

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**BOARD MEETING**

**April 26, 2018**

This monthly meeting of the Public Employees Retirement Board was called to order by James Maxon, Chair, at approximately 9:00 a.m. on the above-cited date at the PERA Building, 33 Plaza la Prensa, Senator Fabian Chavez, Jr. Board Room, Santa Fe, New Mexico.

**1. Roll Call**

Roll call followed the Pledge of Allegiance and indicated a quorum with the following members present:

**Members Present:**

James Maxon, County, Chair  
Jackie Kohlasch - State  
Natalie Cordova – State  
Dan Esquibel – Municipal  
Patricia French - Municipal  
Dan Mayfield – Retiree  
John Melia - Municipal  
Loretta Naranjo Lopez - Retiree

**Member(s) Absent:**

Claudia Armijo - State  
Cathy Townes - State [excused]  
Tim Eichenberg - *Ex-officio*  
Maggie Toulouse Oliver - *Ex-officio*

**Staff Members Present:**

Greg Trujillo, Deputy Director  
Susan Pittard, Chief of Staff/General Counsel  
Karen Risku, Deputy General Counsel  
Renada Peery-Galon, ASD Director  
Dominic Garcia, Chief Investment Officer  
Dana David, Assistant General Counsel  
Kristin Varela, Interim Deputy CIO  
Trish Winter, Executive Assistant  
LeAnne Larrañaga-Ruffy, Director of Equity  
Karyn Lujan, Deferred Compensation Plan Manager  
Anna Williams, Chief Financial Officer  
Anna Murphy, Portfolio Manager

**Others Present:**

Ernie Marquez, Automated Election Services  
Tim Sanchez, Automated Election Services  
Annette Arvizu  
Frank Troselea, AFSCME  
Anne Hanika-Ortiz, LFAC  
Anna Jorgensen, LFC  
Michael Mauboussin, Santa Fe Institute

2. **Approval of Agenda**

Mr. Esquibel introduced the following motion:

**“RESOLVED, that the PERA Board approve the agenda as presented.”**

Dr. Kohlasch seconded.

Ms. Cordova requested that the agenda be amended, moving executive session to follow the 2018 Election Report as item B.

The movant and second accepted the modification and the motion passed by unanimous voice vote. [Ms. French was not present for this action.]

3. **Approval of Consent Agenda**

*[Exhibit 1: Consent Agenda]*

Ms. Naranjo Lopez said she would not be voting on the consent agenda because the March 29, 2018 minutes were not posted in her BoardEffect which currently states “unexpected error.”

Mr. Esquibel said he reviewed the minutes adding that he was not present at that meeting.

Mr. Mayfield introduced the following motion:

**“RESOLVED, that the PERA Board approve the consent agenda as published.”**

Mr. Esquibel seconded and the motion passed by majority [6-1] voice vote. Ms. Naranjo Lopez voted no and Ms. French was not present for this action and arrived shortly thereafter.

4. **Current Business**

A. **2018 Election Report**

1. **Approval of Nominating Petition Counts and Candidate for State Position**

Ernie Marquez, Automated Election Services, said his company followed the election guidelines as established in NMAC Section 2.80.200.70. He outlined AES’s procedures to validate the nomination signatures to qualify the candidates. According to 2.80.700.70(A) NMAC, a candidate must have a minimum of 150 valid nominating signatures and validity can be established via the last four digits of the member’s social security number, the member’s date of birth, or the member’s PERA ID number. AES made every effort to validate signatures; however, there were some names that were illegible or the information was incomplete and could not be verified.

Following verifications, AES qualified four candidates for the State position: Joel C. Flory, Paula Fisher, Nick Eckert and Stephen Neel.

The Municipal position had one candidate, Lawrence Davis, who requested petition and

submitted the required number of signatures.

Ms. Naranjo Lopez recalled that qualifying the signatures has been done by a volunteer group in the past.

General Counsel Pittard reminded the Board that in January 2018 they passed a resolution that outsourced the validation of nominating petitions to AES and outlined the procedures for the 2018 Board election.

Noting it was a new procedure, Ms. Naranjo Lopez requested that Mr. Marquez outline how AES qualified a signature. Mr. Marquez said the original petitions were available for review and he repeated the efforts AES made to validate a signature and the time stamping and counting procedures.

Mr. Esquibel introduced the following motion which Mr. Mayfield seconded:

**“RESOLVED, that the PERA Board approve the nominating petition counts and candidates for the State position.”**

During discussion, Mr. Esquibel observed that one of the State candidates is an ERB employee and he asked whether that may create any conflicts. Deputy Director Trujillo said members of ERB are PERA participants and ERB is classified as a state agency. He recalled that an ERB employee served on the Board in the past and he was unaware of any conflicts.

**The motion passed by unanimous [8-0] voice vote.**

Chair Maxon thanked Mr. Marquez for AES’s service.

- 2. Approval of Nominating Petition Counts for Municipal Positions; Cancellation of Election and Declaration of Winner pursuant to 2.80.200.70 (A)(6) NMAC**

Mr. Esquibel introduced the following motion:

**“RESOLVED, that the PERA Board accept the nominating petition count for the municipal position, cancel the election, and declare Lawrence Davis the winner.”**

Dr. Kohlasch seconded and the motion passed by unanimous [8-0] voice vote.

- B. Executive Session - Attorney Reports**
  - 1. Evaluation Committee Determination on Internal Audit Service RFP No. NM 36600-2018-00004**

**Mr. Esquibel moved to go into Executive Session to discuss the matter listed on the agenda pursuant to NMSA 1978, Sections 10-15-1 (H) (6). His motion was seconded by Ms. French and passed by unanimous roll call vote as follows:**

James Maxon

Yes

Jackie Kohlasch	Yes
Natalie Cordova	Yes
Cathy Townes	Absent [excused]
Claudia Armijo	Absent
Tim Eichenberg	Absent
Dan Esquibel	Yes
Patricia French	Yes
Dan Mayfield	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Maggie Toulouse Oliver	Absent

[The Board met in Executive Session from 9:22 a.m.-10:00 a.m.]

Returning to open session, Chair Maxon announced the only matter discussed during executive session was that noted in the agenda.

**Mr. Esquibel moved to return to open session. Ms. French seconded. The motion passed by unanimous roll call vote as follows:**

James Maxon	Yes
Jackie Kohlasch	Yes
Natalie Cordova	Yes
Cathy Townes	Absent [excused]
Claudia Armijo	Absent
Tim Eichenberg	Absent
Dan Esquibel	Yes
Patricia French	Yes
Dan Mayfield	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Maggie Toulouse Oliver	Absent

Chair Maxon noted that Ms. Naranjo Lopez requested meeting quarterly with the internal auditors and because it was not on the agenda, she will bring up that request at another time.

Mr. Esquibel introduced the following motion:

**“RESOLVED, that the PERA Board accept the recommendation of the RFP Committee.”**

Ms. Cordova seconded and the motion passed by majority [6-2] voice vote with Ms. French and Ms. Naranjo-Lopez voting nay.

[Ms. Cordova excused herself from the remainder of the meeting.]

**C. Presentation: Building Effective Teams & Improving Decision Making**

Before introduction of the presenter, Ms. Naranjo Lopez asked whether he had any business with New Mexico PERA staff. Michael Mauboussin responded no. Next she asked whether his presentation would address PERA's \$5 billion funding gap and he responded no. She asked whether Mr. Mauboussin had generated any alpha or investment gains within the last 10 years and he again responded in the negative and that it was not relevant to his presentation.

Dominic Garcia, PERA CIO, said he invited Mr. Mauboussin, who is regarded as a world expert in building decision-making skills and serves as the Santa Fe Institute Chairman. He said in an effort to build a sustainable PERA edge across the entire pension system it is imperative that "we work together as a good team – staff, board and consultants."

Ms. Naranjo Lopez said staff is distracting the Board from its immediate responsibility to deal with the \$5 billion funding gap. Mr. Garcia responded that working better as a team and as decision-makers will assist in that objective.

Mr. Mauboussin said he has observed through academic research and directly that many boards and committees do not always come to the best/optimal decisions. He discussed team building for decision making, how teams go wrong and methods to improve decisions. Following a series of studies it was determined the optimal team size was four to six people. Smaller tended to be better than bigger in team size; in fact, three-person investment management teams delivered the most excess returns. He discussed the diversity prediction theorem which says collective decision quality is a function of the "smarts" of the individuals and their diversity. Thus, the collective is always smarter than the average person within the collective and the skill of the group is equal parts accuracy and diversity.

Mr. Mauboussin discussed the three types of diversity: social category – age, race, gender, ethnicity, sexual orientation and religion; cognitive – information, knowledge, heuristic representations, mental models and personality; and value – task, goal, target and mission. The key to problem solving/good decision making is cognitive diversity. Value/mission diversity should be low; that way different people with different backgrounds are driving toward a central purpose. For teams to reach their goals the members must feel safe, be dependable/arrive on time, have clear roles and think their work matters.

Mr. Mauboussin discussed collective intelligence and indicated it was not IQ that made the difference but other factors such as: members contribute equally, members score higher in a test of reading others' eyes/minds and the participation of women.

Mr. Mauboussin provided data from a study depicting that the time of day is relevant to decision-making. Premortem – a strategy in which a team imagines that a project or goal has failed, and then works backward to determine what potentially could lead to the failure – generates more alternatives and varied points of views. The people who have been doing something for the longest time have the most difficulty getting to a new place because they have to unlearn all the things they know. Distinguishing between fact and opinion is particularly important. Following an exercise, Mr. Mauboussin said that in order to agree on something, numbers are more useful than words and he provided a list of attributes for strengthening decision-making with active open mindedness ranking highest.

In closing, Mr. Mauboussin mentioned Robert Sapolsky, American neuroendocrinologist

and author, who found that the psychological stresses trigger the same physiological response as a physical stressor. With regard to an investment setting, when someone is stressed it pulls in time horizons which can be dilatory in decision making.

In response to a question about good leadership, Mr. Mauboussin said an effective leader of a committee was shown to be one that did not share his or her view at all and, if they did, it occurred at end of a discussion. He mentioned the HIPO, highest income person's opinion, which many times is adhered to. A good leader keeps the meeting on its agenda and elicits points of views from people.

**D. Trustee Report on Board Educational Travel**

**1. Jackie Kohlasch – Roundtable for Corporate Funds & Insurance Portfolios**

Dr. Kohlasch said the roundtable focused on corporate culture and the red flags that indicate an unhealthy culture, which warrant investigation by board members. Those red flags included focus on performance and little on how it is achieved, operating outside the company's policy, frequent requests for exceptions to the code of conduct, to name a few.

**E. Executive Director's Report**

Mr. Trujillo noted that Mr. Propst's report was included within the Board packet. He noted that this week the member services group participated in team building sessions.

**5. Other Business**

Ms. Naranjo Lopez asked whether Mr. Propst or Ms. Pittard has a plan to close the \$5 billion funding gap since "their job descriptions includes investing" and asked that an answer be provided at the next meeting.

Regarding the question Ms. Naranjo Lopez posed, Mr. Esquibel said the entire Board and staff are working to close the gap and reach PERA's goals.

**6. Adjournment**

Chair Maxon declared this meeting adjourned at 11:10 a.m.

Approved by:



James Maxon  
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director