

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

July 30, 2015

This meeting of the Public Employees Retirement Board was called to order by Patricia French, Chair, at approximately 10:38 a.m. on the above-cited date at the PERA Building, Fabian Chavez Jr. Board Room, 33 Plaza La Prensa, Santa Fe, 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:

Patricia French, Chair – Municipal
Stewart Logan, Vice Chair – County
Dan Mayfield, Vice Chair – Retiree
Dan Esquibel - Municipal
John Reynolds - State
Jackie Kohlasch - State
Louis Martinez - Municipal
Loretta Naranjo Lopez - Retiree

Member(s) Excused:

Dianna Duran - *Ex-officio*
Tim Eichenberg - *Ex-officio*
Paula Fisher - State
Roman Jimenez - State

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Jonathan Grabel, Chief Investment Officer
Greg Trujillo, Deputy Director
Karen Risku, Deputy General Counsel
Judy Olson, Executive Assistant
LeAnne Larrañaga-Ruffy, Portfolio Manager
Jude Perez, Portfolio Manager
Kristen Varela, Financial Analyst
Karyn Lujan, Deferred Compensation Manager

Others Present:

Jamie Feidler, Cliffwater
Tom Toth, Wilshire
Paul Lium, Nationwide
Davis Fulkerson, Century Capital
Frank Bazos, Century Capital

Barbara Pardo, Retiree
Sally Malavé, OAG
Lisa Gandomenico, OAG
Andrew Trujeque, Retiree
Isaac J. Ortiz, Retiree

3. **APPROVAL OF AGENDA**

Mr. Reynolds introduced the following motion:

“RESOLVED, that the PERA Board approve the agenda as published.”

Mr. Martinez and the motion passed by unanimous [8-0] voice vote.

4. **APPROVAL OF CONSENT AGENDA**

[Exhibit 1: Consent Agenda]

Chair French stated that she reviewed the minutes and found them complete and accurate.

Mr. Reynolds introduced the following motion:

“RESOLVED, that the PERA Board approve the consent agenda as published.”

Member Mayfield seconded and the motion passed by majority [7-1] voice vote with Ms. Naranjo Lopez voting in the negative stating it was a vote against the approval of the June 25, 2015 and June 9, 2015 minutes.

5. **CURRENT BUSINESS**

A. **Board Policies and Procedures, Section VI
Sanction and Enforcement**

Board Action: Action Regarding Board Member Loretta Naranjo Lopez

Chair French introduced this item stating the Board members are fiduciaries who took an oath to protect the fund and the members.

Member Naranjo Lopez advised that she was videotaping the meeting.

Chair French stated that as fiduciaries they have the task of policing themselves. She reminded the Board that Member Naranjo Lopez was censured in September 2014 because her actions fell below the ethical standards required of a fiduciary. She noted that it was a difficult decision that was made at that time. Chair French invited Member Naranjo Lopez to make the first comments on this item.

Member Naranjo Lopez said she had comments but would reserve her comments until after everybody spoke. She said she did not know what this meeting was about and it appeared to her to be “double jeopardy.”

Chair French said this item was on the agenda in response to Member Naranjo Lopez' request to serve on a committee.

Member Reynolds said the Board needs to move forward. Ms. Naranjo Lopez has not served on a committee for more than six months and he said the Board needs to give her the opportunity to resume her normal duties and responsibilities as an elected member.

Member Reynolds introduced the following motion:

“RESOLVED, that the PERA Board end Member Naranjo Lopez' censure as of today and encourage the Chair to assign her to a committee.” [This motion failed]

Member Kohlasch seconded.

Member Esquibel said he was interested in what Member Naranjo Lopez had to say about her failed fiduciary responsibility. He said the current committees work well and he wanted assurances before appointing her to serve on a committee. He said he was not prepared to vote for committee assignment for Member Naranjo Lopez until she answers some questions.

Member Naranjo Lopez said this process was double jeopardy and she would state her comments at the end.

Member Logan asked Member Naranjo Lopez, what he said were simple yes or no answers, whether she had meddled or taken part in directing staff in their daily duties; whether she would retract a statement made to the RPENM; and, whether it was her intention to work cooperatively with staff and board members if appointed to a committee.

Member Naranjo Lopez responded that this was double jeopardy and she would make her statement at the end.

Member Esquibel asked a series of questions for the record: What assurances can you provide to the Board that you have stopped communication with third parties about pending PERA administrative matters? What assurances can you provide to the Board that you are no longer including third parties on Board related emails? What assurances can you provide to the Board that you are committed to conducting yourself in a collegial and professional manner? What assurances can you provide to the Board that you will no longer discuss personal matters with outside third parties and refrain from involving yourself in the operational management of the agency? What assurances can you provide to the Board that you understand the seriousness of your censure and the negative impact it has had on your ability to serve as an effective member of the Board? Member Naranjo Lopez chose not to respond to these questions.

Member Esquibel interpreted her silence as an indication that Member Naranjo Lopez did not want to cooperate with the Board. He said he could not in good conscience support a committee appointment. He said personal agendas and biases creates instability in committees and would make functional committees dysfunctional. Stating he was unable to support the

motion, he asked that if the motion passes, Member Naranjo Lopez not be appointed to the Rules & Administration Committee.

Member Mayfield said this issue has given him a heavy heart. He spoke of the stress he experienced at the September meeting when this came up and he hoped something positive could occur at today's meeting.

Chair French called for the vote and Member Naranjo Lopez asked that she be allowed to make her comments before the vote. The Chair denied that request.

The motion failed by majority [2-5] voice vote. [Voting in the affirmative were Members Reynolds and Naranjo Lopez. Ms. Kohlasch was not present for this vote.]

Member Naranjo Lopez said she was very disgusted and surprised to see placement on a committee as an action item on the agenda. "I am an elected official, I was voted on this Board to represent over 36,000 retirees and the Board policies and procedures say that any proceedings against a Board member should follow NMAC 2.80.1500.10.3 which requires at least 30 days written notice and I object to this meeting upon this basis and the previous special meeting," stated Member Naranjo Lopez. She said today's action violates her due process.

Member Naranjo Lopez said she had not violated any of the Board policies or procedures. She did not disclose confidential information and the fact she expressed concern about staff qualifications was not an infraction but rather an obligation to provide proper Board oversight. She cited her First Amendment rights and her obligations to serve the membership.

Member Naranjo Lopez said she was targeted/singled out and "...I'm very disgusted in how this process has gone. I asked to be placed on the committee because it said six months..."

Member Esquibel asked PERA legal staff if the Board's decision in September 2014 to censure Member Naranjo Lopez was based on legal information.

Chief of Staff-General Counsel Pittard said the Board took action according to the Board policies and procedures under Section VI, Sanction and Enforcement, and the Board did so correctly under their current procedure. She confirmed that the Board's decision was based on violations of policy or fiduciary responsibility.

Chair French said she placed this item on the agenda because the Board voted on the original sanction and she felt it proper procedure that the Board reinstate her.

Member Esquibel opined that Member Naranjo Lopez' refusal to answer questions he and Member Logan asked evidenced she was not prepared to serve on a committee.

Member Naranjo Lopez corrected his assertion that she refused to answer and said she considered it double jeopardy. She said it was her expectation that the Chair would respond to her request for committee assignment in the form of an email with an assignment, not a hearing.

Member Esquibel introduced the following motion:

“RESOLVED, that the PERA Chair postpone Member Naranjo Lopez’ assignment to a committee until September 2015 and that she not be assigned to the Rules & Administration Committee.”

Member Logan seconded.

Under discussion, Member Naranjo Lopez said the RPENM newsletter should not be part of this discussion nor record.

The motion passed by majority [5-2] voice vote. Members Reynolds and Kohlasch voting against. [Member Naranjo Lopez did not vote.]

Member Kohlasch apologized for stepping out of the room before the first vote and went on to say that the sanctions against Member Naranjo Lopez have gone on long enough and she is missing per diem because of this.

Member Martinez said he was not happy with this situation. He mentioned an unprofessional incident after a Board meeting where Member Naranjo Lopez raised her voice at Chair French. He said that kind of behavior is not acceptable.

Member Naranjo Lopez said Member Martinez’ description of the incident was inaccurate, not true and very disrespectful of her. She reiterated this hearing was double jeopardy and she didn’t appreciate anything that has been discussed and was quite disgusted by the Board’s behavior.

B. Action Item: Alternative Asset Recommendation for Approval, to be Funded According to the Cash Plan and Subject to Legal Review by General Counsel

1. Recommendation to Commit up to \$30 Million to Century Focused Fund IV, LP in the Private Equity Portfolio

Jon Grabel, CIO, said the Investment Committee reviewed this recommendation this morning.

Investment Committee Chair Mayfield introduced the following motion:

“RESOLVED, that the PERA Board commit \$30 million to Century Focused Fund IV, LP, a private equity partnership focused on investments in financial services companies to be funded according to the PERA’s Cash Plan, subject to approval of legal documentation by General Counsel.”

Member Esquibel seconded and the motion passed by unanimous voice vote.

C. **Investments Division**

Action Items: Multi Strategy Credit RFP Recommendation

- a. **Recommendation to Commit \$310 Million of the approximately \$365 Million Multi-Strategy Credit Opportunities Mandate to Blue Mountain Capital Single Investors Fund Subject to Satisfactory Legal and Operational Due Diligence**

[Exhibit 2: Staff Report re: Blue Mountain; Exhibit 3: Wilshire Report re: Blue Mountain]

Member Mayfield introduced the following motion:

“RESOLVED, that the PERA Board commit \$310 Million of the approximately \$365 Million Multi-Strategy Credit Opportunities Mandate to Blue Mountain Capital Single Investors Fund Subject to Satisfactory Legal and Operational Due Diligence.”

Member Esquibel seconded.

Mr. Grabel said the evaluation committee included Board members as well as staff. He noted that the information provided details of the process which is one of the most important things. This is part of a two-part recommendation for the global multi-strategy mandate. It's a 5 percent total allocation. The recommendation from the Evaluation Committee as well as Wilshire is to commit capital to two different managers: CDC Global Credit Opportunity Fund credit and Blue Mountain Credit Alternatives Fund.

He said this is not splitting a mandate but instead making a decision in the best context of PERA's strategic asset allocation insuring there is risk diversification and asset diversification across the managers.

The Fixed Income Plus allocation is 5 percent of the total fund and is divided into four parts: emerging market debt, global high yield, global stressed debt; and, global high yield. The emerging market debt mandate has been funded and the global high yield mandate is in contract completion.

Mr. Grabel reviewed the process of the evaluation. There were 30 responders and the list was culled down to 12. The evaluation committee met and five firms were invited to make presentations to the evaluation committee. Following three on-site visits, two firms were selected.

Tom Toth, Wilshire, spoke to the importance of combining these two segments of the fixed income plus portion of the portfolio mentioning the opportunistic nature of the environment in which the managers work. The objective of the mandate is to establish a higher return threshold in a risk controlled manner. Another key point is to provide a significantly lower correlation to other portions of the portfolio.

Kristin Varela, Investment Analyst, reviewed the portfolio construction graph. Member Mayfield noted that Blue Mountain was willing to customize a portfolio for PERA. Ms. Varela said it will be a single-investor fund rather than a comingled fund. PERA would utilize four out of 12 strategies Blue Mountain offers.

Mr. Toth reviewed the efficiency of exposures the portfolio would provide to PERA.

The motion passed by unanimous voice vote.

b. Recommendation to Commit \$55 Million of the Approximately \$365 Million Multi Strategy Credit Opportunities Mandate to CVC Global Credit Opportunities Fund Subject to Satisfactory Legal and Operational Due Diligence
[Exhibit 4: Staff Report re: CVC]

Member Mayfield introduced the following motion:

“RESOLVED, that the PERA Board commit \$55 Million of the approximately \$365 Million Multi Strategy Credit Opportunities Mandate to CVC Global Credit Opportunities Fund Subject to Satisfactory Legal and Operational Due Diligence.”

Member Esquibel seconded and the motion passed by unanimous voice vote.

D. Executive Director’s Report

Mr. Propst said the building repairs have been completed and he was pleased with the results. He noted that his report included a summary of items taken by the NMRHC Authority Board of Directors at its annual meeting in Taos. There were changes to the premium and benefit levels.

Deputy Director Trujillo said the letters advising retirees of COLA eligibility and payroll information were delivered to the US Post Office on Friday, July 24th.

Mr. Propst said PERA has vacated the office space that NMRHC will occupy. At this point they have not moved in but September 1st is the official move-in date.

Member Reynolds asked whether PERA was considering member outreach meetings in Albuquerque and Mr. Propst said that will occur in the new office which contains a dedicated seminar room.

Member Esquibel recommended staff consider webinars for monthly outreach programs. Mr. Trujillo said PERA is experimenting with “Go to Meeting” and has posted a recorded seminar. He expected the new website to go live within the next few weeks. Chair French asked that staff post notice of the on-line seminar in *Round the Roundhouse*.

E. Executive Session:

1. Attorney Reports

Administrative Appeals (The Board will go into Executive Session under NMSA 1978, Section 10-15-1(H)(3) to discuss these items.)

- a. Isaac J. Ortiz**
- b. Haines J. Winner**

Mr. Esquibel moved to go into Executive Session pursuant to NMSA 1978, Section 10-15-1 (H) (3). His motion was seconded by Mr. Mayfield and passed by unanimous roll call vote as follows: Members French, Logan, Reynolds, Mayfield, Kohlasch, Martinez, Esquibel, and Naranjo Lopez voting in the affirmative.

[The Board met in Executive Session from 11:40 a.m.-12:30 p.m.]

Mr. Mayfield moved to return to open session. His motion was seconded by Mr. Logan and unanimous roll call vote was as follows: Members French, Logan, Reynolds, Mayfield, Kohlasch, Martinez, Esquibel, and Naranjo Lopez voting in the affirmative.

Action Item: Action Regarding Attorney Reports

Mr. Martinez introduced the following motion:

“RESOLVED, that the PERA Board, in the matter of Isaac J. Ortiz, PERA No. 51211, a) Quash the Hearing Officer’s Order Granting PERA’s Motion to Dismiss; b) Adopt the Hearing Officer’s recommended Findings of Fact 2 through 57 and add the additional Findings of Fact numbers 59, 60, 61, 62, 63, 64, and 65; c) Adopt the Hearing Officers’ recommended Conclusions of law 1 through 12, 15 through 21, 23 and 24 and make the following additional conclusions of law numbers 28, 29, 30, 31, and 32, and d) reject the Hearing Officer’s Recommended Decision. Based upon a preponderance of the evidence, together with the standards established by the NMSA 1978 Section 10-11-10.1(M) (1993 and as amended) and 2.80.1000.7.E NMAC, the PERA Board hereby GRANTS Claimant Isaac J Ortiz duty disability retirement benefits, contingent upon his continued receipt of payment of federal disability benefits. [See Exhibit 5: Board Order, for entire language.]

Member Esquibel seconded and the motion passed without opposition.

Member Martinez introduced the following motion:

“RESOLVED, that the PERA Board, in the matter of Haines J. Winner, PERA No. 406048, 1) Adopt the Hearing Officer’s Recommended Findings of Fact 1 through 27; and 2) Adopt the Hearing Officers’ Recommended Conclusion of Law 1 though 13; and Approve the Hearing Officer’s Recommended Decision to deny the claimant’s appeal. [See Exhibit 6: Board Order, for entire language.]

Member Logan seconded and the motion passed without opposition.

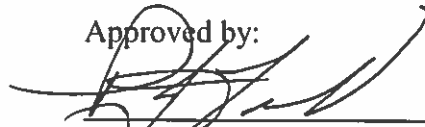
6. **OTHER BUSINESS**

None was offered.

7. **ADJOURNMENT**


Having completed the agenda and with no further business to come before the Board, Chair French declared this meeting adjourned at 12:40 p.m.

Approved by:



Patricia French
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Attached Exhibits:

- Exhibit 1: Consent Agenda*
- Exhibit 2: Staff Report re: Blue Mountain*
- Exhibit 3: Wilshire Report re: Blue Mountain*
- Exhibit 4: Staff Report re: CVC*
- Exhibit 5: Board Order re: Isaac J. Ortiz*
- Exhibit 6: Board Order re: Haines J. Winner*