

**New Mexico
Public Employees Retirement Association
Board Meeting
Thursday, August 26, 2021**

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 Francis Page called the meeting to order at approximately 9:00 a.m.

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;

Board Members Present

Francis Page, Acting Chair
Tim Eichenberg
Paula Fisher
Lawrence Davis
John Melia
Loretta Naranjo Lopez
Steve Neel
Shirley Ragin
Roberto Ramirez
Diana Rosales Ortiz
Maggie Toulouse Oliver

Staff

Greg Trujillo, Acting Executive Director
Susan Pittard, General Counsel
Trish Winter, Executive Assistant
Anna Williams, CFO
Misty Schoeppner, Deputy General Counsel
Kristin Varela, Interim CIO
LeAnne Larranaga Ruffy, Co-Head of Equity
Aaron Kayser, Investment Administrator
Frank Mihail, Investments Director
Isaac Beckel, Investments Director
Isaac Olaoye, Investment Accountant
Kate Brassington, Investment Associate
Michael Killfoil, Investment Associate
Clayton Cleek, Investment Associate
Frank Mihail, Director
Karyn Lujan, SmartSave Plan Manager
Jessica Trujillo, HR Manager
Ron Gallegos, CTO

Staff (continued)

Angela Romero, Albuquerque Office Manager
Geraldine Garduno, Assistant General Counsel

Others in Attendance

Tom Toth, Wilshire Consulting
Rose Dean, Wilshire
Stephen DiGirolamo, Wilshire
Leah Emkin, Wilshire
James Walsh, Albourne
Sara Grist, Albourne

Acting Chair Francis Page announced that he had received a letter of resignation from David Roybal. The letter stated that Mr. Roybal had received a position with the private sector and will no longer be working with the government. His last day with the State government was Friday, August 20, 2021. He, however, still retains the seat until the vacancy is filled.

4. Approval of the Agenda.

Loretta Naranjo Lopez moved to approve the Agenda. Shirley Ragin seconded the motion. The motion passed by a unanimous roll call vote as follows;

Francis Page	Yes
Lawrence Davis	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

5. Approval of Consent Agenda

Shirley Ragin moved to approve the Consent Agenda. Maggie Toulouse Oliver seconded the motion. The motion passed by a unanimous roll call vote as follows;

Francis Page	Yes
Lawrence Davis	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

6. Unfinished Business

Items removed from Consent Agenda if necessary.

None.

7. New Business.

A. FY 23 Appropriation Request.

Anna Williams presented the FY 23 Appropriation Request and informed the board they will now be using the new state budget system, BFM, and hence, the budget request might look different. She reported that the Appropriation Request is a \$4.2 million budget, an increase of 10.85% from PERA's FY 22 operating budget. The FY 22 operating budget was relatively flat to PERA's FY 21 operating budget with less than 0.5% increase.

A majority of PERA's budget is related to investment activities, which require PERA to meet a hurdle rate of 7.25%. Therefore, a large portion of the increase in the FY 23 request is related to investment fee activity.

Ms. Williams stated that the increase in investment fee activity is not a reflection of increasing fees, but the market value in which those fees are calculated is now higher due to this year's market movement. If the increase in investment fees is deducted, the overall increase in budget will be less than 2%.

There is an increase of \$43,500 or 0.5% in personal service and employee benefits. This is a result of the reduction in vacancy rate from 6.3% to 3%, and then factoring in the 0.5% increase in the PERA contributions in FY 23 for the employer.

Contractual Services has an increase of \$2.3 million or 9.1%. This is related to the increase in activity fee related to the current higher market value investments in which the fees were calculated.

Ms. Williams stated that the budget will be submitted to DFA once approved by the Board.

Mr. Davis pointed out that the salary amounts that are included within the budget include the 1.5% that the entire State received. All positions within PERA had been increased by 1.5%. Ms. Williams confirmed that the 1.5% went into effect in FY 22 and added that the salary amounts were pulled directly from Share.

Ms. Naranjo Lopez further noted that the dollars on the contractual services don't match the percentage for the contractual fees. For instance, she noted that one-fourth of 1% a year for contractual services is an industry high in fees. She requested details on how this is usually reviewed.

Ms. Williams explained that they take the amounts from each manager based on the contractual needs, and then put them in the E5s. She further explained that the amounts increased due to the higher investment fees that are a result of PERA's good performance in the market.

Ms. Naranjo Lopez stated that she was concerned because PERA continues to imply that they are reducing fees. She requested a copy of the legislation that addresses the changes that need to be made to be provided in May as the Board needs to understand them.

Diana Rosales Ortiz moved to approve the FY 23 Appropriation Request. Shirley Ragin seconded the motion. The motion passed by a roll call vote of 9 to 1 as follows;

Francis Page	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
John Melia	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

7.B. 2021 Rulemaking Initiation Notice

General Counsel, Susan Pittard, stated that this is an action item to approve initiation of the formal rulemaking process. The concept of rulemaking and the need for it has been brought before the Board for several months now.

The notice sets the timeline of the rulemaking hearing on November 9. This allows for public comment to be received either at the hearing or by written comments submitted to the agency. Copies of the draft rules are available from the agency to any interested party.

Ms. Pittard stated that the rules have been on the Board portal since July 2, but she had not received any dialogue with Board members. There were, therefore, no proposed changes.

The finalized rules need to be made available for the public on September 15, the Rules & Administration Committee will meet on the September 14th.

Ms. Naranjo Lopez stated that the Board should be receiving a red-lined document on the rules when they review them. She was concerned that there was no information about what's being changed. She also stated that a copy of the letter should be provided to the Board.

Chair Page stated that everything is on the Board portal. All the changes had been underlined or highlighted in yellow. Ms. Naranjo Lopez argued that she had not seen any statute or legislation there. She also stated that since this is being discussed at the Board meeting, the information has to be provided to the Board.

Ms. Pittard pointed out that staff and Board cannot change rules. She also stated that this was not about changing rules. It was about changing the administrative rules and it needed Board action soon so that it can proceed with the November 9 timeline.

Ms. Pittard suggested that Ms. Naranjo Lopez meets with staff to discuss any concerns. Ms. Naranjo Lopez stated that the problem was with staff hijacking the Board and going ahead with rules that had not been reviewed yet.

Chair Page stated that the rules had been in front of the Board for the past three months. He had reviewed them each month. He also suggested that they meet separately to discuss them.

Steve Neel moved to accept the 2021 rulemaking initiation notice. Shirley Ragin seconded the motion. The motion passed by a roll call vote of 10 to 1 as follows;

Francis Page	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Yes
Loretta Naranjo Lopez	Abstain
Steve Neel	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

7.C. CIO Report

Acting CIO, Kristin Varela, reported that her report consisted of a year-end review of the 2021 fiscal year. Some of the highlights of the fiscal year include;

- a) The fund had grown over the last year by \$3.5 billion and closed at an all-time high of \$17.6 billion.
- b) \$1.3 billion was paid out in total benefits. Investment activities covered \$684 million or 52% of the benefits.
- c) IPS liquidity and SAA ranges stayed within targets throughout the fiscal year.
- d) Staff reviewed, approved, and did due diligence on 25 individual opportunities totaling \$1.1 billion of new commitments across various asset classes, structures, and relationships, which also include new engagements with co-invest vehicles.

Ms. Varela also reported that the fiscal year was closed with a 24% return net of fees, the largest yet that PERA has seen. The contributors to this were global equity and credit portfolios.

She further noted that one of the largest drivers of the global equities portfolio excess return was in the private equity portfolio. PERA performed quite well as compared to results coming from peers nationally. This portion of the portfolio has a net of fee return of 58% for the fiscal year. PERA's 24% is in the highest ranking.

Ms. Varela congratulated the Alpha team for their work and added that the private equity book is well thought out and well-executed.

She also reported that as they were finishing up closing July, there was another all-time high of \$17.8 billion and a strong start to the fiscal year of about 1.6% monthly returns.

Mr. Neel appreciated LeAnne Larranaga Ruffey for her outstanding work on her Private Equity book. He also thanked Ms. Varela and her team.

Ms. Naranjo Lopez also thanked Ms. Varela and Ms. Ruffy for meeting with her and answering all her questions. Ms. Rosales Ortiz echoed these sentiments and appreciated the two.

Ms. Ragin also thanked Ms. Varela for reaching out to her for comments even though she was not on the Investment Committee anymore. Mr. Davis also shared the same appreciative sentiments.

7.D. Executive Director's Report

Acting Executive Director, Greg Trujillo, reported that July was a huge month with \$130 million in payroll. This is a result of \$17.5 million in 13th check payments.

PERA's contributions also went up slightly. This is the second year of increase mandated under Senate Bill 72, with another 0.5% from employees and 0.5% from employers on the State side. After this year, PERA will be halfway through the State implementation, then start on the implementation for municipalities and county members next year.

Mr. Trujillo further reported that about 75,000 member annual statements will be sent out in September. There's usually an increase in the refunds with inactive members that still have a balance with the fund. He will provide that information to the Board once the statements go out.

Mr. Davis asked whether there is an increase in retirement applications coming into PERA. Mr. Trujillo stated that there was no increase. He had referred back to data from five years ago to check on retirements processed but had noted no increase.

He indicated that ERB, had seen about a 30% increase in retirement applications due to the rougher effects of COVID on teachers. PERA did not see such an increase but there was a lot of activity that came with the rule change from Retiree health care. The requests are always high but not of people filing for benefits and leaving.

Board Recessed to Executive Session to discuss;
NMSA 1978, §10-15-1 (H) (2)
Limited Personnel Matters: Discussion regarding Executive Director Search

Maggie Toulouse Oliver moved to go to Executive Session; Paula Fisher seconded the motion. Motion passed as follows:

Francis Page	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

The Board was in Executive Session from 9:47am to 11:27am

Maggie Toulouse Oliver moved to go back to Regular Session. Tim Eichenberg seconded the motion. The Board convened in Regular Session.

Board members present

Francis Page
Lawrence Davis
Tim Eichenberg
Paula Fisher
Loretta Naranjo Lopez
Steve Neel
Shirley Ragin
Roberto Ramirez
Diana Rosales Ortiz
Maggie Toulouse Oliver

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

Maggie Toulouse Oliver stated that the three candidates for the executive director position were excellent to consider. However, the Board had important concerns about the selection process that they had authorized.

Ms. Toulouse Oliver, therefore, moved to defer the action on this until such a time when the Board can conduct a new search, utilizing the services of a professional firm to assist in the search and selection process. In addition, a new Ad hoc Committee should be formed to work with the independent firm and oversee that process, and the Board should hold itself to a deadline of no later than December of this year for the process to be completed so that they can make a final selection for an executive director.

Steve Neel seconded the motion.

Mr. Eichenberg suggested that PERA's fiduciary attorney be a member of the new ad hoc committee that would be formed. Ms. Naranjo Lopez stated that she would object that because there were some conflicts of interest.

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

Francis Page	Yes
Lawrence Davis	Yes
Tim Eichenberg	Yes
Paula Fisher	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Shirley Ragin	Yes
Roberto Ramirez	Yes
Diana Rosales Ortiz	Yes
Maggie Toulouse Oliver	Yes

Mr. Neel explained that his vote to continue the process was not based on the allegations made against the acting executive director. Ms. Ragin and Mr. Davis echoed the same sentiments. Mr. Davis added that the allegations were probably false and needed to end. He also hoped that the three candidates would continue with the process.

Mr. Eichenberg apologized for making his suggestion before the voting on the motion was done. He reiterated that the fiduciary attorney should be involved in the search process. He also stated that his vote was not based on the allegations made.

Chair Page agreed to form a new ad hoc committee. He would talk to the fiduciary attorney about being a member of the committee.

8. Public Comment.

Chair Page mentioned the Albuquerque police officers that were shot and hoped for their quick recovery. He also mentioned the situation in Afghanistan and stated that a member of service had been killed at the Kabul Airport. He hoped that the people remaining there would be taken out safely.

Ms. Toulouse Oliver echoed Chair Page's comments on the tragedy in Kabul and Albuquerque. Her thoughts and prayers were with the families. Mr. Neel and Mr. Davis also shared the same thoughts.

Ms. Naranjo Lopez inquired on the dates of the Board Retreat.

Chair Page stated that an email was sent out to all Board members with possible dates.

There were no further comments from the public.

9. Adjournment

With no further business to discuss, Chair Page adjourned the meeting at approximately 11:41am.

Approved by:



Francis Page, Acting Chair
PERA Board of Trustees

ATTEST:



Greg Trujillo, Acting Executive Director