

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**AUDIT & BUDGET**  
**COMMITTEE MEETING**

**October 13, 2015**

This meeting of the Public Employees Retirement Board Audit & Budget Committee was called to order by Chair Stewart Logan at approximately 11:25 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:**

Stewart Logan, Chair  
Jackie Kohlasch, Vice Chair  
John Reynolds  
Tim Eichenberg

**Member(s) Excused:**

Dianna Duran

**Other Member(s) Present:**

Patty French  
Dan Esquibel  
Loretta Naranjo Lopez  
Louis Martinez  
Paula Fisher  
Dan Mayfield

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff-General Counsel  
Jonathan Gabel, Chief Investment Officer  
Greg Trujillo, Deputy Director  
Renada Peery-Galon, ASD Director  
Natalie Cordova, Chief Financial Officer  
Judy Olson, Executive Assistant

2. **APPROVAL OF AGENDA**

Treasurer Eichenberg moved to approve the agenda as presented. His motion was seconded by Mr. Reynolds and passed by unanimous [4-0] voice vote.

3. **APPROVAL OF CONSENT AGENDA**

Chair Logan said he reviewed the minutes and found them accurate and complete.

Ms. Kohlasch moved to approve the consent agenda. Her motion was seconded by Mr. Reynolds. The motion passed by unanimous [4-0] voice vote.

4. **CURRENT BUSINESS**

A. **Informational Item: Budget Status Report for 1<sup>st</sup> Quarter FY16**

Renada Peery-Galon, ASD Director, reviewed the budget categories: 200, personal services and employee benefits (PSEB); 300, contractual services; and, 400, other. At this point there is sufficient budget within all categories. She provided a highlight of each category and a projection through the end of the fiscal year.

PERA, as of October 15, 2015, has 15 vacant positions and an agency total of 82. That is a vacancy rate of 18.3 percent; however, the budgeted vacancy rate is only at 1.5 percent. Ms. Peery-Galon said there was sufficient budget for the proposed salary increases for Deputy Director Trujillo and CIO Gabel. She said she would monitor this category throughout the year and may have to move funds into this category.

Mr. Reynolds asked whether a 1.5 percent vacancy rate was realistic and Ms. Peery-Galon opined that it was not. What was budgeted for PSEB wasn't sufficient but PERA's high vacancy rate has compensated for that deficiency.

Category 300, contractual services, required a BAR this year to cover the building rammed earth work. Professional service operational and contractual is the REDW internal audit contract which is \$132,200 and the Moss Adams external audit will total \$150,141. Another big area is the Hewlett Packard contract for \$937,190 which is an IT contract for maintenance and services for the RIO system.

Ms. French raised concern about the Hewlett Packard contract and equated the RIO system to a black hole. Mr. Trujillo said the HP contract is not out of line with what other entities pay for maintenance. The large issue has been data quality – legacy and new data – which requires a great deal of data fix time by HP. While this kind of support is never inexpensive, he expected it may hold rather than increase once the data is improved.

Mr. Trujillo noted that PERA offered an IT business analyst position last week and they are currently interviewing for a database administrator. PERA will be issuing an RFP for a

specialist firm in pension fund data cleansing. He noted that with the volume of data coming into the agency it is inevitable that there will be data cleansing issues. He pointed out that although the agency has addressed data cleansing in the past a drip of bad data continues to occur. He said PERA was moving in the right direction in addressing internal issues.

Ms. Peery-Galon said the employer training that Contributions & Accounting is accomplishing will ensure that the data is being entered correctly. This will reduce the agency's need to clean the data on the back-end.

In response to Ms. French's assertion that employer training is not new to PERA, Mr. Trujillo said PERA is a different organization than it previously was and employer staff training is being approached differently. PERA approach has more resources for success – advanced employer training, new employee manual, additional Contributions & Accounting staff that has a dedicated region assignment – Mr. Trujillo said he was confident the issues will be resolved.

Ms. Peery-Galon said these ideas/priorities that Mr. Trujillo reviewed were developed by staff through a SWOT (strength, weaknesses, opportunities, threats) analysis. She they are targeting the people that are entering the data and trying to bring them to PERA and have an interactive training with staff and RIO.

Mr. Esquibel questioned whether the RIO system was sustainable or an antiquated “buggy-whip.” Mr. Trujillo said the structural bases are being addressed and the technology will come along with it. He repeated that it was going to take time and he was confident it would work.

Ms. Peery-Galon said the agency was aware of the financial constraints employers may experience in paying for staff travel. PERA staff is considering the new Albuquerque office, additional lap-tops, and of course, Mr. Ojinaga sends PERA staff to work one on one to work with employer entities. Go To meeting is another avenue that PERA can utilize.

Also within the 200 category, Ms. Peery-Galon highlighted that \$35,322,250 out of the \$37.8 million are the investment contracts. She noted that 6.64 percent of PERA's contracts are for the agency's operation while the remaining are the professional service contracts for investments.

Category 400 required BARs for the Albuquerque office; \$42,000 for furniture and supplies and \$117,800 for renovations. DoIT telecommunications (phone and email) \$129,000 is another high line item.

Category 400, other, has an adequate funding that mirrors last fiscal year and includes Board travel, training and education. There is now a charge for return postage that may impact the expenditure for postage and mail. Printing expenditures may require additional funds. She said she would be monitoring this category to track projections.

Ms. Kohlasch asked whether the salary request increases for Mr. Grabel and Mr. Trujillo would impact PERA's ability to fill their 15 vacant positions. Ms. Peery-Galon said the projects for the salary increases are based from this point through the end of the year. With the increases there will still be a balance in that category. All vacant positions are budgeted at mid-point.

Chair Logan asked whether the savings on fees was within the budget projections and Ms. Peery-Galon said there were some double-booking within other categories and contractual services and those were adjusted. PERA CIO Grabel said there were fee savings and the budget is developed with the assumption that every manager is going to achieve PERA's actuarial return assumptions.

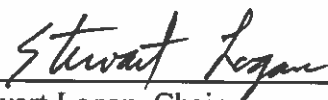
5. **OTHER BUSINESS**

None was presented.

6. **ADJOURNMENT**

Having completed the agenda, Chair Logan adjourned this meeting at approximately 11:58 a.m.

Approved by:

  
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Stewart Logan, Chair  
Audit & Budget Committee

ATTEST:

  
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Wayne Propst, Executive Director