

NEW MEXICO
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
AUDIT & BUDGET COMMITTEE MEETING
March 9, 2021

This meeting of the Public Employees Retirement Board SmartSave Committee Meeting was held on the date cited above via Zoom tele/video conferencing. The meeting was called to order at 10:45 am by Chair Diana Rosales Ortiz.

1. Roll Call

Roll call was undertaken by Trish Winter, Executive Assistant. Meeting attendance met quorum, with the following members present.

Committee Members Present

Diana Rosales Ortiz, Chair
Lawrence Davis, Vice Chair
David Roybal
Loretta Naranjo Lopez

Committee Members Excused

John Melia

Other Board Members Present

Tim Eichenberg
Paula Fisher
Steve Neel
Shirley Ragin

Staff

Greg Trujillo, Acting Executive Director
Susan Pittard, General Counsel
Trish Winter, Executive Assistant
Anna Williams, CFO
Dominic Garcia, CIO
Geraldine Garduno, Assistant General Counsel
Kristin Varela, Deputy CIO
LeAnne Larranaga Ruffy, Co-Head of Equity
Angela Romero, Albuquerque Office Manager
Karyn Lujan, SmartSave Plan Manager
Marlena Riggs, Budget Manager

2. Approval of Agenda

A motion to approve the agenda was made by Ms. Naranjo Lopez and seconded by Mr. Davis. The motion to approve the agenda passed by roll call vote as follows:

| | |
|-----------------------|-----|
| Diana Rosales Ortiz | Yes |
| Lawrence Davis | Yes |
| David Roybal | Yes |
| Loretta Naranjo Lopez | Yes |

3. Approval of Consent Agenda

A motion to approve the consent agenda was made by Mr. Roybal and seconded by Mr. Davis. The motion to approve the consent agenda passed by roll call vote as follows:

| | |
|-----------------------|---------|
| Diana Rosales Ortiz | Abstain |
| Lawrence Davis | Yes |
| David Roybal | Yes |
| Loretta Naranjo Lopez | Yes |

During the vote, Ms. Rosales Ortiz abstained from voting as she was not present at the last Committee meeting.

4. New Business

A. 2021 Audit and Budget Committee Workplan

[Exhibit 1: 2021 Audit and Budget Committee Workplan]

Ms. Williams presented the 2021 Audit and Budget Committee Workplan as follows:

Ms. Williams explained the workplan for the committee for June 2021; September 2021 and December 2021. She presented the internal auditor’s plan for the remainder of 2021.

Ms. Williams advised that the following items would be presented to the full Board in 2021: the Fiscal Year 2022 Operating Budget, which has a deadline of May 1 to submit to DFA and LFC will go to the board on April 29, 2021; the Fiscal Year 2020 Scheduled Employer Allocation Report (Executive Session) will go to the Board on May 27, 2021; and the Fiscal Year 2023 Appropriation Request will go to the Board on August 26, 2021.

Mr. Davis asked whether the FY 23 Appropriation should be added to the Committee’s Workplan for preliminary review at the Committee’s June 2020 meeting. Ms. Williams responded that as full costs are not received until August a full draft had not been previously presented to the Committee before the Board, but she was open to doing so. Mr. Davis suggested that Committee be presented a quick primer in June, maybe a one to two slide presentation on what was anticipated in terms of investment fees increasing or decreasing for FY 23 to give a little insight into where PERA was headed. Ms. Williams confirmed she could provide this.

Mr. Page said if he was still Acting Board Chair at the time, he planned on an Audit and Budget Committee meeting in early April before the submission of the operating budget for 2022 to the full Board at the end of April to meet the 1 May submission. He also said if he was Acting Chair at the time, that he planned on an Audit and Budget Committee in August before the September budget requests for 2023. Mr. Page clarified with Ms. Williams that these items would still go to the full Board but be presented to the Audit and Budget Committee in meetings prior.

There were no further comments or questions.

A motion to approve the Audit and Budget Committee Workplan with the suggested changes was made by Ms. Naranjo Lopez and seconded by Mr. Davis. The motion to approve the consent agenda passed by roll call vote as follows:

| | |
|---------------------|-----|
| Diana Rosales Ortiz | Yes |
| Lawrence Davis | Yes |

David Roybal Yes
Loretta Naranjo Lopez Yes

B. Presentation on the new E-bill process

[Exhibit 2: New E-bill process]

Ms. Williams provided an overview of PERA’s Contribution Accounting Department functions. She said currently, all PERA affiliates must report 100% of their payroll to PERA, and all employees of PERA affiliates need to be reported regardless of their membership status. PERAs contribution staff ensure the contribution data from over 300 employers is accurate and reported timely. Contribution staff provides customer service for all PERA employees to assist with questions and issues that arise from reporting and payroll payment processes. Contribution staff also provide training to employers to assist their reporting of employer contributions. She said the monthly average in received contributions is about \$55 million, which Contributions staff ensure is posted and deposited timely into the PERA system.

Speaking on the new E-bill process, Ms. Williams said PERA had implemented a validations process to ensure employer contributions were reported correctly and enable PERA to move forward with changes to the new E-bill. She gave examples of the validation process and how E-bill has enhanced the accountability of employers to report timely and accurately. Ms. Williams noted it has improved the timeliness of reporting for payments from employers with approximately one to five employers being late each month. She said if contributions are posted timely, that assists member services in their refunds process and putting people on retirement. She said it has improved the data reporting to actuaries at fiscal year-end for pension liability amounts, and the accounting team is also to review and put contribution amounts into shares sooner at year-end. Ms. Williams also noted the fees paid by employers following a late submission also generate a small miscellaneous revenue for the fund.

There were no questions on this item.

Mr. Trujillo thanked Ms. Williams and her group, the Contributions Accounting staff, the IT group, the pension vendor, the user administration staff, and everyone involved. He said it had taken a long time to implement, but they were seeing the benefits and the three changes had revolutionized the way PERA has been able to do business. Chair Rosales Ortiz agreed and commented that Ms. Williams's presentation had also highlighted the good things that this work brings to the fund and the members.

C. FY 21 Budget Projection through 2/28/2021

[Exhibit 3: FY 21 Budget Projection through 2/28/2021]

Ms. Williams presented the FY 21 budget projection as of February 28, 2021, noting this information is just a snapshot in time and can change based on expenditures as they arise.

Regarding the 200 categories, Personal Service and Employee Benefits, Ms. Williams advised of eight vacant positions and a vacancy rate of 9.2%. She noted the built-in vacancy rate of 4.1% in the operating budget for this budget. She reminded the Committee that based on the salary base and date of hire of the new Executive Director, there would potentially be a bar increase because of the 5% budget vacancy rate that was built into the FY 22 budget request.

In the 300 categories, Contractual Services, Ms. Williams said this includes \$21.6 million in investment contracts or consultants and money managers. She said due to current market trends, Investments is reviewing the effect of the investment performance fees related to these contractual obligations.

Ms. Naranjo Lopez asked how much was paid for Reed Smith, noting that she would like to see that stopped. Ms. Williams responded that she did not have the number on hand but could email it to the Committee after the meeting.

Ms. Naranjo Lopez asked if the actuary and the legislature were paid when the fiscal impact reports are done, and if so, how much and is there a chargeback. She said her understanding was they take any bill that comes in. She said she wanted to know if there was a cost to the legislature for requesting it, and if PERA was required to pay the actuary to provide the fiscal impact report. Mr. Trujillo responded that legislative analysis is part of the annual contract with Cavanagh McDonald.

Ms. Naranjo Lopez said she would like to see a breakout of services by major functions such as legal services, investment, governance, and fund administration. She said she would also like the Committee to receive the 2020 Reed Smith bills. Ms. Rosales Ortiz and Ms. Williams clarified the information Ms. Naranjo Lopez was requesting would be covered within a breakout of services for the 2020 fiscal year.

Mr. Roybal asked if PERA were currently doing any overtime, and if so, were cash payments out allowed. Responding, Ms. Williams said she believed there may have been one employee in IT who had a little bit of overtime, but they that they did not really have overtime in their agency. Ms. Rosales Ortiz commented that staff are working full force during this legislature and thanked for staff for the work they do.

There were no further questions or comments on this item.

5. Adjournment

Having completed the agenda, Chair Rosales Ortiz declared this meeting adjourned at 11:08 am. A motion to adjourn was made by Mr. Roybal and seconded by Ms. Naranjo Lopez.

Approved by:

Diana Rosales Ortiz, Chair
PERA Audit & Budget Committee

ATTEST:


Greg Trujillo, Acting Executive Director

Attached Exhibit(s):

Exhibit 1: 2021 Audit and Budget Committee Workplan

Exhibit 2: New E-bill Process

Exhibit 3: FY 21 Budget Projection through 2/28/2021