

NEW MEXICO
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
AUDIT & BUDGET COMMITTEE MEETING
March 13, 2021

This meeting of the Public Employees' Retirement Association Audit & Budget Committee was held on the date cited above via Zoom tele/videoconferencing. Lawrence Davis, Vice-Chair, called the meeting to order at approximately 11:02 a.m.

1. Roll Call

Trish Winter, Executive Assistant, undertook the roll call. Meeting attendance met quorum with the following members present:

Committee Members Present

Diana Rosales Ortiz, Chair [arrived at 11:15 am]
Lawrence Davis, Vice Chair
David Roybal
Loretta Naranjo Lopez

Committee Members Absent

John Melia

Other Board Members Present

Francis Page
Shirley Ragin
Tim Eichenberg
Paula Fisher

Staff

Greg Trujillo, Acting Executive Director
Susan Pittard, General Counsel
Trish Winter, Executive Assistant
Anna Williams, CFO
Dominic Garcia, CIO
Kristin Varela, Deputy CIO
LeAnne Larranaga Ruffy, Head of Equity
Karyn Lujan, SmartSave Plan Manager
Marlena Riggs, Budget Manager

2. Approval of Agenda

A motion to approve the agenda was made by Mr. Roybal and seconded by Ms. Naranjo Lopez. The motion to approve the agenda passed by roll call vote as follows:

Lawrence Davis	Yes
David Roybal	Yes
Loretta Naranjo Lopez	Yes

3. Approval of Consent Agenda

A motion to approve the consent agenda was made by Mr. Roybal and seconded by Ms. Naranjo Lopez. The motion to approve the agenda passed by roll call vote as follows:

Lawrence Davis	Yes
David Roybal	Yes
Loretta Naranjo Lopez	Yes

4. New Business

A. Draft of the Fiscal Year 2022 Operating Budget

[Exhibit 1: Fiscal Year 2022 Operating Budget Draft]

Referring to her memo to the Board dated April 13, 2021, on page two of the presentation, Ms. Williams, CFO, reminded the Committee that PERA's Operating Budget is based on the agency's appropriation request of \$3.62 million. She noted the Operating Budget will have an additional increase in the Personal Services for the 1.5% legislation compensation increase for all state workers. She noted the FY22 appropriation request was passed at the Board meeting held on August 27, 2020. Ms. Williams said the Personal Service category appropriation request was \$8.2 million, however, it would be slightly higher again for the operating budget based on the 1.5% legislative increase for state workers. She said the Contractual Service category would be \$2.9 million, and that based on the request the operating budget would mirror the request. She said in the Other category the appropriation request was \$2 million, and the operating budget would mirror that. She reminded the Committee that any funds not expended in FY22 would revert to the PERA Trust Fund.

Speaking to the operating budget for Personal Service and Employee benefits in the 200 category, Ms. Williams said this factored in the 1.5% legislative increase for all of the workers at PERA. Referring to the PERA Organization Chart in the presentation, Ms. Williams explained the 200 category supports all salaried staff and benefits. The staff includes Member Services who process refunds and member benefits, and take member calls; IT who ensure the information technology for the agency functions properly and RIO is maintained efficiently; ASD who oversee the budget, contracts, human resource, and building maintenance; Legal who provide legal services; and the Investment team overseeing the investments of the trust fund.

Vice-Chair Davis commented that the salary increases had previously been discussed by the board, and said he wanted to make it clear to the Committee that the salary projections shown included the 1.5% approved by the Governor that PERA intended to follow.

Ms. Naranjo Lopez asked why the Executive Director and Assistant, earned so much money and what the meaning of their GOVX classification was.

Vice-Chair Davis said from the recent process undertaken for the Executive Director he did not believe it was found was the Executive Director was overcompensated, and that according to their research they may even be under-compensated. Concerning the salary of the Executive Assistant, he said the same applied as an unclassified professional who serves the Executive Director, and that her salary was probably comparable to other Assistants and Associates in the pension world. He commented that he thought both positions were comparably compensated for services.

Responding to the question on the GOVX classification, Ms. Williams explained that the Executive Director and Executive Assistant positions serve at the will and are therefore listed as GOVX exempt positions. She explained the other code, CLSS is classified and that they go more through SPO.

Ms. Naranjo Lopez said she had noted there were four other people named Trujillo in the documents presented, and asked if there was any potential nepotism or conflicts with the Acting Executive Director. Vice-Chair Davis asked for clarification that Ms. Naranjo Lopez was referencing any nepotism within PERA. Responding, Ms. Naranjo Lopez confirmed she was because she had noticed the four names and that they needed to be concerned about potential conflict and any nepotism.

Responding, Mr. Trujillo, Acting Executive Director, commented that Trujillo is a common name in New Mexico, just as Naranjo or Lopez is. He said to his knowledge he is not related to any of the other Trujillo's employed with PERA. Ms. Naranjo said it was not personal, that she was just asking because it was their job to ask. Mr. Trujillo said he understood and noted it was the same with a few staff members with the surname Romero and first name Jessica, and that they are just common names in New Mexico.

Speaking to the operating budget for the Contractual Service expenditures in the 300 category, Ms. Williams explained they mirror the appropriation request. She advised that PERA currently had five RFP contracts and that these will go out to RFP again in the next fiscal year. She noted that currently the RFPs are held by Cavanaugh MacDonald, REDW, Reed Smith, Clifton Larson Allen, and Enterprise RIO maintenance.

Ms. Naranjo Lopez asked for an explanation of why they continued to go with the Board attorney given there had been a lot of conflict with staff. She commented she would like to see if they could look at getting a new Board attorney.

Responding, Ms. Williams said that the contract and RFP for the Board fiduciary counsel are due in the next fiscal year, in spring, and they will go out for RFP for new fiduciary counsel then for the Board if they want to.

Speaking to the operating budget for the Other expenditure in the 400 category, Ms. Williams said this is all the other expenditures for the agency such as travel, maintenance for the building, utilities, IT agreements. She noted this category includes the lease on the Albuquerque office and explained this was purchased by PERA's Investment Manager and is leased back from them, so they are basically paying themselves, and that RHC also leases and pay for half of the building.

Ms. Williams advised they would be presenting the Operating Budget to the full Board at the end of April for approval.

Vice-Chair Davis asked if the additional dues that would be incurred for subscriptions to the Wall Street Journal and others were factored into the budget. Responding, Ms. Williams said because it was after the appropriation it was not factored in, but they would ensure that they realigned some budget to cover those costs.

Vice-Chair Davis asked whether the Albuquerque building was 100 percent leased and occupied at present. Responding, Ms. Williams said she believed they were using 100 percent of the building.

Mr. Trujillo advised the Committee this was the framework of how the Operating Budget would be formulated, and that the Operating Budget system was not ready yet. He said when it was finalized the full Operating Budget will be brought before the Board at the April meeting.

B. FY 21 Budget Projection through March 31st

[Exhibit 2: FY 21 Budget Projection through March 31st]

Referring to the fiscal PERA projection as of March 31st, Ms. Williams advised in the 200 category, Personal Services and Employee Benefits there were 10 vacant positions. She reiterated two new Investment Associates would start on May 3rd. She said they were actively recruiting for multiple positions in PERA, and hoped to have the vacancies filled soon. She said there was a projected variance in the 200 category of almost \$300,000. In the 300 category, Contractual Services, she said there was a projected positive variance of over \$700,000. In the 400 category, Other, she said there is a budget shortfall related to the realigned Information Technology maintenance contracts that were previously in the 300 category. She said because of this budget variance there would be a category transfer of \$350,000 from the 300 to the 400 category to cover the IT maintenance costs.

Ms. Fisher commented that 10 vacant positions were high, and asked whether exit interviews were held with employees leaving PERA and that reasons for exiting held on file.

Responding, Mr. Trujillo said that there is an opportunity for employees to undertake exit interviews, which some take, and some do not. He commented that most of the employees that have left, had been known about and they had conversations with them prior. He said many factors were contributing to people leaving, such as retirement or promotions at another agency. He remarked that it had been difficult to keep people during COVID with the state pay bands or reclassifications being scarce.

Regarding the 10 vacant positions, Mr. Trujillo said this number was higher than would be liked. He noted that as employees have exited it had been difficult to post positions timely with SPO running at six to eight weeks to post. He said the timeframe has been longer than in the past due to the time taken to hold remote interviews and onboarding, but they are driving to reduce the vacancy down as low as possible before the end of the fiscal year.

Ms. Fisher spoke of the Board previously receiving staff information, both positive and negative from their interaction with members, and asked whether the presenting this information to the Board should resume so the Board can look at how the staff is working within PERA as she felt it was important. She suggested this could perhaps include information from exit interviews.

Responding, Mr. Trujillo said he would be happy to resume providing the Board that type of information, and apologized if this had been missed in his transition to Acting Executive Director. He noted they do receive feedback from different angles, including PERA members.

Noting that the 10 vacant positions could concern PERA members in terms of service provision, Vice-Chair Davis asked Mr. Trujillo to speak about how they were maintaining services levels, and whether the current vacancies had any dramatic impact on services.

Responding, Mr. Trujillo said the vacancies had not an impact on services. He said out of the 10 vacancies, two were starting for the Investment Division, and recruitment was underway for another two in the Member Services division. He said the interviews to replace Eric Martinez, Maintenance Manager, retiring at the end of the month after 25 years with PERA had been held, and they were trying to fill the position before he left. He said they hoped to have reduced the vacancies from 10 to five by the end of the month and confirmed that services have been maintained.

Vice-Chair Davis thanked and congratulated Mr. Trujillo and the staff for the work that they do for members, particularly with the current high vacancy rate.

Ms. Fisher commented that although many staff has left, it sounded like there were many applying and pending appointments.

Responding, Mr. Trujillo confirmed the vacancies were in various stages of recruitment and reiterated that they hoped to halve the vacancy rate before the end of the month.

There were no further questions on the presentation.

Chair Rosales Ortiz apologized for arriving late to the meeting and thanked Ms. Williams, Mr. Davis, and Mr. Trujillo for the information presented. She said she heard the concerns raised by Ms. Fisher and Ms. Naranjo Lopez. She said it is a big issue to ensure the budget is met and the vacant positions are filled. She spoke of the staff's commitment to serving the public and others and acknowledged that the staff is treated very fairly compared to private industry. She said it would be interesting to hear why people are leaving PERA, and commented it was positive when people leave for promotions and retire following long service. She noted there are many factors to consider in why people leave, that there can be bias on salary or other issues, but as a whole, this needed to be assessed.

5. Adjournment

Having completed the agenda, Vice-Chair Davis declared the meeting adjourned at 11:30 a.m.

Approved by:



Lawrence Davis, Vice-Chair
PERA Audit & Budget Committee

ATTEST:



Greg Trujillo, Acting Executive Director

Attached Exhibit(s):

Exhibit 1: Draft of the Fiscal Year 2022 Operating Budget

Exhibit 2: FY 21 Budget Projection through March 31st