

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

**June 29, 2017**

This meeting of the Public Employees Retirement Board was called to order by Dan Mayfield, Chair, at approximately 10:00 a.m. on the above-cited date at the Taos Civic Center, Town Council Chambers, 120 Civic Plaza Drive, Taos, New Mexico.

**2. Roll Call**

Roll call established a quorum with the following members present:

**Members Present:**

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

**Member(s) Absent:**

John Reynolds – State

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Greg Trujillo, Deputy Director  
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

**Others Present:**

Mike Krems, TorreyCove  
Jeffrey Goldberger, TorreyCove  
Eileen Neill, Wilshire  
Lisa Needle, Albourne  
James Walsh, Opel  
Charlie Marquez, Lobbyist  
Anne Hanika-Ortiz, LFC

Linda Butler  
Teresa Mayfield

**2. Approval of Agenda**

Ms. Kohlasch introduced the following motion:

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

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

**3. Approval of Consent Agenda [See page 5]**

**4. Current Business**

**A. Unauthorized Board Member Travel to the National Association of Securities Professionals Conference**

Chair Mayfield said he would read from a script which he prepared in advance, that explains the order and procedure regarding this item.

Prior to the Chair’s recitation, Ms. Naranjo Lopez asked whether, when the Board adjourns the Investment Committee would resume. Chair Mayfield said that seemed a prudent manner in which to proceed.

Mr. Esquibel said he that was concerned about the irregularity of this process and how the Investments Committee was interrupted. Chair Mayfield replied that his prepared script would respond to that.

Mr. Eichenberg said it was for his convenience because he has a meeting in Albuquerque at 1 p.m. that he must attend. He thanked the chairs of the Board and Investments committee for allowing him this indulgence.

Chair Mayfield said that he was approached by several Board members requesting that this item be placed on the Board agenda. Ms. Naranjo Lopez asked which board members and said it was important for the record to show which Board members approached the Chair. Mr. Esquibel said it was his understanding that the Chair contacted Board members regarding this matter.

At this point, Ms. Armijo said the Chair did not contact her and she is one of the people that asked that this be placed on the agenda. She requested that the Chair be allowed to finish his opening remarks before entertaining additional comments.

Chair Mayfield offered the following: “I wasn’t sure how to handle this item. Whether we wanted to have a closed session of the Board or not, so I double-checked with the Attorney General’s Office and we cannot go into closed session so we do have to cover this in open meeting. At this point since the AG’s office confirmed our General Counsel’s advice, this

matter must be handled in open session.” The packet contains the pertinent information that will be relied on to hold this discussion.

Observing that the Board has seen the packet material, Mr. Melia said that, in order to prevent passing judgment without all the facts, he introduced the following motion:

**“RESOLVED, that the PERA Board hire an independent third-party to investigate the matter.”**

Prior to obtaining a second, Ms. Naranjo Lopez said she wanted to make sure there are comments before anything is done.

Ms. Kohlasch seconded.

Ms. Naranjo Lopez opined that it was a conflict of interest for Board member Claudia Armijo to participate in this matter since she previously served on PERA staff. Further, Ms. Naranjo Lopez said she had requested an investigation of staff regarding the election and there has been no effort to put that on the agenda, while this item makes it on to the Board agenda. Continuing, she said that PERA’s elections have been botched five times and a candidate(s) may have received an intentional strategic advantage. She asked how it is that certain people were given the privilege of being placed on the agenda and others not.

Ms. Naranjo Lopez said she attended an education training provided by Thornburg in Santa Fe for several years, which was Board approved, without being required to provide receipts, and she wanted to know why this item is on the agenda.

Dana David, PERA Assistant General Counsel, advised the Board about the alleged conflict of interest. He advised the Board that the allegation of legal conflict of interest made against Claudia Armijo, because she is a former member of PERA staff, has no legal grounds because she was not a member of the PERA staff when the specific facts that are before the Board today transpired.

Mr. Esquibel said the packet information presents one side of the matter that was prepared by PERA counsel, and he wanted more information before voting on this motion.

Ms. Toulouse Oliver commented that the amount of rancor in which this manner has been discussed internally amongst the Board was troubling. She said she felt lobbied by the different factions of this issue. Since a potential perceived conflict of interest has arisen, she said it speaks well of this Board and the organization that these types of matters are taken seriously, and resources will be invested to have an impartial third-party investigate the matter. The investigation is not a sign of guilt. Ms. Toulouse Oliver encouraged the Board to withhold judgment because, as stated by Mr. Esquibel, we don’t have all the facts. The Board policies are in place to avoid real and perceived conflicts of interest and she urged the Board to move forward with consensus.

Ms. Armijo said that when she asked Chair Mayfield to place this matter on the agenda

her concerns had to do with process, and that this issue is taken seriously. She agreed that the information provided was not sufficient and an independent investigation would be of benefit.

Mr. Esquibel concurred that an independent investigation was appropriate; however, it was his opinion that this item was “pre-discussed, pre-decided and pre-determined, and the votes pre-calculated.”

Ms. Kohlasch said she didn’t have a personal opinion on this but, in order to make an informed decision, it should be passed on to an outside third-party. This will ensure that staff and the Board are not involved. She identified herself as one who requested an outside investigation and she would not have done so if it was pre-determined and pre-decided.

Ms. Naranjo Lopez said she wanted to see the process referred to in writing. Further, she disagreed with the legal opinion provided by Mr. David and added that Ms. Armijo has a very strong relationship with staff. She cited this as another example of counsel disrupting the Board’s investments business. “This manner should never have been brought to the Board...”

Mr. David confirmed that this process is within the PERA Board’s policies and procedures.

**The motion passed by majority [7-4] voice vote with Board members Towns, Esquibel, Naranjo-Lopez and French voting against.**

To avoid the personality divide and in order to come to the decision to have an independent investigation, Ms. Toulouse Oliver suggested the Board review their procedures regarding these types of questions, allegations or suspicions of breaches of duty. Perhaps, as an automatic course of action when there are questions or suspicions or allegations there will be an independent investigation process.

Ms. Armijo asked that the Chair have counsel explain the process PERA has in place.

Mr. David said the PERA policies and procedures are very clear. When the issues of Board misconduct come up that are known by any PERA Board member it is the duty of that member to raise that issue with the rest of the Board and the Board must consider it. The process for this provides for an investigation, in writing, and in the event of a breach of fiduciary duty the Board, with a vote of at least seven members, can agree to have an independent investigation; they can also, with a vote of seven, decide who they want to conduct the investigation. That would be called a full investigation and the type necessary to remove a member. The Board policies and procedures offer a number of different sanctions available to the Board in the event it determines the actions of a particular member require a sanction. Removal has a very specific process, requiring a full investigation and a hearing before a Board member can be removed. There is also a public reprimand and a censure sanction which does not require an investigation or a hearing.

Explaining her vote, Ms. Kohlasch said that following the investigation the Board will need to move on because a house divided cannot stand.

Ms. Armijo moved to recess and return to the Investments Committee. Her motion was seconded by Mr. Melia and the Chair declared this meeting recessed at 10:15 a.m.

The Chair reconvened the meeting at 10:30 a.m. with the following members present:

**Members Present:**

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

**Member(s) Absent:**

John Reynolds – State  
Tim Eichenberg - *Ex-officio*  
Patricia French – Municipal

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

Ms. Toulouse Oliver introduced the following motion:

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

Ms. Kohlasch seconded and the motion passed [7-0] without opposition. [Ms. Armijo and Mr. Esquibel were not present for this action. See page 6 for final vote.]

**4. C. Trustee Reports on Board Education Travel**

Ms. Townes said she attended a conference that provided guide rules for board members acting as trustees. She found the discussions regarding liabilities and accountability and distinctions between the two for board members and staff and the importance of being mindful of one’s fiduciary responsibilities.

Ms. Armijo said that she attended a conference in San Jose that was very fruitful and informative. She said she was pleased to have been offered the opportunity to attend. There were four different sessions: governance, legal, legislative and actuarial principles. The speakers were engaging and she left the conference with a heightened sense of her duties as a trustee.

Ms. Naranjo Lopez said she attended an investor’s forum and was able to develop a presentation on new programs to help maximize returns and best practices. She mentioned emerging managers programs and diversification and the creation of local jobs internally and externally. The emerging markets are growing faster than US markets and provide favorable terms for the investors. The keynote speaker, Michael Frerichs, Illinois State Treasurer, had a motto that “great people make possible greater people.”

Chair said he and Vice Chair Maxon went to the annual conference on the National Conference on Public Employee Retirement Systems and he attended a session on pension obligation bonds that he found very interesting. Mr. Maxon said that Arizona has dedicated a portion of taxes to aid firefighting funds. The conference included a lot of legal updates and he was pleased that PERA has strong legal updates in place. There was also a discussion on how presidential plans may affect pension plans throughout the country. He and Chair Mayfield were elected to the National Committee for NCPERS.

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

Mr. Propst congratulated Ms. Varela for her recognition by the *CIO Magazine* and commended all of PERA staff for their excellent service. He provided the following updates:

- Staff engaged in a full-day off site to hold a strategic planning session on June 8<sup>th</sup> with 64 out of the 84 employees
- The CIO search continues with four finalists who will be spending a day at PERA
- There is a target date for COLA letters to go out on July 20<sup>th</sup>

Mr. Propst thanked Executive Assistant Winter for her excellent attention to detail in arranging the retreat.

### **5. Other Business**

In an effort to be transparent, Ms. Toulouse Oliver said that she took the opportunity to email PERA's general counsel to suggest an agenda item that would remove the discretionary aspect of independent investigations into ethical concerns, breaches of fiduciary responsibility, etc. as an automatic process, thus removing the discourse and reduce the perception of a personal attack.

General Counsel Pittard said that can be developed and would be forwarded to the Rules & Administration Committee.

Mr. Esquibel said he would like the opportunity to shadow staff for a day to better understand the dynamics of what they do and to enhance his trust in the process. This would build a better team between the staff and Board.

Mr. Esquibel said, while he didn't think Secretary Toulouse Oliver's idea regarding an automatic process was a bad idea, he was concerned how it would implemented. He cautioned that without checks and balances it could end up with "what happened...which is nothing more than a witch hunt."

Ms. Toulouse Oliver said she was confident that, as a Board, they would still have discretion regarding any discipline. Her suggestion is to remove the discretionary, arbitrary, potentially partisan or non-impartial nature of whether or not to investigate the matters. She spoke about the importance of following process. Elected officials are many times subject to accusations.

Ms. Townes thanked Ms. Winter for her efforts. She asked that in the future, when planning a retreat, the last week of the fiscal year be avoided. Ms. Kohlasch wholeheartedly agreed and supported the Secretary's comments about implementing a process.

Ms. Naranjo Lopez said goals were developed at the forum she attended that included early education in the investment world for our children. She said she provided a directive to Cavanaugh and McDonald to develop a number of scenarios that her constituents have requested.

Ms. Armijo apologized for not being present throughout the meeting stating that it was end of the fiscal year issues that she was dealing with. Without wanting to add argument to the previous discussion, Ms. Armijo said the Board member, whose actions are in question, had the benefit of information in the Board binders. She said she felt personally maligned in this meeting when her integrity was questioned. There is nothing in the packet that illustrates any bias on her part because of the two years ago she worked at PERA. The insinuation that she may have ill intent or be orchestrating anything against another Board member was not appreciated, stated Ms. Armijo.

Ms. Naranjo Lopez stated that she has requested an election investigation for the past five years and wants to see follow through on her request.

Mr. Esquibel said the idea of a mobile phone app for the membership that came up during the retreat, he thought was great and asked when it could be developed. Mr. Propst said once the data is cleansed staff will begin to work on that idea.


Mr. David said the Consent Agenda included BlackRock's contract is an extension of an eight-year contract and requires a super-majority vote of eight members. He requested that the Board reconsider the consent agenda. .

Ms. Kohlasch moved to reconsider and approve the consent agenda and Ms. Toulouse Oliver seconded and the motion passed by [8-0] voice vote.

## 6. Adjournment

Having completed the agenda, Chair Mayfield declared this meeting adjourned at 11:15 a.m.

Approved by:

  
Dan Mayfield  
Chair, PERA Board

ATTEST:

  
Wayne Propst, Executive Director

Attached Exhibits:

*Exhibit 1: Consent Agenda*