

**New Mexico  
Public Employees Retirement Association  
Board Meeting  
May 26, 2022**

**1. Call to Order**

This meeting of the New Mexico PERA Board was held on the date cited above via Zoom tele/video conferencing. Chair, Claudia Armijo, called the meeting to order at approximately 9:00 a.m.

**2. Pledge of Allegiance**

Loretta Naranjo Lopez led the Pledge of Allegiance.

**3. Roll Call**

The meeting attendance met quorum with the following members present;

**Board Members Present**

Claudia Armijo  
Shirley Ragin  
Roberto Ramirez  
Francis Page  
Loretta Naranjo Lopez  
Lawrence Davis  
Steve Neel  
Valerie Barella  
Paula Fisher  
Diana Rosales Ortiz

**Board Member Absent**

Maggie Toulouse Oliver  
Tim Eichenberg

**Staff**

Greg Trujillo, Executive Director  
Trish Winter, Executive Assistant  
Anna Williams, Deputy Director  
Kristin Varela, Interim CIO  
Misty Schoeppner, Deputy General Counsel  
Leanne Larranaga Ruffy, Acting Deputy CIO  
Jessica Trujillo, HR Manager  
Geraldine Garduno, Assistant General Counsel  
Karyn Lujan, SmartSave Plan Manager  
Angela Romero, Albuquerque Manager  
Frank Mihail, Investments  
Loretta Lopez, Assistant Legal Counsel  
Sara Hume, Investments  
Jovanna Archuleta, Investments

**Others in Attendance**

Maria Vassalou, Goldman Sachs  
Stephanie Spector Cohen, Goldman Sachs

**4. Approval of Agenda**

Steve Neel moved to approve the agenda. Francis Page seconded the motion. The motion to approve the agenda passed by a roll call vote of 8 to 1 as follows;

Shirley Ragin	Yes	
Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Lawrence Davis	Yes	
Valerie Barella	Yes	
Diana Rosales Ortiz	Yes	
Claudia Armijo	Yes	

**5. Approval of Meeting Minutes**

**A. Approval of March 31, 2022 Board Meeting Minutes**

Ms. Naranjo Lopez moved to defer approval of the March 31 meeting minutes to the next Board meeting. Shirley Ragin seconded the motion. The motion passed by a unanimous roll call vote with 1 abstention as follows:

Shirley Ragin	Yes	
Roberto Ramirez	Yes	
Francis Page		Abstain
Loretta Naranjo Lopez	Yes	
Steve Neel	Yes	
Lawrence Davis	Yes	
Valerie Barella	Yes	
Diana Rosales Ortiz	Yes	
Claudia Armijo	Yes	

**B. Approval of April 28, 2022 Board Meeting Minutes**

Ms. Naranjo Lopez moved to approve the April 28 Board meeting minutes. Francis Page seconded the motion. The motion passed by a unanimous roll call vote as follows:

Shirley Ragin	Yes
Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barella	Yes

Diana Rosales Ortiz            Yes  
Claudia Armijo                 Yes

**6. Approval of Consent Agenda**

Francis Page moved to approve the Consent Agenda.

Ms. Naranjo Lopez proposed removing the Santa Fe County Resolution and the Santa Fe Agreement from the Consent Agenda. She claimed she didn't have enough information about what was being delivered and how much was actually paid.

Executive Director Greg Trujillo was asked by Chair Armijo to clarify the resolution's impact on the City of Santa Fe.

Mr. Trujillo noted that because municipal payments are increasing as a result of Senate Bill 72, the Union with Santa Fe had agreed to a 75% increase. The contribution rates would not be changed. The resolution would only affect the amount paid by the employee and the amount collected on the employee's behalf by the employer.

Ms. Naranjo Lopez inquired if the plan was fully funded. Mr. Trujillo stated that it was not, adding that the statutory contributions were still being made.

According to Chair Armijo, the PERA Act allows local governments to do what the resolution specified. She emphasized that the resolution made no changes to the contribution amounts. It just divided who paid for them in different ways, and the pickups were done in a variety of locations.

More 75% pickups will be seen as a result of the anticipated contribution increases, according to Mr. Trujillo.

Ms. Naranjo Lopez expressed her support for the resolution.

Shirley Ragin seconded the motion to approve the Consent Agenda.

The motion passed by a unanimous roll call vote as follows;

Shirley Ragin	Yes
Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	No response
Lawrence Davis	Yes
Valerie Barella	Yes
Diana Rosales Ortiz	Yes
Claudia Armijo	Yes

**7. Reports of Committees**

**A. Rules & Administration – May 10, 2022**

Vice-Chair Rosales Ortiz gave a brief update of the May 10, 2022 Rules & Administration meeting. She stated the first item discussed pertained to the Open Meetings Act and the proposal for the Board to adopt hybrid meetings once the emergency declaration is up or once the pandemic restrictions are removed.

The Committee had discussed ways to make in-person meetings more effective and the advantages of hybrid meetings. Video conferencing was also highlighted as one of the ways that reduce distance and commuting time.

The other discussion revolved around elections and the nomination signatures required for individuals interested in running for a Board position at the state level. The current signature requirement is 150 for state level and 50 for retirees. The Board was requested to reconsider the number of signatures required for purposes of nomination.

Other items discussed pertained to Board Policies and Procedures where Board members were urged to submit their recommendations to the Committee Chair, Paula Fisher.

Ms. Naranjo Lopez proposed having another election to allow more member participation. She felt that the last one was not well marketed and there were several issues getting it out to the members. Chair Armijo requested Ms. Naranjo Lopez to send her suggestion via email to Chair Fisher and Vice-Chair Rosales Ortiz.

Mr. Trujillo informed the Board that four applications had been received for the municipal position. The four applicants had requested petitions but only one turned in the required number of signatures. For the state position, three applications had been received, but only turned in the required number of signatures.

Chair Armijo urged the Board members to look at ways of increasing engagement in elections and participation on the Board and reach out to the Rules & Administration Committee. She mentioned she had attended the last IPOC meeting virtually and the Committee had agreed to hold hybrid meetings for purposes of transparency and to increase participation.

Vice-Chair Rosales Ortiz indicated that the May 10 Rules & Administration meeting lasted about 35 to 40 minutes. She stated that if the meeting had been held in person, it would've taken a person living in Santa Fe one hour to drive to the meeting and another hour to drive back. She indicated that such factors need to be accounted for.

Mr. Trujillo reminded the Board that the new state member who will be taking office in January is from Hagerman, New Mexico. This is just south of Roswell area.

Vice-Chair Rosales Ortiz pointed out that it would have taken the new state member about three hours to commute to attend a 35 to 40-minute meeting. She reiterated that the Board should not discourage participation by requiring that meetings be held in person. She further added that the pandemic had not ended and so some people might have challenges attending in-person meetings. More participation had also been seen in virtual Board meetings.

Ms. Naranjo Lopez mentioned that she had attended a conference where plans were underway to promote in-person meetings. She proposed holding the meetings in Albuquerque for half a year and the other half in Santa Fe. According to her, in-person meetings promoted effective communication. Since

she believed that many members wanted to go back to in-person meetings, she stated that those who would have issues attending could do so virtually.

Mr. Page reminded the Board members of the per diem that is given for attending meetings. He also stated that most employers grant the time off to allow members to attend Board meetings.

Ms. Fisher pointed out that the May 10 Rules & Administration meeting time was short because there were no other committee meetings on that day. She stated that there are usually other meetings on the same day that would last about two to three and a half hours.

**8. Unfinished Business**

**A. Items removed from Consent Agenda if necessary**

None.

**9. New Business**

Board recessed to Executive Session to discuss;

**NMSA 1978, §10-15-1 (H) (3)**

Administrative Appeal

- 1. David T. Salguero

Francis Page moved to go to Executive Session. Loretta Naranjo Lopez seconded. The motion passed as follows;

Shirley Ragin	Yes	
Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez	Yes	
Steve Neel		No response
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barella	Yes	
Diana Rosales Ortiz	Yes	
Claudia Armijo	Yes	

The Board convened in Regular Session.

Chair Armijo stated the only business discussed in Executive Session was what was on the agenda.

**Board Members Present**

- Shirley Ragin
- Roberto Ramirez
- Francis Page
- Loretta Naranjo Lopez
- Steve Neel
- Lawrence Davis

Valerie Barella  
Diana Rosales Ortiz  
Claudia Armijo

Tim Eichenberg was present in the Administrative Appeal.

**A. Final decision on Administrative Appeal**

**1. David T. Salguero (PID # 119212)**

Shirley Ragin moved to adopt the hearing officer's recommended findings of fact and conclusions of law, approve the hearing officer's recommended decision on remand, and deny the claimant's request for PERA disability retirement benefits. Francis Page seconded the motion.

Motion passed by a roll call vote as follows;

Shirley Ragin	Yes
Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Lawrence Davis	Yes
Valerie Barella	Yes
Diana Rosales Ortiz	Yes
Claudia Armijo	Yes

**B. Investment Education Session**

Interim CIO, Kristin Varela introduced Maria Vassalou and Stephanie Spector Cohen from Goldman Sachs Asset Management.

Ms. Vassalou is the co-chief investment officer of the multi-asset solution group within Goldman Sachs Asset Management. Her team provides multi-asset class products and solutions for institutional and individual investors focusing on customized asset allocation, tactical implementation, risk management, and portfolio construction.

Ms. Vassalou gave a presentation on the financial crisis, the current world economy, good risk management and what how provide value to investors.

Mr. Davis thanked Ms. Vassalou for the presentation, adding that he had gained lots of insight and knowledge.

**C. CIO Report**

Acting CIO, Kristin Varela, reiterated Ms. Vassalou's sentiments that inflation is consistently rising but the peak cannot be determined yet. She indicated that the rising interest rates were presenting a challenge as the cost of capital was continually increasing.

Ms. Varela reminded the Board of PERA's investment principle, as shown in the report. She stated

that the fund will not be able to call the current times in the market, or the peaks and troughs. The fund would also not be able to tactically tilt one way or another and the main focus would be not trying to outpace the market.

Regarding asset allocation and cash activity, Ms. Varela reported that the fund market value slightly increased by \$42 million after payment of monthly benefits, making March a flat month. The portfolio for March was at \$17.9 billion, off from the watermark of \$18.4 billion. After payment of benefits, the overall fiscal year-to-date growth for the March period was about \$294 million. A positive projection of the portfolio was thus seen in the March period.

The fund continues to pay benefits even in times of stress. \$47 million had already been paid out, and today, \$65 million will be paid out as benefits. None of the payments had been strained. The fund holds significant amounts of liquidity that can be easily converted into cash to meet needs. This also means that in more challenging and volatile markets, the fund will not realize a loss because of the ease of liquidity.

One implementation was passed in April. The investment team met, after which the Portfolio Fit and Review Team met. The teams subsequently approved a \$100 million commitment to a follow on relationship with Warburg.

Warburg has been the diversified generalist in the fund's private equity portfolio since 2015. Being a strong alpha generator, Warburg added strong value to the portfolio, not just in terms of IRRs or total value per invested, but also in terms of outpacing the public markets. Ms. Varela emphasized the need to complement the portfolio with private market investments, adding that Warburg will continue doing that for the portfolio.

Warburg is not niche-oriented or sector-focused. They are generalized and broad, and thus will be larger in the space. They also have a long track record of many well-established and successful funds.

About performance, Ms. Varela reported that the fund was down for the quarter by about 1.8%. Despite the negative number, some value was seen since the policy index is about negative 3%. She urged the Board to focus on capital preservation in these times of volatility.

Positive outliers were still seen despite the rough markets. For the quarter, all periods, except the seven-year, are still meeting the absolute discount rates. The relative results continued to exceed the policy benchmark on all time horizons. Positive value add was seen except for one month.

Ms. Varela indicated that the capital preservation focus will be seen in the results. She presented preliminary returns and indicated that the fund was stacking up nicely against peers on an absolute basis.

In terms of risk-adjusted return, the fund is consistently above the median peer group. In this time of volatility, both the absolute and risk-adjusted returns were above the top decile.

April began a relatively difficult quarter for the fund with large declines across global equity and U.S. bond markets. These were all a result of the same drivers of market volatility, including inflation, geopolitical concerns, supply chain issues, and rising interest rates.

In April, a large decline was seen in the portfolio of about a negative 3%. This brought the fiscal year-to-date return down to 1.4%. The NAV there now is projected at about \$17.3 billion. The fund is

giving back returns that were generated in a more accommodating market.

When compared to the broad market indexes, the policy portfolio for April was down 4.8%. This is a highly diversified policy portfolio adopted by the Board. For the fiscal year to date for the same benchmark, the diversified non-concentrated benchmark was down about 4%.

The value of active management, defensive positioning, and capital preservation is immediately seen coming into the portfolio for the one month, generating about 180 basis points of excess returns. This is not an absolute positive number though it indicates preservation of capital. For the fiscal year to date, 530 basis points of excess return were generated against the broad market benchmark.

Ms. Varela reminded the Board that approximately \$500 million is held in liquid cash. This is always overlaid with daily market derivatives to enable easy movement in and out of the fund's position to fund liquidity when necessary.

For May, Ms. Varela stated the fiscal year-to-date return might look flat. Some stability might be seen as there is a slight bounce back, but the markets have been highly volatile as investors continue to repricing risks and navigate through the uncertainties.

As of May 23, the fund saw a NAV of \$17.1 billion. The fiscal year-to-date returns are expected to be flat. If the fund's ended its fiscal year today, it would be up about 10 basis points. When compared to the broad concentrated markets, U.S. bonds are down 8% for the same period. Global equity was down 9%, and the reference portfolio was down 8.25. A significant amount of capital preservation and value is being preserved here, although the expectations are still flat.

Ms. Varela indicated that the team anticipated a slowing in growth. They are preparing for inflation and have taken a focused sensitivity to liquidity. She added that the Board adopting the liquidity guidelines and the team implementing a solid beta overlay program will allow the liquidity to enable smooth payment of monthly liability. There were no staffing updates.

Ms. Fisher thanked Ms. Varela for the update and noted that the fund is moving towards the \$17 billion mark. She also appreciated staff's hard work.

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

Executive Director Greg Trujillo reported that the payroll keeps growing, currently at \$115.4 million.

He mentioned that the final 13<sup>th</sup> check was being tested. As part of Senate Bill 72, it will be the third and final 13<sup>th</sup> check paid out to participants. About \$130.6 million was paid out in July of last year. Mr. Trujillo believed that the amount might be close to \$140 million in July of this year. The 13<sup>th</sup> check will not come out of the trust fund. It will be funded by the \$55 million appropriation received from the Governor's office and the Legislature.

Mr. Trujillo further reported that the State was moving into its third year of contribution increases. Active employees are paying 1% more in contribution so far and the State is chipping in an additional 1%.

It is a four-year implementation and this will be year three for the State members. It will, however, be the first year of contribution increases for municipal members as there had been a two-year

delay. The contribution increase will be 0.5% for each employee and employer for the next four years.

Chair Armijo asked if the \$55 million covered all the three years of the 13<sup>th</sup> check. Mr. Trujillo stated that it might cover all three. If it does not, he believed that what the fund would have to pay out would be minimal. He indicated he did not know how many retirees will be eligible in June and would provide that information with the August report.

Chair Armijo mentioned that some retiree members got a 2.5% increase. She asked what that total was. Mr. Trujillo indicated that the final numbers will be out with the August report when the July payroll is done. He however believed that the 2.5% was minimal with regard to the population.

Chair Armijo stated that in one of the IPOC meetings, some municipal members had expressed concerns about the increase that would start on July 1. She asked if anyone had attempted to introduce a bill that would remove the requirement.

Responding to Chair Armijo, Mr. Trujillo stated that he was not aware of any bill. He further stated that SB 72 had some triggers in it, stating that if any of the funds got to 80% or higher, then the contribution increases would be delayed or deferred.

Mr. Trujillo believed that with the current environment, the funds would not get to 80% this year. He mentioned that municipal general as of last year was at about 78% while municipal police was about 76%. He reiterated that the increases will take effect on July 1, and all municipalities are aware and preparing for it.

## **10. Public Comment**

There were no comments from the public.

Mr. Davis thanked the staff and appreciated all the work they do for the Board.

## **11. Adjournment**

With no further business to discuss, Chair Armijo adjourned the meeting at approximately 10:14am.

Approved by:



Claudia Armijo, Board Chair

ATTEST:



Greg Trujillo, Executive Director