

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

**November 17, 2016**

This meeting of the Public Employees Retirement Board was called to order by Patricia French, 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. & 2.      ROLL CALL**

The Pledge of Allegiance preceded roll call by Executive Director Wayne Propst and a quorum was established with the following members present:

**Members Present:**

Patricia French, Chair - Municipal  
Dan Mayfield, Vice Chair - Retiree  
Paula Fisher - State  
Jackie Kohlasch - State  
James Maxon - County  
John Melia - Municipal  
Loretta Naranjo Lopez - Retiree  
John Reynolds - State  
Brad Winter - *Ex-officio*

**Member(s) Absent:**

Tim Eichenberg - *Ex-officio*  
Dan Esquibel - Municipal [excused]  
Cathy Townes - State [excused]

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Jon Grabel, Chief Investment Officer  
Greg Trujillo, Deputy Director  
Karen Risku, Deputy General Counsel  
Jude Perez, Deputy CIO  
Renada Peery-Galon, ASD Director  
Natalie Cordova, Chief Financial Officer  
Joaquin Lujan, Director of Rates and Credit  
Trish Winter, Executive Assistant  
Misty Braswell, Assistant General Counsel  
David Dana, Assistant General Counsel  
LeAnne Larrañaga-Ruffy, Director of Equity  
Mark Montoya, Investments Division  
Lalleh Dayeny, Investments Division  
Karyn Lujan, Deferred Compensation Plan Manager

Kristin Varela, Portfolio Manager  
Emily Lopez, Financial Specialist  
Christine Ortega, Portfolio Manager

**Others Present:**

Jamie Feidler, Cliffwater  
Tom Toth, Wilshire  
Paul Lium, Nationwide  
Lou Moreno, Nationwide  
Charles Huebner, RCP Advisors  
Jason Ostroski, CliftonLarsonAllen  
Jonathan Crave, Cavanaugh MacDonald [via Skype]

3. **APPROVAL OF AGENDA**

Mr. Mayfield introduced the following motion:

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

Ms. Fisher seconded and the motion passed by unanimous voice vote.

4. **APPROVAL OF CONSENT AGENDA**

*[Exhibit 1: Consent Agenda]*

Chair French said she reviewed the minutes and found them complete and accurate.

Ms. French introduced the following motion:

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

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

5. **CURRENT BUSINESS**

A. **Executive Session**

1. **The Board will go into Executive Session under NMSA 1978, Section 12-6-5 to discuss the 2016 Audited Comprehensive Annual Financial Report**

Ms. Fisher moved to go into executive session pursuant to NMSA 1978, Section 12-6-5 as listed in the agenda caption. Mr. Reynolds seconded and the motion passed by unanimous roll call vote as follows:

Patricia French	Aye
Dan Mayfield	Aye
Dan Esquibel	Not Present
Tim Eichenberg	Not Present

Paula Fisher	Aye
Jackie Kohlasch	Aye
James Maxon	Aye
John Melia	Aye
Loretta Naranjo Lopez	Aye
John Reynolds	Aye
Cathy Townes	Not Present
Brad Winter	Aye

[The Board met in executive session from 9:10 a.m. to 9:40 a.m.]

Ms. Fisher moved to return to open session. Ms. Naranjo Lopez seconded and the motion passed by unanimous roll call vote as follows:

Patricia French	Aye
Dan Mayfield	Aye
Dan Esquibel	Not Present
Tim Eichenberg	Not Present
Paula Fisher	Aye
Jackie Kohlasch	Not Present
James Maxon	Aye
John Melia	Aye
Loretta Naranjo Lopez	Aye
John Reynolds	Aye
Cathy Townes	Not Present
Brad Winter	Aye

Chair French announced that the only matter discussed during executive session was the item listed on the agenda.

The Board recessed at 9:42 and reconvened at 11:10 a.m.

**B. Smart Save**

**1. Updated Roll-down Schedule for the LifeCycle Portfolios within the PERA Smart Save Plan**

John Reynolds Smart Save Committee Chair, said this updated roll-down schedule relates to the addition of the high yield bond fund to the LifeCycle portfolios. The committee discussed and approved the schedule.

Ms. Kohlasch introduced the following motion:

**“RESOLVED, that the PERA Board approve the roll-down schedule for the LifeCycle portfolios.”**

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

was not present for this action.]

**C. Investments**

- 1. Alternative Asset Recommendations to be funded according to the cash plan and subject to legal review by General Counsel**
  - a. Recommendation to Commit up to \$75 Million to NM PERA RCP Small Cap PE Fund I, LP**

Chair French said this item was discussed during the morning's Investment Committee meeting and was recommended for approval.

Mr. Reynolds introduced the following motion:

**“RESOLVED, that the PERA Board commit up to \$75 million to NM PERA RCP small Cap PE Fund I, LP.”**

Ms. Naranjo Lopez seconded and the motion passed by unanimous voice vote. [Mr. Mayfield was not present for this action.]

- 2. Recommendation to extend Professional Services Agreement No. 090600041 through March 31, 2017, for Active US REIT Investment Management Services provided by LaSalle Investment Management, LP**

Ms. Fisher introduced the following motion:

**“RESOLVED, that the PERA Board approve an extension of PSA 090600041 through to March 31, 2017 with La Salle Investment Management for active US REIT investment management services.”**

Ms. Naranjo Lopez seconded and the motion passed by unanimous voice vote.

**D. Legislative**

- 1. Endorsement of Proposed Legislation**
  - a. Amend Public Employees Reciprocity Act**
  - b. Amend Deferred Compensation Act**

Mr. Propst said these two items came before the Legislative Committee earlier in the month and the committee acted to endorse both. The amendment to the Reciprocity Act allows ERB and PERA to process their retirement benefits separately. ERB and PERA would issue their own 1099s and this will significantly streamline the administrative process.

The amendments requested to the Deferred Compensation Act are cleanup items but principally the legislation will allow PERA members to make changes to their contributions electronically. If approved by the Board, these amendments will be forwarded to the Investment and Pensions Oversight Committee (IPOC) at its November 29<sup>th</sup> meeting for endorsement.

Mr. Maxon introduced the following motion:

**“RESOLVED, that the PERA Board adopt the amendments to the Public Employees Reciprocity Act and the Deferred Compensation Act.”**

Ms. Fisher seconded and the motion passed by unanimous voice vote.

**D. Approval of FY16 Actuarial Valuations**  
*[Exhibit 2: Cavanaugh Macdonald, Actuarial Valuations Report]*

Chair French said this item was heard at last month’s Board meeting agenda and she deferred action until more Board members were present.

Mr. Propst said the October 27<sup>th</sup> presentation [*Exhibit 2*] was provided and Cavanaugh Macdonald was available via Skype.

Jonathan Craven, Cavanaugh Macdonald, reviewed the highpoints of the evaluation:

- The actuarial investment losses for the five PERA divisions increased the unfunded actuarial accrued liability (UAAL) by \$14.2 million due to the 7.65 percent return on smoothed value compared to an expected return of 7.75 percent
- The return on market value was 0.34 percent
- All gains and losses that are measured are based on the prior assumptions that were in effect
- There was an actuarial gain due to non-investment related experience which decreased the UAAL by about \$155 million which is attributed to salary increases being less than expected
- There was a small increase in the UAAL of \$108 million and a funded ratio increase of 0.4 percent
- The statutory rates are now expected to fully amortize UAAL in 56 years; last year it was 41 years
- In the past, total compensation was relied on which includes overtime, clothing pay, etc. which are not pensionable earnings. Last year solid pensionable data was available and it is now being employed. The net effect is a very slight improvement to the funded ratio and a slight change to the funding period
- The change in the definition of earnings impacted the police officer funds the greatest because of overtime pay
- The present total liability is \$22 billion. Of the \$22 billion, \$19.5 billion has already accrued
- There is an UAAL of \$4.8 billion

He reviewed PERA’s payroll versus benefit payments. These are important because contributions are based on payroll. The dip in 2016 relates to the pensionable earnings rather than total earnings and that applies to all the pay-based pensions which exclude the legislative division and volunteer firefighters.

The net cash flow is contributions minus benefit payments and expenses.

Mr. Craven reviewed the market value of assets versus the actuarial value of assets and noted the market value is more volatile than the actuarial value, which is why assets are smoothed. This past year the actuarial value went higher than the market value which he attributed to the averaging of the 2012/2013 gains. The market losses will put a downward pressure on the actuarial value in the future.

He reviewed summaries of each of the divisions and noted that state general has the problem of not enough money being contributed to pay the interest on the UAAL. State Police is in a surplus position and future contributions are not required in the long term. He noted that municipal police will require 39 years at the current statutory rates. Municipal fire is infinitely funded and cannot pay off their unfunded liabilities and require 14 percent more to pay off in 30 years. Judicial assumes that the docket fees keep up with payroll which is not accurate and the reason they failed their solvency test for GASB. The Magistrates are expected to take 65 years and again assumes the dockets will rise with payroll. They too failed the solvency GASB test. Mr. Craven said the assumption change to go from 7.75 percent to 7.25 percent increased the unfunded liability by \$468 million.

Ms. Naranjo Lopez said PERA needs to be looking at the liabilities and how they can be proactive in addressing these issues.

Mr. Maxon introduced the following motion:

**“RESOLVED, that the PERA Board approve the FY16 Actuarial Valuations.”**

Ms. Fisher seconded and the motion passed by unanimous voice vote.

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

Mr. Propst recognized Renee Baros for 20 years of service; Nicole Tapia and Sheila Martinez were recognized for 10 years of service. The employees were congratulated and commended for their contributions to the agency and the PERA membership. They were given service pins and received a round of applause.

Mr. Propst directed the Board to Ms. Larrañaga-Ruffy’s update of the recent Retiree Health Care Authority Board meeting.

On behalf of the agency, he wished the Board a safe and happy Thanksgiving and invited them to attend tomorrow’s potluck lunch.

Chair French had questions regarding staff vacancies and Renada Peery-Galon, ASD Director, addressed them stating there were three positions on hold. The budget was approved with a 5 percent vacancy rate factored in. The positions may be reclassified to better address other agency needs. The compliance officer position was approved last year and is pending SPO approval and reposting for its reclassification as a basic securities and commodities position.

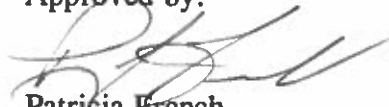
6. **OTHER BUSINESS**

Ms. Kohlasch distributed information regarding a free pension-related newsletter that she learned about at a conference she attended in Florida.

7. **ADJOURNMENT**

Having completed the agenda and upon motion by Ms. Fisher and second by Mr. Mayfield, Chair French declared this meeting adjourned at 11:45 a.m.

Approved by:



Patricia French  
Chair, PERA Board

ATTEST:



Wayne Probst, Executive Director

Attached Exhibit:

*Exhibit 1: Consent Agenda*

*Exhibit 2: Cavanaugh Macdonald, Actuarial Valuations report*