

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**BOARD MEETING**  
**June 30, 2016**

This meeting of the Public Employees Retirement Board was called to order by Patricia French, Chair, at approximately 9:25 a.m. on the above-cited date at the PERA Building, 33 Plaza la Prensa, Senator Fabian Chavez, Jr. Board Room, Santa Fe, New Mexico.

**1. & 2.      ROLL CALL**

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

**Members Present:**

Patricia French, Chair - Municipal  
Dan Mayfield, Vice Chair – Retiree  
Tim Eichenberg- *Ex-officio*  
Dan Esquibel –Municipal  
Paula Fisher - State  
Jackie Kohlasch – State  
James Maxon - County  
John Melia - Municipal  
Loretta Naranjo Lopez - Retiree  
John Reynolds - State  
Cathy Townes - State  
Brad Winter - *Ex-officio*

**Member(s) Absent:**

None

**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  
Renada Peery-Galon, ASD Director  
David Dana, Assistant General Counsel  
Natalie Cordova, Chief Financial Officer  
Joaquin Lujan, Director of Rates and Credit  
LeAnne Larrañaga-Ruffy, Portfolio Manager  
Mark Montoya, Financial Analyst  
Kristin Varela, Portfolio Manager  
Emily Lopez, Financial Specialist  
Karyn Lujan, Deferred Compensation Plan Manager  
Christine Ortega, Portfolio Manager

**Others Present:**

Jennifer Lusk, Assistant Attorney General  
Eileen Neill, Wilshire  
Jamie Feidler, Cliffwater  
Tom Toth, Wilshire  
Matt Strom, Segal Consulting  
Paul Lium, Nationwide

**2. APPROVAL OF AGENDA**

Mr. Reynolds introduced the following motion:

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

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

**3. APPROVAL OF CONSENT AGENDA**

*[Exhibit 1: Consent Agenda]*

Chair French said 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.”**

Ms. Fisher seconded and the motion passed by unanimous voice vote.

**4. CURRENT BUSINESS**

**A. Recognition of Representative Luciano “Lucky” Varela**

Mr. Propst read the Memorial to honor Representative Lucky Varela for his service to the New Mexico’s PERA recognizing his education, employment with the state, and 30-year career in the legislature where he has established himself as an expert on finances and all issues affecting public employees in New Mexico. His role in drafting and sponsoring the bill for PERA pension reform is instrumental in the long-term solvency of the fund. During his tenure, the PERA fund has grown from \$1.3 billion to \$14 billion with growth in membership to 90,000 and annual pension benefits paid are over \$1 billion. As a result of Representative Varela’s efforts, present and future PERA retirees will have a secure retirement.

Following Mr. Propst’s recital of the memorial, Representative Varela received a standing ovation.

The Board members congratulated and recognized Representative Varela for his assistance with SB27, representation of the people, support of state employees, dedication to the residents, and his generous mentoring of others.

The service Representative Varela's family gave to the state and PERA were highlighted by Chair French.

Representative Varela thanked the Board for their kind words and recognition. He spoke of his disappointment this last session where they were unable to pay for the services that are needed by residents, especially for those living in poverty and depending on Medicaid. If there is a special session, he was hopeful the Governor would consider revenue enhancements to get New Mexico "out of last place" where it has been for so long. He said he hoped the stock market would stabilize and sustain the PERA fund and grow it so New Mexico can continue to cover its public employees with probably "the best retirement benefit we have in the country."

Following photographs, Mr. Reynolds moved to recess. Mr. Esquibel seconded and the Board recessed at 9:48, and the Investments Committee meeting took place.

Vice Chair Mayfield reconvened the PERA Board at 11:52 a.m. Mr. Propst requested that item D be heard next.

Mr. Reynolds moved to amend the motion moving D to the next item of business. Mr. Esquibel seconded and that motion passed without opposition.

**D. Independent Actuarial Audit of the June 30, 2015 Actuarial Valuation**  
*[Exhibits 2 & 3: Segal Consulting Reports]*

Natalie Cordova, Chief Financial Officer, said Segal Consulting was engaged by PERA to perform the actuarial audit by PERA. She shared a few facts from the GFOA's best practice guidance.

Matt Strom, Segal Consulting, reviewed the scope of the project and said it was a very good/clean audit. Segal performed a limited scope audit which allows for validation of the reasonability of the valuation results by taking small sample groups of numbers. Also reviewed were census data used in the valuation and proper actuarial communications. The audit reviewed the most recent experience study (2008-2013) and recommendations were made based on that review. He acknowledged the assistance provided by PERA staff and Cavanaugh Macdonald.

Mr. Strom explained how they collected census data, compared that data for consistency with the actuaries' data, and said they found that everything matched "spot on." Verification of liabilities was conducted based on test life replication and an independent view of the liabilities. They found most of the calculations were within one percent, which is exceptionally good. "To independently program our system and come up with virtually the same numbers is really good," stated Mr. Strom. He reviewed some detailed comments noting that were "all very minor."

Mr. Strom said one point suggested to Cavanaugh Macdonald is that they address, in future reports, more disclosure about current benchmark contributions being based on a level percentage of the 30-year open amortization method and point out the ramifications of an

infinite funding period.

Mr. Strom said the valuation study was reviewed on how the recommendations were developed and how it compared to other public sectors. The recommendations were all found to be consistent. The audit validates the 2015 valuation and the experience study was appropriate. He concluded, "We really found no major issues that would require any immediate attention."

Mr. Propst thanked Mr. Strom for his work and Mr. Garrett for the spirit of cooperation in which they approached this audit.

Mr. Reynolds moved to hear item E next. Mr. Maxon seconded and that motion passed without opposition.

**E. Executive Session - Attorney Reports**

- 1. Administrative Appeals (The Board will go into Executive Session under NMSA 1978, Section 10-15-1(H)(3) to discuss these items.)**
  - a. Cheryl Engelke**
  - b. Alex C. Salazar**

**Ms. Fisher moved to go into Executive Session pursuant to NMSA 1978, Sections 10-15-1 (H) (3). Her motion was seconded by Mr. Esquibel passed by unanimous roll call vote as follows:**

Chair French	Aye
Mr. Mayfield	Aye
Ms. Townes	Aye
Mr. Melia	Aye
Mr. Esquibel	Aye
Ms. Kohlasch	Aye
Ms. Naranjo Lopez	Aye
Mr. Eichenberg	Aye
Mr. Winter	Not Present
Ms. Fisher	Aye
Mr. Reynolds	Aye
Mr. Maxon	Aye

[The Commission met in executive session from 12:15 to 12:30.]

Mr. Esquibel moved to return to open session having only discussed the items listed on the agenda. Mr. Mayfield seconded and the motion passed as follows:

Chair French	Aye
Mr. Mayfield	Aye
Ms. Townes	Aye
Mr. Melia	Aye
Mr. Esquibel	Aye

Ms. Kohlasch	Aye
Ms. Naranjo Lopez	Aye
Mr. Eichenberg	Aye
Mr. Winter	Not Present
Ms. Fisher	Aye
Mr. Reynolds	Aye
Mr. Maxon	Aye

**2. Action Item: Regarding Attorney Reports**

Mr. Maxon introduced the following motion:

**“RESOLVED that in the matter of Cheryl Engelke, PERA ID #460015, the PERA Board adopt the Hearing Officer’s recommended findings of fact and conclusions of law and approve the Hearing Officer’s recommended decision determining the claimant receive non-duty disability benefits and be re-evaluated in one-year.”**

Mr. Reynolds seconded and the motion passed by unanimous [11-0] voice vote. [Mr. Winter was not present for this action.]

Mr. Maxon introduced the following motion:

**“RESOLVED that in the matter of the appeal of Alex C. Salazar, PERA ID #131042, the PERA Board adopt the Hearing Officer’s recommended findings of fact and conclusions of law 1-8 and 11-22 and hereby modify Hearing Officer’s recommended findings of fact numbers 9-10 to reflect that the Claimant was a current contributing employee at the time he was injured and approve the Hearing Officer’s recommended decision determining that the claimant receive non-duty disability benefits and be re-evaluated in one-year.”**

Mr. Reynolds seconded and the motion passed by unanimous [11-0] voice vote. [Mr. Winter was not present for this action]

**B. Investments**

**1. Commitment of up to \$75 Million to Starwood XI Management, LP, to be funded according to the cash plan and subject to legal review**  
**General Counsel**

Mr. Esquibel, Chair of the Investments Committee, introduced the following motion:

**“RESOLVED that the PERA Board approve a commitment of up to \$75 million to Starwood XI Management to be funded according to the cash plan and subject to legal review by General Counsel.”**

Mr. Mayfield seconded and the motion passed by unanimous [11-0] voice vote. [Mr.

Winter was not present for this action.]

## 2. Approval of Public Equity Implementation Plan

Mr. Esquibel introduced the following motion:

**“RESOLVED, that the PERA Board approve the public equity implementation plan.”**

Mr. Mayfield seconded and the motion passed by unanimous [11-0] voice vote. [Mr. Winter was not present for this action.]

C. **Action: Approval of Listed Infrastructure RFP Evaluation Committee recommendation to utilize the investment management services of Deutsche Asset Management for the Listed Infrastructure mandate, equal to an initial \$200 million, or 1.5 percent allocation [Exhibit 4: Staff recommendation re: Listed Infrastructure award; Exhibit 5: Cliffwater recommendation re: Listed Infrastructure award]**

Kristin Varela, Portfolio Manager, said the evaluation committee is recommending the utilization of the investment management services of Deutsche Asset Management through their global securities strategies for PERA’s listed infrastructure RFP mandate. Deutsche will seek to invest in companies, regions and sectors that offer the most attractive risk/return characteristics. She said this recommendation will assist PERA in reaching its asset allocation goals faster. This will allow PERA to gain market exposure and shift cash out as capital calls come due.

Ms. Varela identified the members of the evaluation committee. She reminded the Board that staff has been working on this since 2015.

Mr. Mayfield introduced the following motion:

**“RESOLVED that the PERA Board accept the RFP evaluation committee recommendation to approve utilizing the investment management services of Deutsche Asset Management for the Listed Infrastructure mandate equal to an initial \$200 million or 1.5 percent allocation.”**

Mr. Maxon seconded.

Chair French asked about the fees and Ms. Varela said Deutsche’s best and final offer is 56 basis points which is quite reasonable and below the median fee. This is an asset based fee and there will not be performance based fees. There were 11 finalists and Deutsche’s fees were ranked third and there was not a substantial difference in price amongst the top three.

Mr. Esquibel asked whether PERA’s current consultant(s) can perform these services to save PERA some money. Ms. Varela said neither Cliffwater or Wilshire manages capital for PERA.

Ms. Varela said this is a liquid strategy that will be funded immediately. PERA will begin paying fees and will have immediate market exposure.

The motion passed by unanimous [10-0] voice vote. [Mr. Winter and Mr. Eichenberg were not present for this action.

#### **F. Executive Director's Report**

Mr. Propst noted that the last provision of SB 27 takes effect tomorrow, July 1<sup>st</sup>. He highlighted staff promotions: Consuelo Montoya, Customer Service Manager; Sandra Mirabel, Retirement Manager; and Karlo Cantu, Bureau Chief/Contribution Accounting Manager. Ed Rose was introduced as PERA's database administrator.

Mr. Propst noted a new section in his executive report of independent contracts reviewed showing the number of contracts reviewed and approved by PERA staff. Fifty-eight contracts were reviewed in May and all were approved. The majority were at the Department of Health related to short-term nursing contracts to provide immunization.

Mr. Propst introduced Trish Winter, PERA's new executive assistant. He said she has significant experience and will be an asset to PERA.

Chair French requested that the member outreach dates and locations be placed on the BoardEffect Portal for Board members interested in attending. She noted that the Board would not be reimbursed for attending.

#### **G. Trustee Reports on Board Education Travel**

Due to time constraints, this item was tabled until the next Board meeting.


### **5. OTHER BUSINESS**

Chair French reminded the Board members to turn in their gift reporting forms to Ms. Winter. She mentioned that this was an audit finding.

### **6. 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:



Wayne Propst, Executive Director

Attached Exhibit:

*Exhibit 1: Consent Agenda*

*Exhibits 2 & 3: Segal Consulting reports*

*Exhibit 4: Staff recommendation re: Listed Infrastructure award*

*Exhibit 5: Cliffwater recommendation re: Listed Infrastructure award*