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NEW MEXICO PERA IMPLEMENTS PASSIVE RISK PARITY

Santa Fe, NM, June 6, 2019 - New Mexico PERA (PERA) announces the implementation of its passive Risk Parity mandate. This mandate serves to address the amended Strategic Asset Allocation (SAA), as adopted by the New Mexico PERA Board of Trustees on July 26, 2018. The amended SAA introduced a newly adopted Multi-Risk Allocation, which consists primarily of Risk Parity investment strategies. Initial allocations to such strategies will be considered Beta exposure, and will be integrated into PERA’s Policy Portfolio at an allocation of up to 10% of the total fund.

Recognizing the challenges associated with indexing and budgeting active risk in traditional risk parity strategies, PERA has chosen to implement this mandate passively. PERA worked with its general consultant, Wilshire Associates, to identify a prudent index whose methodology best reflected PERA’s expectations of the asset class. Additionally, during their search for investment management services, PERA placed important emphasis on each manager’s ability to implement a low cost index replication mandate, absent of any active return enhancements.

“We were careful in our process,” noted Kristin Varela, Deputy Chief Investment Officer at New Mexico PERA, “it was important that we established a mandate that aligned with our efforts to separate Alpha and Beta exposures, and prudently budget active risk.”

Effective April 24, 2019, PERA has retained the services of Mellon Investments Corporation (Mellon) to implement their passive Risk Parity mandate. Mellon will be tasked with providing low cost index replication, through a highly liquid and transparent investment structure. Mellon and their team, led by Roberto Croce, PhD, have extensive experience managing multi-asset portfolios.

“The partnership between NM PERA, Wilshire and Mellon reflects the type of solutions we are dedicated to creating for our clients. We are focused on addressing specific client challenges in collaboration with their key partners,” commented Roberto Croce, Managing Director and Senior Portfolio Manager at Mellon.

Croce continued, “In this instance, NM PERA sought a solution that would provide diversification and risk-based exposure of risk parity in a transparent, cost-effective vehicle. We are pleased we could partner with NM PERA to create this customized solution.”
Varela concluded, “We view this as an innovative solution that has the potential to re-define how investors evaluate opportunity and value-add across all strategies in this space. New Mexico PERA looks forward to the partnership that has been established with Mellon, and is thrilled to implement this new mandate.”

About New Mexico PERA (PERA)
The Public Employees Retirement Association of New Mexico (PERA) is a public pension plan established in 1947. The fund serves over 90,000 members, both active and retired, and distributes over $1 billion in pension benefits to the state of New Mexico annually. PERA manages a $15.4 billion multi-asset portfolio, as of March 31, 2019, and is currently 72% funded.

For more information, please visit www.nmpera.org

About Mellon Investments Corporation (Mellon)
Mellon Investments Corporation (Mellon) is a global multi-specialist investment manager with a full spectrum of research-driven solutions using both active and passive strategies. With $540 billion in assets under management as of March 31, 2019, Mellon serves a wide variety of institutional and intermediary clients located in over 29 countries and territories. Backed by quality research, a robust infrastructure and integrated systems and processes, our investment disciplines include active equity, active fixed income, index, efficient beta, multi-asset and multi-factor investing. Our strategies are designed to meet growing client demand for more diversified, sophisticated investment solutions. We aim to be a key partner for our clients by delivering customized investment outcomes and best-in-class service.

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