

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

January 25, 2018

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:

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

Member(s) Absent:

Tim Eichenberg - *Ex-officio*
Cathy Townes - State [excused]

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, CIO
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
LeAnne Larrañaga-Ruffy, Director of Equity
Karyn Lujan, Deferred Compensation Plan Manager
Kristin Varela, Portfolio Manager of Real Assets
Christine Ortega, Portfolio Manager
Anna Williams, Chief Financial Officer
Anna Murphy, Portfolio Manager

Others Present:

Stephen A. Vigil, Assistant AG
Robert Santa, NMSPA

Rebecca Anaya, NMSPA
Don Wencewicz, AFSCME Retiree
Darrell Majors, AFSCME Retiree
John Doran, AFSCME Retiree
Joseph Luna, RPENM
Gerald Chavez, RPENM
Jeremy Vaughan, NMSPA

2. Approval of Agenda

Ms. Naranjo Lopez referred to PERA's Fiscal Year 2018 Second Budget Projection and asked about its approval process and whether it was legal to move funds to different categories.

Renada Peery-Galon, ASD Director, said there have been three BARs this year, two of which were budget increases and one category transfer. PERA has BAR authority within the General Appropriations Act. Projections are conducted on a quarterly basis and the budget is closely monitored by staff. Ms. Peery-Galon said staff has been aware of a shortage in personal services and employee benefits since July.

Ms. Naranjo Lopez observed that the PERA's budget goes before the legislators January 30th and she asked when and if the Board approved it. Ms. Peery-Galon said the budget request was presented to the Audit and Budget Committee for approval in August 2017. By statute the budget request is submitted to LFC and DFA on September 1st and to meet that deadline the budget is usually presented to the Board in August.

Mr. Melia introduced the following motion:

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

Mr. Mayfield seconded and the motion passed by unanimous [9-0] voice vote. Ms. Cordova was not present for this action.

3. Approval of Consent Agenda *[Exhibit 1: Consent Agenda]*

Mr. Esquibel introduced and Dr. Kohlasch seconded the following motion:

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

Under discussion, Ms. Naranjo Lopez said she would be abstaining from the vote on the January 9th Board minutes because she was not present. She also noted that the December 14th minutes failed to adequately cover the “important discussion” she raised regarding Wisconsin among other things and would be voting against approval of these minutes.

The consent agenda was approved by majority [9-1] voice vote with Ms. Naranjo Lopez abstaining on the 1/9/18 Board minutes and voting nay on the 1/14/17 Board minutes.

Noting that the minutes were the official record of what occurred at a meeting, Mr.

Esquibel inquired about PERA's process for reviewing and amending minutes. The approval of minutes at the City of Santa Fe occurs at the following meeting and those corrections are noted for the record. Executive Director Wayne Propst said PERA follows the same process: if there is something in the minutes that is not accurately reflected and requires changes a motion to amend can be introduced. He apologized if there were typos and other mistakes not caught by staff. The minutes are presented in summary format; however, the complete audio is posted on PERA's website.

Ms. Naranjo Lopez said she has real concerns about the manner in which the minutes are laid out, what was said, when it was said, when it was expressly said "for the record."

Ms. French recommended that the minutes be sent ahead of the packets for review. Chair Maxon said he would work with staff to expedite the circulation of the minutes.

Mr. Propst highlighted consent agenda item 6 which authorizes the Board Chair to approve travel for Board members who wish to attend the legislative session.

4. Current Business

A. Approval of Resolution Concerning Board Policy on Legislation during 2018 Legislative Session (No. 18-05)

Susan Pittard, General Counsel/Chief of Staff, said this resolution delegates the authority for immediate analysis and response from PERA to the Executive Director due to the time constraints of the legislative session. Staff believes it to be prudent for the Executive Director to have the delegated authority, in consultation with the Board Chair and the Legislative Committee Chair, to move forward on matters requiring immediate response. The resolution will apply to the current session as well as the interim and any special session.

Given the 30-day session, Mr. Esquibel said the resolution was a prudent act.

Ms. Pittard noted that the resolution requires that the Executive Director inform the Board fully on any action taken.

Mr. Mayfield introduced and Mr. Esquibel seconded the following motion:

"RESOLVED, that the PERA Board approve Resolution 18-05."

Under discussion, Ms. Naranjo Lopez asked why the resolution was amended to read best interest of the Fund rather than best interest of the Board and Fund. She noted that the Board Chair is also Chair of the Legislative Committee and recommended adding the Vice Chair of that committee.

Ms. Pittard said the Board's mission statement mandates that they do what is in the best interest of the fund and it appeared redundant. The draft resolution was prepared before the committee chairs were named and can easily be amended to reflect the addition of the Legislative Committee vice chair.

Ms. Armijo supported the removal of the word "Board" because the Board represents the

fund and agreed with Ms. Naranjo Lopez as did Ms. French that the vice chair of the legislative committee should be included.

Mr. Mayfield amended his motion to include consultation with the vice chair of the Legislative Committee and Mr. Esquibel accepted that change.

The amended motion passed by unanimous [10-0] voice vote.

B. PERA Considered Legislation

1. Update on 2018 Legislative Session

Ms. Pittard referred to SB 163, performance pay for investment staff, which is being sponsored by Senator Munoz. This bill applies to both the ERB and PERA. The bill authorizes the PERA Board to develop and implement a framework for compensation for the chief investment officer and designated investment staff that would include a base component of salary and a variable component based on investment performance, which is aligned with industry best practices. The variable component would be payable for the succeeding fiscal year. She envisioned that the Board would establish a compensation committee, which would analyze the framework for the variable component of salary. The legislation excludes the chief investment officer and designated investment staff from the State Personnel Act and include them in the annual exempt employee salary schedule.

Ms. Pittard said staff recommends that the Board support this legislation.

Mr. Propst said the bill will also authorize the PERA Board to set staffing levels in addition to compensation. He emphasized that if the bill passes, the Board is not required to act on it – it is not mandatory.

Ms. Pittard said the Board will be apprised of any changes to the legislation. As the bill is proposed, it will require the Board during the next calendar year to set a compensation framework for the affected staff.

Mr. Esquibel asked what is meant by “staff” in the bill. Ms. Pittard said the chief investment officer and the Board have the authority to designate who in the investment staff the bill will affect, e.g., current portfolio managers. She suggested the Board would work with the executive director and CIO.

Stating he supported the bill, Mr. Esquibel introduced the following motion,

“RESOLVED, that the PERA Board support SB163 as presented.”

Secretary Toulouse Oliver seconded.

Ms. Cordova asked if there was any speculation on whether this bill would pass. Mr. Propst said the legislation has not yet been ruled germane, which is the first hurdle. Senator Munoz believes it will be ruled germane. With 20 days left in the session the bill will need to clear two Senate committees and then the Senate, two or three House committees and then the House.

Ms. Cordova suggested there could be competitive recruiting with ERB if the bill passes. There was a question whether the two boards would work together to thwart personnel poaching. CIO Garcia said he talks regularly with the ERB CIO and there is a general agreement not to recruit one another's staff. Ms. Cordova said the legislation lacked clarity on that issue.

Following a hearing regarding compensation with the IPOC, Mr. Propst said Senator Munoz approached him in support of this concept. Subsequently, Senator Munoz asked the Legislative Council Service to draft a bill and that draft was sent to PERA for input to ensure it comports with the PERA statute.

Ms. Naranjo Lopez said the Legislative Committee should have been made aware of this bill. She said she was not in agreement with the bill and offered that public employment is not the same as employment within the private investment industry. "There should have been a lot more discussion on this at the Legislative Committee..." She mentioned PERA's \$6 billion unfunded liability and said discussing increasing salaries and decreasing the COLA greatly concerned her.

Ms. Pittard noted that the bill was discussed at the January 9th Legislative Committee meeting. For the record, Ms. Naranjo Lopez said she was not at that meeting and thinks the Board's action to endorse this bill should be tabled.

Mr. Esquibel said PERA was moving into a new paradigm to address its shortfalls and needs to look forward. He appreciated the poaching concern raised by Ms. Cordova and asked that staff review that.

Mr. Melia said he could not recall any discussion during his tenure of reducing or eliminating the COLA.

Ms. Naranjo Lopez recalled a recommendation to increase the contributions from State and Fire [Plans]. She claimed the compensation increase to investment staff was about greed and recommended against approval of SB 163. Studying the unfunded liability is the work the PERA Board needs to undertake, not staff salaries. She also mentioned that some of PERA's retirees are receiving government assistance. "If the public gets a hold of this [SB163], I think there is going to be a backlash on the New Mexico PERA Fund."

In terms of the compensation, Secretary Toulouse Oliver shared Ms. Naranjo Lopez's concerns; however, she fully supported making investment staff positions exempt.

Ms. Naranjo Lopez said she sent recommendations to address the unfunded liability which she forwarded to the executive director and has never received a reply.

Mr. Propst offered to re-email the chain of communication with Ms. Naranjo Lopez's recommendations for study and the results of the study on those proposals as prepared by PERA's actuary. The information was presented to the Board at its Albuquerque meeting.

Ms. French reminded Mr. Propst that she requested information delineating the salaries of investment staff and what PERA recommended to SPO. He offered a printed memo and said the information will be available to the Board following the meeting.

The motion to support HB 163 passed by majority [7-3] voice vote with Board members Naranjo Lopez, French and Cordova voting against.

C. Update on Disability Review Committee RFP

Deputy Director Greg Trujillo said staff issued the RFP to determine what other models existed for disability review in government. The principal driver of the RFP was staff concerns on PERA's ability to replace existing disability doctors when they retire or relocate. Two proposals were received and although they were impressive, it was determined the existing process was more cost efficient and the RFP was cancelled. Dr. Ellis has recently relocated and staff has identified an orthopedic surgeon and contract negotiations are underway.

Ms. French said she was pleased staff found a replacement for Dr. Ellis because it was her opinion PERA owes it to their membership to have physicians come in and review documents. She suggested this may be the appropriate venue to increase payment to the physicians.

Mr. Trujillo said Dr. Romig has indicated that he may not renew his license in the near future.

Ms. Armijo suggested approaching the Medical Board to see if they have a list of interested doctors. Mr. Trujillo said staff has been brainstorming on different options and the notion of working with UNM Medical School has come up.

D. Disability Review Committee Membership Discussion

Chair Maxon said he has found the Disability Committee to be one of the more rewarding committees to participate on. He opened a discussion on the idea of a two-month membership rotation on the Disability Committee. He understood it was difficult because of the hour in which the committee meets.

Ms. French asked whether there was an issue filling the positions and Chair Maxon said there was not. Ms. French said she served on the committee for many years, found it rewarding and identified it as her favorite committee. She offered to serve on it.

Mr. Mayfield said he too enjoyed serving on the Disability Committee and supported the idea of a two-month rotation. Mr. Melia agreed and said it would be effective in achieving a quorum that included Board members.

Ms. Armijo said she too found service on the Disability Committee very rewarding. In the past she had scheduling issues but that will not be the case moving forward and offered to serve as a permanent member.

Ms. French reminded the Chair that disability has complicated rules and a long-term assignment provides the experience to participate in making good decisions.

Chair Maxon thanked the Board's for their comments and said he would take it under advisement.

Secretary Toulouse Oliver moved to recess and Dr. Kohlasch seconded. The motion passed by unanimous [10-0] voice vote. The Board recessed from 10:55 to 11:15 for photographs.

E. Executive Director's Report

Mr. Propst said his report was within the Board's packet and welcomed questions.

F. Executive Session - Attorney Reports

1. Administrative Appeals (The Board will go into Executive Session under NMSA 1978, Section 10-15-1(H)(3) to discuss this item.)

a. Estate of Sylvia Palacio-Aragon

Mr. Melia moved to go into Executive Session to discuss the matter listed on the agenda pursuant to NMSA 1978, Sections 10-15-1 (H) (3). His motion was seconded by Secretary Toulouse Oliver and passed by unanimous roll call vote as follows:

James Maxon	Yes
Jackie Kohlasch	Yes
Natalie Cordova	Abstained
Cathy Townes	Absent [excused]
Claudia Armijo	Yes
Tim Eichenberg	Absent
Dan Esquibel	Yes
Patricia French	Yes
Dan Mayfield	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Maggie Toulouse Oliver	Yes

[The Board met in Executive Session from 11:15 a.m.-11:55 a.m.]

Mr. Melia moved to return to open session announcing. Secretary Toulouse Oliver seconded. The motion passed by unanimous roll call vote as follows:

James Maxon	Yes
Jackie Kohlasch	Yes
Natalie Cordova	Abstained
Cathy Townes	Absent [excused]
Claudia Armijo	Yes
Tim Eichenberg	Absent
Dan Esquibel	Yes
Patricia French	Yes
Dan Mayfield	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
Maggie Toulouse Oliver	Yes

Chair Maxon said the only item discussed during executive session was that that was listed on the agenda. He noted that Ms. Cordova recused herself from the discussion.

Dr. Kohlasch moved that in the matter of the appeal of Sylvia Palacio-Aragon, PERA #64616, the Board adopt the Hearing Officer's recommended findings of fact and conclusions of law; approve the Hearing Officer's recommended decision and deny claimant's request to change her survival beneficiary. Secretary Toulouse Oliver seconded and the motion passed by unanimous [9-0] voice vote. Ms. Cordova recused herself from the vote.

5. Other Business

None was presented.

6. Adjournment

Having completed the agenda and upon motion by Dr. Kohlasch and second by Secretary Toulouse Oliver, Chair Maxon declared this meeting adjourned at 12:00 p.m.

Approved by:


James Maxon
Chair, PERA Board

ATTEST:


Wayne Propst, Executive Director

Attached Exhibits:

Exhibit 1: Consent Agenda