

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

March 29, 2018

This monthly meeting of the Public Employees Retirement Board was called to order by James Maxon, Chair, at approximately 10:25 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
Natalie Cordova – State
Tim Eichenberg - *Ex-officio*
Patricia French - Municipal
Dan Mayfield - Retiree
Loretta Naranjo Lopez - Retiree

Member(s) Absent:

Claudia Armijo - State
Cathy Townes - State [excused]
Dan Esquibel - Municipal
Maggie Toulouse Oliver - *Ex-officio*
John Melia - Municipal

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, Chief Investments Officer
Renada Peery-Galon, ASD Director
Dana David, Assistant General Counsel
Kristin Varela, Interim Deputy CIO
Joaquin Lujan, Portfolio Manager
Trish Winter, Executive Assistant
LeAnne Larrañaga-Ruffy, Director of Equity
Karyn Lujan, Deferred Compensation Plan Manager
Christine Ortega, Portfolio Manager
Anna Williams, Chief Financial Officer
Anna Murphy, Portfolio Manager
Emily Lopez, Financial Specialist

Others Present:

Tom Toth, Wilshire Associates
Jonathan Craven, Cavanaugh Macdonald
John Garrett, Cavanaugh Macdonald
Don Wencewicz, AFSCME Retiree

Jack Braden, AFSCME Retiree
Bob Samuel, CIM Group
Aysun Kilic, Rothschild Asset Management

2. Approval of Agenda

Chair Maxon requested that Executive Session occur at the top of the agenda.

Ms. French introduced the following motion:

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

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

**3. Approval of Consent Agenda [See Page 4]
[Exhibit 1: Consent Agenda]**

Ms. Naranjo Lopez requested that the item 3, the SmartSave Committee Charter, be removed from the consent agenda to allow discussion. Also her request, which she first made in December 2017 to then Chair Mayfield, to attend the NCPERS conference has not been addressed and she asked that it be included on today’s consent agenda. She asked how many conferences Dr. Kohlasch has attended this year.

The SmartSave Committee Charter was removed from the consent agenda and added as an action item to the agenda.

Chair Maxon informed Ms. Naranjo Lopez that her conference request has been postponed pending the Board’s censure action.

Dr. Kohlasch introduced the following motion:

“RESOLVED, that the PERA Board amend the consent agenda by removing item 3 regarding the SmartSave Committee Charter.”

Mr. Mayfield seconded and the motion passed without opposition. Mr. Eichenberg did not vote on this issue.

4. Current Business

A. 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. Rosa H. Hinojos**

Ms. French moved to go into Executive Session to discuss the matter listed on the agenda pursuant to NMSA 1978, Sections 10-15-1 (H) (3). Her motion was seconded by

Dr. Kohlasch and passed by unanimous roll call vote as follows:

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

[The Board met in Executive Session from 10:30 a.m.-10:55 a.m.]

Returning to open session, Chair Maxon announced the only matter discussed during executive session was that as noted in the agenda.

Ms. French moved to return to open session. Dr. Kohlasch seconded. The motion passed by unanimous roll call vote as follows:

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

Dr. Kohlasch moved that in the matter of the appeal of Rosa H. Hinojos, PERA #415428, the Board adopt the Hearing Officer's recommended findings of fact and conclusions of law; approve the Hearing Officer's recommended decision and grant claimant PERA non-duty disability benefits for a period of one year and deny her request for PERA duty disability retirement benefits. Mr. Mayfield seconded. The motion passed with six ayes and Ms. Cordova's abstention.

For the record, Ms. Naranjo Lopez said she asked if there was a conflict of interest for a Board member in regards to this decision and she said "I was not given an answer."

3. Approval of Consent Agenda [cont.]

Chair Maxon said he failed to ask for those opposed to approving the amended consent agenda and a revote is necessary.

Ms. Naranjo Lopez said it was not her intent to isolate Dr. Kohlasch when asking about the number of conferences Board members attended and asked Mr. Mayfield how many he had attended.

Dr. Kohlasch moved to reconsider the action regarding the consent agenda. Ms. Naranjo Lopez seconded and that motion passed by unanimous [7-0] voice vote.

Dr. Kohlasch moved to approve the consent agenda with the removal of item 3, SmartSave Committee Charter. Ms. French seconded and the motion passed by majority [6-1] vote with Mr. Eichenberg voting against.

Chair Maxon observed that the Board would be losing its quorum and the remainder of the meeting would be informational. He requested a motion to adjourn.

6. Adjournment

Dr. Kohlasch moved to adjourn. Mr. Mayfield seconded and the motion to adjourn passed. Chair Maxon declared this meeting adjourned at 11:00 a.m.

Approved by:



James Maxon
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

The remainder of the meeting continued as a study session in the absence of a quorum of the Board with the following Board members present:

Members Present:

James Maxon, County, Chair
Jackie Kohlasch - State

Member(s) Absent:

Claudia Armijo - State
Cathy Townes - State [excused]

Natalie Cordova – State
Loretta Naranjo Lopez - Retiree
Patricia French - Municipal
Dan Mayfield – Retiree

Dan Esquibel - Municipal
Maggie Toulouse Oliver - *Ex-officio*
John Melia - Municipal
Tim Eichenberg - *Ex-officio*

B. 2018 Experience Study Educational Presentation

Jonathan Craven, Cavanaugh Macdonald, said the actuarial valuation determines the present value of all the future benefits the plan will pay out to its current members. That figure is allocated based on an actuarial cost method; however, because the future benefit payments are an unknown, assumptions are used to determine the behavior of the group. Benefits are defined in the plan provisions but the actions of the members determine how much it will be and when it will be paid. As a defined benefit plan, Mr. Craven reviewed the components used to determine the benefit. The actuarial assumptions are used to calculate an expected benefit based on relative unknowns.

John Garrett, Cavanaugh Macdonald, reviewed the process used to develop actuarial valuations. He explained how several actuarial assumptions are necessary that include the members as well as assets. The assumptions are monitored annually. The assumptions assist in predicting unknown events that are going to occur. He reviewed the economic and demographic assumptions. Following review of the assumptions, the actuary will provide reasonable recommendations for the Board's review.

Mr. Garrett reviewed the gains and losses of the demographic experience noting that they have seen indications that retirement ages are being pushed out later which is a net gain to the plan.

Mr. Craven said people are delaying retirement which was part of the design of SB27. While working, money is going into the fund and after retirement money is pulled out. Mr. Garrett said there were enticements in SB27 to continue working longer. Mortality tables show people are living longer and is used as a tool that is modified to fit the expected life expectancy in New Mexico. He discussed the fact that public safety life expectancy now uses the same mortality rate as the general public.

Mr. Craven reviewed the mortality improvements and how they are projecting those improvements into the future. Mortality varies by region, gender, education, marital status, income/wealth, and access to quality healthcare.

Mr. Garrett noted patterns in the rates of improvement in mortality. Mr. Craven identified that drugs and suicide contributed to the deaths in the 20-35 age group between 2000 and 2010.

The building blocks used to develop economic assumptions were reviewed to include rate of investment return and wage inflation. Mr. Craven noted that in the past most plans used

8 percent as an investment return assumption. Now the investment return is assumed to be between 7 percent and 8 percent. A lot of the reduction has to do with low interest rates and low bond return.

Mr. Garrett said they rely on the PERA consultants' capital market assumptions.

Tom Toth, Wilshire, said that the evolution and what portfolios are likely to look like in a more muted expected return environment is important to understand. There is an effort to "squeeze the lever" of returns and spend the risk budget smartly in order to move the total portfolio expected return more towards the 7.5 percent to 7.75 percent return level. That will lead to a more complex portfolio.

Mr. Garrett said in hindsight, assumptions have been fairly accurate. The problem is in having to get a present value benefit there must be a discounting back to the valuation date. Three major methods are used in valuations by actuaries: actuarial cost method, actuarial value of assets and unfunded liability amortization method. The financing objectives include the statutory rates, which are set as a percent of payroll. GASB requires a different funding policy for accounting disclosures. He discussed amortization and smoothing methods.

C. SmartSave Committee Charter – As an action item, this was not heard

D. Trustee Report on Board Education Travel

Mr. Mayfield said he attended the 2018 NCPERS Legislative Conference. He said he received a Directory of Congress which provided a great deal of information. The conference was very informative and dovetailed with many of the actuaries' comments.

E. Executive Director's Report

Mr. Propst said his report was within the Board's packet and he welcomed questions. He invited the Board to attend the afternoon Easter egg hunt with children of staff. PERA's new social media person will assist in the launching of PERA's Facebook, Twitter and Instagram accounts.

5. Other Business

None was presented.

Chair Maxon declared the Study Session adjourned at 12:25 p.m.