

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

June 27, 2019

This monthly meeting of the Public Employees Retirement Board was called to order by Jackie Kohlasch, 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.

1. Roll Call

Roll call preceded the Pledge of Allegiance which indicated a quorum with the following members present:

Members Present:

Jackie Kohlasch - State, Chair
Patricia French - Municipal
Shirley Ragin - County
Dan Mayfield - Retiree
Loretta Naranjo Lopez - Retiree
Steve Neel - State
David Roybal - State

Member(s) Absent:

Claudia Armijo - State
John Melia - Municipal
Lawrence Davis - Municipal
Maggie Toulouse Oliver - *Ex-officio*
Tim Eichenberg - *Ex-officio*

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investment Officer
Greg Trujillo, Deputy Executive Director
Renada Peery-Galon, ASD Director
Misty Schoeppner, Deputy General Counsel
Anna Williams, Chief Financial Officer
Karyn Lujan, Deferred Compensation Plan Manager
Trish Winter, Executive Assistant

Others Present:

Tom Toth, Wilshire
Adam Hathaway, Parliamentarian
Lenora Chavez, Retiree
Jake Salazar
Joseph E. Montoya, Retired
Conny Martin
M. de Meule, AGO
Gregory Hunt

2. Approval of Agenda

Mr. Mayfield introduced a motion to approve the agenda and Mr. Roybal seconded. The motion passed without opposition.

3. Approval of Consent Agenda

Mr. Mayfield moved approval and Mr. Neel seconded.

Under discussion, Ms. Naranjo Lopez requested the following two items removed from the consent agenda:

1. Approval of Minutes, May 30, 2019
3. Audit & Budget Committee
 - a. Internal Audit Plan for FY20-FY22

The consent agenda was unanimously approved as amended.

4. Current Business

A. Chairwoman's Report

Chair Kohlasch advised the Board that PERA materials provided to the Governor's PERA Solvency Task Force have been posted on the Board portal. She extended an invitation to the executive policy advisor for Labor & Management, who serves on the task force, to address this Board.

The retreat agenda is being finalized and the Board meeting is scheduled for 9 a.m. on July 18th.

B. Consent Agenda

1. Approval of Minutes: May 30, 2019

Mr. Neel moved to approve the minutes and Mr. Mayfield seconded.

Under discussion, Ms. Naranjo Lopez questioned why the minutes were verbatim rather than summary.

General Counsel Pittard said there was a miscommunication between staff and the recorder who presented the minutes in a verbatim format. The Board Policies and Procedures specifically state that verbatim minutes shall not be taken and Board actions shall be recorded. She said staff abbreviated the minutes that were originally provided by the recorder.

Ms. French requested a copy of the verbatim minutes.

The motion passed without opposition and Ms. French having not been at the meeting abstained.

3. Audit & Budget Committee
a. Internal Audit Plan for FY20 – FY22

Mr. Mayfield moved to approve the internal audit plan. Ms. French seconded.

Under discussion, Ms. Naranjo Lopez said she had a lot questions about the internal audit when it was presented and in response, the auditors offered to provide a training session. She requested that the auditors regularly report to the Board to create an open avenue of communication between the auditors and the Board. The audit information the committee reviewed was inadequate and it appears the auditor is working for staff. She recommended replacing the internal auditors and mentioned how detailed a previous in-house auditor had been.

Ms. French also referenced the in-house internal auditor, Michael Hansen, who reported directly to the Board. Following Mr. Hansen’s retirement, the Board chose to have an independent auditor. Ms. French said the problem she sees is that the internal auditor no longer answers to the Board and instead answers to staff. She added that she reviewed the FY 20 – FY22 audit and it was not detailed as what the in-house auditor provided.

Mr. Neel said ERB uses REDW, the same firm that PERA does, for their internal audit. Having a sole individual audit PERA’s investment division is quite difficult. REDW has staff with a multitude of credentials that can holistically understand.

Ms. French said her only issue is that REDW appears to report to staff rather than the Board. Mr. Neel said he could agree with having the auditor report directly to the Board.

Ms. Naranjo Lopez recommended rotating auditor every three to four years and she suggested employing Deloitte.

The motion passed by majority [5-2] voice vote with Members French and Naranjo Lopez voting against. .

C. Trustee Reports on Board Educations Travel

1. John Melia/Absent – Wilshire Consulting client Conference
2. **David Roybal – CAPP Parts I and II**

Mr. Roybal thanked the Board for the opportunity to travel to Boston and participate in this valuable training. He said it was four intense days of learning followed by testing.

3. Lawrence Davis/Absent - CAPP Part I
4. Tim Eichenberg/Absent - CAPP Part I

5. Loretta Naranjo Lopez – Accelerate Investors Annual Conference

Ms. Naranjo Lopez thanked the membership and the Board for allowing her to attend the conference in New York. She said she discussed in-house investing with a dozen public pension

representatives and learned they all invest in-house to some degree. She went on to say that New Mexico PERA staff is behind the national average for investing in-house which cost PERA tens of millions of dollars in fees. One of the conference sponsors offered to come to Santa Fe and wants the opportunity to compete for a board counsel RFP. Current outside counsel serves staff and the not the Board. The conference highlighted the strongest investment ideas were in clean technology and health care.

D. Executive Director's Report

Executive Director Wayne Propst referred to his written report and offered to answer any questions. An IPOC meeting is scheduled for late July and at this time there is no agenda; however, a workplan has been developed and will be posted on the Board portal.

Responding to Ms. French's question of why he was not sitting on the dais with the Board, Mr. Propst responded space was limited with the full 12-member board and the parliamentarian.

5. Unfinished Business

Ms. Naranjo Lopez requested a discussion regarding the nominating petitions for this next election cycle. It has been PERA's practice to have witnesses present when the ballots are counted and asked whether that was still occurring.

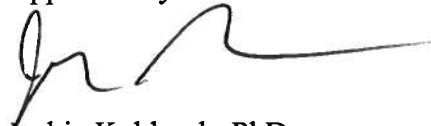
Ms. Naranjo Lopez said she has concern that there is a lack of retiree representation on the Governor's solvency task force. Further, it was her opinion that PERA staff should not be participating on the task force.

Ms. French recommended discussing the election process during the retreat rather than a Board agenda item.

6. Adjournment

Having completed the agenda, Chair Kohlasch declared this meeting adjourned at 9:40 a.m.

Approved by:



Jackie Kohlasch, PhD
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Attached Exhibit(s):

Exhibit 1: Consent Agenda