

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING

October 26, 2017

This monthly meeting of the Public Employees Retirement Board was called to order by Dan Mayfield, Chair, at approximately 11:35 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 occurred following the Pledge of Allegiance and a quorum was established with the following members present:

Members Present:

Dan Mayfield, Chair - Retiree
Claudia Armijo - State
Dan Esquibel - Municipal
Patricia French - Municipal
Jackie Kohlasch - State
John Melia - Municipal
Loretta Naranjo Lopez - Retiree
John Reynolds - State
Maggie Toulouse Oliver - *Ex-officio*

Member(s) Absent:

Tim Eichenberg - *Ex-officio*
James Maxon - County [excused]
Cathy Townes - State [excused]

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, 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
Christine Ortega, Portfolio Manager
Anna Murphy, Compliance Officer
Mark Montoya, Investment Analyst

Others Present:

Natalie Cordova, Incoming PERA Board Member
Tom Toth, Wilshire
Eric Berman, Eide Bailly

Anna Hanika-Ortiz, LFC
Paul Lium, Nationwide
Ron Merriman, Retiree
John Garrett, Cavanaugh Macdonald Consulting
Jonathan Craven, Cavanaugh Macdonald Consulting
Harvey Leiderman, Contract Board Fiduciary Counsel

2. **Approval of Agenda**

Mr. Reynolds introduced the following motion:

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

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

3. **Approval of Consent Agenda**

[Exhibit I: Consent Agenda]

Mr. Reynolds introduced the following motion:

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

Ms. Toulouse Oliver seconded.

Under discussion, Ms. Naranjo Lopez requested that item 2, “Investments,” be removed from the consent. Mr. Reynolds accepted the request as did Ms. Toulouse Oliver.

The motion to approve the consent agenda as amended passed without opposition.

2. **Investments**

a. **International (Non-US) Emerging Market Equity Investment Management Services RFP Recommendation**

Dominic Garcia, CIO, said both staff and Wilshire endorsed continuing PERA’s relationship with emerging market manager Aberdeen.

Ms. Naranjo Lopez said she recently attended the International Foundation conference which she found very beneficial. Conference speaker James Meketa stated that 50 percent of all new wealth should come from emerging and frontier markets. Mr. Meketa said conditions in emerging markets are improving with many investment vehicles. Ms. Naranjo Lopez recommended a workshop on emerging markets.

Mr. Garcia said staff would look into offering that educational session.

Mr. Reynolds introduced the following motion:

“RESOLVED, that the PERA Board approve the continued use of Aberdeen

Standard Investments for the emerging market equity mandate, which is 1 percent of the total fund; and to approve Axiom Investors as a secondary strategy, to remain on PERA’s bench of approved investment managers for possible utilization of services in the future, as approved by the Board.”

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

4. Current Business

A. Acceptance of FY17 Actuarial Valuations

John Garrett, Cavanaugh Macdonald Consulting, said FY17 was a great year for market value returns with the fund earning 11.1 percent. Returns are “smoothed” over a four-year period with an actuarial return on investments of 6.9 percent, under the 7.25 percent assumption. The UAAL (Unfunded Actuarial Accrued Liability) increased by \$39.7 million. Including the non-investment experience which consist primarily of demographics (membership, mortality, retirement), there was an additional \$112 million loss. Mr. Garrett explained that the loss could better be defined as an unanticipated liability. The loss due to assumption differences between expected and actual was “minor” at 16 basis points of the \$20 billion accrued liability. The statutory rates are expected to fully amortize the UAAL in 55 years down from 56 years in the prior evaluation.

Jonathan Craven, Cavanaugh Macdonald Consulting, outlined how a valuation study is conducted by taking all the current members and projecting all the benefit payments that will be paid to those members until they die. To compare them to the current asset value, all of the benefit payments are discounted to the present time. That creates a present value of the cash flow to compare with the accumulated assets to date. All of those payments discounted to the present are worth \$22.7 billion – meaning that amount would pay off everybody in the plan today until they died. If PERA had an additional \$5.1 billion, they would be 100 percent funded and thus achieve the goal set for 2043.

Mr. Craven reviewed the membership data comparing the active counts with the retiree counts per plan, thus developing trends and showing the maturity of the plan. He discussed the additional payroll necessary to pay off the UAAL within 30 years for the plans. Each of the plan shortfalls were explained. However, PERA is a cost sharing plan. The shortfall in total for the entire plan is 2.93 percent of pay.

Mr. Craven said the GASB disclosures are almost complete.

Ms. Toulouse Oliver introduced the following motion:

“RESOLVED, that the PERA Board accept the FY17 Actuarial Valuations.”

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

Chair Mayfield recognized Natalie Cordova in the audience who will be joining the PERA Board in January.

B. Executive Director’s Report

Mr. Propst announced the following:

- PERA exceeded 40,000 retirees
- PERA management will be making a presentation to the LFC tomorrow at 9:45 a.m. regarding the FY19 appropriation request
- PERA had a good meeting with the IPOC last week

Chair Mayfield asked about telecasting the PERA Board meetings and Mr. Propst said staff would work on doing that for the November Board meeting.

C. Trustee Reports on Board Education Travel

1. Cathy Towns – CAPPP II [excused]

2. Claudia Armijo - CAPPP II

Ms. Armijo thanked the Board for supporting her attendance at this conference and said it was very informational. The sessions included plan design, investments, business improvement strategies and emerging issues. The plan design and investments sessions were particularly interesting.

3. Loretta Naranjo Lopez – IFEBP 63rd Annual Employee Benefits Conference

Ms. Naranjo Lopez said the speaker opening the conference talked about crossing the generation divide which was very interesting. Another speaker focused on cyber threats and counter measures. She said she attended 14 sessions during the three-day conference and was grateful for the opportunity.

D. Executive Session

1. Smart Save 457b Audit Review

Mr. Reynolds moved to meet in Executive Session to discuss the Smart Save 457b Audit Review under NMAC Section 10-15-1. Ms. French seconded and the motion passed by unanimous roll call vote as follows:

Dan Mayfield	Yes
Claudia Armijo	Yes
Patricia French	Yes
Jackie Kohlasch	Yes
Dan Esquibel	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
John Reynolds	Yes
Maggie Toulouse Oliver	Yes

[The Board met in executive session from 12:20 to 12:26.]

Ms. Kohlasch moved to return to open session. Her motion was seconded by Mr. Melia and passed by roll call vote as follows:

Dan Mayfield	Yes
Claudia Armijo	Yes
Patricia French	Yes
Jackie Kohlasch	Yes
Dan Esquibel	Yes
John Melia	Yes
Loretta Naranjo Lopez	Yes
John Reynolds	Yes
Maggie Toulouse Oliver	Yes

Chair Mayfield stated that only the item as listed on the agenda was discussed in closed session.

Mr. Esquibel commended Deferred Compensation Plan Manager Karyn Lujan and the Smart Save Committee Chair Reynolds for their attention to the program.

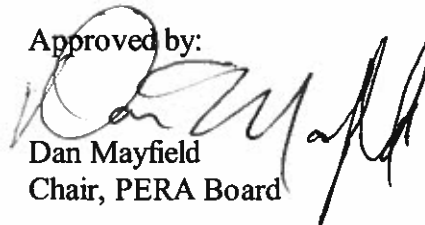
5. Other Business

None was presented.

6. Adjournment


Having completed the agenda and upon motion by Ms. French and second by Ms. Naranjo Lopez, Chair Mayfield declared this meeting adjourned at 12:30 p.m.

Approved by:



Dan Mayfield
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Attached Exhibits:

Exhibit 1: Consent Agenda