

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
RULES & ADMINISTRATION

October 13, 2015

This meeting of the Public Employees Retirement Board Rules & Administration Committee was called to order by Committee Chair Dan Esquibel at approximately 9:00 a.m. on the above-cited date in the PERA Building, Fabian Chavez Jr. Board Room, 33 Plaza La Prensa, Santa Fe, New Mexico.

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

Members Present:

Dan Esquibel, Chair
Patty French, Vice Chair
Dan Mayfield
Paula Fisher
John Reynolds [10 a.m. arrival]

Member(s) Excused:

None

Other Member(s) Present:

Loretta Naranjo Lopez
Louis Martinez
Stewart Logan
Jackie Kohlasch
Tim Eichenberg

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff-General Counsel
Jonathan Grabel, Chief Investment Officer
Greg Trujillo, Deputy Director
Natalie Cordova, Chief Financial Officer
Judy Olson, Executive Assistant
Renada Peery-Galon, ASD Director
Melinda Marquez, Member Services Bureau Chief
Angela Romero, Albuquerque Retirement Specialist Supervisor
Joyce Rivera, Retirement Request/Retiree Payroll
Karlo Cantu, Customer Services Manager

[Exhibit 1: Sign-in Sheet, Additional Staff present]

2. APPROVAL OF AGENDA

Ms. French moved to approve the agenda as presented. Mr. Mayfield seconded and the motion passed by [4-0] voice vote. [Mr. Reynolds was not present for this action.]

3. APPROVAL OF CONSENT AGENDA

Ms. French moved to approve the consent agenda noting the minutes were accurate. Mr. Mayfield seconded and the motion passed by [4-0] voice vote. [Mr. Reynolds was not present for this action.]

4. CURRENT BUSINESS

A. Action Item: Approval of Resolutions

1. Interest Rate Resolutions Nos. 15-07 through 15-13

2. Overpayment Resolution No. 15-14

[Exhibit 2: Resolutions 15-07 through 15-14]

Susan Pittard, Chief of Staff-General Counsel, said Rule 600 requires that the Board, annually, set interest rates for purchase of service credit, forfeited service credit and unremitted contributions that will become effective July 1, 2016. Resolutions 2015-07 through 09 are for PERA, JRA and MRA for setting interest rates for the reinstatement of forfeited service credit. She reminded the Board that the interest has been set at 7.75 percent since January 2015.

Ms. Pittard noted the Resolutions 15-10 through 13 are interest rates that apply to unremitted contributions for PERA, JRA, MRA, Legislative and Lieutenant Governor Retirement fund unremitted contributions. That interest rate has been set at 7.75 percent since January 2015.

Resolution 2015-14 sets the interest rate for the overpayment of benefits caused by fraudulent information at 10%. Ms. Pittard said that interest rate remains unchanged from previous years.

Mr. Mayfield asked whether the definition of “fraudulent” was adequate. Ms. Pittard stated that Resolution 2015-14 is utilized where a beneficiary fails to notify PERA of a death and continues to receive payment. System errors and inadvertent reporting delays are not subject to this resolution.

Ms. French noted that she has heard from members who voiced concern about buying back time and pulling funds out and she asked staff if they were comfortable with the interest rate(s) and the methodology used to arrive at those rates. Ms. Pittard said historically the Board has correlated interest rates to the rate of return for the fund.

Chief Investment Officer Grabel said 7.75 is an appropriate number and consistent with the methodology. He suggested thinking of it as cost of capital rather than interest for the fund.

Noting these were resolutions, Treasurer Eichenberg recommended voting on each individually rather than as a group.

Mr. Mayfield moved to approve Resolution 15-07. His motion was seconded by Ms. French and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-08. His motion was seconded by Ms. Fisher and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-09. His motion was seconded by Ms. French and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-10. His motion was seconded by Ms. Fisher and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-11. His motion was seconded by Ms. French and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-12. His motion was seconded by Ms. French and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-13. His motion was seconded by Ms. Fisher and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

Mr. Mayfield moved to approve Resolution 15-14. His motion was seconded by Ms. Fisher and passed by unanimous [4-0] voice vote. [Mr. Reynolds was not present for this action.]

B. PERA Member Services Overview

Deputy Director Trujillo introduced the following supervisory staff: Melinda Marquez, Member Services Bureau Chief; Angela Romero, Albuquerque Retirement Specialist Supervisor; Joyce Rivera, Retirement Request/Retiree Payroll; and Karlo Cantu, Customer Services Manager. Also present in the audience was Member Services staff [*Exhibit 1*].

Mr. Trujillo reviewed the Member Services' organizational chart comparing 2013 to the present. He noted that refunds which had been located in ASD is now part of Member Services. Requests and Retirement Payroll are combined under Ms. Rivera's direction. Member Services has been increased by seven full-time employees which includes four expansion positions and a full-time dedicated receptionist.

There are currently three vacancies – two in Santa Fe that are in active recruitment and one in Albuquerque that will not be filled until the new location is occupied.

Ms. Rivera introduced her staff stating there were nine.

Staff fielded questions from the Committee.

Mr. Cantu said the agency averages between 90 to 130 calls a day. Having recently joined PERA staff, Mr. Cantu said he understands the call volume increases during the busy season of November and December. The average wait time, which varies, is from two to three minutes.

Mr. Trujillo clarified that Ms. Rivera's staff works up the requests and retirement payroll. Account or member specific questions are addressed by her staff.

Ms. Rivera said there are times a member will reach a recording and be asked to leave a message. Ms. French questioned why with nine employees a member would have to leave a message. Ms. Rivera said her staff is divided into three groups: requests, retirement, and payroll. She assured the Committee that staff promptly returns calls. Staff is being cross-trained.

Mr. Trujillo said staff is improving and further investigating the best use of the call center software functions.

Ms. Rivera discussed the value of cross-training staff. Ms. Kohlasch commended staff for implementing cross-training.

Chair Esquibel asked whether there are standard or predominant questions asked by members and Mr. Cantu mentioned refund questions and the date benefits checks are going out are the top ones. He said when on hold to talk to a customer service representative there are five (10 to 15 second) information announcements: direct deposit, benefit payment, direction to the website, etc. He suggested abandoned calls may be obtaining the needed information from the recorded announcements.

Chair Esquibel advocated the development of video tutorials for placement on PERA's website. Mr. Trujillo said that is the next step to increase the website presence.

Ms. Kohlasch reminded staff that there are “old-school” people who would prefer talking to a person rather than interacting with a video.

Ms. Rivera reviewed the work queue process and the generation of an automatic acknowledgment letter. In the past there were over 500 individuals on exception and reciprocity cleanup reports in 2013; today there are less than 30.

Mr. Propst discussed the review process conducted by staff which includes numerous employees reviewing the same data for accuracy.

Chair Esquibel asked whether member concerns identified in the survey are being addressed. Mr. Trujillo said Mr. Propst is actively addressing issues by dedicating more staff to tasks.

Chair Esquibel expressed concern about the caller that gets caught in the telephone loop. He asked that staff consider forums, chat, and email and voice communications.

Mr. Trujillo said PERA is on the state’s phone system and with the arrival of Mr. Cantu, the agency is accessing additional functions from the system. He said there is potential for improvement by modifying the system to address PERA’s needs.

Ms. Naranjo Lopez commended staff on their responsiveness. She noted that the senior population prefers telephone or face-to-face contact. Ms. Fisher also commended staff.

Mr. Trujillo emphasized that along with the increase in staff the employees in Member Services have either received a reclassification to a higher pay band and new employees have been hired at a higher pay band.

An advocate of the implementation of higher technology, Chair Esquibel said without it staff’s stress is escalated. “The supervisor’s role is to ensure the success of an employee and through their success and the supervisor’s success – in which the department becomes successful,” stated the Chair. He commended staff for their efforts.

Mr. Trujillo said the next major step is improving the RIO application to improve functionality for staff and the members.

Continuing with staff presentation, Mr. Cantu introduced his staff and said it was great to work for a good agency. The full-time front-desk position provides for greater constituency in the agency. He said they have revamped voice mail messages that are only active after hours, and improved and enhanced the professionalism of the system. The IVR (interactive voice response) system has three levels: active member account balance, retirement benefit payment, and refund status. He discussed the matrixes that are used to help staff better serve the customer.

Angela Romero, Manager of the Albuquerque office, said her staff was not present at the meeting but were at the Albuquerque office; she mentioned their names and roles. The Albuquerque office will be considered a one-stop full-service shop rather than a satellite office. The Albuquerque office is expanding to set up appointments and prepare members' accounts prior to meetings. The new office space will have a seminar training room and cross-training will continue with staff.

Mr. Trujillo said staff plans to have future Board meetings in the new Albuquerque office and at that time the Board can meet Ms. Romero's staff. Ms. Romero noted that her staff meets with members and can usually provide a benefit estimate following the completion and verification of the application. If there is an employer reporting issue, staff can begin that correction process. The files are reviewed by an additional staff member and that mirrors the Santa Fe office process.

Ms. Romero said the Albuquerque office has a high rate of walk-ins.

Ms. French congratulated Ms. Romero on her helpfulness and institutional knowledge.

Mr. Propst pointed out that the Albuquerque Office will provide the same services as those available in the Santa Fe Office. The physical expansion of the Albuquerque Office and the increase in staff will be critical in the services to PERA's membership. He said the cross-training of staff will further service. Records Department manager Gabe Baca and his staff also deserve great credit in terms of taking on additional responsibilities.

Mr. Cantu outlined the in-place system to handle irate callers. He confirmed that a call can be forwarded to a supervisor. The question of conflict management came up and Mr. Cantu said it is within the customer service training.

Melinda Marquez introduced the Death & Disability and Refunds staff present. She said the Death & Disability staff has been working to clean accounts by auditing historical data. Staff continues to improve and expand upon the unclaimed property rule. She said they work with Retiree Health Care and ERB in data exchange.

A queue refund process been developed with excellent results. Ms. Marquez acknowledged the Records Department in setting up the queue process and training with staff as well as the Legal department. The process takes 30 days and delays typically have to do with employer posting, stated Ms. Marquez.

Ms. Marquez said management is creating production reports for staff.

Ms. Marquez said there are currently only 600 payroll benefits checks being sent out rather than direct deposit monthly. Staff will continue to encourage the inactive members to use direct deposit and reduce risk of postal mishaps. Staff calls retirees in the event a benefit check is not going to arrive when anticipated. Forms are being reviewed and redesigned for the entire department as well as policies and procedures.

In regard to employer reporting issues, Mr. Logan asked whether penalties are levied to protect the members. Mr. Trujillo said Member Contributions has made tremendous progress working with the employers through outreach. Staff is developing an employer manual which will define penalties that may be effective by July 1, 2016. PERA will host employer training sessions at PERA's locations and on-site locations.

Mr. Trujillo said although 85 percent to 95 percent of the employers report accurately and on time there can be still be an issue that could jeopardize timely benefit payments.

The Committee thanked staff for their hard work.

C. Discussion of PERA Board Policies (Pursuant to Section IIA.2. Board's Role and Duties)

Ms. French said it was brought to her attention by the auditors that PERA's rules dictate that PERA's policies and guidelines should be reviewed and revised in odd number years.

For the record, Ms. French stated that the Board did not make any policy changes for the year 2015.

Mr. Mayfield asked whether Ms. French's statement needs to be brought before the Board; it was determined it did not need to be.

5. OTHER BUSINESS

Treasurer Eichenberg asked that this committee discuss the notion of having independent Board counsel.

Treasurer Eichenberg said he also serves on the ERA Board and the State Investment Council. Since July of this year, SIC has been discussing pay raises for its investment staff and last month those raises were granted. He strongly recommended the consideration to provide a raise to PERA's CIO.

Chair Esquibel said PERA should be on par salary-wise with SIC CIO earnings and Deputy Director Trujillo's salary should also be increased. Ms. French said Mr. Propst has been working on these pay related issues with SPO.

Mr. Propst said he has submitted requests for salary increases for both Mr. Grabel and Mr. Trujillo. Because they are both exempt employees the adjustment of compensation is different than that of other employees and takes a different procedure which requires approval from DFA.

Mr. Propst said he, along with Ms. Pittard, Mr. Grabel, Ms. Olson, Mr. Trujillo and Ms. Peery-Galon are Governor Exempt.

Treasurer Eichenberg said he understood PERA has the authority based on budgetary requirement to appoint a salary to Governor Exempt employees.

Renada Peery-Galon, ASD Director, said budget justification was provided with the salary requests paperwork. She said salary projections were submitted and PERA has sufficient funding for personal service employee benefits. She said she would provide greater details within her budget status report during the Audit & Budget Committee meeting. DFA has requested further detail which was provided.

Speaking as a firm believer in government being fair and equitable, Ms. Naranjo Lopez asked that everyone within New Mexico PERA agency be considered for a raise. She asked for data to support the pay increases.

Mr. Propst agreed with her comments and said there were many accomplishments he was proud of but one that stands out is the increase in compensation to all of PERA's employees. Those compensation adjustments range between 10 percent and 15 percent.

Board members spoke of their pride of PERA staff.

In response to Chair Esquibel's question of whether PERA could gain more autonomy from the State, Mr. Propst said there are public pension plans that are not under the authority of their respective state agencies in terms of budget and/or personnel.

Treasurer Eichenberg's recommendation of independent Board counsel he discussed with Mr. Martinez who stated he wanted to move forward on the idea as an agenda item.

Chair Esquibel asked that the Board Chair place the idea on the agenda as a discussion and action item.

Ms. French said the role of independent Board counsel needs to be fleshed out.

Mr. Propst said without knowing the scope for the Board attorney he was unclear on what was anticipated. At this point, the Board has four in-house attorneys representing the Board and all matters that come before the agency. There is an outside contract attorney when in-house staff cannot represent the Board. There is an external tax counsel on contract and the State Attorney General. He noted that some Boards have outside fiduciary counsel. Determining the scope, responsibilities and reporting authority was necessary. He cautioned that without a clearly defined scope this independent counsel may be doing little more than looking over the Legal Department's shoulder, something Mr. Propst expressed concern about.

Mr. Propst identified Robles Rael law firm as one of PERA's outside counsel.

Susan Pittard, Chief of Staff-General Counsel, said in addition to the contracts Mr. Propst mentioned the agency had additional contracts that include three legal firms to provide due diligence on investment transactions, two attorneys representing PERA on disability appeals and one attorney serving as hearing officer on administrative appeals. She offered to provide the Board with a report on those firms.

Mr. Propst recommended curtailing further discussion and properly noticing it as an agenda discussion item for a future meeting.

6. **ADJOURNMENT**

Having completed the agenda, this meeting adjourned this meeting at approximately 11:25 a.m.

Approved by:



Dan Esquibel, Chair
Rules & Administration Committee

ATTEST:



Wayne Propst, Executive Director

Attached Exhibit(s)

Exhibit 1: Sign-in Sheet, Additional Staff present

Exhibit 2: Resolutions 15-07 through 15-14