

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT BOARD
INVESTMENTS COMMITTEE MEETING

August 27, 2015

This meeting of the Public Employees Retirement Board was called to order by Dan Mayfield, Chair of the Investments Committee at approximately 9:00 a.m. on the above-cited date at the Farmington Civic Center, 200 W. Arrington, Farmington, New Mexico.

1. **ROLL CALL:** Roll was called by Executive Director Wayne Propst and a quorum was established with the following members present:

Members Present:

Dan Mayfield, Chair
Roman Jimenez, Vice Chair
Patricia French
Dan Esquibel
Stewart Logan
Louis Martinez

Member(s) Excused:

Other Board Members Present:

Paula Fisher
Loretta Naranjo-Lopez
Jackie Kohlasch

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Jonathan Grabel, Chief Investment Officer
Greg Trujillo, Deputy Director
Renada Peery-Galon, ASD Director
Natalie Cordova, CFO/Comptroller
Valerie Sandoval, Financial & Budget Manager
Jude Perez, Portfolio Manager
LeAnne Larrañaga-Ruffy, Portfolio Manager
Judy Olson, Executive Assistant
Karyn Lujan, Deferred Compensation Plan Manager

Others Present:

Tommy Roberts, Mayor, City of Farmington
Jamie Feidler, Cliffwater
Tom Toth, Wilshire
Eileen Neill, Wilshire
Paul Lium, Nationwide

2. APPROVAL OF AGENDA

Board Chair Patricia French made a motion to amend the Agenda to introduce and allow Mayor Tommy Roberts to say a few words. Member Mayfield seconded her motion to change the agenda and the motion passed unanimously.

3. APPROVAL OF CONSENT AGENDA

Investments Chair Mayfield made a motion to approve the consent agenda. Chair French seconded his motion. Chair Mayfield indicated he read the minutes of the July 30, 2015 Investments Committee meeting and they appear to be correct and accurate.

With that, Board Chair Patricia French introduced Tommy Roberts, Mayor of Farmington and asked him to say a few words.

4. CURRENT BUSINESS

Mayor Tommy Roberts addressed the PERA Board and attendees. He thanked the Board and staff for conducting their Board retreat and meeting in Farmington, New Mexico. He talked about the many interesting areas in and around Farmington; the different departments and functions of the City of Farmington and his administration.

A. Chief Investment Officer's Report

1. Investment Performance Summary – July 2015

Jonathan Grabel, Chief Investment Officer, and Jude Perez, PERA Portfolio Manager addressed the Board. Mr. Grabel indicated July was a strong month. Mr. Grabel responded to Chair French's question regarding the volatility in the markets. He indicated although the current week (August 24-27, 2015) has been a rough week this is not 2008. The markets are in a jittery place but things will smooth themselves out. We are in a better position that we were in 2008.

While discussing the executive summary Mr. Grabel indicated due to the complexity of the transition, final accounting for the month of July was delayed, also delaying the monthly performance reporting that is presented to the Investment Committee. Staff was made aware of this delay from the onset, and also communicated this delay to the Investment Committee at the May 28, 2015 meeting during the Custody Bank Update presentation. The July data will be distributed to the Board in September. The August 2015 performance numbers will be reported on time at the September Board

and Investment Committee meeting.

Member Mayfield commented on BNY Mellon's report. Mr. Grabel indicated the data on the report reflects monthly reconciliations.

Member Naranjo Lopez asked where the total fund is today. Mr. Grabel indicated it is probably below 14 billion. He again indicated the markets are jittery this week.

2. Cash Plan Update

Mr. Grabel discussed the cash plan and explained the different areas listed in the report.

3. Other Updates

Mr. Grabel and Mr. Perez gave updates regarding:

a) AQR Capital Management, LLC – Portable Alpha

On April 30, 2015, NM PERA committed approximately \$400 million to AQR Capital Management, for management of the Portable Alpha Mandate.

On July 30, 2015 AQR contacted NM PERA to discuss an article from Bloomberg in which AQR's Head of Trading, Hitesh Mittal, is referenced in connection to an SEC investigation of Investment Technology Group Inc. (ING), his former employer. This investigation relates to alleged misconduct that occurred in 2010 and 2011 while Mr. Mittal was employed at ITG. Mr. Mittal subsequently joined AQR in 2012. On August 10, 2015, AQR announced that Mr. Mittal will be leaving the firm. It is important to note that AQR is not under investigation and has closely reviewed this matter. The investigation relates to events that allegedly took place at ITG and are completely unrelated to AQR.

Staff and Cliffwater believe that the firm acted appropriately in this situation and does not recommend any action.

b) Guggenheim Management Investments Partners – Global High Yield

On June 25, 2015 NM PERA committed approximately \$183 million to Guggenheim Partners Investment Management, for management of the Fixed Income Plus Global High Yield Bonds Mandate.

On August 10, 2015, Guggenheim Management Investment Partners ("Guggenheim") announced a \$20 million settlement with the U.S. Securities and Exchange Commission, after a two and a half year-long investigation into "neglect conduct". Staff and Wilshire will continue to monitor Guggenheim's compliance policies, procedures, and controls. No action is recommended at this time.

B. Information Item: Q4 FY 15 Performance Review

Thomas Toth, CFA Managing Director, discussed the Numbers in Context report that was submitted to the Board. He indicated this is a normal quarterly overview.

Mr. Toth then discussed the Q4 FY 15 Investment Performance Review.

Mr. Martinez asked if we are moving in the right direction. Mr. Gabel and Mr. Toth responded yes, we are moving in the right direction.

5. OTHER BUSINESS

None was presented.

6. ADJOURNMENT

Having completed the agenda, and upon motion by Mr. Logan and seconded by Chair French, Chair Mayfield declared this meeting adjourned at 9:55 a.m.

Approved by:


Dan Mayfield, Chair
Investments Committee

8/24/15

ATTEST:


Wayne Propst, Executive Director