

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
ANNUAL & MONTHLY
BOARD MEETING
September 28, 2017

This meeting of the Public Employees Retirement Board was called to order by Dan Mayfield, 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 established a quorum with the following members present:

Members Present:

Dan Mayfield, Chair – Retiree
Claudia Armijo - State
Patricia French - Municipal
Jackie Kohlasch - State
James Maxon - County
John Melia - Municipal
Loretta Naranjo Lopez - Retiree
John Reynolds - State
Cathy Townes - State
Maggie Toulouse Oliver - *Ex-officio*

Member(s) Absent:

Tim Eichenberg - *Ex-officio*
Dan Esquibel - Municipal [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
Jude Pérez, Deputy 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
Isaac Olaoye, Financial Analyst
Marlena Riggs, Financial Budget Manager

Others Present:

Ernest Marquez, AES
Diego Arencon, IAFF
Alberto Ortega, IAFF
Justin Cheney, IAFF
Bob Martinez, FOP
Dan Boyd, *Albuquerque Journal*
Tom Toth, Wilshire

2. Approval of Agenda

Ms. Naranjo Lopez requested the removal of item 4.F. (Independent Investigator Regarding Unauthorized Board Member Travel to the National Association of Securities Professionals Conference) because of pending litigation.

Ms. Kohlasch said she was unaware of any pending litigation related to this item.

Susan Pittard, Chief of Staff/General Counsel, stated that a lawsuit had been filed but there is nothing that prohibits the Board from moving forward with this item.

For the record, Ms. Naranjo Lopez said she disagreed with General Counsel.

Mr. Maxon introduced the following motion:

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

Mr. Melia seconded and the motion passed by majority [6-2] voice vote. Ms. Naranjo-Lopez and Ms. French voting “nay.” Neither Ms. Townes nor Ms. Toulouse Oliver were present for this action.

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

Ms. French noted that she was advised by Ms. Townes that on page 10 of the August minutes, she had said the unnecessary “discourse” not discord as stated in the minutes.

Ms. Kohlasch introduced the following motion:

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

Mr. Maxon seconded and the motion passed without opposition. [Ms. Townes and Ms. Toulouse Oliver were not present for this action.]

4. Current Business

A. Resolution No. 17-03 Calling for the Annual PERA Board Meeting

Mr. Maxon introduced the following motion:

“RESOLVED, that the PERA Board affirm Resolution No. 17-03.”

Mr. Reynolds seconded and the motion passed without opposition. [Ms. Townes and Ms. Toulouse Oliver were not present for this action.]

B. Board Chair’s Message to Members

Chair Mayfield welcomed the public to today’s annual meeting and offered the following information:

- PERA serves 90,000 members of which 40,000 are retirees
- The annual payroll is \$1.2 billion
- PERA retirees reside throughout the state and their income supports the local economy
- The \$1.2 billion payroll has a financial impact of \$2.5 billion for the state
- PERA continues to improve its service and enhance the fund’s solvency
- PERA has expanded its Albuquerque office to better meet the needs of its membership

Upon Chair Mayfield’s invitation the Board members introduced themselves.

Speaking on behalf of his staff, PERA Executive Director Propst said the membership is the reason the agency exists. He thanked the attendees.

C. Public Comments

None were offered.

D. Report by Automated Elections Services and Certification of State and Municipal Election (*Exhibit 2: 2017 Official Election Results*)

Ernie Marquez with Automated Elections Services reported the official election results for 2017 Board election as follows:

State Board:

Sally J. Galanter	621 votes
Paula Fisher	1,067 votes
Natalie Cordova	1,595 votes – winner

Municipal Board:

John Melia	1,435 votes – winner
Christopher Daniel	1,329 votes

Ms. Naranjo Lopez said, “I cannot support this reporting because I would be remiss as a Board member to not state that Natalie Cordova works for the Attorney General’s Office and I see that as a conflict of interest....And I also understand that she was part of our executive administration office, so she worked for the PERA – so I find that she has a conflict of interest. So I cannot support this State Board position election.”

Addressing her comments to Ms. Naranjo Lopez, Ms. Kohlasch asked how it could possibly be a conflict that Ms. Cordova worked for a state agency. Ms. Naranjo Lopez stated that a former PERA State Board member worked for the AG's office and a conflict was determined at that time. She said she was concerned PERA's general counsel did not address this issue earlier.

Ms. Pittard advised the Board that PERA's legal department does not believe there is a conflict of interest.

Mr. Maxon introduced the following motion:

“RESOLVED, that the PERA Board approve the results of the State and Municipal elections and report and certification of Automated Elections Services.”

Ms. Kohlasch seconded and the motion passed by majority [7-1] voice vote with Ms. Naranjo Lopez voting nay. [Ms. Townes and Ms. Toulouse Oliver were not present for this action.]

For the record, Ms. Naranjo Lopez stated that she has requested that the election process of the past five years be investigated and her request has been ignored.

E. Resolution No. 17-14, Resolution Expressing Gratitude to the 2017 PERA Election Committee for Services Provided throughout the 2017 Election Process

Mr. Reynolds introduced the following motion:

“RESOLVED, that the PERA Board approve Resolution No. 17-14, Expressing Gratitude to the 2017 PERA Election Committee for Services Provided throughout the 2017 Election Process.”

Mr. Maxon seconded and the motion passed by unanimous voice vote. [Ms. Townes and Ms. Toulouse Oliver were not present for this action and both arrived shortly thereafter.]

Mr. Propst thanked Automated Election Services and the 2017 PERA Election Committee for their work on this year's election. He congratulated Mr. Melia and Ms. Cordova.

F. Independent Investigator Regarding Unauthorized Board Member Travel to the National Association of Securities Professionals Conference

Renada Peery-Galon, ASD Director, said the Board packet includes a staff memo, the scope of work and the quotes PERA received for the services. She indicated that the information has not changed since the previous Board meetings.

Ms. Toulouse Oliver said this issue has been long and drawn out and she was prepared at this point to move forward and instead consider at the next Board meeting an action to censure the individual. As a self-governing board it is important that these sorts of matters be dealt with quickly and efficiently with a third party. To remove the perception that any of these matters are

politically motivated a mechanism should be developed by which these questions of board member conduct automatically be investigated by an independent investigation.

Ms. Armijo reminded the Board that they already voted to move forward with an independent investigation. The difficulty now is achieving the majority of the Board's vote to choose an investigator. She agreed the rules should be reviewed and an automatic smooth efficient mechanism to move forward be developed.

Mr. Melia said he would not support a censure without knowing all of the facts. He said Ms. French is entitled to her due process and he wanted to move forward.

Mr. Melia introduced the following motion that Ms. Armijo seconded:

RESOLVED, that the PERA Board contract with the least expensive contractor on the list (Universal Investigation Services)."

Ms. Naranjo Lopez said this item has been politically motivated from the start and mentioned that at the retreat the Investments meeting was recessed in order to have the votes to commence with an investigation. She went on to say that the "National Association of Securities Professionals [sic] doesn't have a good reputation...and we should not be paying this kind of money for something that we already know."

Ms. Naranjo Lopez requested an expansion of the investigation to include the individual(s) who made the allegations and communications between staff regarding the allegations.

Ms. Townes said any time improprieties are alleged there are ethics issues. She suggested there was an impression of a rolling quorum when the meeting was suspended at the retreat. In her experience with the Board, suspension of meetings has not occurred and that made it suspicious. It was her opinion that the vote at the Taos retreat to investigate this matter should be rescinded because it was not handled properly.

Ms. Townes said the investigation is a waste of membership funds as well as the Board's time.

Ms. Toulouse Oliver thanked the Board for respecting her disdain for being lobbied on issues. She said while she respects the comments made by the Board members today. It bogs down the Board's ability to move on with its work. She favored whichever action will expedite the matter to move onto substantive issues of the Board.

Ms. Armijo acknowledged this issue was taking up a lot of time; however, had the investigative organization been approved months ago this matter would probably be completed. She agreed with Ms. Townes that the Board needs to look at how they are behaving in ethical terms which is why this investigation needs to move forward and determine whether a Board member acted improperly. She spoke against censuring without the facts and said moving on with the investigation is the right thing to do.

As a non-partisan board, Ms. Armijo said characterizing the issue as politically motivated

makes no sense.

Ms. Naranjo Lopez repeated that she wanted to expand the investigation to include all aspects of the individuals who made the allegations and any communications between staff and Board concerning this issue and that with the suspension of the meeting to wait for the necessary votes, she had no doubt it was politically motivated.

Ms. Kohlasch said the Board needs to move forward with the investigation to remove any shadow cast on Ms. French.

Ms. Naranjo Lopez said she was very angry that the Board is considering an expenditure of \$7,000 to \$20,000 on an investigator. She said it was already on record that Ms. French attended as a moderator. In the past Board members have attended conferences without paying registration fees. "The membership should be outraged with this Board," stated Ms. Naranjo Lopez.

Mr. Melia requested a roll call vote and Ms. Armijo agreed with a second.

The motion to contract with the least expensive contractor on the list (Universal Investigation Services) passed by a majority [7-3] roll call vote as follows:

Dan Mayfield	Yes
Claudia Armijo	Yes
Patricia French	No
Jackie Kohlasch	Yes
James Maxon	Yes
John Melia	Yes
Loretta Naranjo Lopez	No
John Reynolds	Yes
Cathy Townes	No
Maggie Toulouse Oliver	Yes
Tim Eichenberg	Absent
Dan Esquibel	Absent

For the record, Ms. French stated that Chair Mayfield allowed someone to vote against her at the June meeting with the knowledge that there was a conflict of interest. "That was unethical, that was not being a good chair and I want it on the record that you knew that somebody had a conflict of interest because a Board member put the pictures in there..."

Ms. Pittard noted that there has to be a legal basis for a conflict of interest not just a perception of a bias or an opinion of an individual and to date staff has not seen such a conflict established.

Mr. Propst said the reason there was a temporary recess of the Investments Committee at the June retreat was at the request of the State Treasurer. As noted in the June minutes, Mr. Eichenberg said it was for his convenience the meeting was recessed because he had a meeting in Albuquerque that he was required to attend. Mr. Propst added that PERA always tries to accommodate the Board members and their schedules.

Ms. French said that in her 13 years on the Board a committee meeting had never been stopped to go into another committee to take action and then return to the first meeting. "It was absolutely untrue," stated Ms. French that it has ever been done before.

Ms. Naranjo Lopez then stated that "I have no confidence in counsel's legal opinion and no confidence in executive director."

G. Chief Investment Officer Presentation

Dominic Garcia, CIO, said he and his family were very excited to be back home in New Mexico. For the past nine years he has been in Madison, Wisconsin where he served as a senior member of the Wisconsin Investment Board which is a \$100 billion pension system. He said this was a unique opportunity to return with what he has learned over the past nine years and push forward future success for PERA.

Mr. Garcia reviewed the key values and beliefs he brings to his work which is to do the best for the entire system and its sustainability for future generations. He said he will think strategically, be pro-active, with team oriented collaboration. PERA has an opportunity to forge a new and more successful path. To improve on the results of tomorrow he proposes doing things differently and integrating best practices across the board.

Mr. Garcia outlined the role he intends to assume: work on the business and work in the business. In building the business model, PERA must be focused on the mission of sustainability, culture of success and the long-term view. Add the pension best practices which are solid pension design, good governance and attracting and retaining talent. With implementation of the mission and best practices, value creation will be reached.

Portfolio best practice will include the separation of alpha and beta, effective management of costs, institution of comprehensive risk management and always keeping the long-term view in mind. Mr. Garcia discussed the importance of the fundamental best practice of separating beta and alpha in understanding the total return.

Mr. Garcia said he is currently assessing with staff where PERA is today and how to create the bridges/strategic plan to move forward. He said he looked forward to working with the Board.

Ms. Naranjo Lopez thanked Mr. Garcia for meeting with her. She wanted to make sure there were no further impacts on the membership and she will be evaluating him based on the fund's performance. There are PERA members who advocate separating the plans with separate boards. She expressed her concern with PERA's fund invested in hedge funds and alternatives and requested documents to back up the best practices. In fact, she recommended staff update the trustee handbook. Ms. Naranjo Lopez said the Board has been limited in their financial responsibility and she wanted the managers to attend meetings.

Ms. Kohlasch welcomed Mr. Garcia back to PERA and thanked him for meeting with her.

Ms. French welcomed Mr. Garcia adding she was always open to new ideas as long as there is evidence that they can work.

Mr. Reynolds also welcomed Mr. Garcia and in regard to delegating he hoped that the Board will delegate appropriately to him and his professional staff. He agreed that sustainability of the fund is the number one priority.

Ms. Townes thanked Mr. Garcia for their earlier meeting and welcomed him to PERA.

Mr. Propst said when Mr. Garcia was considering the offer proffered by PERA, Mr. Garcia was interested in what Mr. Propst's expectations of him were as well as his expectations of Mr. Propst to ensure they were on the same page. Mr. Propst said they are on the same page and he has pledged his and staff's support to the new CIO.

Ms. Toulouse Oliver welcomed Mr. Garcia back to New Mexico.

H. Executive Director's Report

Mr. Propst indicated that his report was contained in the Board's packet. He highlighted that 67,000 active member statements were mailed last week. He commended Deputy Director Trujillo and staff on the high level of accuracy of the statements. PERA's solvency presentation to IPOC will occur October 19th at 1:30. The FY19 PERA budget will be presented to LFC in October.

I. Trustee Reports on Board Education Travel

1. Jackie Kohlasch

Ms. Kohlasch said she attended a conference sponsored by the National Association of State Retirement Administrators entitled Navigating Change. She said the conference was really valuable and interesting.

Mr. Propst said he would provide a link for the data Ms. Kohlasch referred to.

J. Executive Session

- 1. Discussion of pending litigation under Section 10-15-1(H)(7);
*AFSCME et al. vs. State of New Mexico et al.***
- 2. Executive Director Evaluation**

Chair Mayfield moved to meet in Executive Session. Mr. Reynolds seconded and the motion passed by unanimous roll call vote as follows:

Dan Mayfield	Yes
Claudia Armijo	Yes
Patricia French	Yes
Jackie Kohlasch	Yes
James Maxon	Yes
John Melia	Yes

Loretta Naranjo Lopez	Yes
John Reynolds	Yes
Cathy Townes	Yes
Maggie Toulouse Oliver	Yes
Tim Eichenberg	Absent
Dan Esquibel	Absent

[The Board met in executive session from 10:25 to 11:35.]

Ms. Townes moved to return to open session. Her motion was seconded by Mr. Maxon and passed by the same roll call vote with the same results as shown above.

Chair Mayfield stated that only the items as listed on the agenda were discussed in closed session.

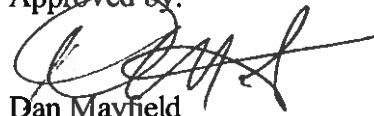
5. **Other Business**

None was presented.

6. **Adjournment**

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

Approved by:



Dan Mayfield
Chair, PERA Board

ATTEST:


Wayne Propst, Executive Director

Attached Exhibits:

Exhibit 1: Consent Agenda

Exhibit 2: 2017 Official Election Results