

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

**December 14, 2017**

This monthly meeting of the Public Employees Retirement Board was called to order by Dan Mayfield, Chair, at approximately 10:45 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 indicated a quorum with the following members present:

**Members Present:**

Dan Mayfield, Chair - Retiree  
Claudia Armijo - State  
Dan Esquibel - Municipal  
Patricia French - Municipal  
Jackie Kohlasch - State  
James Maxon - County  
John Melia - Municipal  
Loretta Naranjo Lopez - Retiree  
John Reynolds - State  
Maggie Toulouse Oliver - *Ex-officio*

**Member(s) Absent:**

Tim Eichenberg - *Ex-officio*  
Cathy Townes - State

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Greg Trujillo, Deputy Director  
Karen Risku, Deputy General Counsel  
Dominic Garcia, Chief Investment Officer  
Renada Peery-Galon, ASD Director  
Dana David, Assistant General Counsel  
Jude Pérez, Deputy CIO  
Joaquin Lujan, Director of Rates and Credit  
Trish Winter, Executive Assistant  
Karyn Lujan, Deferred Compensation Plan Manager  
Kristin Varela, Portfolio Manager of Real Assets  
Christine Ortega, Portfolio Manager  
Anna Murphy, Compliance Officer  
Mark Montoya, Investment Analyst  
Isaac Olaoye, Financial Analyst  
Emily Lopez, Financial Specialist  
Anna Williams, Chief Financial Officer

**Others Present:**

Rose Dean, Wilshire

Dan Wencewicz, AFSCME Retiree  
James Walsh, Albourne Partners  
Darrell Majors, AFSCME Retiree  
Mark White, Albourne

2. **Approval of Agenda**

Mr. Maxon introduced the following motion:

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

Mr. Melia seconded and the motion passed by unanimous voice vote.

3. **Approval of Consent Agenda**

*[Exhibit 1: Consent Agenda]*

Secretary Toulouse Oliver introduced the following motion:

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

Ms. French seconded and the motion to approve the consent agenda passed without opposition.

Chair Mayfield recognized Board member John Reynolds for his service to PERA. Mr. Reynolds said he enjoyed his tenure and was honored to have served the PERA membership. He said staff deserves unequivocal support and he recognized Director Propst’s constant presence in support of the Board and membership.

Mr. Propst congratulated Mr. Reynolds for his service to PERA. Mr. Esquibel and Ms. French recognized Mr. Reynolds for his dedication with the Smart Save Committee and Mr. Maxon lauded him for his integrity.

Mr. Reynolds received a standing ovation.

4. **Current Business**

A. **Updated Investment Policy Statement**

Jude Pérez, Deputy CIO, said at the November 17, 2017 Board meeting, the Board voted to delegate manager selection to staff while retaining the Board functions of setting investment performance goals, standards, and overseeing the staff implementation of those goals and standards. Staff presents the revised Investment Policy to implements the Board’s vision. The Board fiduciary counsel has represented that that changes are consistent with what was presented in November and provided a recommendation for adoption.

Mr. Esquibel said delegating to staff seems the prudent thing to do. He, however, felt that the Board should have the ability to terminate the CIO if he/she is not meeting the Board standards.

Ms. Armijo agreed with Mr. Esquibel regarding the Board's role in terminating the CIO.

Mr. Propst said he was confident that if the Board was not happy with the CIO's performance he would not be happy either.

Ms. Naranjo Lopez said a "state legislator says he plans to hold a hearing to find out why employees of the State of Wisconsin Investment Board received more than \$11 million in combined bonuses last year from the main fund they managed in 2015 with a negative return..." She asked why PERA would introduce Wisconsin's model that has attracted a great deal of controversy.

Mr. Pérez said by following best practices, PERA will meet fiduciary duties. He noted that staff is not compensated in the same manner as Wisconsin. The draft before the Board addresses manager selection and the new roles the Board would have in determining asset allocation and portfolio benchmarks.

Ms. Naranjo Lopez asked whether there would be an annual or semi-annual report of how the program performed as a whole. Mr. Pérez responded definitely. Dana David, Assistant General Counsel, noted that the changes to the IPS require the Investments Committee to establish an annual work plan.

Ms. Naranjo Lopez said she would like to see a section in the IPS designating a closed session with the Board and the investment consultant to occur at least quarterly. From a legal perspective, Mr. David said there is no recognized exception in the Open Meetings Act for meeting in closed session with the investment consultant. Ms. Naranjo Lopez said it was her understanding that Mr. David was wrong and she will investigate that point further.

Ms. Naranjo Lopez recommended that PERA hold a Board retreat at least twice a year.

In response to a question, Mr. David said the Government Conduct Act has restrictions on government employees going to an investment consultant that are under contract with the entity the individual left.

Ms. Naranjo Lopez requested that the schedule provided by Mr. Garcia at the November meeting be made a part of the IPS and any changes to the schedule come before the Investments Committee and ultimately have Board approval.

Mr. Pérez said the work plan will be presented in January 2018.

Ms. Naranjo Lopez said she wanted staff to present evidence that they are providing value – time period, economic cycle – and how they impacted or mitigated value in both gross and net numbers. Ms. Pérez said investment performance is reported net of fees; however, staff can provide gross as well.

Secretary Toulouse Oliver asked that if in the event the fund performance is very poor, aside from termination of the CIO, what other mechanisms are there for accountability. Mr. Propst said PERA investments staff compensation has recently been made more comparable to that of SIC and ERB: to whom much is given, much is expected. Mr. Pérez recently moved from

a classified to an exempt position and Mr. Propst expected that other Investments staff will move to exempt status.

Secretary Toulouse Oliver said moving employees into an exempt status was a good idea. She suggested developing policies that clearly establish the consequences if certain goals are not met. She suggested having such a policy would give the Board a higher level of confidence in accountability.

Referring to Ms. Naranjo Lopez's comments regarding the Wisconsin staff, Dr. Kohlasch pointed out that PERA neither offers commissions nor bonuses to its employees. She supported the changes as outlined in the revised IPS as a way to move PERA forward.

Ms. Armijo said she likes the new direction the IPS proposes. She said she would be more comfortable if the consequences for not meeting goals are clearly established and was pleased to know the Board has the ear of the director. As a cautionary note, Ms. Armijo said firing exempt employees many times leads to lawsuits.

Ms. French echoed Ms. Armijo's concerns and said her number one concern is the asset allocation.

Mr. Propst said even after gaining exempt status the compensation will be below that of peers at ERB and SIC. He said the state does not allow for incentives or bonuses.

Mr. Esquibel favored development of checks and balances and an avenue for the Board to step-in without having to go to the Executive Director. Mr. Melia agreed and added that staff has to be held accountable; however, there are factors that cannot be controlled. Secretary Toulouse Oliver agreed and said whatever accountability mechanisms that are contemplated need to keep that in mind.

Ms. Naranjo Lopez said her comments and questions were a result of her research with pension plans. She noted that over 90 percent of those plans are handled as PERA currently administers its plan. She opined that staff was moving too fast and additional research was necessary. She thanked Mr. Garcia for the work he does for PERA's membership.

Secretary Toulouse Oliver introduced the following motion:

**“RESOLVED, that the PERA Board approve the Investment Policy Statement.”**

Her motion was seconded by Dr. Kohlasch.

Mr. Esquibel requested that the concerns that were raised during the discussion about checks and balances are taken before the Rules & Administration and the Investments Committee. The movant suggested it be a directive to staff.

Susan Pittard, Chief of Staff/General Counsel, suggested the accountability issues may not be appropriate as a section of the IPS but another stand-alone policy. Mr. Propst said the direction of the Board is clear in this regard and staff will follow through and come back to the Board.

**The motion passed by majority [8-2] voice vote with Ms. French and Ms. Naranjo Lopez voting against.**

Ms. Naranjo Lopez said she voted nay because she did not feel the Board was meeting its fiduciary responsibility and the policy requires additional review.

Ms. French said her nay vote was not because the policy was unworkable but because it lacks accountability.

**B. External Legal Services Relating to Investments Recommendation**

Mr. David reminded the Board that a Request for Information was approved by the Board in September for external legal services related to investments. PERA received 11 responses by the November 13, 2017 submittal deadline. The RFI evaluation committee consisted of John Melia, Susan Pittard, Jude Pérez, Kristin Varela and Dana David. The committee reviewed the responses against the RFI requirements and questionnaire. There was consensus that three respondents clearly demonstrated the depth of experience and other attributes of interest to PERA as well as cost effectiveness to merit an offer of a contract to provide outside investment-related legal services to PERA.

Mr. David said the committee recommends: Foster Pepper PLLC, Morgan, Lewis & Bockius LLP, and Reinhart Boerner Van Deuren s.c. He noted that Morgan, Lewis & Bockius and Reinhart Boerner Van Deuren are currently under contract with PERA.

Dr. Kohlasch asked why PERA needed three firms. Mr. David said sometimes a firm will have a conflict of interest and the firms have different focuses.

The contracts are on a service offered basis and Mr. David said it is usually \$20,000 per contract review. There are no retainers.

Speaking as a member of the evaluation committee, Mr. Melia said the applicants were thoroughly vetted.

Mr. David said the contract term will be four years and during FY2017, \$663,000 was expended on external legal services related to investments.

Secretary Toulouse Oliver introduced the following motion:

**“RESOLVED, that the PERA Board approve the three firms as recommended by the evaluation committee.”**

Her motion was seconded by Mr. Maxon and passed by unanimous [10-0] voice vote.

Secretary Toulouse Oliver apologized for having to leave early and expressed her best wishes to all for a wonderful holiday season.

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

Mr. Propst referred to his report included in the packet and indicated it answers the questions Mr. Esquibel posed earlier about the amount of benefits paid, how much of that comes from investment, how much comes from contributions, and the number of active and retired members.

#### **5. Other Business**

Mr. Melia said Board leadership in the coming year needs to pay particular attention to Board training opportunities. He said the PERA Board in-house training is very valuable and may be more beneficial than out of state conferences. Additionally, it will save the membership money.

Ms. Naranjo Lopez said she advocates two Board retreats a year and additional Board training throughout. She said she was looking at New Mexico PERA's facebook page and it contained some negative comments regarding the Albuquerque office that concerned her. She requested that staff look into the issues that were raised.

Deputy Director Trujillo said PERA's does not maintain a Facebook page and he requested that any concerns or issues one sees on social media regarding PERA be forwarded to him.

Mr. Melia suggested 2018 would be a good time for PERA to have a presence on Facebook.

Mr. Esquibel thanked and congratulated PERA's staff for their tremendous work.

Mr. Reynolds said he agreed with Mr. Melia regarding training and noted that it can be a struggle for those still working to attend in-house trainings.

Ms. Naranjo Lopez reminded staff that she recommended PERA have an app and asked whether staff was researching that idea. Mr. Trujillo said staff will be reporting on the data cleansing and RIO enhancement project before developing apps or social media presence. Currently, staff's focus is on having accurate data for the membership.

Mr. Esquibel said having an in-house training schedule would be advantageous for the Board.

Chair Mayfield thanked the Board for the opportunity to serve as chair and said he looked forward to the new direction of 2018.

Mr. Esquibel asked about the new tax bill and Mr. David said there was a provision that UBTI (unrelated business taxable income) would now become taxable for pension plans, currently it is excluded. That would have a large impact on PERA.

Ms. Naranjo Lopez corrected her previous comment regarding facebook and said it was actually Google review where PERA has a 1.7 rating.

6. Adjournment

Having completed the agenda and upon motion by Mr. Maxon and second by Mr. Reynolds, Chair Mayfield declared this meeting adjourned at 11:55 a.m.

Approved by:



~~Dan Mayfield~~  
Chair, PERA Board

James Maxon

ATTEST:



Wayne Propst, Executive Director

Attached Exhibits:

*Exhibit 1: Consent Agenda*

*Exhibit 2: Updated Investment Policy Statement*