Consideration of 2021 Legislation**

### ***A. HB162-Public Employee Retirement Board Changes***

Deputy Director, Greg Trujillo, reported that there are three bills for the Board's consideration. He reported that Tim Johnson, the State Police Chief and acting Department of Public Safety Secretary, was also on the call under Senate Bill 315.

Mr. Trujillo indicated that House Bill 162 was not discussed at the last meeting and was introduced by Representative Phelps Anderson. The Bill changes the makeup of the PERA Board to be appointed rather than elected by different classifications of membership.

The bill was initially scheduled to be in the State Government, Elections and Indian Affairs Committee. The first hearing was rolled over. Mr. Trujillo reported that he had not heard if the bill will move. He requested the Board's direction on whether PERA supports it or remains neutral.

Ms. Naranjo Lopez moved to oppose HB162 of the current 2021 legislative session and any other bill designed to replace New Mexico PERA's elected Board with an appointed board without support from the New Mexico Board and its members. She cited the following reasons:

- The New Mexico PERA Board has never authorized an allocation of resources to draft or help draft HB162 yet it is specific and tailored. The bill by its terms removes all current board members effective June 30, 2022.
- The Board’s Executive Director is highly involved in legislative affairs.
- The Board maintains a professional lobbyist.
- New Mexico PERA Staff should have known about HB162 but yet appear to be stalling Board review.
- If passed, HB162 could lower investment results which could lead to the increase of state taxes.
- Increased costs. Elected New Mexico PERA directors periodically draw from 10,000 pension beneficiary volunteers to help increase transparency, accountability, and investment returns. Appointed directors would not have such support.
- Increased risk of bribes, kickbacks, and quid pro quo.
- Appointees would not have to face voters.
- Board meetings could be held largely outside of public view.
- Slow down turnaround efforts and likely cause irreparable damage to the public trust.
- It proposes to elevate the status of consultants from external advisors to full voting directors.
- It lowers democracy, transparency, accountability, and investment returns.
- [Alleged] Staff misconduct is likely to grow.
- Benefits might reduce and members can expect more SB72s.

Ms. Naranjo Lopez also moved to suspend the services of the New Mexico PERA current lobbyist, hire a new lobbyist, allocate a \$1 million budget to fight against this bill, and delegate to the Rules and Ethics Committee responsibility to oversee efforts to HB162.

Ms. Naranjo Lopez indicated that the fiscal report provides no analysis from the actuary as required by PERA’s policies and procedures. She also pointed out that the Board’s actuary must be present when discussing bills. The bills should be discussed ahead of time before going into the legislative session.

Roberto Ramirez seconded the motion to oppose the bill.

Ms. Pittard explained that when there is a cost to the system or a benefit change, legislation is provided to the actuaries. This is a governance bill and does not need an actuarial analysis. Ms. Naranjo Lopez disagreed with Ms. Pittard.

Mr. Neel concurred with Ms. Pittard that this is a governance change. It would not have any impact on the funding of the pension so having an actuary would be a waste of money.

Ms. Fisher emphasized that the bill will impact the funding. It will take the members’ voices out of the equation for who they would like to represent them. The appointees will be loyal to those who appoint them without regard to the fund. She further stated that the Board should decide whether they want PERA to become political or remain intact with the membership overseeing the fiduciary responsibility.

The motion to oppose passed by a roll call vote of 6-5 as follows:

Lawrence Davis	No
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	No
Loretta Naranjo Lopez	Yes
Steve Neel	No
Francis Page	Yes
Shirley Ragin	No
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	No

Mr. Davis explained that the reason for voting no is because the Board has not been able to address investments. He felt that they should let the legislators decide.

**B. SB 194-Public Corruption Act**

Mr. Trujillo reported on Senate Bill 194, sponsored by Senator Mark Morris and Representative Matthew McQueen. He explained that the bill states if an elected official is convicted of corruption, any time that they earned towards pension from PERA as an elected official would be forfeited.

Ms. Naranjo Lopez stated that the definition of a public official should be expanded to include New Mexico Executive Director, General Counsel, Chief Investment Officer, and any officer with the authority to allocate, invest, or distribute capital on behalf of New Mexico PERA. She also suggested that the word ‘not’ be deleted from Section 4C so that penalties apply prospectively.

Acting Chair Page pointed out that the Board cannot change the bill. Ms. Naranjo Lopez suggested that they talk to the bill’s sponsor.

Mr. Eichenberg questioned why the bill is on the agenda if it is not the Board’s bill. Acting Chair Page responded that they were supposed to either support it or not.

Responding to Mr. Eichenberg, Ms. Naranjo Lopez reiterated that the Board should discuss these bills and give their recommendations before going to the legislature. She indicated that it is possible to change them because she deals with bills on her neighborhood issues a year ahead of time.

In response to an inquiry by Chair Page, Mr. Eichenberg explained that he does not understand how it would affect the Board if someone can’t collect their pension because they did something illegal. The Board would just pay out the money contributed and there would be no impact on them. He further asked why the Board is being tasked with endorsing the bill.

Responding to Mr. Eichenberg, Ms. Pittard stated that the bill does more than just have someone withdraw their pension. It would require the Board to recalculate pensions, continue to administer child support and divorce orders. The bill was brought before the Board because it involves certain benefits and has direct relation to PERA.

Acting Chair Page asked if it would impact PERA Board members. Ms. Pittard stated that it would not. It only covers public officials who are subject to the campaign reporting act. She also pointed out that the judicial act has a provision that covers judges if they are convicted or removed from the bench.

Ms. Rosales Ortiz clarified that the bill makes sure that those elected to an office and convicted of a crime are not entitled to the retirement fund. It will not affect the Board.

Ms. Rosales Ortiz moved to support SB194 Public Corruption Act. Mr. Neel seconded the motion. Motion passed by a roll call vote with 1 abstention as follows;

Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Abstain
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

**C. SB315-Public Safety Officer Retirement**

Acting DPS Secretary Tim Johnson presented SB315 to the Board and stated that it is not only the state police but DPS's number one priority this session. He reported that in 2015, DPS had petitioned the legislature to do a merger of the Special Investigations Unit and the Motor Transportation Police Department for them to become a part of the state police. That legislation passed.

Mr. Johnson indicated that a few things on that legislation should have been done differently. He stated that the definition of what a state police officer was as it pertains to PERA and retiree health left out those 150 folks.

Mr. Johnson reported that when adjustments to PERA were made in one of the sessions in 2020, it still left them out and even damaged their health care upon retirement. He explained that the bill looks to adjust that definition of state police to include the MTD and SIU mergers. There is an appropriation in the bill of about \$6 million which the executive budget recommendation supports. The LFC was not up to that figure but there are plans to adjust it.

Mr. Johnson reported that the legislature widely supports the bill. He requested that the Board also approves and supports it.

Mr. Neel asked if the appropriation in the bill is actuarially neutral. Responding to Mr. Neel, Mr. Trujillo stated that there is a fiscal impact with this bill. He reported that they worked with DPS to identify the members that would be affected. The information was provided to the actuaries and the \$5 million impact is what they came up with. He further stated that there is an appropriation to make it neutral.

Condolences were offered to Mr. Johnson for the loss of Officer Jared. In response to an inquiry, Mr. Johnson confirmed that MTD employees are state police officers. He stated that other than PERA and retiree health, everything else remains the same; working hours, uniform, and vehicles. Mr. Johnson further stated that Officer Jared would have been one of the employees affected by this. He was one of the merger employees from MTD.

Ms. Fisher asked if the merger employees took part in the training that state police officers do. Mr. Johnson responded that they did not go through the State Police Academy. However, they were all certified prior to the merger through a different academy.

Ms. Fisher also asked if it is now part of the routine that all the merged individuals are included in the actual state police training. Mr. Johnson answered in the affirmative and stated that recruits joining the state police now go through the same training.

Mr. Davis moved to support Senate Bill 315. Mr. Neel seconded the motion.

Ms. Naranjo Lopez recommended that the bill be deferred because the PERA Board should not be accepting bills without prior review before the legislature meets and without the presence of an actuary. In response, Ms. Pittard stated that the actuarial analysis of the bill is in the fiscal impact report, which shows the net actuarial impact. Ms. Naranjo Lopez insisted on hearing it from the actuary.

Acting Chair Page asked if Mr. Trujillo had worked with an actuary. Mr. Trujillo reiterated that they had worked with DPS to run the data and come up with a cost. The cost was done by the actuary.

The motion to support the bill passed by a roll call vote of 10 to 1 as follows;

Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes



Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

**a. Other possible legislation**

Mr. Trujillo reported that there were no additional legislations. He informed the Board that they had their first budget hearing in front of a subcommittee of the House Appropriations this past Saturday. The hearing went well. The request submitted was recommended by both the LFC and the executive.

**6. New Business**

**A. Presentation of FY20 Audit Reports**

**1. FY20 Audit Report – CliftonLarsonAllen**

CliftonLarsonAllen CPA, Thomas Rey, reported that he leads a team nationally that works with large state retirement systems, investment trusts all around the country. He stated that he would give an overview of their audit approach and go through the June 30, 2020 audit results for the PERA defined benefit funds and the deferred compensation plans. He would also go through the required communications of fiduciaries and high-level defined benefit fund financial highlights.

Mr. Rey stated that the audit approach is not a financial audit, an internal control audit, or an operational audit, or a fiduciary audit. They express an opinion on the financial statements. Every audit is risk-based and that starts with the planning of the audit. Part of the risk assessment process entails looking at key processes and procedures, and process documentation. They validate those documentations with actual procedures, making inquiries and developing an understanding of PERA.

Mr. Rey reported that they do audits and testing using materiality threshold. Materiality is a two-way street; one is quantitative materiality based upon a net position of the fund, and two is the qualitative aspects based upon risk profiles.

Mr. Rey stated that the key critical audit areas are the investments and the investment portfolios. Inflows are the contributions from employees and participants. Benefit payments go out to retirees and other beneficiaries.

Mr. Rey reported that he had talked to the Board five years ago about GASB 67 which affects retirement systems, and GASB 68 which is disseminated out to the employers. GASB 67 split funding and accounting. The difference between the two is that for funding purposes, the actuaries smooth gains and losses over some time, whereas the accounting valuation is the market value of assets. That ratio is subject to more volatility in the accounting valuation as significant market gains and losses have an immediate impact on that ratio, whereas gains and losses are generally smooth to reduce that volatility in funding valuation.

Mr. Rey reported that audits are done in two phases, the preliminary phase, and the final phase. The preliminary phase entails a lot of testing of controls, walkthroughs, procedures, and understanding things. The final phase, or substantive fieldwork, is focused on the numbers in the financial statements and validating those numbers. Price testing is done using Bloomberg machines on all the equity and fixed income securities.

Contributions entail understanding the internal controls around the contributions, walking through the processes, and testing controls over contributions. Substantively, once the books are closed, they reconcile contributions from the general ledger to subsidiary ledgers and perform independent confirmations of the contributions to large employers around the state on a sample basis.

Mr. Rey indicated that they introduced data analytics in the time of GASB 67 to validate the completeness and accuracy of that actuarial data.

On the benefit payments, they walk through all the benefit payment types processes, separate walkthroughs for disability payments, survivor, and regular and refunds, testing controls, and then substantively reconcile the benefit payments to the financial statements.

Mr. Rey reported that there's more predictability in the defined benefit plan than in a defined contribution plan in terms of distributions. They can see anomalies in individual retirees' checks.

Mr. Rey reported that Cavanaugh MacDonald does the valuation. M. Rey and his team then evaluate their competence, capabilities, and objectivity. They also confirm their independence and accreditation. They review their actuarial report and key assumptions, and any independent actuarial studies. They then do specific testing of data analytics as it relates to the GASB 67 and 68 disclosures.

Mr. Rey reported that they have separate actuarial specialists who review Cav Mac's valuation. With regards to the audit results, Mr. Rey stated that the independent auditor's report resulted in an unmodified audit opinion. No opinion on the MD&A is provided. The financial section in the report is put together by PERA's staff and management.

Mr. Rey reported that there are limited procedures and relationship opinions rendered on the supplemental schedules. The report on internal controls on financial reporting and compliance indicated no material weaknesses or significant deficiencies identified.

Required governing body communications are memorialized in a letter to the Board. The letter covers the following:

- Responsibilities of the auditors under the United States generally accepted audit standards.
- Significant new accounting policies and procedures were adopted in that given year. There were none.
- Management, judgments, and accounting estimates that are significant to the financial statements.
- Significant financial statement disclosures.

Mr. Rey reported that there were no material audit adjustments. There was one past journal entry related to the valuation of the alternative investment. There's also quantitative materiality calculation that's derived as to what is the material plan. Past journal entry threshold is not material but if it's above the past journal entry, they pass on that entry. The one entry was a positive valuation and is recorded in the first quarter of the 2021 financial statements. Details are in the letter.

Mr. Rey reported that concerning communication, management was cooperative and professional during the audit process. There were no disagreements related to financial accounting standards or presentations. Management made representations to the auditors at the last stage of the audit. The letter is attached as an exhibit.

Mr. Rey stated that with regard to the investment portfolio, the contributions are static and predictable. What's unpredictable is the year-over-year returns. June 30, 2020, there was an overall negative performance driven primarily by the net depreciation in fair value. Benefit payments were almost \$1.3 billion. \$250 million negative investment income offset by the inflows of the contributions.

Mr. Rey overviewed GASB 67, which affects PERA, and GASB 68, which affects the PERA employees. He stated that this is the accounting equivalent of the funding ratio.

In response to an inquiry about the materiality level for PERA, Mr. Rey stated that they don't like to share the materiality calculations but he could give a percentage. He further stated that the transaction level they were working with is based on the assets and is less than 1% of net assets.

## **2. FY20 457(b) Audit Report - Moss Adams**

Karyn Lujan stated that she works for PERA and oversees the deferred compensation program, the voluntary retirement program. This is the plan's first year using Moss Adams, the new auditor.

Kory Hoggan reported that he and Lauren Kistin are based out of the Albuquerque office in New Mexico. They both work with state and local pension systems all over the country. Mr. Hoggan reported that they'd had a formal meeting with the members of management and representatives of the Board.

Mr. Hogan reported that this plan differs from the defined benefit plan in that it's a voluntary plan. The members direct their investments and elect their deferral contribution percentages.

The audit of this plan was performed in August and early September. Financial statements were submitted to the state auditor in October and got the release from the state auditor in January.

Two reports were issued as a result of the audit; the GASB audit report on the financial statements and government auditing standards report on internal controls over financial reporting. Both reports have an unmodified opinion.

Mr. Hoggan presented graphs that compared the performance of the plan in 2020 with the prior two years. There was an increase of about \$17 million or 3% in net position this year. Investments increased by about \$23 million. This was offset by an increase in the amount of benefit paid out of the plan versus the contributions that came in.

The composition of investments are directed and selected by participants and is steady with the prior years. Most of the plan is invested in the mutual funds in the menu. The plan changed investment custodians in 2020. The transition was tested and no issues were noted.

Mr. Hoggan explained what the different bars in the graph represented including lifecycle funds, contract valued investment option, and participant loans. He also gave an overview of the additions that came into the plan in 2020 as compared to the prior two years, and the payment distributions made. He noted that there was an increase in the distribution of benefit payments to members in 2020.

Mr. Hoggan reported that this plan isn't an annuity driven plan. They are lump-sum distributions where people reach retirement or a distributable event and elect to pull their money or elect to roll it into an annuity product. They are hard to predict year-over-year.

Ms. Kistin gave a high-level summary of the audit process and reiterated some of what Mr. Rey had said earlier. She reported that there are a lot of eyes on this plan with a lot of involvement from the Board.

Concerning materiality, Ms. Kistin reported that when testing individual contributions and participant level activity, they refer to it as \$0 materiality. There is no concept of materiality.

Mr. Hoggan stated that there are three levels of materiality, financial statement materiality, participant or member level materiality, and testing for compliance with IRS regulations. Anything that looks like a compliance issue, tax issue, or fraudulent, materiality is zero. Ms. Kistin reiterated that the tests didn't identify any material weaknesses or significant deficiencies.

Mr. Davis thanked the staff for all their work and for keeping up with the GASBS to ensure that they have two clean audits. Ms. Ragin echoed his sentiments.

3. *Executive Session – Board recess to Executive Session pursuant to NMSA 1978, Section 10-15-1(H)*  
(3)

Board recessed to Executive Session at 11:24 am. Vote is unanimous for 11 members present.

Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes

Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

Ms. Rosales Ortiz moved to approve a 20% raise for Greg Trujillo. Mr. Neel Seconded the motion.

Ms. Naranjo Lopez opposed the 20% increase. She stated that Mr. Trujillo was not qualified for the position.

The motion to approve a 20% raise passed by a roll call vote of 8 to 1 as follows;

Lawrence Davis	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Francis Page	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
David Roybal	Yes

**4. Investment Update on "Reddit" Issue**

Dominic Garcia gave an update on the Reddit event over January and stated that it was an event in the market that forced a short squeeze of a handful of suddenly traded stocks. The event was fairly isolated and didn't have a broader impact on overall markets or PERA's portfolio. The area of PERA that was expected to be impacted would be the portable alpha program but it did well for January and provided positive returns.

Acting Chair Page inquired about the level of impact for PERA. Mr. Garcia stated that as of yesterday, the estimated total NAV for PERA was about \$16.6 billion. The positive impact could be about \$5 million to \$10 million.

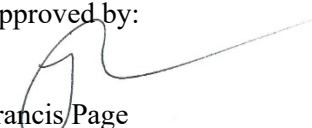
**7. Public Comment**

There were no public comments.

**8. Adjournment**

Having completed the Agenda and with no further business to come before the Board, Acting Chair Page declared the meeting adjourned.

Approved by:

  
Francis Page  
Acting Chair, PERA Board

ATTEST:

  
Greg Trujillo  
Acting Executive Director

Exhibits attached.