

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

**July 27, 2017**

This 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.

**2. Roll Call**

Roll call established a quorum with the following members present:

**Members Present:**

Dan Mayfield, Chair – Retiree  
Claudia Armijo - State  
Jackie Kohlasch - State  
John Melia - Municipal  
Loretta Naranjo Lopez – Retiree  
John Reynolds - State  
Maggie Toulouse Oliver - *Ex-officio*

**Member(s) Absent:**

Tim Eichenberg - *Ex-officio*  
Patricia French – Municipal [excused]  
Dan Esquibel - Municipal [excused]  
Cathy Townes – State [excused]  
James Maxon - County [excused]

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Greg Trujillo, Deputy Director  
Karen Risku, Deputy General Counsel  
Jude Pérez, Interim CIO  
Renada Peery-Galon, ASD Director  
Dana David, Assistant General Counsel  
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 Returns  
Christine Ortega, Portfolio Manager  
Mark Montoya, Investment Division  
Anna Murphy, Compliance Officer  
Isaac Olaoye, Financial Analyst  
Emily Lopez, Financial Specialist

**Others Present:**

D.L. Heshley, FOP  
Paul Lium, Nationwide  
Jennie Lusk, Assistant Attorney General

Vice Chair Maxon attempted to participate telephonically but that connection failed.

3. **Approval of Agenda**

Ms. Toulouse Oliver introduced the following motion:

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

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

4. **Approval of Consent Agenda**

*[Exhibit 1: Consent Agenda]*

Chair Mayfield said he reviewed the consent agenda.

Mr. Reynolds introduced the following motion:

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

Ms. Toulouse Oliver seconded and the motion passed without opposition.

5. **Current Business**

A. **Presentation of Credentials of the Chief Investment Officer Selection**

Executive Director Wayne Propst presented the credentials of Dominic Garcia, nominee for Chief Investment Officer. He said there were a number of extremely talented individuals who applied for the position. Four finalists were selected and interviewed at PERA. Mr. Propst said he is confident with his choice for PERA of Dominic Garcia.

Throughout the search process Mr. Propst said he was seeking someone with commitment, consistency and clarity of vision and Mr. Garcia rose to the top. Mr. Garcia has expressed to Mr. Propst that he is impressed with PERA staff and is looking forward to working with them.

Mr. Propst said Mr. Garcia is currently at the State of Wisconsin’s Investments Board, which has a strong governance structure, is over 100 percent funded and recognized as one of the best managed plans in the country. He will begin working for PERA in September.

Mr. Melia introduced the following motion:

**“RESOLVED, that the PERA Board approve the credentials of Chief Investment Officer Dominic Garcia.”**

Ms. Armijo seconded and the motion passed without opposition.

B. **Update on FY18 COLA**

Deputy Director Trujillo advised the Board that letters were mailed to eligible PERA retirees regarding the cost of living adjustment. The COLA will be reflected in the July payment to retirees. The COLA will add approximately \$1.6 million to the monthly benefit payment and over \$19 million for the 12-month period. As of July, there are 39,748 retirees and he anticipated there would be over 40,000 in September. Mr. Trujillo said approximately 80 percent of the retirees will receive the COLA.

Mr. Trujillo noted that all member accounts, whether active or inactive, receive 2 percent interest. The total this year was \$50 million.

- C. **Interest Rate Resolutions for 2018** [*Resolutions on file*]
  - a. **Resolution No. 17-05 Concerning Interest on Repayments for PERA Service Credit**
  - b. **Resolution No. 17-06 Concerning Interest on Repayments for JRA Service Credit**
  - c. **Resolution No. 17-07 Concerning Interest on Repayments for MRA Service Credit**
  - d. **Resolution No. 17-08 Concerning Interest Rate as Applied to Unremitted Late PERA Contributions**
  - e. **Resolution No. 17-09 Concerning Interest Rate as Applied to Unremitted Late JRA Contributions**
  - f. **Resolution No. 17-10 Concerning Interest Rate as Applied to Unremitted Late MRA Contributions**
  - g. **Resolution No. 17-11 Concerning Interest Rate of Unremitted Legislative and Lieutenant Governor Service**
  - h. **Resolution No. 17-12 Concerning Rate of Interest on Overpayments**

Susan Pittard, General Counsel, said the first three resolutions concern interest on repayment for service credit for purchasing by the members. The rates are set commensurate with the investment rate of return at 7.25 percent and are identical to last year's resolutions. Resolutions 17-08 through 17-11 concern the interest rate applied to the unremitted contributions and those also are set at 7.25 percent and are identical to last year's resolutions. Resolution 17-12 addresses the interest collected for overpayments that are the result of fraudulent information and that is at a higher interest of 10 percent. Again, it is identical to last year. These rates, stated Ms. Pittard will be for the calendar year 2018.

Ms. Armijo introduced the following motion:

**“RESOLVED, that the PERA Board approve resolutions No. 17-05 through No. 17-12.”**

Mr. Melia seconded and the motion passed without opposition.

- D. **Independent Investigator Regarding Unauthorized Board Member Travel to the National Association of Securities Professionals Conference**

Chair Mayfield reminded the Board that this item was discussed at their June meeting when an investigation was approved.

Renada Peery-Galon, ASD Director, said in order to move forward with the investigation a scope of work was drafted and a memo has been supplied regarding the three quotes obtained in response. Each of the contractors was verified as an approved vendor within the State's SHARE system indicating they have worked for the state and that expedites the process. She reviewed the products/services the vendor is required to provide. The New Mexico Procurement Code is established to make sure awarding contracts is done in a fair and equitable process. Contracts under \$50,000 are recognized by the State as small purchase contracts. She cited the code that governs the approval of the contract and definition of "best obtainable." In regards to small purchases for professional services, Ms. Peery-Galon said the agency shall negotiate a contract for the services at a fair, reasonable price.

Ms. Toulouse Oliver asked about the mechanism to ensure the contractor is free of conflicts of interest. Ms. Peery-Galon said the scope of work states the contractor shall be independent and free from conflict of interest and bias. The respondents did affirmatively state that there were no conflicts.

Mr. Melia said he reviewed the material and introduced a motion for the lowest bid with the following motion:

**"RESOLVED, that the PERA Board contract with Universal Investigation Services."**

Ms. Armijo seconded. [Ms. Kohlasch was out of the room and the motion was repeated along with the second when she returned.]

Mr. Reynolds observed the respondents' varied hourly rates and asked whether it was fair to assume it would take them all the same amount of time to complete the work. Ms. Peery-Galon said the highest quote came from an accounting firm and all of the respondents deal with the work as outlined in the scope. She noted that Universal has provided services to PERA in the past.

Deputy General Counsel Risku clarified that Universal assisted in an internal personnel matter in 2011. The report was comprehensive and the services provided on a timely basis per the scope of work.

Ms. Risku said the respondents were advised of incident they would be investigating to ensure there were no conflicts and while the scope of work did not mention the travel was out of the state, the selected contractor will be provided all of the materials provided to the Board at its June meeting.

Ms. Naranjo Lopez said she found this agenda item very disturbing and unnecessary, especially after a Board retreat where one of the topics was how to work better together as a board. The energy spent on this would be better used on investments and the Board's mission. She also added that, "I feel that member Armijo should be not voting on this because I feel it's a

conflict of interest.”

Ms. Toulouse Oliver said it is in the agency’s best interest to move forward and to do it as quickly and efficiently as possible.

Requiring a 7- member majority of the Board, the motion failed by [6-1] majority vote with Ms. Naranjo Lopez voting against. She said her vote was in opposition to the investigation.

Ms. Armijo noted that the investigation was voted upon at the last meeting and it was only fair to the individual under investigation that the process proceed as quickly as possible.

Acknowledging that the Board has a duty to follow through, Ms. Armijo introduced a motion to table.

Speaking as an affirmative voter on the previous motion and prior to obtaining a second to the motion to table, Ms. Toulouse Oliver asked to reconsider the previous motion to select Universal.

Ms. Pittard said a seven member majority of the Board are required for the selection of the investigator.

Chair Mayfield said this item will be on the next Board agenda.

#### **E. Executive Director’s Report**

In addition to his report within the Board packet, Mr. Propst provided the following information:

- PERA staff is scheduled to make informational presentations during the interim legislative session to LFC and IPOC
- All PERA calls to the Albuquerque office are now directed via the 1-800 number to the Santa Fe office where there is more staff
- Albuquerque staff is now placing members on payroll to complete the process of turning Albuquerque into a one-stop shop

Ms. Naranjo Lopez said she had requested reporting information and had yet to receive the requested analysis. Mr. Propst recalled that Cavanaugh Macdonald did provide an analysis and he offered to expand the request if she desired.

Ms. Naranjo Lopez recommended that former PERA Board Chair Gerald Chavez make a presentation to the Board on “any of the information we had in the past regarding the cost of living adjustment.”

Ms. Naranjo requested a copy of the actuary’s responses to her questions. Mr. Propst stated that Cavanaugh Macdonald responses had already been provided to the board but he would be happy to resend them if necessary.

Mr. Propst welcomed and thanked Dave Hesley, Fraternal Order of Police, for attending

today's meeting.

**7. Other Business**

Ms. Toulouse Oliver said at the last meeting she had asked staff to craft a policy of an automatic investigation to address violations (potential, alleged, possible) of PERA's Code of Conduct. As a self-governing board it is important for PERA to have an independent third party look into these issues. By doing so, the Board will avoid a conflict of interest and internal stress. Further, today's vote illustrates a loop hole in the process where the investigation has been approved but cannot move forward without a Board majority.

Mr. Melia noted that without the majority to select an independent investigator the Board is reduced to imposing discipline without conclusive facts. Ms. Pittard said he was correct; without an investigator the Board could entertain discipline or a censure.

Mr. Melia said he hoped to never discipline an individual without due process.

Chair Mayfield noted that the Board members received a copy of *The Speed of Trust* by Stephen M.R. Covey as recommended by the team-building leader. The Board was asked to read a quarter of the book before the September meeting.

**6. E. Executive Session**

**1. Administrative Appeal – Final Review: under NMSA Section 10-15-1-H (3)**

**a. Richard E. Baca, Sr.**

Ms. Naranjo Lopez moved to meet in Executive Session. Ms. Armijo seconded and the motion passed by unanimous roll call vote as follows:

Jackie Kohlasch	Aye
John Melia	Aye
Loretta Naranjo Lopez	Aye
Dan Mayfield	Aye
Claudia Armijo	Aye
John Reynolds	Aye
Maggie Toulouse Oliver	Aye

[The Board met in executive session from 11:30 to 11:42.]

Ms. Naranjo Lopez moved to return to open session having discussed only the item as listed on the agenda. Her motion was seconded by Ms. Toulouse Oliver and passed by unanimous voice vote.

Ms. Kohlasch introduced the following motion regarding Richard E. Baca:

**“ RESOLVED, that in the matter of the appeal of Richard E. Baca, Sr., PERA ID #118807, the PERA Board adopt the Hearing Officer's recommended findings of fact and conclusions of law and approve the Hearing Officer's recommended decision to deny claimant's request for PERA duty disability retirement benefits**

**and grant claimant PERA non-duty disability retirement and benefits.”**

Ms. Armijo seconded and the motion passed by unanimous [7-0] voice vote.

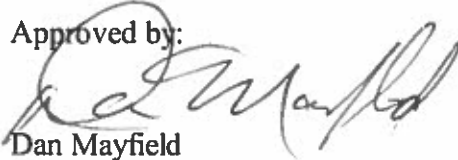
5. **Other Business** (cont.)

Ms. Naranjo Lopez clarified her request for Gerald Chavez to speak to the Board stating he was the PERA Board chair during the passage of SB27 and that bill is not meeting its goals.

Ms. Kohlasch said a presentation to the Board by Mr. Chavez was unnecessary adding that he now serves as president of RPENM and recently sent a letter to the Board regarding the COLA and RPENM's position.

7. **Adjournment**

Having completed the agenda, Chair Mayfield declared this meeting adjourned at 11:45 a.m.

Approved by:  
  
Dan Mayfield  
Chair, PERA Board

ATTEST:

  
Wayne Probst, Executive Director

Attached Exhibits:

*Exhibit 1: Consent Agenda*