

**New Mexico
Public Employees Retirement Association
Board Meeting
October 27, 2022**

1. Call to Order

This meeting of the New Mexico Board was held on the date cited above via Zoom tele/video conferencing. Chair, Claudia Armijo, called the meeting to order at approximately 9:00am.

2. Pledge of Allegiance

Paula Fisher led the Pledge.

3. Roll call

The meeting attendance met quorum with the following members present;

Board Members Present

Claudia Armijo, Chair
Valerie Barela
Francis Page
Roberto Ramirez
Loretta Naranjo Lopez
Steve Neel
Paula Fisher
Lawrence Davis

Board Members Absent

Diana Rosales Ortiz
Maggie Toulouse Oliver
Tim Eichenberg
Shirley Ragin

Other Board Members Present

Claudia Armijo
Lawrence Davis
Paula Fisher
Loretta Naranjo Lopez

Staff

Greg Trujillo, Executive Director
Trish Winter, Executive Assistant
Anna Williams, Deputy Director
Michael Shackelford, CIO
Kristin Varela, Interim CIO
Misty Schoeppner, Deputy General Counsel
Karyn Lujan, SmartSave Plan Manager
Lynette Kennard, CFO
LeAnne Larranaga-Ruffy, Interim Deputy CIO
Geraldine Garduno, Assistant General Counsel
Loretta Lopez, Assistant General Counsel
Sara Hume, Investments
Ron Gallegos, CTO

Others Present

Ryan Falls, Gabriel, Roeder, Smith & Company
Janie Shaw
Rose Dean, Wilshire

Chair Armijo stated that a majority of the absent members had gotten in touch with her to inform her that there was a conflict.

4. Approval of Agenda

Loretta Naranjo Lopez moved to amend the agenda and remove Item 7D. She stated that the process should start over because it had no Board input. She further stated that the process should be fair and there needs to be a proper search that entails sending an invitation letter to every attorney in the state. The outreach can be with a postcard at \$0.50 a card.

There was no second on the motion. Motion failed.

Steve Neel moved to approve the agenda. Lawrence Davis seconded. The motion to approve the agenda passed with a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barela	Yes	
Claudia Armijo	Yes	

5. Approval of Meeting Minutes

A. Approval of September 29, 2022, Board Meeting Minutes

Steve Neel moved to approve the September 29, 2022, meeting minutes. Francis Page seconded. The motion passed with a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barela	Yes	
Claudia Armijo	Yes	

6. Approval of Consent Agenda

Lawrence Davis moved to approve the Consent Agenda. Francis Page seconded. The motion passed with a unanimous roll call vote as follows;

Roberto Ramirez	Yes
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Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barela	Yes
Claudia Armijo	Yes

7. Reports of Committees

A. Investment Committee; September 29, 2022

1. Approval of Strategic Asset Allocation Recommendation

Mr. Steve Neel, Chair of the Investment Committee, noted that the Committee has been very busy in recent months, attending education sessions, notably on asset allocation. He stated that the Committee had presented the full Board with a revised asset allocation. According to Mr. Neel, the revision had some significant changes and positioned the pension in assets that are being managed in a better space on a forward-looking basis. The focus was on asset classes that were performing well and had a successful historical record.

Mr. Neel acknowledged the efforts of Rose Dean and her team at Wilshire. He also commended Kristin Varela, LeAnne Larranaga-Ruffy, Greg Trujillo, and Michael Shackelford. He also gave a brief summary of some of the asset allocation changes, stating that at a high level, global equity had been adjusted from the current policy of 35.5% to 38%.

Lawrence Davis moved to approve the strategic asset allocation recommendation by the Investment Committee and the CIO. Francis Page seconded.

Mr. Davis thanked Mr. Neel and the investment team as a whole for their hard work and the informative education sessions they had put on.

The motion to approve the strategic asset allocation recommendation by the Investment Committee and the CIO passed with a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	No
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barela	Yes
Claudia Armijo	Yes

2. Approval of Benchmarking Recommendation

Mr. Neel stated that since asset allocation had changed, it was prudent to adjust the benchmarking that corresponds to that change. He further talked about the elimination of the reference portfolio, which was purposed to measure the complexity and benefit of diversification. He stated that having two benchmarks, the reference portfolio and the policy benchmark, was confusing. He believed it would be much more streamlined and effective to have just one.

Mr. Shackelford added that removing the reference portfolio will be eliminating an additional complexity to the process. He stated that the best way to make sure that the Board is exercising its fiduciary duty and picking the best managers in each space is by having one benchmark for each major asset class against which their performances will be compared. Then overall, the fund will be compared against its aggregated benchmark. By changing the asset allocation, Mr. Shackelford stated that it was necessary to eliminate benchmarks no longer mattered. For instance, eliminating global core bonds should lead to elimination of the global bond index. If an asset class is reduced, the measure of that asset class in the benchmark should also be reduced.

Francis Page moved to approve the benchmarking recommendations. Lawrence Davis seconded.

The motion to approve the benchmarking recommendations passed by a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barela	Yes	
Claudia Armijo	Yes	

3. Approval of Investment Policy Statement Appendix Amendment

Mr. Neel stated that this is the natural outgrowth of the changes in asset allocation. Since the asset allocation had changed, the policy statement also needed to be updated accordingly. The appendix of the investment policy statement contained the detailed asset allocation.

Francis Page moved to approve the investment policy statement appendix amendment. Lawrence Davis seconded.

The motion to approve the investment policy statement appendix amendment passed by a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barela	Yes	
Claudia Armijo	Yes	

Mr. Neel thanked the investment team and Wilshire again for their hard work. He believed that the fund is currently in a good place. Chair Armijo agreed.

B. Rules & Administration Committee; October 11, 2022

1. Approval of the Notice of Proposed Rulemaking and Draft Rule Timeline Regarding Hybrid Meetings.

Paula Fisher, Committee Chair, reported that the Committee had proposed a change for the hybrid meetings which they forwarded to the Board for approval. The proposals were available on BoardEffect for review.

She read Rule 2.80.200.40-B, which required amendment to provide for virtual or telephonic participation by Board members at Board meetings. Section 10-15-1C of the Open Meetings Act, OMA, states that, if otherwise allowed by a law of the public order, a member of a public body may participate in a meeting of the public body by means of a conference, telephone or other similar communications equipment when it is otherwise difficult or impossible for the member to attend in person.

Therefore, to satisfy the requirements of the OMA of virtual participation by Board members, staff recommended that paragraph B of the current rule be amended and reformatted to state; A Board member may participate in a Board or committee meeting by means of a conference, telephone, or other similar communications equipment after receiving written approval by the Board or committee chair, when it is otherwise difficult or impossible for the member to attend a meeting in person.

Paula Fisher moved to approve the Notice of proposed Rulemaking and Draft Rule Timeline Regarding Hybrid Meetings. Roberto Ramirez seconded.

Ms. Naranjo Lopez stated that the language currently states, 'Board or committee chair' and that should be clarified to state 'Board chair or committee chair'. She also believed that Board members should use their own discretion without requiring approval. Chair Armijo agreed that the language could be changed to state Board chair or Committee chair.

Chair Armijo asked if Ms. Naranjo Lopez could amend the original motion. Ms. Garduno stated that Ms. Naranjo Lopez had two options; one, amend the motion today so that it goes out for publication like that. Two, wait to submit her comment during the rulemaking process so that the change can be made then.

Ms. Naranjo Lopez moved to amend the language in Rule 2.80.200.4-B, to state that a Board member may participate in a Board or committee meeting by means of a conference, telephone, or other similar communication equipment after receiving written approval by the Board or Board or committee chair when it is otherwise difficult or impossible for the member to attend the meeting in person.

Chair Armijo noted that that is the same language in the statute and felt that a motion was not necessary if the language is left as is.

Ms. Naranjo Lopez amended her motion to state that a Board member may participate in a Board or committee meeting by means of a conference, telephone, or other similar communication equipment after receiving written approval by the Board Chair or Committee Chair when it is otherwise difficult or impossible for the member to attend the meeting in person. Participation by such means shall constitute presence in person at a meeting.

Lawrence Davis seconded the motion. The motion passed with a unanimous roll call vote as follows;

Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barela	Yes
Claudia Armijo	Yes

Chair Armijo appreciated the amendment, stating that it provided clarity that will be useful during the rulemaking process.

Ms. Barela asked who would be authorized to give exceptions or absences to the chair and the vice chair. Chair Armijo stated that the chair could authorize the vice chair to attend virtually if it was impossible to attend in person.

Ms. Schoepner clarified that the typical process would continue to be followed, whereby if the Chair is absent, the vice chair steps in. The vice chair would thus be responsible for approving the virtual appearances.

Mr. Page requested Mr. Davis to clarify whether an amendment should be added that would require the Board chair to inform Board members of the exception issues. Mr. Davis stated that an amendment could be inserted as a separate line, stating that the Board chair or committee chair must notify the entire board or committee of the exception and the reason for the exception.

Ms. Naranjo Lopez pointed out that an amendment wasn't necessary since the Chair usually notifies the other members anytime someone cannot make it to the meeting. Chair Armijo stated that the motion to add the amendment can be made and that anyone was free to vote no and discuss it afterward.

Mr. Davis moved to amend Ms. Naranjo Lopez's motion to state; a Board member may participate in a Board or committee meeting by means of a conference, telephone, or other similar communication equipment after receiving written approval by the Board Chair or Committee Chair when it is otherwise difficult or impossible for the member to attend the meeting in person. Participation by such means shall constitute presence in person at a meeting. The authorization of a member to attend telephonically or by other similar communications must be communicated to all Board members by the approving Board chair or committee chair.

Francis Page seconded the motion. The motion passed with a unanimous roll call vote as follows;

Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes

Lawrence Davis	Yes
Valerie Barela	Yes
Claudia Armijo	Yes

Francis Page moved to approve the notice of the proposed rulemaking and draft as twice amended. Lawrence Davis seconded. The motion passed with a unanimous roll call vote as follows;

Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barela	Yes
Claudia Armijo	Yes

C. SmartSave Committee; October 11, 2022

1. Approval to Adopt PERA SmartSave Deferred Compensation Plan Fee Policy Statement, including the Appendix.

Lawrence Davis, SmartSave Committee Chair, kicked off his report by thanking Ms. Karyn Lujan for her hard work. He mentioned that she had been working on the fee policy statement since March, going back and forth with the SmartSave Committee, and had done an outstanding job. He also recognized Mr. Shackelford for the insight he had provided when he got on board.

Mr. Davis stated that the fee policy was fair since all participants will now have to bear the burden of the cost of the plan and not just a certain subsection. It is also transparent, with Appendix A detailing the full breakdown of the expenses for the members and how those costs are recaptured. It allows for proper Board oversight. The Board will review the costs associated with the Plan and ensure the proper charges are being charged to the participants.

Ms. Lujan thanked Mr. Davis and gave a brief recap of the fee policy. She stated that in March 2022, the SmartSave Committee agreed that the continued use of the Plan’s mutual fund revenue share was no longer an effective way to offset internal plan expenses. According to the Committee, introducing a new plan operating fee would be effective for three reasons;

- i. To assess fees across all participants’ balance instead of a certain population. Only about 3000 participants out of 23,000 were generating the mutual fund revenue share.
- ii. Enable the Plan to make necessary fund changes without relying on the mutual fund revenue share. Some of the mutual fund revenue shares were starting to fall below the investment performance benchmark. Those funds will need to be addressed.
- iii. Bring the Plan up to date and conducive with industry best practices. Using the mutual fund revenue shares was an old practice.

Ms. Lujan reported that in June 2022, PERA staff had notified the Committee that a fee policy statement would be drafted to serve as official guidance on how the plan will assess fees to cover the plan expenses. A recommendation to adopt the fee policy would then be scheduled for a future Committee meeting.

In September 2022, the SmartSave Committee reviewed the draft fee policy statement where the Committee members provided feedback on the content. On October 11, 2022, the Committee formally adopted the fee policy statement.

The new fee will be \$3 per quarter. It was arrived at by dividing the average number of chargeable participants from last fiscal year by the total amount needed for FY 23. This gave \$10.82 per year, which was divided by four quarters to get \$2.70. The \$2.70 was rounded off to \$3 as the smoothing rate.

The Committee decided to work with \$3 and not \$2.70 for two reasons; one, \$3 is cleaner, no dealing with cents. Two, the \$3 will last for many years. There will be no need to go back and increase the fee periodically.

Lawrence Davis moved to approve the adopted PERA SmartSave Deferred Compensation Plan Fee Policy Statement, including the Appendix. Francis Page seconded.

Ms. Lujan clarified that the new fee will take a few months to be implemented since VOYA will have to request a programming change. The fee will not take effect until March 2023. Participants will be seeing it on their quarterly statements. Ms. Lujan stated that participants will be notified prior to the changes being enacted. She believed that they will understand the reasons for the change and added that the \$3 was inexpensive when compared to other plans of PERA's size.

Chair Armijo mentioned that the Board does not have access to PERA Trust fund monies to operate PERA SmartSave. The trust fund money can only be used for running the fund on behalf of the beneficiaries. This is one of the reasons why the fee increase was necessary.

The motion to approve the adopted PERA SmartSave Deferred Compensation Plan Fee Policy Statement, including the Appendix passed with a unanimous roll call vote as follows;

Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barela	Yes
Claudia Armijo	Yes

Chair Armijo commended Ms. Lujan's efforts in educating the Committee and the full Board on the importance of implementing the new fee.

D. Governance Committee; October 11, 2022

1. Approval of Fiduciary Counsel Quote and Contract

Chair Armijo, Chair of the Governance Committee, stated that the Committee had, at the last meeting, asked Ms. Anna Williams to look for requests for bids for fiduciary counsel with an emphasis on someone licensed to practice within the State of New Mexico.

Ms. Williams mentioned that she had reached out to several attorneys in the state of New Mexico that had practiced in the area of trust funds. She had sent out a scope of work that had been approved, asking for a proposal and a quote. Only one firm responded with a proposal. The proposal was reviewed and approved by the Governance Committee.

Ms. Williams further stated that the current fiduciary contract expired on June 30, 2022, at the end of the last fiscal year.

Paula Fisher moved to approve the fiduciary counsel contract. Roberto Ramirez seconded.

Ms. Williams contacted the three attorneys that she had found located within the State of New Mexico. The attorney that provided the most detailed proposal was selected. Chair Armijo reiterated that the scope of work was the same as the original one used with the previous fiduciary attorney.

Mr. Neel wondered about the appropriateness of restricting it to New Mexico-based law firms. Chair Armijo believed that the Plan would benefit more from someone licensed to practice within New Mexico. She added that the Board can later do an RFP process and go out for nationwide fiduciary services if they felt that they would not get adequate services from the state.

Mr. Neel pointed out that being that PERA is an \$18 billion trust fund, it should not limit itself to firms within New Mexico if there is opportunity to get better expertise from outside the State. He however deferred to Chair Armijo, noting that she is an attorney and she had PERA's best interests at heart.

Chair Armijo stated that she had the proposal more than once and was impressed with the experience and the detail in it. She felt that if the Board dissected the proposal further, it would improve their comfort level.

Mr. Davis echoed Mr. Neel's sentiments, adding that the attorney proposed might be the best in New Mexico but not necessarily among the top performers in the nation. He acknowledged that an out-of-state attorney might cost a little more but believed that it would be worth it if it meant getting the best.

Ms. Fisher pointed out that the current fiduciary counsel contract expired in June so there was somewhat an urgent need to have counsel. She stated that the contract for the New Mexico attorney will be for one year and then the Board could go through an RFP process at that point. The RFP process is lengthy and Ms. Fisher believed that it would not be prudent to undertake it at this time since there's an urgent need for counsel.

Ms. Williams clarified that if approved, the contract would only be good until the end of June. The contract is based on the fiscal year.

Mr. Davis agreed with Ms. Fisher’s sentiments that it would be better to move forward with the proposed counsel for the remaining months and then start an RFP process before the contract ends on June 30, 2023.

Mr. Neel also echoed Mr. Davis’ comments, adding that the short contract will act as stop gap measure. He was in support of moving forward with the proposed counsel.

Ms. Naranjo Lopez stated that the process was not transparent and fair. She would be voting no on the motion.

The motion to approve the fiduciary counsel contract passed with a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barela	Yes	
Claudia Armijo	Yes	

8. Unfinished Business

A. Items Removed from the Consent Agenda if necessary

No items were removed from the Consent Agenda.

9. New Business

A. Acceptance of FY22 Actuarial Valuations

Mr. Ryan Falls and Ms. Janie Shaw, the team from GRS, which is the funds actuary, presented PERA’s valuation results as of June 30, 2022.

They provided an overview of the actuarial valuation results, discussed the causes of the changes that were different from expectation, and some of the smaller divisions and funds.

With regard to asset returns, Mr. Falls stated that 2022 had not a good year in the markets. He mentioned that when working with the Board on the actuarial valuations, some smoothing techniques are applied to give a long term view of the plans. the investment returns are spread out over time and a little stability added to allow more consistency in the reporting.

As for the Plan’s divisions, Mr. Falls reported that the unfunded liability increased from \$6.6 billion to \$7.2 billion. If everything had gone according to plan from last year to this year, the unfunded liability would have increased to about \$6.8 billion. So there was a \$400 million increase above the expectation.

The amortization period is currently 59 years. This is the time it will take until the unfunded liability is paid off and the funded ratio is at 100% if all assumptions are met. As long as the amortization period is longer than about 25 years, the unfunded liability is expected to increase each year. This is because the contributions today are less than the interest that is accruing on the outstanding unfunded liability. The contributions are a percentage of payroll and are thus back loaded and they are expected to increase in the future.

Effective member contributions across all divisions is about 13% for the members and 16% for the employers, a total of 29%. There are some scheduled increases and contributions that will flow in over the next four years. Averaged across all divisions of member and employer contributions, the increase will be about another 1% of pay.

The current fiscal year will need a total contribution of about 36.5% from members and employers in order for the Board to meet its goal of paying off the unfunded liability in 25 years. At the current 29%, there is a shortfall of about 7.4%, and this is before the increases. Getting 2% more of pay over the next several years with the scheduled increases will give about 5.5% of pay in total across all divisions short of meeting the Board's goal.

Chair Armijo asked how much the Board would require, out of the 36%, to meet its goal of 25 years if it gets a one-time infusion from the legislature. Mr. Falls stated that he would calculate it later and relay the information to staff. He also stated that many states were looking for places to put in the extra money, and most of them were considering paying off existing debts or unfunded liabilities.

Chair Armijo mentioned that the fund had lost some contributions several years ago and that might have impacted its overall status. She requested Mr. Falls to consider that loss when doing his calculations.

Mr. Trujillo mentioned that prior to the passage of Senate Bill 72, the fund was at infinity in paying off its unfunded liability. After the passage of SB 72, the mark moved to 106 years, which was then reduced to 72 years, and is currently at 59 years. This indicated that progress is being made. He also stated that to get to the 25-year mark quickly, the Board would need an infusion of billions of dollars.

Mr. Neel asked whether the unfunded liability would have been at \$6.8 billion if the actuarial required return rate of 7.25% had been met for 2022. Mr. Falls stated that some unexpected increases had been seen in the unfunded liability on the demographic side as well. Some divisions saw significant pay increases relative to the expectation.

Mr. Neel also mentioned that last year, the investment performance was very good. He asked if the five-year smoothing had been included in the current numbers. Mr. Falls stated that the Board's procedure is to smooth over four years. He explained that when preparing the actuarial metrics, it is the smooth value of assets return that is compared to the 7.25%.

If the models work out and the smooth value is close to the 7.25%, that is the number that is considered. For instance, last year the smooth value was 9 and this year, it was 6.1. These numbers trend closer to 7.25% on a year-in year-out basis than the 26.5 and negative 4.5.

Chair Armijo inquired if most plans use a five-year smoothing period. Mr. Falls stated that it is more common to use five, but either one is reasonable since it's all headed in the same direction. It just depends on how quickly the plan recognizes investment gains and losses over time.

Mr. Davis requested Mr. Falls to give details on the methodology for cost-of-living increases since Mr. Trujillo had indicated that the passage of Senate Bill 72 had led to huge change for retirees. Mr. Falls stated that the cost of living adjustment (COLA) is more complicated than it had been in the past. He mentioned that the new COLA is defined the Plan can afford based on the current contribution commitment from the state and from members.

On July 1, 2023, the first COLA based gain sharing will be paid out. It will be on the basis of what the Plan can afford and will change every year depending on the market and the different kinds of demographics. Mr. Falls stated that at this point, the assumed new COLA will average 1.6% a year. This will change at a minimum of 0.5% per year. He added that his team will work on the valuations and provide a report with recommendations to the Board on how the new COLA is assessed.

Mr. Trujillo stated that when the Board moves into the new COLA, it will be a floor of 0.5% and up to 3%. When the fund gets beyond a hundred percent funded, then the ceiling is raised to 5%. He mentioned that in the past, the previous actuary would present evaluations that the Board would adopt. The actuary would then go and update the Plan's long-term projections. This year, the evaluations will be done with the new COLA percentages and then presented to the Board.

Ms. Janie Shaw reported that the market value of PERA's assets decreased from \$17.8 billion to \$16.3 billion as of June 30, 2022. This is approximately a negative 4% return. Fiscal 2022 return was about 26%. She mentioned that when doing the actuarial calculations, the investment returns are smoothed in over a four-year period because the assets are not expected to earn 7.25% every year.

The asset losses seen this year were offset by asset gains in the prior year to give an actuarial value return of 6%, which is a bit higher than the market return of negative 4%. This means that while the market value of assets was \$16.3 billion, the actuarial value of the assets was \$16.7 billion. Having an actuarial value that is larger than the market value of assets resulted in about \$426 million in deferred losses. If there will be no gains in future years to offset these losses, they will be recognized in the next three actuarial evaluations.

On liabilities, Ms. Shaw stated that the liabilities are driven by Plan provisions and the demographic. Payroll is the funds revenue source because contributions are collected as a percentage of payroll. This year, the total covered payroll was at about \$2.6 million. It is assumed that the total covered payroll increases about 3% each year if the active head count stays level.

PERA's head count went down 1.6% to about 46,900. This implies that the active members in the system went higher than the expected salary increase. It was particularly prominent in the Municipal Fire division. Their annual payroll went up about 11.4% this year.

Annuitants headcount continues to increase each year because the members are leaving active service. The head count went up about 44,000 this year. The benefit payments are currently at \$1.367 million.

The two factors that are considered when doing the actuarial valuations are the unfunded liability and the funded status. Ms. Shaw stated that the unfunded liability is at \$6.6 billion. It was

expected to increase to \$6.8 billion based on the current contributions going into the fund and is expected to continue increasing for the foreseeable future.

The funded status, which is the assets divided by the liability, was at 71.4% last year. It was expected to stay about level for the foreseeable future but it went down this year to about 70%. One of the main reason for the change in liabilities was the salary increases.

Mr. Falls mentioned that with higher pays, the first thing that jumps up is the unfunded liability because the projected benefits will increase retirement. The increased contributions do not have an immediate offsetting impact on the unfunded liability until sometime in the future. The amortization period depends on both the increase in the unfunded liability and increased contributions. While the unfunded liability will jump for pay increases, the amortization period washes out with pay increases because they get the increased contributions.

Ms. Naranjo Lopez asked several questions and made several remarks about the unfunded liability. She asked for a recalculation of the hurdle rates based on this year's loss and asked if the legislature was prepared to deal with the funding gap.

Chair Armijo requested Ms. Naranjo Lopez to direct her requests to Mr. Trujillo through an email and then Mr. Trujillo will forward them to GRS.

Steve Neel moved to accept the FY22 actuarial valuations. Francis Page seconded. The motion passed with a roll call vote of 7 to 1 as follows;

Roberto Ramirez	Yes	
Francis Page	Yes	
Loretta Naranjo Lopez		No
Steve Neel	Yes	
Paula Fisher	Yes	
Lawrence Davis	Yes	
Valerie Barela	Yes	
Claudia Armijo	Yes	

B. CIO Report

Mr. Shackelford reported that for the month of August, PERA had a loss of about \$400 million year-to-date. For July and August, the Plan was up about just under \$50 million. \$36 million was used to help beneficiary payments in operating expenses. He stated that PERA is above its liquidity requirement of 16% tier one liquidity and is within the policy guidelines of the previous asset allocation.

Regarding managers, PERA will be terminating one of its managers. The credit portfolio was reviewed and it was determined that it was better to terminate one of the portfolios and put those risk dollars to work in other spaces in the credit asset class. Ellington, a manager in some of PERA's other funds, will be hired to assist with the termination of the current manager.

On the market summary, August was down, while July and August were slightly up. This is because there was a significant rally in July which went on through mid-August. At the end of August

through September, there was a significant selloff. The market had anticipated that the Fed was nearly done with the rate increases, but that was not the case, so the market repriced lower.

For the month of August, the Plan was down negative 2.5% for the fiscal year-to-date. During the brief rally happened in July, the Plan was slightly up about 0.3%.

In the public markets, for the quarter, the Plan is down about 4%. The policy benchmark is down just under 8%. Global equities were down 9% and core bonds were down 4%. Mr. Shackelford stated that once the full reports of the private market returns are in, the Plan might be down more than the negative 4% for the quarter.

Regarding staffing, Mr. Shackelford reported that there is currently one vacancy. Staff is actively recruiting for an investment associate and have started conducting interviews. He also reported that Deputy Chief Investment Officer, Ms. Kristin Varela, had tendered her resignation. He stated that Ms. Varela has been with PERA for eight years and had been a huge help to him when he started at PERA a few months ago.

Ms. Varela thanked the Board members for the opportunity she had been given to serve. She wished PERA well and believed that the team in place is strong and well capable of carrying the portfolio forward.

Chair Armijo stated that having known her throughout her entire tenure at PERA, Ms. Varela was very hardworking and had built a great team. Chair Armijo added that Ms. Varela had done an exceptional job for the past two years as the interim CIO due to her leadership and capability to cooperate with her team. Ms. Varela will be sorely missed.

All the Board members thanked Ms. Varela and appreciated her work, especially during the time she was filling in as CIO. They all indicated that her exit was a huge loss for PERA and wished her the best in her future endeavors.

On the CIO report, Ms. Naranjo Lopez asked why the CIO as considering private credit in this market and who was investing. She also inquired if there is a specific plan to improve results apart from private credit. She further stated that the Board and staff lets the market control the funding without investing and expressed concern that the CIO's report indicated that the fund was not moving in the right direction.

Responding to Ms. Naranjo Lopez, Mr. Shackelford stated that the Board had recently approved an increase in both private equity and private credit into the portfolio. He pointed out that investing in private credit takes time and might take a couple of years before it actually happens.

Mr. Shackelford also mentioned that he had about 30 years of experience in investing, and from his experience, the best time to invest in credit markets is when the markets are challenged, like they currently are. He stated that the best returns from private credit and private equity are seen in challenging markets because that's when valuations have fallen significantly. He further mentioned that there are no passive strategies in the private credit markets. Therefore, there would be no opportunities there.

Mr. Shackelford further stated that the fund was being driven by the market to a certain extent. He explained that the fund is part of the market and that the fears of recession and inflation could drive

the markets down. He went on to say that though the markets were down, PERA is significantly investing in active managers.

Mr. Neel echoed Mr. Shackelford's sentiments, adding that since the S&P was down 16% year-to-date through August and Barclays AG was down close to 11%, being in passive strategies would have negatively impacted the portfolio. Chair Armijo agreed.

Ms. Rose Dean, with Wilshire, mentioned that the allocation is a strategic asset allocation and is not an attempt to market time. She stated that the allocation to private credit will serve the portfolio over the long term, not just the short term. It is also something that will well diversify the credit and the entire portfolio.

C. Executive Director's Report

Executive Director, Greg Trujillo, kicked off by thanking Ms. Varela and wishing her well in her journey ahead.

As far as the report, Mr. Trujillo stated that going forward, a new slide called the social media insight will be included in the Executive Director's report. The report will give an overview of the social media sites that the PERA participates in, including top posts and followers.

10. Public Comment

Ms. Naranjo Lopez informed the public that she was fighting for their pension and that there will be hearing on December 15. She had brought two lawsuits for Board members breaching their fiduciary duties.

Board Recessed to Executive Session to discuss;

NMSA 1978, §10-15-1 (H) (7)

Presentation of Securities Litigation

NMSA 1978, §10-15-1 (H) (2)

Executive Director Evaluation

Francis Page moved to go to Executive Session. Paula Fisher seconded the motion. Motion passed with unanimous roll call vote as follows:

Roberto Ramirez	Yes
Francis Page	Yes
Loretta Naranjo Lopez	Yes
Steve Neel	Yes
Paula Fisher	Yes
Lawrence Davis	Yes
Valerie Barela	Yes

Claudia Armijo Yes

The Board was in Executive session from 12:06pm to 1:04pm. Chair Armijo stated the only items discussed in Executive Session was what was on the agenda.

Board Members Present

Claudia Armijo
Valerie Barela
Lawrence Davis
Paula Fisher
Loretta Naranjo Lopez
Steve Neel
Francis Page

Board Member(s) Absent

Maggie Toulouse Oliver
Tim Eichenberg
Shirley Ragin
Roberto Ramirez
Diana Rosales Ortiz

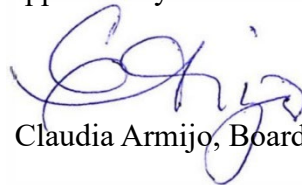
Motion to convene to regular session by Paula Fisher, second from Francis Page.

Francis Page Yes
Loretta Naranjo Lopez Yes
Steve Neel Yes
Paula Fisher Yes
Lawrence Davis Yes
Valerie Barela Yes
Claudia Armijo Yes

11. Adjournment

With no further business to discuss, Chair Armijo adjourned the meeting at 1:10pm.

Approved by:



Claudia Armijo, Board Chair

ATTEST:



Greg Trujillo, Executive Director