

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

February 23, 2017

This meeting of the Public Employees Retirement Board was called to order by Dan Mayfield, Chair, at approximately 9:55 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.

2. Roll Call

Executive Director Wayne Propst called roll and a quorum was established with the following members present:

Members Present:

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

Member(s) Absent:

Tim Eichenberg - *Ex-officio*
John Reynolds – State [excused]

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dana David, Assistant General Counsel
Jon Grabel, Chief Investment Officer
Greg Trujillo, Deputy Director
Jude Pérez, Deputy CIO
Renada Peery-Galon, ASD Director
Joaquin Lujan, Director of Rates and Credit
Trish Winter, Executive Assistant
Misty Braswell, Assistant General Counsel
LeAnne Larrañaga-Ruffy, Director of Equity
Karyn Lujan, Deferred Compensation Plan Manager
Kristin Varela, Portfolio Manager of Real Returns
Christine Ortega, Portfolio Manager
Mark Montoya, Investments Division

Others Present:

Jennie Lusk, NM Attorney General's Office

3. **Approval of Agenda**

Mr. Maxon introduced the following motion:

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

Ms. Naranjo Lopez seconded and the motion passed by unanimous voice vote.

4. **Approval of Consent Agenda**

[Exhibit 1: Consent Agenda]

Ms. Naranjo Lopez introduced the following motion:

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

Ms. Toulouse Oliver seconded and the motion passed without opposition. [Ms. French abstained – see page 3.]

5. **Current Business**

A. **Investments**

Action Items: Approval of REIT RFP Evaluation Committee recommendations as follows:

1. **Allocate \$140 million each to Dimensional Fund Advisors and Security Capital Research & Management for the Liquid Real Estate mandate, subject to legal review by General Counsel**
2. **Approve CenterSquare US Real Estate Securities to remain on PERA’s bench of approved investment managers for possible utilization of services in the future**
3. **Terminate existing contracts with REIT managers effective March 31, 2017: LaSalle, Morgan Stanley and BlackRock**
4. **Utilize an existing PERA-approved transition manager to transition assets within the liquid real estate portfolio**

Kristin Varela, Portfolio Manager of Real Returns, presented the evaluation committee’s final recommendations. She reminded the Board that two of PERA’s three REIT managers’ contracts are expiring and that following an eight-year term a new bidding process is required. The evaluation committee was composed of Board members Kohlasch and Esquibel. Ms. Varela served as staff and non-member observers/overseers were PERA CIO Gabel and Cliffwater representative Steve Masarik. She reviewed the RFP evaluation timeline and mentioned the uniform selection criteria used by the committee throughout the process. There were 32 respondents which were reduced to eight semi-finalists. There were two days of interviews and as a result the candidate pool was narrowed to four finalists. Three of the four candidates are new to PERA and due diligence visits were conducted. Final decisions came down to portfolio consideration – active versus passive, global versus domestic, long-term versus short-term capital – as opposed to manager considerations. The evaluation committee and Cliffwater fully vetted the recommended managers and believe that

the combination of strategies as well as the broader resources and support of each firm will result in attractive absolute and risk-adjusted returns for the PERA portfolio. The recommendation will reduce fees by 10 basis points and will better balance the REIT portfolio and complement the illiquid portfolio

Ms. Varela said the recommendation is for Dimensional Fund Advisors (DFA), which is a semi-passive global investment approach to REIT management, and Security Capital Research & Management, which is a lower volatility US investment approach to REIT management. DFA will manage the long-term capital (\$140 million) and Security Capital will serve as the short-term funding mechanism for illiquid assets. CenterSquare US Real Estate Securities would serve as an approved bench manager for PERA.

The recommendation, as a complete restructure of the REIT portfolio, includes the termination of contracts with all three current managers effective March 2017. The evaluation committee also recommends utilizing an approved transition manager for implementation.

Mr. Maxon introduced the following motion:

“RESOLVED, that the PERA Board adopt the REIT RFP Evaluation Committee recommendations as follows:

- 1. Allocate \$140 million each to Dimensional Fund Advisors and Security Capital Research & Management for the Liquid Real Estate mandate, subject to legal review by General Counsel**
- 2. Approve CenterSquare US Real Estate Securities to remain on PERA’s bench of approved investment managers for possible utilization of services in the future**
- 3. Terminate existing contracts with REIT managers effective March 31, 2017: LaSalle, Morgan Stanley and BlackRock**
- 4. Utilize an existing PERA-approved transition manager to transition assets within the liquid real estate portfolio”**

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

At this point, Ms. French said she abstained from voting on the consent agenda because she was not afforded the opportunity to review the minutes.

- B. Executive Session under Section 10-15-1(H)(3)**
 - 1. Administrative Appeal: Final Review**
 - a. Eric Fresquez**
 - b. Gerald E. Sandoval**

Mr. Maxon moved to go into Executive Session pursuant to NMSA 1978, to discuss the items listed above. His motion was seconded by Ms. Toulouse Oliver and passed by unanimous roll call vote as follows:

Dan Mayfield	Yes
James Maxon	Yes
Claudia Armijo	Yes
Dan Esquibel	Yes
Patricia French	Yes
Jackie Kohlasch	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Maggie Toulouse Oliver	Yes
Cathy Townes	Yes

[The Board met in Executive Session from 10:10 a.m. to 10:18 a.m.]

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

Dan Mayfield	Yes
James Maxon	Yes
Claudia Armijo	Yes
Dan Esquibel	Yes
Patricia French	Yes
Jackie Kohlasch	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Maggie Toulouse Oliver	Yes
Cathy Townes	Yes

For the record, Chair Mayfield stated that the Board discussed only the two appeals as listed in the agenda.

1. Gerald E. Sandoval

In the matter of the appeal of Gerald E. Sandoval, PERA ID #191228, Mr. Maxon moved that the Board adopt the Hearing Officer’s Recommended Findings of Fact and Conclusions of Law and approve the Hearing Officer’s recommended decision determining the claimant receive non-duty disability benefits and be re-evaluated in one year. Ms. Townes seconded and the motion passed by unanimous voice vote.

2. Eric Fresquez

In the matter of the appeal of Eric Fresquez, PERA ID #142689, Mr. Maxon moved that the Board adopt the Hearing Officer’s Recommended Findings of Fact and Conclusions of Law and approve the Hearing Officer’s recommended decision determining the claimant failed to meet his burden to show that he is totally and permanently disabled and entitled to receive PERA disability benefits. Ms. Toulouse Oliver seconded and the motion passed by unanimous voice vote.

5. Other Business

Regarding consent agendas, Mr. Esquibel said he finds them valuable and efficient in conducting Board business. However, he understands the necessity to remove an item from the consent agenda and doing so should be a non-debatable issue. Chair Mayfield agreed that was an appropriate manner in which to manage the consent agenda.

Regarding the recommended hotel accommodations for the retreat in Taos, the issue of room doors opening to the exterior of the building came up and Ms. Winter was directed to provide additional options where the doors opened to an interior.

Mr. Propst announced that Mr. Grabel will continue to work for PERA through the end of March and at that point management will have developed a process for hiring a new CIO.

6. Adjournment

Having completed the agenda, Chair Mayfield declared this meeting adjourned at 10:30 a.m.

Approved by:



Dan Mayfield
Chair, PERA Board

James Moxon
Vice-Chair

ATTEST:



Wayne Propst, Executive Director

Attached Exhibits:

Exhibit 1: Consent Agenda