

**New Mexico  
Public Employees Retirement Association  
Audit & Budget Committee Meeting  
April 12, 2022**

**1. Call to Order**

This meeting of the New Mexico PERA Audit & Budget Committee was held on the date cited above via Zoom tele/video conferencing. Chair, Diana Rosales Ortiz, called the meeting to order at approximately 10:50am.

**2. Roll Call**

The meeting attendance met quorum with the following members present;

**Board Members Present**

Valerie Barela  
Loretta Naranjo Lopez  
Francis Page  
Diana Rosales Ortiz, Committee Chair

**Board Members Absent**

Shirley Ragin  
Maggie Toulouse Oliver

**Other Board Members Present**

Claudia Armijo

**Staff**

Greg Trujillo, Executive Director  
Trish Winter, Executive Assistant  
Anna Williams, Deputy Director  
Lynette Kennard, CFO  
Kristin Varela, Interim CIO  
Misty Schoeppner, Deputy General Counsel  
Karyn Lujan, SmartSave Plan Manager  
Geraldine Garduno, Assistant General Counsel  
LeAnne Larranaga-Ruffy, Deputy CIO  
Angela Romero, Albuquerque PERA Office Manager  
Marlena Riggs, Budget Manager

**Others in Attendance**

Jessica Bundy, REDW  
Caitlin Gutierrez, REDW

**3. Approval of Agenda**

Valerie Barela moved to approve the Agenda. Francis Page seconded the motion. The motion passed with a unanimous roll call vote as follows;

Valerie Barela            Yes  
Loretta Naranjo Lopez   Yes

Francis Page            Yes  
Diana Rosales Ortiz    Yes

**4. Approval of December 14, 2021, Audit & Budget Committee Minutes**

Chair Rosales Ortiz stated she had reviewed the minutes.

Francis Page moved to approve the December 14, 2021, Minutes. Valerie Barela seconded the motion. The motion passed with a roll call vote of 3 to 1 as follows;

Valerie Barela            Yes  
Loretta Naranjo Lopez        No  
Francis Page            Yes  
Diana Rosales Ortiz    Yes

**5. New Business**

**A. Internal Audit – Employer Payment Transmittals**

Caitlin Gutierrez, REDW, reported the overall system controls had been reviewed to make sure they were functioning and able to catch potential errors.

One observation was made on the late fee assessment process. Ms. Gutierrez stated that the last audit's recommendation to PERA was to institute a late fee. PERA had implemented the process and a significant improvement was seen during this audit.

Ms. Gutierrez also noted that PERA had great monitoring and controls in place to track that process and worked well with the employers. REDW did find that one employer had some repeated late reporting and payments and had not been assessed late fees. REDW rated that as low and by the end of the audit period the employer had made significant improvements indicating that PERA had made progress in working with the employer.

Mr. Page asked what is being done currently to ensure that employers are submitting payments on time. Deputy Director, Ms. Anna Williams stated that currently, all employers submit reports through RIO. The employers must clear all their suspended reports which if they don't do on time, a late fee is assessed.

Ms. Williams stated that management will begin assessing the late fee on July 1. She added that employers are usually allowed to send in emails if they are late and request a waiver on the late fees. The fees are not waived for those that continually ask for waivers.

Ms. Guterrez stated that the waive process was tested to ensure it wasn't routine waving of fees to the same employer. Mr. Page pointed out that the process needs to be fair and equal for everyone.

Ms. Naranjo Lopez noted that the waiving process occurs every time the review is done. She indicated that a different approach is needed since staff continued to work with the same employers.

Ms. Gutierrez stated the last time the review was done, the late fee process was not in existence. The process was part of the recommendation from the last review. REDW will dive deep into the

process after this review to ensure that PERA is being fair and equitable and that the organization was working with employers, not against them.

Ms. Naranjo Lopez argued that the late fees had occurred several times. She also wondered if it was because PERA's system was not friendly enough.

Chair Rosales Ortiz suggested that Ms. Naranjo Lopez should work with staff to identify the instances that she was referring to that were recurring. She stated that this was the first time the Committee was addressing the issue and requested Ms. Naranjo Lopez provide Ms. Williams with information about the instances she was recalling.

Ms. Naranjo Lopez noted that it was common for REDW to report on employers who were consistently late on paying membership fees. She indicated that the next step should be to identify ways to improve that process and urged the executive director to find ways of helping his staff make the process effective and efficient. Ms. Naranjo Lopez stated that since 2005, the reporting has been about ways of helping the small towns get through the system to get their money into PERA. She reiterated that the process needs to be reviewed.

Mr. Trujillo explained this is the first time PERA has implemented penalties on late payments and reporting. In the past, employers were just sending money to PERA, but now, their reports need to be reconciled before they send the payments.

Mr. Trujillo further stated that a lot of resources had been dedicated to the process to upgrade it. Several validations that didn't exist before had also been included in the system. He added the specific employer that Ms. Guiterrez mentioned had some difficulty in reporting because the employer reports on behalf of 200 agencies. If one agency messes up, the employer has to go back to that agency to fix the problem thus leading to late reporting.

Mr. Trujillo pointed out that the Contribution Accounting Bureau Chief Aji Lopez had done virtual training for state agencies concerning reporting. He further noted that the problem with late reporting was more of a logistic issue with that one employer and not a system issue. Mr. Trujillo also recognized that small towns were currently among the best reporting employers.

Ms. Williams confirmed that training was indeed done with all HR people throughout the state. Another training will be done at the end of April. The training may be done continuously to keep the HR people trained thereby helping to reduce the suspended records.

Ms. Williams also mentioned with the new fee that had been implemented, only a few employers were late on reporting because they wanted to avoid getting assessed any more late fees. Significant progress had been made with the reporting.

Ms. Gutierrez reported that REDW had come up with one process improvement recommendation on employer receivable monitoring. She noted that even though PERA did a lot of tracking to ensure that employers are making timely payments, the process was highly manual. Staff had to physically go into each employer to check. REDW's recommendation to PERA was to see if RIO and E-Bill could generate system reports and automate the reporting to get rid of the physical individual check on employers.

## **5.B. Internal Audit – Investment Reconciliation**

Ms. Gutierrez stated that when looking at investment reconciliation and monitoring, one of the main things REDW noticed was on the rise was attempted wire fraud where people were intercepting emails and sending fraudulent bank account changes.

REDW looked to ensure that when PERA was receiving banking instructions, they did due diligence procedures and contacted whoever was sending the instructions from the records on file. PERA had to ensure the new instructions were legitimate to prevent huge amounts of money from being intercepted fraudulently.

Ms. Guterrez stated that no observations were made on this issue. Controls were very sound and PERA was following their processes.

Chair Rosales Ortiz noted the current environment was prone to constant cyber attacks and was thankful that no observations were made in this area.

Ms. Naranjo Lopez wondered if REDW had looked at investments when coming up with the observations and recommendations or if the data had been collected from staff. Ms. Guterrez stated that the data is often pulled directly from Custodian Bank and PERA's internal record. Ms. Guterrez added that REDW also employed some procedures to ensure that the data from both sources matched.

## **5.C. Audit & Budget Committee Workplan**

Ms. Williams presented the proposed Committee Workplan and stated it was similar to last year. She pointed out the Workplans for the Audit & Budget Committee meeting were subject to change as needed for the Committee.

Loretta Naranjo Lopez moved to approve the Audit & Budget Committee Workplan. Francis Page seconded the motion. The motion passed with a unanimous roll call vote as follows;

Valerie Barela	Yes
Loretta Naranjo Lopez	Yes
Francis Page	Yes
Diana Rosales Ortiz	Yes

## **5.D. Draft of Fiscal Year 23 Operating Budget**

Ms. Williams presented and stated the FY 23 operating budget is based on the agency's appropriation request of \$40.2 million. She added the FY 23 operating budget will have an additional increase in the personal services for the legislative compensation increases for all State workers. There will be a decrease in the contractual services based on legislative cutting of the 300 category. The FY 23 appropriation request was passed by the Board by a majority of 9 to 1 at the August 26, 2021 meeting.

In the 200 category, personal service and employee benefits, the appropriation request was \$8.2 million. Ms. Williams noted this will go higher. She had approximated an increase of \$975,000 but had received communication before the meeting that PERA will be able to increase the budget by \$560,000. A vacancy rate of 8 to 9% will be factored in. The increase in the 200 category was based on the 3%

increase staff had received in April and the average 4% legislative increase for all state workers that will go into effect July 2022.

The appropriation request for the contractual services was \$28.3 million. Legislature had reduced it by \$2.3 million so it will be \$25.9 million in PERA's operating budget. In the Other category, the request was \$2.2 million. Ms. Williams pointed out that if the operating budget expenditures are less than the operating budget revenues, all funds will revert to the trust fund.

She then presented PERA's operating budget by GL account code and division. She highlighted a column that indicated the variances in the FY 23 budget. The variances were in the 200 and 300 categories. Ms. Williams also presented a slide detailing the contractual services in the 300 category.

She also presented a slide showing details on the salary increases. Staff used guidance on the legislative increase for July to compile the data.

Ms. Naranjo Lopez wondered what the 0.4 represented for Reed Smith. She also noted that when the Board first considered having a Board attorney, they had looked at limiting the amount to \$25,000 but now it was at \$150,000. Ms. Williams explained that the 0.4 was the actual expenses spent for Reed Smith in FY 21. It represented approximately \$4000.

Ms. Williams stated the FY 23 operating budget draft will be presented to the full Board as an action item at the next board meeting. Mr. Page indicated that the Committee should have the option of either recommending or not recommending it to the Board before it moves forward.

Chair Rosales Ortiz explained that part of the role of the Governance Committee was looking into how committees should operate and how to move things to the Board. She mentioned that in the past, there had been some concerns about the operating budget being approved without Board review. That was why the Committee was formed to handle the reviews.

Mr. Page suggested that the operating budget be made an action item in the future since it was the Committee's mandate to vote on it.

Chair Armijo echoed Mr. Page's sentiments, adding that it was good practice for the Committee to review the information and then make a recommendation to the full Board. She stated that going forward, the objective will be to allow committees to do what's in their purview.

#### **5.E. FY 22 Budget Projections through March 21, 2022**

Ms. Williams reported that PERA had some savings in the 200 category of approximately \$450,000. There was a vacancy rate of about 10% that staff was working to fill.

The 300 category, contractual services, had projected savings of approximately \$100,000. Most of the contractual service budget is related to investment contracts. Investments will monitor their manager fees as the fiscal year progressed.

The 400 category had a budget shortfall related to IT costs and equipment meant to ensure that PERA's network is up to date and secure. Staff will determine this month if a category transfer will be needed or if there will be savings in the other areas of the 400 category.

Ms. Naranjo Lopez voiced concerns about the high number of vacancies. She also stated that more analysis should be done on the 400 category.

Ms. Williams pointed out that the vacancy rate had gone down as some new staff had been hired. She also offered to provide Ms. Naranjo Lopez with a breakdown of the 400 category.

Chair Rosales Ortiz mentioned that it was not easy to find qualified IT staff as there must be an appropriate level of training and experience to meet the organization's requirements. Mr. Trujillo agreed with Chair Rosales Ortiz, adding that there was only one vacancy left in IT. He stated that the other three vacancies were a result of internal promotions.

Chair Rosales Ortiz recognized and welcomed PERA's new CFO Ms. Lynette Kennard.

## 6. Adjournment

With no further business to discuss, Chair Rosales Ortiz adjourned the meeting at approximately 11:35am.

Approved by:

**RATIFIED by Committee on June 14, 2022**

Diana Rosales Ortiz, Chair  
Audit & Budget Committee Chair

ATTEST:

  
Greg Trujillo, Executive Director