

# New Mexico Public Employees Retirement Association

## Board Meeting

Thursday, February 23, 2023

### 1. Call to Order

This monthly meeting of the Public Employees Retirement Board was called to order by Diana Rosales Ortiz, Vice 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.

### 2. Pledge of Allegiance and Salute to the Flag of New Mexico

Loretta Naranjo Lopez led the Pledge of Allegiance and the NM Pledge.

### 3. Roll call

The meeting attendance met quorum with the following members present;

#### Board Members Present

Laura Montoya  
Augustine Romero  
Roberto Ramirez  
Shirley Ragin  
Francis Page  
Loretta Naranjo Lopez [out at 10:40am]  
Tony Garcia  
Paula Fisher  
Valerie Barela  
Tony Garcia  
Diana Rosales Ortiz [out at 11:25am]

#### Board Members Absent

Claudia Armijo  
Maggie Toulouse Oliver

#### Staff present

Greg Trujillo, Executive Director  
Trish Winter, Executive Assistant  
Anna Williams, Deputy Director  
Anthony Montoya, General Counsel  
Lynette Kennard, CFO  
Karyn Lujan, SmartSave Plan Manager  
Christina Perea, Outreach Bureau Chief  
Natalie Padilla, Outreach

#### Staff present virtually

Misty Schoeppner, Deputy General Counsel  
Geraldine Garduno, Assistant General Counsel  
Kate Brassington, Investments  
Justin Deubel, Investments

**Staff present virtually (continued)**

Michael Killfoil, Investments  
Clayton Cleek, Investments  
Sara Hume, Investments  
Jovanna Archuleta, Investments  
Jessica Perea, User Administration  
Angela Romero, PERA Albuquerque Manager  
Melinda Marquez, Member Services Bureau Chief  
Natalie Padilla, Outreach  
Ron Gallegos, CTO

**Others in Attendance**

Rose Dean; Wilshire  
John Krienkamp, NM Treasurer’s Office  
Jim Shinas, Retiree

**Others present virtually**

Steve DiGirolamo; Wilshire  
Lindsay Saienni; Financial News  
Kevin Balaod; with Intelligence

**4. Approval of Agenda**

Paula Fisher moved to approve the agenda. Tony Garcia seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

**5. Approval of Meeting Minutes**

**A. Approval of January 26, 2023, Board Meeting Minutes**

Paula Fisher moved to approve the January 26, 2023 Board Meeting Minutes. Shirley Ragin seconded. Motion passed with a roll call vote of 8 to 1, with 1 abstinence as follows;

Laura Montoya	Abstain
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes

Francis Page	Yes	
Loretta Naranjo Lopez		No
Tony Garcia	Yes	
Paula Fisher	Yes	
Valerie Barela	Yes	
Diana Rosales Ortiz	Yes	

**6. Approval of Consent Agenda**

Valerie Barela moved to approve the Consent Agenda. Laura Montoya seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

**7. Unfinished Business**

- i. Items removed from the Consent Agenda if necessary.**

No items were removed from the Consent Agenda.

**8. New Business**

Board recessed to Executive Session to discuss;

**NMSA 1978, §10-15-1 (H) (3)**

**Administrative Appeal**

- 1. Minerva Fuentes**
- 2. Carla Sanchez**

Tony Garcia moved to go to Executive Session. Paula Fisher seconded. The motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes

Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

The Board convened in Regular Session.

Vice-Chair Rosales Ortiz stated the only business discussed in Executive Session was what was on the agenda.

**Board Members Present**

Laura Montoya  
Augustine Romero  
Roberto Ramirez  
Shirley Ragin  
Francis Page  
Loretta Naranjo Lopez  
Tony Garcia  
Paula Fisher  
Valerie Barela  
Diana Rosales Ortiz

**A. Final decision on Administrative Appeal**

**1. Minerva Fuentes (PID 84430)**

Shirley Ragin moved to table the item to the next meeting due to the need for more information. Valerie Barela seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

**2. Carla Sanchez (PID 119732)**

Shirley Ragin moved to adopt the hearing officer's recommended findings of fact and conclusions of law, approve the hearing officer's recommended decision on remand, and grant the claimant's request for PERA Non-Duty Disability Retirement Benefits. Tony Garcia seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

**B. Consideration of 2023 Proposed Legislation**

**1. HB 210 Temporary Payment to Certain PERA Members**

General Counsel Anthony Montoya reminded the board that Representative Patty Lundstrom introduced this Bill. The Bill provides a 2% non-compounding 13th check to members 65 and older during the next five fiscal years. A member who is 64 this year wouldn't get it, but next year when they become 65, they would fall into it for the remaining four fiscal years. The Bill only goes until the fiscal year 2028.

Mr. Montoya noted the Bill was discussed and passed out of House Labor. Representative Lundstrom had discussed meeting with the Appropriation Committee to try and get money in the budget to fund this Bill because it would be an additional benefit that constitutionally would require legislative funding. The Bill is currently in House Appropriations and has yet to be scheduled for other hearings.

Mr. Ramirez asked about the amount of appropriation needed to cover the Bill. Mr. Montoya stated it was \$90 million. Executive Director Greg Trujillo clarified that it's \$18 million yearly, totaling \$90 million.

Mr. Ramirez said the Board should not support the Bill unless PERA gets the appropriation of \$90 million.

Ms. Naranjo Lopez noted that no audit was done to determine how the Bill would impact the fund if no appropriations were made. She also asked if the members included would be the people that were 75 at the time SB72 was introduced and could get the 2.5% Cost of Living Adjustment (COLA). She mentioned that all retirees wanted to be equally getting the 2.5% COLA compounded and wondered why SB 72 was not being repealed instead of introducing a new bill.

Mr. Montoya clarified the cost of \$90 million came from the actuaries, who also provided the \$18 million per year breakdown. If not funded, this will impact the fund.

Regarding the COLA, Mr. Montoya stated that a permanent fixed COLA was provided for those who were 75 and older at the time of SB 72. A fixed COLA was also offered for those who were on disability retirement and were receiving a pension of less than \$25,000 and those who had done their full 25 years and were still receiving less than the cap amount. This Bill would provide them the 2% compounding as long as they are 65 and older.

Ms. Naranjo Lopez noted that retirees under 65 would not be getting anything. She emphasized the need for equity across the Board and reiterated that the retirees want SB 72 repealed because everyone wants to receive the same COLA.

Mr. Page asked if funding for the Bill was provided. Mr. Montoya said the sponsor of the bill was working to get funding in the budget, but it still had not been appropriated. Mr. Page echoed Mr. Ramirez's sentiments about not supporting the Bill without funding.

Ms. Laura Montoya noted the Bill would keep PERA's structure and the funding that it currently has. It was intended to put money into PERA to help people 65 and older. Mr. Montoya stated that if the money is provided, it will put money into PERA. However, if the money is not provided, the Bill will end up being an unfunded mandate and thus impact the fund negatively. Mr. Montoya further clarified that it would be a 13th check in addition to the current COLA members receiving. It would not be a replacement.

Vice-Chair Rosales Ortiz noted that historically, bills get passed, and no funding is provided, which leads to the growth of the unfunded liability. She mentioned there currently needs to be a significant workforce to keep contributing to the fund.

Francis Page moved to oppose HB 210 Temporary Payment to Certain PERA Members.

According to how the Appropriations Committee works, Mr. Ramirez stated that the \$90 million appropriations will be tabled. He reiterated the Board should only support the Bill if full funding is provided.

Francis Page amended his motion and moved to oppose HB 210 Temporary Payment to Certain PERA Members unless the full \$90 million appropriation is received. Loretta Naranjo Lopez seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

Mr. Page requested a chance to explain his vote. Addressing retirees, he said he would support the Bill only if it were fully funded.

## **2. HB 227 Law Enforcement Retirement Changes**

HB 227 was sponsored by Representative Pamela Herndon. It is a law enforcement benefit omnibus bill representing many things outside of PERA. The Law Enforcement Retention Fund was created last year to provide stipend payments for the retention of officers.

The Bill provides a healthcare premium credit of two years of premium for every year a member stays working past full retirement age. It would be funded outside of PERA. It originally included a return-to-work component for members of Municipal Police and State Police plans. The contributions would be non-refundable, and the Bill prohibits the accrual of service credit during re-employment. It had a sunset of July 1, 2028. It was limited to entry-level civilian position or return to work in any position for a municipality with less than 60,000 people. The maximum benefit cap was moved from 90% to 100% and was not going backward. Recalculating for service was only going forward.

The Bill was heard in House Labor this week and passed out. In addition to Municipal Police and State Police, it includes correctional officers and juvenile probation parole.

Mr. Page asked if an actuary analysis had been done on the Bill. Mr. Montoya said the analysis was provided in the packet on the portal. He added that the provision is also in HB 106 and SB 124. SB 96 also has something similar but only for police officers.

Ms. Montoya noted the actuarial analysis indicates HB 227 would cause an initial increase to the unfunded liability by \$4.8 million and increase the shortfall by 0.01%.

Mr. Montoya said is a one-time hit because PERA would take that cap into effect on next year's valuation. If the Bill does what it is intended to do and keeps people longer, the additional contributions will lead to an overall positive impact over time.

Ms. Naranjo Lopez asked if a health analysis was provided for HB227 Law Enforcement Retirement Changes. The previous health analysis indicated that law enforcement should be able to retire at 20 years due to their health conditions.

Mr. Ramirez stated that most similar bills would be rolled into one omnibus Bill. He moved to stay neutral on HB 227 Law Enforcement Retirement Changes until the Board sees the final Bill. Laura Montoya seconded.

Motion to remain neutral on HB 227 passed with a roll call vote of 9 to 1 as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	No
Loretta Naranjo Lopez	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

### **3. HB 294 Public Employees Returning to Work**

HB 294, introduced by Representative Ryan Lane, is another form of a return-to-work bill. It exempts return to work in class A county with a population greater than 600,000, apart from Bernalillo County. The only difference is that it is for Municipal and State Police.

The Bill includes non-refundable contributions, prohibits accrual of additional service credit, and sunsets on July 1, 2026. It only allows retired law enforcement officers to return to work either as school resource officers or as courthouse security. Some municipalities contract with the municipality to have a state or municipal police officer be a school resource officer. Therefore, that officer is employed by the city and is under PERA. If a school board hires someone as a school resource officer, they would be under ERB.

Roberto Ramirez moved to remain neutral on the Bill until the final Bill came out. Tony Garcia seconded. Motion passed with a roll call vote of 7 to 2 as follows;

Laura Montoya	No
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	No
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

Ms. Montoya said she voted no on the motion because it's only class-A counties excluding Bernalillo. These are Santa Fe, San Juan, Doña Ana, and Sandoval. She noted the Bill does not affect the pension. It could potentially affect it positively by bringing people back to work.

#### **4. HB 304 Public Employee Retirement Needs Trust**

Mr. Montoya said this Bill was brought forward by a member who has an adult child with a disability and limited means to care for herself. The member is retired, and he made his daughter a beneficiary, thinking he was providing for her benefit after he passed away. He later found out the PERA benefit would be counted as earned income for the daughter, preventing her from receiving other forms of public and social security assistance.

The Bill includes a definition for a supplemental needs trust, which is a fairly strictly regulated federal form of faith. It is a trust created through federal law, not by the state. Individuals with disabilities who qualify for it have to meet several other requirements, one of which is when that individual passes away, there's reversionary language in the trust for it to back to Medicaid if they receive the benefits.

The original idea was to include the Bill under the PERA Act, but when the sponsor first heard of it, she reached out to ERB who agreed to sign on. She had also asked to include the Magistrate Retirement and the Judicial Retirement to provide an additional option for those needing it and make it uniform across all forms of pension plans.

Mr. Page asked how someone in a nursing home would get that money if it went to Medicaid.

Mr. Montoya stated the money could be used in many ways, including other medical needs. He noted that a person could not assign the money to somebody else but could hold it in that trust, which would not be counted as earned income. He added that for Mr. Page's case, the money would not be



counted as earned income against a person when determining if they qualify for other assistance.

Mr. Page said a person who is sick their whole life would have challenges accessing money. In response, Vice-Chair Rosales Ortiz stated that that is a technical question for the person setting up the trust and its technicalities and tax consequences. She indicated that the Bill intends to add the special needs trust as an additional benefit.

Ms. Montoya noted the Bill came about from a constituent that directly emailed the PERA Board, and the Board gave the staff the directive to devise a solution.

Laura Montoya moved to support HB 304 Public Employee Retirement Needs Trust. Roberto Ramirez seconded. Motion passed with a unanimous roll call vote and one abstinence as follows;

Laura Montoya	Yes	
Augustine Romero	Yes	
Roberto Ramirez	Yes	
Shirley Ragin	Yes	
Francis Page		Abstain
Tony Garcia	Yes	
Paula Fisher	Yes	
Valerie Barela	Yes	
Diana Rosales Ortiz	Yes	

## 5. HB 332 Magistrate Retirement Exemption

Mr. Montoya stated this was a technical fix for some language in the Magistrate Retirement Act. There was some conflict in the language when it was drafted and passed. Some section in the language allows elected officials to exempt themselves from the Magistrate Retirement Act. Another provision says that magistrates shall become members of the Magistrate Retirement Act. Magistrates are elected officials, and this is where the conflict comes in.

There is some brief language added in HB 332 to clarify that the current practice and administration of that law is what is going forward.

Roberto Ramirez moved to support HB 332 Magistrate Retirement Exemption. Tony Garcia seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

## 6. HB 467 Education Employee Pension Solvency

Mr. Montoya stated that HB 467 has two components: a 4% increase in employee contributions. To liquidate the Early Childhood Education and Care Fund, often called the Early Childhood Trust.

The Early Childhood Trust was created to capture excess oil and gas revenue, which suddenly became huge due to unexpected oil and gas events. The amount is around \$2 billion to \$3 billion. The sponsor of the Bill seeks to liquidate the statutory fund and give all of it to PERA.

Ms. Montoya proposed the Board oppose or take a neutral position on the Bill. She noted the intention of the Bill goes against the constitutional authority that the voters made in deciding where the money goes.

Mr. Ramirez noted such a bill would not pass.

Laura Montoya moved to oppose HB 467 Education Employee Pension Solvency. Roberto Ramirez seconded.

Mr. Page asked why the Board would not support the Bill if the funds would be coming into PERA. Ms. Montoya stated that New Mexico is a democracy and voters had already decided that the money goes directly to the children and their education is 60% - 40% split. A motion to support would indicate supporting something that voters have already decided on.

Mr. Page pointed out that it is government money, and they need help figuring out what to do. He urged the Board to support the Bill.

Vice-Chair Rosales Ortiz agreed with Mr. Page's sentiments, adding that the funds could help with PERA's unfunded liability or be reinvested.

Motion passed with a roll call vote of 7 to 1 with one abstinence as follows;

Laura Montoya	Yes	
Augustine Romero	Yes	
Roberto Ramirez	Yes	
Shirley Ragin	Yes	
Francis Page		No
Tony Garcia	Yes	
Paula Fisher	Yes	
Valerie Barela	Yes	
Diana Rosales Ortiz		Abstain

## 7. SB 312 Public Safety Telecomm Retirement

SB 312 was introduced by Senator David Gallegos and proposed to move public safety telecommunicators, i.e., 911 dispatchers, into either Municipal Police members or State Police members, depending on if it is a state or municipal dispatcher. The Bill provides for an election to allow the telecommunicators to decide consistent with elections that happen whenever there's a planned movement. It was scheduled and heard this week and passed its first Committee. It is now in Senate Finance.

Mr. Ramirez noted the FIR on the Bill is wrong and the unfunded liability will be affected.

Mr. Trujillo stated the Bill had been brought before the Board several times, and no one has been able to provide PERA the data on what the population looks like. He indicated the sponsor and several other entities were working on it and the information will be sent to actuaries to perform an analysis. Deputy Director, Ms. Anna Williams, had recently gotten a list indicating that the population was about 900 employees.

Ms. Rosales Ortiz asked if there were vacant positions in dispatch due to the staffing shortage crisis. Mr. Trujillo stated that dispatch was in crisis mode. People do not stay in the job because it is difficult. The sponsor of this Bill, therefore, hoped the Bill would solve that problem.

Ms. Barela asked if the retirement of the 900 employers would be reduced by five years when they are moved into the new plans. Mr. Montoya stated they would start receiving credit under the new plan, which has fewer years.

Mr. Trujillo explained that if someone under the 25-year plan switched to a dispatcher, they could retire earlier. They would not get additional credit as their calculation will still be based on the years served in other positions. However, for years going forward, they would start getting a higher pension factor in some plans like State Police. Mr. Trujillo added that some could retire earlier, but they would receive a different pension than they would have received if they had worked a full career.

Ms. Barela mentioned that it was stated by the end of the decade, there would be more retirees than active members contributing to the fund. She asked about the percentage of the 900 employees eligible to exit five years earlier if they are moved into the new plan. Ms. Trujillo indicated data would be provided once the actuaries complete the analysis.

In response to Mr. Page's question, Mr. Trujillo stated the Bill would positively impact State General and reduce the funded ratio for State Police. The same would apply to the municipal side as well.

Ms. Fisher asked if the Bill would impact the fund's benefits. Mr. Trujillo stated that the actuarial analysis would confirm this. He added that benefits will not be enhanced retroactively. It might have a small impact on the next valuation, but it would be minimal.

Mr. Fisher opined that rather than impacting the PERA fund, the cost of the benefit should be placed on the telecommunicators by increasing their contribution. Mr. Trujillo indicated that the Municipal Police and State Police Plans carry higher contributions. Therefore, moving into the plan would mean increasing employee and employer contributions.

Responding to Vice-Chair Rosales Ortiz, Ms. Montoya said the Bill would go into effect on January 1, 2024.

Mr. Trujillo clarified when plan movements like this occur, the increase in contributions is not automatic. The members must elect to make that move because they will pay higher contributions.

Roberto Ramirez moved to oppose SB 312 Public Safety Telecomm Retirement. Francis Page seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

### **8. SB 317 Magistrate Retirement Solvency**

SB 317 was introduced by Senator Stuart Ingle. It allows a one-time appropriation from the general fund to the Magistrate Retirement Fund of \$20 million to assist with solvency. The Bill has yet to be scheduled for its first hearing.

Roberto Ramirez moved to support SB 317 Magistrate Retirement Solvency. Francis Page seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

### **9. SB 318 Judicial Retirement Solvency**

SB 318 was also introduced by Senator Stuart Ingle. It is a one-time appropriation from the general fund to the Judicial Retirement Fund to assist with solvency. The Bill had a hearing a few weeks ago and was passed. It is now in Senate Finance.

Francis Page moved to support SB 318 Judicial Retirement Solvency. Roberto Ramirez seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Tony Garcia	Yes
Paula Fisher	Yes

Valerie Barela	Yes
Diana Rosales Ortiz	Yes

### 10. SB 431 Juvenile Correction Officer Retirement

SB 431 was introduced by Senator Antoinette Sedillo Lopez. It gives a do-over from SB 72 when there was a provision to allow juvenile corrections officers to move from State General to the State Police plan. At the time, there was a move for state corrections, state probation and parole, and adult probation and parole.

The Bill also provides for an election for the juvenile corrections officers to move into the plan. The juvenile corrections officers did not vote to move in after the passage of SB 72. Now they want another chance to try, given the increased multiplier and the aspects of being in that plan.

Ms. Fisher mentioned the Bill gives juvenile corrections an opportunity because during COVID, the juvenile probation officers were teleworking from home and allowed to participate in the State Police plan.

Due to the workload, many members needed more time to decipher the email to get to the voting part. Ms. Fisher mentioned that it was a lengthy email, and some glitches prevented many officers from voting. The juvenile correctional officers, on the other hand, were essential employees having to be at facilities. They missed the deadline, and the juvenile correctional officers lost out when PERA did the tallying. She added that the juvenile correctional officers were now asking for the opportunity to vote again.

Mr. Trujillo clarified the vote at the time had favored the officers, but there wasn't enough to meet the threshold. It required 50% of the membership to participate, and that threshold was not achieved. In response to Vice-Chair Rosales Ortiz question regarding how many members that included, Mr. Trujillo stated fewer than 300 members.

Mr. Montoya noted that when the other members moved, a 20% enhancement was provided to them. He said this Bill would also provide that enhancement but will continue from when it takes effect.

Paula Fisher moved to support SB 431 Juvenile Correction Officer Retirement. Roberto Ramirez seconded. Motion passed with a roll call vote of 8 to 1 as follows;

Laura Montoya	No
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

## 11. SM 16 Study Defined Contributions Pensions

Senate Memorial 16 was introduced by Senator Bill Tallman. It asks that the state auditor convene a task force to study the feasibility and effects of implementing a defined contribution pension plan for public employees. The Bill indicates that it would want members of PERA, ERB, and several other groups to be on the task force.

Mr. Page said the Board had previously discussed this Bill and determined it would be easy to go from a defined pension plan to a 401K. It would be astronomical to do that and damage the plan.

Francis Page moved to oppose SM 16 Study Defined Contributions Pensions. Laura Montoya seconded. Motion passed with a unanimous roll call vote as follows;

Laura Montoya	Yes
Augustine Romero	Yes
Roberto Ramirez	Yes
Shirley Ragin	Yes
Francis Page	Yes
Tony Garcia	Yes
Paula Fisher	Yes
Valerie Barela	Yes
Diana Rosales Ortiz	Yes

### C. CIO Report

Mr. Page mentioned he had received several calls from members concerned about the investments and how the market was doing. He acknowledged that many things are affecting the markets, such as the war, and asked if there was any glimmer of hope for 2023.

Ms. Rose Dean stated that based on what's driving the markets, this is the most uncertain factor in the market movement. The ultimate outcome is unpredictable when markets are driven by external forces rather than market forces, such as the Fed policy or geopolitical issues.

Ms. Dean noted over the past ten years, the markets have rallied beyond the historical average regarding how the stocks have done because the Fed kept interest rates artificially low, close to zero. When money is free, risky assets such as stocks will do well.

Now the Fed is increasing interest rates to fight inflation, and depending on how far they can go to bring inflation down to their target of 2%, there may be some cuts in 2024. If they continue to increase rates in 2024, there will be a significant risk to the equity market performance. If the employment market remains strong and the Fed is moderate in its response, it might create the soft landing they are hoping for.

Mr. Page noted the standard deviation of the total fund is better than the policy index standard deviation. He requested Ms. Dean how this is expected to go forward. She noted there was significant volatility in public markets at the beginning of 2020 and 2022. Ms. Dean stated part of that is driven by the private or the illiquid asset classes.

When public markets are volatile, they're marked up and down every day, whereas private assets are only marked quarterly. It will therefore tend to be lower than the public market because the policy indexes public markets, and the total fund includes private assets.

Mr. Page further asked about the best way of explaining to members what the Board and staff are doing. Ms. Dean said one should point to three things. One is the performance summary, where the 1-year, 3-year, 5-year, 7-year, 10-year, and since inception periods show the fund's relative performance outperformed the policy index. By implementing the portfolio, the way staff has, they added value than if they were just invested in the public market index passively.

Two, the volatility of the total fund is lower than the policy index. The staff has taken down some of the risk that the portfolio would've experienced if it were not implemented the way it has been.

Three, peer rankings are presented in the performance report. Compared to the peer universe of public pensions greater than a billion in assets, the PERA portfolio is close to the top in terms of the risks it takes, meaning PERA takes lower risk than its peers. This means volatility will be lower, and returns will be above the median.

Ms. Dean indicated that while the absolute return in the one year is negative, it is positive on the inception to date and the 10-year periods, beating the 7.25% liability target. She added the portfolio aims to outperform the markets without taking more risk.

Ms. Montoya mentioned the rates were more volatile for the fourth quarter of 2022 than in this quarter, which is why the portfolio had a lot more RAD. In the fourth quarter of 2022, the portfolio's interest rate needed to perform better than in the first months of this year. Ms. Dean stated that the interest rate is still very much volatile.

Ms. Dean noted the market is predicting that there might be a recession down the road. The treasury yield has increased dramatically in the past few weeks and was very volatile in the fourth quarter. This is also reflected in the interest rate movements and the year-to-date of the fourth quarter of 2022.

Ms. Dean indicated that the other portion of the fixed income is credit. When stock markets are falling, credit will also suffer.

Ms. Montoya requested details on the BlackRock fixed income conversion. Ms. Dean stated this is one case where interest rate volatility has made it difficult for fixed-income managers to beat the benchmark. Instead of paying BlackRock or Prudential active management fees to try and beat the benchmark, the decision was made to go with passive implementation. This replicates the benchmark in terms of its holdings which will track the benchmark at a lower fee instead of trying to beat it, which requires a higher fee.

Ms. Montoya mentioned this is the first time the U.S. Treasury yield curve has had its largest inversion, which is on the 10-year versus the 1-year or 2-year. Regarding the asset allocation, she asked if the gains and losses were unrealized or true profits and losses.

In response, Ms. Montoya stated that most are unrealized gains and losses. Since they are marked to market, transitions happened in the portfolio, and some money was returned in the private asset classes that distribute regularly.

Ms. Montoya mentioned that a lot of red on the documents indicated the loss that would have been taken if assets were sold. She added that the Board's fiduciary responsibility is to ensure everything is documented correctly.

Ms. Dean stated that the performance update provided to the Board would regularly show both the realized and unrealized gains and losses.

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

Mr. Trujillo gave an update on the vacancy rate and stated that staff is working hard to keep the vacancies low. He reported there are currently six vacancies with several offers pending, adding that staffing challenges are still proving to be an issue.

### **9. Public Comment**

Jim Shinas, a retiree, introduced himself and briefly explained his career. Mr. Shinas holds an MBA and has spent his career doing computer systems analysis. He mentioned when SB 72 was developed, he spent a lot of time analyzing and giving input to various people on COLA. At the time, there was projected to be a COLA average of about 1.6% going forward.

Mr. Shinas pointed out that the loss to the pensioners is the savings to the fund, which should be going to the unfunded liability. He further opined the return to work legislation is just a way to use the pension to compensate the employee to get them to work. It will be devastating if the employee retires four or five years early to do. He urged the Board to say no to any legislation that will draw down on the unfunded liability, adding that that is their fiduciary responsibility. He also requested the Board give a clear picture to the retiring members of what the road ahead will look like.

Ms. Patty French, who attended the meeting virtually, stated she had watched the entire Board meeting and was glad the Board had talked constitutionally about everything being pre-funded. She was, however, disappointed that this was brought forth with HB 210, a bill meant to help retirees, rather than with the several other enhancements that have been brought forth with Senate bills. She hoped to see more consistency when talking about enhancements being pre-funded.

Ms. Montoya appreciated the legislative updates, noting they were very helpful. She mentioned that PERA had Disability Day, which was also Retirement Day at the legislature on the same day. She indicated they did not have a booth and appreciated PERA for letting them use one of their tables to support the program within the Treasurer's office.

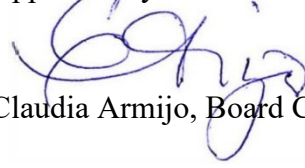
Ms. Montoya also noted that today was her first executive meeting. She appreciated the Board members for their help in educating her. She also indicated that PERA is in the right direction to ensure people are not overwhelmed with too many bills. She further introduced John Krienkamp, who previously worked with the A.G.'s office and is now working with the Treasurer's office as the in-house general counsel.

### **10. Adjournment**



With no other business to discuss, Mr. Roberto Ramirez adjourned the meeting at approximately 11:53am.

Approved by:



Claudia Armijo, Board Chair

ATTEST:



Greg Trujillo, Executive Director