

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

March 28, 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 indicated a quorum with the following members present:

Members Present:

Jackie Kohlasch - State, Chair
John Melia - Municipal
Claudia Armijo - State
Steve Neel - State
Patricia French - Municipal
Dan Mayfield - Retiree
Loretta Naranjo Lopez - Retiree
Lawrence Davis - Municipal
David Roybal - State [following 4.D]

Member(s) Absent:

Tim Eichenberg - *Ex-officio*
Maggie Toulouse Oliver - *Ex-officio*
James Maxon - County

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Greg Trujillo, Deputy Executive Director
Dominic Garcia, Chief Investments Officer
Karen Risku, Deputy General Counsel
Renada Peery-Galon, ASD Director
Anna Williams, Chief Financial Officer
Kristin Varela, Deputy CIO
Trish Winter, Executive Assistant
LeAnne Larrañaga-Ruffy, Director of Equity
Karyn Lujan, Deferred Compensation Plan Manager
Dana David, Assistant General Counsel
Joaquin Lujan, Portfolio Manager
Christine Ortega, Portfolio Manager
Emily Lopez, Financial Specialist

Others Present:

Connor Jorgensen, LFC
Gideon Elliot, AG Office
Lou Moreno, Nationwide
Paul Cowie, Meketa
Amanda M. Roybal

Keith Brainard, NASRA [telephonically]
Paul Lium, Nationwide
Tom Toth, Wilshire
David J. Roybal
Lenora Chavez, Retiree

Robert Doucette
Jake Salazar
Victor Baca, Retiree
Connie Maki, Retiree
Adam Hathaway, Parliamentarian

Sara Brownstein
Frank Angel, Retiree
Antonio Martinez, Self
Ron Vigil, Retiree

2. Approval of Agenda

Mr. Davis introduced and Mr. Neel seconded a motion to approve the agenda as published. [The motion was withdrawn.]

Ms. Naranjo Lopez said the Investment Procurement Policy (4.G) requires additional review and she requested removing it from the agenda. Ms. French supported that in the form of a second. [This motion was withdrawn.]

Following discussion, it was determined that rather than sending 4.G back to committee, it would be heard as an informational item, under New Business, today.

Ms. Naranjo Lopez introduced a motion to amend the agenda making item 4.G. an information item and act on it at the next Board meeting. Ms. French seconded. The motion passed by majority voice vote.

3. Approval of Consent Agenda

[Exhibit 1: Consent Agenda]

Ms. Naranjo Lopez requested the removal of items: 1. Approval of Minutes, February 12, 2019; 2.a, 2019 Investment Committee Work Plan; 3.a, 2019 Audit & Budget Committee Work Plan and 4.a., 2019 Rules & Administration Committee Work Plan. Also, item 7.h. should state Austin, TX rather than Oakland, CA. These items will be addressed as I.

Ms. French noted that the dates for the education conference listed under 7.a. have already passed. Chair Kohlasch confirmed Mr. Melia attended the conference and because the Board meeting in which the request would have been approved lacked a quorum, it is presented today.

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

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

The motion passed with Ms. Naranjo Lopez and French voting against. They explained their vote as opposition to travel without Board permission.

4. Current Business

Board will recess to Executive Session pursuant to NMSA 1978, Section 10-15-(H)(3)

a. Administrative Appeal – Final Review - Martin (Marty) Vigil

Mr. Melia moved to go into executive session pursuant to NMSA 1978, Section 10-15-1(H)(3). Ms. Naranjo Lopez seconded. The motion passed by unanimous voice vote.

[The Board met in Executive Session from 9:20 a.m. – 9:56 a.m.]

Chair Kohlasch reconvened the meeting and announced that the only item discussed during executive session was that listed on the agenda.

Roll Call indicated the presence of a quorum as follows:

Present:

Jackie Kohlasch

John Melia

Claudia Armijo

Steve Neel

Patricia French

Dan Mayfield

Loretta Naranjo Lopez

Lawrence Davis

Absent:

Tim Eichenberg

Maggie Toulouse Oliver

James Maxon

Ms. Naranjo Lopez introduced the following motion regarding the appeal of Martin “Marty” Vigil, stating that this matter came before the New Mexico Public Employees Retirement Board. The Board -- on February 28, 2019 for a final decision and order pursuant to New Mexico SA 1978 10-11-120 1987 as amended through 1999 and 2.80.1500 NMAC. On July 24, 2018, Claimant Martin Vigil appealed the Public Employee Retirement Association’s determination that he was required to repay the pension benefit he received for the month of February 2017. Because he commenced employment with the City of Grants on February 28, 2017 a de novo hearing was set before Hearing Officer Tracey Hughes on September 6, 2018 at which Claimant appeared pro se and Misty Schoeppner, PERA Assistant General Counsel, appeared on behalf of PERA.

The Hearing Officer’s recommended decision of September 26, 2018 found that the Claimant was required to repay his entire pension benefit for the month of February 2017. The Board, having familiarized itself with the hearing record which consisted of the Hearing Officer’s recommended decision dated September 26, 2018, the transcript of the September 26, 2018 proceeding reported by Cheryl Arreguin, Kathy Townsend Court Reporters, CCR #124, and the exhibits duly admitted in the record hereby, rejects the Hearing Officer’s recommended decision based on a preponderance of the evidence together with the standards established by the NMSA 1978, 10-11-10.1 and 2.80.1000 NMAC, the Board reverses PERA’s determination that the Claimant’s February 2017 pension benefit was paid in error.

Mr. Melia seconded the motion and it passed.

B. Chairwoman’s Report

Chair Kohlasch thanked those that were in attendance and reminded the Board that they were elected to do what is best for everyone in the plan. She offered the following items:

- The governance issues will be addressed by the Rules Committee
- The ad hoc committee regarding staff wages has been dissolved since the item was referred to the AGO
- The 2019 Board and Committee meeting schedule was provided in the Board packet

- The Board retreat has been scheduled for July 16 – 18 in Roswell
- Committees will meet quarterly and the Board will meet monthly
- RFP Evaluation Committee for the external audit will include Dan Mayfield and Claudia Armijo
- The selection for the vacant County Board position is scheduled for May 30th
- She was appointed to the PERA Solvency Task Force created by Executive Order and information will be provided on the portal

Ms. French questioned the elimination of the Governance Committee and Chair Kohlasch said she discussed the issue with Fiduciary Counsel Leiderman and it was determined it was already under the purview of the Rules & Administration Committee. Ms. French took issue with the Chair making that decision and stated a previous motion called for the creation of a Governance Committee.

Ms. French noted that in the past, the Chair did not determine where and when the retreat would be held; instead the Board did. “We should work as a team and we shouldn’t have a dictatorship,” stated Ms. French.

PERA Counsel Pittard said the current charter for the Rules & Administration Committee has a section stating that it will perform the governance functions of the Board.

Ms. Armijo said there was a unanimous vote by the Board to create a Governance Committee and the fact that Rules & Administration Committee can handle governance issues does not trump the Board’s action. It appears to be a procedural problem in that the Board Chair is overriding the Board’s action. Chair Kohlasch said she would take it under consideration.

Ms. French pointed out that the Board held its retreat in 2018 in the southern portion of the state and she recommended meeting elsewhere. The Chair offered to reconsider the retreat location.

C. Resolution No. 19-07 Regarding Vacant County Position
[Exhibit 2: Resolution No. 19-07]

Mr. Mayfield introduced the following motion:

“RESOLVED, that the PERA Board approve Resolution No. 19-07.”

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

D. Interview & Selection for the State Board Member Position

Chair Kohlasch outlined the procedure as follows:

- Applicants will have five minutes to introduce themselves and make a statement
- Each Board member will be limited to one question which will be asked of each applicant

Chair Kohlasch said that William Burk declined after submitting an application as did the fourth candidate. She requested that Robert Doucette leave the room while the first applicant is interviewed.

a. David Roybal

David Roybal provided his personal and employment history as well as a statement on why he wanted to serve the PERA membership on the Board.

The questions asked of the candidate(s) are as follows:

- What duties and responsibilities in the Public Employee Retirement Act are of critical importance and if you are not familiar with the Act explain why
- Serving on the PERA Board requires one to make many difficult and unpopular decisions that impact thousands of people. Recount a time when you made a difficult and unpopular decision and how you handled it
- What is your greatest weakness?
- What does being a fiduciary mean to you?
- What are your thoughts regarding PERA's long-term solvency and what issues do you wish to explore?
- How will you ensure your neutrality, independence and lack of bias in the capacity of a Board member
- If people contacted you to serve on the Board what was the content of that contact and did you contact PERA staff, and do you understand the responsibilities of serving on the Board?
- Why are you interested in committing your time and energy to this Board and are you able to commit the necessary time?

b. Robert Doucette

Robert Doucette provided his personal and employment history as well as a statement on why he wanted to serve the PERA membership on the Board.

The questions listed above were asked of Mr. Doucette.

Chair Kohlasch requested that Mr. Doucette excuse himself from the Board room while the Board deliberates on their selection for the position.

Selection

Ms. Naranjo Lopez said she was very proud that there are state employees that want to be on the Board. She said she was very impressed with the two candidates.

Mr. Mayfield said today's decision would be very difficult because there are both qualified.

Chair Kohlasch asked for a show of hands for each of the candidates and David Roybal was declared the winner.

Both candidates returned to the Board room and were thanked for their interest in serving. Chair Kohlasch congratulated and declared Mr. Roybal as the winner.

The oath of office was administered to Mr. Roybal.

E. Stress Testing Public Pensions Plans

[Exhibit 3: NASRA presentation]

Keith Brainard, National Association of State Retirement Administrators, was present telephonically to make his presentation. He defined the stress test for public pensions as an evaluation of the effect on the plan's funding level and cost of projected adverse investment and contribution events. A stress test is also known as a scenario analysis. On a broad level the test is measuring and understanding risk. He reviewed sensitivity analysis and noted that neither the analysis nor the stress testing are new to pension plans but have been receiving more attention in recent years. He provided a history of stress testing, which organizations use it and how it helps boards and staff to better understand the types of risks plan face, how likely they are to occur, effects on the plan of those risks, and the sensitivity of factors, i.e., plan costs, cash flows and the plans funding levels. A stress test should help decision makers understand the range of possible pension plan experiences and the effects of that experience.

Ms. Armijo said she was pleased that this was presented to the Board. She supported implementing stress testing criteria through the Board not legislation and not following Pew's recommendation because it may not yield valuable information. She asked the Board to consider how and when to use stress testing effectively.

Mr. Brainard said NASRA has a webpage on stress testing and many of the resources are available on that page.

Executive Director Propst thanked Ms. Armijo for requesting this important and timely presentation. He suggested stress testing as part of the Board's funding policy.

Mr. Neel recommended adding stress testing to the Board's retreat agenda. This has tremendous implications to asset allocation. Mr. Mayfield and Mr. Davis agreed this would be an appropriate retreat topic.

Mr. Brainard was thanked for his presentation.

F. Recommendation for PERA SmartSave Third Party Administrator

Karyn Lujan, SmartSave Plan Manager, provided the evaluation committee's recommendation of the 457b Plan's Third Party Administrator (TPA), subject to legal review and successful negotiations of an eight-year contract effective October 1, 2019.

Ms. Lujan reviewed the scope of services of the RFP which included the TPA will administer the DC plan and serve as PERA's agent of record for the plan's administration. The TPA will undertake the following responsibilities: employee service and outreach, marketing and communication, enrollment, recordkeeping, administration and participant services. She identified the minimum qualification, the participants on the evaluation committee, the RFP

evaluation timeline, selection of the semi-finalists, the on-site due diligence and how the finalist was selected.

Ms. Lujan provided an overview of Voya mentioning their relationship manager, full-time salaried local representative and office, marketing specialist and legal and technical services. She also outlined the company's background and experience, their marketing and communication services and expanded accessibility for the participant. Voya demonstrated their live website and discussed their local service model.

She explained that Voya ranked highest in the RFP scoring matrix and the evaluation committee unanimously selected them. Voya offers increased website functionality for participants; enhanced customer service; expanded reporting capabilities for the plan sponsor and individual employers; and greater automation than is currently offered. The new features that Voya offers were reviewed.

Ms. Lujan reviewed the implementation timeline and discussed the complexities of converging.

Paul Cowie, Maketa, participated on the evaluation committee and said the committee was very impressed with their transition team. Regarding investments, Voya is very flexible and works with the customized lifecycle funds without an additional fee. Their on-line tools are extremely impressive and a big benefit to the participants, staff and Maketa.

Dominic Garcia, CIO, reiterated that the evaluation committee was unanimous in the selection of Voya. The enhancement, technology and efficiencies will modernize and grow the plan.

Ms. French asked if participants had the option of staying with Nationwide. Ms. Lujan clarified that the plan is PERA's and all plan assets will move to Voya.

Ms. Armijo said she was encouraged with the enhanced technologies Voya offered. Ms. Lujan confirmed that Voya will have one New Mexico location in Santa Fe.

Ms. Armijo said she recently learned that Voya has received awards for consecutive years for being an ethical company.

Ms. Naranjo Lopez asked whether participants would be impacted by the transition to Voya and Voya's ranking. Ms. Lujan said Voya's implementation team is quite experienced and have a detailed timeline. She anticipated there would be little impact to the participant and according to Voya the transition could occur over a weekend when the NYSE is closed. Nationwide's ability to move assets is part of the equation.

Regarding Voya's ranking, Mr. Garcia stated that PERA ranked them against their universe and they were clearly ranked as number one.

Ms. Lujan said if a participant does not want Voya to serve as their TPA, they can opt out of PERA's SmartSave and enroll in a different plan. The participants will be aware of the transition.

Mr. Neel gave accolades to the evaluation committee and said the process was clearly comprehensive. He asked about friction costs, where are they borne and who bears them. Ms. Lujan said the recordkeeper's fee proposal includes transition/friction costs.

Ms. Naranjo Lopez said the participant should not be automatically transitioned to Voya; it should be the participant's decision. Clarifying the situation, Mr. Garcia said this is PERA's SmartSave 457/deferred compensation plan. There are over 17 options within the plan. The current recordkeeper/TPA that administers the plan, does the accounting, etc. is Nationwide. The plan is PERA's. Based on the evaluation committee's recommendation, staff is recommending that Voya replace Nationwide and conduct the recordkeeping and accounting.

Ms. Lujan said the PERA Board has fiduciary oversight of this plan, not Nationwide. The Board acts in the best interest of the members. PERA makes decisions about the plan for the members' best interest.

Ms. Naranjo Lopez made a statement: "What's been happening on this Board is that we are losing our fiduciary responsibility..." She requested an evaluation of the Board's fiduciary responsibilities.

Mr. Melia noted that the participants' fees will increase slightly. Ms. Lujan confirmed the fee has increased but negotiations are ongoing.

Ms. Armijo introduced the following motion:

"RESOLVED, that the PERA Board accept the recommendation of the evaluation committee and move our administrative aspects of PERA SmartSave to Voya."

Mr. Melia seconded.

Mr. Davis, who served on the evaluation committee, said RFP evaluation was organized and well structured. He thanked staff for their excellent attention to detail.

The motion passed by majority [7-2] voice vote with Ms. Naranjo Lopez and Ms. French voting against.

Chair Kohlasch thanked Nationwide for its service to PERA.

Ms. Naranjo Lopez said she has a lot of concerns about this transition.

[The Board recessed for 10 minutes]

G. Investment Procurement Policy [See Item 5.A]

H. Executive Director's Report

Mr. Propst referred to his written report and highlighted that PERA's social media accounts are gaining followers. He thanked staff for their efforts in expanding PERA's social media presence.

Mr. Propst thanked Deputy General Counsel Karen Risku for her service to PERA. She will be retiring this week.

Ms. Naranjo Lopez said the PERA newsletter was released without Board comment as was done in the past. Many members read about HB 338 and were very concerned.

Chair Kohlasch said HB 338 had not been tabled at the time the newsletter was published.

5. New Business

1. Investment Procurement Policy

Dana David, PERA Investment Counsel, said the updates are intended to clarify the respective responsibilities for investment procurement between the Board, Executive Director and the Chief Investment Officer. The policy has not undergone a comprehensive review in many years. While PERA's selection of investment contracts are exempted from the State's procurement code, PERA is required to have their own policy and procedures to ensure selection of investment-related service providers is clear and transparent.

In 2018, the Board acted to delegate responsibility for investment decision making to the CIO. That decision was implemented in the Investment Policy before it was adopted July 2018. The entire procurement policy was vetted through fiduciary counsel whose suggestions were incorporated into this proposal.

The following comments and questions came forward:

- Who gave staff permission to talk to fiduciary counsel?
- What is meant by a "level playing field"?
- The Board has final authority on selection of the strategic asset consultant(s) and the TPA for the SmartSave, which is not a change from the current policy
- Some CIO decisions are made in consultation with the Executive Director
- It is inappropriate and lacks transparency to have a definition that references another document
- Define each term and what it means in this document
- The language was structured to indicate the process for RFIs and RFPs
- The SmartSave Plan is under its own procurement policy and refers to this plan
- Links can be included to citations
- For clarification, definitions of investment categories (illiquid, liquid, etc.) should be included
- VI b. v and vi did not include the Board's approval and a concern was raised about that
- The document recognizes the different investment-related consultants: Board investment strategic consultant which is currently Wilshire; the CIO investment consultant includes Torrey Cove and Airborne
- Concern was raised that the Board was not included in 7.b.
- It was repeated that the only procurement decisions that are solely reserved for the Board are the strategic investment consultant and the TPA for the SmartSave plan

Mr. David noted that he did provide a slide deck to accompany the presentation that highlight the reasons for the changes to the Investment Procurement Policy.

Ms. Naranjo Lopez offered to forward her questions to staff.

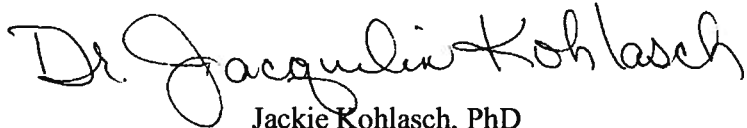
5. **B. Items from Consent Agenda Requiring Extended Discussion/ Consideration**
 1. Approval of Minutes: February 12, 2019
 - 2.a. 2019 Investment Committee Work Plan
 - 3.a. 2019 Audit & Budget Committee Work Plan
 - 4.a. 2019 Rules & Administration Committee Work Plan

In recognition of the late hour, Chair Kohlasch requested a motion to move the above items to the next meeting. So moved Ms. Armijo. Mr. Mayfield seconded and the motion passed.

6. **Adjournment**

Upon motion and second, Chair Kohlasch declared this meeting adjourned at 1:10 p.m.

Approved by:



Jackie Kohlasch, PhD
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Attached Exhibit(s):

Exhibit 1: Consent Agenda

Exhibit 2: Resolution No. 19-07

Exhibit 3: Stress Testing Public Pensions