

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
ANNUAL & MONTHLY
BOARD MEETING
September 27, 2018

This annual and monthly meeting of the Public Employees Retirement Board was called to order by James Maxon, Chair, at approximately 11:30 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 indicated a quorum with the following members present:

Members Present:

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

Member(s) Absent:

Tim Eichenberg - *Ex-officio*

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investments Officer
Karen Risku, Deputy General Counsel
Dana David, Assistant General Counsel
Renada Peery-Galon, Administrator Services Director
Kristin Varela, Deputy CIO
Joaquin Lujan, Portfolio Manager
Trish Winter, Executive Assistant
LeAnne Larrañaga-Ruffy, Director of Equity
Christine Ortega, Portfolio Manager
Anna Williams, Chief Financial Officer
Anna Murphy, Portfolio Manager
Emily Lopez, Financial Specialist
Mark Montoya, Investments Department
Christina Perea, Outreach Division Director PERA

Christina Gauthier, PERA

Others Present:

Heather Christopher, Albourne
Mark White, Albourne
Tom Toth, Wilshire Associates
Lenora Chavez, Retiree
Paul Lium, Nationwide
Ernest Marquez, Automated Election Services
Henry R. Romero, Las Lunas
Todd M. Sanchez, Retiree
Phil Sanchez, Retiree
Laura Heese, ICMA-RC
Matt Pruitt, ICMA-RC
Bill Hyde, Retiree
Lee Gruana, Retiree
Don Wencewicz, AFSCME Retiree
John Rivera, Retiree (RPE)
Annette Arvizu, AFSCME
Joseph Luna, RPE
Gerald Chavez, RPE
Eva Lujan, AFSCME Retiree
Ronnie Freyburger, Retiree NMSHTD
Steve Neel, NM ERB – Incoming Board member
Lawrence Davis, Incoming Board member
Eva Lujan, Retiree
Todd Sanchez, Retiree

2. Approval of Agenda

Mr. Esquibel introduced the following motion:

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

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

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

Ms. Cordova introduced and Dr. Kohlasch seconded the following motion:

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

The motion passed without opposition.

4. Current Business

A. Resolution No. 18-03 Calling for the Annual PERA Board Meeting

Ms. Toulouse Oliver introduced and Mr. Esquibel seconded the following motion:

“RESOLVED, that the PERA Board recognize Resolution 18-03.”

The motion passed by unanimous voice vote.

B. Board Chair’s Message to Members and Retirees

Chair Maxon welcomed the attendees and said he joined the Board to give back to the membership and to work to ensure there is a sustainable retirement for the future generations. He noted that PERA has long-term solvency issues that require addressing. The solution is “complex and will take everyone working together.” Chair Maxon said there is not one solution to the issue and PERA wants to hear from the membership. A schedule has been developed to travel the state to gain input from the membership.

Chair Maxon said he hoped that all of PERA’s participants can work together to develop a solution that helps everyone have the security of a pension as promised. He said he did not favor eliminating the COLA. Structural changes will be necessary to the pension plan.

Chair Maxon recognized new Board members in the audience, Steve Neel and Lawrence Davis.

Ms. French observed that in the past the Board members have been granted time to make comments at the Annual Meeting and suggested doing so following public comments. Chair Maxon welcomed those comments.

C. Public Comment

Lenora Chavez, a PERA retiree, said she has been in attendance at PERA Board meetings, read numerous articles in the newspapers regarding the \$5.5 billion unfunded liability that mention COLA cuts and current and/or future employees having to pay more into the fund, and she has reviewed Board member Mayfield’s 2018 retreat summary.

Ms. Chavez spoke about the passage of SB 27 as the solution to fully fund the PERA pension fund in 30 years. However, during the last five years SB 27 has provided no significant change to the investment fund and the rate of return was lowered.

Referring to an August 2018 *Albuquerque Journal* article “State Pension Fund is in Good Shape and Getting Better,” Ms. Chavez said it is misleading and unsettling. The article, written by Chair Maxon, suggests that further adjustments might be necessary to investments, governance, structures and benefits to ensure the long term solvency of the fund. She said the suggestions appear to be a complete overhaul and target retirees to take a cut or freezing COLAs, while current and future employees pay more for less.

The PERA fund is the investment of past, present and future employees and Ms. Chavez said she wanted the fullest return possible. The Board has known since January 2017 about the solvency issue and it is unacceptable the membership was not informed. The agency and Board

lack transparency in their desire to eliminate the COLA: “The PERA Board and PERA administration lack credibility, trust and honesty.” Commenting that government employment is not a get-rich scheme, it does provide stability and security and members contribute to the greater New Mexico economy.

Ms. Chavez said the summary paper on the 2018 retreat proposes a membership fee which she disagreed with. “It is insulting and detrimental to retirees to pay additional fees again...” At the August 2018 Board meeting, Ms. Chavez characterized a discussion regarding the reorganization of 12 top tier administrators as interesting in that positions were changed to exempt and given extremely generous pay raises: “10 or 12 percent raises are unacceptable ...while retirees and employees have to give more and receive less.” Referring to the retirees, Ms. Chavez said many continue to work part time and full time, serve as caregivers, and many are disabled and/or ill themselves.

She mentioned that the firefighters, NM state employees, and judiciary and magistrate funds are underfunded; however, their benefits are still generous. She asked why the legislators’ pension fund, which is fully funded is included in a government entity employee benefit program. She asked why the municipal fund is providing the financial stability for the other less stable funds; how can trust funds be comingled; why are these funds not adjusted to meet their existing needs?

Ms. Chavez said she was present and not permitted to speak during the censure hearings for Ms. Naranjo Lopez and Ms. French. The Board chair allowed others to speak but not her. In fact, it appears that the Board is trying to silence the retirees’ representative Naranjo Lopez.

Ms. Chavez stated she was uncomfortable with the direction of the portfolio and the lack of information provided by this Board. She wanted to know the fees brokers, managers and consultants receive and be assured that PERA is not involved in any pay-to-play and/or politically motivated investments. As SB 27 was not the ultimate fix, the PERA Board should reshape the investment team, mandate portfolio changes and move from a fixed income to an investment that provides better returns. “All investments should meet the statutorily hurdle rate of 8 percent.”

There should be no changes to the COLA or other member benefits, stated Ms. Chavez. She recommended that the State Auditor, the Securities Exchange Commission and the Attorney General conduct a forensic audit to include the manner in which PERA administration, the Board, contractual staff, brokerage firms, fiduciary counsel, and investment advisors are investing, diversifying, and spending PERA funds to include all professional and service fees charged against the trust. This forensic audit will bring peace of mind to all members and uncover the true status of investments. [Ms. Chavez presented a hard copy of her statement to Chair Maxon]

Annette Arvizu, Vice President of the Retirees of AFSCME, said she attended a PERA Board meeting where an attorney was on the phone listening and spending PERA money when it should have been handled in private and the reprimand should have been out of the public eye.

Ms. Arvizu said this morning the CIO said once funds were improved a bonus would be

given and she said that was wrong. This is “our money for the PERA members.”

John Rivers, PERA retiree and a board member of RPE Chapter 5, said the newsletter that he recently received said the PERA Board was focusing on the COLA. He understands there are other options that need to be made public and openly considered. Those options include raising the retirement age eligibility, increasing employer/employee contributions, improving the funding of the firefighter pension, increasing legislator contributions, and improving the investment returns. In this booming economy, Mr. Rivers said he could not understand why PERA was not doing better.

Mr. Rivers said the Board makeup should be more equitable in terms of retirees versus current employees. Further, Board meetings should include membership comments.

Joseph Luna, retired Albuquerque firefighter and first vice president of RPENM, said it is five years after SB 27 and again PERA is discussing pension reductions. He said this past year, staff told IPOC that COLA was on the table. It was only recently that the Board admitted they were looking to reduce or modify the COLA. Over the past year, PERA administration has told the legislators that lower investment returns are expected and the actuarial target rate will not be met. He understood there was consideration of providing a bonus to investment staff if they exceed the benchmark, “a monetary incentive to do their job.” Since 2014, PERA has had three CIOs and from FY 2015 to FY 2018 the fund has lagged the yearly investment rate of return. ERB has outperformed PERA by a total of over 6 percent.

Mr. Luna urged the Board to look at altering investments before requiring the membership to sacrifice. He reminded the Board that they have a duty to be honest and open with the people. He said RPENM was going around the state talking to people and the resounding consensus is to maintain the COLA.

Gerald Chavez, RPENM executive director and former PERA Board member, thanked the Board for having a meeting that included public input. He said he appreciated the Board’s work and understands fiduciary responsibility. What he did not understand nor agree with the process being used. The PERA Board has been proposing pension reform packages to the legislature since 2009. The legislature sent the proposals back to PERA and asked for deeper cuts. He recalled in 2011 that the legislators threatened to make the cuts and revise the pension plan. He opined that it was the legislature that created the problem – thinking the pension is too rich and not taking responsibility. He said it was time for the legislature to pitch in and help with the solvency issue.

Mr. Chavez said it took five years for the Board to develop SB 27 and it was done so with tremendous outreach to the membership. The Board was open and honest in 2011 that COLA was on the table. He said he thought SB 27 would be the fix and expressed his disappointment that it has not been. He listed the many representatives from the union to the firefighters to discuss the pension reform.

Mr. Chavez said although the Board may not have discussed the COLA, management has brought it before IPOC. RPENM are concerned that the Board has not gone out to the membership and they do not support a change to the COLA. Three different CIOs in five years

make it difficult for the fund to grow. Everyone should be held accountable and if the CIO does not make the policy work, they should be fired. He urged the Board to stand up for what is right, not fold under pressure from the legislators, and give forethought to the input they are receiving today.

Don Wencewicz, AFSCME Retiree and RPENM member, asked about the first time ever retreat for staff that CIO Garcia mentioned this morning; where will it be, how many people will go, and who is paying for it. He said the notion was not feasible unless staff met in the Board room rather than spending PERA money. He added that he saw the Board retreats as an opportunity to spend money.

Eva Lujan, AFSCME Retiree, thanked the Board and recognized it was a hard job. She expressed concern that Board members asking questions about investments are being suppressed. It was her observation that the Board and others that work with the Board have become rigid and stuck.

Ronnie Freyburger, retiree, thanked the Board for the opportunity to speak. He said listening to the financial report this morning and he realized the investments he and his brother make generate greater returns. He requested the Board consider a membership input meeting rather than sitting through other meetings. When 1 percent of the COLA was frozen in 2013 he had 24 years of employment and was disappointed when it went to 2 percent. As retirees' retirement diminishes they become low income individuals. Many retirees cannot work and even those that can, are penalized if they go back to work for a PERA affiliate. Speaking as a person struggling with ailments, he pleaded that the Board not take any benefits away from the retirees.

Todd Sanchez, retiree and single parent, said he took a state job rather than a job with the private sector where he could have made a lot more money but not have the time to be with his son. He currently is working in the private sector and making three times what he did at the state. He said he was very upset the Board was even considering taking the COLA. He served as a public servant and protected the taxpayers' money as a project manager.

Mr. Sanchez said he currently works for a self-insured workman's compensation group and their investments are doing "a hell of a lot better" than those of PERA. He told the Board to figure it out and do a better job.

Board Member Comments

The Board members introduced themselves, stated what segment elected them, thanked the speakers for expressing their concerns, and said they were looking for a fair and equitable solution to the solvency issue. It was mentioned that Board members are available and willing to communicate with all members, active and inactive. The Board serves as fiduciary to the total fund. It was agreed that member input was important and there would be a series of outreach meetings. Mention was made of the financial catastrophe of 2008 and how well PERA has worked to reach \$15 billion, along with the importance of adapting to what life brings.

[Ms. French excused herself from the remainder of the meeting.]

Chair Maxon noted that according to current information, without SB 27 the fund in 2043 would be 27 percent funded rather than the 70+ percent it currently indicates. He said the Board will be working diligently to develop a plan to improve the fund's solvency.

D. 2018 Board Election

1. Report by Automated Election Services and Certification of State Election

Ernie Marquez, Automated Election Services (AES), presented the election results for the Board's certification. The voting machine tabulator printout, daily summary reports and daily detail reports were available for Board review. A total of 2,923 ballots were read through the voting machine; two were spoiled, five over voted and two were hand-tallied for a total of 2,932 votes. There was 9.45 percent participation from the State members in this election. The results for the state board position are as follows:

Joel C. Flory	237
Paula Fisher	849
Nick Eckert	800
Stephen Neel	1,037

Mr. Neel received the most votes and was deemed the winner.

Ms. Naranjo Lopez asked how this year's participation compared with last year and Mr. Marquez said it was lower with last year's participation at 10.8 percent; however, there were two positions on the ballot.

Ms. Naranjo Lopez requested an investigation be conducted on this election. She noted that for the past five years she has requested an investigation of the voting process. Chair Maxon said that could be taken under advisement; however, the process has been contracted to an outside, independent professional.

Ms. Naranjo Lopez said it was the previous process as well as this process that she wanted investigated.

Ms. Townes asked what specifically in the process required an investigation; was something fraudulent, improperly handled, etc.? Ms. Naranjo Lopez responded that that is what she wanted to determine by the investigation.

Secretary of State Toulouse Oliver said in the public election realm if there is concern that an election has been handled improperly there is a legal process that is undertaken requiring a petition be filed with the court with substantive and evidentiary allegations to justify an inquiry by the court. PERA does not have to use the same process.

Ms. Toulouse Oliver said Ernie Marquez was formerly the State's Election Director and AES is a qualified state vendor with the Secretary of State's Office and works in tandem with most county clerks throughout the state.

Ms. Naranjo Lopez said she has heard a lack of confidence regarding AES from the membership and requested a layout of AES's process.

Mr. Marquez said PERA's election does follow the NM Administrative Code. He offered to review the statute to determine the process for challenging an election. Ms. Naranjo Lopez requested a copy of the statute so she could send it to the members that have issues with the election.

Mr. Melia introduced and Mr. Mayfield seconded the following motion:

“RESOLVED, that the PERA Board accept AES’s report and certify the state election.”

The motion passed by majority [8-1] voice vote with Ms. Naranjo Lopez voting against, Ms. French not present and Ms. Cordova was out of the room.

Mr. Marquez was thanked for his efforts.

2. Introduction of Newly Elected State and Municipal Board Members

Chair Maxon introduced Stephen Neel and Lawrence Davis, incoming Board members. Municipal member Lawrence Davis said he looks forward to working with the Board and staff. State member Stephen Neel said he was honored and humbled to serve the membership and views the pension as a diamond that needs to be treasured.

The new Board members were congratulated and received a round of applause.

E. Chief Investment Officer Presentation

Dominic Garcia, CIO, said he has been with PERA for one year and is building a sustainable PERA edge/a more robust operating model. He spoke of the mission centric goal to ensure the fund is sustainable and followed with building best pension practices, and measuring the value creation. Over the past year good governance has been addressed, as well as benchmarking, adopting a risk budget and active management targets, risk management and reporting has been upgraded, a five-stage selection process has been implemented, alpha and beta have been separated, a reference portfolio developed, allocation to risk balance implemented and asset/liability modeling employed.

Mr. Garcia mentioned an across the system evaluation of the pension design, attracting and retaining talent and strengthening infrastructure, processes and execution require further attention.

Mr. Garcia highlighted the Investment Division's strategic goals:

- Maintain appropriate strategic asset allocation to meet the actuarial discount rate assumption over the long run
- Work toward 30-year funding period of unfunded actuarial accrued liability
- Meet 10-year annualized returns to equal or exceed the policy benchmark
- Achieve a total investment cost at or below 85 basis points

Mr. Garcia identified three large challenges: meeting actuarial returns in a low return environment; maneuvering through late cycle economy and managing liability bulge and burgeoning negative cash flow. He reviewed a multi-year process to enhance the portfolio's expected returns. Staff will be working to execute the process which requires the right people, technology and process.

Mr. Esquibel, recalling a member's comment earlier that ERB has out earned PERA, asked whether Mr. Garcia felt PERA would do better and improve. Mr. Garcia said peer comparison is not a good determinant of how PERA is doing. PERA needs to be mission centric. He noted that PERA has a unique liability stream in its cash flow. Investments have limitations and cannot make up for all past ills/liabilities but can help minimize the impact of the down side which is what PERA's strategy does. PERA pays out \$1.1 billion annually.

F. Presentation of Staff Solvency Recommendation Pursuant to Resolution No. 18-08

G. Approval of Solvency Communication Plan Pursuant to Resolution No. 18-08

Ms. Armijo introduced a motion to temporarily postpone agenda items F and G until the Board has held its October 9th work session. She asked that staff be directed to, in the interim, get intake from the membership before a final recommendation is developed. Mr. Mayfield seconded. [This motion was later withdrawn]

Under discussion, Ms. Armijo said it appears the cart is before the horse on these issues. She said membership input is necessary and she recalled at the retreat a resolution passed directing staff to develop recommendations on pension reform based on the Board's direction. At this point, no direction has been given. Postponing action will provide the Board additional time to contemplate what the membership offered today. Recognizing the importance of moving forward, Ms. Armijo stated this feels rushed. Discourse and deliberation are necessary before direction to staff is given.

Referring to Gerald Chavez' comments regarding the process, Ms. Armijo said she agreed and with tough decisions ahead a proper process needs to be followed.

Ms. Cordova said she understood that staff was providing a two-pronged process to garner feedback from town hall meetings and develop solutions.

Executive Director Propst said items F and G were staff's effort to comply with the resolution regarding solvency communications. Staff envisioned that the outreach meetings would provide an opportunity to interact with the membership rather than present a solution. He agreed that the outreach timeframe was tight and was developed to be responsive to the oversight committees and provide a report regarding PERA proposed legislature, if any, to the IPOC at the end of November and to the LFC in December.

Until the Board meets on October 9th and provides staff direction, Ms. Armijo said hearing a recommendation today is out of sequence and not derived from the resolution. Stating she was in no way trying to derail the efforts but process is important.

Ms. Cordova pointed out that item G is a staff-proposed outreach plan with the

membership. She said the Board will be better decision makers if they follow through with the plan to obtain member feedback.

Ms. Armijo agreed with Ms. French's observation earlier in the meeting where she said the schedule was too compacted and limited Board participation. She hoped a reasonable outreach schedule could be developed on October 9th.

Dr. Kohlasch advocated moving forward with item G to start the process of obtaining member feedback. She noted that no one is expected to go to all the outreach meetings and staff can bring feedback to the Board.

Ms. Naranjo Lopez asked whom the proposed schedule accommodates and said PERA should not be drafting legislation to deal with the unfunded liability for this session.

Mr. Esquibel said he supported providing options/information to the membership to further the outreach meetings. He agreed the schedule is compact but staff could tape the meetings to educate the Board on feedback. Mr. Propst said staff could absolutely record the proceedings and added that was part of item G's presentation. Meetings in Taos and Las Cruces can easily be taped and posted on the website as well as social media.

Ms. Naranjo Lopez said she wanted investments on the table at the outreach meetings and she asked how the membership will be notified, adding that the proposed outreach schedule is not realistic. Chair Maxon proposed a mailing and posting on the website of the meeting dates.

Ms. Cordova said PERA is receiving a great deal of pressure from the legislature to do something and agenda item G is part of that process.

Mr. Mayfield recommended holding a study session on October 4th or 5th. Ms. Armijo concurred adding that will give the Board an opportunity to develop a staff directive that can be presented at the special meeting on the 9th.

Ms. Naranjo Lopez said it was hard for her to believe that the solvency issue is back again. She was further troubled by the CIO's statement that 8 percent cannot be generated. She said PERA is not ready to develop legislation by January and the legislators should be made aware of that. She spoke firmly that the COLA is not on the table and investments should be re-evaluated.

Ms. Townes said it is unrealistic to think Board members can attend all of the outreach meetings and she thought it was a good starting point.

Mr. Esquibel asked whether staff could aggregate all of the Board's concerns and those raised by the membership today and include those items in the information packet. Mr. Propst said yes, that could be done, as well as a survey for outreach attendees and perhaps an online SurveyMonkey. He requested direction for the agenda on the upcoming Board educational session. The actuaries are confirmed for the 9th and he will check whether alternative dates were available to them.

Mr. Esquibel said with videotaping, recording and surveying the membership he felt confident those wanting to comment will. He asked whether an email address can be provided for membership comment. Mr. Propst said PERA's outreach bureau can better address these items.

Christina Gauthier, PERA Albuquerque Public Relationship Coordinator, said item G is a communication plan. The outreach bureau is offering tools and opportunities to communicate with the membership. Once the presentation regarding solvency is posted through social media and the website, multiple sources of communications have been crafted for the Board to receive feedback. The IT director has provided an email address that will reach all of the Board members with the ability to directly respond.

For the record, Ms. Naranjo Lopez said, "I do believe that this was railroaded. Staff has been going to the legislature and giving their side of what they think – how we should deal with the unfunded liability and that has not been addressed by the Board and was never approved." She said the schedule lacks a participatory method and the Board did not have any input on the dates. She said she was very disgusted with this process.

Ms. Gauthier said the communication plan is clearly labeled "draft" and dates were proposed with Board feedback expected. Reservations at venues that were free with free parking and could accommodate the anticipated membership were made and can be cancelled. The schedule was developed to address the Board's desire to meet with the membership.

Christina Perea, PERA Public Relations Coordinator, said the Board questions that have arisen are answered within the staff presentation and she hoped they would be permitted to provide it. The proposed schedule was developed as a template and she assured the Board that staff will be available at the outreach meeting to record concerns and feedback. The surveys will further membership input and promote PERA's transparency.

For the record, Ms. Armijo said she reviewed the communication plan and it is excellent. However, its presentation was a failure: it should have been presented earlier with an invitation to the Board to offer changes.

Ms. Armijo withdrew her previous motion and introduced the following motion:

"RESOLVED, that the PERA Board hold at least one work session/meeting on changes to the benefit design on October 5th with a tentative follow-up meeting on October 9th. As a result of next week's meeting, staff will receive direction to develop recommendations."

Mr. Mayfield seconded.

Ms. Naranjo Lopez mentioned that there is an app that is useful for scheduling meetings and it should have been implemented for the Board. She said the schedule accommodates staff, not the Board and repeated that this feels railroaded. She opposes rushing this process.

The motion passed by majority [6-2] voice vote with Ms. Cordova and Ms. Naranjo

Lopez voting against. Ms. French and Mr. Melia were not in attendance for this vote.

Regarding item F, Ms. Armijo said tabling it will give the Board an opportunity to give Board direction that can be presented at a special meeting on the 9th. She introduced the following motion:

“RESOLVED, that the PERA table item F.”

Mr. Esquibel seconded and the motion passed by majority [7-1] voice vote with Ms. Cordova voting against. Ms. French and Mr. Melia were not in attendance for this vote. Explaining her nay vote, Ms. Cordova said she would have preferred hearing staff’s reports on both F and G.

A discussion regarding notice requirement occurred and staff said they would look at these issues.

H. Executive Director’s Report

Mr. Propst said his report was provided within the Board packet and recommended moving forward to the administrative appeals.

At this point, the Board lost its quorum and the Executive Session was delayed until the October 9th meeting.

5. Other Business

Although there was no quorum, Ms. Naranjo Lopez introduced the following motion: “Replace the Executive Director and General Counsel/Chief of Staff and place the Chief Investment Officer on probation.”

Continuing, she stated “Why are New Mexico PERA talking about COLA before we start investing? New Mexico PERA has \$4 billion in bonds in a low-rising interest rate environment and then we have \$750 million in cash earning basically zero. Why are we talking about COLA when we can invest; 40 percent of our portfolio is designed to fail. The staff is going to take away our 2 percent because staff is not investing. Wayne Propst, Executive Director, and Susan Pittard, Chief of Staff/General Counsel are distracting the Board and Domenic is talking about Wisconsin – lowering the COLA benefit which is not enough to close the unfunded liability. The Chief Investment Officer has not moved any material amounts of money. His proposal to raise compensation was not tied to portfolio performance. Dominic proposed to change nothing for the next three years and hope for the best. He is not beating the market.”

Ms. Lopez repeated her motion, “I would like to make a motion to replace the top two executives and place the CIO on probation notice based on the following: the executive director, general counsel and CIO are recommending to cut benefits before they start to invest. The second reason to replace these two executives and place the CIO on probation is staff is distracting the Board and themselves from their fiduciary duties. The third is that the CIO exceeded his authority and spoke to the media without Board’s pre-approval, see article ‘New

Mexico PERA adopts Wisconsin Model' by Sarah Rundell. The third reason is that I would like the Board to preserve their indemnity under the State law. The Board has a fiduciary duty to invest under the circumstances of \$5 billion funding gap; 40 percent of the portfolio is designed to maintain or increase the funding gap. New Mexico State law requires the New Mexico PERA Board to invest and manage PERA's assets under the circumstances of its current \$5 billion funding gap. The New Mexico legislature helped address the issue by establishing an 8 percent hurdle rate and a cost of living adjustment COLA in connection with SB 27. New Mexico PERA staff has stated that they are unready, unwilling and unable to invest PERA assets to close the current \$5 billion funding gap or to achieve the legislative 8 percent investment return rate. And I know that we lost Board members and I will bring it up at the next Board meeting. Thank you for your time and I would like that for the record."

6. Adjournment

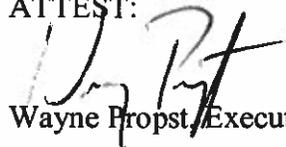
Chair Maxon declared this meeting adjourned at 2:15 a.m.

Approved by:



James Maxon
Chair, PERA Board

ATTEST:



Wayne Propst, Executive Director

Exhibit(s):

Exhibit 1: Consent Agenda