



INVESTED IN TOMORROW.

PERA Board Meeting

PERA Building • Senator Fabian Chavez, Jr. Board Room
33 Plaza La Prensa • Santa Fe, NM 87507

Tuesday, December 10, 2019

After Audit and Budget Committee

AGENDA

1. Call to Order

2. Roll Call

3. Approval of Agenda

4. Approval of Consent Agenda

5. Unfinished Business

- | | | | |
|-----------|---|---------------|--|
| A. | Approval of Revised Board Policies and Procedures | Action | Lawrence Davis,
Rules & Administration
Committee Chair |
| B. | Approval of Election Process Recommendations | Action | Ernie Marquez, Automated
Election Services |
| C. | Trustees Report on Educational Travel | Informational | |
| 1. | Tim Eichenberg - CAPPP Part I and Part II | | |
| 2. | Lawrence Davis - CAPPP Part II | | |
| 3. | Loretta Naranjo Lopez - CAPPP Part II and IFEBP Annual Conference | | |
| 4. | Patricia French - Trustee Masters Program (TMP) and IFEBP Annual Conference | | |
| 5. | Claudia Armijo - IFEBP Annual Conference | | |

Board will Recess to Executive Session NMSA 1978, §10-15-1 (H) (7)

Discussion with Counsel Regarding Pending Litigation: <i>The Retired Public Employees of New Mexico, Inc. v The Public Employees Retirement Association of New Mexico Board; Wayne Propst, in his individual capacity, and Susan Pittard, in her individual capacity, United States District Court for the District of New Mexico, Case No. 1:19-cv- 00891.</i>	Discussion with Possible Action	Harvey Leiderman, PERA Board Fiduciary Counsel Al Park, PERA Board Litigation Counsel
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Board will Convene to Regular Session

6. New Business

- | | | | |
|-----------|--------------------------------------|---------------|-------------------------------------|
| A. | Executive Director's Report | Informational | Wayne Propst,
Executive Director |
| B. | Update on IPOC Sponsored Legislation | Informational | Wayne Propst |

7. Adjournment

Internal Audit Training will be immediately following the Board Meeting, in
the Seminar Room.

REDW

Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.

***PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION OF NEW MEXICO
BOARD POLICIES AND PROCEDURES***

Adopted March 29, 2001; amended 2002, 2011, 2012, 2014; and 2018

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Current Edition of Robert's Rules of Order

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PERA Gift Report Form

Executive Director Evaluation Form

I. GENERAL GUIDELINES

1. Overview and Purpose. The New Mexico Public Employees Retirement Board (“Board”) is the Trustee of the public pension funds created by state statute and administered by the Public Employees Retirement Association (“PERA”).¹ As Trustees, Board Members are fiduciaries to the various PERA funds and must prudently administer these retirement systems for the sole and exclusive benefit of PERA’s active, deferred, and retired members and their beneficiaries.² Additionally, the Executive Director has a fiduciary duty to prudently administer PERA and its investments for the sole and exclusive benefit of PERA members and beneficiaries. In order to maintain the respect, trust and confidence of its members and beneficiaries, all Board Members and the Executive Director must use the powers and resources of their offices only to advance the interests of PERA members and beneficiaries and not to obtain personal benefits or promote private interests incompatible with members’ interests. Board Members and the Executive Director shall conduct themselves in a manner that justifies the confidence placed in them by PERA members and beneficiaries, and at all times maintain their integrity and discharge their responsibilities ethically in the course of their public service with PERA.

The purpose of these policies is to provide the governing rules for Board Members and the Executive Director of the New Mexico Public Employees Retirement Association.

2. Governing Law.

Constitutional Authority: The Board is governed by the provisions of N.M. Const. art. XX, § 22, which provide:

Sec. 22. [public employees and educational retirement system trust funds; expenditures and encumbrances prohibited; administration; vesting of property rights.]

A. All funds, assets, proceeds, income, contributions, gifts and payments from any source whatsoever paid into or held by a public employees retirement system or an educational retirement system created by the laws of this state shall be held by each respective system in a trust fund to be administered and invested by each respective system for the sole and exclusive benefit of the members, retirees and other beneficiaries of that system. Expenditures from a system trust fund shall only be made for the benefit of the trust beneficiaries and for expenses of administering the system. A system trust fund shall never be used, diverted,

¹ Public Employees Retirement Act, NMSA 1978, Sections 10-11-1, et seq. (1999), the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 et seq. (1997), the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 et seq. (1997) the Volunteer Firefighters Retirement Act, NMSA 1978, Section 10-11A-1 et seq. (1997) and the Deferred Compensation Act, NMSA 1978, Sections 10-7A-1 et seq.

² N.M. Const. art. XX, § 22.

loaned, assigned, pledged, invested, encumbered or appropriated for any other purpose. To the extent consistent with the provisions of this section, each trust fund shall be invested and the systems administered as provided by law.

B. The retirement board of the public employees retirement system and the board of the educational retirement system shall be the trustees for their respective systems and have the sole and exclusive fiduciary duty and responsibility for administration and investment of the trust fund held by their respective systems.

C. A retirement board shall have the sole and exclusive power and authority to adopt actuarial assumptions for its system based upon the recommendations made by an independent actuary with whom it contracts. The legislature shall not enact any law that increases the benefits paid by the system in any manner or changes the funding formula for a retirement plan unless adequate funding is provided.

D. Upon meeting the minimum service requirements of an applicable retirement plan created by law for employees of the state or any of its political subdivisions or institutions, a member of a plan shall acquire a vested property right with due process protections under the applicable provisions of the New Mexico and United States constitutions.

E. Nothing in this section shall be construed to prohibit modifications to retirement plans that enhance or preserve the actuarial soundness of an affected trust fund or individual retirement plan.

Statutory Authority: In addition to its constitutional mandate, the Board must also adhere to the following statutes governing its authority:

- Public Employees Retirement Act, NMSA 1978, Sections 10-11-1, *et seq.*
- Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 *et seq.*
- Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 *et seq.*
- Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 *et seq.*
- Deferred Compensation Act, NMSA 1978, Sections 10-7A-1 *et seq.*
- Governmental Conduct Act, NMSA 1978, Sections 10-16-1 *et seq.*
- Financial Disclosure Act, NMSA 1978, Sections 10-16A-1 *et seq.*
- Inspection of Public Records Act, NMSA Sections 14-2-1 *et seq.*
- Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4 , as amended.

3. Mission Statement. The mission of the Board of the Public Employees Retirement Association is to prudently preserve, protect, invest and administer PERA Funds to meet its current and future obligations and provide quality services to PERA members and their beneficiaries.

4. Value Statement. The Board will act with integrity in meeting its fiduciary responsibilities to PERA's members and beneficiaries. The Board

will make efficient, effective, prudent and visionary decisions in fulfilling its mission. Board Members will be reliable, responsible, and will utilize opportunities to receive necessary training in order to be knowledgeable fiduciaries. The Board will engage in inclusive decision making processes, which support its expectation that the Board speaks with a unified voice.

5. Fiduciary Responsibilities

- A. Duty of Prudent Care:** Board Members and the Executive Director shall, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character with like aims. Good faith does not excuse failure to use prudent care in the administration of the PERA Fund.
- B. Duty of Loyalty:** Board Members and the Executive Director shall give their undivided loyalty and act solely for the benefit of the present and future participants and beneficiaries of the PERA Fund, and shall balance the interests of present and future participants and beneficiaries where those interests may diverge.
- C. Duty to Deal Impartially:** Board Members and the Executive Director shall deal impartially with all active, deferred, and retired PERA members and beneficiaries.
- D. Duty to Preserve the Trust:** Board Members and the Executive Director shall preserve the trust assets through implementation of the Board Investment Policy and monitoring fund performance.
- E. Duty to Invest as Prudent Investor:** Board Members and the Executive Director have a duty to the PERA Funds' beneficiaries to invest and manage the funds as a prudent investor would, in light of the purpose, terms, distribution requirements and other circumstances of the trust. This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the trust portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the PERA Fund. In making and implementing investment decisions, the Board, the Executive Director (and any delegated personnel) have a duty to diversify the investments of the PERA Fund unless, under the circumstances, it is clearly prudent not to do so.
- F. Duty to Be Educated:** The complexities of sound management of the assets and liabilities of the PERA Fund impose a continuing responsibility for all Board Members and the Executive Director to attend educational conferences, seminars, and other events that are required to conduct the business of PERA, or that will better prepare them to perform their fiduciary duties.
- G. Duty as Co-Trustee**
 - a. Board Members and the Executive Director have a duty to participate in the administration of the PERA Fund.
 - b. Board Members and the Executive Director have a duty to use reasonable care to prevent co-trustees from committing a breach.

- c. Board Members and the Executive Director have a duty to compel performance or redress a breach.

6. Governance Principles: The Board shall establish and communicate Board policies and priorities and then appropriately monitor performance. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board Members to abide by the policies articulated herein and to govern in a manner consistent with the Board's value statement. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and Committee levels and between the Board and PERA management.

7. Board Composition, Nomination, Election and Resignations.

- A. Composition.** The composition of the Board of PERA shall be as provided by applicable law.
- B. Nomination and Election.** The nomination, election and appointment of individuals to serve as Board Members of PERA shall be as provided by applicable law.
- C. Term Limits.** Board Members shall serve terms and shall have term limits as provided by applicable law.
- D. Resignations.** A Board Member may resign from his/her position by providing written notice to the Board and also informing the Executive Director by copying him/her on the resignation notice.

II. BOARD'S ROLE AND DUTIES

Consistent with its fiduciary role as Trustees of the PERA Funds, the Board's principal role is to ensure that PERA is appropriately governed and managed for the benefit of current and future members and beneficiaries of the fund. With the overriding goal of protecting fund assets and maintaining liquidity to meet distribution obligations, the Board shall:

1. Adopt and Monitor PERA Policies

- A.** Set the long-term strategic direction for PERA, focusing on the goals of PERA against which its performance is measured and monitored.
- B.** Create, adopt, review and/or revise Board rules, policies and guidelines regarding administration of the retirement system and investment of its assets as necessary but at least every 2 years in odd-numbered years.
- C.** Select, supervise, compensate and regularly evaluate the Executive Director. The Board shall evaluate the Executive Director at least annually.
- D.** Delegate execution of established Board policy and strategic objectives to the Executive Director and the Chief Investment Officer, and through them, re-delegation to PERA staff.
- E.** Create, adopt, and publish an annual schedule for regular board meetings.

- F. Identify benchmarks and requirements that trigger Board review.
- G. Identify information needs and determine how, when and in what form information is to be timely delivered to Board Members to enable the Board to meet its responsibilities.
- H. Provide for the election of employee and retired members on the Board.
- I. Evaluate the Board's performance annually at the retreat, and take any steps necessary to improve Board operations.

2. Review and Evaluate PERA Performance

- A. Monitor performance and regularly review results as measured by performance standards:
 - a. PERA's mission/value statements
 - b. Long-range goals including the performance based budget, communication plan and other such plans as directed by the Board
 - c. Performance measures that include external as well as internal measures.
- B. Review, approve and monitor actuarial data, assumptions, methodologies and actuarial experience studies annually.
- C. Review, approve and monitor system asset-liability study triennially.
- D. Approve the annual budget.
- E. Ensure the integrity of the financial control and reporting system.
- F. Oversee annual independent audit, including approval of the outside auditor.
- G. Issue requests for information (RFIs) and requests for proposals (RFPs) for consultants and other service providers and participate in evaluation committees, at the Board's discretion.

3. Board Powers. The Board shall have the sole power and authority to hear and determine all facts pertaining to application for benefits from PERA or any other matter pertaining to the administration of PERA.

4. Board Delegation. The Board may delegate authority to the Executive Director to perform any act or duty of the Board. The Executive Director may, in turn, delegate to subordinates any such act or duty. Except where the Board, in delegating that authority, provides that the Executive Director may act finally, all material acts of the Executive Director and subordinates shall be reported to the Board at its next regular meeting and shall be subject to review, ratification, or reversal by the Board.

5. Individual Board Member Responsibilities

- A. At all times individual Board Members shall act in the best interest of PERA consistent with their fiduciary duty, ensuring the highest standard

of duty to the PERA's members and beneficiaries, and in conformance to the Board's policies.

- B.** Individual Board Members shall implement and monitor the Board's policies.
- C.** Individual Board Members cannot act or speak on behalf of the entire Board or PERA unless specifically authorized by the Board.
- D.** An individual Board Member may request to pull any item from the Consent Agenda for discussion and/or action on the regular agenda. If such item is agendaized for Board action, such action must be taken by a majority vote of the Board members present at the meeting.
- E.** Individual Board Members shall refrain from involvement in operational management of the PERA, except as requested by the Executive Director or designee.
- F.** Individual Board Members shall refrain from performing any function delegated or normally assigned to PERA staff unless prior approval is obtained from the Board.

6. Board Chair and Vice Chair

- A. Role of Board Chair.** The Board Chair's principal role is to lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board's process. The Chair's specific duties, delegated by the Board, are to:
 - a.** Provide leadership to the Board in terms of collegiality and ethical conduct, avoiding any bias for or against an individual Board Member.
 - b.** Ensure that Board operations and activities are consistent with this Board Policy Manual.
 - c.** Set the Board agenda with input from Board Members and the Executive Director, articulating, setting priorities and scheduling agenda items as appropriate. If the Chair declines to place an item on an agenda, four (4) individual Board Members may petition in writing and place an item on the agenda without the Chair's consent.
 - d.** Conduct Board meetings, controlling the process of the Board deliberations pursuant to these Board Policies.
 - 1. Ensure timely, fair, orderly, thorough and efficient deliberations, including enforcement of the Board's Rules of Order pursuant to Section II.8E of this Policy.
 - e.** Ensure information flow to the Board that is comprehensive and timely without being overly detailed. With input from the Board Members, Committee Chairs and the Executive Director, determine the frequency, subjects and format of information that is provided to the Board and Committees prior to meeting.
 - f.** Make decisions on matters that the Board has expressly delegated to the Chair the decision-making authority.
 - 1. Convene and chair meetings of the Board.

2. Appoint Committee membership, Committee Chairs and Vice-Chairs, with consideration given to balancing the views of Board Members, the expressed desires of individual Board Members and the value of periodic rotation of Committee members to provide exposure to different Board responsibilities.
 3. In consultation with affected Committee Chairs, resolve the scope of authority of different Committees as set forth in the Committee charters with the goal of ensuring the most effective and efficient operation of the Board.
 4. Certify actions taken by the Board, as needed.
 - g. Represent PERA or designate other Board Members to represent PERA to outside organizations.
 - h. Act as the representative and formal spokesperson for the Board for communications between the Board and the Executive Director, and between the Board and the media and the public.
 - i. Initiate the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.
- B. Nomination and Election of Board Chair and Vice Chair.** Absent other action by the Board, the Board Chair and Vice-Chair shall be elected annually by majority vote of Board Members present in open session at the first regular meeting of the Board in the calendar year. Eligible Board Members shall have been nominated for the position at the regular Board meeting last held before the first regular meeting in the calendar year. The Chair and Vice Chair shall be elected from different groups of Board Members, there being two such groups: Board Members who are also participating members of PERA and Board Members who are not participating members of PERA. The terms of both Chair and Vice-Chair shall be for one calendar year. Both Chair and Vice-Chair may serve subsequent terms, without limit.
- C. Absence or Incapacity of Board Chair.** In the absence or incapacity of the Board Chair, the Vice-Chair shall have the duties and responsibilities delegated and established by Board policy in conformance with the authority delegated to the Board Chair.
- D. Resignation of Board Chair.** When the Board Chair resigns prior to the expiration of the Chair's elected term, the Vice Chair shall become the Board Chair to complete the unexpired term and shall have the duties and responsibilities delegated and established by Board policy in conformance with the authority delegated to the Board Chair.
- E. Resignation or Succession of Board Vice-Chair.** When the Board Vice-Chair resigns or succeeds to the position of Board Chair, the Board shall hold an election for a new Board Vice-Chair to complete the unexpired term.

7. Committees, Committee Chairs and Committee Vice-Chairs

- A. **Standing Committees.** The standing Board Committees are Rules and Administration, Audit and Budget, Legislative, Investments and Disability Review. These Committees shall:
 - a. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
 - b. Act for the Board when formally delegated such authority for specific purposes. Committee authority is limited to areas explicitly delegated by the full Board, as set forth in the Committee charters, which are attached as appendixes to this governing Board Policy Manual.
- B. **Creation of Ad Hoc Committees.** A special ad hoc committee may be established from time to time by the Board Chair to address limited purposes and for limited times. These special ad hoc committees cease to exist automatically upon the completion of their stated purpose as determined by the Board Chair. The composition of the ad hoc committee shall consist of at least two Board Members. Moreover, the Board Chair shall give consideration to the equitable representation between the member groups, the expressed desires of individual Board Members and the value of providing exposure to different Board responsibilities.
- C. **Attendance at Committee Meetings.** All Board Members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are members of the Committee. Board Members may participate in Committee discussions, but may only vote on Committees of which they are members.
- D. **Committee Chair Responsibilities.** Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
 - a. Set the Committee agenda in consultation with the Board Chair and the Executive Director and/or Chief Investment Officer.
 - b. Convene and chair meetings of the Committee.
 - c. Appoint temporary committee members as may be necessary to achieve a quorum. Such appointments shall be effective for the duration of the meeting or until a quorum of the committee members is achieved.
 - d. Ensure that the Committee operates to assist the Board consistent with Board rules and policies including:
 - i. Limiting meeting discussion content to issues that, according to Board delegation, are within the Committee's jurisdiction.
 - ii. Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcement of the Board's Rules of Order pursuant to Section II.8E of this Policy.
 - e. Work directly with the staff person(s) assigned by the Executive Director and consultants designated to the Committee, as appropriate, on matters within the Committee's authority.
 - f. Act as a liaison between the Committee, the Board Chair and the Board.

- g. Provide the Board Chair with recommendations concerning subcommittee membership.
- E. **Committee Vice-Chair Responsibilities.** In the absence or incapacity of the Committee Chair, the Committee Vice-Chair shall have the duties and responsibilities delegated to the Committee Chair and established by the Committee's authority.
- 8. **Meeting Procedures**
 - A. **Meeting Schedule.** Board meetings shall be held at least four times each year and according to an annual schedule adopted by the Board and published in the minutes of the Board upon adoption. The annual schedule shall identify the time and location of regular board meetings and the Board Chair may modify the adopted schedule at his/her discretion.
 - B. **Special/Emergency Meetings.** Subject to applicable law, the Board Chair, or any four Board Members, may call for special or emergency meetings of the Board. Any such request must be submitted to the Executive Director to coordinate.
 - C. **Notice of Meetings.** At least 24 hours' notice of all Board and Committee meetings shall be provided to the public and in accordance with the notice provisions of the Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended.
 - D. **Meeting Agendas and Materials.** To the extent practicable, the agenda and related materials for Board and standing Committee regular meetings shall generally be distributed to the Board and/or Committee Members at least 7 calendar days in advance of the meeting. The agenda shall be made available to the public before any Board or standing Committee regular meeting in accordance with Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended. Members of the public who wish to obtain copies of the meeting materials may do so to the extent and in the manner the materials are available under Inspection of Public Records Act, NMSA Sections 14-2-1 *et seq.*
 - E. **Rules of Order and Quorum.**
 - a. The Board and its Committees shall operate under Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended, and under the current edition of Robert's Rules of Order.
 - b. A quorum must be present for the Board or a Committee to conduct business. A majority of the Board or Committee constitutes a quorum.
 - c. Board or Committee Members may not attend meetings through delegates or authorize voting by proxy.
 - d. Persons desiring to address the Board or Committee during a meeting shall make their intentions known by filling out a "Request to Address the Board" form, which may be obtained from the staff secretary of the Board.
 - F. **Recusal.** Where a Board Member discloses a conflict of interest or the potential for an appearance of a conflict of interest in the outcome of an official Board or Committee action, that Board Member shall notify the

Board and recuse himself/herself from opining on and voting on such action, and must exit the room during the Board's deliberations and vote on such action.

- G. Closed Session Policy.** The Board shall limit the business it conducts in closed session to those matters specifically authorized under applicable law. Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board. Before the Board meets in closed session, the Chair shall make a written statement for the reason for closing the meeting (written statement can be included in the written agenda posted for the Board meeting, with citation to the applicable Open Meetings Act provision). All discussions and material considered in closed session shall be treated by Board Members and other attendees as confidential. Matters properly considered in close session include:
- a.** Discussions pertaining to the recruitment, appointment, or removal of personnel;
 - b.** Deliberations on proposed decisions relating to benefit appeals and disability determinations;
 - c.** Discussion with, or to receive advice from, legal counsel regarding pending or threatened litigation, when discussion in open session concerning those matters would prejudice the position of the Board in the litigation; and
 - d.** Consideration of specific investment decisions
 - e.** Investment decisions made in closed session shall be made by roll call. The vote shall be disclosed publicly as provided by the Open Meeting Laws.
- H. Decorum.** The Chair shall have the authority to maintain decorum at all Board and Committee meetings. The Chair may rule Board member, staff or public comments out of order. If the Chair reasonably believes any person attending a Board or Committee meeting is engaged in willfully disruptive behavior such as to constitute trespass, the Chair may have that person physically removed from the premises, and may impose other sanctions as provided by law and this Policy.

9. Minutes

All Committee and Board meetings shall be documented with minutes that are reviewed and approved by the committee and the Board, respectively. All minutes shall satisfy the deadlines and other requirements of the Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended.

A. Format.

- a.** Minutes shall record the actions and deliberations of the Board or Committee. Minutes shall reflect procedural requirements (notice, approval of the agenda, the presence of a quorum, etc.), identification of the matters considered, the actions taken or approved and other decisions reached.

- b. Minutes shall include a short statement of each action taken by the board and not a verbatim recording of the Board meeting. All Board and Committee actions shall be recorded.
 - c. If the Board or Committee provides the public an opportunity to address the Board or Committee, then the Minutes shall indicate the name of the person who addressed the Board or Committee, any relevant organizational affiliation of that person, and a brief summary of the provided public comment.
 - d. Minutes shall reflect participation by advisors (staff, consultants, actuaries, legal counsel, or other professionals) and the Board or Committee's consideration of the advisor's report, advice or opinion.
- B. Preparation of Minutes.**
- a. PERA's contract recorder shall prepare and deliver to PERA staff for review, comment and revision, a draft of the minutes of each Board and Committee meeting no later than ten (10) working days after the date of the meeting
 - b. PERA staff shall deliver minutes to the Board Members present at the meeting(s) for review, comment and revision. Board revisions shall be made within two (2) working days after delivery.
- C. Approval of Minutes.** Minutes shall be approved, amended or disapproved, at the next Committee/Board meeting where a quorum is present. Pursuant to NMSA, the board minutes shall not be published or released prior to the approval by the Board, except as they appear in draft on a subsequent agenda for approval.
- D. Retention.** Original minutes and all required attachments or exhibits shall be retained pursuant to law.

III. STANDARDS OF CONDUCT

- 1. Expected Conduct:** Board Members, the Executive Director and the PERA staff shall conduct themselves with integrity and dignity, exercising care, prudence and diligence required of public pension fund fiduciaries. Board Members, the Executive Director and staff should also avoid conduct that gives the appearance of impropriety.
- A. Decision-making and Conflicts:** Board Members and the Executive Director shall make decisions consistent with their fiduciary duty. No Board Member or the Executive Director shall participate in a decision or action involving any asset or benefit for his/her own interest except insofar as the benefit is incidental to the Board Member's membership as a PERA participant or retiree or deferred compensation plan participant. Board Members and the Executive Director shall disclose and refrain from participating in any discussion or decision concerning an investment, benefit or other action in which the Board Member has an interest or a conflict, including abstention from voting regarding the action.
- B. Record-keeping:** As Trustees of the Funds, the Board shall ensure that adequate records be kept of all formal actions, in the form of official minutes or other documents, sufficient to provide documentation for those

decisions for future reference. Records of all matters voted, including abstentions from voting, shall be maintained as part of Board or Committee meeting minutes.

- C. **Breach:** No Board Member or the Executive Director shall breach his or her fiduciary duty or shall knowingly participate in the breach of fiduciary duty by another Board Member or the Executive Director, including concealment of such breach, or knowingly or negligently permitting such breach to occur. Each Board Member and the Executive Director has an obligation to disclose a breach of fiduciary duty to the Board Chair, or in the case of the Board Chair, to the Board Vice- Chair.
- D. **Subsequent Employment:** No Board Member shall contract or accept employment with any person or entity who contracts with PERA and shall not do so for a period of one year after leaving the Board. No Board Member shall appear before the Board or submit any proposal to the Board on behalf of another person or entity for a period of one year after leaving the Board. Violation of this rule shall cause any such person or entity to be disqualified from entering into any contract or obtaining anything of value from PERA for a period of five years after the Board Member has left the Board.

2. **Prohibited Transactions and Acts**

- A. **Influence for Private Gain.** A Board Member, the Executive Director and staff shall not use the prestige or influence of the State or PERA for private gain or advantage, or the private gain or advantage of another, including, but not limited to, taking an official act, which directly or indirectly benefits him/her or a family member.³
- B. **Use of PERA Property.** No Board Member, Executive Director or staff member shall use PERA facilities, equipment (including, but not limited to, copy machines, telephones, vehicles, postage meters, data processing or word processing equipment, or personal computers), supplies or employees for private gain or advantage, or for the private gain or advantage of another.
- C. **Self-Dealing.** Board Members, the Executive Director and PERA staff members shall not do any of the following:
 - A. Deal with the assets of PERA in their own interest or for their own account.
 - B. In their individual or in any other capacity, act in any transaction involving the system on behalf of a party, or represent a party, whose interests are adverse to the interests of PERA or the interests of PERA's members and beneficiaries, without express written consent of the Board.
 - C. Receive any consideration for their personal account from any party conducting business with PERA in connection with a transaction involving the assets of PERA.

³ Family member includes spouse and legal dependents. NMSA 1978, §10-16-2(D) (1993).

- D. Publication in Re-Election Year.** During the last year of their term in office, if a Board Member seeking re-election to the Board submits an article for publication in the PERA newsletter, it must first be approved by the Chair. If the article is written by the Chair, it must be approved by the Vice-Chair prior to publication. Neither the Chair nor Vice Chair shall unreasonably withhold their approval of such publication.

3. Conflicts of Interest

- A. Prohibited Conduct.** Members of the Board, the Executive Director and staff shall avoid any action, whether or not specifically prohibited by these guidelines or any applicable federal or state statute, which might result in, or create the appearance of:
- a.** Giving preferential treatment to any member, beneficiary, individual, firm or organization, etc.;
 - b.** Lacking complete independence or impartiality; or
 - c.** Diminished confidence of the public and the membership in the integrity of the Board governance.
- B. Illegal Gifts.** No Board Member, the Executive Director or staff shall demand, exact, solicit, or extort, accept, or receive anything of value (including, but not limited to, money, meals, drinks, entertainment, lodging, travel expenses, services or other consideration) other than that lawfully received by the Board Member in his/her official capacity under Section III.E of this Policy.
- C. Disclosure and Recusal.** Board Members shall disclose their employment, union affiliations, and any other organizational or association affiliations to the Executive Director annually, and the Executive Director shall make that information available to the Board at the next regular Board meeting after such information is collected. The Board can determine, in its discretion, on whether a conflict of interest may exist for any particular Board Member by majority vote, and can discuss whether recusal from a decision would be recommended and/or necessary.
- D. Scope of Restrictions.** A Board Member, the Executive Director or staff may not do through third parties that which he/she may not do directly under the foregoing restrictions.

4. Financial Conflicts and Disclosures

- A. Financial Conflicts:** Board Members, the Executive Director and staff shall not have any financial interests in any person, entity or transaction that may affect his/her official acts as a Board Member, PERA Executive Director or staff member, except insofar as the financial interest is incidental to their membership in the Fund or the deferred compensation plan.
- B. Disclosure Statement:** On or before January 31 of each year, each Board Member and the Executive Director and Executive Staff shall complete

and deliver to the Executive Director for filing with the Secretary of State a disclosure statement that affirmatively states that the Board Member or Executive Director does not have a financial interest that may affect his/her official acts as a Board Member or Executive Director and disclosing his/her family members' financial interest(s) in any business engaged or, to the Board Member's or Executive Director's knowledge, proposing to engage in any transaction with PERA. The requirements of the Financial Disclosure Act applicable to Board Members and the Executive Director and Executive Staff also apply to the Board Members' and Executive Director's and Executive Staff's spouses. The disclosure statement shall be in the form prescribed by the Secretary of State and shall contain at least the following information:

- a.** Compliance with NMSA 1978, §10-11-133(G), which states that no Board Member or the Executive Director shall:
 - i.** have any direct or indirect interest in the gains or profits of any investment made by the Board;
 - ii.** receive any direct or indirect pay or emolument for services provided the Board, except as provided for in the State of New Mexico Per Diem and Mileage Act, NMSA 1978, §10-8-1, et seq. and current DFA Rules;
 - iii.** directly or indirectly, for the Board Member for themselves or as agent or partner or others, borrow any of the funds or deposits of PERA or in any manner use them except to make current and necessary payments authorized by the Board; or
 - iv.** become an endorser or surety or become in any manner an obligor for money of the Board loaned or borrowed.

- C. New Board Member:** Each new Board Member shall complete and deliver to the Secretary of State and Executive Director the disclosure statement, described in this Section, within thirty (30) days of assuming duties as a Board Member.
- D. Updated Disclosures:** Each Board Member and the Executive Director shall update his/her disclosure statement within forty-five (45) days of the date that the Board Member or Executive Director becomes aware of a change in circumstances as described in Paragraph D2 above.
- E. Exception:** Nothing herein shall be construed to limit the right of any Board Member or the Executive Director to personally invest in financial instruments or mutual funds that PERA may also hold or which are offered by PERA's financial managers.

5. Gifts, Contributions, Disclosures and Solicitations

- A. Gifts and Solicitations:** Except for gifts of food or beverage given in a place of public accommodation and consumed at the time of receipt, not exceeding \$50 for a single gift or \$150 in a calendar year, Board Members

or the Executive Director may not accept gifts or anything of value⁴ directly or indirectly from the following person or entity (NMSA 1978, §10-11-130.1) that:

- a. has a current contract with the retirement board or association;
- b. is a potential bidder, offeror or contractor for the provision of services or personal property to the retirement board or association;
- c. is authorized to invest public funds pursuant to state or federal law or is an employee or agent of such a person; or
- d. is an organization, association or other entity having a membership that includes persons described in Paragraphs (a) through (c) of this subsection.

B. Exception: An occasional gift of less than \$10.00 in value shall not be included in the limitations on gifts.

C. Disclosures by Board Members, the Executive Director and Executive Staff: Consistent with this policy and in order to afford PERA participants the assurance that Board Members perform their duties in an impartial manner, the Board shall:

- a. At least semi-annually, disclose anything of value from entities described in Section E.1.above received in the capacity as a PERA Board Member, except as provided for in the State of New Mexico Per Diem and Mileage Act, NMSA 1978, §10-8-1, et seq. and current DFA Rules.
- b. The PERA Gift Report Form (attached to this Policy's appendix) shall be completed at least semi-annually by each Board Member, even if he/she reports "no gifts."
 - i. The reports shall be filed in the Executive Director's Office with the Executive Director's Executive Assistant.
 - ii. Semi-annual reports shall be filed immediately following the six-month period covered by the report. Board Members may file reports more frequently than semi-annually.

Contributions: No person who is a candidate in a primary or general election for a position that qualifies the person for ex-officio membership on the Board, no Member serving ex officio on the Board and no person who is a nominee for the Board by election of the membership shall accept anything of value of more than \$25.00 as a contribution from a person who:

- c. has a current contract with the retirement board or association;
- d. is a potential bidder, offeror or contractor for the provision of services or personal property to the retirement board or association;
- e. is authorized to invest public funds pursuant to state or federal law or is an employee or agent of such a person; or

⁴ "Anything of value" includes, without limitation, food, drink, gifts, compensation, contributions or reimbursement for travel or any other activity that is not permitted in NMSA 1978, §10-11-130.1.

- f. is an organization, association or other entity having a membership that includes persons described in Paragraphs (a) through (c) of this subsection.

6. Outside Employment and Other Outside Activity: Board Members, the Executive Director and Executive Staff shall not engage in any outside employment or other activity that is not compatible with the full and proper discharge of their duties and responsibilities with the Board. Activities or actions that are not compatible with Board duties include, but are not limited to, the following:

- A. Engaging in any outside employment, private business activity, or other interest which may interfere with the Board Member's ability to perform his/her duties as Board Member, or which may impair the efficient operation of the Board;
- B. Accepting employment or rendering services in exchange for pay regarding the PERA Act, policies, rules or matters of PERA business, except if the employment or services are in the course of public employment;

7. Procurement Quiet Period: Except as specifically provided below, during the pendency of any Request for Information, Request for Proposal or Invitation to Bid, no person or entity that submits an application or bid for the award of a PERA contract, nor an agent for such person or entity, may have any communication concerning any topic with the Board, Executive Director, or staff member, except as expressly provided in the procurement document. This "quite period" communication restriction exists from the date that the procurement document is issued until the contract is consummated.

- A. Any applicant or bidder who violates these communication restrictions, or permits an agent to violate these restrictions on behalf of the applicant or bidder, will be immediately disqualified from further consideration under the solicitation.
- B. These communications shall not apply to:
 - a. Staff who are identified within the Request for Proposal or Invitation to Bid as responsible for responding to prospective applicant or bidder questions;
 - b. Communications by a firm under contract to provide services to PERA, where the communication is made to the Board or Committee or staff and relates to the services for which the firm already has been retained; and
 - c. Communication that is required of finalists, consistent with the terms of the Request for Proposal or Invitation to Bid, for the purpose of providing the Board and staff with information that updates any information previously included in the proposal or bid.
- d. Communications to negotiate the final terms of such contract after the award has been made.
- C. If the Chair (or the Vice Chair if the Chair is involved) determines that a violation has occurred, the Chair will promptly inform the Board and the

Procurement Manager of this determination, and the Procurement Manager will inform the applicant or bidder of his/her immediate disqualification.

IV. FIDUCIARY COUNSEL

The Board recognizes the need for the specialized advice of a fiduciary counsel to assist the Board in discharging its fiduciary responsibilities. The Board directs the General Counsel to contract for fiduciary counsel services; and further directs the General Counsel to approve all activities of fiduciary counsel except in instances where the Board wishes to work directly with fiduciary counsel without the input of the General Counsel. In that instance the Chair shall direct the activities of fiduciary counsel.

Subject to the determination of the General Counsel and the limitations set forth above, the fiduciary counsel contract will include provisions for the following:

- A. Attendance at Board and Committee meetings, including special meetings, as needed and as directed by the General Counsel or the Board/Committee Chair.
- B. Fiduciary counsel will be assigned to drafting of legal analyses and the review of written materials as determined by the General Counsel.
- C. The contract will include a 30-day termination clause.
- D. The contract will provide for recognition of fiduciary status, a conflict of interest prohibition and reporting procedure pursuant to the Campaign Reporting Act, NMSA 1978 Sections 1-19-25 *et seq.*

V. CLAIMS AGAINST FIDUCIARIES

This policy section establishes the manner by which the Board should process and manage fiduciary liability claims throughout the lifecycle of such claims.

VI. RISK MANAGEMENT AND DATA SECURITY

1. Risk Assessments and Policies.

- A. **Board Responsibilities.** The Board is responsible for adopting a policy for an effective system of enterprise-wide risk management and compliance. This includes ensuring that risk assessments are performed yearly and that the results are considered by the Board for potential action, if necessary, to remedy any identified risk. The Board is responsible for securing appropriate insurance coverage against risks.
- B. **Executive Director Responsibilities.** The Executive Director is responsible for:
 - a. Creating the risk governance structure, risk assessment and risk management and compliance practices, and the guidelines, policies

and processes for risk assessment and risk management based on the board policy and framework.

- b. Ensuring management establishes a strategy relating to key risks, including but not limited to, strategic, operational, financial, compliance, reputational and investment risks.
- c. Establishing the methodology for measuring risk management performance.
- d. Supervising annual risk management assessment and reporting back to the Board the results of risk assessment tests.

2. **Data Security and Breach Notification.** The Board shall review and adopt a data security policy that requires PERA to maintain reasonable security measures to protect PERA members' and beneficiaries' information for unauthorized access. The Executive Director shall prepare a proposed Data Security and Breach Notification Policy with the assistance of PERA staff to present to the Board for approval and adoption on an annual basis.

VII. BOARD EDUCATION AND TRAVEL

1. **Board Education:** Establishing standards of accountability and approval for Board Members relative to official Board education is vested with the Board itself by statute and PERA Rule. Approval of official Board education by Board Members is delegated to the Executive Director for review and approval or denial, then for submission to the full Board for concurrence.

- A. Within two months (per PERA Rule 2.80.200.21A) of becoming a Board Member, all new Board Members shall attend the "New Board Member Orientation."
- B. If adequate funding is provided, a Board Member may attend one (1) and ideally two (2) relevant educational conferences or seminars every fiscal year.
- C. Section 10-11-133(F) NMSA 1978 (2010) requires the Board to provide Board members no less than 8 (eight) hours of training in pension fund investing, fiduciary obligations or ethics each year. Such training may be provided by PERA or approved outside sources and can be received through out-of-state educational conferences, staff and consultant educational sessions and in-state education conferences. PERA Rule 2.80.200.21B requires Board Members to certify annually that they have met this requirement. Board Members who fail to meet this requirement for 2 consecutive years are deemed to have resigned from the Board.

2. **Fiduciary Education Session.** Each year, the General Counsel of PERA will arrange for a fiduciary education session that will update the Board Members on issues affecting their service on the Board. All Board Members are expected to attend.

3. Ethics Education Session. Every year, Board Members are required to complete a two-hour ethnics training course. The General Counsel of PERA shall ensure that every Board Member completes this requirement and shall report compliance to the Board annually.

4. Sexual Harrassment Training. Every two years, Board Members are required to complete a two hour sexual harassment/hostile workplace environment training course. The General Counsel of PERA shall ensure that every Board Member completes this requirement and shall report compliance to the Board annually.

5. Board Travel Requests

- A.** The Executive Director shall monthly provide all Board Members a list of upcoming seminars, professional and educational conferences, and other events that might assist Board Members in conducting the business of PERA.
- B.** As fiduciaries, Board Members must ensure that only reasonable and necessary expenses are incurred in the governance and management of PERA, and must establish an annual travel budget that is included in the annual operating budget, which the PERA staff proposes, the Board approves, and both monitor on a quarterly basis.
- C.** Individual Board Members shall submit to the Executive Director for approval any request to participate in any event requiring travel and submit a budget proposal for such travel.
- D.** The Executive Director shall review all Board travel requests to ensure that they are compliant with this Policy, and all travel requests shall be placed on the Board Consent Agenda.
- E.** Before any Board Member accepts complimentary travel or lodging in his or her official PERA Board Member capacity, the Board must vote to approve acceptance of that complimentary travel. The item shall be placed on the Consent Agenda for approval.

6. Authorization of Board Travel Within New Mexico: Travel by Board Members to attend all publicly noticed meetings or workshops of the Board and any of the Board's committees or legislative hearings affecting PERA and any other event that is required to conduct the business of PERA does not require specific approval under this policy. Travel to and returning from the PERA office for PERA-related business does not require approval under this policy. Prior approval of Board Member travel within New Mexico to attend any professional and educational conference or seminar where any portion is paid for by PERA shall be approved in the same way as Board travel outside New Mexico.

7. Authorization of Board Travel Outside New Mexico:

- A.** When a Board Member requests approval for Board-sponsored travel, the Board Chair or Vice Chair shall inform the requesting Member of travel

approval or denial in a timely manner. If there are budget limitations, priority shall be given to new Board Members.

- a. If a Board Member is formally sanctioned by the Board, his or her out-of-state travel shall be suspended for the sanction period.
 - b. Board Members shall be ineligible for out-of-state travel for educational purposes during the last ninety (90) days of their term of office, unless re-elected to a new term.
- B. No prepayment or reimbursement of Board Members for travel expenses will be made for travel that is not approved in advance as provided for in this section.

8. Speakers:

- A. **PERA Sponsored Travel.** A request to be a speaker or moderator at a conference or seminar requiring travel where any portion is proposed to be paid by PERA shall be put on the Consent Agenda and, if approved by the Board, expenses shall be paid by PERA.
- B. **Complimentary Travel.** Where a Board Member has received a request to speak or moderate at a conference or seminar, the request shall be submitted to the Executive Director and placed on the Consent Agenda at the next regular Board meeting for approval.

9. Emergency Travel: In an emergency situation, the Board Chair shall review and approve or deny the travel requests for travel that have not been approved at a previous monthly Board meeting, but which will occur prior to the next Board meeting. The Vice Chair will review and approve or deny emergency travel requests for the Board Chair.

10. Payment for Travel: PERA shall pay for all approved Board Member travel, including transportation and related meals and lodging as set forth in the State of New Mexico Per Diem and Mileage Act, NMSA 1978, §10-8-1, et seq. and current DFA Rules. While traveling, Board Members may participate in meals provided by third parties as allowed by NMSA 1978, §10-11-130.1. In such situations, Board Members may not claim per diem reimbursements for such meals and must comply with the Board's policies regarding gifts and disclosure. Submission of claims for reimbursement for all travel expenses shall be made within 180 days from the date of travel and shall be accompanied by receipts and/or other proof of payment. Claims for reimbursement shall be submitted on the reimbursement form then in use by PERA and presented to the Executive Director or his/her designee for final review prior to payment.

11. Report on Travel: Each Board Member shall verbally report to the Board on any event requiring travel outside of New Mexico for which PERA has paid within sixty (60) days after travel has been completed. Such verbal report shall be made on the record at a regular Board meeting.

VIII. INSIDER TRADING POLICY

1. Confidentiality of Inside Information: Board Members who come into possession of material non-public information concerning a publicly traded company must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know for legitimate, PERA-related reasons. Any Board Member who improperly reveals material non-public information to another person or any other person with whom the Board Member shares the information can be held liable under the anti-fraud provisions of the federal securities laws (primarily section 10(b) of the Securities Exchange Act of 1934 (“1934 Act”). To avoid even the appearance of impropriety, Board Members should refrain from providing advice or making recommendations regarding the purchase or sale of any securities traded by PERA.

2. Prohibition of Insider Trading: The anti-fraud provisions of the federal securities laws generally prohibit persons who have a duty not to disclose material non-public information from trading securities on the basis of such information. In addition, the anti-fraud provisions prohibit fraudulent, manipulative, or deceptive trading practices. Persons who violate these prohibitions are subject to potential civil damages and criminal penalties. The civil damages can consist of disgorgement of any illicit profits and a fine of up to three times the profit gained or loss avoided. The criminal penalties can be as much as \$1 million and 10 years imprisonment per violation. PERA, its Board and executive staff, certain key personnel, and consultants could be deemed “controlling persons” subject to potential liability under federal securities laws. A Board Member should contact the PERA Office of General Counsel immediately if he/she becomes aware of the possibility of a violation of insider trading laws.

3. Materiality: Information regarding a publicly traded company is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell, or refrain from any activity regarding that company’s securities. Further, such information would be material if it were likely to have a significant impact on the market price of that company’s securities. So long as the information remains material and non-public, it must be maintained in strict confidence and not used for trading purposes. By way of example, it is probable that the following information, in most circumstances, would be deemed material:

- A. Annual or quarterly financial results;
- B. A significant change in earnings or earnings projections;
- C. Unusual gains or losses in major operations;
- D. Negotiations and agreements regarding significant acquisitions, divestitures, or business combinations.
- E. A significant increase or decrease in dividends on the company’s stock; and

F. Major management changes.

[Amended: 4/28/2011]

IX. SANCTIONS & ENFORCEMENT

1. Investigation. Any breach of fiduciary duty, violation of this Policy or other conduct that falls below the high ethical standard this Board expects of itself, shall be looked into by the Board or its designee. If a majority of the Board requests, an investigation shall be conducted by an outside investigator. The investigator shall be selected by a vote of at least seven Board Members at a public Board meeting.

At the conclusion of the investigation, the investigator will report his or her findings to the Board.

2. Censure Motions & Hearing: A motion to censure a member of the Board shall be treated by the Chair as a motion to refer the matter to the selected investigator and for a report back to the Board. Adoption of the motion to refer and any subsequent motion for censure or otherwise discipline a member of the Board requires either (1) an affirmative two-thirds votes of the Board Members present at the Board meeting, or (2) if less than two-third of the Board Members present, then unanimous vote of those present at the Board meeting. The Board Member charged with misconduct shall not be entitled to vote on such motions and shall not be counted for the purposes of calculating the two-thirds or unanimous vote requirements.

3. Removal From Office: In the case of removal from the Board, a hearing shall be conducted in accordance with 2 NMAC 80.1500.10.3, except that the Board shall hear the evidence and make a decision, instead of a hearing officer. After a hearing and vote by the Board, a Board Member may be removed in the following instances.

- A.** A Board Member may be removed for unexcused absences from four scheduled meetings of the Board or Committees on which the Member has been placed in any consecutive twelve-month period.
- B.** With the exception of public officers removable only by impeachment,⁵ violation of the Governmental Conduct Act or this policy is grounds for discipline, including dismissal.⁶ Dismissal includes removal from the Board.
- C.** Removal of a Board Member is an extreme remedy and shall be utilized by the Board only when necessary to protect the assets of the Trust.
 - a.** The purpose of removing a trustee is not to inflict a penalty for past action, but to preserve the Trust assets. The standard in each

⁵ Violations of the Governmental Conduct Act by the two ex officio members of the PERA Board are referred to the New Mexico House of Representatives by the Attorney General, which is consistent with the New Mexico Constitution. NMSA 1978, § 10-16-14(C).

⁶ NMSA 1978, § 10-16-14(D) & § 10-16-11(C). The Attorney General may also enforce the Governmental Conduct Act by civil injunctive or other appropriate court orders. NMSA 1978, §10-16-14(E).

case is whether the circumstances are such that the continuance of the Board Member in office would be detrimental to the Trust.

- b. Removal is also appropriate in instances of gross misconduct⁷ and repeated violation of this policy and of the Board Member's fiduciary duty.

4. **Discipline Short of Removal**: Discipline may include the following:

- A. Formal reprimand and public censure by the Board, which shall be permanently recorded in the Board minutes.
- B. Suspension from participation on the Board or a particular Board activity for a specified period of time not to exceed one year.
- C. Notwithstanding paragraph 2 of this subsection, a second sanction by the Board during a Board Member's term of office may result in suspension from participation on the Board or a particular Board activity for the remainder of his or her term.
- D. Removal from Board or Committee meetings for disruptive behavior.

X. EXECUTIVE DIRECTOR

1. Delegation

By Resolution adopted by the Board, as amended from time to time, the Board has delegated authority to the Executive Director to perform certain acts within the power of the Board itself to perform. The Board may not delegate to the Executive Director the authority to set the compensation and benefits of the Executive Director. Unless the delegation provides that the Executive Director has the authority to act finally, any such acts that are material to the administration of PERA shall be reported to the Board at its next regular meeting and shall be subject to review, reversal or ratification by the Board.

Pursuant to the Resolution, the management of PERA is delegated to the Executive Director who shall be the executive and administrative head of the system. The Executive Director shall operate the system within the framework established by all applicable laws, and in accordance with rules and policies adopted by the Board. The Executive Director shall act as advisor to the Board on all matters pertaining to the system, act as liaison between the Board, members, member organizations, employers, employer organizations, state departments and agencies, the Legislature, and shall also act as Secretary of the Board. Notwithstanding this section, the Executive Director has the duty to bring to the attention of the Board all matters which materially impact PERA.

2. Duties and Authority:

The Executive Director shall have the duties and responsibilities set forth in the Charter for Executive Director, appended hereto.

⁷ "Gross misconduct" is defined as violation of clearly established policy or rule, dereliction from duty, unlawful behavior involving matters of dishonesty or deception, but not negligence or carelessness.

F. Standards of Conduct: The Standards of Conduct set forth in Section III shall also apply to the Executive Director.

G. Hiring Exempt Employees: The Executive Director has sole the authority to employ all NMPERA employees. When employing persons for the positions of Deputy Director of Operations, Deputy Director of Member Services, Chief Investment Officer and General Counsel, the Executive Director shall disclose at the next regular board the credentials of such persons that met the qualifications for employment.

3. Performance Evaluations

A. Executive Director

1. The Executive Director shall be formally evaluated by the Board in closed session at least once a year, following the close of the fiscal year.
2. The Board shall follow the process set out in the Executive Director Evaluation Form attached as an appendix to this Policy.
3. Performance criteria shall primarily include objectives for outcomes that are under the Executive Director's control, but may also include outcomes for which the Executive Director may reasonably be expected to exercise influence.
4. Performance criteria requiring additional resources shall be enforced only in the event that such incremental resources have been authorized and funded in PERA's annual budget.

B. Exempt Staff

1. The Executive Director shall develop and execute performance plans for all employees under his/her supervision. Such performance plans shall be consistent with the Executive Director's performance plan.
2. Exempt employees shall be evaluated by the Executive Director in relation to their performance plan at least once per year.

4. Compensation of Executive Director: Based upon the Board's evaluation of the Executive Director's performance for the preceding fiscal year, the Board shall meet in open session prior to September 1 of the subsequent fiscal year to discuss and vote on changes in the Executive Director's compensation for that fiscal year. The compensation of the Executive Director shall be included in the Board-approved budget for the fiscal year in which the compensation is to be paid.

5. Internal Communications: It is the responsibility of the Executive Director, or his or her designee, to act as the liaison for communication and information flow between the Board and PERA staff.

6. External Communications: The Executive Director has extensive experience and institutional knowledge which are of value to the PERA organization. The

Executive Director is authorized generally to speak to the Legislature and other stakeholders and interested parties on behalf of PERA and the Board, and to answer questions about the system posed by such persons or entities. On legislative and legal matters for which the Board has not taken a position, the Executive Director may provide factual information upon request and may express the Executive Director's professional opinion upon consultation with the Board Chair and Vice Chair.

7. Professional Development:

- A.** The performance plan which the Board adopts and monitors each year for the Executive Director shall include training and professional development.
- B.** The Board shall approve training for the Executive Director in the same manner as for Board Members.

XI. DELEGATION TO CHIEF INVESTMENT OFFICER

The Board and the Executive Director have delegated responsibility of certain specified investment decisions to PERA's Chief Investment Officer ("CIO"), which include the selection of investment vehicles, managers and consultants, both discretionary and non-discretionary, consistent with the Board's adopted risk and return parameters, asset allocations and investment policies and procedures. In discharging this delegated responsibility, the CIO must adhere to the same fiduciary duties that apply to the Board and the Executive Director, including but not limited to the duty of prudent investment, the duty to diversify, and the duty of prudence, care, knowledge and diligence.

XII. COMMUNICATIONS

The Board recognizes that effective communication is integral to good governance. In order to achieve the mission and objectives of PERA, the Board has established the following policies for communicating clearly among Board Members, senior management, PERA members, and external parties.

1. Ex Parte Communications.

- A.** Board Members are prohibited from having an ex parte communication, with any party or their representative, on the merits of any matter in controversy arising out of a challenge to a benefit determination or audit finding made by PERA staff. This prohibition on ex parte communications shall commence the moment a disagreement arises that could result in litigation and shall remain in full effect until the Board has made a final determination on the matter.
- B.** A Board Member or the Executive Director shall not have an ex parte communication on the merits of a Disability Review Committee matter or an administrative appeal with any party or their attorney until after the Board's decision and the case is administratively final. A Board Member shall not engage in private ex parte communications regarding any official Board actions prior to taking such action. Any ex parte communications made known to the Executive Director, PERA staff or individual Board

Members shall be reported to the Chair. If the Chair determines that the ex parte communication involved the merits of the appeal, recusal from participating and voting on the appeal by the Board Member who received the ex parte communication shall be required.

- C. The Board's communications with PERA's General Counsel, or with someone acting on the General Counsel's behalf, are not considered ex parte communications.
- D. Board Members are prohibited from publishing any writing or making any statement to the media, to state administrators, legislative personnel, or members of the public on the purported basis of representing PERA's position or policy on any matter or subject before the Board has formally adopted a policy or position on the matter or subject and authorized the Board Member to speak on behalf of the Board or PERA. This provision shall not be interpreted to preclude Board Members from expressing their personal views as private citizens.

2. Electronic Communications.

- A. Any electronic communication by a Board Member, the Executive Director, the Chief Investment Officer or any staff pertaining to PERA business shall be treated as a business record of PERA subject to PERA's record retention policy and New Mexico Public Records Act, NMSA 1978, Sections 14-3-1 *et seq.* (1999). The ownership of the server on which the communication took place shall be irrelevant to this determination.
- B. Electronic communications by Board Members pertaining to PERA business should be transacted only on a PERA dedicated account provided to the Board Members.
- C. Electronic communications between Board Members must not violate any provision of the Open Meetings Act, NMSA 1978, Sections 10-15-1 *et seq.*
- D. Communications that a Board Member wishes to disseminate to a majority of the members of the Board or a majority of the members of a standing committee shall be submitted to the Executive Director or his/her designee only. The Executive Director or his/her designee will then, in his/her discretion, forward said communications to the full Board. The communication shall be distributed publicly to the entire Board as a communications item posted it with the public agenda for the next regular Board meeting unless the communication is a privileged communication or otherwise protected from public disclosure by law.
- E. Electronic communications from PERA staff to Board Members may be sent to the personal account designated by individual Board Members. In such event, PERA staff shall retain a copy of the email communications according to PERA's record retention policy and New Mexico Public Records Act, NMSA 1978, Sections 14-3-1 *et seq.* (1999).

3. Communications Among the Board. The Board shall carry out its activities in accordance with the spirit of open governance, including in

satisfaction of the provisions of the Open Meetings Act, NMSA 1978, Sections 10-15-1 *et seq.* Specifically, the Board must:

- A. Ensure that communications by and between the Board Members comply with the Open Meeting Act;
- B. Not conduct or participate in communications (one at a time or in a group that in total constitutes a quorum of the Board or Committee) either directly or through intermediaries or electronic devices for the purpose of developing a concurrence for an action to be taken. Any such conduct shall constitute a prohibited meeting.
- C. Not take any action, whether preliminary or final, by secret ballot.
- D. Communicate in a straightforward, constructive manner with due respect and professionalism during meetings of the Board and its Committees.

4. Staff Communications to the Board.

- A. All Board Member requests for information, concerns, or ideas for staff projects shall be directed to the Executive Director, who shall in turn direct staff as appropriate. Under no circumstances shall Board Members directly communicate about such matters with any PERA staff subordinate to the Executive Director outside a duly noticed Board or Committee meeting, without the Executive Director's prior permission. If exigent circumstances arise during the Executive Director's absence, such matters may be directed to the Executive Director's designee who shall act in lieu of the Executive Director.
- B. The Executive Director may decline to accept a Board Member's request for information that requires the expenditure of significant staff time or external resources, provided that the Executive Director then places the matter on the subsequent Board or Committee agenda, as appropriate, for consideration and direction by the full Board or Committee.

5. General Counsel Communications to Board. PERA Office of General Counsel shall provide advice to the full Board upon request by the Board. Board Members shall not seek individual legal advice or individual formal opinions from PERA's Office of General Counsel or contract legal counsel without Board approval. This policy shall not preclude individual Board Members from requesting PERA's interpretation of the statute and rules that PERA administers.

6. Outside Counsel Communications to the Board. Communications, whether oral or in writing, delivered to the Board in closed session or designated as confidential and/or attorney-client privilege shall not be disclosed to others by any Board Member. Moreover, if the Board seeks to refer a matter to outside fiduciary counsel, it may communicate its request through the Executive Director and/or the General Counsel who may speak on its behalf to the outside fiduciary counsel.

7. Hired Consultants Communications to the Board. All communications between Board Members and a hired consultant shall only occur during a duly noticed Board or Committee meeting.

8. PERA Members/Beneficiaries Communications to the Board. The Board Members must be sensitive to PERA members and beneficiaries' inquiries and complaints. At the same time, Board members should not become involved in the day-to-day operational management of PERA, which is a role delegated to the Executive Director and the PERA staff.

A. Member/Beneficiary Inquiries

- a. Members and retirees should be directed to contact PERA staff directly when inquiries of a general nature are made of PERA Board Members.
- b. If members and retirees have specific questions about member services, they should be directed to contact the Deputy Director of Member Services.
- c. Inquiries about operations should be referred to the Deputy Director of Operations.
- d. Inquiries about deferred compensation should be referred to the Deferred Compensation Plan Manager or the Third-Party Administrator of the Deferred Compensation Plan.
- e. Inquiries about investments should be referred to the Chief Investment Officer
- f. Board Members are encouraged to have members and retirees submit general information such as address changes, etc., directly to PERA staff or online at RIO Self-Service so as to lessen the chance of errors or misunderstanding

B. Member/Beneficiary Complaints

- a. Complaints to PERA Board Members are to be directed to the Executive Director, or to his or her designee, for resolution.
- b. If designated, the Deputy Director of Member Services will respond to member services issues.
- c. If designated, the Deputy Director of Operations will respond to inquiries about operations, investments or deferred compensation.
- d. If designated, the Chief Investment Officer will respond to inquiries about investments.

C. Procedure for Handling Complaints

- a. The complaint will be investigated and a response given to the PERA member or retiree within 5 working days of receiving the complaint.
- b. The Board Member initiating the complaint will be notified when PERA staff has responded to the complaint.

- c. PERA staff is prohibited from divulging any confidential member information when notifying the Board Member that staff has responded to the complaint

XIII. CONFIDENTIAL MEMBER INFORMATION

A Board Member and PERA shall not use or disclose, directly or indirectly, confidential information⁸ obtained in the course of or by reason of his/her official capacity. Confidential information shall be used solely for PERA purposes and under no circumstances revealed to unauthorized persons or entities, except as may be required to be disclosed as a public record under the PERA Act, NMSA 1978, §10-11-130(I) (1997) and the New Mexico Public Records Act, NMSA 1978, §14-3-1 (1999).

New Mexico state law prohibits PERA staff and Board Members from disclosing confidential member information.

The law on disclosure of confidential member or retiree information is found at NMSA 1978, Section 10-11-130(I) (2010).

XIV. LOBBYING AND LEGISLATION

POLITICAL ACTIVITIES

A. No one who holds, or who is seeking election or appointment to, any office or employment with a state or local agency shall, directly or indirectly, use, promise, threaten or attempt to use, any office, authority, or influence, whether then possessed or merely anticipated, to confer upon or secure for any individual person, or to aid or obstruct any individual person in securing any position, nomination, confirmation, promotion, or change in compensation or position, within the federal, state or local agency, upon consideration or condition that the vote or political influence or action of such person or another shall be given or used in behalf of, or withheld from, any candidate, officer, or political party, or upon any other corrupt condition or consideration.

B. No one who holds, or is seeking election or appointment to any office shall, directly or indirectly, offer or arrange for any increase in compensation or salary for an employee of a federal, state or local agency in exchange for, or a promise of, a contribution or loan to any committee controlled directly or indirectly by the person who holds, or is seeking election or appointment, to office.

⁸ "Confidential information" is defined in the PERA Act at NMSA 1978, §10-11-130(I), as all information contained in a member or retiree file except the applicable coverage plan, amounts of contributions made by both the member and the employer, and the pension amounts paid. With the release or consent of the member, other information may be released. The names and addresses of members and retirees may be released without the release or consent of the member to candidates for election to the PERA Board. Confidential information may also include confidential contract, financial, investment or legal information, and information not available to the public at large, or divulgence of such information in advance of the time prescribed for its authorized release.

C. Though PERA's staff is free to make contributions to a political campaign of a trustee or to any charitable organization, Board Members, the Executive Director and the Chief Investment Officer shall refrain from soliciting campaign or charitable contributions from staff, including but not limited to the purchase of, selling, distributing, or receiving payment for tickets for any political fundraiser, political meeting, or other political event.

Attachment 1

Board Member Certification

I, _____, hereby certify that I have read and understand the Board Policies and Procedures for the Public Employees Retirement Association of New Mexico (“Policies”), and agree to strictly adhere to the Policies. I further certify that I understand that the failure to act in conformance with the Policies may result in serious consequences, including but not limited to removal from the Board.

***PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION OF NEW MEXICO
BOARD POLICIES AND PROCEDURES***

Adopted March 29, 2001; amended 2002~~;~~, 2011, 2012~~-and~~, 2014~~;~~ and 2018

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I. GENERAL GUIDELINES

1. ~~A.~~ Overview and Purpose. The New Mexico Public Employees Retirement Board (“Board”) is the ~~Trustees~~Trustee of the public pension funds created by state statute and administered by the Public Employees Retirement Association (“PERA”) ~~and the funds created by state statute.~~¹ As Trustees, Board Members are fiduciaries to the various PERA funds and must prudently administer these retirement systems for the sole and exclusive benefit of PERA’s active, deferred, and retired members, ~~retirees~~ and their beneficiaries.² Additionally, the Executive Director ~~also~~ has a fiduciary duty to prudently administer ~~these retirement systems~~PERA and its investments for the sole and exclusive benefit of PERA members, ~~retirees~~ and beneficiaries. In order to maintain the respect, trust and confidence of its members and ~~retirees~~beneficiaries, all Board Members and the Executive Director must use the powers and resources of their ~~office~~offices only to advance the interests of PERA members, ~~retirees~~ and beneficiaries and not to obtain personal benefits or ~~pursue~~promote private ~~advantage~~interests incompatible with ~~these members’~~ interests. Board Members and the Executive Director shall conduct themselves in a manner that justifies the confidence placed in them by PERA members and ~~retirees~~beneficiaries, and at all times ~~maintaining~~maintain their integrity and ~~discharging~~discharge their responsibilities ethically in the course of their ~~association~~public service with ~~the~~ PERA.

The purpose of these policies is to provide ~~general guidelines and standards of conduct~~the governing rules for Board Members and the Executive Director of the New Mexico Public Employees Retirement Association; ~~and to implement.~~

2. Governing Law.

Constitutional Authority: The Board is governed by the provisions of ~~the Governmental Conduct~~N.M. Const. art. XX, § 22, which provide:

Sec. 22. [public employees and educational retirement system trust funds; expenditures and encumbrances prohibited; administration; vesting of property rights.]

A. All funds, assets, proceeds, income, contributions, gifts and payments from any source whatsoever paid into or held by a public employees retirement system or an educational retirement system created by the laws of this state shall be held by each respective system in a trust fund to be administered and invested by each respective system for the sole and exclusive benefit of the members, retirees and other beneficiaries of that system. Expenditures from a system trust fund shall only

¹ Public Employees Retirement Act, NMSA 1978, Sections 10-11-1, et seq. (1999), the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 et seq. (1997), the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 et seq. (1997) the Volunteer Firefighters Retirement Act, NMSA 1978, Section 10-11A-1 et seq. (1997) and the Deferred Compensation Act, NMSA 1978, Sections 10-7A-1 et seq.

² N.M. Const. art. XX, § 22.

be made for the benefit of the trust beneficiaries and for expenses of administering the system. A system trust fund shall never be used, diverted, loaned, assigned, pledged, invested, encumbered or appropriated for any other purpose. To the extent consistent with the provisions of this section, each trust fund shall be invested and the systems administered as provided by law.

B. The retirement board of the public employees retirement system and the board of the educational retirement system shall be the trustees for their respective systems and have the sole and exclusive fiduciary duty and responsibility for administration and investment of the trust fund held by their respective systems.

C. A retirement board shall have the sole and exclusive power and authority to adopt actuarial assumptions for its system based upon the recommendations made by an independent actuary with whom it contracts. The legislature shall not enact any law that increases the benefits paid by the system in any manner or changes the funding formula for a retirement plan unless adequate funding is provided.

D. Upon meeting the minimum service requirements of an applicable retirement plan created by law for employees of the state or any of its political subdivisions or institutions, a member of a plan shall acquire a vested property right with due process protections under the applicable provisions of the New Mexico and United States constitutions.

E. Nothing in this section shall be construed to prohibit modifications to retirement plans that enhance or preserve the actuarial soundness of an affected trust fund or individual retirement plan.

Statutory Authority: In addition to its constitutional mandate, the Board must also adhere to the following statutes governing its authority:

- Public Employees Retirement Act,³ NMSA 1978, Sections 10-11-~~130.1 and 10-1,~~ et seq.
- Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 et seq.
- Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 et seq.
- Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-~~133(G) of the PERA Act and the~~ 1 et seq.
- Deferred Compensation Act, NMSA 1978, Sections 10-7A-1 et seq.
- Governmental Conduct Act, NMSA 1978, Sections 10-16-1 et seq.
- Financial Disclosure Act, NMSA 1978, Sections 10-16A-1 et seq.⁴
- Inspection of Public Records Act, NMSA Sections 14-2-1 et seq.
- Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4 , as amended.

³~~NMSA 1978, Section 10-16-1 et seq. (1993).~~

⁴~~NMSA 1978, Section 10-16A-1 et seq. (1997).~~

3. B. Mission Statement. The mission of the Board of the Public Employees Retirement Association is to prudently preserve, protect, invest and administer ~~the Trust~~ PERA Funds to meet its current and future obligations and provide quality services to ~~association~~ PERA members and their beneficiaries.

4. C. Value Statement. The Board will act with integrity in meeting its fiduciary responsibilities to ~~the Trust~~ PERA's members and beneficiaries. The Board will make efficient, effective, prudent and visionary decisions in fulfilling its mission. Board Members will be reliable, responsible, and will utilize opportunities to receive necessary training in order to be knowledgeable fiduciaries. The Board will engage in inclusive decision making processes, which support its expectation that the Board speaks with a unified voice.

5. D. Fiduciary Responsibilities

A. 1. Duty of Prudent Care: Board Members and the Executive Director shall, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character with like aims. Good faith does not excuse failure to use prudent care in the administration of the PERA Fund.

B. Duty of Loyalty: Board Members and the Executive Director shall give their undivided loyalty and act solely for the benefit of the present and future participants and beneficiaries of the PERA Fund, and shall ~~give their undivided loyalty to such~~ balance the interests of present and future participants and beneficiaries. ~~Good faith does not excuse disloyalty where those interests may diverge.~~

C. 2. Duty to Deal Impartially: Board Members and the Executive Director shall deal impartially with all ~~association~~ active, deferred, and retired PERA members and ~~retirees~~ beneficiaries.

D. 3. Duty to Preserve the Trust: Board Members and the Executive Director shall preserve the trust assets through implementation of the Board Investment Policy and monitoring fund performance.

E. Duty to Invest as Prudent Investor: Board Members and the Executive Director have a duty to the PERA Funds' beneficiaries to invest and manage the funds as a prudent investor would, in light of the purpose, terms, distribution requirements and other circumstances of the trust. This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the trust portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the PERA Fund. In making and implementing investment decisions, the Board, the Executive Director (and any delegated personnel) have a duty to diversify the investments of the PERA Fund unless, under the circumstances, it is clearly prudent not to do so.

F. 4. Duty to Be Educated: The complexities of sound management of the assets and liabilities of the ~~Trust~~ PERA Fund impose a continuing responsibility for all Board Members and the Executive Director to attend

educational conferences, seminars, and other events that are required to conduct the business of PERA, or that will better prepare them to perform their fiduciary duties.

G. ~~5.~~ Duty as Co-Trustee

- a. Board Members and the Executive Director have a duty to participate in the administration of the ~~trust~~PERA Fund.
- b. Board Members and the Executive Director have a duty to use reasonable care to prevent co-trustees from committing a breach.
- c. Board Members and the Executive Director have a duty to compel performance or redress a breach.

6. ~~E.~~ Governance Principles: The Board shall establish and communicate Board policies and priorities and then appropriately monitor performance. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board ~~members~~Members to abide by the policies articulated herein and to govern in a manner consistent with the Board's value statement. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and Committee levels and between the Board and PERA management.

~~[Amended: 3/31/2011]~~

7. Board Composition, Nomination, Election and Resignations.

- A. Composition.** The composition of the Board of PERA shall be as provided by applicable law.
- B. Nomination and Election.** The nomination, election and appointment of individuals to serve as Board Members of PERA shall be as provided by applicable law.
- C. Term Limits.** Board Members shall serve terms and shall have term limits as provided by applicable law.
- D. Resignations.** A Board Member may resign from his/her position by providing written notice to the Board and also informing the Executive Director by copying him/her on the resignation notice.

II. BOARD'S ROLE AND DUTIES

Consistent with its fiduciary role as Trustees of the ~~funds~~PERA Funds, the Board's principal role is to ensure that PERA is appropriately governed and managed for the benefit of current and future members and beneficiaries of the fund. With the overriding goal of protecting fund assets and maintaining liquidity to meet distribution obligations, the Board~~'s role is as follows~~ shall:

1. ~~A.~~ Adopt and Monitor PERA Policies

- A. ~~1.~~** Set the long-term strategic direction for PERA, focusing on the goals of PERA against which its performance is measured and monitored.

- B. ~~2.~~ Create, adopt, review and/or revise Board rules, policies and guidelines regarding administration of the retirement system and investment of its assets as necessary but at least every 2 years in odd-numbered years.
- C. ~~3.~~ Select, supervise, compensate and regularly evaluate the Executive Director. The Board shall evaluate the Executive Director at least annually.
- D. ~~4.~~ Delegate execution of established Board policy and strategic objectives to the Executive Director and the Chief Investment Officer, and through ~~the Executive Director~~ them, re-delegation to ~~the employees of PERA.~~
- ~~5. — Set the Board agenda; identify, articulate, prioritize and schedule matters the Board will regularly address~~ staff.
- E. ~~a.~~ Create, adopt, and publish an annual schedule for regular board meetings.
- F. ~~b.~~ Identify benchmarks and requirements that trigger Board review.
- G. ~~c.~~ Identify information needs and determine how, when and in what form information is to be timely delivered to Board Members to enable the Board to meet its responsibilities, ~~having regard for time availability.~~
- H. ~~6.~~ Provide for the election of employee and retired members on the Board.
- I. ~~7.~~ Evaluate the Board's performance annually at the retreat, and take any steps necessary to improve Board operations.

2. **B. Review and Evaluate Agency PERA Performance**

- A. ~~1.~~ Monitor performance and regularly review results as measured by performance standards:
 - a. PERA's mission/value statements
 - b. Long-range goals including the performance based budget, communication plan and other such plans as directed by the Board
 - c. Performance measures that include external as well as internal measures.
- B. ~~2.~~ Review, approve and monitor actuarial data, assumptions, methodologies and actuarial experience studies annually.
- C. Review, approve and monitor system asset-liability study triennially.

~~3.~~ D. Approve the annual budget.

~~4.~~ E. Ensure the integrity of the financial control and reporting system.

~~5.~~ F. Oversee annual independent audit, including approval of the outside auditor.

~~6. — Approve~~ G. Issue requests for information (RFIs) and requests for proposals (RFPs) for consultants and other service providers and participate in ~~RFP~~ evaluation committees, at the Board's discretion.

3. **Board Powers.** The Board shall have the sole power and authority to hear and determine all facts pertaining to application for benefits from PERA or any other matter pertaining to the administration of PERA.

4. **Board Delegation.** The Board may delegate authority to the Executive Director to perform any act or duty of the Board. The Executive Director may,

in turn, delegate to subordinates any such act or duty. Except where the Board, in delegating that authority, provides that the Executive Director may act finally, all material acts of the Executive Director and subordinates shall be reported to the Board at its next regular meeting and shall be subject to review, ratification, or reversal by the Board's discretion.

5. ~~C.~~ Individual Board Member Responsibilities

- A.** ~~1.~~ At all times individual Board Members shall act in the best interest of PERA ~~and the Trust~~ consistent with ~~his/her~~their fiduciary duty, ensuring the highest standard of duty to the ~~Trust~~PERA's members and beneficiaries, and in conformance to the Board's policies.
- B.** ~~2.~~ Individual Board Members shall implement and monitor the Board's ~~Policies~~policies.
- C.** ~~3.~~ Individual Board Members cannot act or speak on behalf of the entire Board or PERA unless specifically ~~delegated that authority~~authorized by the Board.
- D.** ~~4.~~ An individual Board Member may ~~remove~~request to pull any item from the Consent Agenda for ~~placement~~discussion and/or action on the regular agenda. ~~Such items on the regular agenda~~If such item is agendaized for Board action, such action must ~~then be approved~~be taken by a majority vote of the Board members present at the meeting.
- E.** ~~5.~~ Individual Board ~~members~~Members shall ~~not become involved~~refrain from involvement in operational management of the ~~agency~~PERA, except as requested by the Executive Director or designee.
- F.** ~~6.~~ Individual Board ~~members~~Members shall refrain from performing any function delegated or normally assigned to PERA staff unless prior approval is obtained from the Board.

6. ~~D.~~ Board Chair and Vice Chair

- A.** ~~1.~~ The Role of Board Chair. The Board Chair's principal role is to lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board's process. The Chair's specific duties, delegated by the Board, are to:
- a.** Provide leadership to the Board in terms of collegiality and ethical conduct, avoiding any bias for or against an individual Board ~~member~~Member.
 - b.** Ensure that Board operations and activities are consistent with this Board ~~policies~~Policy Manual.
 - c.** Set the Board agenda with input from Board Members and the Executive Director ~~and staff~~, articulating, setting priorities and scheduling agenda items as appropriate. If the Chair ~~refuses~~declines to place an item on ~~the~~an agenda, four (4) individual Board ~~members~~Members may petition in writing and place an item on the agenda without the Chair's consent.
 - d.** Conduct Board meetings, controlling the process of the Board deliberations pursuant to these Board Policies.

1. Ensure timely, fair, orderly, thorough and efficient deliberations, including enforcement of the Board's ~~rules~~Rules of ~~order~~Order pursuant to Section II.8E of this Policy.
- e. Ensure information flow to the Board that is comprehensive and timely without being overly detailed. With input from the Board Members, Committee Chairs and the Executive Director ~~and staff~~, determine the frequency, subjects and format of information that is provided to the Board and Committees prior to meeting.
- f. Make decisions on matters that the Board has expressly delegated to the Chair the decision-making authority.
 1. Convene and chair meetings of the Board.
 2. Appoint Committee membership, Committee Chairs and Vice-Chairs, with consideration given to balancing the ~~equitable representation between the member groups~~views of Board Members, the expressed desires of individual Board Members and the value of periodic rotation of Committee members to provide exposure to different Board responsibilities.
 - ~~3. In consultation with affected Committee Chairs, appoint subcommittee members or ad hoc committees, giving consideration to the equitable representation between the member groups, the expressed desires of individual Board Members and the value of providing exposure to different Board responsibilities.~~
 3. ~~4.~~ In consultation with affected Committee Chairs, resolve the scope of authority of different Committees as set forth in the Committee charters with the goal of ensuring the most effective and efficient operation of the Board.
 4. ~~5.~~ Certify actions taken by the Board, as needed.
- g. Represent PERA or designate other Board Members to represent PERA to outside organizations.
- h. Act as the representative and formal spokesperson for the Board for communications between the Board and the Executive Director, and between the Board and the media and the public.
- i. Initiate the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.

B. ~~2.~~The**Nomination and Election of Board Chair and Vice Chair.** ~~Absent other action by the Board, the Board Chair and Vice-Chair shall be elected annually by members~~majority vote of ~~the~~ Board Members present in open session at the first regular meeting of the Board in the calendar year. Eligible Board Members shall have been nominated for the position at the regular Board meeting last held before the first regular meeting in the calendar year. The Chair and Vice Chair shall be elected from different groups of Board Members, there being two such groups: Board Members

who are also participating members of PERA and Board Members who are not participating members of PERA. The terms of both Chair and Vice-Chair shall be for one calendar year. Both Chair and Vice-Chair may serve subsequent terms, without limit.

C. ~~3.~~ **Absence or Incapacity of Board Chair.** In the absence or incapacity of the Board Chair, the Vice-Chair shall have the duties and responsibilities delegated and established by Board policy in conformance with the authority delegated to the Board Chair.

D. ~~4.~~ **Resignation of Board Chair.** When the Board Chair resigns prior to the expiration of the Chair's elected term, the Vice Chair shall become the Board Chair to complete the unexpired term and shall have the duties and responsibilities delegated and established by Board policy in conformance with the authority delegated to the Board Chair

E. ~~5.~~ **Resignation or Succession of Board Vice-Chair.** When the Board Vice-Chair resigns or succeeds to the position of Board Chair, the Board shall hold an election for a new Board Vice-Chair to complete the unexpired term.

7. ~~E.~~ **Committees, Committee Chairs and Committee Vice-Chairs**

A. ~~1.~~ **Standing Committees.** The standing Board Committees are Rules and Administration, Audit and Budget, Legislative, Investments and Disability Review. These Committees shall:

- a. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
- b. Act for the Board when formally delegated such authority for specific purposes. Committee authority is limited to areas explicitly delegated by the full Board, as set forth in the Committee charters, which are attached as appendixes to this governing Board Policy Manual.

B. **Creation of Ad Hoc Committees.** A special ad hoc committee may be established from time to time by the Board Chair to address limited purposes and for limited times. These special ad hoc committees cease to exist automatically upon the completion of their stated purpose as determined by the Board Chair. The composition of the ad hoc committee shall consist of at least two Board Members. Moreover, the Board Chair shall give consideration to the equitable representation between the member groups, the expressed desires of individual Board Members and the value of providing exposure to different Board responsibilities.

C. ~~2.~~ **Attendance at Committee Meetings.** All Board Members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are members of the Committee. Board ~~members~~ Members may participate in Committee discussions, but may only vote ~~in on~~ Committees of which they are members.

D. ~~3.~~ **Committee Chair Responsibilities.** Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:

- a. Set the Committee agenda in consultation with the Board Chair and the Executive Director and/or Chief Investment Officer.
- b. Convene and chair meetings of the Committee.
- c. Appoint temporary committee members as may be necessary to achieve a quorum. Such appointments shall be effective for the duration of the meeting or until a quorum of the committee members is achieved.
- d. Ensure that the Committee operates to assist the Board consistent with Board rules and policies including:
 - i. Limiting meeting discussion content to issues that, according to Board delegation, are within the Committee's ~~responsibility~~ jurisdiction.
 - ii. Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcement of the Board's ~~rules~~ Rules of ~~order~~ Order pursuant to Section II.8E of this Policy.
- e. Work directly with the staff person(s) assigned by the Executive Director and consultants designated to the Committee, as appropriate, on matters within the Committee's authority.
- f. Act as a liaison between the Committee, the Board Chair and the Board.
- g. Provide the Board Chair with recommendations concerning subcommittee membership.

E. **4. Committee Vice-Chair Responsibilities.** In the absence or incapacity of the Committee Chair, the Committee Vice-Chair shall have the duties and responsibilities delegated to the Committee Chair and established by the Committee's authority.

8. **Meeting Procedures**

A. **Meeting Schedule.** Board meetings shall be held at least four times each year and according to an annual schedule adopted by the Board and published in the minutes of the Board upon adoption. The annual schedule shall identify the time and location of regular board meetings and the Board Chair may modify the adopted schedule at his/her discretion.

B. **Special/Emergency Meetings.** Subject to applicable law, the Board Chair, or any four Board Members, may call for special or emergency meetings of the Board. Any such request must be submitted to the Executive Director to coordinate.

C. **Notice of Meetings.** At least 24 hours' notice of all Board and Committee meetings shall be provided to the public and in accordance with the notice provisions of the Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended.

D. **Meeting Agendas and Materials.** To the extent practicable, the agenda and related materials for Board and standing Committee regular meetings shall generally be distributed to the Board and/or Committee Members at least 7 calendar days in advance of the meeting. The agenda shall be made available to the public before any Board or standing Committee regular meeting in accordance with Open Meetings Act, NMSA 1978, Sections 10-

15-1 to 10-15-4, as amended. Members of the public who wish to obtain copies of the meeting materials may do so to the extent and in the manner the materials are available under Inspection of Public Records Act, NMSA Sections 14-2-1 *et seq.*

E. Rules of Order and Quorum.

- a.** The Board and its Committees shall operate under Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended, and under the current edition of Robert’s Rules of Order.
- b.** A quorum must be present for the Board or a Committee to conduct business. A majority of the Board or Committee constitutes a quorum.
- c.** Board or Committee Members may not attend meetings through delegates or authorize voting by proxy.
- d.** Persons desiring to address the Board or Committee during a meeting shall make their intentions known by filling out a “Request to Address the Board” form, which may be obtained from the staff secretary of the Board.

F. Recusal. Where a Board Member discloses a conflict of interest or the potential for an appearance of a conflict of interest in the outcome of an official Board or Committee action, that Board Member shall notify the Board and recuse himself/herself from opining on and voting on such action, and must exit the room during the Board’s deliberations and vote on such action.

G. Closed Session Policy. The Board shall limit the business it conducts in closed session to those matters specifically authorized under applicable law. Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board. Before the Board meets in closed session, the Chair shall make a written statement for the reason for closing the meeting (written statement can be included in the written agenda posted for the Board meeting, with citation to the applicable Open Meetings Act provision). All discussions and material considered in closed session shall be treated by Board Members and other attendees as confidential. Matters properly considered in close session include:

- a.** Discussions pertaining to the recruitment, appointment, or removal of personnel;
- b.** Deliberations on proposed decisions relating to benefit appeals and disability determinations;
- c.** Discussion with, or to receive advice from, legal counsel regarding pending or threatened litigation, when discussion in open session concerning those matters would prejudice the position of the Board in the litigation; and
- d.** Consideration of specific investment decisions
- e.** Investment decisions made in closed session shall be made by roll call. The vote shall be disclosed publicly as provided by the Open Meeting Laws.

H. **Decorum.** The Chair shall have the authority-
~~[Amended: 6/24/2011]~~

~~F. — Board~~ to maintain decorum at all Board and Committee meetings. The Chair may rule Board member, staff or public comments out of order. If the Chair reasonably believes any person attending a Board or Committee meeting is engaged in willfully disruptive behavior such as to constitute trespass, the Chair may have that person physically removed from the premises, and may impose other sanctions as provided by law and this Policy.

9. Minutes

~~1. —~~ All Committee and Board meetings shall be documented with minutes that are reviewed and approved by the committee and the Board, respectively. All minutes shall satisfy the deadlines and other requirements of the Open Meetings Act, NMSA 1978, Sections 10-15-1 to 10-15-4, as amended.

A. **Format.**

- a. ~~2.~~ Minutes shall record the actions and deliberations of the Board or Committee. Minutes shall reflect procedural requirements (notice, approval of the agenda, the presence of a quorum, etc.), identification of the matters considered, the actions taken or approved and other decisions reached.
- b. Minutes shall include a short statement of each action taken by the board ~~with~~ and not a verbatim recording of the Board meeting. All Board and Committee actions shall be recorded.
- c. If the Board or Committee provides the public an opportunity to address the Board or Committee, then the Minutes shall indicate the name of the person who addressed the Board or Committee, any relevant organizational affiliation of that person, and a brief explanation summary of the rationale for the decision provided public comment.
- d. Minutes shall reflect participation by advisors (staff, consultants, actuaries, legal counsel, or other professionals) and the Board or Committee's consideration of the advisor's report, advice or opinion.

B. **Preparation of Minutes.**

- a. ~~3.~~ PERA's contract recorder shall prepare and deliver to PERA staff for review, comment and revision, a draft of the minutes of each Board and Committee meeting no later than ten (10) working days after the date of the meeting
- b. ~~4.~~ PERA staff shall deliver minutes to the Board ~~members~~ Members present at the meeting(s) for review, comment and revision. Board revisions shall be made within two (2) working days after delivery.

C. ~~5.~~ **Approval of Minutes.** Minutes shall be approved, amended or disapproved, at the next Committee/Board meeting where a quorum is present.

~~6. — Original minutes and all required attachments or exhibits shall be retained pursuant to state law.~~

- ~~7. Verbatim minutes shall not be taken. Board actions shall be recorded. Board member statements shall be summarized.~~
- ~~8. Minutes shall reflect participation by advisors (staff, consultants, actuaries or other professionals) and the Board or Committee's consideration of the advisor's report, advice or opinion.~~ Pursuant to NMSA, the board minutes shall not be published or released prior to the approval by the Board, except as they appear in draft on a subsequent agenda for approval.

[Amended: 12/18/2014]

- D. Retention.** Original minutes and all required attachments or exhibits shall be retained pursuant to law.

III. **STANDARDS OF CONDUCT**

- 1. A. Expected Conduct:** Board Members ~~and~~, the Executive Director and the PERA staff shall conduct themselves with integrity and dignity, exercising care, prudence and diligence required of public pension fund fiduciaries. Board Members, the Executive Director and staff should also avoid conduct that gives the appearance of impropriety.
- A. 1. Conflict:** ~~Decision-making and Conflicts: Board Members and the Executive Director shall make decisions consistent with their fiduciary duty.~~ No Board Member or the Executive Director shall participate in a decision or action involving any asset or benefit for his/her own interest except insofar as the benefit is incidental to the Board Member's membership as a PERA participant or retiree or deferred compensation plan participant. Board Members and the Executive Director shall disclose and refrain from participating in any discussion or decision concerning an investment, benefit or other action in which the Board Member has an interest or a conflict, including abstention from voting regarding the action.
- ~~2. Decision-making: Board Members and the Executive Director shall make decisions that are consistent with their fiduciary duty.~~
- B. 3. Record-keeping:** As Trustees of the Funds, the Board shall ensure that adequate records be kept of all formal actions, in the form of official minutes or other documents, sufficient to provide documentation for those decisions for future reference. Records of all matters voted, including abstentions from voting, shall be maintained as part of Board or Committee meeting minutes.
- C. 4. Breach:** No Board Member or the Executive Director shall breach his or her fiduciary duty or shall knowingly participate in the breach of fiduciary duty by another Board Member or the Executive Director, including concealment of such breach, or knowingly or negligently permitting such breach to occur. Each Board Member and the Executive Director has an obligation to disclose a breach of fiduciary duty to the Board Chair, or in the case of the Board Chair, to the Board Vice- Chair.
- D. 5. Subsequent Employment:** No Board Member shall contract or accept employment with any ~~businessperson~~ or ~~individual entity~~ who contracts with PERA and shall not do so for a period of one year after leaving the Board. No Board Member shall appear before the Board or submit any

proposal to the Board on behalf of another person or entity for a period of one year after leaving the Board. Violation of this rule shall cause any such person or entity to be disqualified from entering into any contract or obtaining anything of value from PERA for a period of five years after the Board Member has left the Board.

2. ~~B.~~ Prohibited Transactions and Acts

A. ~~1.~~ Influence for Private Gain. A Board Member ~~and~~, the Executive Director and staff shall not use the prestige or influence of the State or PERA for private gain or advantage, or the private gain or advantage of another, including, but not limited to, taking an official act, which directly or indirectly benefits him/her or a family member.⁵³

B. ~~2.~~ Use of PERA Property. ~~No~~ Board Member ~~and the~~, Executive Director or staff member shall ~~not~~ use PERA facilities, equipment (including, but not limited to, copy machines, telephones, vehicles, postage meters, data processing or word processing equipment, or personal computers), supplies or employees for private gain or advantage, or for the private gain or advantage of another.

C. Self-Dealing. Board Members, the Executive Director and PERA staff members shall not do any of the following:

A. Deal with the assets of PERA in their own interest or for their own account.

B. In their individual or in any other capacity, act in any transaction involving the system on behalf of a party, or represent a party, whose interests are adverse to the interests of PERA or the interests of PERA's members and beneficiaries, without express written consent of the Board.

C. Receive any consideration for their personal account from any party conducting business with PERA in connection with a transaction involving the assets of PERA.

D. ~~3.~~ Publication in Re-Election Year. During the last year of their term in office, if a Board Member seeking re-election to the Board submits an article for publication in the PERA newsletter, it must first be approved by the Chair. If the article is written by the Chair, it must be approved by the Vice-Chair prior to publication. Neither the Chair nor Vice Chair shall unreasonably withhold their approval of such publication.

3. ~~C.~~ Conflicts of Interest

A. ~~1.~~ Prohibited Conduct. Members of the Board ~~and~~, the Executive Director and staff shall avoid any action, whether or not specifically prohibited by these guidelines or any applicable ~~Federal~~federal or ~~State~~state statute, which might result in, or create the appearance of:

⁵³ Family member includes spouse and legal dependents. NMSA 1978, §10-16-2(D) (1993).

- a. Giving preferential treatment to any member, beneficiary, individual, firm or organization, etc.;
- b. Lacking complete independence or impartiality; or
- c. Diminished confidence of the public and the membership in the integrity of the Board governance.

B. 2. Illegal Gifts. No Board Member ~~or~~, the Executive Director or staff shall demand, exact, solicit, or extort, accept, or receive anything of value (including, but not limited to, money, meals, drinks, entertainment, lodging, travel expenses, services or other consideration) other than that lawfully received by the Board Member in his/her official capacity under Section III.E of this Policy.

C. 3. A Disclosure and Recusal. Board ~~Member or the Executive Director shall not have an ex parte communication on the merits of a Disability Review Committee matter or an administrative appeal with any party or their attorney until after the Board's decision and the case is administratively final. Any ex parte communications made known to the Executive Director, PERA staff or individual Board Members shall be reported to the Chair. If the Chair determines that the ex parte communication involved the merits of the appeal, abstention from participating and voting on the appeal by the Board Member who received the ex parte communication shall be required~~ Members shall disclose their employment, union affiliations, and any other organizational or association affiliations to the Executive Director annually, and the Executive Director shall make that information available to the Board at the next regular Board meeting after such information is collected. The Board can determine, in its discretion, on whether a conflict of interest may exist for any particular Board Member by majority vote, and can discuss whether recusal from a decision would be recommended and/or necessary.

D. 4. Scope of Restrictions. A Board Member ~~or~~, the Executive Director or staff may not do through third parties that which he/she may not do directly under the foregoing restrictions.

4. D. Financial Conflicts and Disclosures

A. 1. Financial Conflicts: Board Members ~~and~~, the Executive Director and staff shall not have any financial interests in any person, entity or transaction that may affect his/her official acts as a Board Member ~~or~~, PERA Executive Director or staff member, except insofar as the financial interest is incidental to ~~the Board Member or Executive Director's~~ their membership in the Fund or the deferred compensation plan.

B. 2. Disclosure Statement: On or before January 31 of each year, each Board Member and the Executive Director and Executive Staff shall complete and deliver to the Executive Director for filing with the Secretary of State a disclosure statement that affirmatively states that the Board Member or Executive Director does not have a financial interest that may affect his/her official acts as a Board Member or Executive Director and disclosing his/her family members' financial interest(s) in any business engaged or, to the

Board Member's or Executive Director's knowledge, proposing to engage in any transaction with PERA. The requirements of the Financial Disclosure Act applicable to Board Members and the Executive Director and Executive Staff also apply to the Board Members' and Executive Director's and Executive Staff's spouses. The disclosure statement shall be in the form prescribed by the Secretary of State and shall contain at least the following information:

- a. Compliance with NMSA 1978, §10-11-133(G), which states that no Board Member or the Executive Director shall:
 - i. have any direct or indirect interest in the gains or profits of any investment made by the Board;
 - ii. receive any direct or indirect pay or emolument for services provided the Board, except as provided for in the State of New Mexico Per Diem and Mileage Act, NMSA 1978, §10-8-1, et seq. and current DFA Rules;
 - iii. directly or indirectly, for the Board Member for themselves or as agent or partner or others, borrow any of the funds or deposits of ~~the association~~PERA or in any manner use them except to make current and necessary payments authorized by the Board; or
 - iv. become an endorser or surety or become in any manner an obligor for money of the Board loaned or borrowed.

C. **~~3.~~ New Board Member:** Each new Board Member shall complete and deliver to the Secretary of State and Executive Director the disclosure statement, described in this Section, within thirty (30) days of assuming duties as a Board Member.

D. **~~4.~~ Updated Disclosures:** Each Board Member and the Executive Director shall update his/her disclosure statement within forty-five (45) days of the date that the Board Member or Executive Director becomes aware of a change in circumstances as described in Paragraph D2 above.

E. **~~5.~~ Exception:** Nothing herein shall be construed to limit the right of any Board Member or the Executive Director to personally invest in financial instruments or mutual funds that PERA may also hold or which ~~is~~are offered by PERA's financial managers.

5. **~~E.~~ Gifts, Contributions, Disclosures and Solicitations**

A. **~~1.~~ Gifts and Solicitations:** Except for gifts of food or beverage given in a place of public accommodation and consumed at the time of receipt, not exceeding \$50 for a single gift or \$150 in a calendar year, Board Members or the Executive Director may not accept gifts or anything of value⁶⁴ directly or indirectly from the following person or entity (NMSA 1978, §10-11-130.1) that:

- a. has a current contract with the retirement board or association;

⁶⁴ "Anything of value" includes, without limitation, food, drink, gifts, compensation, contributions or reimbursement for travel or any other activity that is not permitted in NMSA 1978, §10-11-130.1.

- b. is a potential bidder, offeror or contractor for the provision of services or personal property to the retirement board or association;
- c. is authorized to invest public funds pursuant to state or federal law or is an employee or agent of such a person; or
- d. is an organization, association or other entity having a membership that includes persons described in Paragraphs (a) through (c) of this subsection.

B. ~~2.~~ **Exception:** An occasional gift of less than \$10.00 in value shall not be included in the limitations on gifts.

C. ~~3.~~ **Disclosures by Board Members and the Executive Director and Executive Staff:** Consistent with this policy and in order to afford PERA participants the assurance that Board Members perform their duties in an impartial manner, the Board shall:

- a. At least semi-annually, disclose anything of value from entities described in Section E.1.above received in the capacity as a PERA Board Member, except as provided for in the State of New Mexico Per Diem and Mileage Act, NMSA 1978, §10-8-1, et seq. and current DFA Rules.
- b. The PERA Gift Report Form (~~Exhibit 1~~ attached to this Policy's appendix) shall be completed at least semi-annually by each Board Member, even if he/she reports "no gifts."
 - i. The reports shall be filed in the Executive Director's Office with the Executive Director's Executive Assistant.
 - ii. Semi-annual reports shall be filed immediately following the six-month period covered by the report. Board Members may file reports more frequently than semi-annually.

~~4.~~ **Contributions:** No person who is a candidate in a primary or general election for a position that qualifies the person for ex-officio membership on the Board, no Member serving ex officio on the Board and no person who is a nominee for the Board by election of the membership shall accept anything of value of more than \$25.00 as a contribution from a person who:

- ~~c.~~ **a.** has a current contract with the retirement board or association;
- ~~d.~~ **b.** is a potential bidder, offeror or contractor for the provision of services or personal property to the retirement board or association;
- ~~e.~~ **c.** is authorized to invest public funds pursuant to state or federal law or is an employee or agent of such a person; or
- ~~f.~~ **d.** is an organization, association or other entity having a membership that includes persons described in Paragraphs (a) through (c) of this subsection.

~~F.~~ **Confidential Information:** A Board Member shall not use or disclose, directly or indirectly, confidential information⁷ obtained in the course of or by reason of

⁷ ~~"Confidential information" is defined in the PERA Act at NMSA 1978, §10-11-130(I), as all information contained in a member or retiree file except the applicable coverage plan, amounts of contributions made by both the member and the employer, and the pension amounts paid. With the release or consent of the member, other information may be released. The names and addresses of members and retirees may be released without the release~~

~~his/her official capacity. Confidential information shall be used solely for PERA purposes and under no circumstances revealed to unauthorized persons or entities, except as may be required to be disclosed as a public record under the PERA Act, NMSA 1978, §10-11-130(I) (1997) and the New Mexico Public Records Act, NMSA 1978, §14-3-1 (1999).~~

6. ~~**G.**~~ **Outside Employment and Other Outside Activity:** Board Members ~~and~~ the Executive Director ~~may~~ and Executive Staff shall not engage in any outside employment or other activity that is not compatible with the full and proper discharge of their duties and responsibilities with the Board. Activities or actions that are not compatible with Board duties include, but are not limited to, the following:

- A.** ~~**1.**~~ Engaging in any outside employment, private business activity, or other interest which may interfere with the Board Member's ability to perform his/her duties as Board Member, or which may impair the efficient operation of the Board;
- B.** ~~**2.**~~ Accepting employment or rendering services in exchange for pay regarding the PERA Act, policies, rules or matters of PERA business, except if the employment or services are in the course of public employment;

7. ~~**H.**~~ **Procurement Oversight:** ~~During~~ Quiet Period: Except as specifically provided below, during the pendency of any Request for Information, Request for Proposal or Invitation to Bid, no person or entity that submits an application or bid for the award of a PERA contract, nor an agent for such person or entity, may have any communication concerning any topic with the Board, Executive Director, or staff member, except as expressly provided in the procurement document. This "quite period" communication restriction exists from the date that the procurement document is ~~mailed~~ issued until the contract is ~~awarded~~ consummated.

- A.** ~~**1.**~~ Any applicant or bidder who violates these communication restrictions, or permits an agent to violate these restrictions on behalf of the applicant or bidder, will be immediately disqualified from further consideration under the solicitation.
- B.** ~~**2.**~~ These communications shall not apply to:
 - a.** Staff who are identified within the Request for Proposal or Invitation to Bid as responsible for responding to prospective applicant or bidder questions;
 - b.** Communications by a firm under contract to provide services to PERA, where the communication is made to the Board or Committee or staff and relates to the services for which the firm already has been retained; and

~~or consent of the member to candidates for election to the PERA Board. Confidential information may also include confidential contract, financial, investment or legal information, and information not available to the public at large, or divulgence of such information in advance of the time prescribed for its authorized release.~~

- c. Communication that is required of finalists, consistent with the terms of the Request for Proposal or Invitation to Bid, for the purpose of providing the Board and staff with information that updates any information previously included in the proposal or bid.
 - d. Communications to negotiate the final terms of such contract after the award has been made.
- C. ~~3.~~ If the Chair (or the Vice Chair if the Chair is involved) determines that a violation has occurred, the Chair will promptly inform the Board and the Procurement Manager of this determination, and the Procurement Manager will inform the applicant or bidder of his/her immediate disqualification.

[Amended: 6/24/2011]

IV. FIDUCIARY COUNSEL

The Board recognizes the need for the specialized advice of a fiduciary counsel to assist the Board in discharging its fiduciary responsibilities. The Board directs the General Counsel to contract for fiduciary counsel services; and further directs the General Counsel to approve all activities of fiduciary counsel except in instances where the Board wishes to work directly with fiduciary counsel without the input of the General Counsel. In that instance the Chair shall direct the activities of fiduciary counsel.

Subject to the determination of the General Counsel and the limitations set forth above, the fiduciary counsel contract will include provisions for the following:

- A. Attendance at Board and Committee meetings, including special meetings, as needed and as directed by the General Counsel or the Board/Committee Chair.
- B. Fiduciary counsel will be assigned to drafting of legal analyses and the review of written materials as determined by the General Counsel.
- C. The contract will include a 30-day termination clause.
- D. The contract will provide for recognition of fiduciary status, a conflict of interest prohibition and reporting procedure pursuant to the Campaign Reporting Act, NMSA 1978 Sections 1-19-25 *et seq.*

V. CLAIMS AGAINST FIDUCIARIES

This policy section establishes the manner by which the Board should process and manage fiduciary liability claims throughout the lifecycle of such claims.

VI. RISK MANAGEMENT AND DATA SECURITY

1. Risk Assessments and Policies.

- A. **Board Responsibilities.** The Board is responsible for adopting a policy for an effective system of enterprise-wide risk management and compliance. This includes ensuring that risk assessments are performed yearly and that the results are considered by the Board for potential action, if necessary, to remedy any identified risk. The Board is responsible for securing appropriate insurance coverage against risks.
- B. **Executive Director Responsibilities.** The Executive Director is responsible for:
 - a. Creating the risk governance structure, risk assessment and risk management and compliance practices, and the guidelines, policies and processes for risk assessment and risk management based on the board policy and framework.
 - b. Ensuring management establishes a strategy relating to key risks, including but not limited to, strategic, operational, financial, compliance, reputational and investment risks.
 - c. Establishing the methodology for measuring risk management performance.
 - d. Supervising annual risk management assessment and reporting back to the Board the results of risk assessment tests.
- 2. **Data Security and Breach Notification.** The Board shall review and adopt a data security policy that requires PERA to maintain reasonable security measures to protect PERA members' and beneficiaries' information for unauthorized access. The Executive Director shall prepare a proposed Data Security and Breach Notification Policy with the assistance of PERA staff to present to the Board for approval and adoption on an annual basis.

VII. **IV. BOARD EDUCATION AND TRAVEL**

- 1. **A. Board Education:** Establishing standards of accountability and approval for Board Members relative to official Board education is vested with the Board itself by statute and PERA Rule. Approval of official Board education by Board Members is delegated to the ~~Chair and the Vice Chair of the Board~~ Executive Director for review and approval or denial, then for submission to the full Board for concurrence.
- A. **1.** Within two months (per PERA Rule 2.80.200.21A) of becoming a Board Member, all new Board Members shall attend the "New Board Member Orientation."
- B. **2.** If adequate funding is provided, a Board Member may attend one (1) and ideally two (2) relevant educational conferences or seminars every fiscal year.
- C. **3.** Section 10-11-133(F) NMSA 1978 (2010) requires the Board to provide Board members no less than 8 (eight) hours of training in pension fund investing, fiduciary obligations or ethics each year. Such training may be provided by PERA or approved outside sources and can be received through out-of-state educational conferences, staff and consultant educational sessions and in-state education conferences. PERA Rule 2.80.200.21B requires Board ~~members~~ Members to certify annually that they have met this

requirement. Board ~~members~~Members who fail to meet this requirement for 2 consecutive years are deemed to have resigned from the Board.

2. **Fiduciary Education Session.** Each year, the General Counsel of PERA will arrange for a fiduciary education session that will update the Board Members on issues affecting their service on the Board. All Board Members are expected to attend.

3. **Ethics Education Session.** Every year, Board Members are required to complete a two-hour ethics training course. The General Counsel of PERA shall ensure that every Board Member completes this requirement and shall report compliance to the Board annually.

4. **Sexual Harrassment Training.** Every two years, Board Members are required to complete a two hour sexual harassment/hostile workplace environment training course. The General Counsel of PERA shall ensure that every Board Member completes this requirement and shall report compliance to the Board annually.

5. **~~B.~~ Board Travel ~~Generally;~~ Requests**

A. ~~1.~~The Executive Director shall monthly provide all Board Members a list of upcoming seminars, professional and educational conferences, and other events that might assist Board Members in conducting the business of PERA.

B. ~~As fiduciaries, Board Members must ensure that only reasonable and necessary expenses are incurred in the governance and management of PERA, and must establish an annual travel budget that is included in the annual operating budget, which the PERA staff proposes, the Board approves, and both monitor on a quarterly basis.~~

C. ~~2.~~Individual Board Members shall submit to the ~~Board Chair a~~Executive Director for approval any request to participate in any event requiring travel approval. ~~Requests by the Board Chair shall be submitted to the Board Vice Chair and submit a budget proposal for approval such travel.~~

D. ~~The Executive Director shall review all Board travel requests to ensure that they are compliant with this Policy, and all travel requests shall be placed on the Board Consent Agenda.~~

E. ~~3. If approved, the Board Chair or Board Vice Chair shall place the~~Before any Board Member accepts complimentary travel or lodging in his or her official PERA Board Member capacity, the Board must vote to approve acceptance of that complimentary travel. ~~The item shall be placed on the Consent Agenda for Board concurrence at its next monthly meeting approval.~~

6. **~~C.~~ Authorization of Board Travel Within New Mexico:** Travel by Board Members to attend all publicly noticed meetings or workshops of the Board and any of the Board's committees or legislative hearings affecting

PERA and any other event that is required to conduct the business of PERA does not require specific approval under this policy. Travel to and returning from the PERA office for PERA-related business does not require approval under this policy. Prior approval of Board Member travel within New Mexico to attend any professional and educational conference or seminar where any portion is paid for by PERA shall be approved in the same way as Board travel outside New Mexico. ~~The Chair does not require specific approval for travel within New Mexico.~~

7. ~~D.~~ Authorization of Board Travel Outside New Mexico:

- A.** ~~1.~~ When a Board ~~member~~Member requests approval for Board-sponsored travel, the Board Chair or Vice Chair shall inform the requesting Member of travel approval or denial in a timely manner. If there are budget limitations, priority shall be given to new Board Members.
- a. If a Board ~~member~~Member is formally sanctioned by the Board, his or her out-of-state travel shall be suspended for the sanction period.
- b. Board ~~members~~Members shall be ineligible for out-of-state travel for educational purposes during the last ninety (90) days of their term of office, unless re-elected to a new term.
- B.** ~~2.~~ No prepayment or reimbursement of Board ~~members~~Members for travel expenses will be made for travel that is not approved in advance as provided for in this section.

8. ~~E.~~ Speakers:

- A.** PERA Sponsored Travel. A request to be a speaker or moderator at a conference or seminar requiring travel where any portion is proposed to be paid by PERA shall be put on the Consent Agenda and, if approved by the Board, expenses shall be paid by PERA.
- B.** Complimentary Travel. Where a Board Member has received a request to speak or moderate at a conference or seminar, the request shall be submitted to the Executive Director and placed on the Consent Agenda at the next regular Board meeting for approval.

9. ~~F.~~ Emergency Travel: In an emergency situation, the Board Chair shall review and approve or deny the travel requests for travel that have not been approved at a previous monthly Board meeting, but which will occur prior to the next Board meeting. The Vice Chair will review and approve or deny emergency travel requests for the Board Chair.

10. ~~G.~~ Payment for Travel: PERA shall pay for all approved Board Member travel, including transportation and related meals and lodging as set forth in the State of New Mexico Per Diem and Mileage Act, NMSA 1978, §10-8-1, et seq. and current DFA Rules. While traveling, Board Members may participate in meals provided by third parties as allowed by NMSA 1978, §10-11- 130.1. In such situations, Board Members may not claim per diem reimbursements for such meals and must comply with the Board's policies

regarding gifts and disclosure. Submission of claims for reimbursement for all travel expenses shall be made within 180 days from the date of travel and shall be accompanied by receipts and/or other proof of payment. Claims for reimbursement shall be submitted on the reimbursement form then in use by PERA and presented to the Executive Director or his/her designee for final review prior to payment.

11. ~~H.~~ **Report on Travel:** Each Board Member shall verbally report to the Board on any event requiring travel outside of New Mexico for which PERA has paid within sixty (60) days after travel has been completed. Such verbal report shall be made on the record at a regular Board meeting.

[Amended: 12/18/2014]

VIII. ~~V.~~ **INSIDER TRADING POLICY**

1. ~~A.~~ **Confidentiality of Inside Information:** Board Members who come into possession of material non-public information concerning a publicly traded company must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know for legitimate, PERA-related reasons. Any Board Member who improperly reveals material non-public information to another person or any other person with whom the Board Member shares the information can be held liable under the anti-fraud provisions of the federal securities laws (primarily section 10(b) of the Securities Exchange Act of 1934 (“1934 Act”). To avoid even the appearance of impropriety, Board Members should refrain from providing advice or making recommendations regarding the purchase or sale of any securities traded by PERA.

2. ~~B.~~ **Prohibition of Insider Trading:** The anti-fraud provisions of the federal securities laws generally prohibit persons who have a duty not to disclose material non-public information from trading securities on the basis of such information. In addition, the anti-fraud provisions prohibit fraudulent, manipulative, or deceptive trading practices. Persons who violate these prohibitions are subject to potential civil damages and criminal penalties. The civil damages can consist of disgorgement of any illicit profits and a fine of up to three times the profit gained or loss avoided. The criminal penalties can be as much as \$1 million and 10 years imprisonment per violation. PERA, its Board and executive staff, certain key personnel, and consultants could be deemed “controlling persons” subject to potential liability under federal securities laws. A Board Member should contact the PERA Office of General Counsel immediately if he/she becomes aware of the possibility of a violation of insider trading laws.

3. ~~C.~~ **Materiality:** Information regarding a publicly traded company is deemed material if it would be considered important by a reasonable investor

in deciding whether to buy, sell, or refrain from any activity regarding that company's securities. Further, such information would be material if it were likely to have a significant impact on the market price of that company's securities. So long as the information remains material and non-public, it must be maintained in strict confidence and not used for trading purposes. By way of example, it is probable that the following information, in most circumstances, would be deemed material:

- A. ~~1.~~ Annual or quarterly financial results;
- B. ~~2.~~ A significant change in earnings or earnings projections;
- C. ~~3.~~ Unusual gains or losses in major operations;
- D. ~~4.~~ Negotiations and agreements regarding significant acquisitions, divestitures, or business combinations.
- E. ~~5.~~ A significant increase or decrease in dividends on the company's stock; and
- F. ~~6.~~ Major management changes.

[Amended: 4/28/2011]

IX. ~~VI.~~ **SANCTIONS & ENFORCEMENT**

1. ~~A.~~ **Process: Investigation.** Any breach of fiduciary duty, violation of this ~~policy~~ Policy or other conduct that falls below the high ethical standard this Board expects of itself, shall be looked into by the Board or its designee. If a majority of the Board ~~request~~ requests, an investigation shall be conducted by an outside investigator. The investigator shall be selected by a vote of at least seven Board Members at a public Board ~~Members~~ meeting.

At the conclusion of the investigation, the investigator will report his or her findings to the Board.

2. ~~B.~~ **Censure Motions & Hearing:** A motion to censure a member of the Board shall be treated by the Chair as a motion to refer the matter to the selected investigator and for a report back to the Board. Adoption of the motion to refer and any subsequent motion for censure or otherwise discipline a member of the Board requires either (1) an affirmative two-thirds votes of the Board Members present at the Board meeting, or (2) if less than two-third of the Board Members present, then unanimous vote of those present at the Board meeting. The Board Member charged with misconduct shall not be entitled to vote on such motions and shall not be counted for the purposes of calculating the two-thirds or unanimous vote requirements.

3. **Removal From Office:** In the case of removal from the Board, a hearing shall be conducted in accordance with 2 NMAC 80.1500.10.3, except that the Board shall hear the evidence and make a decision, instead of a hearing officer. ~~The requirement for a recommended decision and exceptions to the recommended decision may be waived.~~

~~C.~~ **Removal:** After a ~~full investigation~~, hearing and vote by the Board, a Board Member may be removed in the following instances.

- A. ~~1.~~ A Board Member may be removed for unexcused absences from four ~~consecutively~~-scheduled meetings of the Board or Committees on which the Member has been placed in any consecutive twelve-month period.
- B. ~~2.~~ With the exception of public officers removable only by impeachment,⁸⁵ violation of the Governmental Conduct Act or this policy is grounds for discipline, including dismissal.⁹⁶ Dismissal includes removal from the Board.
- C. ~~3.~~ Removal of a Board Member is an extreme remedy and shall be utilized by the Board only when necessary to protect the assets of the Trust.
 - a. The purpose of removing a trustee is not to inflict a penalty for past action, but to preserve the Trust assets. The standard in each case is whether the circumstances are such that the continuance of the Board Member in office would be detrimental to the Trust.
 - b. Removal is also appropriate in instances of gross misconduct¹⁰⁷ and repeated violation of this policy and of the Board Member's fiduciary duty.
- 4. ~~D.~~ **Discipline Short of Removal:** Discipline may include the following:
 - A. ~~1.~~ Formal reprimand and public censure by the Board, which shall be permanently recorded in the Board minutes.
 - B. ~~2.~~ Suspension from participation on the Board or a particular Board activity for a specified period of time not to exceed one year.
 - C. ~~3.~~ Notwithstanding paragraph 2 of this subsection, a second sanction by the Board during a Board Member's term of office may result in suspension from participation on the Board or a particular Board activity for the remainder of his or her term.

[Amended: 12/18/2014]

D. Removal from Board or Committee meetings for disruptive behavior.

X. ~~VII.~~ **EXECUTIVE DIRECTOR**

1. Delegation

By Resolution adopted by the Board, as amended from time to time, the Board has delegated authority to the Executive Director to perform certain acts within the power of the Board itself to perform. The Board may not delegate to the Executive Director the authority to set the compensation and benefits of the Executive Director. Unless the delegation provides that the Executive Director has the authority to act finally, any such acts that are material to the

⁸⁵ Violations of the Governmental Conduct Act by the two ex officio members of the PERA Board are referred to the New Mexico House of Representatives by the Attorney General, which is consistent with the New Mexico Constitution. NMSA 1978, § 10-16-14(C).

⁹⁶ NMSA 1978, § 10-16-14(D) & § 10-16-11(C). The Attorney General may also enforce the Governmental Conduct Act by civil injunctive or other appropriate court orders. NMSA 1978, §10-16-14(E).

¹⁰⁷ "Gross misconduct" is defined as violation of clearly established policy or rule, dereliction from duty, unlawful behavior involving matters of dishonesty or deception, but not negligence or carelessness.

administration of PERA shall be reported to the Board at its next regular meeting and shall be subject to review, reversal or ratification by the Board.

Pursuant to the Resolution, the management of PERA is delegated to the Executive Director who shall be the executive and administrative head of the system. The Executive Director shall operate the system within the framework established by all applicable laws, and in accordance with rules and policies adopted by the Board. The Executive Director shall act as advisor to the Board on all matters pertaining to the system, act as liaison between the Board, members, member organizations, employers, employer organizations, state departments and agencies, the Legislature, and shall also act as Secretary of the Board. Notwithstanding this section, the Executive Director has the duty to bring to the attention of the Board all matters which materially impact PERA.

2. ~~A. **Duties and Authority:** As a fiduciary, the Executive Director has the duty to utilize his/her power loyally, equitably and with prudence in managing the property of the PERA trust for the benefit of the association's members according to the terms of the trust.~~

The Executive Director shall ~~not cause or allow any act, decision, activity or circumstance that is imprudent, in violation of commonly accepted business and professional ethics, or a breach of fiduciary, contractual or regulatory responsibility. The Executive Director shall be expected to have a working knowledge of and to be in compliance with all applicable state and federal laws, regulations and policies.~~

- ~~B. **Delegation:** The Executive Director can properly delegate the performance of acts that it is unreasonable to require him or her personally to perform, but the Executive Director must act prudently with respect to delegation of duties. The Executive Director must regularly evaluate performance under such delegation to assure competent delegation~~have the duties and responsibilities set forth in the Charter for Executive Director, appended hereto.

- ~~C. **F. Standards of Conduct:** The Standards of Conduct set forth in Section III shall also apply to the Executive Director.~~

- ~~D. **G. Hiring Exempt Employees:** The Executive Director has sole the authority to employ all NMPERA employees, ~~except that the Board requires that the credentials of proposed exempt employees. When employing persons~~ for the positions of Deputy Director of Operations, Deputy Director of Member Services, Chief Investment Officer and General Counsel ~~be formally presented to and endorsed by a majority of the Board prior to any offer of,~~ the Executive Director shall disclose at the next regular board the credentials of such persons that met the qualifications for employment ~~to candidates for such positions.~~~~

3. **E. Performance Evaluations**

- A. **1. Executive Director**

1. ~~a.~~—The Executive Director shall be formally evaluated by the Board in closed session at least once a year, following the close of the fiscal year.
2. ~~b.~~—The Board shall follow the process set out in the Executive Director Evaluation Form attached as an appendix to this ~~section~~Policy.
3. ~~c.~~—Performance criteria shall primarily include objectives for outcomes that are under the Executive Director's control, but may also include outcomes for which the Executive Director may reasonably be expected to exercise influence.
4. ~~d.~~—Performance criteria requiring additional resources shall be enforced only in the event that such incremental resources have been authorized and funded in ~~the association~~PERA's annual budget.

B. ~~2.~~ Exempt Staff

1. ~~a.~~—The Executive Director shall develop and execute performance plans for all employees under his/her supervision. Such performance plans shall be consistent with the Executive Director's performance plan.
2. ~~b.~~—Exempt employees shall be evaluated by the Executive Director in relation to their performance plan at least once per year.

4. **Compensation of Executive Director:** Based upon the Board's evaluation of the Executive Director's performance for the preceding fiscal year, the Board shall meet in open session prior to September 1 of the subsequent fiscal year to discuss and vote on changes in the Executive Director's compensation for that fiscal year. The compensation of the Executive Director shall be included in the Board-approved budget for the fiscal year in which the compensation is to be paid.

5. ~~F.~~ **Internal Communications:** It is the responsibility of the Executive Director, or his or her designee, to act as the liaison for communication and information flow between the Board and PERA staff.

6. **External Communications:** The Executive Director has extensive experience and institutional knowledge which are of value to the PERA organization. The Executive Director is authorized generally to speak to the Legislature and other stakeholders and interested parties on behalf of PERA and the Board, and to answer questions about the system posed by such persons or entities. On legislative and legal matters for which the Board has not taken a position, the Executive Director may provide factual information upon request and may express the Executive Director's professional opinion upon consultation with the Board Chair and Vice Chair.

7. ~~G.~~ **Professional Development:**

- A. ~~1.~~—The performance plan which the Board adopts and monitors each year for the Executive Director shall include training and professional development.

- B. ~~2.~~ The Board shall approve training for the Executive Director in the same manner as for Board ~~members~~ Members.

~~H.~~ **Job Description:**

DEFINITION

~~This is a full-time job requiring not less than 40 hours per week. Incumbent supervises~~

XI. DELEGATION TO CHIEF INVESTMENT OFFICER

The Board and the Executive Director have delegated responsibility of certain specified investment decisions to PERA's Chief Investment Officer ("CIO"), which include the selection of investment vehicles, managers and consultants, both discretionary and non-discretionary, consistent with the Board's adopted risk and return parameters, asset allocations and investment policies and procedures. In discharging this delegated responsibility, the CIO must adhere to the same fiduciary duties that apply to the Board and the Executive Director, including but not limited to the ~~administration~~ duty of prudent investment, the duty to diversify, and the duty of prudence, care, knowledge and diligence.

XII. COMMUNICATIONS

~~The Board policies and assigned programs and activities of NMPERA; provides leadership to PERA employees in terms of collegiality, initiative and ethical conduct; coordinates assigned activities with other state divisions, the legislature and outside agencies; and provides responsible and complex administrative support to the NMPERA Board~~ recognizes that effective communication is integral to good governance. In order to achieve the mission and objectives of PERA, the Board has established the following policies for communicating clearly among Board Members, senior management, PERA members, and external parties.

SUPERVISION RECEIVED AND EXERCISED

~~Receives general direction~~

1. Ex Parte Communications.

- A. Board Members are prohibited from ~~the Board~~ having an ex parte communication, with any party or their representative, on the merits of any matter in controversy arising out of a challenge to a benefit determination or audit finding made by PERA staff. This prohibition on ex parte communications shall commence the moment a disagreement arises that could result in litigation and shall remain in full effect until the Board has made a final determination on the matter.

~~Exercises direct supervision over supervisory, professional, technical and clerical staff.~~

~~**ESSENTIAL FUNCTION STATEMENTS** — *Essential responsibilities and duties may include, but are not limited to the following:*~~

- ~~1. — Plan, direct, coordinate, evaluate work of assigned staff; assign work activities, projects and programs; review and evaluate work products, methods and procedures; meet with staff to resolve problems.~~

- ~~2. Establish and maintain plans for senior management succession.~~
- ~~3. Achieve the long term policies and strategic objectives established for PERA by the Board, including:
 - ~~a. Determine appropriate methods for attaining the Board established policies and strategic objectives;~~
 - ~~b. Direct PERA employees in the furtherance of those objectives, and~~
 - ~~c. Ensure the management activities and decisions are within Board approved policies.~~~~
- ~~4. Facilitate the efficient operation of PERA and the Board's committees.~~
- ~~5. Regularly advise and consult with outside organizations, membership constituency groups, employers and the legislature, ensuring effective external communications.~~
- ~~6. Manage essential public relations for PERA, maintaining a positive public image.~~
- ~~7. Maintain records for active and retired members.~~
- ~~8. Maintain performance records as specified by the Board.~~
- ~~9. Oversee the pension administration system.~~
- ~~10. Implement and oversee annuitant payroll system.~~
- ~~11. Adhere to a professional code of ethics and standards of professional conduct as may be prescribed by the Board.~~

QUALIFICATIONS

Knowledge of:

Principles of supervision, training and performance
Operational characteristics, services and activities of a pension program
Actuarial principles and their statistical application
Fundamentals of the securities industry
Principles and practices of budget preparation and administration
Legislative process, NM experience preferred
Pertinent Federal, State and local laws, codes and regulations.

Ability to:

Establish and maintain effective working relationships with those contacted in the course of work
Make sound decisions and/or recommendations
Communicate clearly and concisely, both orally and in writing
Analyze problems, identify alternative solutions, project consequences of proposed actions and implement recommendations in support of goals

~~Research, analyze and evaluate new service delivery methods and techniques~~
~~Oversee and participate in the management of PERA's operations, services and activities~~
~~Oversee, direct and coordinate the work of staff~~
~~Delegate effectively~~
~~Select, supervise, train and evaluate staff while providing equal employment opportunities to all PERA employees~~
~~Develop and administer operational goals, objectives and procedures~~
~~Prepare and administer large and complex budgets~~
~~Prepare clear and concise administrative financial reports~~
~~Interpret, explain and/or apply Federal, State and local policies, laws, regulations, court decisions and proposed legislation~~
~~Initiate recommendations to the Board~~

Experience and Education Guidelines

Experience:

~~Ten years of increasing responsible management experience, including five years of administration and supervisory responsibility, including demonstrated strength in fiscal management and budgeting skills~~
~~Experience working with a Board of directors~~

~~Experience in the legislative process~~

~~Experience working with member services organizations~~

Education:

~~Bachelor's degree from an accredited college or university with major course work in management and technical disciplines related to pension management.~~
~~Advanced professional degree preferred.~~

License or Certificate:

~~Possession of or demonstrated ability to obtain certification as Certified Pension Professional, CFA, CPA, JD, etc.~~

Work Conditions

~~Normal office environment with limited, but regular, in-state and out-of-state travel. [Amended: 3/29/2012]~~

PERA – Executive Director Evaluation

Background:

The PERA Rules, Section VII, (F) mandates that

- B.** A Board Member or the Executive Director shall not have an ex parte communication on the merits of a Disability Review Committee matter or an administrative appeal with any party or their attorney until after the Board's decision and the case is administratively final. A Board Member shall not engage in private ex parte communications regarding any official

Board actions prior to taking such action. Any ex parte communications made known to the Executive Director, PERA staff or individual Board Members shall be reported to the Chair. If the Chair determines that the ex parte communication involved the merits of the appeal, recusal from participating and voting on the appeal by the Board Member who received the ex parte communication shall be required.

C. The Board's communications with PERA's General Counsel, or with someone acting on the General Counsel's behalf, are not considered ex parte communications.

D. Board Members are prohibited from publishing any writing or making any statement to the media, to state administrators, legislative personnel, or members of the public on the purported basis of representing PERA's position or policy on any matter or subject before the PERA Board ~~will~~has formally ~~evaluate the Executive Director at least once a year~~adopted a policy or position on the matter or subject and authorized the Board Member to speak on behalf of the Board or PERA. This provision shall not be interpreted to preclude Board Members from expressing their personal views as private citizens.

Process:
The

2. Electronic Communications.

A. Any electronic communication by a Board Member, the Executive Director evaluation is a multi-part process designed to elicit constructive feedback from PERA Board Members and key PERA Administration Executives leading the organization.

It's important to see the Annual Assessment not as the evaluation itself, but as the starting point for a discussion and a catalyst for continued positive growth.

, the Chief Investment Officer or any staff pertaining to PERA business shall be treated as a business record of PERA subject to PERA's record retention policy and New Mexico Public Records Act, NMSA 1978, Sections 14-3-1 *et seq.* (1999). The **process includes:**

~~A comprehensive performance evaluation and the 'open-ended questions' form to be completed by each member of the PERA Board of Directors.~~

~~This same evaluation and 'open-ended questions' form to be completed by the Executive Director and key PERA Administration Executives (as designated by the Board).~~

~~As a result of the evaluation, discussion and ownership of the server on which the communication took place shall be irrelevant to this determination of the evaluation (along with recommendations) for changes and/or expectations by.~~

B. Electronic communications by Board Members pertaining to PERA business should be transacted only on a PERA dedicated account provided to the Board Members.

C. Electronic communications between Board Members must not violate any provision of the Open Meetings Act, NMSA 1978, Sections 10-15-1 *et seq.*

- D. Communications that a Board Member wishes to disseminate to a majority of the members of the Board or a majority of the members of a standing committee shall be submitted to the Executive Director or his/her designee only. The Executive Director or his/her designee will then, in his/her discretion, forward said communications to the full Board to be discussed within executive session. Followed by a formal report and discussion from the Chair, to the Executive Director regarding the results of the performance evaluation. The communication shall be distributed publicly to the entire Board as a communications item posted it with the public agenda for the next regular Board meeting unless the communication is a privileged communication or otherwise protected from public disclosure by law.

Time frame:

~~January of each year—All final forms distributed to identified individuals~~

~~Following February—Evaluations due to the Chair of the Board~~

~~Following March—Compilation and review by the Chair of the Board~~

~~March/April (as soon as possible after compilation and review by the Chair) The Chair to discuss the results of the evaluation with the PERA Board with the objective to determine recommendations/expectations for future positive growth to be shared with the Executive Director.~~

**~~PERA—Executive Director Evaluation
Board of Directors Assessment Form~~**

Introduction/Instructions:

~~Evaluation of the Executive Director is a major function of the PERA Board to ensure vision, strategy, qualified management, financial leadership and governance. All responses should be directed to the Chair of the PERA Board, who will be responsible for removing any identifying data prior to compiling a summary, which will be reviewed by the PERA Board before it is shared with the Executive Director.~~

~~Each section begins with a brief description of an important area of responsibility. Please read the description in each section carefully before answering the questions. The questions measure your level of~~

- E. Electronic communications from PERA staff to Board Members may be sent to the personal account designated by individual Board Members. In such event, PERA staff shall retain a copy of the email communications according to PERA's record retention policy and New Mexico Public Records Act, NMSA 1978, Sections 14-3-1 et seq. (1999).

3. **Communications Among the Board.** The Board shall carry out its activities in accordance with the spirit of open governance, including in satisfaction with how well of the Executive Director is carrying out various aspects of each area of responsibility. The Executive Director and Key

~~Executive staff shall complete the identical evaluation forms.~~provisions of the Open Meetings Act, NMSA 1978, Sections 10-15-1 et seq. Specifically, the Board must:

~~If you are working with a hard copy, circle the number representing the degree to which you are satisfied or not satisfied with the Executive Director's performance in each responsibility mentioned. If you are working with an electronic version, eliminate all numbers except your response. The answers will include a number (1-4) or an indication that the respondent is unable to answer (NS for not sure).~~

~~At the end of each section and at the conclusion of the assessment are a number of open ended questions. Please take the time to answer these questions, because your responses will be especially helpful when the Board and Executive Director look for ways to strengthen the Executive Director's performance and that of the organization as a whole. These comments will be shared with the Executive Director upon completion~~

- A. Ensure that communications by and between the Board Members comply with the Open Meeting Act;
- B. Not conduct or participate in communications (one at a time or in a group that in total constitutes a quorum of the Board or Committee) either directly or through intermediaries or electronic devices for the purpose of developing a concurrence for an action to be taken. Any such conduct shall constitute a prohibited meeting.
- C. Not take any action, whether preliminary or final, by secret ballot.
- D. Communicate in a straightforward, constructive manner with due respect and professionalism during meetings of the ~~evaluation~~Board and its Committees.

4. Staff Communications to the Board.

- A. ~~All responses will be kept confidential and will be compiled in a summary for review by the Board and used as objective background resulting in the performance evaluation of the Executive Director. Please send/hand deliver all completed forms, to the Chair of the PERA Board.~~

~~Attach additional pages of explanation, if desired. Timeliness is essential to ensure the prompt completion of the process.~~

Description of Ratings:

~~1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure~~

~~Section 1-- Mission, Strategic Planning & Annual Goals~~

~~The Executive Director's role has both strategic and operational components. Working with the Board, the Executive Director must develop a shared vision for the future of the organization, building understanding around the current mission, and develop~~Board Member requests for information, concerns, or ideas for staff projects shall be directed to the Executive Director, who shall in turn direct staff as ~~appropriate goals and strategies to advance that mission.~~

Executive Director Satisfaction Measures:

Description of Ratings:

~~1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure~~

~~1.1 works with the Board to develop a clear vision for the organization and understands his or her own leadership role~~

~~1 2 3 4 NS~~

~~1.2 works with the Board and staff to create an effective process for long range or strategic planning for the organization~~

~~1 2 3 4 NS~~

~~1.3 understanding of what must change and what must remain the same in order to accomplish the organization's mission and realize its vision~~

~~1 2 3 4 NS~~

~~1.4 progress in pursuing or achieving the strategic:~~

~~Goal A 1 2 3 4 NS~~

~~Goal B 1 2 3 4 NS~~

~~Goal C 1 2 3 4 NS~~

Section 2 -- Accomplishment of Management Objectives

~~Working with the Board, the Executive Director establishes operational objectives that support the strategic plan.~~

~~The Executive Director is responsible for leading staff in the implementation of the strategic planning and any annual plans.~~

Under no circumstances shall Board Members directly communicate about such matters with any PERA staff subordinate to the Executive Director **Satisfaction Measures:**

Description of Ratings:

~~1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure~~

~~2.1 selects and cultivates qualified senior staff, models effective behaviors and skills, and builds morale among staff and volunteers~~

~~1 2 3 4 NS~~

~~2.2 ensures that there are appropriate systems in place to facilitate day to day operations of the organization in the areas of:~~

~~a. development and delivery of programs 1 2 3 4 NS~~

~~b. education and outreach 1 2 3 4~~

~~NS~~ outside a duly noticed Board or Committee meeting, without the Executive Director's prior permission. If exigent circumstances arise during the Executive Director's absence, such matters may be directed to the Executive Director's designee who shall act in lieu of the Executive Director.

~~c. policy development 1 2 3 4 NS~~

~~d. administration and operations 1 2 3 4 NS~~

~~e. resource development 1 2 3 4 NS~~

Section 3 - Program Management

B. ~~The Executive Director leads the staff in managing and administering PERA programs and services. This requires a thorough knowledge of the organization's mission area as well as an understanding of technical, operational, and ethical issues.~~

Executive Director Satisfaction Measures:

Description of Ratings:

~~1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure~~

~~3.1 demonstrates substantive knowledge regarding PERA's programs and services~~

~~1 2 3 4 NS~~

~~3.2 — works with the may decline to accept a Board to develop appropriate policies to ensure the efficiency and effectiveness of programs~~

~~1 — 2 — 3 — 4 — NS~~

~~3.3 — sets high standards of quality for PERA's programs~~

~~1 — 2 — 3 — 4 — NS~~

~~3.4 — recommends new programs and the modification or discontinuation of current programs, as appropriate, to the Board~~

~~1 — 2 — 3 — 4 — NS~~

Section 4 – External Liaison, Partnering and Communication

~~The Executive Director, in partnership with the Board and appropriate staff, is responsible for developing and implementing appropriate communication development and strategies. The Executive Director and Board use their combined strengths, knowledge, and relationships to help the organization achieve its objectives. The Executive Director and Board members are key players in establishing and maintaining positive relationships to include a good public image.~~

Executive Director Satisfaction Measures:

Description of Ratings:

~~1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure~~

~~4.1 — has a clear understanding of expected communication strategy needed for effective partnering to realize PERA's mission~~

~~1 — 2 — 3 — 4 — NS~~

~~4.2 — is innovative in the creation of partnerships with PERA stakeholders and cultivates effective working relationships that contribute to the organization's development~~

~~1 — 2 — 3 — 4 — NS~~

~~4.3 — guides activities in order to ensure adequate communication for all members, Board members, legislators and other stakeholders~~

~~1 — 2 — 3 — 4 — NS~~

~~4.4 is knowledgeable about the public policy dimension of the PERA's work, and provides strong advocacy for PERA's interests~~

~~1 2 3 4 NS~~

~~4.5 is an articulate and knowledgeable spokesperson for PERA~~

~~1 2 3 4 NS~~

Section 5—Operations Management

~~The Executive Director is responsible for the day to day management. The Executive Director works with staff to develop, maintain, and use the systems and~~[Member's request for information that requires the expenditure of significant staff time or external resources, provided](#)~~that facilitate the effective operation of the organization.~~Executive Director **Satisfaction Measures:**

Description of Ratings:

1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure

~~5.1 is knowledgeable regarding the operations of an effective office environment~~

~~1 2 3 4 NS~~

~~5.2 works effectively with staff to ensure that the organization has in place:~~

~~a. sound risk management policies including adequate insurance coverage coverage~~

~~1 2 3 4 NS~~

~~b. appropriate personnel policies and staffing~~

~~1 2 3 4 NS~~

~~c. plans for the appropriate use of technology and technological systems~~

~~1 2 3 4 NS~~

~~d. sound internal communications and training processes~~

~~1 2 3 4 NS~~

~~5.3 ensures compliance with all legal and regulatory requirements~~

~~1 2 3 4 NS~~

**~~Section 6 – Executive Director /~~then places the matter on the subsequent Board ~~/Staff~~
Relationship**

~~The Executive Director and the Board must work together as partners. Each arm of leadership draws upon its own unique strengths and abilities. The Executive Director and the Board have joint responsibility for developing and maintaining a strong working relationship and a system for effectively sharing information. It is mission critical that the Executive Director and staff members assigned to assist the Board in carrying out its work develop and maintain an effective working relationship.~~

~~Executive Director Satisfaction Measures:~~

~~Description of Ratings:~~

~~1=Very Dissatisfied 2=Dissatisfied 3=Satisfied 4=Very Satisfied NS=Not Sure~~

~~6.1 — is clear about the differences between his or her role and that of the Board~~

~~1 — 2 — 3 — 4 — NS~~

~~6.2 — is an effective partner with the Board in leading PERA~~

~~1 — 2 — 3 — 4 — NS~~

~~6.3 — has been delegated the authority necessary to manage the organization effectively~~

~~1 — 2 — 3 — 4 — NS~~

~~6.4 — raises issues and questions and provides adequate information to inform Board discussions~~

~~1 — 2 — 3 — 4 — NS~~

~~6.5 — has established or Committee agenda, as appropriate systems, for dialogue and communication between the Board and staff to ensure that the Board maintains a good knowledge of the organization~~

~~1 — 2 — 3 — 4 — NS~~

~~6.6 — extends professional courtesy to include consideration and respect with PERA Staff and direction by the full Board or Committee.~~

~~1 — 2 — 3 — 4 — NS~~

~~PERA Executive Director Evaluation~~
~~Open-Ended Question/Comments~~

~~Please answer the questions below as completely as possible. Use examples if available to demonstrate specific points. Return the form to the Chair. Use additional paper if needed.~~

~~1. Over the past year, what are some limitations in the Executive Director's performance?~~

~~2. Over the past year, what have been the most significant achievements from the Executive Director?~~

~~3. What are areas in which the Board could~~

5. General Counsel Communications to Board. PERA Office of General Counsel shall provide ~~better support~~ advice to the ~~Executive Director?~~ full Board upon request by the Board. Board Members shall not seek individual legal advice or individual formal opinions from PERA's Office of General Counsel or contract legal counsel without Board approval. This policy shall not preclude individual Board Members from requesting PERA's interpretation of the statute and rules that PERA administers.

~~4. Additional comments:~~

Print/Type Name: _____ Date: _____

Signature: _____

VIII. BOARD-STAFF COMMUNICATION

6. A. Outside Counsel Communications to the Board. Communications, whether oral or in writing, delivered to the Board in closed session or designated as confidential and/or attorney-client privilege shall not be disclosed to others by any Board ~~Response to~~ Member ~~Inquiries/Complaints~~. Moreover, if the Board seeks to refer a matter to outside fiduciary counsel, it may communicate its request through the

Executive Director and/or the General Counsel who may speak on its behalf to the outside fiduciary counsel.

7. **Hired Consultants Communications to the Board.** All communications between Board Members and a hired consultant shall only occur during a duly noticed Board or Committee meeting.

8. **PERA ~~Board members~~Members/Beneficiaries Communications to the Board.** The Board Members must be sensitive to ~~member~~PERA members and beneficiaries' inquiries and complaints. At the same time, Board members should not become involved in the day-to-day operational management of ~~the retirement association~~PERA, which is a role delegated to the Executive Director and the PERA staff.

A. ~~1. Board Response to~~Member/Beneficiary Inquiries

- a. Members and retirees should be directed to contact PERA staff directly when inquiries of a general nature are made of PERA Board ~~members~~Members.
- b. If members and retirees have specific questions about member services, they should be directed to contact the Deputy Director of Member Services.
- c. Inquiries about operations should be referred to the Deputy Director of Operations.
- d. Inquiries about deferred compensation should be referred to the Deferred Compensation Plan Manager or the Third-Party Administrator of the Deferred Compensation Plan.
- e. Inquiries about investments should be referred to the Chief Investment Officer
- f. Board ~~members~~Members are encouraged to have members and retirees submit general information such as address changes, etc., directly to PERA staff or online at RIO Self-Service so as to lessen the chance of errors or misunderstanding

B. ~~2. Board Response to~~Member/Beneficiary Complaints

- a. Complaints to PERA Board ~~members~~Members are to be directed to the Executive Director, or to his or her designee, for resolution.
- b. If designated, the Deputy Director of Member Services will respond to member services issues.
- c. If designated, the Deputy Director of Operations will respond to inquiries about operations, investments or deferred compensation.
- d. If designated, the Chief Investment Officer will respond to inquiries about investments.

C. ~~3. Procedure for Handling Complaints~~

- a. The complaint will be investigated and a response given to the PERA member or retiree within 5 working days of receiving the complaint.

- b. The Board ~~member~~Member initiating the complaint will be notified when PERA staff has responded to the complaint.
- c. PERA staff is prohibited from divulging any confidential member information when notifying the Board ~~member~~Member that staff has responded to the complaint.

XIII. CONFIDENTIAL MEMBER INFORMATION

~~B. Confidential~~A Board Member Information and PERA shall not use or disclose, directly or indirectly, confidential information⁸ obtained in the course of or by reason of his/her official capacity. Confidential information shall be used solely for PERA purposes and under no circumstances revealed to unauthorized persons or entities, except as may be required to be disclosed as a public record under the PERA Act, NMSA 1978, §10-11-130(I) (1997) and the New Mexico Public Records Act, NMSA 1978, §14-3-1 (1999).

1.—New Mexico state law prohibits PERA staff and Board ~~members~~Members from disclosing confidential member information.

~~2. Neither the retirement board nor the association can allow public inspection of, or disclosure of, information from any member or retiree file without prior written release and consent of the member or retiree.~~

~~3. The only EXCEPTION is that the names and addresses of PERA members or retirees being requested for election purposes by candidates for election to the retirement board may be produced. No other PERA member or retiree information can be produced or disclosed without written release or consent.~~

~~4.~~—The law on disclosure of confidential member or retiree information is found at NMSA 1978, Section 10-11-130(I) (2010).

~~C. Legal Opinions:~~

XIV. LOBBYING AND LEGISLATION

POLITICAL ACTIVITIES

A. No one who holds, or who is seeking election or appointment to, any office or employment with a state or local agency shall, directly or indirectly, use, promise, threaten or attempt to use, any office, authority, or influence, whether then possessed or merely

⁸ “Confidential information” is defined in the PERA Act at NMSA 1978, §10-11-130(I), as all information contained in a member or retiree file except the applicable coverage plan, amounts of contributions made by both the member and the employer, and the pension amounts paid. With the release or consent of the member, other information may be released. The names and addresses of members and retirees may be released without the release or consent of the member to candidates for election to the PERA Board. Confidential information may also include confidential contract, financial, investment or legal information, and information not available to the public at large, or divulgence of such information in advance of the time prescribed for its authorized release.

anticipated, to confer upon or secure for any individual person, or to aid or obstruct any individual person in securing any position, nomination, confirmation, promotion, or change in compensation or position, within the federal, state or local agency, upon consideration or condition that the vote or political influence or action of such person or another shall be given or used in behalf of, or withheld from, any candidate, officer, or political party, or upon any other corrupt condition or consideration.

B. No one who holds, or is seeking election or appointment to any office shall, directly or indirectly, offer or arrange for any increase in compensation or salary for an employee of a federal, state or local agency in exchange for, or a promise of, a contribution or loan to any committee controlled directly or indirectly by the person who holds, or is seeking election or appointment, to office.

C. ~~Though PERA Office of General Counsel shall provide advice to the full Board upon request by the Board. Board Members shall not seek individual legal advice or individual formal opinions from PERA's Office of General Counsel or contract legal counsel without Board approval. This policy shall not preclude individual Board Members from requesting PERA's interpretation of the statute and rules that PERA administers's~~ staff is free to make contributions to a political campaign of a trustee or to any charitable organization, Board Members, the Executive Director and the Chief Investment Officer shall refrain from soliciting campaign or charitable contributions from staff, including but not limited to the purchase of, selling, distributing, or receiving payment for tickets for any political fundraiser, political meeting, or other political event.

~~[Amended 7/28/2011]~~

Attachment 1

Board Member Certification

I, _____, hereby certify that I have read and understand the Board Policies and Procedures for the Public Employees Retirement Association of New Mexico (“Policies”), and agree to strictly adhere to the Policies. I further certify that I understand that the failure to act in conformance with the Policies may result in serious consequences, including but not limited to removal from the Board.

Document comparison by Workshare Compare on Tuesday, December 3, 2019
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Padding cell	

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Automated Election Services

7000 ZENITH COURT NE
RIO RANCHO, NEW MEXICO 87144
(505) 891-0525
FAX (505) 891-6500

TO: PERA Board of Trustees

FROM: Ernie Marquez, Election Director
Automated Election Services

SUBJECT: Election Recommendations for 2020

DATE: November 8, 2019

The Election process used by PERA works well but I still believe that allowing PERA members the option of voting either on-line or the traditional way, by paper ballot, would increase participation. Other organizations, such as credit unions, are making this type of voting available to their members is something that our company offers. PERA can continue to mail ballots to all members and should a member return the voted paper ballot, the online method would be unavailable to that member. If a member was to vote online then his/her record would be flagged as voted and the paper ballot (if returned) would not be accepted.

PERA currently uses a certification that is printed on the ballot which reads **“By voting this ballot, I certify that I am a current member of the PERA through a state/municipal affiliate and that I am eligible to vote in this election.”** If PERA chooses to go with only mail ballots, I would suggest adding a signature line on the return envelope with the same certification you currently use on the ballot. With a certification below the signature line there would be more accountability and could deter voting by a non-member if this is happening.

I know this would require a rule change, but I would suggest that you mail the ballots out later, closer to the election. In my experience, it seems that if you mail the ballot two or maybe three weeks before the election, people tend to complete them and return them quickly. When you give them too much time, they place it with other mail and totally forget about mailing the ballot back.

Due to the allegation made concerning Candidate Bios being written by someone other than the candidates and the allegation of candidates not receiving emails, I strongly suggest that any important packets such as the Election Calendar, Election information, and Nominating Petitions be sent by email and Certified Mail “Return Receipt Requested” sent by the United States Post office.

I would like to thank the PERA Board of Directors and management for giving Automated Election Services the opportunity to work with them in the conduct of their election.

I remain available at any time for questions, comments, and/or election planning meetings. I extend the invitation to the board of directors and to the PERA staff to visit us in Rio Rancho to come see firsthand what we do.

Current	IPOC-ENDORSED JUDICIAL/MAGISTRATE DISCUSSION DRAFT .216014.1 SA
DOCKET FEES TO GENERAL FUND/EMPLOYER CONTRIBUTIONS AS A PERCENTAGE OF SALARY	
<p>Judicial (JRA)</p> <p><i>Current Contribution Rates</i> Employee 10.5% Employer 15.0% Current Statutory Shortfall</p> <p><i>Docket Fees Paid to JRA</i> \$38.00 each district court civil case \$25.00 each metro court civil case \$10.00 each metro court jury fee</p> <p>Magistrates (MRA)</p> <p><i>Current Contribution Rates</i> Employee 10.5% Employer 15.0% Current Statutory Shortfall</p> <p><i>Docket Fees Paid to MRA</i> \$25.00 each civil case \$10.00 each civil jury fee</p>	<p>That portion of docket fees currently deposited into the Judicial (JRA) and Magistrate Retirement Funds (MRA) deposited directly into the General Fund. Docket fees would be replaced by increase employer contribution rates that are a statutory percentage of salary.</p> <p><i>Contribution Rates</i> Employee 9.10% Employer 30.0%</p> <p><i>Contribution Rates</i> Employee 9.10% Employer 22.0%</p>

Current	IPOC-ENDORSED JUDICIAL/MAGISTRATE DISCUSSION DRAFT .216015.1SA
DIVERTING DISTRIBUTIONS TO LEGISLATIVE RETIREMENT TO JUDICIAL AND MAGISTRATE FUNDS	
<p>Distribution pursuant to Section 7-1-6.1 NMSA 1978 from the Oil and Gas Proceeds and Pass-through Entity Withholding Tax to fund Legislative Retirement Fund</p> <p>\$2.4 million annually (\$200,000 monthly)</p>	<p>5-year diversion to the Judicial and Magistrate Funds for fiscal years 2021, 2022, 2023, 2024 and 2025:</p> <p>\$100,000 monthly to the Magistrate Retirement Fund (\$1.2 million annually)</p> <p>\$100,000 monthly to the Judicial Retirement Fund (\$1.2 million annually)</p>

Current	IPOC-ENDORSED JUDICIAL/MAGISTRATE DISCUSSION DRAFT .216016.1SA
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Appropriation/Cash Infusion	
	Appropriates \$32.5 million from the General Fund to the Judicial Retirement Fund in FY 2021 Appropriates \$14.5 million from the General Fund to the Magistrate Retirement Fund in FY 2021.

CURRENT LAW	SUMMARY REVIEW PERA BOARD RESTRUCTURING LEGISLATION
Current structure in effect	<ul style="list-style-type: none"> • One active member of a state general coverage plan appointed by the State Personnel Board • One active county member of a municipal general coverage plan appointed by the New Mexico Association of Counties • One active municipal member of a municipal general coverage plan appointed by the New Mexico Municipal League • The Secretary of the Department of Finance and Administration • One retired member appointed by the organization that represents retired members and must have experience in financial matters • One retired member appointed by the organization that represents retired members who retired from a public safety coverage plan and must have experience in financial matters • One public member who is not a member of PERA appointed by the Speaker of the House and who must have experience in retirement investing or plan design • One public member who is not a member of PERA appointed by the President Pro Tempore of the Senate and who must have experience in retirement investing or plan design • All terms are for a period of 4 years • Appointed members may not serve more than 2, 4 year terms • Appointed members must reside in geographically diverse areas of the state • Provides for the appointment of a Chair and Vice Chair and for removal of a Chair and Vice Chair by majority vote of the Board • Provides that the Executive Director of the Association will credit all receipts and assets of the Association to the Association and make disbursements as authorized by DFA • Effective date, July 1, 2020

Current		IPOC-ENDORSED GOVERNOR’S DISCUSSION DRAFT .215850.1GLG	
Amend PERA Act Definition of Salary to Include Certain Overtime Pay			
Section 10-11-2 NMSA 1978 definition of salary excludes overtime		Includes overtime if “required scheduled tour of duty as set forth in Section 207 (k) of Title 29 of the United States Code Legislation would include regularly scheduled overtime under Fair Labor Standards Act (FLSA) exemption for law enforcement and fire personnel in pensionable wages	

CURRENT LAW	SUMMARY REVIEW GOVERNOR'S PERA SOLVENCY LEGISLATION DRAFT .215849.5GLG
Increases Contributions for Active Employees	
Current rates in effect	<p>State General Plan 3 Increases employer and employee contributions effective July 1, 2020</p> <ul style="list-style-type: none"> • .5% increase over 4 fiscal year • Employee 10.92% (from 8.92%) • Employer 19.24% (from 17.24%) <p>No Increase for State Police and Adult Correction Officers in Plan 1 <i>(will include JCOs and Adult/Juvenile Probation and Parole)</i></p> <p>All Municipal (City and County) Coverage Plans <i>Delays Increases for Two Fiscal Years</i> Delays increases until July 1, 2022 to allow time for municipalities and counties to budget increases</p> <p>After two year delay, employer and employee contributions increase by 2% (phased in .5% over 4 fiscal years)</p> <p><i>Allows Municipal Employers to opt-out of “pick-up” of contribution increases</i> Municipalities and counties allowed to negotiate “pick-up” proposed contribution rate hikes</p> <p><i>Exempts lowest income employees from contribution increases</i> Contributions for employees earning less than \$25,000 will not increase</p>
Provides for Reductions to Contributions as Funding Levels Improve	
	<p>As funding status improves, employer contribution rates will decline:</p> <ul style="list-style-type: none"> • PERA required to certify each plan's funded ratio on the preceding June 30: <ol style="list-style-type: none"> 1. If projected coverage plan ratio at least 90%, the employer contribution rate reduce by .5% 2. If projected coverage plan ratio at least 100%, the employer contribution rate reduced by an additional .5% 3. If projected coverage plan ratio at least 110%, the employer contribution rated reduced by 1.0%

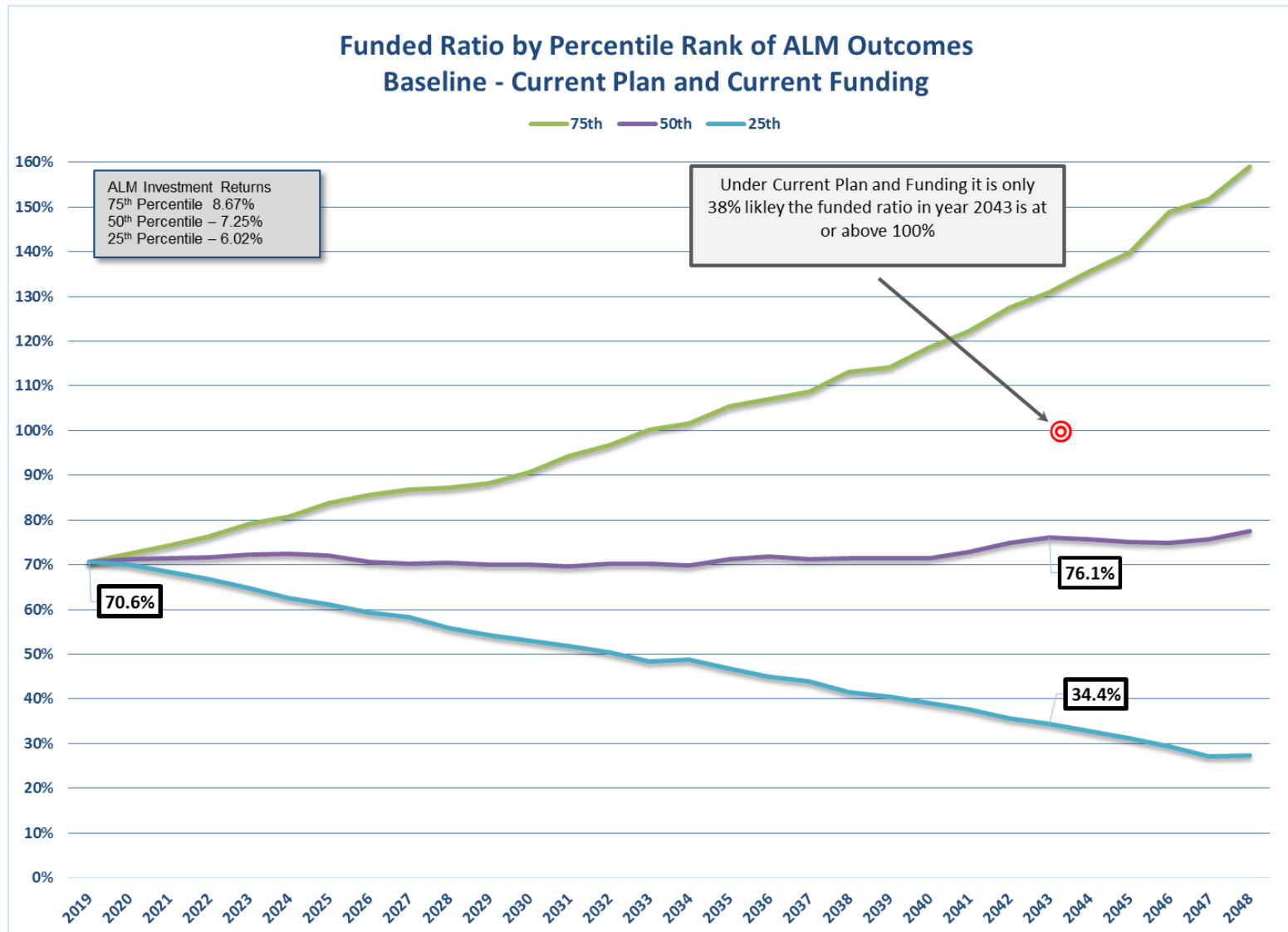
CURRENT LAW		SUMMARY REVIEW GOVERNOR'S PERA SOLVENCY LEGISLATION DRAFT .215849.5GLG	
Provides Cost of Living Adjustments			
7 year wait period for first COLA		<p>1. Reduces Eligibility Period Restores 2 calendar year waiting period (from 7) for first COLA</p> <p>2. Provides for Three 2% 13th Checks: Effective July 1, 2020 provides 2% non-compounding 13th additional payment to qualified retirees for three years (FYs21, 22 and 23)</p> <p>3. Establishes Profit Sharing COLA in 2023 Effective July 1, 2023, implements a profit-share, compounding COLA based on funded status and investment returns available to finance the COLA:</p> <ul style="list-style-type: none"> • PERA funded ratio less than 100%, COLAs up to 3% • PERA funded ratio over 100%, COLAs up to 5% • Ensures minimum COLA of .5% <p>4. Increases COLA for Low Income and Elderly Retirees:</p> <ul style="list-style-type: none"> • Disability retirees under \$25,000 receive a 2.5%, compounding COLA • Retirees with 25 years of service and pensions under \$25,000 receive 2.5%, compounding COLA • Retirees age 75 years as of July 1, 2020 receive 2.5%, compounding COLA • These member would also be exempted from three year 13th check period and instead receive a 2.5% compounding COLA during that period 	
2% annual, compounding COLA			
2.5% annual, compounding COLA	<ul style="list-style-type: none"> • disability retirees under \$20,000 • normal retirees with 25-year service credit under \$20,000 		
Appropriates Funds to Pay For 2% 13 th Checks			
		\$76 million General Fund appropriation to cover the cost of the 13 th check payments to eligible retirees FY21, 22, 23 (as previously noted, expected to reduce PERA's unfunded liability by \$700 million)	

CURRENT LAW	SUMMARY REVIEW GOVERNOR’S PERA SOLVENCY LEGISLATION DRAFT .215849.5GLG
Enhances Maximum Pension Benefit	
90% of final average salary under all plans	Eliminates pension maximum under all plans
Reduces Vesting Period for Tier 2 Employees (Hired after 7/1/13)	
General Members	Reduces vesting period for Tier 2 employees General Members
Tier 2 8 years	Tier 2 5 years (matches vesting period for Tier 1 employees)
Public Safety Members	Public Safety Members
Tier 2 6 years	Tier 2 5 years (matches vesting period for Tier 1 employees)

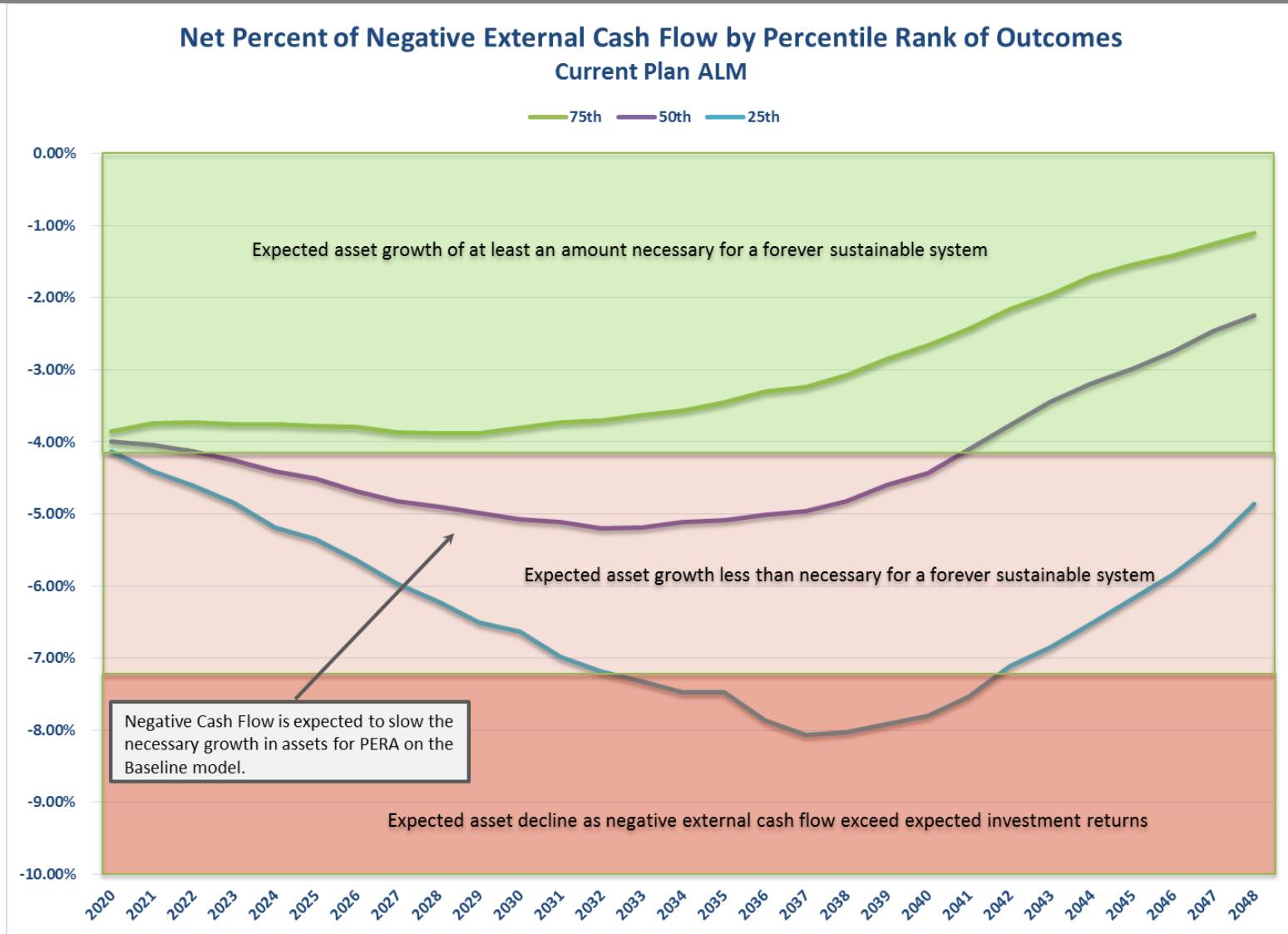
		Eliminates COLA Suspension for Return to Work Employees	
Effective July 1, 2013, COLAs for PERA retirees who return to work with ERB-covered employers are suspended during reemployment		Restores COLA to those PERA retirees who return to work with ERB-covered employers (e.g. Retired Police Officers who return to work as School Resource Officers)	
Effective July 1, 2013, COLAs for grandfathered PERA retirees who returned to work pre-2010 with PERA-covered employers are suspended during reemployment		Restores COLA to those PERA retirees who returned to work with PERA-covered employers before July 1, 2010	

CURRENT LAW	SUMMARY REVIEW GOVERNOR'S PERA SOLVENCY LEGISLATION DRAFT .215849.5GLG
Equalizes Juvenile Correctional, Adult & Juvenile Probation & Parole Officers	
<p>Juvenile Correction Officers</p> <p><i>Covered by Juvenile Correctional Plan 2</i></p> <p>Contribution Rates Employee 6.28% Employer 26.37%</p> <p><i>Retirement Eligibility</i> Tier 1 25 years Tier 2 25 years</p> <p>Probation and Parole Officers</p> <p><i>Covered by State General Plan 3</i></p> <p>Contribution Rates Employee 8.92% Employer 17.24%</p> <p><i>Retirement Eligibility</i> Tier 1 25 years Tier 2 Rule of 85</p>	<p><i>Juvenile Correctional, Adult and Juvenile Probation and Parole Officers moved into State Police and Adult Correctional Officer Plan 1</i></p> <p>Contribution Rates Employee 9.10% Employer 25.50%</p> <p>Retirement Eligibility Tier 1 25 years, 20 % service credit enhancement Tier 2 25 years actual service credit</p>

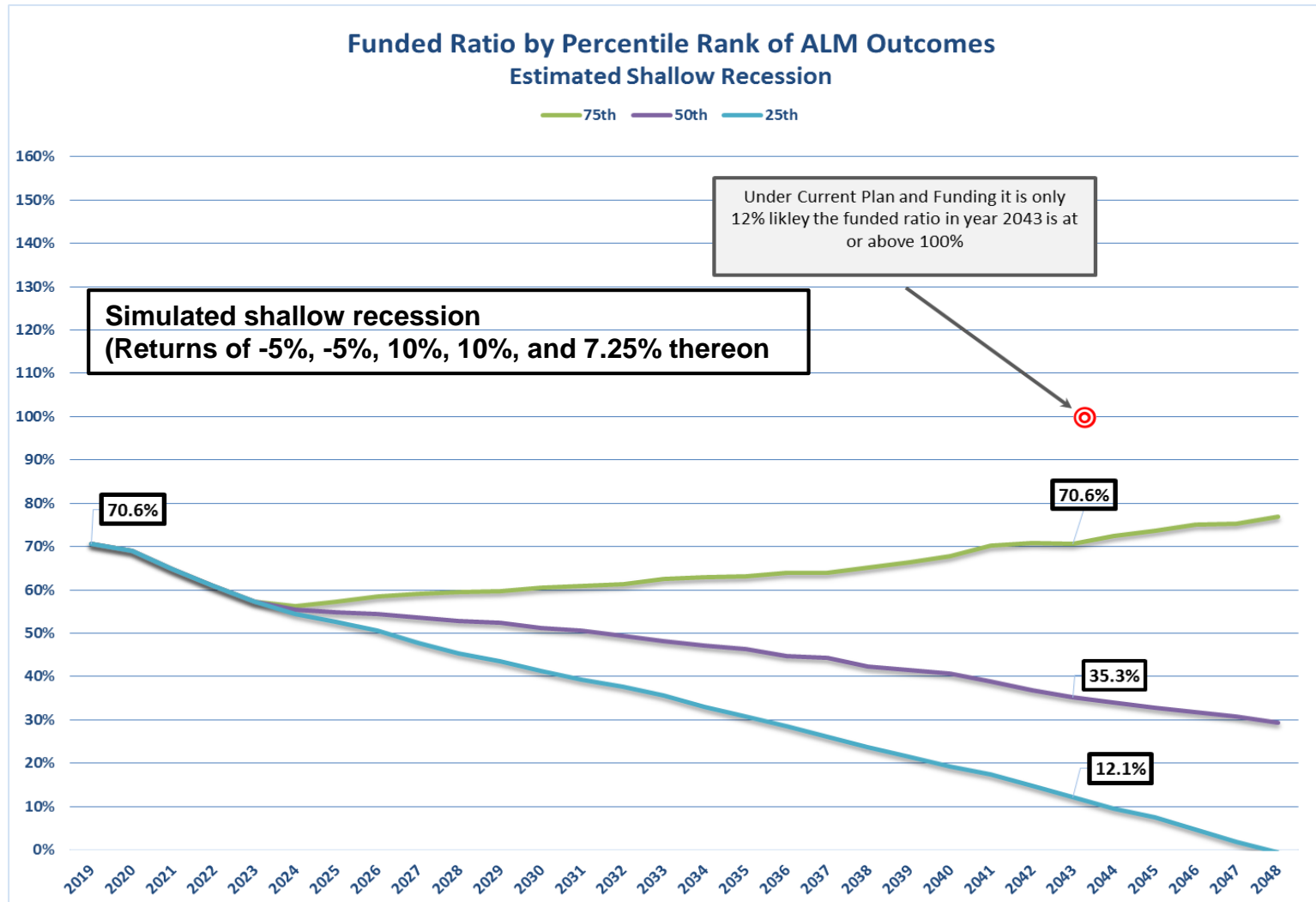
Current ALM Projection



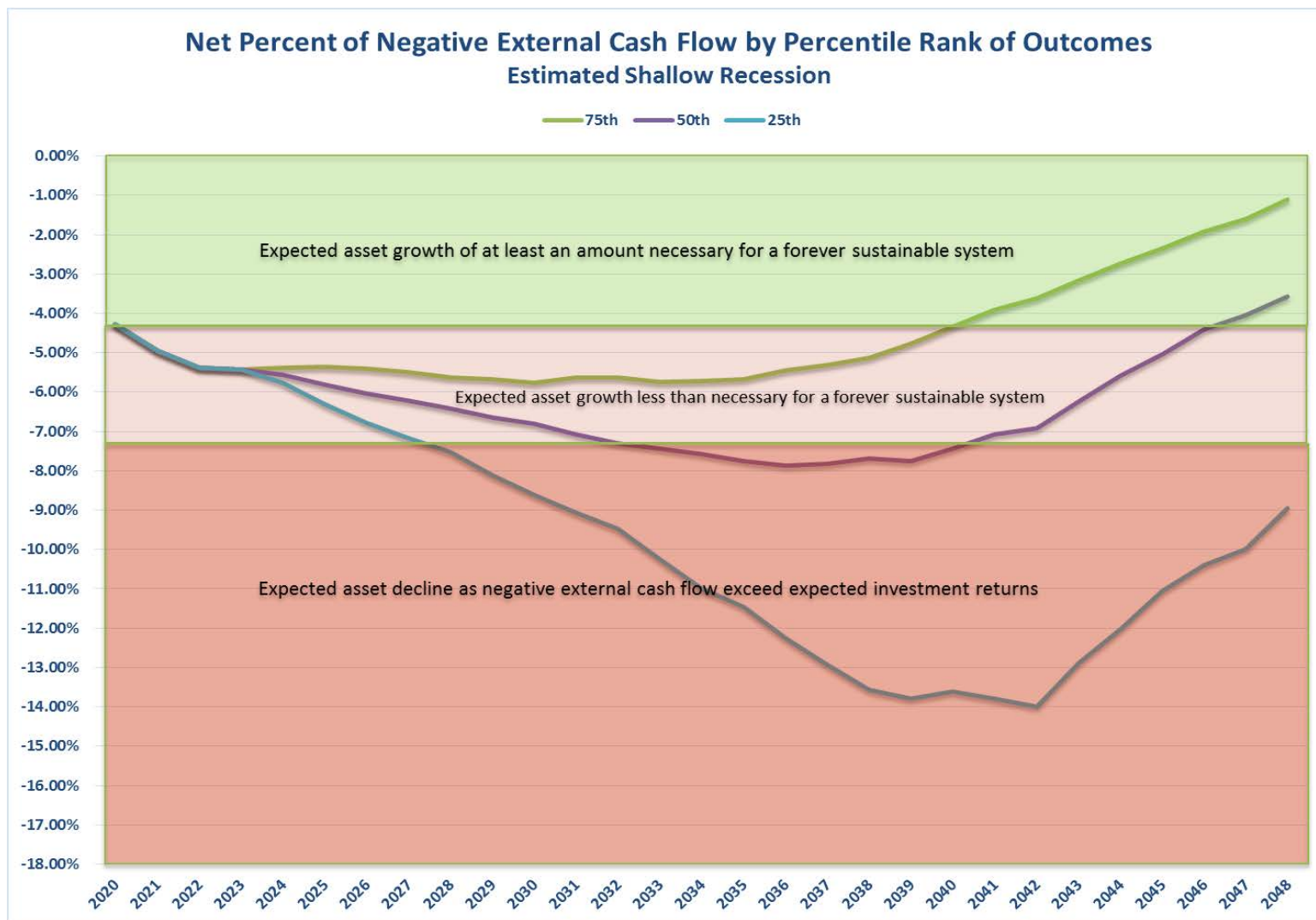
Current ALM Cash Flow Projection



Impact of a Shallow Recession

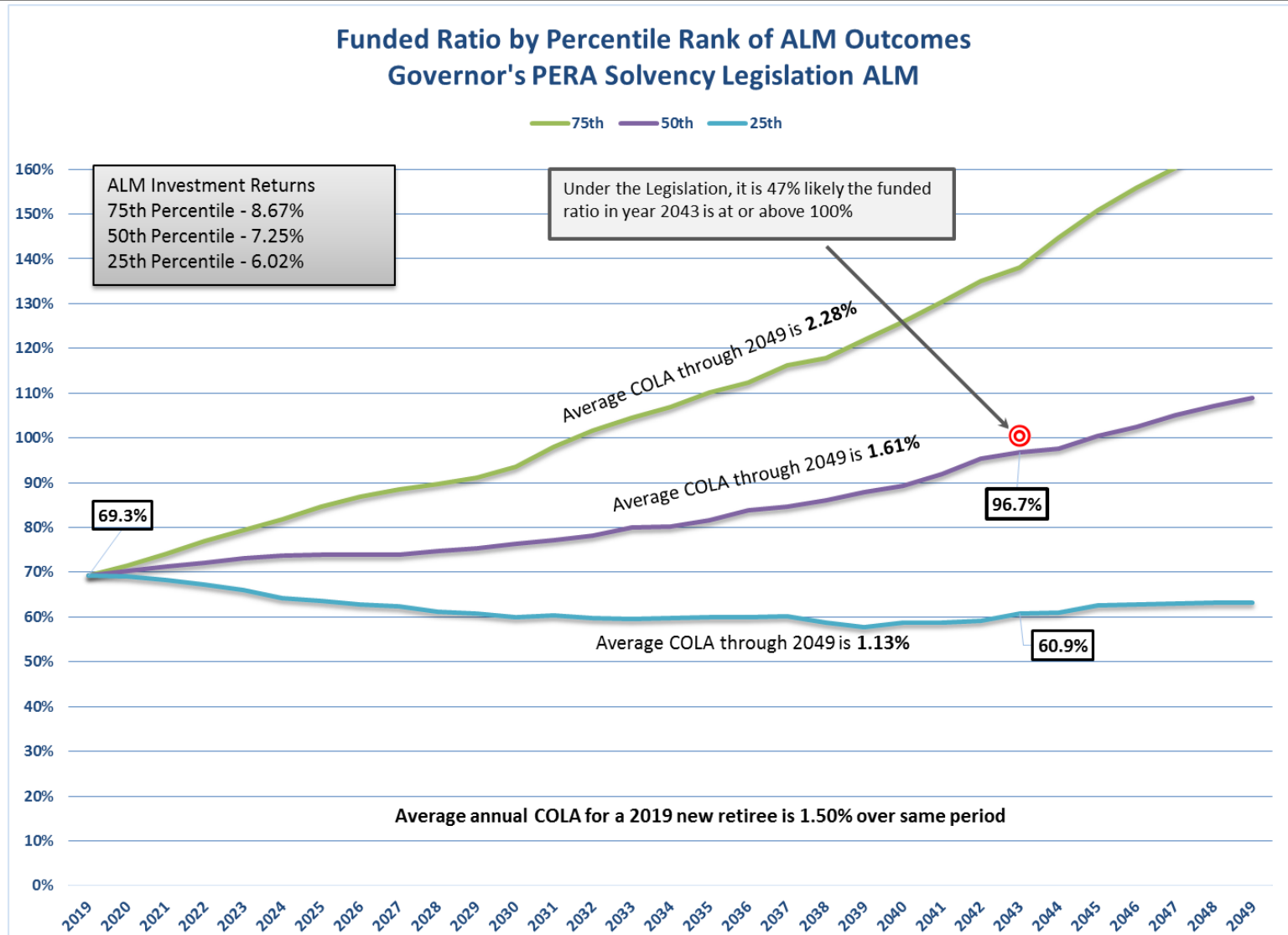


Impact of a Shallow Recession on Cash Flow



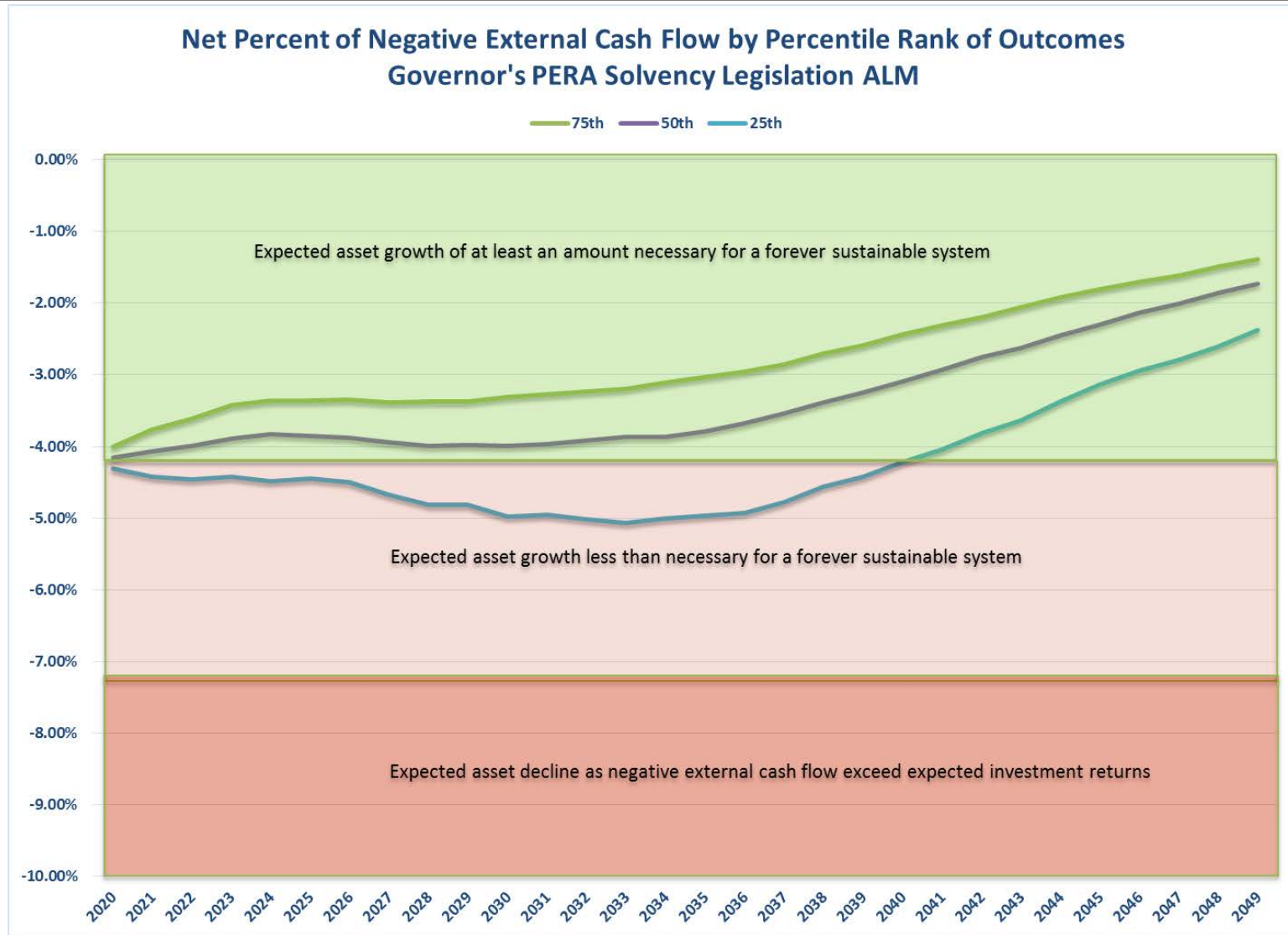
Governor's PERA Solvency Legislation

ALM Results



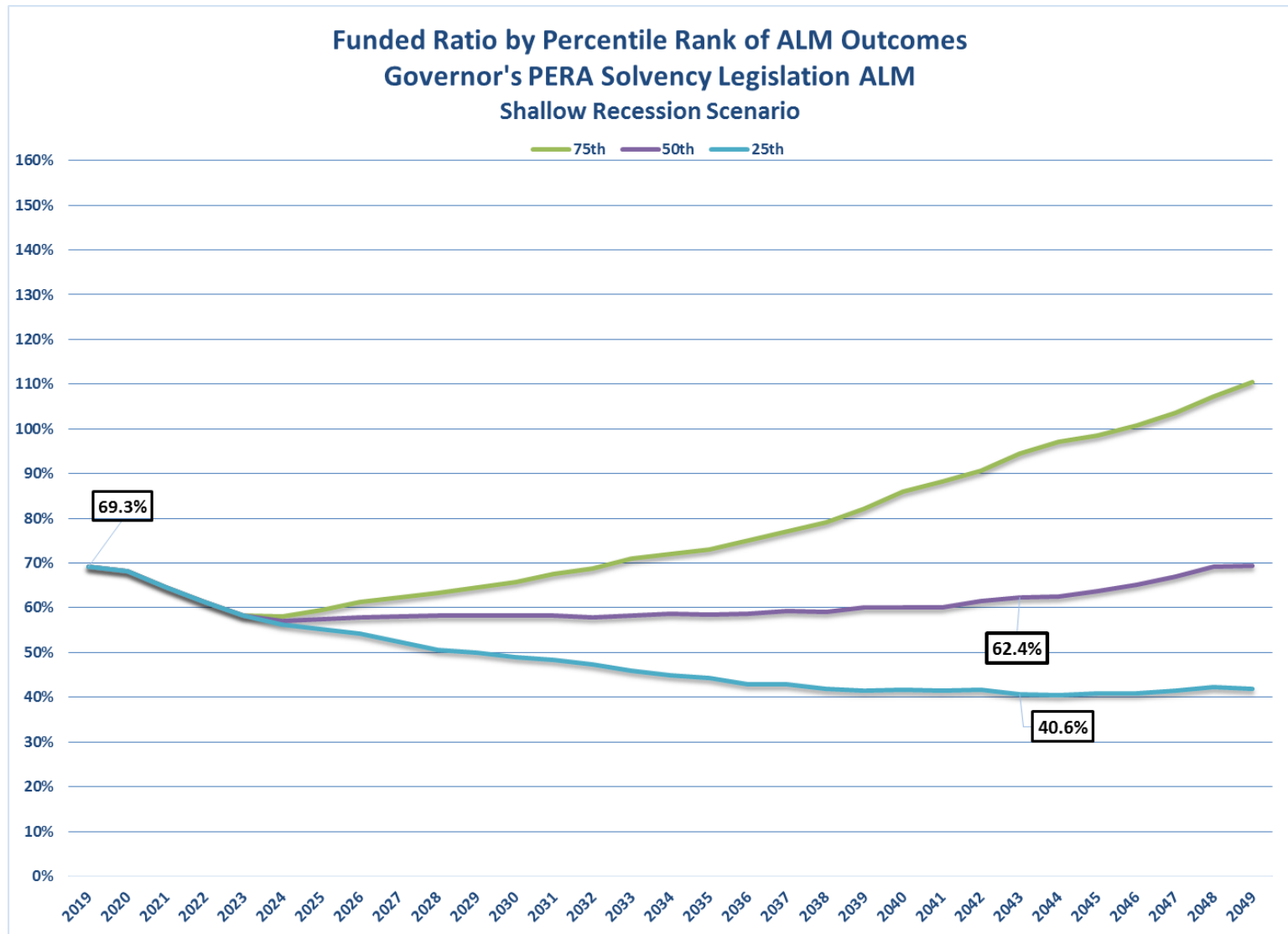
Governor's PERA Solvency Legislation

Cash Flow Results



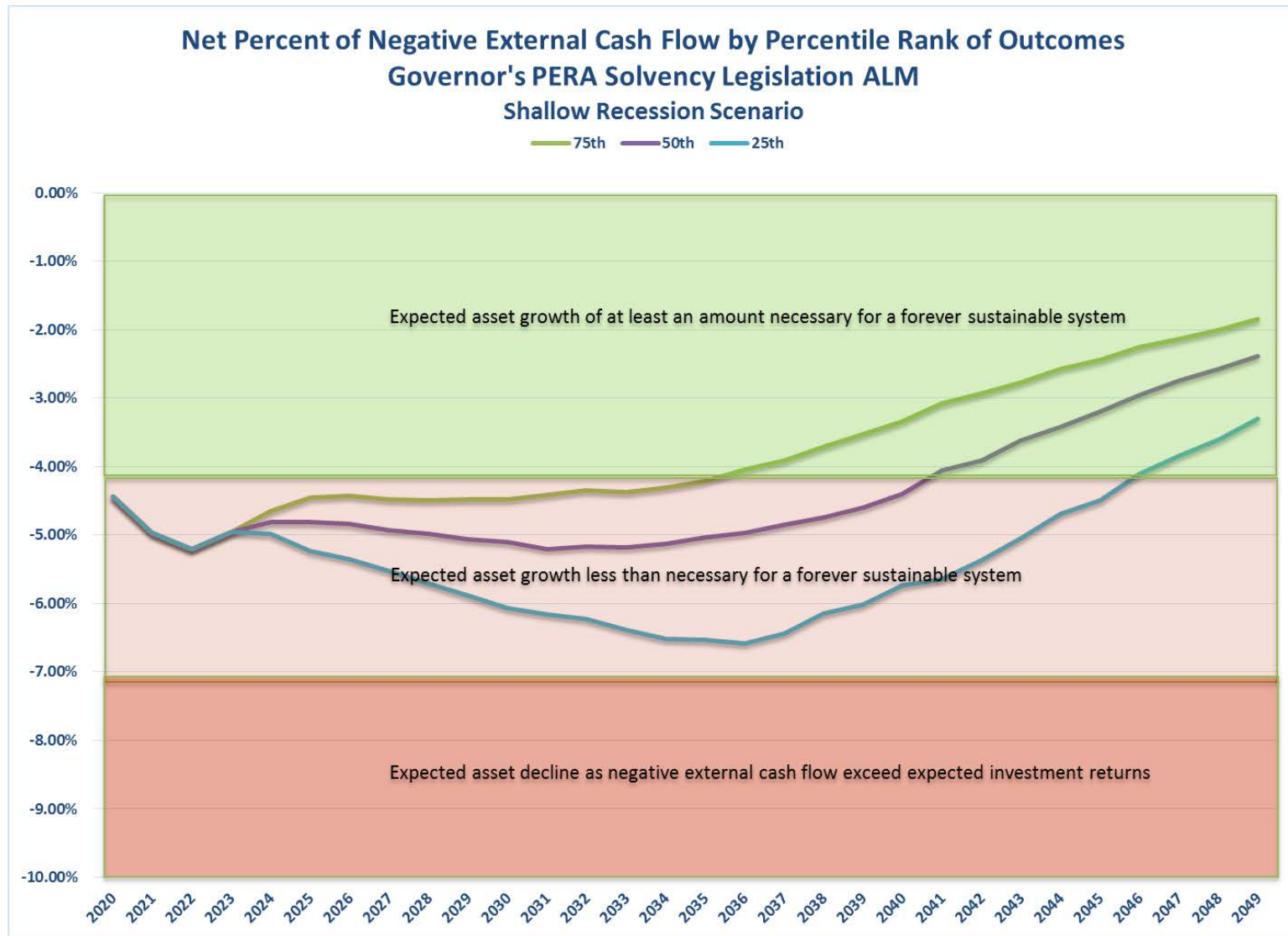
Governor's PERA Solvency Legislation

Stress Testing in a Shallow Recession Scenario



Governor's PERA Solvency Legislation

Stress Testing in a Shallow Recession Scenario



Governor's PERA Solvency Legislation

COLA Impact

Retirees as of June 30, 2019	40,550
Retirees age 75 and older as of July 1, 2020	11,229
Retirees with 25 years of service earning less than \$25k and Disability retirees earning less than \$25k	1,344
Total Retirees excluded from the proposal	12,573
Percentage of retirees excluded from the proposal	31.01%
Retirees who will receive a COLA sooner under the proposal	3,271
Percentage of retirees who will receive a COLA sooner under the proposal	8.07%
\$76 Million Appropriation to fund a 2% "13th" Check for all other COLA eligible Retirees	



INVESTED IN TOMORROW.

PERA Board Meeting
October 10, 2019
CONSENT AGENDA

- 1. Approval of Minutes:** October 31, 2019
- 2. Ratification of Retirements - Benefits processed through: 11/1/2019**
 - a. Normal
 - b. Deferred
 - c. Reciprocity to ERA
 - d. Non-Duty Death
 - e. Non-Duty Disability
 - f. Reciprocity to PERA
- 3. Duty & Non Duty Deaths**
 - a. Tobin Williams - Duty
 - b. Brandon Gutierrez - Non-Duty
 - c. Mack Thomas - Non-Duty
 - d. Sophia Marshall - Non-Duty
 - e. Carolyn Peralta - Non-Duty
 - f. Kenneth Barrett - Non-Duty
- 4. Affidavits for Free Military Service:**
 - a. Nicholas Wheeler - 12 months
 - b. Leonardo A. Ornelas - 9 months
 - c. Abe Chavez - 5 months
 - d. Randolph Velarde - 11 months
 - e. Mark S. Gallegos - 11 months
- 5. Setting of Meetings: January 2020 Meetings**

a. Special Board Meeting	January 14, 2020	9:00 a.m.
b. Disability Review Committee	January 14, 2020	11:00 a.m.
c. Board Meeting	January 30, 2020	9:00 a.m.

Any person with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.

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

1. This monthly meeting of the Public Employees Retirement Board was called to order by Jackie Kohlasch, Chair, at approximately 9:00 a.m. on the above-cited date in the Senator Fabian Chavez, Jr. Board Room, at the PERA Building, 33 Plaza la Prensa, Santa Fe, New Mexico.

2. & 3. Roll Call

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

Members Present:

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

Member(s) Excused:

None

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Dominic Garcia, Chief Investment Officer
Greg Trujillo, Deputy Executive Director
Renada Peery-Galon, ASD Director
Misty Schoeppner, Deputy General Counsel
Kristin Varela, Deputy CIO
LeAnne Larrañaga-Ruffy, Director of Equity
Anna Williams, Chief Financial Officer
Joaquin Lujan, Co-Head Alpha & Director of Rates & Credit
Karyn Lujan, Deferred Compensation Plan Manager
Trish Winter, Executive Assistant
Angela Romero, Albuquerque Office Manager
Mark Montoya, Investment Division
Isaac Olaoye, Investment Division

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

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

4. Approval of Agenda

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

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

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

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

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

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

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

David Roybal	Yes
Tim Eichenberg	Yes

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

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

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

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

6. Current Business

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

- A. Discussion with Counsel regarding pending litigation: *The Retired Public Employees of New Mexico, Inc. v. The Public Employees Retirement Association of New Mexico Board; Wayne Propst, in his individual capacity, and Susan Pittard, in her individual capacity, United States District Court for the District of New Mexico, Case No. 1:19-cv-00891 – Reference: NMSA 1978 Section 10-15-1(H)(7)***
- B. Discussion Regarding Limited Personnel Matters (Executive Director; General Counsel/Chief of Staff)**
 - I. Personnel Matter – Termination of PERA Executive Director, Wayne Propst**
 - II. Personnel Matter – Termination of PERA Chief of Staff/General Counsel, Susan Pittard**
 - III. Personnel Matter- Placement of PERA Executive Director, Wayne Propst, on Paid Administrative Leave**
 - IV. Personnel Matter – Placement of PERA Chief of Staff/General Counsel, Susan Pittard, on Paid Administrative Leave**
 - V. Personnel Matter – Temporary Appointment of PERA Deputy Director, Greg Trujillo, as Acting Executive Director**
 - VI. Personnel Matter – Temporary Appointment of PERA Deputy General Counsel, Misty Schoeppner, as Acting General Counsel**
 - VII. Disqualification of Charles Rennick and the Robles firm to serve as conflicts counsel in the pending RPENM v PERA Litigation due to conflict of interest, Reference NMSA 1978 Section 15-15-1-(H)(7)**

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

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

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

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

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

Chair Kohlasch offered the following information:

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

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

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

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

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

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

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

police report as a result of Board member Neel's behavior against her.

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

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

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

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

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

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

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

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

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

Ms. Armijo thanked Ms. French for her comments and wholeheartedly agreed. This is a self-policing board and she made no apology for taking her fiduciary duty very seriously. She said she was in attendance at the meeting which Ms. Naranjo Lopez referenced Mr. Neel's

behavior and she maintained Ms. Naranjo Lopez's characterization was not much of a mischaracterization.

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

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

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

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

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

The Chair announced the motion failed.

2. Vote by Board to Terminate PERA Chief of Staff/General Counsel – Removed
3. **Vote by Board to Place PERA Executive Director, Wayne Propst on Paid Administrative Leave During Timeframe of the Resolution of the NPENM lawsuit - There was no action on this item.**
4. Vote by Board to Place PERA Chief of Staff/General Counsel on Paid Administrative Leave During Timeframe of the Resolution of the NPENM lawsuit – Removed
5. Vote by Board to Temporarily Appoint PERA Deputy Director, Greg Trujillo, as Acting Executive Director – No Action Necessary
6. Vote by Board to Temporarily Appoint PERA Deputy General Counsel, Misty Schoeppner, as Action General Counsel – Removed

C. Consideration of Attorney General Directive to Review the 2014 Ten percent Compensation Increase for the PERA Executive Director for Either

Ratification or Rescission or other Appropriate Action Regarding Compensation

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

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

Chair announced the motion to ratify the 2014 increases passed.

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

E. Acceptance of FY 19 Actuarial Valuations

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

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

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

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

Ms. French said the attendees at the Trustee Masters Program she recently attended were very surprised by PERA's poor returns in the last three years. She said PERA's internal

salaries are a prime example of “why we’re having such an increase in unfunded liabilities.”

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

Reviewing the actuarial results, Mr. Garrett noted that at some point all of the present value of benefits are going to be payable in cash; currently they are payable in the future. The plan is structured to accumulate assets and grow to the size of the present value of benefits. He reviewed the historical membership data for the different plans. In a pay-as-you-go-system, such as Social Security, it is the active members’ current contributions that pay for the benefits currently being paid to retirees.

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

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

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

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

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

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

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

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

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

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

Mr. Leiderman said it would be helpful to have access to Board comments before the meeting on the 12th. Ms. French said she was more comfortable speaking about her issues rather than writing them out, and without objection from the Chair, Mr. Leiderman invited phone calls, text, emails, etc.

The motion unanimously passed.

7. Adjournment

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

Approved by:

Jackie Kohlasch, PhD
Chair, PERA Board

ATTEST:

Wayne Propst, Executive Director

Attached Exhibits:

Exhibit 1: Consent Agenda

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

Exhibit 3: List of PERA accomplishments – Mr. Davis



Ratification Report

New Retirees For 11/01/2019

Data Date: November 21, 2019, Record Count: 123

Last Name	First Name	Middle Name	Retirement Date	Reciprocity	Retirement Type
ABBOTT	BLANCHE	A.	11/01/2019		Deferred
ANDERSON	JOSHUA	D.	11/01/2019		Normal
ANDUJO	SHALENE	R.	11/01/2019		Normal
APODACA	GUADALUPE		11/01/2019		Normal
ARAGON	GAIL	J	11/01/2019		Normal
ARFMAN	SUZAN	L.	11/01/2019		Normal
ARMSTRONG	DEBBIE	A.	11/01/2019		Deferred
ARNOLD	JOHNNY	G.	11/01/2019		Normal
BAROS	KENNETH	D.	11/01/2019		Non-duty Disability
BARRETT	JOAN	D.	11/01/2019		Non-duty Death
BARROS-VERA	JERI	A.	11/01/2019		Normal
BECCHETTI	JOSEPH	D.	11/01/2019		Deferred
BOBBITT	CHESTER		11/01/2019		Normal
BOBBITT	DONNA		11/01/2019		Normal
BONE	LESLIE	D.	11/01/2019		Normal
BURRICHTER	BYRON	E.	11/01/2019		Normal
CAIN	SHARON	A.	11/01/2019		Normal
CALDWELL	HAROLD	V	11/01/2019		Normal
CARRILLO	JANICE	A.	11/01/2019		Normal
CASAUS	JESSIE	L	11/01/2019		Normal
CAYLOR	CURTIS	B	11/01/2019		Deferred
CAZEE	GEORGE		11/01/2019		Normal
CHRISTIAN	THOMAS	E	11/01/2019		Normal
COMPTON	CHRIS	B.	11/01/2019		Normal
DAVENPORT	JANE	A.	11/01/2019		Normal
ELEBARIO	JOSE	F.	11/01/2019		Normal
Elwell	Kathleen	D.	11/01/2019		Normal
EVANS	LEO	T	11/01/2019		Deferred
FELL	FRANK	D.	11/01/2019		Normal
FIERRO	EDWARD	P.	11/01/2019		Deferred
FLORES	TOMMY	J.	11/01/2019		Deferred
FLOREZ	JAROD	A.	11/01/2019		Normal
FORD	TERESA	M.	11/01/2019		Normal
FULKROD	WILLIAM	V	11/01/2019		Normal
GALLEGOS	CHRISTOPHE	G.	11/01/2019		Normal
GALLEGOS	DAVID	C.	11/01/2019		Deferred
GALLEGOS	JOHN	A	11/01/2019		Normal
GARCIA	LEROY		11/01/2019		Normal
GODFREY	SHIRLEY		11/01/2019		Normal
GOLDBERG	MARIA LUISA	S.	11/01/2019		Normal
GONZALES	DAVID	D	11/01/2019		Normal
GONZALES	TOMMY	F.	11/01/2019		Normal
GONZALES-SOLAN	EDWINA	L.	11/01/2019		Normal
GRIGGS	DESMOND	H.	11/01/2019		Normal
GURULE	SEVASTIAN	E.	11/01/2019		Normal
GUTIERREZ	CHRIS	V.	11/01/2019		Deferred
HALES	DENNIS	W.	11/01/2019		Normal
HALL	JOHN		11/01/2019		Normal
HANCOCK	CAMILLE	C.	11/01/2019		Normal
HARE	LAWRENCE	D.	11/01/2019		Normal
HENDERSON	DAVID	D	11/01/2019		Normal
HOLMES	SUSAN	HYDE.	11/01/2019		Normal
Huckels	Linda	J.	11/01/2019		Deferred

Last Name	First Name	Middle Name	Retirement Date	Reciprocity	Retirement Type
HUGHES	KENNETH	M.	11/01/2019		Normal
JUSTICE	LEONARD	D.	11/01/2019		Normal
KEYES	ERIC	J.	11/01/2019		Normal
KIELING	JOHN	E.	11/01/2019		Normal
LARA	YVONNE	G.	11/01/2019		Normal
LENNON	KEVIN		11/01/2019		Normal
LESLIE	KELLY	D.	11/01/2019		Normal
LOPEZ	STEPHEN	P.	11/01/2019		Normal
LUCERO	BELINDA	L.	11/01/2019		Normal
LUCERO	ISABEL	S.	11/01/2019		Normal
LUCERO	NABOR		11/01/2019		Normal
LUCERO	WAYNE	A	11/01/2019		Normal
LUJAN	JUDE	S	11/01/2019		Normal
MADRID	MARY	PATRICIA.	11/01/2019		Normal
MAHAN	STERLING	RALPH.	11/01/2019		Normal
MARTINEZ	JAMES	G.	11/01/2019		Normal
MARTINEZ	JOHN	C	11/01/2019		Normal
MARTINEZ	RAMONA	R.	11/01/2019		Deferred
MCELROY	JEFF	F.	11/01/2019		Normal
MCELROY	JEFF	F.	11/01/2019		Deferred
Melnick	Roy	E.	11/01/2019		Deferred
MONSIVAIZ	AURELIANO	A.	11/01/2019		Normal
MONTANO	RAUL	R.	11/01/2019		Normal
MUNDEN	DONNA	J.	11/01/2019		Normal
NOTAH	ELIANE		11/01/2019		Deferred
OAKELEY	BRUCE	A	11/01/2019		Normal
OLIVAS	CHERI	L.	11/01/2019		Normal
ORTIZ	SANDY	A.	11/01/2019		Normal
OTERO	TINA	M.	11/01/2019		Normal
PADILLA	BILLY	A	11/01/2019		Deferred
PICKENS	LIN	W.	11/01/2019		Normal
Pierce	Sonya	M.	11/01/2019		Normal
QUAIROLI	PAUL	D.	11/01/2019		Normal
RAMIREZ	HECTOR	M.	11/01/2019		Normal
RAMIREZ	VALERIE	J	11/01/2019		Normal
RENEGAR	JEFFREY	T.	11/01/2019		Deferred
RILEY	GLENDA	G.	11/01/2019		Deferred
RIVERA	VICTORIA	P.	11/01/2019		Normal
RODRIGUEZ	ANDRES		11/01/2019		Normal
Romero	JENNIE	M.	11/01/2019		Deferred
ROMERO	ORLANDO		11/01/2019		Normal
ROWLETT	FRANCOISE	M.	11/01/2019		Normal
ROYBAL	SYLVIA	A.	11/01/2019		Normal
SANCHEZ	EMILIO	R.	11/01/2019		Normal
SANCHEZ	LEANDRO	A.	11/01/2019		Normal
SCHERER	JACK	D.	11/01/2019		Normal
SCHERER	PATTI KAY		11/01/2019		Normal
SCOBEE	RONALD	N	11/01/2019		Normal
SENA	LENNARD	L	11/01/2019		Normal
SHEMEK	LORRE	D.	11/01/2019		Normal
SILVA	ARTHUR	A.	11/01/2019		Normal
SIMMONS	HORACE	STANLEY.	11/01/2019		Normal
SOLAZZO	SOPHIA		11/01/2019		Deferred
Spencer	Phillip		11/01/2019		Normal
STEWART	SANDRA	P.	11/01/2019		Deferred
THOMPSON	DENNIS	E.	11/01/2019		Normal
TONNA	LAWRENCE		11/01/2019		Normal
TRUJILLO	BARBARA	C.	11/01/2019		Normal
ULIBARRI	ALEJANDRA	M	11/01/2019		Normal

Last Name	First Name	Middle Name	Retirement Date	Reciprocity	Retirement Type
VALDEZ	JENNIE	A.	11/01/2019		Normal
VALDEZ	JOSEPH	R.	11/01/2019		Normal
VALENCIA	JENNIFER	A.	11/01/2019		Normal
VARGAS	DELIA	S.	11/01/2019		Normal
VELARDE	DIEGO	E	11/01/2019		Normal
VIGIL	AMARANTE	L.	11/01/2019		Normal
VIGIL	ELIZABETH	A.	11/01/2019		Normal
VILLICANA	LITA	E.	11/01/2019		Normal
WETHINGTON	DEREK		11/01/2019		Deferred
WILLIAMS	MAUREENA	R.	11/01/2019		Normal
Wilson	Robin	L.	11/01/2019		Normal