

**New Mexico
Public Employees Retirement Association
Governance Committee Meeting
April 12, 2022**

1. Call to Order

This meeting of the New Mexico PERA Governance Committee was held on the date cited above via Zoom tele/video conferencing. Chair, Claudio Armijo, called the meeting to order at approximately 9:01am.

2. Pledge of Allegiance

Diana Rosales Ortiz led the Pledge of Allegiance.

3. Roll Call

The meeting attendance met quorum with the following members present;

Committee Members Present

Claudia Armijo, Committee Chair
Valerie Barela
Lawrence Davis [out at 10:15 am]
Paula Fisher
Francis Page
Diana Rosales Ortiz, Committee Vice Chair

Other Board Members Present

Loretta Naranjo Lopez
Roberto Ramirez

Staff

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

Others in Attendance

Rick Funston, Funston Advisory Svcs/Board Smart
Caitlin Gutierrez, REDW

4. Approval of Agenda

Diana Rosales Ortiz moved to amend the agenda by moving Item 5.D to 5.C and 5.C to 5.D. Francis Page seconded the motion. The motion passed with a unanimous roll call vote as follows;

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Paula Fisher	No response
Francis Page	Yes
Diana Rosales Ortiz	Yes

Diana Rosales Ortiz moved to approve the amended Agenda. Francis Page seconded the motion. The motion passed with a unanimous roll call vote as follows;

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Paula Fisher	No response
Francis Page	Yes
Diana Rosales Ortiz	Yes

5. New Business

A. Approval of 2022 Governance Committee Workplan

Chair Armijo stated that the Workplan had been uploaded to the Board portal for review by the members.

Ms. Naranjo Lopez requested details on New Mexico Statute 1978, Section 10-11-130, Rule 280500. She noted that the rule, particularly the language on the Charter, stated that the Committee has recommendation authority but not authority. There was no specific regulatory citation to the authority of the Governance Committee. Mr. Davis clarified that the NMAC series should be 200, not 500.

Executive Director, Greg Trujillo clarified that the site, NMSA 1978, Section 10-11-130, number 11 gives the Board Chair the authority to designate committees and committee members, including people who may not be members of the Association.

Former Chair Page, in his capacity last year, had designated the Governance Committee and the official site in the rule that the Board had passed to create the Committee.

Ms. Naranjo Lopez pointed out that according to the Statute, the Retirement Board creates the Committee. She was concerned that the Board might be giving away its fiduciary responsibility.

Acting General Counsel, Misty Schoeppner stated that authority is delegated to the Board Chair in the Board Policies. She added the Statute sets out the general Board framework and then the Board Policies

and Procedures provide more detail on the day-to-day operations of the Board. Ms. Schoepner stated the section of the rule referencing the authority of the Committee is 2.80.200.50, paragraph A.

Ms. Naranjo Lopez reiterated that she was referring to NMS 1978, Section 10-11-130, Rule 2.80.500 NMAC.

Mr. Trujillo mentioned that Mr. Page had started the process last year to create the Governance Committee. The Board had voted to create the Committee through the rule-making hearing. He said the site in NMAC that created the Committee should be 2.80.200.50, line 7.

Mr. Davis requested a quick review of the Workplan by the compiler. He aimed to understand the thought process behind the compilation of the Workplan.

Ms. Naranjo Lopez requested a legal opinion in writing and the meeting minutes in which the Committee was approved. Chair Armijo stated that the concerns would be addressed in an email.

Deputy Director, Anna Williams gave an overview of the Workplan as presented in the Memo sent to the Committee. She stated most of the items were based on the Governance internal audit and some items still needed to be reviewed and updated based on recommendations.

Mr. Trujillo mentioned that REDW did the Governance audit in 2020. The Workplan was a result of addressing the findings that came up from the audit.

Mr. Davis felt that some of the responsibilities on the Workplan were things that should be taken on by staff and not the Committee. Such responsibilities included a report on stakeholder engagement, Board members' annual travel, and Board members' annual education. He stated that these could be compiled by a staff member and presented to the Committee.

Mr. Davis further believed that the Committee has more authority in addressing conflict of interest, the governance of the Board, and providing the strategic Workplan. He stated that Mr. Page had created the Committee to address issues such as conflicts of interest, misconduct, and Board members not discharging their fiduciary responsibilities. The Committee was then supposed to address and recommend appropriate actions. Mr. Davis suggested the Committee maintain its focus on the reasons it was created and add in the strategic component.

Chair Armijo stated that as the Chair of the Committee, she has worked closely with Ms. Williams to create the Workplan. She, therefore, felt everything in it was within the scope of the Governance Committee. She called for a motion.

Diana Rosales Ortiz moved to approve the Workplan. Paula Fisher seconded the motion.

Ms. Naranjo Lopez requested Ms. Schoepner to explain if an individual Board member can act on behalf of the Board without Board resolution. She expressed concern that most of the language in the Workplan gave the Chair a lot of authority.

Mr. Davis stated he would be voting 'no'. He remarked that all Board members should have their voices heard and it was not up to the Chair to discount their opinions. He felt the Workplan did not need to be approved without a review since there were still more issues needing to be addressed in the Charter.

Mr. Davis further declared that the Workplan should have been sent out to the Committee members for input and feedback. That way, Committee members would have felt they were being involved in the Committee's processes.

Chair Armijo reiterated that the Workplan had been posted on the Board portal for review by members.

Francis Page moved to table the Workplan to allow for review by the members and come back at the next meeting for a vote. Lawrence Davis seconded the motion.

Chair Armijo called for a vote on the motion made by Ms. Rosales Ortiz and seconded by Ms. Fisher, to approve the Workplan. The motion passed by a roll call vote of 4-2 as follows;

Claudia Armijo	Yes	
Valerie Barela	Yes	
Lawrence Davis		No
Paula Fisher	Yes	
Francis Page		No
Diana Rosales Ortiz	Yes	

5.B. Approval of 2022 Governance Committee Charter

Ms. Naranjo Lopez stated that the language in the Charter should be reviewed. She noted that the language stated that it's the Board Chair who has authority whereas it should refer to the Board. She requested that it be changed to say the Board, not the Board Chair, since the Statute stated the Board needs to approve everything.

Ms. Naranjo Lopez also mentioned that the Charter stated Committee members will be selected based on individual knowledge. She pointed out that factor was not considered in the past, she was the only Board member with institutional skill and knowledge. She wondered who it was that decided on individual knowledge and asked that that be clarified. Ms. Naranjo Lopez also noted the Charter did not mention anything about rotation and asked that rotation be included. She reiterated that the language in the Charter did not imply that the Committee should report to the full Board. According to her, the Chair was being given sole responsibility. She further requested that the phrase 'as appropriate' should be taken out. She echoed Mr. Davis' sentiments that the Charter should be reviewed.

Mr. Davis indicated there was a miss-citation for NMAC that should be corrected. He also pointed out that the Charter stated t the Committee would develop and implement stakeholder and outreach and membership engagement and provide recommendations to the Board regarding any other matters delegated. Mr. Davis mentioned that one of the roles of the Committee was to review and monitor compliance. He felt the Committee should only do the monitoring but should not be involved in the development and implementation processes. He added that the Committee could not oversee what it had created and implemented. That role should be delegated to the internal auditors.

Diana Rosales Ortiz moved to table the Committee Charter and move it to the next meeting with input from Committee Members. Lawrence Davis seconded the motion.

Mr. Davis explained the role of the Chair was to propose the Charter and the Workplan. The Chair was then supposed to work together with the Committee members to review, provide their insight, and

amend them to come up with the final product. He added that that was the normal process and should have been followed.

Ms. Naranjo Lopez reiterated that the Policy should always refer to the Statute, and the Statute clearly stated that the Retirement Board was supposed to approve the committees, not the Chair. She added that she had requested a legal opinion from Ms. Schoepner to ensure that the Statute was being followed correctly.

The motion to table Committee Charter and move it to the next meeting with input from Committee Members passed by a unanimous roll call vote as follows;

Claudia Armijo	Yes
Valerie Barela	Yes
Lawrence Davis	Yes
Paula Fisher	Yes
Francis Page	Yes
Diana Rosales Ortiz	Yes

5.D. Board Smart Update [agenda order as amended]

Rick Funston from Funston Advisory Services presented the strategic plan update. He stated the importance of public retirement systems for public employees, employees, and the public in general (see presentation).

He mentioned that with the current global uncertainties, the Association's fiduciaries need to be agile and resilient in their decisions since the decisions have long-term consequences for many people.

Mr. Funston pointed out that with the inevitable Board turnover, there was no forgiveness period for new trustees. As soon as they assumed their seat, they assumed responsibility. One of the main challenges the Board encountered was getting everyone's involvement and coming to a common understanding.

He noted that diverse opinions from the members are important, but the Board should always focus on coming to a unified direction. This is because the stakeholders need to be given constant assurance that the Board was taking its responsibilities seriously and addressing concerns about expertise in stewardship and fiduciary duties.

Mr. Funston also mentioned the inevitable turnover of staff and executives. He stated that one of the roles of Board Smart was to help with effective onboarding and continuing education. He further stated that according to research, good governance could improve investment performance by about 1 to 3% annually. Thus, the importance of a good governance mechanism cannot be overstated.

He defined good governance as directing, overseeing, and ensuring that there's an effective system of control to achieve the purpose of the organization, fulfill fiduciary duties, and exercise the powers granted to the Board through the Legislation.

Mr. Funston stated that concerning committee structures, statutes empowered the Board. The Board can then delegate within the Board itself to its committees, which make recommendations only to the full Board unless otherwise authorized. The Board can also delegate to the executive director and staff to carry out specific functions.

Mr. Funston stated that to ensure that members are up to speed and on the same page, the Board needs to look into getting the best education available, developing an individualized plan for every trustee and executive, and tracking the progress.

He pointed out that the challenge faced by PERA was that its investment functions operate and compete in the private sector with other investors on a global basis. He also gave an overview of the fiduciary duties of the Board as outlined on the presentation slides. He stated that trustees are held to the highest legal standards because of the potential for conflicts of interest. Conflict of interest should not be confused with a difference in opinion. The trustees then face the challenge of developing a sense of trust in each other, in the staff, and advisors.

Mr. Funston overviewed some of the governance challenges faced by lay Boards. He stated that research had shown that non-expert Boards had been criticized for lack of qualifications. However, the research had also shown that the non-expert Boards did about the same as expert Boards, no better or worse, under normal conditions. The research showed that during uncertain times, non-expert Boards performed better because they are more open to a variety of different opinions and did not have an entrenched point of view. Boards have therefore recognized the need to access technology and skilled knowledge workers, but they may lack the authority to acquire those resources competitively.

Mr. Funston stated that the trustees needed to have experience and expertise during appointments to the Board. The key point was to know the right questions to ask and why to ask them. He noted that the PERA Board was going in the right direction in that regard.

He presented a chart showing the framework for enterprise governance. He had included PERA's mission statement in the chart and added that he had discussed the possibility of having a similar wall chart for staff. The chart also outlined the purpose and the vital functions of PERA, the fiduciary duties, and the five powers that are reserved for the Board in the Legislation.

Mr. Funston acknowledged Mr. Page who had gone through most of the 42 talks available in Board Smart. He further stated that the Board Smart website was being reorganized in such a way that if a member wants to learn more about a certain topic, they can easily access it.

He indicated that in terms of exercising duty, the Board was at the point of setting direction and then delegating. This presented a responsibility to develop a plan for a recommendation for approval by the Board.

Chair Armijo thanked Mr. Funston, noting that he had given a very succinct outlook on the importance of stakeholder engagement.

Ms. Rosales Ortiz asked if the function of the trustees to direct, oversee, and ensure an effective system of control also included internal controls whereby the Board or the Committee gave direction to executive staff to ensure that staff have good internal controls in place. Good internal controls would in turn ensure there was proper reporting to the stakeholders.

Mr. Funston stated the direction to the executive director should come from the Board through the Chair as opposed to from individual members. This ensured that there is consistency and that the workload and the request is appropriate. The Chair is then tasked with follow up to ensure that the executive director completes the task as requested.

Ms. Rosales Ortiz also referenced the audit conducted a while back on the governance of the PERA Board and asked if the Committee was supposed to help in resolving the conflicts that came up in the audit.

Mr. Funston stated that the role of the Committee was to make informed decisions about policy and direction so that it can make informed recommendations to the full Board. The executive director's responsibility, in addition to carrying out the directions approved by the Board, was to raise issues that may have direction and policy implications in that process. The Board then decides which Committee should take up the issue.

Mr. Rosales Ortiz mentioned that the Governance Committee was formed around the issues raised in the 2019 audit because there was no clear governance established then. Mr. Funston explained that it was normal for a new group coming together around a new purpose to have misunderstandings of some points.

Mr. Page stated that the organization's biggest problem is not having current processes down on paper and getting a guide to move forward.

Mr. Davis thanked Mr. Funston for the insights he had provided. Mr. Funston also thanked the Board members and acknowledged the hard work they do for the public. Ms. Fisher and Ms. Naranjo Lopez echoed Mr. Davis' sentiments.

Mr. Funston stated that the plan is to customize the look and feel of Board Smart to make it unique for New Mexico PERA. He added that he will work together with the Board to develop an individualized onboarding and continuing education plan. This would assist in developing talks that would be suitable for an individual in their role, be it the Chair, Vice-Chair, or a new trustee.

Quarterly reports will be prepared for each individual to get quarterly progress reports in terms of how they are doing compared to the plan. This would equip New Mexico PERA to be able to demonstrate leadership among all plans in having an individualized plan.

5.C. Strategic Plan Update

Executive Director, Greg Trujillo, presented the update and stated the Board is at Phase 2 of the strategic planning process. This stage involves informing the Committee and setting the course. Mr. Trujillo overviewed some alternatives for each strategic goal that had been identified, the strategies, and some assumptions that would be used for each strategy.

Mr. Trujillo review the processes that had comprised Phase 1 (see presentation). He said some suggestions had been raised to change the mission statement but the Board and staff had supported the current statement. However, discussions will still be held on whether or not it needed to be changed.

Another option was to shorten and streamline the mission statement and add the guiding principles. Four guiding principles were outlined in the presentation slides.

Mr. Trujillo gave an outline of the strategic strengths, opportunities, vulnerabilities, and threats. These had been identified by several Board members and staff. He also mentioned the key strategic planning goals and objectives as shown on the slides. He stated the near-term biggest objective is enhancing the Board governance policies, oversight, and decision making. More details and resources will be added to the strategies shown on the slides.

Concerning objective 1B, Mr. Trujillo stated the investment team had made several changes to how they report, how they meet with the Board members, and some of the materials they provide to the Board. The strategies that will be used to address investment oversight were shown on the slides, but Board members were encouraged to send in any additional items.

Objective 1C was the effective use of external advisors. Mr. Trujillo stated that there are currently about four RFPs and urged the members to make good use of the external advisors as they are costly.

Mr. Trujillo stated, about effectively engaging with policymakers, that he had a good relationship with several policymakers but indicated that there was no need for additional staff.

Mr. Trujillo reported that there had been some turnover during COVID in the last two years, and staff were actively recruiting to fill vacant positions. Once the people are in place, succession planning will start to ensure that even if several staff members leave, the mission will still be accomplished.

Mr. Trujillo further stated that the Chief Information Officer and his team were continually looking at cyber issues to address and enhance cyber security.

Chair Armijo encouraged the Committee and Board members to meet with Mr. Trujillo to learn about the process involved in cyber security since it could not be discussed in an open meeting. She also thanked Mr. Trujillo and his team for a job well done.

Mr. Trujillo presented the rest of the objectives as shown on the slides.

Mr. Funston reviewed the next steps of the strategic planning process. He stated that the issues identified are common across the country. He further stated that the next steps would be for the Committee to look at the mission statement, goals, strategies, and objectives as presented and identify whether there's something mission. The Chair would then provide an update to the full Board on progress. Staff would be given the green afterward to do further work in each of the areas to develop and refine the strategic plan.

Mr. Funston said the strategic plan was the beginning of dialogue within the Board and the executive about providing a unified direction for moving forward. The Board will be expected to direct staff on things that should be accomplished within a specified period.

Chair Armijo requested the Committee members to further review the strategic plan and the Charter and send in their input before the next meeting.

5.E. Report on Stakeholder Engagement & Outreach

Outreach Division Bureau Chief, Christina Perea presented an overview of the activities of the Outreach team. Ms. Perea kicked off by introducing the Outreach team members; Christina Gauthier, Jose Trujillo, and herself.

Christina Gauthier has been with PERA for over 16 years and serves as PERA's treasurer.

Jose Trujillo has been with PERA for about 5 years. He started in member services before joining the Outreach team.

Ms. Perea stated that Outreach is dedicated to serving and assisting members, both active and retired, and ensuring that they have a great experience.

She outlined Outreach roles as follows;

- Oversee 75th Anniversary Committee - most will be virtual due to COVID. The next seminar will be on May 2 and the theme will be a pizza PERA pie. the Outreach team will go over the different stages and pies of a pizza of being an active and retired PERA member. They will also provide tips and guidance for members.
- Host seminars and events for PERA – these include general and retirement seminars monthly, and seminars for PERA-affiliated employers throughout the State. The Outreach team usually sends out a mass email to over 300 PERA affiliated employers to schedule the seminars. The plan is to go back to in-person seminars.
- Volunteer Firefighter Program – the team assists over 360 volunteer firefighter departments throughout New Mexico, particularly with annual reporting. The departments are usually reminded to turn in their annual reports according to Statute, which requires them to submit an electronic and a hard copy report to PERA. The team also works closely with the State Fire Marshall’s office.
- Member Emails – Outreach team assists member services division to answer incoming emails that go to PERA member services and the Albuquerque email system. The emails keep the team updated with processes, guidelines, forms, et cetera.
- Assist in reviewing and revising PERA publications – these include handbooks, forms, videos, and website. A Quality Improvement Committee had been established during COVID to review and revise some of PERA’s forms.

The team also helps monitor the PERA website and several social media platforms including Facebook, Instagram, Twitter, and YouTube. They made updates to the look of the website and tracked activities by analytics.

PERA’s first communication and branding plan was developed about three years ago. Currently, all emails have an email signature that shows the branding during communication with members.

PERA became part of the public information officer group which is coordinated by the FBI public information officer, Frank Fisher. Some PERA staff members get to attend monthly events hosted by the group. Staff, therefore, get the opportunity to work with other PIOs and communication offices.

Chair Armijo thanked Ms. Perea and asked how the Outreach team comes up with ideas for seminars and events. She also inquired about the number of events the team planned to host in a calendar year.

Ms. Perea stated that the committee planning the 75th anniversary had met last year and had already put together a calendar of seminars. The team worked together to brainstorm ideas and come up with the events. They also get ideas about what people want to know from responding to daily emails.

For the 75th anniversary, the seminars are held monthly. The program might continue in the future due to the positive feedback. Ms. Perea stated that the two seminars that must happen every year were the general seminars and the retirement seminars. The other seminars were scheduled together with PERA-affiliated HR divisions.

There has been a total of about 25 seminars since January. The number might grow throughout the year. Virtual seminars, brought about by COVID, had significantly increased the reach.

Chair Armijo also asked if the analytics dived deeper to show where each click went next and how long a member stayed on a particular link. Ms. Perea stated that the team usually tries to dig deep to gauge the kind of information members are looking for. This information inspired some of the updates made to the website.

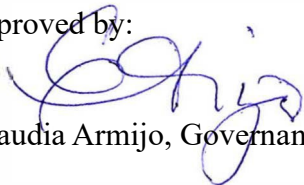
Ms. Perea further indicated that the analytics can show who the members are, their age, gender, location, and where they clicked on first. The most clicked-on items are the forms. Ms. Perea stated that the forms are made as accessible as possible for easy access. Another popular page is the SmartSave Deferred compensation website.

Chair Armijo requested that the analytical report be provided to the Committee members.

6. Adjournment

With no other business to discuss, Chair Armijo adjourned the meeting at approximately 10:40 am.

Approved by:



Claudia Armijo, Governance Committee Chair

ATTEST:



Greg Fujillo, Executive Director

Exhibit(s)

Exhibit 1: Agenda