



INVESTED IN TOMORROW.

**REQUEST FOR PROPOSALS FOR:  
GENERAL INVESTMENT CONSULTANT SERVICES  
RFP NO. NM INV-003-FY20**

**RELEASE DATE:  
SEPTEMBER 27, 2019, 5 P.M. MT**

**DEADLINE FOR CERTIFICATION OF MINIMUM QUALIFICATIONS:  
OCTOBER 4, 2019, 5 P.M. MT**

**DEADLINE FOR SUBMISSION:  
OCTOBER 23, 2019, 5 P.M. MT**

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## **PART I. INTRODUCTION AND GENERAL INFORMATION**

### **A. SUMMARY OF SOLICITATION**

Public Employees Retirement Association of New Mexico ("PERA") invites submittal of sealed, responsive proposals from qualified Offerors for professional General Investment Consultant services. As explained in more detail in this Request for Proposals ("RFP"), PERA requests that Offerors respond to this solicitation by submitting formal acknowledgements of Minimum Qualifications ("MQs") and a proposal for services in accordance with the deadlines described in the Procurement Schedule that is set forth in Part IV (E) of this RFP. PERA expects to select one proposal by no later than December 31, 2019 and execute a Professional Services Agreement ("Agreement") effective July 1, 2020. PERA, in its discretion, may reject all proposals.

### **B. STRUCTURE AND CONTRACTING AUTHORITY OF REQUESTING PARTY**

PERA is the public body of the State of New Mexico that is responsible for administering and managing the investment of all monies constituting the assets of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (together "the Fund"). PERA is a qualified plan under Section 401(a) of the Internal Revenue Code. The Fund's assets were valued in excess of \$15.6 billion as of June 30, 2019.

PERA is governed by the Public Employees Retirement Board (the "Board"). Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the Fund for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The Uniform Prudent Investor Act, NMSA 1978, §§ 45-7-601 to 45-7-612, requires the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund.

NMSA 1978, §§ 10-11-130(A) (7), and 10-11-133(E) authorize the Board to make and execute contracts for investment management services. NMSA 1978, § 13-1-98(CC) exempts PERA from compliance with the New Mexico Procurement Code for all contracts for investment advisory services, investment management services or other investment-related services.

The Board has adopted its Investment Policy (revised July 26<sup>th</sup>, 2018). *See* Appendix F (A). As provided by the Investment Policy, selection of investment managers has been delegated to the Chief Investment Officer. The service provider selected under this RFP shall serve in a fiduciary capacity to PERA and the Board and must agree to the indemnification and other provisions set forth in PERA's Professional Services Agreement (*see* Form of Professional Services Agreement attached as Appendix E to this RFP). Copies of pertinent New Mexico statutes are attached at Appendix F. *See also* Part VII, Key Contractual Provisions.

### **C. ETHICAL DISCLOSURES AND CONFLICTS OF INTEREST**

Members of the Board and PERA employees are subject to NMSA 1978, § 10-11-130.1, which prohibits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, Offeror or contractor of services to PERA, or from a person who is authorized to invest public funds pursuant to state or federal law. For purposes of this Policy, potential bidder means any person or entity that may provide services to PERA within the next twelve months.

All Offerors or incumbent providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and incumbent providers shall certify that the requirements of the Governmental Conduct Act, NMSA 1978, §§ 10-16-1 through 10-16-18, regarding contracting with a public officer or state employee have been followed.

### **D. OVERVIEW OF PERA INVESTMENT ACTIVITIES**

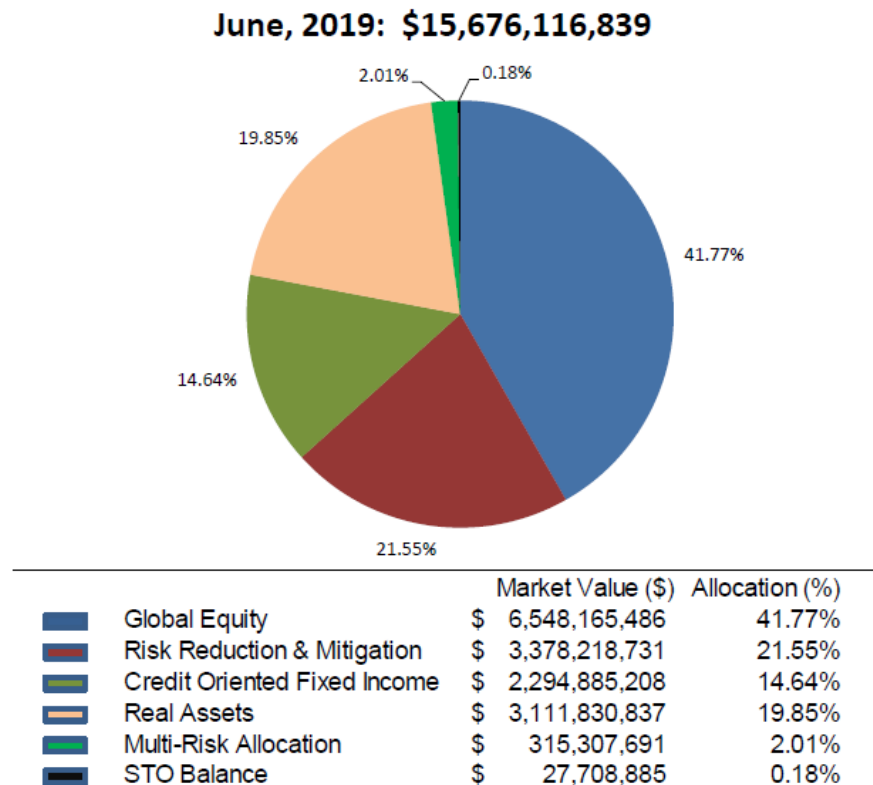
#### **Strategic Asset Allocation**

PERA's strategic asset allocation ("SAA") contains five asset classes, Global Equities, Risk Reduction & Mitigation, Credit Oriented Fixed Income, Real Assets, and Multi-Risk Allocation strategies. These mandates are implemented through multiple investment vehicles including separately managed accounts, limited partnerships, funds of one and commingled funds. PERA's investments include active, passive, long-only, private and long-short strategies. All assets are managed externally by firms retained in accordance with the PERA Investment Policy.

For Offeror's information, PERA's strategic asset allocation, as approved by the Board of Trustees on July 26<sup>th</sup>, 2018 appears below:

Asset Class	Strategic Asset Allocation	Policy Index	SAA Ranges
Global Equity	35.5%	Blended	30.5% - 40.5%
Global Public Stock	19.5%	MSCI ACWI IMI (\$net)	
Global Low Vol	5.0%	MSCI ACWI Min Vol (\$net)	
Hedged Equity	2.0%	MSCI ACWI Min Vol (\$net)	
Private Equity	9.0%	MSCI ACWI IMI (\$net)	
Credit	15.0%	Blended	11.0% - 19.0%
Liquid Credit	3.0%	Barclays Global HY (Hedged)	
Emerging Market Debt	3.0%	1.5% JPM EMBI (\$) 1.5% JMP GBI (\$)	
Illiquid Credit	6.0%	Barclays Global HY (Hedged)	
Hedged Credit	3.0%	Barclays Global HY (Hedged)	
Risk Mitigation	19.5%	Blended	16.5% - 22.5%
Core Fixed Income	17.0%	Barclays U.S. Agg	
Global Core Fixed Income	2.5%	Barclays Global Agg (Hedged)	
Real Assets	20.0%	Blended	16.0% - 24.0%
Liquid Real Estate	2.0%	Wilshire Global REIT	
Illiquid Real Estate	5.0%	Wilshire Global REIT	
Liquid Real Assets	5.0%	2% Alerian - MLP Index 3% Bloomberg Barclays - U.S. TIPS	
Illiquid Real Assets	8.0%	5% Bloomberg Commodity - Commodity Index (TR) 3% Dow Jones - Brookfield Global Infrastructure Index	
Multi-Risk	10.0%	Wilshire Risk Parity - 15%	6.0% - 14.0%

Implementation of PERA's newly approved Multi-Risk Allocation is currently in progress. As such, current allocations lag PERA's SAA slightly. PERA's current allocations, as of June 30, 2019 appear below:



### **Active Risk Budget**

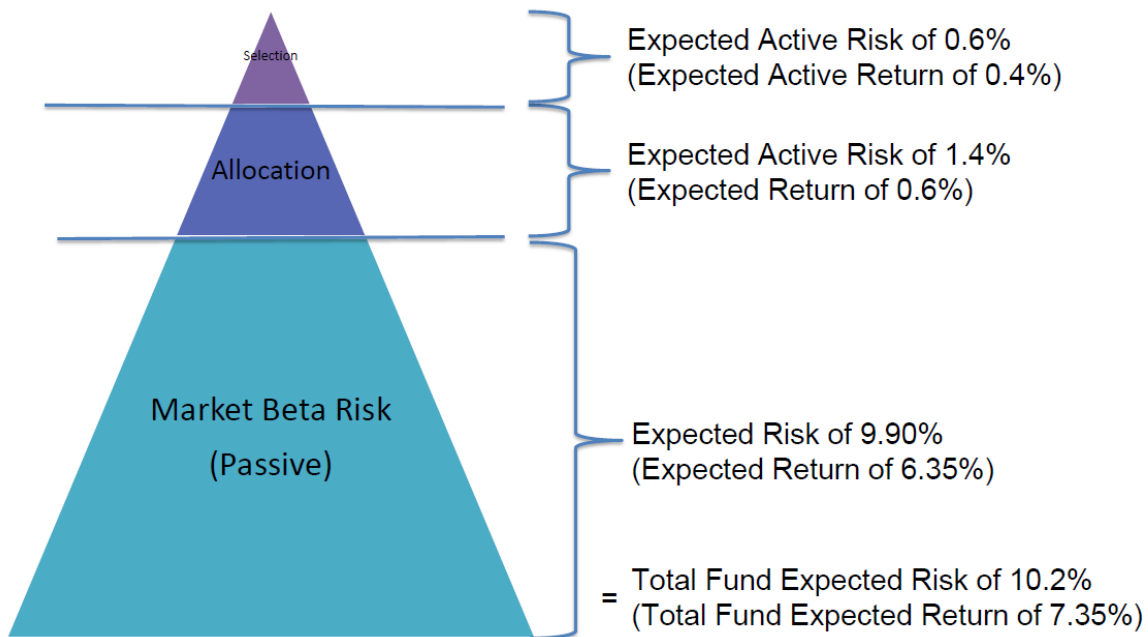
Active Risk Budgeting is a quantitative framework that is integrated into the portfolio construction and monitoring process, in order to appropriately balance risk tolerance with desired excess return. Through this framework, PERA seeks to minimize inadvertent risk, like implementation and benchmark misfit, while maximizing excess return per unit of intentional active risk. Additionally, this process provides a mechanism for monitoring and evaluating implementation within the Fund, creating accountability for results relative to the Board approved Strategic Asset Allocation.

Through this framework PERA seeks to budget variances in exposures, relative to Market Beta Risk, for the purpose of maximizing returns. Within PERA's framework active risk is generated through two primary functions:

- i. *Allocation:* active risk attributable to allocation and structural decisions that deviate from the Board approved benchmark portfolio. Liquid active tilts within asset classes or the decision to invest in illiquid assets are both examples of allocation decisions that potentially generate out of benchmark risk.
- ii. *Selection:* active risk attributable to uncorrelated return streams due to unique and skill-based asset management

For Offeror's information, PERA's 2019 Total Fund Risk Budget is illustrated below:

## Total Fund Risk Budgeting 2019



### **E. OBJECTIVES OF THIS SOLICITATION**

As further described below, the purpose of this RFP is to invite responsible Offerors to submit competitive sealed proposals to provide non-discretionary professional General Investment Consultant services. Such services shall conform to PERA's investment rules, Investment Policy, and statutory investment requirements, as they may be amended from time to time.

## **PART II. SCOPE OF WORK**

### **A. DESCRIPTION OF SERVICES SOUGHT**

PERA is soliciting proposals from qualified professional investment consulting firms to provide comprehensive investment consulting advice and services to the Board and PERA. The selected firm will work closely with the Board and PERA's Chief Investment Officer and Investment Staff. The selected firm must demonstrate extensive experience and superior capability for providing investment consulting services to institutional investor clients of comparable complexity to PERA. The selected firm will serve in a fiduciary capacity and must acknowledge in writing the firm's fiduciary status and shall be subject to the indemnification and other provisions of Appendix E (Sample Professional Services Agreement). In all cases, the firm and its employees must offer advice to PERA solely in the interest of Retirement System members and their beneficiaries.

The general scope of work for this RFP is to provide non-discretionary professional general investment consultant services. Specifically, the successful firm must demonstrate superior experience and capability in the areas described below. However, the consultant selected cannot

also serve as an active manager of any portfolio, alternative assets fund or funds of funds for PERA while also serving as a consultant to PERA.

#### **A. Total Fund Policy and Asset Allocation Review**

1. Assist the Board of Trustees with the development of PERA's Strategic Asset Allocation.
2. Assist the Board of Trustees with the development of PERA's risk budget framework, including Active Risk Budget and Active Return Target.
3. Assist the Board of Trustees with the evaluation and adoption of PERA's Policy Index and Reference Portfolio.
4. Assist the Board of Trustees and Staff with asset liability oversight, including studies, analytics, and liability driven investment initiatives.
5. Assist the Board of Trustees and Staff with the development of investment goals, policies, guidelines and procedures.
6. Coordinate with the illiquid selection consultants to form an assessment and perspective regarding benchmarks used for the various asset classes, and to establish capital market assumptions for the opportunity set used in the asset allocation modeling process.
7. Provide research and analysis across all liquid asset classes and investment strategies.
8. Provide access to analytical software and tools, including asset allocation, attribution and scenario analysis.

#### **B. Liquid Investment Manager Search/Selection**

1. Assist Staff with investment manager selection, portfolio structure, manager guidelines, and benchmark selection in accordance with the 5-Stage Liquid Manager Selection Process.
2. Assist Staff with the development and implementation of risk management strategies.
3. Assist Staff with the assessment and implementation of tactical asset allocation and Total Fund overlay solutions.
4. Provide proposals concerning the process for manager research, selection, and subsequent investment and operational due diligence.
5. Provide on-going monitoring, reporting and analysis for existing managers' portfolio attributes and characteristics.
6. Monitor and review fees on a quarterly and on an as needed basis.
7. Provide due diligence and recommendations regarding securities lending program.

#### **C. Performance Reporting and Monitoring**

1. Provide and present the Board of Trustees with ongoing monitoring of Strategic compliance and attribution reporting.
2. Provide monthly and quarterly performance reporting, including:



- a. Total Fund results relative to Reference Portfolio, Policy Portfolio and dynamic selection benchmarks.
  - b. Asset class and manager-level results relative to Policy indexes and appropriate selection benchmarks.
3. Provide monthly and quarterly risk reporting, including ex-post risk analytics at the Total Fund and asset class levels.
4. Conduct monthly asset value and performance reconciliations between managers and PERA's custodian, currently BNY Mellon.
5. Respond to questions from the external auditor and actuaries as necessary.
6. Assist in the collection and preparation of information required to complete PERA's Comprehensive Annual Financial Reporting (CAFR).
7. Assist in the collection and preparation of information required to complete quarterly and annual industry specific surveys.
8. Assist in the collection and preparation of information required to report to legislative entities.

#### **D. Consultant Relations**

1. Attend regular monthly Board meetings (Last Thursday).
2. Attend regular quarterly Investment Committee Meetings.
3. Participate in regular monthly Portfolio, Risk, Implementation and Strategy Meeting ("PRISM") with Staff.
4. Provide research, detailed market analysis and trends, and advice on specific investment topics, as requested.
5. Provide investment education and training on a periodic basis.
6. Provide assistance on special projects, as needed.
7. Provide recommendations concerning custodial arrangements and/or enhancement, specifically related to the custodial services of liquid investment managers.
8. Share all firm research, including white papers, and provide access to the firm's research staff.
9. Report any significant changes in the firm's organizational structure and staffing in a timely manner.
10. Make no changes in the assigned consultant team without PERA's express approval.

### **PART III. MINIMUM QUALIFICATIONS**

#### **A. CERTIFICATION REQUIREMENT**

Each Offeror must certify that it meets all of the following minimum qualifications as of the date its proposal is submitted to PERA. In order to certify, the Offeror shall complete, sign, and submit all forms required by this RFP. These documents include: Appendix A (Minimum

Qualifications Compliance), Appendix B (Signature Page), Appendix C (Questionnaire), Appendix D (Fee Proposal Form), Appendix E (Form of Professional Services Agreement).

FAILURE TO MEET AND CERTIFY TO THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NONRESPONSIVENESS:

**B. LIST OF MINIMUM QUALIFICATIONS**

1. Offeror must be a SEC-registered investment advisor or exempt from registration. If exempt, the Offeror must explain the nature of their exemption from registration.
2. Offeror must be prepared to submit entire Form ADV if selected as a semi-finalist; Part 1, Part 2 brochures and any relevant schedules.
3. Offeror must meet the following minimum client base and experience requirements as of June 30, 2019:
  - a) An offeror must have at least five (5) public pension plans with total plan assets of at least \$5 billion and similar complexity to PERA
  - b) An offeror must have ten (10) years' experience in providing investment consulting services to U.S. tax-exempt clients with total plan assets of at least \$5 billion.
4. Physical Presence at Meetings. Consultant's representatives must agree to attend:
  - 1) One Board meeting per month (last Thursday).
  - 2) One Investment Committee meeting per quarter
  - 3) Annual Board Retreat (June or July).
  - 4) Meetings related to investment manager searches and site visits (as needed).
5. Offerors must have a positive net worth as of the submission date of its proposal and shall maintain a positive net worth for the duration of any contracts entered into with PERA. Although this is not a MQ requirement, PERA may give preferential treatment to offerors who provide their most recent financial statement and/or audit in order for PERA to determine the offeror's financial viability.
6. Other Requirements. Offeror must:
  - 1) Agree to be a fiduciary to the Board, PERA, and the PERA members, retirees and beneficiaries.
  - 2) Not have any direct or indirect ownership of investment managers, investment brokers or investment banking services and warrant that it currently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner

or degree with the performance of services required under any professional services agreement entered into by PERA and the offeror.

- 3) Disclose annually to the Board any revenues or income, fee breaks, soft dollars, hotel and travel expenses, or other items of significant monetary value received by the consultant or any affiliates from investment managers, general partners, brokerage firms, investment banks or other financial services businesses.
- 4) State that investment consulting services are the primary revenue source (at least 50%) of the Offeror's business and detail any other sources of revenue that are not derived from advisory/consulting services.

7. Offeror must agree to keep the proposal open for a period of not less than 180 days from the date the proposal is received by PERA.

8. Offeror must agree to incorporate the Warranties, included in Professional Services Agreement attached as Appendix "E, into any contract entered into as the result of a contract award made under this RFP.

9. Offeror must agree to submit a fee proposal with the RFP response.

## **PART IV. THE COMPETITIVE PROCESS**

### **A. GENERAL INFORMATION**

In order to qualify for award of a contract, an Offeror must comply with all of the requirements set forth in this RFP, including without limitation submittal of proposals by no later than the deadlines set forth in the Procurement Schedule.

PERA recognizes that it may be advantageous to select more than one proposed product to fulfill the Scope of Work described in Part II of this RFP. PERA's goal is to hire one general investment consultant whose experience can best satisfy its needs.

This RFP may be canceled and any and all proposals may be rejected in whole or in part when it is in the best interests of and in the sole discretion of PERA. This RFP shall not be modified except by written amendment.

### **B. WRITTEN QUESTIONS**

PERA will accept and respond to written questions about this RFP and the procurement process within the period described in the Procurement Schedule.

Written questions shall be submitted to PERA as follows:

**VIA EMAIL:** [PERA-RFP-Consultant@state.nm.us](mailto:PERA-RFP-Consultant@state.nm.us)

PERA will only respond to written questions submitted to the email address set forth above by Offerors that submit the Acknowledgment of Minimum Qualifications Compliance (Appendix A)

to PERA by the deadline set forth in the Procurement Schedule. Potential Offerors shall clearly identify the subject matter of questions by referring to the appropriate section, paragraph, and page of the RFP. PERA is not obligated to answer inappropriately labeled questions.

No written response to the questions shall be construed as a modification of the RFP unless PERA amends the RFP in accordance with New Mexico PERA's Investment-Related Services Procurement Policy.

PERA will post written questions and responses as soon as reasonably practicable on its website at: <http://www.nmpera.org/investments/rfps>

#### **C. COMMUNICATIONS WITH PERA**

PERA will only communicate with Offerors by means of written questions and answers, as explained above. After the deadline for submitting written questions passes, PERA will no longer communicate with Offerors about the substance or process of this procurement.

#### **D. QUALIFICATIONS FOR AWARD**

In order to qualify for consideration, an Offeror must demonstrate that it meets all of the requirements of this RFP including, without limitation, formal acknowledgement that the Offeror meets all of the MQs set forth in Part III, above. PERA will only consider proposals submitted by Offerors that meet the MQs. All formal acknowledgements and proposals shall become the property of PERA.

#### **E. PROCUREMENT SCHEDULE**

A proposal may be withdrawn or modified prior to the time and date of the submittal deadline described in the Procurement Schedule. Proposals withdrawn after the submittal deadline may not be reconsidered. PERA may refuse to consider any proposal submitted or modified after the deadline for submittal. Offerors shall bear in mind that PERA will consider solicitations submitted or modified after the submittal deadline only under very limited circumstances.

The following schedule governs procurement under this RFP. In the event of any discrepancy between the dates in the Procurement Schedule and dates listed in other parts of the RFP, those referenced in the Procurement Schedule shall prevail. Please note that the exact dates for items No. 6-9, and the dates for negotiations, if any, shall be set at PERA's discretion without the need to amend the RFP.

Procurement Schedule		
Action	Responsibility	Date/Time
1. Release of RFP	PERA	September 27, 2019
2. Return Acknowledgement of Compliance with Minimum Qualifications	OFFEROR	October 4, 2019 5PM MT
3. Deadline for Submission of Written Questions	OFFEROR	October 11, 2019 5PM MT
4. Response to Written Questions	PERA	October 16, 2019 5PM MT
5. Deadline for Submission of Proposals	OFFEROR	October 23, 2019 5PM MT
6. Evaluation of Proposals, Oral Presentations of Finalists	PERA	TBD
7. Due Diligence	PERA	TBD
8. Contract Award	PERA	TBD
9. New Contract Proposed Effective Date	PERA	TBD

## PART V. SUBMISSION REQUIREMENTS

### A. METHOD FOR SUBMISSION OF PROPOSALS

All submissions and other communications shall be addressed to PERA as follows:

**VIA EMAIL:** [PERA-RFP-Consultant@state.nm.us](mailto:PERA-RFP-Consultant@state.nm.us)

Submissions will be accepted in electronic format only via email. **No hard copy submissions or facsimile transmissions shall be accepted.**

Proposals must be submitted and received by the submission deadline set forth in the Procurement Schedule in Part IV above.

### B. FORMAT AND CONTENT OF PROPOSALS

Proposals submitted in response to this RFP must be organized and submitted in the format described below, using the forms attached in the appendices to the RFP and following the applicable instructions. Only finalists will be required to submit signed hard copy proposals. Within each section of the proposal, Offeror should address the items in the RFP in the order in which they appear in the RFP. Please make sure that you include headings and page numbers in all deliverables. Proposals should stress completeness, clarity, and succinctness.

**ANY PROPOSAL THAT DOES NOT STRICTLY ADHERE TO THE FOLLOWING FORMAT, AND DOES NOT ADDRESS EACH SPECIFICATION AND REQUIREMENT WITHIN THE RFP AND THE APPLICABLE FORMS MAY BE DEEMED NON-RESPONSIVE.**

1. Each proposal shall contain a cover sheet that clearly identifies the proposed offering.
2. Each proposal shall contain an index or table of contents near the front of the proposal, listing the materials included in the proposal. Please, make sure that you including headings and page numbers in all deliverables.
3. Offerors shall complete, sign and attach to the proposal a completed and signed Signature Page (Appendix B). By signing the Signature Page contained in Appendix B, the Offeror agrees to accept and comply with all the terms and conditions of the RFP.
4. Any proposals not bearing the appropriate signatures on the Signature Page contained in Appendix B, referenced above, will not meet the minimum qualification requirements of the RFP and will not be considered further in the evaluation process.
5. The Offeror may attach such other supplementary material as it sees fit to explain its proposal and any additional contractual terms and conditions that the Offeror may suggest.
6. All proposals submitted will be considered public records. The Offeror may request in writing the nondisclosure of confidential information contained in the proposal. Such data shall be clearly marked and identified as “confidential”. If the submission contains material that the Offeror considers confidential, the Offeror shall provide a separate redacted version of the proposal in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After contract award, each proposal, except those portions for which the Offeror has made a valid written request for confidentiality, shall be open to public inspection. PERA reserves the right to review the appropriateness and validity of a request for confidentiality.

## **PART VI. EVALUATION OF PROPOSALS**

PERA shall award one contract under this RFP for the Scope of Work described in Part II, above. The contract award shall be made to the responsible Offeror whose proposal is deemed most advantageous to PERA.

The evaluation of proposals will be conducted by an evaluation committee appointed by the Board chair.

Proposals that are non-responsive due to failure to meet the Minimum Qualifications (See Part III), or otherwise, shall be eliminated from further consideration. PERA will notify all Offerors of its decision at the time award is made. Also, at its sole discretion, PERA may at any time during the evaluation process eliminate from further consideration proposals whose performance does not rank favorably relative to others responding to the RFP.

As part of the evaluation process, PERA may, in its sole discretion, invite selected Offerors to appear for interviews, discussions, or negotiations. It should be clearly understood, however, that PERA reserves the right to accept proposals and make contract awards without conducting interviews, discussions or negotiations. Furthermore, as a condition of submitting a proposal, all Offerors shall agree to provide the services required by this RFP and to adhere to all the requirements, specifications, terms, and conditions of this RFP. For these reasons, PERA strongly recommends that Offerors review the RFP with their legal counsel in advance of submitting a proposal. (*See also* Part V, Submission Requirements, and the Signature Page located in Appendix B.)

If PERA elects to conduct interviews, discussions or negotiations with Offerors, PERA may establish a common date for submissions of best and final fee offers, if appropriate. Offerors shall bear any and all costs incurred by them in the conduct of any discussions or negotiations, including travel to Santa Fe/Albuquerque for oral presentations or their costs associated with due diligence visits made by members of the PERA staff. Any additional terms and conditions which may be the subject of interview, discussion or negotiation will be discussed only between PERA and the Offeror who suggests them and shall not be deemed an opportunity to amend the Offeror's proposal in any other respect.

The evaluation committee shall provide a recommendation to the PERA Board of the Offeror to be awarded the contract. The final contract award shall be made by the PERA Board. PERA is not obligated to award any contract or fund any mandate described in this RFP.

PERA Staff shall create a record, showing the basis for its recommendation to the PERA Board, and shall prepare a written report and its recommendation to the PERA Board of the successful Offeror.

<b>Evaluation Factors</b>
Organization and background
Investment Consultant Philosophy
Experience providing investment consultant services
Size of Team – Research team/capabilities
Technology – custom reporting capabilities
Ability to provide customized solutions based on specific portfolio needs
Proposed Fees

The procedure for protesting award of a contract under this RFP is set forth in Part VIII.

## **PART VII. SAMPLE PROFESSIONAL SERVICES AGREEMENT**

The contract between PERA and the successful Offeror shall contain substantially the same terms and conditions as in the Sample Professional Services Agreement attached to this RFP at Appendix E. The contract shall include a Management Fee Agreement that provides for compensation based on the fee proposed by the Offeror on the Fee Proposal Form attached as Appendix D and as may be negotiated by the parties.

Copies of PERA's current Investment Policy, Investment Statutes, and Investment Policies and Practices Rule (PERA Rule No. 2.80.300 NMAC) (*see* Appendix F), shall be attached to the contract. While Offerors may suggest additional contractual terms and conditions, PERA will not accept any terms and conditions that materially change the terms and conditions set forth by PERA in the sample contract attached hereto at Appendix E. Any additional terms and conditions that PERA may, at PERA's sole discretion, accept will be incorporated into any final contract. Offerors should be aware that PERA will not accept material changes to the provisions that address placement agent fees, campaign contributions and gifts, indemnification or jurisdiction in the Form of Professional Services Agreement (*see* Appendix E).

Pursuant to the terms of PERA's Investment Policy, the contract between PERA and a successful Offeror for the investment management services as described in this RFP shall incorporate Investment and Operational Guidelines that set the investment guidelines and administrative requirements for the services provided by the Offeror.

## **PART VIII. PROTEST PROCEDURE**

1. PERA's procurement of investment-related services is exempt from the New Mexico Procurement Code (NMSA 1978, Sections 13-1-1 et seq.) and offerors have no access to the protest procedures set out in the New Mexico Procurement Code (NMSA 1978, Sections 13-1-172 through 176) or related portions of the New Mexico Administrative Code involving investment-related services procurement. As a trust fund, PERA has no authority to award money damages, costs or attorneys' fees. In the interest of providing a fair, open and competitive procurement process for investment-related services, the following protest procedure is provided.
2. An offeror who is not awarded an investment-related services contract may file a Notice of Protest with PERA.
3. A Notice of Protest must be in writing and received or post-marked within ten (10) calendar days of the award by the Board that gives rise to the protest.
4. A Notice of Protest shall state the full factual basis for the protest.
5. A Notice of Protest shall be sent or delivered to: PERA Office of General Counsel (Attention: Award of Contract Protest), P.O. Box 21231 33 Plaza La Prensa, Santa Fe, New Mexico 87504.
6. The filing and receipt of a Notice of Protest shall not stop or delay the execution of an investment-related services contract between PERA and the successful offeror.
7. The PERA General Counsel or his or her designee shall conduct an interview with the protestor, either in person or telephonically and may, in his or her sole discretion, conduct interviews with others who have or may have information relating to the award and/or the protest.
8. The PERA General Counsel shall promptly issue a written recommendation to the Board. The written recommendation shall state whether or not the General Counsel recommends that the contract whose award gave rise to the protest process should be terminated, and whether or not the General Counsel recommends an alternative contract award to the protester or whether the RFI or RFP should be cancelled and competitively rebid. The written recommendation shall state the full factual basis for the recommendation.
9. The PERA Office of General Counsel shall mail the written recommendation to the protestor and shall provide written notice of the scheduled Board vote on the recommendation.
10. The Board shall vote on the recommendation at its first normally scheduled meeting following the issuance of the written recommendation.
11. The Office of General Counsel shall notify the protestor, in writing, of the Board vote.



**APPENDIX A**

**ACKNOWLEDGMENT AND CERTIFICATION OF  
COMPLIANCE WITH MINIMUM QUALIFICATIONS**

**INSTRUCTIONS FOR SUBMISSION:**

COMPLETE, SIGN AND SUBMIT AN ELECTRONIC COPY OF THIS FORM AS FOLLOWS:

**VIA EMAIL: [PERA-RFP-Consultant@state.nm.us](mailto:PERA-RFP-Consultant@state.nm.us)**

**NO LATER THAN OCTOBER 4, 2019 AT 5:00 PM MT**

ONLY POTENTIAL OFFERORS WHO MEET THE MINIMUM QUALIFICATIONS SET FORTH IN PART III OF THIS REQUEST FOR PROPOSALS AND RETURN THIS FORM BY THE ABOVE DEADLINE ARE ENTITLED TO RECEIVE COPIES OF PERA'S WRITTEN RESPONSES TO OFFERORS' WRITTEN QUESTIONS.

**ACKNOWLEDGMENT AND CERTIFICATION OF  
COMPLIANCE WITH MINIMUM QUALIFICATIONS**

THE OFFEROR HEREBY ACKNOWLEDGES AND CERTIFIES THAT:

- It has received, reviewed in its entirety, and understands the text and appendices attached to Request for Proposals No. NM INV-003-FY20 for General Investment Consultant services, which begins with a cover page and ends with the last page of Appendix F, the PERA Investment Policy, Investment Statutes, and Investment Policies and Practices Rule.
- It meets all of the minimum qualifications set forth in Part III of the RFP above as of the date of submission of the RFP response.

RFP #: \_\_\_\_\_ TYPE: \_\_\_\_\_

FIRM: \_\_\_\_\_

REPRESENTED BY (CONTACT PERSON): \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_

SPECIFIC PRODUCT NAME: \_\_\_\_\_

**This page has been signed by an authorized signatory with the authority to certify that the Offeror meets the above-stated minimum qualifications.**

SIGNED BY: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX B**

**RFP RESPONSE SIGNATURE PAGE**

INSTRUCTIONS FOR SUBMISSION:

RETURN AN ELECTRONIC COPY OF THIS FORM TOGETHER WITH THE COMPLETE  
PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) AS  
FOLLOWS:

VIA EMAIL: [PERA-RFP-Consultant@state.nm.us](mailto:PERA-RFP-Consultant@state.nm.us)

SUBMISSION DEADLINE: October 23, 2019 AT 5 P.M. MT

**RFP RESPONSE SIGNATURE PAGE**

By signing below Offeror acknowledges and affirms the following:

- Receipt of a complete copy of the RFP for General Investment consultant services, beginning with the cover page and ending with Appendix F: INVESTMENT POLICY, INVESTMENT STATUTES, AND INVESTMENT POLICIES AND PRACTICES RULE.
- The Offeror hereby certifies that it meets all of the minimum qualifications set forth in Part III of the RFP and incorporated in Appendix A, Acknowledgment and Certification of Compliance with Minimum Qualifications.
- The Offeror has answered all questions in Appendix C, Company Questionnaire, accurately and completely and submitted all attachments requested in the RFP.
- The Offeror has completed and provided a fee proposal that conforms to the guidelines set forth in Appendix D, Fee Proposal Form.
- Any contract for General Investment Consultant services described in this RFP must incorporate terms and provisions that are materially similar to those included in the Form of Professional Services Agreement attached to this RFP as Appendix E.

OFFEROR NAME: \_\_\_\_\_

SPECIFIC PRODUCT NAME: \_\_\_\_\_

\_\_\_\_\_

STREET ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL ADDRESS: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

FEIN: \_\_\_\_\_ CONTACT PERSON: \_\_\_\_\_

This page has been signed by a signatory with the authority to bind the Offeror. By signing this Signature Page, Offeror represents that the undersigned representative has the authority to bind the Offeror, and by submitting a proposal in response to this RFP, Offeror agrees to perform the services proposed in accordance with the RFP and to adhere to all requirements, specifications, terms and conditions of the RFP. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.

**SIGNED BY:** \_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## APPENDIX C QUESTIONNAIRE

### RFP CONTACT INFORMATION

Name:	
Title:	
Address:	
Email address:	
Phone Number:	
Fax Number:	
Firm's Internet (www) Address:	

### ORGANIZATIONAL OVERVIEW

1. Please provide a summary of your firm. Include the location of your firm's offices, the year formed, number of employees, and ownership structure. If a minority interest is held by another firm, provide detail around that arrangement and percentage owned. Provide the contact information for the primary investment consultants who would service our account.

#### **Primary Investment Consultant**

Name:	
Title:	
Address:	
Email address:	
Phone Number:	
Fax Number:	

2. Provide a brief description of your client base by client type, including total assets under advisement, total assets under management, and number of clients for each.
3. Provide the names, fund sizes and lengths of engagement for the client base using your services for (a) performance measurement consulting, (b) liquid manager searches (c) asset allocation consulting or related applications.
4. Provide a list of clients lost or gained during the past five years. List size of the fund and the reason for ending the relationship(s).
5. What involvement or client experience do you have within the landscape of public pensions?
6. Does your firm provide 3(21) fiduciary services?

7. Describe your firm's core mission, vision and values.
8. Do you anticipate any near-term changes in your organization, or any other significant changes, such as personnel or structure changes? If so, please explain.
9. Please discuss the compensation structure for your firm's professional staff, including any incentive bonuses and how they are awarded. Please be specific without necessarily disclosing dollar amounts. How does the firm tie client performance and satisfaction to a consultant's compensation?
10. Provide a list of senior personnel that have left the firm over the last five years. Discuss, especially from the client perspective, the procedures for managing a loss of a senior professional from your firm.
11. Does your firm have a Code of Ethics or similar document? If yes, please provide such document. Provide evidence that consultants have received the Code and attest to adherence.
12. Please provide an explanation of the structure of your firm. Provide biographies of key individuals, including other professionals in your firm who would be handling our account. Include information regarding education, employment history, and number of years with the firm and in their current position.

TEAM MEMBER	TITLE	YEAR ENTERED CURRENT FIRM	YEAR ENTERED INVESTMENT INDUSTRY	EDUCATION

13. Please describe the financial condition of your firm, parent, and/or affiliate. Within the past five years, have there been any changes in ownership or restructuring? If anticipated, describe any future, significant changes in your firm.

14. Is your firm a registered investment advisor under the Investment Advisors Act of 1940? (If so, please provide latest Form ADV). Can your firm provide fiduciary services to its clients?
15. Within the past three years, has your organization or an officer or principal been involved with any business litigation or other legal proceedings relating to your consulting activities? Please provide details with respect to the status or disposition.
16. Do you have any policies or procedures to address conflicts of interest or to prevent payments or relationships from being considered when you provide advice to clients?
17. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker dealers?
18. Provide the coverage amount and name of carrier for: fiduciary liability insurance, errors & omission insurance and any other applicable insurance.
19. How do you determine and monitor the quality and consistency of the service your professionals are providing?
20. What is the single most important distinctive competitive advantage your firm provides that benefits our organization?

## INVESTMENT CONSULTING SERVICES

1. Please describe your firm's investment philosophy.
2. Describe the process you will use to help the Board do the following:
  - a. Establish and maintain appropriate investment policy objectives
  - b. Develop target asset allocations
  - c. Draft and implement an investment policy (Please provide a sample of a typical Investment Policy that you would recommend.)
  - d. Monitor and review the risk budget
3. Describe your approach to risk management at both the Total Fund and asset class level. What type of risk management tools/software does your firm utilize?
4. Describe your firm's view on risk budgeting. Have you created a risk budget model that is utilized by your clients?

5. Can your firm use any ex-ante risk models to calculate contributions to risk across multiple dimensions? If so, please describe.
6. Are the systems and tools available for clients to access?
7. What is your commitment to internal research into the construction and assumptions used in your asset allocation model(s)? What kind of supporting detail and analysis do you provide to support your assumptions? How often are your assumptions updated? What third party research is used to assist your internally driven process?
8. Please discuss your proprietary asset return/risk correlation models and general methodology on constructing these models including all capital market expectation and portfolio optimization techniques utilized.
9. What strategy or evaluation process does your firm employ to measure the risk tolerance of your client fiduciaries?
10. What time frame does your asset allocation model use?
11. How do you formally integrate risk within the asset allocation process? Please be specific within both asset class and full portfolio levels.
12. Does your firm incorporate a proprietary liquidity model when assisting plans on constructing proper liquidity stress testing? If so, please discuss the specific characteristics.
13. Describe your firm's experience with Total Fund Overlays, include implementation and monitoring.
14. Describe your firm's views on asset / risk allocations and the use of active versus passive asset management as they pertain to public pension funds.
15. Describe the firm's approach to utilizing illiquid investments, specifically hedge funds and private asset investments, in the asset allocation process.
16. How do you model illiquid investment strategies and structures (e.g., private equity, hedge funds) in the asset allocation process?
17. Describe the firm's view and experience with liability-driven investment (LDI) strategies for public pension plans. How does your firm utilize LDI in client portfolios?
18. How would the firm model the LDI strategy within a strategic asset allocation and risk budget?
19. What tools do you have available to analyze and evaluate LDI strategies?



20. What underlying strategies would you consider for an LDI program?
21. Describe the firm's view and experience with portable alpha? How do you model these strategies to give clients a holistic view of Total Fund expected return and risk?
22. Describe the firm's capabilities and approach regarding ESG and SRI investment strategies.

## RESEARCH / DATABASE / MANAGER SEARCH

1. Provide a general description of your research department. If no separate department exists, describe how this function is performed.
2. Describe your investment manager database. Provide a detailed description of your firm's investment manager evaluation process. How many investment managers do you actively track?

Asset Class	Current Number of Investment Products
U.S. Equity	
Non-U.S. Equity	
U.S. Fixed Income	
Global Equity	
Global Fixed Income	
Listed Real Assets	
MLP's	
Infrastructure	
REITS	
Mutual Funds	
Hedge Funds, Absolute Return & Hedge Fund of Funds*	
Private Equity (Direct Partnerships)*	
Private Real Estate (Direct Partnerships)*	
Private Real Assets (Direct Partnerships)*	
<b>TOTAL</b>	

3. Describe the process you will use to identify and select appropriate managers for our portfolio.
4. Describe your ongoing manager monitoring process and criteria.
5. Describe the circumstances under which you would terminate or replace an investment manager.

6. Describe how your firm works with clients in the hiring, monitoring and termination of an investment manager. How often are significant developments with managers under contract or discussion communicated to clients?
7. If hired, will your firm utilize proprietary investment vehicles and funds or will it utilize non-proprietary funds?
8. Can your firm accommodate existing managers or investments that our organization wishes to keep in place?

## PERFORMANCE MEASUREMENT

1. Describe your firm's philosophy and approach regarding the use of benchmarks. How do you determine the appropriate benchmark?
2. Describe the performance measurement software your firm uses. Is this software proprietary, or does your firm utilize the software of an outside vendor? If your firm uses non-proprietary software, do you have the ability to influence changes to the software to meet the demands of the marketplace? Do you have alternative resources if the database is no longer available to you?
3. How soon after the month and quarter-end are your reports typically available? Are there other regular performance reports that are made available to clients?
4. Please provide a sample of a comprehensive client quarterly performance reports and risk reports.
5. How much flexibility is there in your reporting format? Can reports be customized at our request? Are there charges for such changes? Within what time can requested changes in reporting be made i.e. at the beginning of the relationship only or any time changes are needed?
6. Please describe your ability to provide attribution analysis. Specifically discuss how your firm uses returns based attribution to assist in decomposing the drivers of active return across the following dimensions. Please also provide reporting samples:
  - a. Asset Allocation Misfit
  - b. Illiquidity
  - c. Structure
  - d. Manager Alpha
7. Do you have the capabilities to customize attribution analysis to align with PERA's preferred investment risk framework?

## MISCELLANEOUS

1. Do you provide assistance with the client's audit process? If so, how involved will you get with the client's auditors?
2. Describe the process by which a new client would transition to your services.
3. Provide a representative client list.
4. What services does your firm offer to provide education for Board members?
5. Please provide a list of custodial banks with which you currently work.
6. How often do you typically meet with your clients?

## REFERENCES

Please provide three references, including contact name, address, telephone number and email address.

**APPENDIX D**  
**FEE PROPOSAL FORM**

**OFFEROR'S NAME:** \_\_\_\_\_

**DESCRIPTION OF SERVICES OFFERED:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**PROPOSED ANNUAL COMPENSATION FOR SERVICES DESCRIBED ABOVE:**

Offeror proposes to charge PERA for the consultant services described above an annual fee in accordance with the following schedule:

From: July 1, 2020, through June 30, 2028: \$ \_\_\_\_\_ per annum

**Applicable Contract Terms:**

PERA shall pay no additional fees for services rendered by Contractor under this Agreement. One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which consultant services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

Payment of Taxes

Contractor shall be responsible for paying any and all taxes, including New Mexico gross receipts taxes, assessed on the compensation received under this Agreement and shall identify and pay those taxes under Contractor's federal and state identification number(s).

Waiver of Late Payment Charges

Contractor waives assessment of any late payment charges.

**Contract No. XXXXXXXXXXXX**

**Term: XXX, through XXX**

## **APPENDIX E**

### **STATE OF NEW MEXICO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO**

**[Board Strategic Investment Consultant]**

#### **PROFESSIONAL SERVICES AGREEMENT**

This Agreement ("Agreement") is made and entered into by and between the Public Employees' Retirement Association of New Mexico ("PERA"), and [name] ("Contractor"). PERA and Contractor are referred to herein singularly as a "Party" and collectively as the "Parties."

The Parties agree as follows:

#### **1. SCOPE OF SERVICES**

Contractor shall perform full retainer investment consulting services to the PERA Board ("Board"), Investment Committee and staff regarding advice and recommendations regarding strategic objectives, risk budget, and oversight and implementation of principal investment objectives. Such services shall include manager searches, sourcing, due diligence, monitoring, customized reporting, pacing studies, strategic asset allocation and asset/liability studies and shall include the following:

##### **A. Total Fund Policy and Asset Allocation Review**

1. Assist the Board of Trustees with the development of PERA's Strategic Asset Allocation.
2. Assist the Board of Trustees with the development of PERA's risk budget framework, including Active Risk Budget and Active Return Target.
3. Assist the Board of Trustees with the evaluation and adoption of PERA's Policy Index and Reference Portfolio.
4. Assist the Board of Trustees and Staff with asset liability oversight, including studies, analytics, and liability driven investment initiatives.
5. Assist the Board of Trustees and Staff with the development of investment goals, policies, guidelines and procedures.
6. Coordinate with the illiquid selection consultants to form an assessment and perspective regarding benchmarks used for the various asset classes, and to establish capital market assumptions for the opportunity set used in the asset allocation modeling process.
7. Provide research and analysis across all liquid asset classes and investment strategies.
8. Provide access to analytical software and tools, including asset allocation, attribution and scenario analysis.

##### **B. Liquid Investment Manager Search/Selection**

1. Assist Staff with investment manager selection, portfolio structure, manager guidelines, and benchmark selection in accordance with the 5-Stage Liquid Manager Selection Process.
2. Assist Staff with the development and implementation of risk management strategies.
3. Assist Staff with the assessment and implementation of tactical asset allocation and Total Fund overlay solutions.
4. Provide proposals concerning the process for manager research, selection, and subsequent investment and operational due diligence.
5. Provide on-going monitoring, reporting and analysis for existing managers' portfolio attributes and characteristics.
6. Monitor and review fees on a quarterly and on an as needed basis.
7. Provide due diligence and recommendations regarding securities lending program.

#### **C. Performance Reporting and Monitoring**

1. Provide and present the Board of Trustees with ongoing monitoring of Strategic compliance and attribution reporting.
2. Provide monthly and quarterly performance reporting, including:
  - a. Total Fund results relative to Reference Portfolio, Policy Portfolio and dynamic selection benchmarks.
  - b. Asset class and manager-level results relative to Policy indexes and appropriate selection benchmarks.
3. Provide monthly and quarterly risk reporting, including ex-post risk analytics at the Total Fund and asset class levels.
4. Conduct monthly asset value and performance reconciliations between managers and PERA's custodian, currently BNY Mellon.
5. Respond to questions from the external auditor and actuaries as necessary.
6. Assist in the collection and preparation of information required to complete PERA's Comprehensive Annual Financial Reporting (CAFR).
7. Assist in the collection and preparation of information required to complete quarterly and annual industry specific surveys.
8. Assist in the collection and preparation of information required to report to legislative entities.

#### **D. Consultant Relations**

1. Attend regular monthly Board meetings (Last Thursday).
2. Attend regular quarterly Investment Committee Meetings.
3. Participate in regular monthly Portfolio, Risk, Implementation and Strategy Meeting ("PRISM") with Staff.
4. Provide research, detailed market analysis and trends, and advice on specific investment topics, as requested.
5. Provide investment education and training on a periodic basis.
6. Provide assistance on special projects, as needed.
7. Provide recommendations concerning custodial arrangements and/or enhancement, specifically related to the custodial services of liquid investment managers.

8. Share all firm research, including white papers, and provide access to the firm's research staff.
9. Report any significant changes in the firm's organizational structure and staffing in a timely manner.
10. Make no changes in the assigned consultant team without PERA's express approval.

#### **E. Other Services:**

1. Asset/Liability Modeling Studies. There shall be no additional charge for asset allocation modeling, including, but not limited to, the application of risk/return/correlation modeling such as the efficient frontier (Mean Variance Optimization).

2. Custodial Bank Search, Evaluation and Selection: At PERA's sole discretion, the Contractor may be periodically tasked with assisting PERA in an evaluation and search of custody banks. The Contractor may be asked to assist PERA in determining service levels sought, the creation of a RFP, recommended selection criteria, evaluation of responses and recommending contract terms.

3. Staff and Board participation in Contractor's annual client conference is included.

4. Access to Contractor's website.

**F. Contractor's Representative.** The Contractor's primary representative and team for this relationship shall be:\_\_\_\_\_. The primary representative shall attend all scheduled PERA Investment Committee meetings and PERA Board monthly meetings; and all monthly PRISM meetings. In addition, Contractor's representative will attend the annual Board retreat, which is generally held at a location in New Mexico outside of Santa Fe. Replacement of any personnel primarily responsible as Contractor's representative shall be made with personnel of equal ability, experience and qualifications. PERA may reject any such personnel so identified, if in its reasonable determination, the stated abilities, experience and qualifications of such personnel are not satisfactory to PERA..

## **2. COMPENSATION**

### **A. Contractor's Fee**

Subject to the provisions of Paragraphs 3 (Term of Agreement) and 4 (Termination) of this Agreement, PERA shall pay Contractor for its management services an annual fee in accordance with the following schedule:

[INSERT SCHEDULE]

PERA shall pay not additional fees for services rendered by Contractor under this Agreement. One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

**B. Payment of Taxes**

Contractor is responsible for determining whether it is required to register with the Taxation & Revenue Department of the State of New Mexico for payment gross receipt and compensating taxes, and whether it is entitled to an exemption from payment of those taxes for the services rendered under this Agreement. Contractor shall pay all state and federal taxes properly assessed on the compensation received under this Agreement and shall identify and pay those taxes under the Contractor's federal and state identification number(s).

**C. Wavier of Late Fees**

Contractor waives assessment of any late payment charges.

### **3. TERM OF AGREEMENT**

The initial term of this Agreement shall be for eight (8) years and shall commence when executed by the Parties and terminate on [DATE]. Notwithstanding the foregoing or any other provision of this Agreement, at any time during the term of this Agreement, this Agreement is subject to early termination or termination for lack of appropriations in accordance with Paragraph 4(A) or Paragraph 4(B), below.

### **4. TERMINATION**

**A. Early Termination.**

Notwithstanding any other provision of this Agreement, this Agreement may be terminated as follows: by PERA delivering to Contractor a notice of the intent to terminate at least thirty (30) days prior to the intended date of termination and by Contractor delivering to PERA a notice of the intent to terminate at least ninety (90) days prior to the intended date of termination. In the event the termination date does not coincide with the last day of a calendar quarter, Contractor shall be entitled to a prorated portion of the fee for the calendar quarter during which termination occurs. By such termination, neither PERA nor Contractor may nullify obligations, if any, already incurred for performance or failure to perform prior to the date of termination. Termination under this Paragraph 4(A) may be made with or without cause. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED EITHER PARTY IN SUCH CIRCUMSTANCES AS DEFAULT OR BREACH OF CONTRACT BY THE OTHER PARTY.

**B. Termination for Lack of Appropriations.**

The terms of this Agreement are contingent upon sufficient authorizations and appropriations being or having been made by the New Mexico Legislature for the performance of this Agreement. If sufficient authorizations and appropriations are not or have not been made by the New Mexico Legislature, or are discontinued by the New Mexico Legislature, this Agreement shall terminate upon written notice being given by PERA to Contractor. PERA's decision as to whether sufficient authorizations or appropriations are or have been made, or are or have been discontinued, shall be accepted by Contractor and shall be final.



## **5. CONTRACTOR'S ACKNOWLEDGEMENTS, WARRANTIES, AND REPRESENTATIONS**

Contractor acknowledges, warrants, and represents to PERA that the following statements are true as of the effective date of this Agreement and agrees that the same are incorporated and made part of this Agreement:

- A. Contractor is registered as an investment advisor under the Investment Advisers Act of 1940 (the "Advisor's Act") and that it shall maintain such registration at all times during the term of this Agreement;
- B. Each of the Contractor's agents and employees required under the Advisers Act to be registered as an "Investment Adviser Representative" is registered as such, and to the extent such registration is required, it will maintain such registration throughout the term of this Agreement;
- C. Contractor meets or will meet before the award of this Agreement the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under this Agreement (unless exempt, and explanation of exemption is attached);
- D. Contractor has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by this Agreement;
- E. Contractor serves as a fiduciary to PERA with respect to its obligations under this Agreement as that term is defined by the laws and rules governing the Board.
- F. Contractor warrants that it will not delegate its fiduciary responsibilities assumed pursuant to this Agreement;
- G. Contractor is not under contract with PERA to provide active management services for any portfolio. Contractor is disqualified from executing a contract for servicing as an active manager of any PERA portfolio.
- H. Contractor does not directly or indirectly own any investment managers, investment brokers or investment banking services or directly or indirectly manage any pooled asset;
- I. Contractor will annually report to PERA any revenues, income, fee beaks, soft dollars, expenses or other items of significant monetary value received by the Contractor or any of its affiliates from investment managers, general partners, brokerage firms, investment banks or financial services businesses, in all cases, for the purpose of recommending Funds to PERA for investment; and,
- J. Contractor warrants that it has positive net worth as of the effective date of this Agreement and shall maintain a positive net worth for the entire term of this Agreement, including any and all extensions of this Agreement.

## **6. STANDARDS OF PERFORMANCE**

A. All services performed by Contractor under this Agreement must conform to all state and federal laws and regulations, including but not limited to NMSA 1978, Section 10-11-1 to 10-11-142, NMSA 1978, Sections 10-11A-1 to 10-11A-7, NMSA 1978, Sections 10-12B-1 to 10-12B-19, and NMSA 1978, Section 10-12C-1 to 10-12C-18, as such acts may be amended from time to time and appreciable PERA regulations. All services performed by Contractor under this Agreement must also comply with acceptable industry standards and practices. Contractor shall acquire and hold during the term of this Agreement, including any renewals, all licenses and permits required of the Contractor to perform the services called for in this Agreement.

B. Contractor holds itself out as an expert in investment consulting for large public pension plan trust funds. The Contractor shall discharge its duties hereunder, in the best interests and for the exclusive benefit of PERA with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, and in accordance with the provisions of this Agreement and applicable laws. Contractor further acknowledges that it is a fiduciary to PERA and at all times act in a fiduciary capacity to PERA. Contractor is under a duty to exercise a skill greater than that of an ordinary person and the manner in which investment advice is handled will be evaluated in light of Contractor's superior skill.

C. The Contractor shall, in providing investment advisory services to PERA, act at all times in the best interests of PERA, including collaborating with any other PERA consultant for investment services, including consultants acting as specialists in alternative investments, including, but not limited to: private equity, real estate, real return assets adjusted for inflation, hedge funds and distressed debt. The Contractor shall avoid any conflicts of interest in this regard. The Contractor has the responsibility to advise PERA and the PERA Board if it disagrees with any recommendations made by other investment consultants under contract with PERA. If there are any conflicts or disagreements between the Contractor and another investment consultant of PERA regarding asset allocation policies, return and risk findings, manager performance, the PERA Board may ask the parties involved in the dispute to submit their respective opinions, recommendations and conclusions to the PERA Board for deliberation and resolution. Notwithstanding any provisions contained in this Agreement between the Contractor and PERA to the contrary, the final decision of PERA shall prevail.

D. During the performance of all services by Contractor, PERA will retain all final decision-making authority with respect to the management and administration of the retirement plan(s) funded thereby and investments related thereto, subject to Contractor's obligations as provided for in this Agreement. Contractor does not have the authority to bind the State of New Mexico or PERA to any obligation.

## **7. INDEMNIFICATION**

A. In addition to Contractor's liability as provided for in this Agreement, Contractor shall indemnify, defend, and hold harmless PERA, the PERA Board, and their officers and employees from and against any and all claims, demands, liability, suits, causes of action, losses, damages, fines, fees, attorney fees, penalties, costs, expenses, injuries to property, judgments (including defense costs and attorney fees) that occur or arise out of or in connection with: (1) Contractor's material failure to perform under any provision of this Agreement; (2) Contractor's material breach of any term, condition, warranty or representation contained in this Agreement; (3) Contractor's provision of services that are not in accordance with any applicable law, rule, regulation, or provision of this Agreement; (4) Contractor's failure to perform in accordance with the standard of care contained in Section 6 of this Agreement; or (5) any fraud, embezzlement, theft or negligence

of Contractor. It is understood, however, that Contractor's obligations under this Paragraph do not extend to liabilities resulting from causes beyond the control and without the fault or negligence of Contractor, including acts of God, war or civil commotion, fire, earthquake, or other natural disaster, and unforeseeable acts of any federal, state, or local government or agency thereof. Contractor's obligations to indemnify PERA under this Paragraph shall continue until the expiration or termination of this Agreement, or any extension thereof, or until such time as Contractor's duties under this Agreement are satisfied, whichever is later.

B. In the event that any action, suit or proceeding related to the services performed by Contractor under this Agreement Contractor shall, to the extent legally permissible, as soon as reasonably practicable after it receives notice thereof, notify PERA.

## **8. STATUS OF CONTRACTOR**

Contractor and its agents and employees are independent contractors performing professional services for the PERA and are not employees of PERA or the State of New Mexico. Contractor and its agents and employees shall not, by virtue of this Agreement, accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of PERA or the State of New Mexico. Contractor acknowledges that all sums received hereunder are reportable by Contractor for income tax purposes as self-employment income or business income.

## **9. ASSIGNMENTS**

Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without prior written approval of PERA.

## **10. SUBCONTRACTING**

Contractor shall not subcontract any portion of the discretionary investment management services to be performed under this Agreement to a non-affiliated third party without prior written approval of PERA. No such subcontracting shall relieve Contractor from its obligations and liabilities under this Agreement.

## **11. RECORDS AND AUDIT**

Contractor shall maintain such detailed records as may be necessary to demonstrate its performance of the duties required by this Agreement, including the date, time and nature of services rendered. Contractor shall maintain such time records for a period of three (3) years from the date of the final payment under this Agreement. Such records also shall be subject to inspection by PERA, the New Mexico Department of Finance and Administration, and the State Auditor. PERA, the New Mexico Department of Finance and Administration, and the State Auditor shall have the right to audit billings both before and after payment; payment under this Agreement shall not foreclose the right of PERA to recover excessive or illegal payments.

## **12. RELEASE**

Contractor's acceptance of payment of the final amount due under this Agreement shall operate as a release of PERA, the State of New Mexico, and their officers and employees, from all liabilities, claims and obligations whatsoever arising from or under this Agreement, provided that the obligation to pay fees for services rendered prior to the termination of this Agreement, and the confidentiality provisions under Paragraph 13 shall survive the termination of this Agreement.

Contractor agrees not to purport to bind the State of New Mexico or PERA to any obligations not assumed herein by the State of New Mexico or PERA, unless Contractor has express written authority from PERA to do so, and then only within the strict limits of that authority.

### **13. CONFIDENTIALITY**

A. Contractor acknowledges that PERA is a public body organized under and subject to the laws, regulations, and policies of the State of New Mexico, including, without limitation, the New Mexico Public Records Act (Chapter 14, Article 3 NMSA 1978) (the “Public Records Act”), the New Mexico Inspection of Public Records Act (Chapter 14, Article 2 NMSA 1978) (the “Inspection of Public Records Act”) and the New Mexico Open Meetings Act (Chapter 10, Article 15 NMSA 1978) (the “Open Meetings Act”) (together the “Open Government Acts”), each as amended from time to time, which could result in the disclosure of information deemed Confidential Information by Contractor. Contractor shall not make any claim against PERA if it makes available to the public Confidential Information received from Contractor which was required to be made public by PERA pursuant to the Open Government Acts. In the event PERA receives a request to disclose Confidential Information, pursuant to the Open Government Acts and, unless PERA does not intend to disclose information pursuant to such request, PERA, to the fullest extent permitted by law, shall use reasonable efforts to (i) promptly, and in any event prior to making such disclosure, notify Contractor of the request for disclosure so that Contractor may seek a protective order or other remedy to protect the confidentiality of Confidential Information and (ii) provide Contractor a reasonable opportunity to consult with PERA regarding the response to such request.

B. Confidential Information (as defined below) given to or developed by either Party in the performance of this Agreement shall be kept confidential and shall not be made available by such Party to any individual or organization by such Party without the prior written approval of the other Party, except as required by law or as otherwise permitted herein.

C. For the purposes of this Agreement, “Confidential Information” shall mean all written information of any kind, type or nature, together with all documents whether created or maintained by electronic means, which relate to (i) financial information, (ii) any proprietary, intellectual property or trade secret which either Party or any of its Board members, officers, employees or agents identifies as confidential at the time of disclosure and (iii) all investment advice and information furnished with respect to PERA by Contractor.

D. Notwithstanding the provisions of paragraph (B), above:

- (i) Confidential information shall not include, and Contractor waives trade-secret confidentiality for the following:
  - (I) the identity of the Contractor and the Contractor’s principal business address;
  - (II) the terms and provisions of Agreement and any Exhibits, Attachments, or Appendices;
  - (III) the minutes and audio or video recordings of each open portion of a meeting of PERA at which an item described by this paragraph was discussed; and,
  - (IV) the names of PERA’s principal contacts with Contractor the amount of compensation, including fees and expenses, paid by PERA to Contractor under the terms of this Agreement.

- (ii) In addition, Confidential Information shall not include any data or Confidential Information that is:
  - (I) publicly known or becomes publicly known through no unauthorized act of Contractor;
  - (II) rightfully received from a third party without being identified as confidential;
  - (III) disclosed by Contractor or PERA to a third party without restrictions on use or disclosure similar to those contained herein (such disclosure not to include inadvertent disclosure of Confidential Information and reasonable efforts to correct the disclosure); or
  - (IV) approved by Contractor and PERA for disclosure to the public.
- (iii) PERA consents to the disclosure by Contractor of PERA's identity as a client of Contractor, and PERA authorizes the disclosure by Contractor of PERA's Confidential Information to:
  - (I) affiliates of Contractor, or Contractor's or its affiliates' legal, accounting or other professional advisors, in each case, for legal, compliance and business supervisory purposes;
  - (II) affiliates of Contractor and/or third parties, on a confidential basis, solely in order to perform administrative, systems or support services in relation to the performance of the services hereunder with respect to PERA; or
  - (III) any governmental or regulatory agency or other self-regulatory organization which has regulatory or supervisory authority over Contractor or its affiliates.

#### **14. PRODUCT OF SERVICES AND COPYRIGHT**

All materials or products developed or produced by Contractor solely for PERA under the terms of this Agreement (excluding any proprietary information, method or materials independently developed by Contractor) shall become the property of PERA and shall be delivered to PERA no later than the termination date of this Agreement. Nothing produced or developed, in whole or in part, by Contractor specifically under this Agreement shall be the subject of an application for copyright, or any other claim of ownership, by or on behalf of Contractor.

#### **15. CONFLICT OF INTEREST AND ACTING FOR OTHER ACCOUNTS**

Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under this Agreement. With respect to PERA, Contractor shall not engage in transactions with either itself, including any affiliates or parent companies of Contractor, or, to its knowledge, other firms that provide investment management services to PERA except upon prior written approval of PERA. Contractor certifies that the requirements of the Governmental Conduct Act, NMSA 1978, §§ 10-16-1 to 10-16-18, regarding contracting with a public officer or state employee, have been followed, if applicable.

PERA understands that the Contractor renders investment advisory services for clients and customers other than PERA. PERA also understands that the Contractor may give advice

and take action in performing its duties to other clients that may differ from advice or the timing or nature of action with respect to PERA.

## **16. GRATUITIES AND CAMPAIGN CONTRIBUTIONS**

Contractor and its officers and employees are prohibited from soliciting or receiving campaign contributions, for or on behalf of any PERA Board member, or any political candidate in the State of New Mexico, from any investment company or brokerage firm, including its officers and employees, which has engaged in any financial transaction with PERA within the preceding twelve (12) months prior to the solicitation or receipt of the contribution or which reasonably expects within the next twelve (12) months to engage in financial transactions with the PERA. In addition, Contractor shall comply with the prohibitions and restrictions upon making campaign contribution to PERA Board members and candidates for the position of PERA Board member, and giving gratuities to PERA Board members and PERA employees, contained in NMSA 1978, § 10-11-130.1. Contractor shall annually certify to PERA compliance with NMSA 1978, § 10-11-130.1, regarding restrictions on gratuities to PERA Board members and PERA employees. Violation of this Paragraph constitutes a breach by Contractor of its Agreement with PERA.

## **17. AMENDMENT**

This Agreement shall not be altered, changed or amended except by instrument, in writing, executed by the Parties hereto.

## **18. MERGER AND SCOPE OF AGREEMENT**

A. This Agreement incorporates all of the agreements, covenants and understandings between the Parties hereto concerning the professional services described in the RFP and this Agreement. No prior agreement or understanding, oral or otherwise, of the Parties or their agents shall be valid or enforceable unless embodied in this written Agreement or written amendment to this Agreement.

B. Notwithstanding Paragraph 18.A, copies of PERA's Investment Policy, investment statutes (NMSA 1978, Sections 10-11-132 and 133, as they may be amended from time to time) and PERA investment regulation 2.80.300 NMAC, are incorporated and made part of this Agreement.

## **19. APPLICABLE LAW**

This Agreement shall be governed by applicable federal laws and the laws of the State of New Mexico.

## **20. WAIVER**

No waiver of any breach of this Agreement or any terms or conditions hereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid, alleged or binding unless the same is in writing and signed by the Party alleged to have granted the waiver.

## **21. EQUAL OPPORTUNITY COMPLIANCE**

Contractor agrees to abide by all Federal and State laws and rules and regulations, and executive orders of the Governor of the State of New Mexico applicable to Contractor, pertaining to equal employment opportunity. In accordance with all such laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, Contractor agrees to assure that no person in

the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies and if Contractor is not able to correct such deficiencies, PERA may immediately terminate this Agreement.

## **22. NOTICE OF PENALTIES**

The Procurement Code, NMSA 1978, §§ 13-1-28 through 13-1-199, as amended, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

## **23. SURVIVAL**

The provisions of this Agreement relating to the following shall survive the termination of this Agreement: (I) liabilities of obligations of the Parties with events occurring prior to the termination of the Agreement; and (ii) Indemnification, Confidentiality, Ownership of Materials and Applicable Law.

Signature page follows.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date approved below.

**PUBLIC EMPLOYEES’ RETIREMENT  
ASSOCIATION OF NEW MEXICO**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**[Contractor]**

By: \_\_\_\_\_ Date: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

**Approved as to Legal Sufficiency for PERA:**

By: \_\_\_\_\_



## **APPENDIX F**

### **INVESTMENT POLICY, PROXY VOTING POLICY, INVESTMENT STATUTES, AND INVESTMENT POLICIES AND PRACTICES RULE**

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**FOR REFERENCE ONLY**

**A. PERA INVESTMENT POLICY (REVISED JULY 26, 2018)**

# **THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO**



**INVESTED IN TOMORROW.**

## **INVESTMENT POLICY**

Revised  
July 26, 2018

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# **THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO**

## **INVESTMENT POLICY**

### **I. INTRODUCTION**

#### **A. Statutory Authority**

The Public Employees' Retirement Association of New Mexico (PERA) was created by law in 1947 and is authorized to administer the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended (the PERA Act), the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and State laws relating to the administration of public employees' retirement systems in the State of New Mexico. As of April 2016, PERA administers thirty-one retirement plans under a defined benefit structure for state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators. PERA is governed by the Retirement Board (the Board).

#### **B. Authority and Duties of the Board**

Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the PERA trust funds (the Fund) for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The PERA Act, NMSA 1978 §§ 10-11-132 and 10-11-133 generally describe the authority of the Board to invest the Fund. Both those sections incorporate and adopt the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, which require the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. Among other things, the UPIA requires that Fund investments be diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board also recognizes that care must be exercised to maintain PERA's status as a government plan that is exempt from the requirements of the federal Employees Retirement Income Security Act of 1974 and as a qualified plan that is exempt from taxation under the Internal Revenue Code.

#### **C. Mission Statement**

In recognition of its fiduciary responsibility, the Board adopts the following as the mission statement for PERA:

The mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.

#### **D. PERA Roles and Responsibilities/Delegations of Authority**

To accomplish its mission, the Board relies on PERA employees and third-party investment consultants (Investment Consultants) to properly administer the Fund and implement the investment strategies it adopts. Because of the number of parties involved, their roles in investing and managing the Fund must be clearly explained. Doing so increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

## Ethics and Conflicts of Interest

The Board, and PERA employees are obligated to act in the exclusive interest of PERA members, retirees, and beneficiaries. Investment Consultants serve in a fiduciary capacity to PERA. Board members and PERA employees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make decisions in accordance with PERA's mission statement.

## Board of Trustees

The primary fiduciary responsibility of the Board is to ensure prudent investment and management of the Fund. It is the responsibility of the Board to ensure that PERA employees administer investments of the Fund at reasonable cost, while preserving the quality of investments. All principal investment policy decisions are subject to approval by the Board. The Board shall oversee the management of the Fund in compliance with this Investment Policy and all applicable federal and State laws and regulations concerning the administration of a government pension plan. The Board, with the assistance of PERA investment staff (Staff) and consultants, determines the strategic direction of investment of the Fund including the strategic asset allocation target, adoption of a risk budget, and the active management strategy target, all of which shall be reviewed at least semiannually.

## Investment Committee

To assist the Board in carrying out its duties, it established an Investment Committee (the Committee). The Committee makes recommendations to the Board on strategic asset allocation target, the risk budget, and the active management strategy target. The Committee establishes benchmarks, including a reference portfolio, for evaluating the performance of the total investment portfolio. The Committee shall also adopt an annual work plan and, at least quarterly, review all principal investment policy actions and performance of the portfolio. The Committee may invite Staff and Investment Consultants to inform and make recommendations to the Committee on any topic or issue pertinent to PERA's investment operations. The Committee Chair shall have the duty and the authority to set Committee meeting agendas and request specific analyses and reports from Staff and Investment Consultants.

## Executive Director

The Board appoints the Executive Director (the Director). The Director is responsible for planning, organizing, and administering the operations of PERA under policy guidance and direction from the Board. In fulfilling these investment responsibilities, the Director retains and relies on Staff and Investment Consultants.

## Chief Investment Officer and Investment Staff

Staff reports directly to the Chief Investment Officer (the CIO) who in turn reports to the Director. The CIO, with the assistance of Staff, has the responsibility and authority to assist the Board and the Committee in establishing investment and administrative policies. The CIO and Staff are responsible for implementing the policies and programs established by the Board. The CIO has primary responsibility to implement and direct all decisions necessary and appropriate to carry out the Board's investment policies, including the strategic asset allocation target, risk budget, and active management strategic target approved by the Board. The CIO shall report on all decisions and the progress of implementation of those decisions to the Committee.

The CIO and Staff shall manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, report on the progress of the Fund in meeting its investment objectives, and monitor and report to the Board on the performance of the Fund against the appropriate benchmarks. The CIO and staff shall have

the delegated authority to evaluate, select, monitor and terminate investment vehicles and managers necessary and appropriate to implement the Board's policies. Their actions shall be disclosed to the Board periodically, as directed by the Committee. Staff exercises the same fiduciary responsibility under applicable law as the Board.

### **General Counsel and Legal Staff**

The Office of General Counsel and legal staff (Legal Counsel) are primarily responsible for legal compliance of the investment program and advises the Board, the Director, the CIO, and Staff on investment-related legal matters. Legal Counsel exercises the same fiduciary responsibility under applicable law as the Board.

### **Third Party Service Providers**

- **Investment Consultants.** Investment Consultants are hired by and accountable to the Board through the authority of the Director. Investment Consultants shall report to the Board or the Committee as directed. An Investment Consultant's duty is to work with the Board and Staff in the oversight and implementation of investment objectives.

The Board's investment strategic consultant shall provide advice and recommendations to the Board or Committee regarding its strategic objectives, risk budget, and oversight and implementation of principal investment objectives.

Investment selection and monitoring consultants shall provide advice and recommendations regarding selection of investment managers and portfolio monitoring to the CIO and Staff.

- **Custodian Bank.** The Custodian Bank serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of Staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The Custodian Bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The Custodian Bank cooperates with and provides assistance to Staff and Investment Managers in the reconciliation process. PERA may opt to designate other duties to the Custodian Bank as stipulated in the professional services agreement.
- **Investment Managers.** The Board believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Investment Managers are selected by the CIO and, subject to the terms and conditions of this Policy, serve PERA through contracts that specify in principal part: investment guidelines, administrative requirements, responsibilities, and performance expectations for management of each mandate. Proxy voting is considered to be a component of the investment decision process and will be exercised in accordance with the established PERA Proxy Voting Policy. Investment Managers will report to Staff on the performance of the Fund using formats and at intervals specified by Staff. This information will be synthesized by Staff and presented to the Committee on at least a quarterly basis in accordance with established performance monitoring and oversight procedures.
- **External Legal Counsel.** The General Counsel may retain external legal counsel to advise Staff and negotiate and prepare contracts with Investment Consultants and Investment Managers to protect PERA's interests and status as a tax-exempt government plan.

## **II. OVERVIEW OF INVESTMENT POLICY**

### **A. Purpose of the Investment Policy**

The purpose of the Investment Policy (the Policy) is to explain implementation of the investment principles and objectives of the Board. The Policy provides a reference point for the management of PERA's assets. The Policy provides guidance to the Board and Staff, as well as Investment Consultants, Investment Managers, and the Custodian Bank. The Policy is intended to provide parameters that ensure prudence and care in the execution of the investment program.

It is the intent of the Policy to provide the foundation for prudent management of the Fund, including the standards and disciplines by which the Board can evaluate Staff, Investment Consultants, Investment Managers, and the Custodian Bank.

### **B. Investment Principles**

Accordingly, the Board adopts the following principles and objectives to guide its investment strategies and decisions:

- Preserve the long-term principal of the Fund.
- Maximize total return within prudent risk parameters.
- Maintain sufficient liquidity to meet PERA's obligations.

## **III. INVESTMENT OBJECTIVES**

### **A. Primary Objective**

PERA's primary objective is to prudently invest assets in order to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board adopts the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be taken into account in assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment to the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

### **B. Long-Term Returns**

Due to the long-term nature of PERA's pension obligations and the inherent risks in short-term tactical investing, PERA must maintain a long-term perspective in formulating and implementing its investment policy, and in evaluating its investment performance. Therefore, the Board: (1) targets a long-term rate of return commensurate with the actuarial assumed rate of return; (2) adopts an allocation policy



developed to meet the targeted rate of return over long periods of time, while minimizing volatility (risk); (3) adopts a risk budget developed to identify the risk tolerances of the total portfolio; (4) adopts an active management strategic target; and (5) minimizes the costs of investing through efficient use of internal and/or external resources.

Investment performance is measured by the following long-term objectives:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. The Board seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

PERA's progress in meeting these return measures will be reported to the Committee on at least a quarterly basis.

### **C. Evaluation of Risk**

The Board adopts a strategic asset allocation target that is appropriate for existing and anticipated circumstances. In targeting returns, the Board takes into account the benefit levels and structure of the plans supported by the Fund. PERA will periodically conduct and present to the Committee an asset/liability study to determine the extent to which the long-term asset allocation is consistent with the liabilities of the retirement plans that it administers. In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major assets classes utilized by the Fund and develop a risk budget. PERA will regularly measure and monitor Fund risks in its management of the Fund.

In accordance with generally accepted principles for prudent investors, the allocation of capital across asset categories increases the probability of meeting or exceeding the Fund's objectives at a prudent level of risk. In establishing its risk tolerance, PERA will consider its ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Fund.

## **IV. ASSET ALLOCATION**

### **A. Strategic Asset Allocation Targets**

Based on recommendations by Staff and Investment Consultants, the Board shall choose the strategic asset allocation target based on its determination of the appropriate risk tolerance for PERA, and its long-term return expectations. Each asset class allocation percentage has a long-term target position within the overall portfolio and a maximum and minimum range around that target allocation. Asset class policy targets and ranges are listed in Appendix A, which is separately adopted by the Board.

The Board recognizes that the long-term target allocation may take an extended period to implement. Staff and Investment Consultants will provide the Board with regular updates on the status of targeted asset allocation of the Fund as a whole and the component asset classes. The Board will prudently monitor this progress and the Fund's performance throughout the implementation period.

The target allocation will be reviewed annually for significant economic and market changes, and as appropriate, to changes in the Fund's long-term goals and objectives. A comprehensive asset allocation study should be conducted at least every three years to verify or revise the targets.

### **B. Active Management Strategic Target**

Based on recommendations by Staff and Investment Consultants, the Board shall choose the active management strategic target that seeks an additional return expectation for active management over and above the strategic asset allocation target.

### **C. Risk Budgeting**

Based on recommendations by Staff and Investment Consultants, the Board shall set a risk budget that identifies the risk tolerance of the total Fund that is budgeted into two key components; 1) strategic asset allocation target risk; and 2) active risk. Active risk is the additional risk or deviation from the strategic asset allocation benchmark to achieve the active management strategic target.

### **D. Rebalancing Strategy**

The Board authorizes the CIO and Staff to rebalance the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal in implementing the rebalancing policy is to minimize transaction costs, market impact, and opportunity costs.

The Board adopts a rebalancing policy that considers allocation ranges rather than time periods. Upper and lower allocation limits established for each asset class are defined in Appendix A. When the allocation to all asset classes remains within these limits, Staff will use cash flow to maintain the overall allocation as closely as possible to the target.

In the event that a liquid strategy within an asset class deviates from an upper or lower allocation limit, the asset class will be rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day window it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category.

Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

Staff will report the results of rebalancing activities to the Committee by no later than the subsequent regular meeting.

## **V. PERFORMANCE BENCHMARKS**

### **A. Total Fund Benchmark**

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are referred to as the "Policy Index" and are identified in Appendix B, which is separately adopted by the Committee. The Board may use the Policy Index to compare the Fund's actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

## **B. Mandate-Level Benchmarks**

Benchmarks relevant to an investment shall be used as standards to measure the performance of Investment Managers. Acceptable benchmarks include but are not limited to:

- the appropriate market indices on a nominal and risk-adjusted basis;
- the performance of peers within their style group;
- adherence of the Investment Manager to the stated investment philosophy and style; and
- adherence to this Policy and the guidelines established in the investment contract.

The Board will work with Staff and the Investment Consultants to identify appropriate sub-asset class benchmarks. Staff and Investment Consultants will review the appropriateness of these benchmarks and report to the Committee on a regular basis.

## **VI. INVESTMENT GUIDELINES**

Recognizing that capital markets are global in nature, the Board shall consider asset classes that represent all investment opportunities appropriate for PERA, as long as such investments comply with the UPIA. The terms and conditions of investment contracts are subject to legal review for compliance with applicable law and applicable investment standards.

### **A. Investments**

#### **Global Equity**

An appropriately diversified Fund should include, commensurate with market conditions, global equity investments, both public and private. This allocation is structured to help the Fund meet its total return goals and will be implemented through strategies that include both liquid and illiquid mandates.

- **Public Equity.** The objective of public equity investments is to provide exposure to global economic growth opportunities and seek to capture capital appreciation and current income. The public equity allocation must anticipate long-term capital appreciation as it targets economic growth with an acceptable exposure to price volatility and the risk of loss. Public equity includes hedged investments that reduce broad market risks by isolating security-specific returns. The vehicles will utilize long and short positions along with leverage to accomplish their investment objectives. Equity-hedged investments will retain some broad market risk, but will generally be less volatile and have a lower correlation to broad equity markets over a full cycle.
- **Private Equity.** The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded equity securities. In making private equity investments, PERA shall consider that private equity Investment Managers typically have concentrated portfolios and generate returns by making operational changes to the acquired businesses and often employ leverage to generate superior returns.

#### **Risk Reduction and Mitigation**

An appropriately diversified Fund should include, commensurate with market conditions, an allocation of assets for risk reduction and mitigation to provide diversification, a dependable source of current income, and downside protection. PERA shall consider the risk reduction and mitigation allocation as a component of the total investment portfolio that provides lower expected volatility and a greater expectation for the preservation of capital. The risk reduction and mitigation allocation includes, but is

not limited to the following investment types:

- **Core and Global Fixed Income.** Bonds, notes or other obligations of the U.S. government, its agencies, government-sponsored enterprises, corporations, or collateralized obligations, including but not limited to mortgages are targeted to achieve risk reduction and mitigation. In addition, these portfolios may include debt obligations of non-U.S. governmental or quasi-governmental entities and corporations with an investment grade rating, which may be denominated in foreign currencies.
- **Operating Cash Management.** In order to mitigate risk and ensure liquidity, commensurate with market conditions, the services of the State Treasurer may be used for overnight investment of short-term assets. Use of a separate or commingled short-term investment fund administered by the Custodian Bank may be considered.
- **Currency.** As means to mitigate risk while realizing returns, PERA should consider active currency strategies that do not necessarily hedge existing international holdings, but instead, seek absolute return which may include leverage, cross-hedging, emerging markets, and interest-rate futures.
- **Securities Lending:** The Board may authorize a securities lending program for all or any portion of the assets held as investments by PERA. Securities may only be loaned by the designated agent(s) by contracting for the temporary exchange of securities, for a specified fee or consideration for periods not to exceed one year, with broker-dealers, banks or other recognized institutional investors.
- **Cash Overlay:** Overlay strategies may be used to manage risk, asset allocation, and market exposures through futures, options, swap agreements, or forward agreements.

### Credit-Oriented Fixed Income

An appropriately diversified Fund should include, commensurate with market conditions, global credit-oriented fixed income investments to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. Credit-oriented fixed income investments shall be targeted to provide current income and total return with a strong focus on preservation of capital. In making these investments, PERA shall consider the potential volatility as compared to the risk reduction and mitigation allocation. PERA shall also consider credit-oriented fixed income investments that utilize leverage, shorting, derivatives, and illiquidity to generate greater risk-adjusted returns. Credit-oriented fixed income investments include similar types of securities as those in the risk reduction and mitigation allocation, but may have different credit characteristics at the time of purchase.

### Real Assets

An appropriately diversified Fund should include, commensurate with market conditions, investments in real assets to generate current income and provide capital appreciation. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a hedge against inflation. Real assets investments may include but are not limited to liquid and illiquid securities in real estate, infrastructure, commodities, natural resources, timber, agriculture and farmland. The real assets portfolio includes market neutral strategies—these portfolios seek to avoid elevated exposure to broad market risk through the use of hedges. Market neutral strategies shall target a zero correlation with broad market movements and provide diversification benefits for the total fund.

### Multi-Risk Allocation

An appropriately diversified Fund should include, commensurate with market conditions, investments

in balanced risk-based exposures to equalize the risk contribution of asset classes or risk factors comprised in the portfolio. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a liability hedge and stabilized return generator. Multi-risk investments shall include, but are not limited to, Risk Balanced/Parity strategies. PERA shall also consider multi-risk investments that utilize leverage and derivatives to generate a greater risk adjusted return.

## **B. Other Investment Considerations**

The Board may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost and administrative complexity, authorize any investment except as otherwise expressly prohibited.

### **Securities Regulations**

PERA shall consider, based on market considerations, whether engagement of Investment Managers registered under the Investment Company Act of 1940 is appropriate. This Act governs the operations of investment companies and their managers. PERA should work with its Investment Consultants and Investment Managers to ensure compliance with all federal and state securities laws including, but not limited to, the Securities Act of 1933 and the Investment Advisers Act of 1940. PERA recognizes that such registration is not applicable to all investment strategies or to investment opportunities located outside the United States.

### **Leverage**

Leverage is implicit in many investment strategies and leverage in and of itself is not strictly prohibited so long as activities do not materially increase the risk level of the Plan. Leverage will be considered when deciding to retain an Investment Manager, and the Board, in conjunction with Staff, Investment Consultants, and Investment Managers, will avoid managers who employ unreasonable levels of leverage.

### **Derivatives**

Investment Managers may use derivative instruments such as futures, options, swaps, and forwards, to implement investment strategies in a low cost, efficient manner or construct portfolios with risk and return characteristics that cannot be created with cash market securities. Derivatives may also be used within the context of a cash overlay program. The cash overlay program, administered by an Investment Manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds.

## **C. Prohibited Investments**

In accordance with UPIA guidelines, the Board, Staff, Investment Consultants, and Investment Managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

Investments precluded by law or regulation:

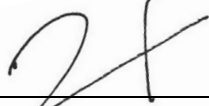
- Transactions that involve a broker acting as a "principal" where such broker is also the Investment Manager who is making the transaction are prohibited unless otherwise approved in each manager's respective PSA.
- Any other investments as specified in each Investment Manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

## **VII. REVIEW AND APPROVAL OF INVESTMENT POLICY**

The Board shall review the Policy from time-to-time to determine if modifications are necessary or desirable but will delegate Staff to review the Policy on an annual basis. Staff will recommend modifications as warranted. If modifications are made, they shall be promptly communicated to all Investment Managers and other interested persons.

By signing this Investment Policy the Board through its Chair, indicates its agreement therewith.

Adopted: June 25, 1992  
Amended: September 14, 1993  
April 28, 1994  
September 28, 1995  
January 29, 1998  
March 23, 1998  
January 27, 2000  
September 26, 2002  
July 31, 2003  
October 31, 2003  
July 1, 2005  
September 28, 2005  
December 29, 2005  
July 27, 2006  
August 31, 2006  
September 28, 2006  
June 1, 2007  
August 30, 2007  
July 31, 2008  
June 24, 2010  
November 29, 2012  
August 28, 2014  
December 18, 2014  
September 24, 2015  
April 28, 2016  
December 14, 2017  
July 26, 2018

By:   
James Maxon, Board Chair  
Public Employees Retirement Association of New Mexico

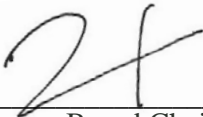
## APPENDIX A. ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective July 26, 2018

Asset Class	Lower Limit	Strategic Asset Allocation Target	Upper Limit
Global Equity	30.5%	35.5%	40.5%
Risk Reduction and Mitigation	16.5%	19.5%	22.5%
Credit Oriented Fixed Income	11.0%	15.0%	19.0%
Real Assets	16.0%	20.0%	24.0%
Multi-Risk Allocation	06.0%	10.0%	14.0%

Adopted: July 26, 2018

By:



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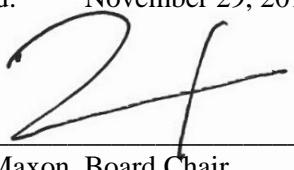
James Maxon, Board Chair  
Public Employees' Retirement Association of New Mexico

## APPENDIX B. BENCHMARKS

Effective: January 1, 2019

<b>Global Equity</b>	<b>Custom Blended Benchmark</b>
Global Public Stock	MSCI ACWI IMI (\$net)
Global Low Volatility Equity	MSCI ACWI Minimum Volatility (\$net)
Hedged Equity	MSCI ACWI Minimum Volatility (\$net)
Private Equity	MSCI ACWI IMI (\$net)
<b>Risk Reduction &amp; Mitigation</b>	<b>Custom Blended Benchmark</b>
Core Fixed Income	Bloomberg Barclays U.S. Aggregate
Global Core Fixed Income	Bloomberg Barclays Global Aggregate (Hedged)
<b>Credit Oriented Fixed Income</b>	<b>Custom Blended Benchmark</b>
Liquid Credit	Bloomberg Barclays Global High Yield (Hedged)
Emerging Market Debt	50% JP Morgan EMBI Global Diversified (\$) 50% JP Morgan GBI (\$)
Illiquid Credit	Bloomberg Barclays Global High Yield (Hedged)
Credit Oriented Hedge Funds	Bloomberg Barclays Global High Yield (Hedged)
<b>Real Assets</b>	<b>Custom Blended Benchmark</b>
Liquid Real Estate	Wilshire Global REITs
Illiquid Real Estate	Wilshire Global REITs
Liquid Real Assets	Alerian MLP Index / Dow Jones – Brookfield Global Infrastructure Index / Bloomberg Barclays – U.S. TIPS / Bloomberg Commodity – Commodity Index (TR)
Illiquid Real Assets	Dow Jones – Brookfield Global Infrastructure Index / Bloomberg Commodity – Commodity Index (TR)
<b>Multi-Risk Allocation</b>	<b>Custom Blended Benchmark</b>
Risk Balance	Custom Blended Benchmark

Adopted: November 29, 2018

By:   
 James Maxon, Board Chair  
 Public Employees' Retirement Association of New Mexico



**B. PERA PROXY VOTING POLICY**

# **THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION Of NEW MEXICO**



## **PROXY VOTING POLICY**

Adopted by the Board of Trustees  
December 10, 2013

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# **THE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION PROXY VOTING POLICY**

## **I. INTRODUCTION**

### **A. Statutory Authority**

The Public Employees Retirement Association of New Mexico (PERA), created by law in 1947, is the entity established for the purpose of administering the provisions of the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended, the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-7, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, Section 10-11-133.1, as amended, as well as other federal and State laws relating to the public employees retirement system in the State of New Mexico. As of August 2012, PERA administers thirty-one retirement plans covering state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators.

### **B. Standards of Care**

#### **Uniform Prudent Investor Act**

The Uniform Prudent Investor Act (UPIA) [45-7-601 to 45-7-612 NMSA 1978] and Section 10-11-132 NMSA, 1978 govern PERA investments. In summary, the UPIA states that all persons responsible in making investment decisions for the Public Employees Retirement Fund (Fund) will exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Investments are to be diversified so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so.

The statutes are the foundation for the PERA Policy. The Board adopts the following guiding principles for investment activity:

1. Preserve the long-term principal of the Fund.
2. Maximize total return within prudent risk parameters.
3. Act in the exclusive interest of PERA members, retirees and beneficiaries.

### **C. Ethics and Conflicts of Interest**

Trustees and Staff involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions as addressed in Section III of the Board Policy and Procedures.

## **II. STATEMENT OF PURPOSE**

### **A. Mission Statement**

Public Employees Retirement Association of New Mexico (PERA) is governed by the Public Employees Retirement Board (Board). The Board has a fiduciary responsibility to the Retirement Fund's (Fund) members, retirees and beneficiaries. To acknowledge this responsibility, the Board has accepted the following as their Mission Statement:

*The mission of the Board of the Public Employees Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.*

### **B. Purpose of the Proxy Voting Policy**

The purpose of the Proxy Voting Policy (Policy) is to support proposals that maximize the value of the Fund's investments over the long term. Proxy voting guidelines have been developed to ensure that the Fund is able to provide adequate assets to pay retirement benefits to the members of the Plan. PERA believes that each portfolio's Investment Manager is in the best position to assess the financial implications presented by policy issues and the impact a particular vote may have on the value of a security. Proxy voting is considered to be a component of the investment decision process.

The Policy provides guidance for fiduciaries which include PERA's Board, Staff, and investment managers. PERA does not intend for these guidelines to be exhaustive. Hundreds of issues appear on proxy ballots every year, and it is neither practical nor productive to fashion voting guidelines and policies that attempt to address every eventuality. Rather, these guidelines are intended to cover the most significant and frequent proxy issues that arise. Issues not covered by the guidelines shall be voted in the interest of the participants and beneficiaries of the plan.

## **III. ROLES AND RESPONSIBILITIES / DELEGATION OF AUTHORITY**

The Board relies on both internal Staff and external contractors to properly administer the Fund and implement its investment strategies. Because of the number of parties involved, their roles as fiduciaries must be clearly identified. Such identification increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

### **A. Board of Trustees**

The primary fiduciary responsibility of the Board is to ensure prudent investment and expenditure of the Fund's assets. It is the responsibility of the Board to administer the investments of PERA at reasonable cost, being careful to avoid diminishing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to PERA. The Board will operate the investment program in compliance with all applicable federal and State laws and regulations concerning the investment of pension assets. The Board is responsible for establishing and maintaining all policies and guidelines by which the Fund is managed, and by which the Board operates.

### **B. Proxy Voting Committee**

To assist the Board in carrying out its duties, it has established a Proxy Voting Committee (Committee).

Through New Mexico Administrative Code Rules (NMAC), the Board establishes the Committee and the Board Chair appoints the members of the Committee as well as the Committee Chair. The Committee makes recommendations to the Board on proxy voting.

The Committee will meet as necessary to address and implement this Policy. Staff and Consultant(s) will brief the Committee on any topics or issues pertinent to PERA's investment operations, and make recommendations to the Committee for appropriate courses of action. The Committee Chair will have the duty and the authority to set Committee meeting agenda and request specific analysis and reports from the Staff and Consultants.

#### **C. Executive Director**

The Executive Director (Director) is appointed by, and serves at the pleasure of the Board. The Director is responsible for planning, organizing, and administering the operations of PERA under broad policy guidance and direction from the Board. The Director, with assistance of Staff (his/her designee), monitors the performance of the investment portfolio; ensures that funds are invested in accordance with Board policies; communicates with the Board, its Officers and Committee Chairs; studies, recommends, and ensures the implementation of policy and operational procedures that will enhance the investment program of PERA; and ensures that proper internal controls are developed to safeguard the assets of PERA. In fulfilling these investment responsibilities, the Director relies heavily on the Investment Staff and Consultant(s).

#### **D. Chief Investment Officer and Investment Staff**

The Internal Investment Staff (Staff) reports directly to the Chief Investment Officer (CIO) who in turn reports to the Director. The CIO has primary responsibility for the implementation of the investment program. The CIO, with the assistance of Staff, has the responsibility and authority to advise the Board and its committees on the establishment of investment and administrative policy, to implement the policies and programs established by the Board, to report to the Board on the status of the Fund, and to carry out such other duties the Director, Board or Committee delegate to him/her.

The Staff exercises the same fiduciary responsibility under applicable law as the Board. The CIO and the Staff shall manage the portfolio according to the Board's policies.

#### **E. General Counsel and Office of General Counsel Staff**

The Office of General Counsel staff (OGC Staff) reports directly to the General Counsel who in turn reports to the Director. The General Counsel is primarily responsible for legal compliance of the investment program and advises the Board on investment-related legal matters. The General Counsel, with the assistance of OGC Staff, coordinates legal due diligence by external legal counsel for alternative investments, including transactional, regulatory and federal tax matters. OGC Staff exercise the same fiduciary responsibility under applicable law as the Board.

#### **G. External Investment Managers**

The external Investment Managers (Managers) are selected by, and serve at the pleasure of, the Board. Each Manager will be a registered adviser under the Investment Advisers Act of 1940 (or appropriately exempt from registration) and operate under a formal contract that sets investment guidelines and administrative requirements and defines responsibilities and performance expectations for management of each mandate. Full discretion in regards to investment of the account and the voting of proxies, consistent with this policy and contractual guidelines, is granted to all investment managers with the understanding that the duty of loyalty requires that the voting fiduciary exercise proxy voting authority solely in the interests of members and beneficiaries of PERA.

## **IV. PROXY VOTING POLICY**

### **Overview of Casting Proxy Votes and Principals**

PERA Staff developed this policy at the direction of the Board. When developing the policy recommendations, Staff reviews best practice governance policies that promote accountability, transparency, and sound corporate governance. This document outlines key provisions and principals of sound corporate governance policies that protect PERA's interest as shareholders and ultimately fulfils, in part, PERA's fiduciary responsibility to its membership.<sup>1</sup>

PERA acknowledges that each annual, special or contested meeting held by a company is unique in its own right. Proposals put before shareholders are specific to each company based upon the dynamics of that company and that there can be no one-size fits all approach to proxy voting. Below are select best practices and beliefs that PERA directs its external asset managers to consider and vote PERA shares accordingly when practicable.

#### **A. Board of Directors**

Corporate Boards serve shareholders and protect their interests. PERA seeks Boards with a proven record of protecting shareholders and delivering value over the medium- and long-term. PERA believes that Boards working to protect and enhance the best interests of shareholders are independent, have directors with diverse backgrounds, have a record of positive performance, and have members with a breadth and depth of relevant experience. PERA expects managers to hold directors to a high standard when voting on their election, qualifications, and compensation. PERA managers should evaluate directors fairly and objectively, rewarding them for significant contributions and holding them ultimately accountable to shareholders for corporate performance.

PERA believes that a Board should be composed of a majority of independent directors. PERA defines an independent director as someone who does not have any kind of significant affiliation with the company other than the directorship. A director is defined as independent if he or she either has only one nontrivial connection to the corporation--that of his or her directorship. A director generally will not be considered independent if:

- currently or previously employed by the company or an affiliate in an executive capacity;
- employed by a present or former auditor of the company in the past five years;
- employed by a firm that is one of the company's paid advisors or consultants;
- employed by a customer or supplier with a nontrivial business relationship;
- employed by a foundation or university that receives grants or endowments from the company;
- the person has any personal services contract with the company;
- related to an executive or director of the company; or
- an officer of a firm on which the company's chairman or chief executive officer also is a board member.

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<sup>1</sup> Much of this document is directly sourced from *Proxy Paper Guidelines: A Summary Overview of The Glass Lewis Approach to Proxy Advice* and *ISS: 2011 U. S. Proxy Voting Guidelines Summary*.

PERA further believes that separating the roles of corporate officers and the chairman of the Board is a better governance structure than a combined executive/chairman position. The role of executives is to manage the business on the basis of the course charted by the board. Executives should be in the position of reporting and answering to the Board for their performance in achieving the goals set out by such Board. This becomes much more complicated when management actually sits on, or chairs, the Board.

We view an independent chairman as better able to oversee the executives of the company and set a pro-shareholder agenda without the management conflicts that a CEO and other executive insiders often face. This, in turn, leads to a more proactive and effective Board of Directors that is looking out for the interests of shareholders above all else.

In the absence of an independent chairman, we support the appointment of a presiding or lead director with authority to set the agenda for the meetings and to lead sessions outside the presence of the insider chairman. PERA managers should:

- Generally vote FOR shareholder proposals calling for an independent board chair or separation of the two positions

PERA believes good corporate governance requires companies to establish nominating, compensation, audit and governance committees, all of which should be comprised of only independent directors. PERA managers should:

- Generally vote AGAINST or WITHHOLD votes from any non-independent director who serves on a key board committee.

The performance of the key board committees is also a factor for consideration in the election of directors. PERA managers should consider specific actions of the committees in upholding the general principles of these guidelines. For example:

- Votes against the members of the compensation committee should be considered if the committee has approved excessive executive compensation;
- Votes against members of the nominating committee should be considered when a board fails to implement a reform that was approved by a majority of shareholders; or
- Votes against members of the audit committee should be considered if an auditor receives more than half its fees from non-audit services.

Lastly, PERA believes strongly that all directors should be elected by a majority vote of shareowners and that Boards be declassified, which allows for greater ease to change control of a company through a proxy contest, a valuable avenue toward director responsibility and accountability to shareholders.

## **B. Executive Compensation**

PERA believes executive compensation is of utmost importance and critical determinant of any company's performance. A well-designed executive compensation plan aligns the interests of senior management with the long-term interests of the company and its shareholders. PERA believes that executive pay programs should be fair, competitive, reasonable and appropriate, and pay for performance should be the major theme for executive compensation. The compensation committee has a duty to represent the interests of shareholders when setting executive pay. As required by



Dodd-Frank, companies are required to give shareholders an advisory vote on executive compensation (aka management “say on pay” or MSOP). This non-binding shareholder vote on compensation must be included in a proxy at least once every 3 years.

PERA managers should evaluate executive pay and practices on a CASE-BY-CASE basis.

In general, votes should support compensation that provides challenging performance objectives and properly align executives with long-term growth and value, and oppose compensation that adversely affect shareholders, are excessively generous or lack clear and challenging performance goals.

PERA managers should vote AGAINST management say on pay (MSOP) proposals if:

- There is a misalignment between CEO pay and company performance (pay for performance, i.e., one- and three-year alignment between company performance and CEO pay);
- The company maintains problematic pay practices (e.g., excessive perks, guaranteed bonuses, tax gross-ups);
- Dodd-Frank also requires an advisory vote to determine whether an MSOP vote by shareholders to approve compensation should occur every one, two, or three years. The MSOP is at its essence a communication vehicle, and communication is most useful when it is received in a consistent and timely manner. PERA managers should vote FOR annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

**Analyzing Equity and Pay Plans.** Stock-based incentive plans and grants can be among the most economically significant issues placed before shareholders for a vote. Approval of these plans can result in large transfers of shareholder equity out of the company as awards vest and are exercised. The cost associated with such transfers must be measured if incentive plans are to be managed properly. And when misused, stock options can give executives an incentive to inflate earnings, take excessive risks, or make misleading forecasts in order to keep stock prices high. In general, PERA managers should evaluate executive and director compensation plans on a CASE-BY-CASE basis. When evaluating equity-based compensation items on ballot, PERA managers should consider whether the plans are:

- Performance-based (including performance-vesting for restricted stock awards)
- Dilution (where new plans do not overly dilute the earning and voting power of shares outstanding)
- Grant rates (i.e., are the grants distributed broadly, or concentrated to a select group of executives)

### **C. Ratification of Auditors**

PERA believes that role of the auditor is crucial in protecting shareholder value. In our view, shareholders should demand the services of objective and well-qualified auditors at every company in which they hold an interest. Like directors, auditors should be free from conflicts of interest and should assiduously avoid situations that require them to make choices between their own interests and the interests of the shareholders.

We generally support management’s recommendation regarding the selection of an auditor. However, we recommend voting against the ratification of auditors for any of the following reasons:

- When audit fees added to audit-related fees total less than one-half of total fees.
- When there have been any recent restatements or late filings by the company where the auditor bears some responsibility for the restatement or late filing (e.g., a restatement due to a reporting error).
- When the company has aggressive accounting policies.
- When the company has poor disclosure or lack of transparency in financial statements.
- When there are other relationships or issues of concern with the auditor that might suggest a conflict between the interest of the auditor and the interests of shareholders.
- When the company is changing auditors as a result of a disagreement between the company and the auditor on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

#### **D. Antitakeover Defenses and Related Issues**

PERA believes that poison pill plans generally are not in the best interests of shareholders. Specifically, they can reduce management accountability by substantially limiting opportunities for corporate takeovers. Rights plans can thus prevent shareholders from receiving a buy-out premium for their stock.

We believe that Boards should be given latitude in directing the activities of the company and charting the company's course. However, on an issue such as this where the link between the financial interests of shareholders and their right to consider and accept buyout offers is so substantial, we believe that shareholders should be allowed to vote on whether or not they support such a plan's implementation.

In certain limited circumstances, we can support a limited poison pill to accomplish a particular objective, such as the closing of an important merger, or a pill that contains what we believe to be a reasonable 'qualifying offer' clause.

Proposals to increase the number of authorized shares should be evaluated on a case-by-case basis. Adequate capital stock is important to the operation of a company. When analyzing a request for additional shares, one should typically review four common reasons why a company might need additional capital stock beyond what is currently available:

- Stock split
- Shareholder defenses
- Financing for acquisitions
- Financing for operations

Unless the company has not disclosed a detailed plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically recommend in favor of the authorization of additional shares.

#### **E. Voting Structure**

PERA supports cumulative voting, which is a voting process that maximizes the ability of minority shareholders to ensure representation of their views on the Board. Cumulative voting generally

operates as a safeguard by ensuring that those who hold a significant minority of shares are able to elect a candidate of their choosing to the board.

PERA also favors a simple majority voting structure. Supermajority vote requirements act as impediments to shareholder action on ballot items that are critical to shareholders interests. One key example is in the takeover context where supermajority vote requirements can strongly limit shareholders' input in making decisions on such crucial matters as selling the business.

#### **F. Shareholder Proposals**

PERA generally favors proposals that are likely to increase shareholder value and/or promote and protect shareholder rights. PERA managers should generally support the following shareholder proposals unless there are extraordinary circumstances involved:

- Remove or submit poison pill plans (anti-takeover devices) to a shareholder vote;
- Repeal classified (staggered terms) boards of directors;
- Submit future golden parachutes to a shareholder voter;
- Reduce supermajority votes;
- Expense stock options;
- Cumulative voting;
- Separate the offices of chair and CEO and/or install independent director as chair;
- Confidential voting;
- Allow shareholders access to the company's proxy materials to nominate directors ("Proxy Access");
- Provide for an independent lead director;
- Provide that all stock plans be performance-based;
- Require that auditors only do audit and legitimate audit-related work;
- Report on or adopt commonly accepted principles of conducts (e.g., Ceres Principles on the environment, UN International Labor Organizations Fundamental Conventions, fair lending practices, U.S. Equal Employment Opportunity Commission).
- Disclose political contributions and/or lobbying expenditures;
- Majority vote standard for director elections; and
- Allow shareholders to call special meetings.

All other shareholder proposals shall be considered by PERA managers on a case-by-case basis, with reference to the generally stated principles in these guidelines.

#### **G. Environmental and Social Risk**

PERA believes companies should actively evaluate risks to long-term shareholder value stemming from poor governance practices. In addition, we believe companies should consider their exposure to environmental and social risk, including changes in environmental or social regulation with respect to their operations, as well as related legal and reputational risks and should incorporate this exposure into their overall business risk profile. Companies should disclose to shareholders both the nature and magnitude of such risks as well as steps they have taken or will take to mitigate those risks.

When situations where shareholder value is at risk, we recommend voting in favor of a reasonable and well-targeted shareholder proposal if it is believed supporting the proposal will promote disclosure of and/or mitigate significant risk exposure. In egregious cases where a company has

failed to adequately mitigate risks stemming from environmental or social practices, we recommend shareholders vote against directors.

- PERA managers should generally vote FOR proposals that ask for disclosure reporting of information that is not available outside the company that is not proprietary in nature. Such reporting is particularly most vital when it appears that a company has not adequately addressed shareholder concerns regarding social, workplace, environmental and/or other issues.
- Other proposals should be evaluated on a CASE-BY-CASE basis, taking into consideration whether the request is relevant to the company's core business, overall industry practice and the proponent's rationale.

By signing this Proxy Voting Policy the Board through its Chair, indicates its agreement therewith.

Adopted: December 17, 1992

Amended: December 10, 2013

By: 

Patricia (Patty) French, Chairperson  
Public Employees Retirement Association of New Mexico

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO  
PROXY VOTING POLICY**

REVISED: DECEMBER 17, 1992

**FINDINGS:**

In response to a report from the Proxy Voting Subcommittee and the Investment Committee, the Board adopts the following as its policy on proxy voting:

1. The Board, as trustee of the PERA funds, has the fiduciary duty to vote proxies unless it has delegated this authority to an investment manager.
2. By contractual agreement, the Board has delegated its authority and obligation to vote its proxies to its equity investment managers.
3. In executing this fiduciary responsibility delegated to them by the Board, the investment managers must exercise the same care, skill prudence and diligence with respect to proxy voting as they exercise with the financial management of the funds assets.
4. Although it has delegated the authority to vote its proxies to the investment managers, the Board retains the fiduciary responsibility to monitor the proxy voting process.

**RECOMMENDATIONS:**

The primary responsibility of the Board is to insure that the returns to the fund are maximized to maintain the present and future actuarial soundness of the PERA fund. With this in mind, the Subcommittee makes the following recommendations:

1. All PERA investment managers should be required to keep accurate records documenting their proxy voting process with respect to PERA funds.
2. All PERA investment managers should provide to PERA copies of their proxy voting policies, procedures and guidelines. Copies of these procedures should be maintained in the PERA Investment Division.
3. The PERA staff, working with the investment consultant, should develop a procedure to maintain oversight of the investment manager's exercise of their proxy voting authority.
4. The Board should refrain from directing the investment managers on how to vote particular proxies or from taking any action that could be construed as an attempt to influence the manager's vote.
5. The PERA staff, working with the investment consultant, shall provide the Board with annual reports in July of each year of the proxy voting activity related to PERA funds.

## C. PERA INVESTMENT-RELATED STATUTES

### Uniform Prudent Investor Act (UPIA)

Chapter 45. Uniform Probate Code  
 Article 7. Trust Administration  
 Part 6. Uniform Prudent Investor Act

#### **45-7-601. Short title.**

Sections 45-7-601 through 45-7-612 NMSA 1978 may be cited as the "Uniform Prudent Investor Act".

**History:** 1978 Comp., § 45-7-601, enacted by Laws 1995, ch. 210, § 82.

#### **45-7-602. Prudent investor rule.**

A. Except as otherwise provided in Subsection B of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

B. The prudent investor rule, a default rule, may be expanded, restricted, eliminated or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

**History:** 1978 Comp., § 45-7-602, enacted by Laws 1995, ch. 210, § 83.

#### **45-7-603. Standard of care; portfolio strategy; risk and return objectives.**

A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.

B. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

C. Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences of investment decisions or strategies;
- (4) the role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interest in closely held enterprises, tangible and intangible personal property and real property;
- (5) the expected total return from income and the appreciation of capital;
- (6) other resources of the beneficiaries;
- (7) needs for liquidity, regularity of income and preservation or appreciation of capital; and
- (8) an asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

D. A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

E. A trustee may invest in any kind of property or type of investment consistent with the standards of the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978].

F. A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

**History:** 1978 Comp., § 45-7-603, enacted by Laws 1995, ch. 210, § 84.

#### **45-7-604. Diversification.**

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

**History:** 1978 Comp., § 45-7-604, enacted by Laws 1995, ch. 210, § 85.

#### **45-7-605. Duties at inception of trusteeship.**

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements and other circumstances of the trust, and with the requirements of the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978].

**History:** 1978 Comp., § 45-7-605, enacted by Laws 1995, ch. 210, § 86.

#### **45-7-606. Loyalty.**

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

**History:** 1978 Comp., § 45-7-606, enacted by Laws 1995, ch. 210, § 87.

#### **45-7-607. Impartiality.**

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

**History:** 1978 Comp., § 45-7-607, enacted by Laws 1995, ch. 210, § 88.

#### **45-7-608. Investment costs.**

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust and the skills of the trustee.

**History:** 1978 Comp., § 45-7-608, enacted by Laws 1995, ch. 210, § 89.

#### **45-7-609. Reviewing compliance.**

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

**History:** 1978 Comp., § 45-7-609, enacted by Laws 1995, ch. 210, § 90.

#### **45-7-610. Delegation of investment and management functions.**

A. A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill and caution in:

(1) selecting an agent;

(2) establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and

(3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

B. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

C. A trustee who complies with the requirements of Subsection A of this section is not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.

D. By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

**History:** 1978 Comp., § 45-7-610, enacted by Laws 1995, ch. 210, § 91.

#### **45-7-611. Language invoking standard.**

The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under the Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978]: "investments permissible by law for investment of trust funds", "legal investments", "authorized investments", "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital", "prudent man rule", "prudent trustee rule", "prudent person rule" and "prudent investor rule".

**History:** 1978 Comp., § 45-7-611, enacted by Laws 1995, ch. 210, § 92.

#### **45-7-612. Application to existing trusts.**

The Uniform Prudent Investor Act [[45-7-601](#) through [45-7-612](#) NMSA 1978] applies to trusts existing on and created after its effective date. As applied to trusts existing on its effective date, the Uniform Prudent Investor Act governs only decisions or actions occurring after that date.

**History:** 1978 Comp., § 45-7-612, enacted by Laws 1995, ch. 210, § 93.

**[end of Uniform Prudent Investors Act]**



**Public Employees Retirement Act**

## Chapter 10. Public Officers

## Article 11. Retirement of Public Officers and Employees Generally

**10-11-132. Investment of funds; prudent investor standard; indemnification of board members.**

The funds created by the state retirement system acts are trust funds of which the retirement board is trustee. Members of the retirement board jointly and individually shall be indemnified by the state from the funds administered by the retirement board from all claims, demands, suits, actions, damages, judgments, costs, charges and expenses, including court costs and attorney fees and against all liability losses and damages of any nature that members shall or may sustain by reason of any decision made in the performance of their duties pursuant to the state retirement system acts. The retirement board shall invest and reinvest the funds in accordance with the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

**History:** Laws 1987, ch. 253, § 132; 1989, ch. 46, § 1; 1992, ch. 116, § 11; 1995, ch. 94, § 1; 1997, ch. 189, § 11; 2003, ch. 345, § 1; 2005, ch. 240, § 4.

**10-11-133. Investment of funds; prudent investor standard; conditions.**

- A. Commissions paid for the purchase and sale of any security shall not exceed brokerage rates prescribed and approved by stock exchanges that have been approved by or are under the control of the United States securities and exchange commission or by industry practice.
- B. The retirement board shall invest and manage the funds administered by the retirement board in accordance with the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].
- C. The retirement board shall provide quarterly performance reports to the legislative finance committee and the department of finance and administration. Annually, the retirement board shall ratify and provide its written investment policy, including any amendments, to the legislative finance committee and the department of finance and administration.
- D. Securities purchased with money from or held for any fund administered by the retirement board and for which the retirement board is trustee shall be in the custody of the state treasurer who shall, at the direction of the retirement board, deposit with a bank or trust company the securities for safekeeping or servicing.
- E. The retirement board may consult with the state investment council or state investment officer and request information or advice with respect to the retirement board's overall investment plan, may utilize the services of the state investment council and state investment officer and may act on their advice concerning the plan. The state investment council and state investment officer shall render investment services to the retirement board without expense to the retirement board. The retirement board may also employ the investment management services and related management services of a trust company or national bank exercising trust powers or of an investment counseling firm or brokers for the purchase and sale of securities, commission recapture and transitioning services and may pay reasonable compensation for such services from funds administered by the retirement board. The terms

of any such investment management services contract shall incorporate the statutory requirements for investment of funds under the retirement board's jurisdiction.

- F. The retirement board shall annually provide for its members no less than eight hours of training in pension fund investing, fiduciary obligations or ethics. A member elected to the retirement board who fails to attend the training for two consecutive years shall be deemed to have resigned from the retirement board.
- G. Except as provided in the Public Employees Retirement Act, a member of the retirement board, employee of the retirement board or any person connected with the retirement board in any manner shall not:
  - (1) have any direct or indirect interest in the gains or profits of any investment made by the retirement board;
  - (2) receive any direct or indirect pay or emolument for services provided to the retirement board or the association;
  - (3) directly or indirectly, for the member, employee or person, for themselves or as agent or partner of others, borrow any of the funds or deposits of the association or in any manner use them except to make current and necessary payments authorized by the retirement board; or
  - (4) become an endorser or surety or become in any manner an obligor for money of the retirement board loaned or borrowed.

**History:** Laws 1987, ch. 253, § 133; 1989, ch. 46, § 2; 1992, ch. 116, § 12; 2005, ch. 240, § 5; 2009, ch. 288, § 11.

#### **10-11-133.1. Disclosure of third-party marketers; penalty.**

- A. The retirement board shall not make any investment, other than investments in publicly traded equities or publicly traded fixed-income securities, unless the recipient of the investment discloses the identity of any third-party marketer who rendered services on behalf of the recipient in obtaining the investment and also discloses the amount of any fee, commission or retainer paid to the third-party marketer for the services rendered.
- B. Information disclosed pursuant to Subsection A of this section shall be included in the quarterly performance reports of the retirement board.
- C. Any person who knowingly withholds information required by Subsection A of this section is guilty of a fourth degree felony and shall be punished by a fine of not more than twenty thousand dollars (\$20,000) or by imprisonment for a definite term not to exceed eighteen months or both.
- D. As used in this section, "third-party marketer" means a person who, on behalf of an investment fund manager or other person seeking an investment from the fund and under a written or implied agreement, receives a fee, commission or retainer for such services from the person seeking an investment from the fund.

**History:** Laws 2009, ch. 152, § 2.

**[End of PERA Act]**

## **D. PERA INVESTMENT-RELATED ADMINISTRATIVE RULES**

Rule 300: Investment Policies and Practices

TITLE 2 PUBLIC FINANCE

CHAPTER 80 PUBLIC EMPLOYEES RETIREMENT

PART 300 INVESTMENT POLICIES AND PRACTICES

2.80.300.1 ISSUING AGENCY: Public Employees Retirement Association, P. O. Box 2123, Santa Fe, New Mexico 87504-2123

[10-15-97; 2.80.300.1 NMAC – Rn, 2 NMAC 80.300.1, 12-28-00]

2.80.300.2 SCOPE: This rule applies to the Public Employees Retirement Board and its investment managers and brokerage firms.

[10-15-97; 2.80.300.2 NMAC – Rn, 2 NMAC 80.300.2, 12-28-00]

2.80.300.3 STATUTORY AUTHORITY: This rule is authorized by NMSA 1978, Sections 10-1-130, 10-11-132 and 10-11-133, as amended.

[10-15-97; 2.80.300.3 NMAC – Rn, 2 NMAC 80.300.3, 12-28-00]

2.80.300.4 DURATION: Permanent.

[10-15-97; 2.80.300.4 NMAC – Rn, 2 NMAC 80.300.4, 12-28-00]

2.80.300.5 EFFECTIVE DATE: May 4, 1994 unless a different date is cited at the end of a Section.

[10-15-97; 2.80.300.5 NMAC – Rn, 2 NMAC 80.300.5, 12-28-00]

2.80.300.6 OBJECTIVE: The objective of this rule is to set the Public Employees Retirement Board's investment policy for investments of funds under NMSA 1978, Sections 10-11-132 and 10-11-133, as amended.

[10-15-97; 2.80.300.6 NMAC – A, 2 NMAC 80.300.6, 12-28-00; A, 8-15-01]

2.80.300.7 DEFINITIONS: [Reserved]

[2.80.300.7 NMAC – A, 2 NMAC 80.300.7, 12-28-00]

2.80.300.8-9 [Reserved]

## 2.80.300.10 INVESTMENT COMMITTEE: [Reserved]

[2.80.300.10 NMAC – A, 2 NMAC 80.300.10, 12-28-00]

## 2.80.300.11-19[Reserved]

## 2.80.300.20 MANAGEMENT AND PHILOSOPHY: [Reserved]

[2.80.300.20 NMAC – A, 2 NMAC 80.300.20, 12-28-00]

## 2.80.300.21-29[Reserved]

## 2.80.300.30 BEST EXECUTION AND BEST PRICE

A. **Statement of Policy:** The New Mexico Public Employees Retirement Board adopts the following statement as its policy with respect to securities transactions of the PERA investment funds.

(1) The Board serves as trustee of the retirement funds created under the Public Employees Retirement Act, NMSA 1978, Section 10-11-1 et seq.; the Judicial Retirement Act, NMSA 1978, Section 10-12B-1 et seq.; the Magistrate Retirement Act, NMSA 1978, Section 10-12C-1 et seq.; and the Volunteer Firefighters Retirement Act, NMSA 1978, Section 10-11A-1 et seq.

(2) As trustee of these funds, the Board has a fiduciary responsibility to invest these funds solely in the interest of participants and beneficiaries and exclusively to provide benefits to these participants and beneficiaries and to pay reasonable administrative costs. The Board also has a fiduciary obligation to give primacy to the preservation of trust funds and to insure the procurement of a reasonable income while avoiding undue investment risks.

(3) The Board has delegated the investment of the funds under its jurisdiction to external investment managers except for a small number of accounts that are invested directly by the PERA Investment Division.

(4) By contractual agreement, the Board has delegated to its investment managers full discretion with regard to securities transactions so long as they conform to New Mexico State statutes, the PERA Investment Policy and the specific PERA investment objectives and guidelines for each particular investment portfolio.

(5) Both by contract and by virtue of common law trust principles, the investment managers serve as fiduciaries to PERA and must at all times act in a fiduciary capacity to PERA and the investment accounts assigned to them.

(6) As fiduciaries of the funds, both the Board and its investment managers are obligated to require that all securities transactions be made on the basis of best execution under the circumstances at the lowest available price.

(7) The Board's policy is that all securities transactions shall be executed on the basis of best execution under the circumstances at the lowest available price and that all investment decisions shall be made solely for the benefit of fund participants and their beneficiaries.

B. [Reserved]

[10-15-97; 2.80.300.30 NMAC – A, 2 NMAC 80.300.30, 12-28-00; A, 8-15-01]

**HISTORY of 2.80.300 NMAC:**

**Pre-NMAC History:** The material in this Part was derived from the previously filed with the State Records Center & Archives under: Rule 300.00, Investment Policies and Practices, filed on 10-4-79; PERA Rule 300.00, Investment Policies and Practices, filed on 11-19-81; PERA Rule 300, Investment Policies and Practices, filed on 7-1-91; PERA Rule 300, Investment Policies and Practices, filed on 5-4-94.

## New Mexico PERA Account Matrix

Accounting IAS Long Title 2	Investment Category
AQR ALPHAPORT	Domestic Equity - Large Cap
DFA SMALL VALUE	Domestic Equity- SMID Cap
KAR SM CAP CORE	Domestic Equity- Small Cap Core
PORTABLE ALPHA	Domestic Equity - Large Cap
TIMESSQUARE	Domestic Equity - SMID Cap
RUSSELL TRANSITION	Emerging Markets Equities
PIMCO TIPS	Liquid Real Assets
PIMCO COMMODITIES	Liquid Real Assets
AXIOM INVESTORS	Emerging Markets Equity
ACADIAN	International Equity
BLACKROCK EQ TRANS	International Equity
BLACKROCK LOW VOL	Global Equity
KBI EAFE -terminated	International Equity
MFS	International Equity
NTGI ACWI X US	International Equity
SSGA ACWI IMI	Global Equity
PRINCIPAL	International Equity (Small Cap)
SCHRODERS	International Equity (Small Cap)
BLACKROCK CORE	Domestic Fixed Income
MACKAY SHIELDS	Domestic Fixed Income
PRUDENTIAL	Domestic Fixed Income
LAZARD EM DEBT	Global Fixed Income
MANULIFE-terminated	Global Fixed Income
BLACKROCK GLB FIXED INCOME	Global Fixed Income
GUGGENHEIM HY	Global Fixed Income
PINEBRIDGE HY	Global Fixed Income
LGIMA RISK REDUCTION OVERLAY	Overlay
LGIMA CREDIT OVERLAY	Overlay
LGIMA TAA OVERLAY	Overlay
LGIMA REAL ASSETS OVERLAY	Overlay
LGIMA GLOBAL EQUITY OVERLAY	Overlay
LGIMA OVERLAY COLLATERAL	Overlay
ZIA RISK PARITY FUND, L.P	Risk Parity
ANCHORAGE	Absolute Return Hedge Funds - Credit
CANYON VALUE	Absolute Return Hedge Funds - Credit
GOLDENTREE OFFSHORE	Absolute Return Hedge Funds - Credit
KING STREET	Absolute Return Hedge Funds - Credit

## New Mexico PERA Account Matrix

Accounting IAS Long Title 2	Investment Category
MARATHON	Absolute Return Hedge Funds - Credit
NAPIER PARK	Absolute Return Hedge Funds - Credit
SILVER POINT	Absolute Return Hedge Funds - Credit
ELLIOTT ASSOC	Absolute Return Hedge Funds - Equity
MASON CAPITAL	Absolute Return Hedge Funds - Equity
TACONIC	Absolute Return Hedge Funds - Equity
TPG-AXON	Absolute Return Hedge Funds - Equity
ANGELO GORDON	Absolute Return Hedge Funds - Mkt Neutral&Risk Premia
ETON PARK	Absolute Return Hedge Funds - Mkt Neutral&Risk Premia
FARALLON	Absolute Return Hedge Funds - Mkt Neutral&Risk Premia
OCH ZIFF II	Absolute Return Hedge Funds - Mkt Neutral&Risk Premia
STARK	Absolute Return Hedge Funds - Mkt Neutral&Risk Premia
CVC GLOBAL CREDIT	Leveraged Loans/Structured Credit
ELLINGTON	Leveraged Loans/Structured Credit
H I G BAYSIDE II	Leveraged Loans/Structured Credit
ATALAYA VI	Private Debt
ATHYRIUM II	Private Debt
CERBERUS SERIES 4	Private Debt
CERBERUS RES OPP	Private Debt
EAGLE POINT	Private Debt
GARRISON IV A	Private Debt
OAKTREE III	Private Debt
OAKTREE VIII	Private Debt
OAKTREE VII	Private Debt
OAKTREE VIIB	Private Debt
TPG III A	Private Debt
WAYZATA II	Private Debt
WAYZATA III	Private Debt
TENNENBAUM FOO	Private Debt- Fund of One
ALTARIS CONST IV	Private Equity - Buyout
ALTARIS HEALTH IV	Private Equity - Buyout
CARLYLE V	Private Equity - Buyout
CARLYLE VI	Private Equity - Buyout
CENTURY IV	Private Equity - Buyout
CHARTERHOUSE IX	Private Equity - Buyout
CHARTERHOUSE X	Private Equity - Buyout
CVC EURO V	Private Equity - Buyout
CVC VII	Private Equity - Buyout
FOUNTAINVEST III	Private Equity - Buyout
GILDE IV	Private Equity - Buyout
GTCR X	Private Equity - Buyout
GTCR XI	Private Equity - Buyout
HELLMAN VI HF	Private Equity - Buyout
HELLMAN VII HF	Private Equity - Buyout
HELLMAN SPOCK 1	Private Equiyt - Buyout - SPV

## New Mexico PERA Account Matrix

Accounting IAS Long Title 2	Investment Category
KELSO IX	Private Equity - Buyout
KELSO VIII	Private Equity - Buyout
KELSO X	Private Equity - Buyout
KRG IV	Private Equity - Buyout
LINCOLNSHIRE IV	Private Equity - Buyout
LINSALATA VI	Private Equity - Buyout
MADISON DEARBORN VI	Private Equity - Buyout
NORDIC VII	Private Equity - Buyout
ONEX III	Private Equity - Buyout
ONEX IV	Private Equity - Buyout
ONEX V	Private Equity - Buyout
PATRIA VI	Private Equity - Buyout
PETERSHILL	Private Equity - Buyout
PETERSHILL IV	Private Equity - Buyout
PROVIDENCE VI	Private Equity - Buyout
RRJ III	Private Equity - Buyout
SUN V	Private Equity - Buyout
RESOLUTE II	Private Equity - Buyout
RESOLUTE III	Private Equity - Buyout
RESOLUTE IV	Private Equity - Buyout
TPG ASIA V	Private Equity - Buyout
TPG VI	Private Equity - Buyout
WARBURG PINCUS XII	Private Equity - Buyout
WARBURG PINCUS GG	Private Equity - Buyout
PINEBRIDGE FOO	Private Equity - Fund of One
RCP FOO	Private Equity - Fund of One
COLLER V	Private Equity - Secondary
DFJ X	Private Equity - Venture Capital
DFJ XII	Private Equity - Venture Capital
IVP XIII	Private Equity - Venture Capital
IVP XIV	Private Equity - Venture Capital
JMI VI	Private Equity - Venture Capital
JMI VII	Private Equity - Venture Capital
NEA 13	Private Equity - Venture Capital
NEA 14	Private Equity - Venture Capital
TCV VII	Private Equity - Venture Capital
TCV IX	Private Equity - Venture Capital
TCV X	Private Equity - Venture Capital
TRINITY VENTURES XII	Private Equity - Venture Capital
ACM II	Real Assets - Agriculture
PAINE SCHWARTZ IV	Real Assets - Agriculture
TILLRIDGE II	Real Assets - Agriculture
CARLYLE PP II	Real Assets - Energy
DENHAM VI O G	Real Assets - Energy
DENHAM VI	Real Assets - Energy
ENCAP IX	Real Assets - Energy



## New Mexico PERA Account Matrix

Accounting IAS Long Title 2	Investment Category
ENCAP VII	Real Assets - Energy
ENCAP VIII	Real Assets - Energy
ENCAP XI	Real Assets - Energy
ENCAP FM III	Real Assets - Energy
BEDROCK A ENERVEST	Real Assets - Energy
FIRST RESERVE XII	Real Assets - Energy
KAYNE ANDERSON V	Real Assets - Energy
LIME ROCK V	Real Assets - Energy
LIME ROCK VI	Real Assets - Energy
LIME ROCK III A	Real Assets - Energy
NGP IX	Real Assets - Energy
NGP X	Real Assets - Energy
NGP XI	Real Assets - Energy
NGP XII	Real Assets - Energy
QUANTUM IV	Real Assets - Energy
QUANTUM V	Real Assets - Energy
RIVERSTONE V	Real Assets - Energy
RIVERSTONE CARLYLE IV	Real Assets - Energy
RIVERSTONE CARLYLE II	Real Assets - Energy
HARVEST MLP	Real Assets - Energy (MLP)
ANTIN III	Real Assets - Infrastructure
ARDIAN IV	Real Assets - Infrastructure
ARDIAN V	Real Assets - Infrastructure
BROOKFIELD II	Real Assets - Infrastructure
BROOKFIELD III B	Real Assets - Infrastructure
DEUTSCHE INFRA	Real Assets - Infrastructure
IFM	Real Assets - Infrastructure
KKR II	Real Assets - Infrastructure
MERIDIAM III	Real Assets - Infrastructure
GEM EVERGREEN	Private Real Estate - Core
NEW ROCK	Private Real Estate - Core
ROCKPOINT II	Private Real Estate - Core
ROCKPOINT III	Private Real Estate - Core
SAROFIM	Private Real Estate - Core
BLACKSTONE RE III	Private Real Estate - Opportunistic
BLACKSTONE RE VII	Private Real Estate - Opportunistic
CARLYLE RE V	Private Real Estate - Opportunistic
CARLYLE RE VI	Private Real Estate - Opportunistic
HARRISON STREET V	Private Real Estate - Opportunistic
HARRISON STREET VI	Private Real Estate - Opportunistic
HARRISON STREET VII	Private Real Estate - Opportunistic
KSL IV	Private Real Estate - Opportunistic
NORTH HAVEN VII MS	Private Real Estate - Opportunistic
AERMONT III PW	Private Real Estate - Opportunistic
AERMONT IV	Private Real Estate - Opportunistic
STARWOOD IX	Private Real Estate - Opportunistic

## New Mexico PERA Account Matrix

Accounting IAS Long Title 2	Investment Category
STARWOOD VIII	Private Real Estate - Opportunistic
STARWOOD XI	Private Real Estate - Opportunistic
STARWOOD X	Private Real Estate - Opportunistic
WALTON STREET VI	Private Real Estate - Opportunistic
WHEELOCK STREET II	Private Real Estate - Opportunistic
BPG VIII	Private Real Estate - Value-Add
ROCKWOOD IX	Private Real Estate - Value-Add
ROCKWOOD VIII	Private Real Estate - Value-Add
ROCKWOOD X	Private Real Estate - Value-Add
Rockwood XI	Private Real Estate - Value-Add
PRAEDIUM VII	Private Real Estate - Value-Add
CHEYNE RE CREDIT V	Real Estate Debt
ERED II	Real Estate Debt
ERED III	Real Estate Debt
MADISON RE DEBT III	Real Estate Debt
SELENE II	Real Estate Debt
SELENE I	Real Estate Debt
BLACKROCK REIT TRANS	REIT
DFA REIT	REIT
SECURITY CAPITAL REIT	REIT
PARAMETRIC CLIFTON	Overlay
PARAMETRIC EQ OVERLAY	Overlay
PARAMETRIC RL ASSET CASH OVRLY	Overlay
PARAMETRIC CREDIT CASH OVRLY	Overlay