

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
BOARD MEETING
October 31, 2019

1. 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 in the Senator Fabian Chavez, Jr. Board Room, at the PERA Building, 33 Plaza la Prensa, Santa Fe, New Mexico.

2. & 3. Roll Call

Roll call followed the Pledge of Allegiance and indicated a quorum with the following members present:

Members Present:

Jackie Kohlasch - State, Chair
John Melia - Municipal, Vice Chair
Claudia Armijo - State
Lawrence Davis - Municipal
Tim Eichenberg - *Ex-officio*
Patricia French - Municipal
Dan Mayfield - Retiree
Steve Neel - State
Loretta Naranjo Lopez - Retiree
Shirley Ragin - County
David Roybal - State
Maggie Toulouse Oliver - *Ex-officio* [arrives during executive session]

Member(s) Excused:

None

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 Schoepner, Deputy General Counsel
Kristin Varela, Deputy CIO
LeAnne Larrañaga-Ruffy, Director of Equity
Anna Williams, Chief Financial Officer
Joaquin Lujan, Co-Head Alpha & Director of Rates & Credit
Karyn Lujan, Deferred Compensation Plan Manager
Trish Winter, Executive Assistant
Angela Romero, Albuquerque Office Manager
Mark Montoya, Investment Division
Isaac Olaoye, Investment Division

Others Present:

Adam Hathaway, Parliamentarian
Harvey Leiderman, Board Fiduciary Counsel
John Garrett, Cavanaugh Macdonald
Tom Toth, Wilshire Consultants
Justin Cheney, IAFF 244
M. Schaerder, Member
Richard M. Pacheco, Retiree
Ernie Marquez, AES
Lenora Chavez, Retiree
Jeff Riggs, Retiree
Steve Jenison, Retiree
D.L. Heshley, FOP
Dan McKay, *Albuquerque Journal*

Timothy Chavez, Retiree
Marcy Lewitt, Retiree
Steve Cary, Retiree
Joseph E. Montoya, Retiree
Jake Salazar, Retiree
Victor Baca, Retiree
Frank Angel, Retiree
Joan Marentes, Retiree
Phyllis Bustamante, Retiree
Gregory Lewis, Retiree
Greg Hunt, Retiree
Carlos Gonzales, Retiree
MC Delaros, FOP

4. Approval of Agenda

Ms. French moved to amend the agenda by 1) postponing item I.5, her report from the Trustee Masters program and IFEBP Annual Conference until the November agenda; and, 2) replacing Item F, Approval of Revised Board Policies & Procedures, with the priority topic of scheduling meetings with the PERA membership on solvency-related recommendations. Ms. Armijo seconded.

In response to Ms. Naranjo Lopez’ request to remove item H, Election Process Discussion, Parliamentarian Hathaway said the motion currently on the floor should be addressed before further amending the agenda. According to Robert’s Rules, friendly amendments do not exist.

Mr. Davis agreed with Ms. French that the solvency recommendations were priority and suggested that the policies and procedures remain on the agenda with the solvency discussion. The State Auditor and Attorney General recommended that PERA align its policies and procedures with state law. Ms. Ragin agreed that both items were important to cover.

Ms. Armijo observed that the agenda was lengthy and supported replacing item F as stated in the motion. She reminded the Board that the legislative session starts in January and there was a Board commitment to meet with the membership.

Ms. French said the Board’s fiduciary responsibility is to the membership and the fund.

A roll call vote was requested. The motion to amend the agenda failed by roll call vote as shown:

Jackie Kohlasch	No
Claudia Armijo	Yes
John Melia	No
Lawrence Davis	No
Patricia French	Yes
Dan Mayfield	No
Steve Neel	No
Loretta Naranjo Lopez	Yes

Shirley Ragin	No
David Roybal	Yes
Tim Eichenberg	Yes

Ms. Naranjo Lopez requested the removal of Item H, Election Process Discussion, because it was incorrectly listed as discussion rather than action. Mr. Melia seconded and the motion passed without opposition.

Mr. Mayfield moved to approve the agenda as amended. Mr. Davis seconded and the motion passed with Ms. French and Ms. Naranjo Lopez opposing.

5. Approval of Consent Agenda [Exhibit 1: Consent Agenda]

Mr. Roybal moved to approve the Consent Agenda. Mr. Melia seconded and the motion passed without opposition.

6. Current Business

Board will recess to Executive Session NMSA 1978 Section 10-15-1 (H)(7)&(2)

A. Discussion with Counsel regarding pending litigation: *The Retired Public Employees of New Mexico, Inc. v. The Public Employees Retirement Association of New Mexico Board; Wayne Propst, in his individual capacity, and Susan Pittard, in her individual capacity*, United States District Court for the District of New Mexico, Case No. 1:19-cv-00891 – Reference: NMSA 1978 Section 10-15-1(H)(7)

B. Discussion Regarding Limited Personnel Matters (Executive Director; General Counsel/Chief of Staff)

- I. Personnel Matter – Termination of PERA Executive Director, Wayne Propst**
- II. Personnel Matter – Termination of PERA Chief of Staff/General Counsel, Susan Pittard**
- III. Personnel Matter- Placement of PERA Executive Director, Wayne Propst, on Paid Administrative Leave**
- IV. Personnel Matter – Placement of PERA Chief of Staff/General Counsel, Susan Pittard, on Paid Administrative Leave**
- V. Personnel Matter – Temporary Appointment of PERA Deputy Director, Greg Trujillo, as Acting Executive Director**
- VI. Personnel Matter – Temporary Appointment of PERA Deputy General Counsel, Misty Schoeppner, as Acting General Counsel**
- VII. Disqualification of Charles Rennick and the Robles firm to serve as conflicts counsel in the pending RPENM v PERA Litigation due to conflict of interest, Reference NMSA 1978 Section 15-15-1-(H)(7)**

Ms. French moved to go into Executive Session to discuss the items listed in agenda items 6.A & B. Ms. Ragin seconded the motion. The motion passed as follows:

Jackie Kohlasch	Yes
Claudia Armijo	Yes
John Melia	Yes
Lawrence Davis	Yes
Patricia French	Yes

Dan Mayfield	Yes
Steve Neel	Yes
Loretta Naranjo Lopez	Yes
Shirley Ragin	Yes
David Roybal	Yes
Tim Eichenberg	Yes

[The Board met in executive session from 9:20 to 10:25]

Chair Kohlasch announced the Board was returning to open session and the only items discussed during executive session were those listed on the agenda.

Chair Kohlasch offered the following information:

- Regarding item 6.A., there is no reportable action
- Regarding item 6.B.VII., the Board met in Executive Session and directed fiduciary counsel to take appropriate action
- Regarding items 6. B. II, IV and VI, there is no reportable action

A discussion ensued whether a motion to return to open session was necessary. Parliamentarian Hathaway said roll call was not necessary. Ms. French stated, “We always do.”

Mr. Melia moved to return to open session. Ms. Toulouse Oliver seconded and the motion passed with the members indicating the following:

Jackie Kohlasch	Here
Claudia Armijo	Yes
John Melia	Yes
Lawrence Davis	Here
Patricia French	Here
Dan Mayfield	Yes
Steve Neel	Here
Loretta Naranjo Lopez	Here
Shirley Ragin	Here
David Roybal	Here
Tim Eichenberg	Yes
Maggie Toulouse-Oliver	Present

1. Vote by Board to Terminate PERA Executive Director, Wayne Propst

Ms. Naranjo Lopez moved to terminate the Executive Director. Ms. Armijo seconded.

Under discussion Ms. Naranjo Lopez made a public statement “covered by the State Whistleblower laws.” [*Exhibit 2: Statement provided to the record by Ms. Naranjo Lopez*]. The statement was designed to inform the NMPERA members and public about the NMPERA Board minority positions. She spoke about crimes, criminal accomplice liability, and fiduciary duties as reflected in Exhibit 2. Within her written comments, Ms. Naranjo Lopez said she filed a police report as a result of Board member Neel’s behavior against her.

Ms. Naranjo Lopez asked the Board to consider the statement before voting on the motion before them.

Mr. Melia said he was “embarrassed and disgusted” by the actions of several of the Board members who chose to tear the Executive Director down rather than build up the organization. While those individuals used “fiduciary” as their basis for wanting Mr. Propst removed, the words that define “fiduciary” – trust, confidence, good faith and ethics – are the words he would use in describing Mr. Propst. With both the State Auditor and Attorney General finding Mr. Propst innocent of wrong doing, Mr. Melia apologized to him on behalf of the Board.

The International Association of Firefighters Local 244, the New Mexico Professional Firefighters Association, and the Albuquerque Fire Department Retirees Association asked Mr. Melia to pass on their support of Mr. Propst.

Mr. Davis said Mr. Propst has done an outstanding job. The Board requested an investigation and some of the Board members did not agree with the finding that there was no wrong doing. He read a list of accomplishments [*Exhibit 3*] that have occurred under the past three years of Mr. Propst’s tenure. Those items included favorable investment performance, actuarial hurdles exceeded, assorted nominations by Institutional Investors, upgrades to RIO, improved workflow, successful reconciliations and audits, and SB 27.

Ms. French congratulated staff for their accomplishments. Noting that the Board members have all read what they wanted in record, she asked that they vote and move on.

Mr. Mayfield pointed out that Mr. Propst started with PERA when their funding ratio was at 64 percent and the discount rate was 8 percent higher than it is today. Without the action that has taken place under Mr. Propst’s leadership the fund would have experienced serious trouble.

Mr. Eichenberg said he too read the reports by the State’s Auditor and Attorney General and it was his interpretation that the raises were taken without Board approval which is a violation of law. The Attorney General stated it was a misdemeanor to take pay not approved by the Board according to the Personnel Act. He read directly from the AG’s letter that because PERA is self-funded, a heightened sense of integrity shall be employed when adjusting PERA’s salaries since it directly impacts the PERA fund and its sustainability.

Mr. Neel said from his perspective the Board owes Director Propst an apology: “Quite frankly, members of the Board have dragged his reputation through the ... mud.” He lauded Mr. Propst for having faith in the organization and the PERA employees. In regards to Ms. Naranjo Lopez’s allegation about him, he firmly disagreed with Ms. Naranjo Lopez’s characterization of his behavior.

Ms. French said any apologies to Mr. Propst should be done individually. “I am never going to apologize for looking into something on a state statute that was broken...”

Ms. Armijo thanked Ms. French for her comments and wholeheartedly agreed. This is a self-policing board and she made no apology for taking her fiduciary duty very seriously. She said she was in attendance at the meeting which Ms. Naranjo Lopez referenced Mr. Neel’s behavior and she maintained Ms. Naranjo Lopez’s characterization was not much of a mischaracterization.

Ms. Naranjo Lopez said she attended the International Foundation training and it was stated that one of the jobs of a trustee is to ask a lot of questions in the investigation of fraud.

Mr. Roybal commended the Board for this discussion and hoped that following the vote, the Board can move on to solvency issues.

Speaking as an appointed and now elected Board member, Ms. Ragin said she has a commitment to move forward to ensure that retirees from the system will have an income from PERA.

The Chair asked for a roll call vote on whether to support the motion and terminate the Executive Director which indicated that motion failed [4-8] as follows:

Jackie Kohlasch	No
Claudia Armijo	Yes
John Melia	No
Lawrence Davis	No
Patricia French	Yes
Dan Mayfield	No
Steve Neel	No
Loretta Naranjo Lopez	Yes
Shirley Ragin	No
David Roybal	No
Tim Eichenberg	Yes
Maggie Toulouse-Oliver	No

The Chair announced the motion failed.

2. Vote by Board to Terminate PERA Chief of Staff/General Counsel – Removed
 3. **Vote by Board to Place PERA Executive Director, Wayne Propst on Paid Administrative Leave During Timeframe of the Resolution of the NPENM lawsuit - There was no action on this item.**
 4. Vote by Board to Place PERA Chief of Staff/General Counsel on Paid Administrative Leave During Timeframe of the Resolution of the NPENM lawsuit – Removed
 5. Vote by Board to Temporarily Appoint PERA Deputy Director, Greg Trujillo, as Acting Executive Director – No Action Necessary
 6. Vote by Board to Temporarily Appoint PERA Deputy General Counsel, Misty Schoepner, as Action General Counsel – Removed
- C. **Consideration of Attorney General Directive to Review the 2014 Ten percent Compensation Increase for the PERA Executive Director for Either Ratification or Rescission or other Appropriate Action Regarding Compensation**

Mr. Melia moved to ratify. Mr. Davis seconded. The Chair requested a roll call vote which indicated the motion passed [7-5] as follows:

Jackie Kohlasch	Yes
Claudia Armijo	No
John Melia	Yes

Lawrence Davis	Yes
Patricia French	No
Dan Mayfield	Yes
Steve Neel	Yes
Loretta Naranjo Lopez	No
Shirley Ragin	Yes
David Roybal	No
Tim Eichenberg	No
Maggie Toulouse-Oliver	Yes

Chair announced the motion to ratify the 2014 increases passed.

D. Consideration of Personnel Matters (Executive Director; General Counsel/Chief of Staff) – Removed

E. Acceptance of FY 19 Actuarial Valuations

John Garrett, Cavanaugh Macdonald actuary, offered the general observations regarding valuations for FY19 as follows:

- Actuarial investment losses for the five PERA divisions increased the UAAL by \$198.9 million due to a 5.92 percent return on smoothed value compared to an expected return of 7.25 percent. The return on the market value was 6.28 percent
- Actuarial loss due to non-investment experience increased the UAAL by \$202.5 million primarily due to higher than expected salary increases
- The total increase in UAAL was \$602.1 million and the funded ratio decreased from 71.6 percent to 69.9 percent primarily due to investment returns and higher than expected salary increases
- Amortization period for PERA’s UAAL based upon statutory rates is infinite
- Actuarial value of assets exceeds market value by \$35.9 million as more investment losses than gains are being deferred

Mr. Garrett discussed the findings for the valuations, further considerations and highlighted a glossary of terms.

Mr. Garrett noted that there is a decrease in active members from 48,060 to around 48,000 and while that is not a huge decrease, there was a positive in payroll growth.

Ms. French said the attendees at the Trustee Masters Program she recently attended were very surprised by PERA’s poor returns in the last three years. She said PERA’s internal salaries are a prime example of “why we’re having such an increase in unfunded liabilities.”

Mr. Garrett pointed out that the higher than expected salary increases is the global pay/all of the active members. Regarding investment returns, in his experience conducting valuations for other system and having access to other systems, Mr. Garrett stated that PERA is in the middle of the pack. PERA’s assets are less risky and thus lower returns expected. “I don’t have the impression that PERA’s problem is lagging in the investments world.” He recommended reviewing Wilshire or Callan’s reports for public pension return results.

Reviewing the actuarial results, Mr. Garrett noted that at some point all of the present value of benefits are going to be payable in cash; currently they are payable in the future. The plan is structured to accumulate assets and grow to the size of the present value of benefits. He

reviewed the historical membership data for the different plans. In a pay-as-you-go-system, such as Social Security, it is the active members' current contributions that pay for the benefits currently being paid to retirees.

PERA is a pre-funded plan and the membership ratio is not as important but highlights the maturity of the plan. Of the plans that were reviewed, municipal fire is the only one that had an increase in its membership ratio.

The more the assets are eroded with negative cash flow the fewer assets there are and therefore the lower or slower growing the funded ratio is expected to be.

Mr. Garrett said the next piece of work Cavanaugh Macdonald will perform is the new open group projections on this 2019 valuation and they continue to work on the GASB disclosure information to PERA staff.

Ms. French asked whether he was aware of any other actuaries who provided analysis to the Governor's Task Force on Solvency. Mr. Garrett responded that it was Cavanaugh Macdonald, because in order for another firm to give an opinion on the future it would require replication of all the valuation work, building projections and building ALMs (asset and liability management).

Ms. French asked whether PERA paid for the analysis done for the Task Force. Mr. Garrett recalled that there was an addendum to their contract to conduct the additional work done for the Board retreat which was used for the task force work that is ongoing.

Ms. French said it was important that the Board not pay for analysis that the Governor's Task Force required.

Ms. Armijo moved to accept the FY 19 Actuarial Valuations. Mr. Davis seconded and the motion passed by unanimous [9-0] voice vote. [Board members Naranjo Lopez, Mayfield and Toulouse Oliver were not present.]

- F. Approval of Revised Board Policies & Procedures**
- G. Task Force Consideration of COLA Suspension for Return to Work Employees**
- H. Election Process – Tabled at Agenda
- I. Trustee Reports**
- J. Executive Director's Report**

Chair Kohlasch requested a motion to move the items listed above to the November 12th Board meeting. She announced the Board would hold a working session on November 8th at 9 a.m. in Albuquerque. She requested that all recommendations/changes regarding item F be forwarded to Mr. Leiderman and Rules & Administration Committee Chair Davis before the 12th. Mr. Eichenberg so moved. Mr. Davis seconded.

Mr. Melia recognized a PERA member who was in the audience to hear item G and asked whether that could be heard. Chair Kohlasch said it was a separate and different issue than that of the member in the audience.

Mr. Leiderman said it would be helpful to have access to Board comments before the meeting on the 12th. Ms. French said she was more comfortable speaking about her issues rather

than writing them out, and without objection from the Chair, Mr. Leiderman invited phone calls, text, emails, etc.

The motion unanimously passed.

7. Adjournment

Having completed the agenda, Chair Kohlasch declared this meeting adjourned at 2:25 p.m.

Approved by:



Jackie Kohlasch, PhD
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Attached Exhibits:

Exhibit 1: Consent Agenda

Exhibit 2: Statement provided to the record by Ms. Naranjo Lopez

Exhibit 3: List of PERA accomplishments – Mr. Davis