

**NEW MEXICO**

**PUBLIC EMPLOYEES RETIREMENT BOARD**

**INVESTMENTS COMMITTEE MEETING**

**December 29, 2016**

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

1. Following the Pledge of Allegiance, Executive Director Wayne Propst called roll which indicating a quorum with the following members present:

**Members Present:**

Dan Esquibel, Chair  
Dan Mayfield, Vice Chair  
Paula Fisher  
Patricia French  
Loretta Naranjo Lopez

**Member(s) Excused:**

John Reynolds

**Other Board Members Present:**

Cathy Townes  
James Maxon  
John Melia  
Tim Eichenberg

Maggie Toulouse Oliver, incoming Board member

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Jon Grabel, Chief Investment Officer  
Karen Risku, Deputy General Counsel  
Jude Perez, Deputy CIO  
Renada Peery-Galon, ASD Director  
Natalie Cordova, Chief Financial Officer  
Joaquin Lujan, Director of Rates and Credit  
Trish Winter, Executive Assistant  
David Dana, Assistant General Counsel  
Lalleh Dayeny, Investments Division  
Karyn Lujan, Deferred Compensation Plan Manager  
Kristin Varela, Portfolio Manager

Emily Lopez, Financial Specialist  
Mark Montoya, Portfolio Manager

**Others Present:**

Tom Toth, Wilshire  
Paul Lium, Nationwide  
Patrick Varela, Santa Fe County Treasurer  
Randy Autio, Robles, Rael & Anaya

**2. APPROVAL OF AGENDA**

Ms. French moved to approve the agenda as presented. Her motion was seconded by Ms. Naranjo Lopez and passed by voice vote.

**3. APPROVAL OF CONSENT AGENDA**

Chair Esquibel indicated that he reviewed the minutes and requested a motion.

Ms. Naranjo Lopez moved to approve the consent agenda. Ms. Fisher seconded and the motion passed without opposition.

**4. CURRENT BUSINESS**

**A. Chief Investment Officer's Report**

**1. Investment Performance – October/November 2016**

PERA CIO Jon Grabel reminded the Committee that the October Investments Committee meeting occurred prior to the completion of the performance report. The fund balance was \$14.2 billion, down 1.33 percent or \$230 million at the end of October. He noted that there was a great deal of uncertainty in the market related to the presidential election. For November, the fund balance was \$14.2 billion and up 2 basis points. Fiscal year to date, the fund is up 3.2 percent net and for November the fund balance decreased by \$47 million yet the investment performance was up. This fact highlights that the PERA is a mature pension and the member and employer contributions are less than the benefit payments.

For November, equities were up 1.09 percent, the risk reduction mitigation portfolio was down 2 percent – a big loss for core fixed income, credit was down 5 basis points which was attributed to emerging market debt, and real assets was up 45 basis points. Mr. Grabel emphasized that PERA must stick to its asset allocation because that is the best form of risk management.

Mr. Grabel said this is a low return environment and the strong dollar may continue throughout 2017. As US rates go up, US assets become more attractive to foreign investors and that requires US dollars. A strong dollar has consequences; while it is good for US consumers it is bad for US companies and their employees. Exports become more expensive and that has the prospect of reducing earnings for US multi-

national companies. A strong dollar reduces inflation; however, too strong may reduce US GDP growth.

Mr. Grabel said Christine Ortega is developing a presentation to the IC on currency hedging and related matters.

Ms. French asked which of PERA's active global managers is on the watch list. Tom Toth, Wilshire, said it is TimesSquare Capital Smid cap growth who has trailed over the three-year performance by over 3 percent. Their longer term performance numbers have been strong and there have been no changes in the team or process. Ms. French requested a monthly update on TimesSquare. For the month of November, TimesSquare was up 5.7 percent, stated Mr. Grabel, but trailed their benchmark.

## **2. Cash Plan Update**

Mr. Grabel noted the change in the fund balance for the month of November is \$47 million and the month ended with \$486 million in cash. Sources of cash came from global equity and credit rebalancing, inflow from employer and employee contributions, private asset distributions and the corporate action account which includes class action claims and in-kind distributions. In terms of cash usage, \$95 million was paid in benefits and refunds, \$2 million for operational expenses including manager fees, \$14 million for private asset capital calls and \$353 million was transitioned according to the strategic assets allocation (SAA) implementation plan.

Calendar year-to-date, PERA's cash overlay program has generated \$76 million, stated Mr. Grabel. In today's low return environment, this program has worked well for PERA.

## **3. Updates**

Mr. Grabel provided the following updates:

- RFPs: Recommendation for the Liquid Consultant search; REITs, 31 responses were received – a recommendation is anticipated in February; Low Volatility Equity, an education session will be scheduled prior to issuing an RFP after the January IC
- The November risk report indicates that the risk contribution from equities is 62.88 percent – that number in May was 75 percent; indicating the new SAA is doing what it was sought to accomplish
- Linsalata Capital Partners VI, private equity manager, has been added to the watch list by Cliffwater for succession events regarding personnel

Chair Esquibel said the future change in investment consultants may offer better access to information. Mr. Grabel likened the technology advantages that the new consultant(s) offer to what PERA experienced when changing custody bank. He highlighted that the issue with Linsalata is turnover of personnel.

## **5. OTHER BUSINESS**

None was presented.

6. **ADJOURNMENT**

Having completed the agenda, Chair Esquibel declared this meeting adjourned at 9:45 a.m.

Approved by:



JOHN MELIA

Dan Esquibel, Chair  
Investments Committee

ATTEST:



Wayne Propst, Executive Director