

**MINUTES OF THE NEW MEXICO  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
RULES & ADMINISTRATION COMMITTEE MEETING**

**July 12, 2016**

This meeting of the Public Employees Retirement Board Rules & Administration Committee was called to order by Committee Chair Paula Fisher at approximately 9:50 a.m. on the above-cited date in the PERA Building, Senator 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:**

Paula Fisher, Chair  
Dan Esquibel, Vice Chair  
Patricia French  
Jackie Kohlasch  
John Melia  
Cathy Townes

**Member(s) Excused:**

None

**Other Member(s) Present:**

James Maxon  
Loretta Naranjo Lopez  
John Reynolds  
Dan Mayfield

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff-General Counsel  
Jon Grabel, Chief Investment Officer  
Greg Trujillo, Deputy Director/Chief Information Officer  
Karen Risku, Deputy General Counsel  
David Dana, Assistant General Counsel  
Reneda Peery-Galon, ASAD Director  
Jude Perez, Deputy CIO  
Karyn Lujan, Deferred Compensation Plan Manager  
LeAnne Larrañaga-Ruffy, Director of Equity  
Kristin Varela, Portfolio Manager  
Emily Lopez, Financial Specialist  
Christine Ortega, Portfolio Manager

**Others Present:**

Paul Lium, Nationwide

Wayne Lloyd, Lloyd & Associates Architects

Sheb Mirando, Construction Administrator, Lloyd & Associates Architects

**2. APPROVAL OF AGENDA**

Ms. French moved to approve the agenda as presented. Mr. Esquibel seconded and the motion passed by [6-0] voice vote.

**3. APPROVAL OF CONSENT AGENDA**

Chair Fisher said she reviewed the minutes and they were accurate.

Ms. French moved to approve the consent agenda. Mr. Esquibel seconded and the motion passed by [6-0] voice vote.

**4. CURRENT BUSINESS**

**A. Approval of Resolutions:**

**1. Interest Rate Resolutions Nos. 16-07 through 16-13**

**2. Overpayment Resolution No. 16-14 [*Resolutions on file*]**

Susan Pittard, Chief of Staff-General Counsel, noted resolutions are presented to the Board each July to set interest rates for reinstatement of service credit and purchase of service credit. The rates will become effective January 1, 2017.

This year's timing is complicated because historically interest rates track the Board's actuarial assumed rate of return for investments. Recently, interest rates were reduced to 7.75 percent, from 8 percent, to track the actuarial assumed economic rate of return assumption. At the upcoming July 28<sup>th</sup> Investment Committee and Board meetings the Board will again entertain lowering the investment rate of return. As a result, staff recommends that for the calendar year beginning January 1, 2017, the interest rate for reinstatement and purchase of service credit track the Board's investment rate of return assumption. If the Board lowers its rate of return assumption, staff will prepare the interest rate resolutions accordingly. Staff anticipates the new interest rate will be reduced to 7.25 percent.

Ms. Pittard noted that Resolution 16-14 deals with the interest rates on overpayment due to fraudulent information being provided to PERA. Staff recommends that remain at 10 percent.

Ms. French moved to approve the interest rate resolutions 16-07 through 16-13. Her motion was seconded by Mr. Esquibel and the motion passed by unanimous [6-0] voice vote.

Ms. French moved to approve the overpayment resolution 16-14. Mr. Esquibel seconded and the motion passed by unanimous [6-0] voice vote.

Asserting the Chair's prerogative, Chair Fisher moved to item 5.

**5. OTHER BUSINESS**

Mr. Propst said the agency is recognizing Vince Jaramillo who will be retiring at the end of this month following 25 years of service to PERA. He said he recognized Mr. Jaramillo for his kindness and willingness to tackle any task throughout his 25 years of service to PERA. Mr. Propst shared the story of how Mr. Jaramillo came to PERA demonstrating how random opportunities can be. He outlined Mr. Jaramillo's career path at PERA and his instrumental role in implementing the complex provisions of SB27.

Mr. Jaramillo is the last retiring member of the 20-Year Breakfast Club that was formed when Mr. Propst came to PERA. His retirement is well deserved and Mr. Propst wished him the very best.

Mr. Jaramillo received a standing ovation from the Board and staff members.

**4. B. Report on Rammed Earth Repairs on PERA Building**  
*[Exhibit 1: Lloyd & Associates Wall Repairs Performance Report]*

Wayne Lloyd, Lloyd & Associates Architects, said they monitored the construction work that ended in late August 2015 and they have since monitored the building quarterly to determine how the repairs have held up. Overall, the work product has been better than expected. He noted three areas of concern, two of which were new and not patch related, and those areas should be reviewed in the Spring to determine whether additional maintenance is required in 2017.

Mr. Lloyd referred to the report photos of each area of patching. He emphasized that because of the nature of the material used this building will always require maintenance every few years.

Responding to Mr. Esquibel's question regarding the rust, Lloyd & Associates Construction Administrator Sheb Mirando said it was the design-intention.

Noting that they were not the original architects of the building, Mr. Lloyd said they were retained to recommend repairs. The original architect asserts that as an earthen material the building will always require a certain amount of maintenance. Mr. Lloyd said that it will require more maintenance than that of a cementitious stucco building. The building will require maintenance every two to five years and monitoring of the building is necessary.

As far as sealants, Mr. Lloyd said the notion is controversial with opinions ranging from using none to sealing annually. A sealant has been applied to the building.

The idea is that the rammed earth is at such a high PSI that it repels almost all water. Water is the damaging factor on this building – if it is porous enough to absorb water that then freezes and expands causing the spalling.

Rather than continuous expensive maintenance, Ms. Naranjo Lopez asked why not stucco the building. Mr. Lloyd said that is a choice, although not one he would recommend because the building would lose its original distinctiveness.

Ms. Naranjo Lopez said she was considering cost not aesthetics at this point. Mr. Mirando said the cost to stucco a building of this size may be higher than that of the repairs over time.

Mr. Mirando noted that the recommended patching is a fraction of the size of the original patching project.

Mr. Lloyd pointed out that rammed earth is a sustainable and green material that contributed to the points for the building to attain its LEED certification. He explained that the purpose of adding the metal coping to the parapets was to move the water from the wall.

Ms. Kohlasch expressed concern that there was flaking and exposed nails and lath that was not addressed in the maintenance. Mr. Mirando said the flaking was not apparent when the contract was entered into and many of the minor things contained in the report are there to create a record.

Mr. Lloyd said the repair contract clearly stipulates that there are no warrants to the repairs. The original contract warranty when the building was built has expired. Repairing rammed earth is not a building technology that any contractor would be willing to warranty.

### **C. Discussion of BoardEffect Portal**

Deputy Director Trujillo said this is the second round of meetings where the portal has been used and he requested feedback. At the staff level, the portal has made it easier to collate and archive materials.

Mr. Melia said he likes the system. Ms. Kohlasch agreed and asked that an email be sent advising when items are posted on the portal.

Ms. Naranjo Lopez said she found it easy to use for the committee she is a member of but was unable to access documents from the other committees.

Mr. Maxon said the portal is the wave of the future.

Mr. Trujillo said there is a great deal of functionality in the system that they are not using until the Board provides its go-ahead.

Ms. French said she thought it was wonderful. She noted that a BoardEffect training was scheduled for the Board retreat.

**D. FY16 Retirement Update**

Mr. Trujillo said staff reviewed retirement data over the past five years and found 2014 – the first year to retire without an impact to COLA – had the highest number of retirees. Since SB27 there has been tremendous request activity to purchase military, airtime, and withdrawn services. He said purchasing that time is very pricey and although there have been many requests few follow through with the purchase. At this point anyone requiring will have to wait seven calendar years or turn 65, which comes first, to receive a COLA. He expected a gradual increase in retirements going forward.

Ms. French asked about the expense of purchasing military time and Mr. Trujillo said while it is less expensive than the others it is still expensive.

Mr. Trujillo referred to the 2016 cost of living adjustment that approximately 32,000 retired members qualify for, adding approximately \$1.4 million to the monthly payroll. There were 2,224 first-time retirees eligible for COLA this year. Staff is developing a cost of living notification letter and he anticipated mailing later in the month.

Mr. Esquibel suggested staff develop an overview of SB27 and its implementation progress. Mr. Trujillo said they would work on that and Ms. French asked that it be available for discussion at the Board retreat.


**5. OTHER BUSINESS (con't.)**

Chair Fisher asked staff about their review of agencies' contracts with PERA retirees. Mr. Propst said he will continue to provide that information within his executive report at the Board meeting.

**6. ADJOURNMENT**

Having completed the agenda and with no further business to come before the Committee, Chair Fisher adjourned this meeting at approximately 10:55 a.m.

Approved by:

  
Paula Fisher, Chair  
Rules & Administration Committee

ATTEST:

  
Wayne Propst, Executive Director

Attached Exhibit(s):

*Exhibit 1: Lloyd & Associates Wall Repairs Performance Report*