

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**MONTHLY BOARD MEETING**

**October 29, 2015**

This meeting of the Public Employees Retirement Board was called to order by Patricia French, Chair, at approximately 10:50 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.& 2. ROLL CALL & PLEDGE OF ALLEGIANCE**

The Pledge occurred at the Investment Committee meeting. Executive Director Wayne Propst called roll and a quorum was established with the following members present:

**Members Present:**

Patricia French, Chair - Municipal  
Stewart Logan, Vice Chair - County  
Dan Mayfield – Retiree  
Tim Eichenberg- *Ex-officio*  
Dan Esquibel - Municipal  
Roman Jimenez - State  
Loretta Naranjo Lopez - Retiree  
John Reynolds - State  
Paula Fisher – State

**Member(s) Excused:**

[One *Ex-officio* Vacancy]  
Jackie Kohlasch - State  
Louis Martinez - Municipal

**Staff Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Jonathan Gabel, Chief Investment Officer  
Greg Trujillo, Deputy Director  
Judy Olson, Executive Assistant  
Karen Risku, Deputy General Counsel  
Claudia Armijo, Assistant General Counsel  
Natalie Cordova, Controller/CFO  
Renada Peery-Galon, ASD Director  
Jude Perez, Deputy CIO  
LeAnne Larrañaga-Ruffy, Portfolio Manager  
Joaquin Lujan, Portfolio Manager  
Mark Montoya, Financial Analyst  
Kristen Varela, Financial Analyst  
Karyn Lujan, Deferred Compensation Administrator

**Others Present:**

John Garrett, Cavanaugh Macdonald  
Jonathan Craven, Cavanaugh Macdonald  
Jamie Feidler, Cliffwater  
Brian Stangel, Hanseatic  
Curtis Spears, Andes Capital  
Eileen Neill, Wilshire  
Paul Lium, Nationwide  
Sally Malavé Assistant Attorney General  
Eric Berman, Partner Eide Bailly, LLP

**3. APPROVAL OF AGENDA**

Chair French requested that the Executive Session occur before the Actuarial Valuation presentation.

Mr. Logan introduced the following motion:

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

Mr. Jimenez seconded and the motion passed by unanimous voice vote.

**3. APPROVAL OF CONSENT AGENDA**  
[*Exhibit 1: Consent Agenda*]

Mr. Logan introduced the following motion:

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

Mr. Mayfield seconded and the motion passed by unanimous voice vote.

**5. CURRENT BUSINESS**

- A. Presentation of PERA Service Pins**
- 1. Angela Romero, 15 Years**
  - 2. Natalia Manzanares, 10 Years**
  - 3. Theresa Martinez, 10 Years**
  - 4. Felicia Sena, 10 Years**

For each of the recipients, Mr. Propst provided information regarding their employment and personal history. He highlighted their advancement in positions at the agency and his pride in his staff. He told a success story about one of the employees and added that each one has a similar story of accomplishment for the agency. Pins were distributed, and there were congratulations from the Board and applause for the recipients.

Chair French recommended publishing a story in the *Round the Roundhouse* about PERA's staff.

Ms. Naranjo Lopez thanked the employees for their hard work.

**C. Executive Session**

1. **The Board will go into Executive Session under NMSA 1978, Section 12-6-1 to 12-6-4 to discuss the FY 15 Deferred Compensation Plan Audit Report**
  
2. **Attorney Report/Administrative Appeals**  
**The Board will go into Executive Session under NMSA 1978, Section 10-15-1(H)(3) to discuss these items:**
  - a. **Kathleen Maestas**
  - b. **Kenneth Olson**

**Ms. Fisher moved to go into Executive Session pursuant to NMSA 1978, Section 10-15-1 (H)(3) and NMSA 1978, Sections 12-6-1 to 12-6-4 to discuss the above listed items. Her motion was seconded by Mr. Esquibel and passed by unanimous roll call vote.**

[The Board met in Executive Session from 11:05 a.m.-12:02 p.m.]

**Mr. Esquibel moved to return to open session and Ms. Naranjo Lopez seconded. The motion passed by unanimous roll call vote as follows:**

Patricia French	Aye
Stewart Logan	Aye
Dan Mayfield	Aye
Dan Esquibel	Aye
Roman Jimenez	Aye
Jackie Kohlasch	Excused
Louis Martinez	Excused
Loretta Naranjo Lopez	Aye
John Reynolds	Aye
Paula Fisher	Aye
Vacancy	
Tim Eichenberg	Aye

Chair French announced that the only items discussed during executive session were those listed on the agenda.

**Action Item: Action Regarding Attorney Reports**

Mr. Reynolds introduced the following motion:

**“RESOLVED, that in the matter regarding Kathleen Maestas, PERA #13266264, the Board adopt the Hearing Officer’s recommended findings of fact and conclusions of law, approve the Hearing Officer’s recommended decision dated**

**August 12, 2015 and deny Ms. Maestas' request for duty disability benefits.**  
[Exhibit 2: Final Order re: Kathleen Maestas]

Ms. Fisher seconded and the motion passed by unanimous [9-0] voice vote.

Mr. Reynolds introduced the following motion:

**“RESOLVED, that in the matter regarding Kenneth Olson, PERA #132658, the Board adopt the Hearing Officer’s recommended findings of fact and conclusions of law, accept the Hearing Officer’s recommended decision and grant the claimant’s request for PERA duty-disability benefits.”**

[Exhibit 3: Final Order re: Kenneth Olson]

Mr. Esquibel seconded and the motion passed by voice vote [8-0] with Mr. Jimenez abstaining.

**B. Presentation of FY 15 PERA Fund Actuarial Valuations**  
[Exhibit 4: PERA June 30, 2015 Actuarial Valuations]

Jonathan Craven, Cavanaugh Macdonald Consulting, said FY 15 was not a stellar year for assets and according to their calculation, PERA had a return of 1.8 percent of the market value. The smooth actuarial value depicted a return of 7.64 percent, just under the assumption of 7.75 percent and causing a small loss of \$14.9 million. Non-investment experience showed a loss of \$286.5 million mostly due to salary increases that exceeded expectations. The total increase in the unfunded liability was \$410 million and the funding ratio decreased from 75.8 percent to 74.9 percent. The amortization period required to pay off the unfunded liability increased from 40 years to 41 years. The market value of assets now exceeds the actuarial value by \$144 million. He noted that the judges and magistrates' plan also had losses due to salary increases.

Mr. Craven said they reviewed salary gains over the last six years that amounted to over \$1 billion. This year there is a loss of \$237 million from salary increases.

Mr. Propst said a settlement to an AFSCME suit regarding back pay that dates back to the Richardson administration will need to be addressed to correct shortcomings or overpayments for retirees. Information from the state has not been received. The work will be significant for staff but he doubted the dollar amount would be.

Deputy Director Trujillo said it was going to be a horrendous project for staff going back into RIO to find the previously reported hourly rates and recalculate the benefits to ascertain whether the retiree is due any additional benefits. Refunding can also be an issue. He said this could be a significant task. The data provided by the state will require modification for use by PERA staff.

Returning to the valuation report, Mr. Craven said the total present value of benefits is \$21.57 billion. Theoretically, if there were that much money in the fund and all of the assumptions were validated, the fund would not require further funding. Of the \$21.6 billion,

\$18.8 billion is the actuarial approved liability and that is due to past service. \$2.785 billion is the amount of benefits expected to be accrued by the active members in the future. The fund needs \$21.6 billion and PERA currently has \$14 billion. The funded ratio is now 74.9 percent.

John Garrett, Cavanaugh Macdonald, said during the year data changes were minor and the source of losses regarding salary was also a minor amount. He reviewed the numbers of active compared to inactive members in each of PERA's divisions. The trend of the ratio of actives to retirees continues to decline. Because of the salary losses, payroll growth was good. He said the change in ratios is expected as the defined benefit plan matures.

Mr. Garrett said the Magistrate fund shows growth in membership because of new regulations requiring membership. He reviewed each of the plans and the net external cash flow. The net external cash flow of the system is the difference between the money that comes in and the money that goes out: typically for a mature system it is a negative amount. Based on the assumption of retirement payments going up 3.5 percent, there is a 7.75 percent investment return; the difference is what can be afforded in negative cash flow or 4.25 percent.

Mr. Garrett noted that the pension reform certainly helped in lowering normal cost.

Mr. Craven pointed out that currently the market value is \$144 million more than the actuarial value. The State division funding period remains infinite and the fund ratio declined from 68.5 percent to 67.7 percent. He noted that the normal cost rate decreased from 15.75 percent to 15.54 percent in most divisions which was attributed to Tier 2 employees.

Referring to upcoming actuarial items, Mr. Garrett said the new 2015 baseline projections which determine the impact of the pension changes will be available in November. Also, GASB disclosures for plans will be provided to PERA in November and to employers by spring 2016.

**E. Rules & Administration:**

**Action Items: Approval of Resolutions**

- 1. Interest Rate Resolutions Nos. 15-07 through 15-13**
- 2. Overpayment Resolution No. 15-14**  
*[Exhibit 5: Resolutions 15-07 through 15-14]*

There were no questions concerning the resolutions that had been discussed and acted upon at the previous Rules & Administration meeting. The Board took action on the resolutions as follows:

Resolution 15-07: Mr. Mayfield moved to approve. Mr. Logan seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-08: Mr. Logan moved to approve. Ms. Fisher seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-09: Ms. Fisher moved to approve. Mr. Mayfield seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-10: Mr. Jimenez moved to approve. Mr. Mayfield seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-11: Mr. Mayfield moved to approve. Ms. Fisher seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-12: Mr. Mayfield moved to approve. Ms. Fisher seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-13: Mr. Mayfield moved to approve. Ms. Fisher seconded and the motion passed by unanimous [9-0] voice vote.

Resolution 15-14: Ms. Fisher moved to approve. Chair French seconded and the motion passed by unanimous [9-0] voice vote.

**F. Investment Division**

**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 \$70 Million to PW Real Estate Fund III, L.P.**

Mr. Mayfield, Chair of the Investment Committee, said this item was discussed in detail at this morning's IC meeting. He introduced the following motion:

**“RESOLVED, that the PERA Board approve a commitment up to \$70 million to PW Real Estate Fund III subject to legal review.”**

Mr. Jimenez seconded and the motion passed by unanimous [9-0] voice vote.

- 2. Recommendation to Commit up to \$50 Million to Madison Realty Capital Debt Fund III, LP**

Mr. Mayfield said this item was also discussed at this morning's IC meeting and he introduced the following motion:

**“RESOLVED, that the PERA Board approve a commitment up to \$50 million to Madison Realty Capital Debt Fund III subject to legal review.”**

Mr. Logan seconded and the motion passed by majority [8-1] voice vote with Ms. Naranjo Lopez voting against.

**G. Investment Division**

**Action Item: Recommendation to make a full redemption from Och Ziff/OZ Domestic Partners II, LP in the Absolute Return**

**Portfolio, subject to liquidity provisions**

Mr. Mayfield introduced the following motion:

**“RESOLVED, that the PERA Board authorize a full redemption from OZ Domestic Partners II, LP in the Absolute Return Portfolio subject to liquidity provisions.”**

Ms. Fisher seconded and the motion passed by unanimous [9-0] voice vote.

**H. Executive Director’s Report**

Mr. Propst noted his report was in the Board packet and he highlighted a few items as follows:

- November 5<sup>th</sup> PERA will be presenting to the IPOC
- November 19<sup>th</sup> PERA will have their LFC budget hearing for FY17 budget request
- The Albuquerque office expansion is progressing well
- Member statements (approximately 66,000) were mailed out this week
- Retiree Health Care Authority Board meeting summary was prepared by the director’s appointed alternate Ms. Larrañaga-Ruffly
- PERA has a physical mailbox at the Plaza La Prensa location

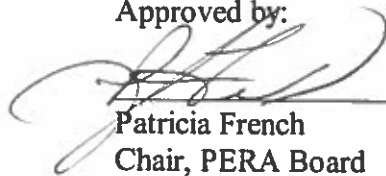
**6. OTHER BUSINESS**

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 12:50 p.m.

Approved by:

  
Patricia French  
Chair, PERA Board

ATTEST:

  
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Wayne Propst, Executive Director

Attached Exhibit:

*Exhibit 1: Consent Agenda*

*Exhibit 2: Final Order re: Kathleen Maestas*

*Exhibit 3: Final Order re: Kenneth Olson*

*Exhibit 4: PERA June 30, 2015 Actuarial Valuations*  
*Exhibit 5: Resolutions 15-07 through 15-14*