



INVESTED IN TOMORROW.

PERA Board Meeting

Senator Fabian Chavez Jr. Board Room

PERA Building • 33 Plaza La Prensa • Santa Fe, NM 87507

May 25, 2017

After Investment Committee

AGENDA

- 1. Roll Call**
- 2. Approval of Agenda**
- 3. Approval of Consent Agenda**
- 4. Current Business**

- | | | |
|--|---------------|--|
| A. Liabilities and Long Term Solvency Education Session - Part II | Informational | John Garrett, Principal and Consulting Actuary;
Jonathon Craven, Senior Actuary; Cavanaugh Macdonald Consulting LLC |
| B. Fiduciary Counsel Finalist Interviews via Skype and Selection of Board Fiduciary Counsel:
K & L Gates LLP
Jackson Walker LLLP
Reed Smith LLP
Steptoe & Jackson LLP | Action | James Maxon,
Rules Committee Chair |
| C. Executive Director's Report | Informational | Wayne Propst, Executive Director |

- 5. Other Business**
- 6. Adjournment**

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.



Cavanaugh Macdonald
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PERA

Public Employees
Retirement Association
of New Mexico

INVESTED IN TOMORROW.

2017 Actuarial Education Session #2: Actuarial Projections, Sensitivities, and Modeling

May 25, 2017

John Garrett, ASA, FCA, MAAA

Jonathan Craven, ASA, EA, FCA, MAAA



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Judges and Magistrates

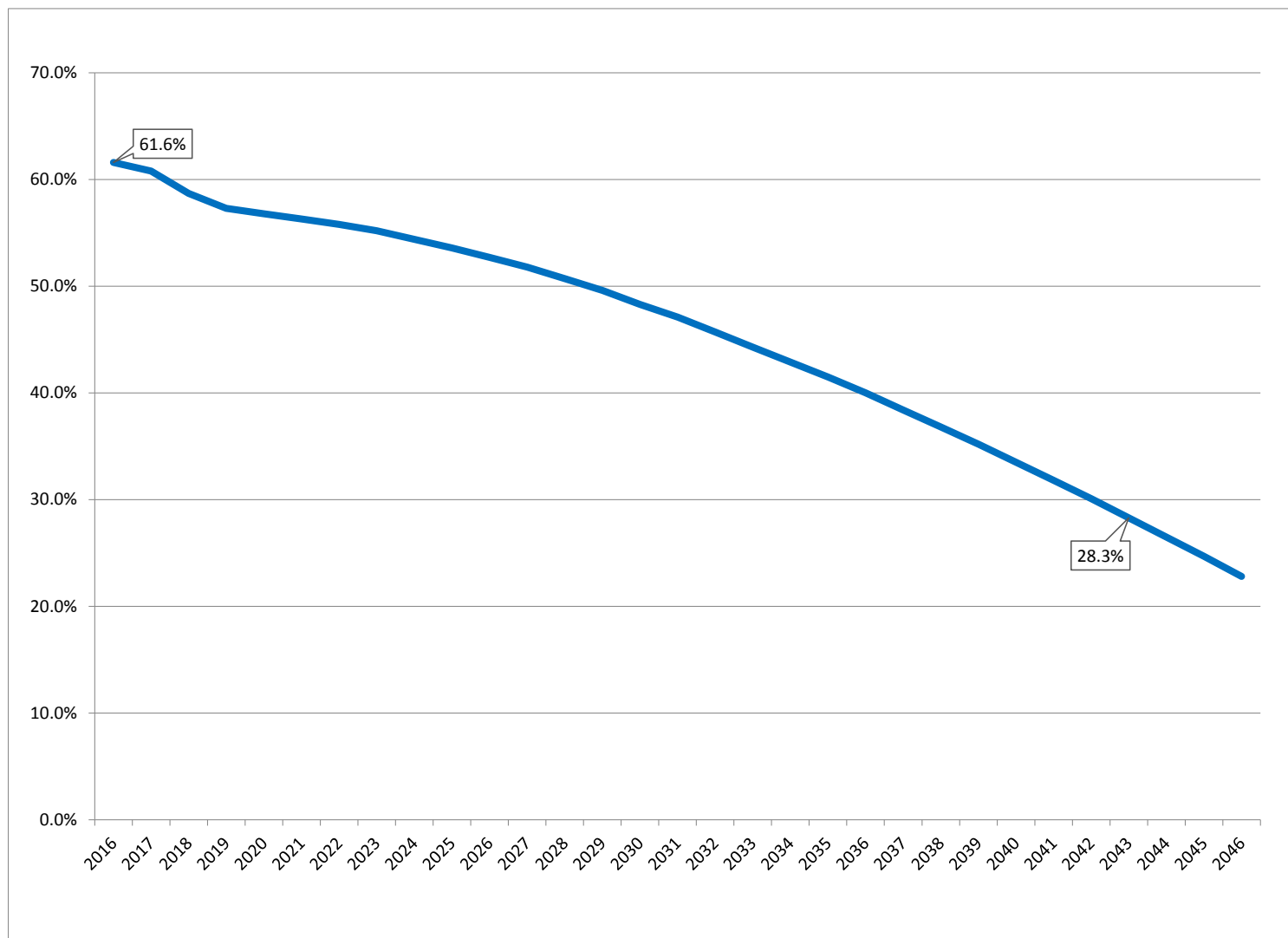
Review of Funding Basics

State General and Municipal Fire

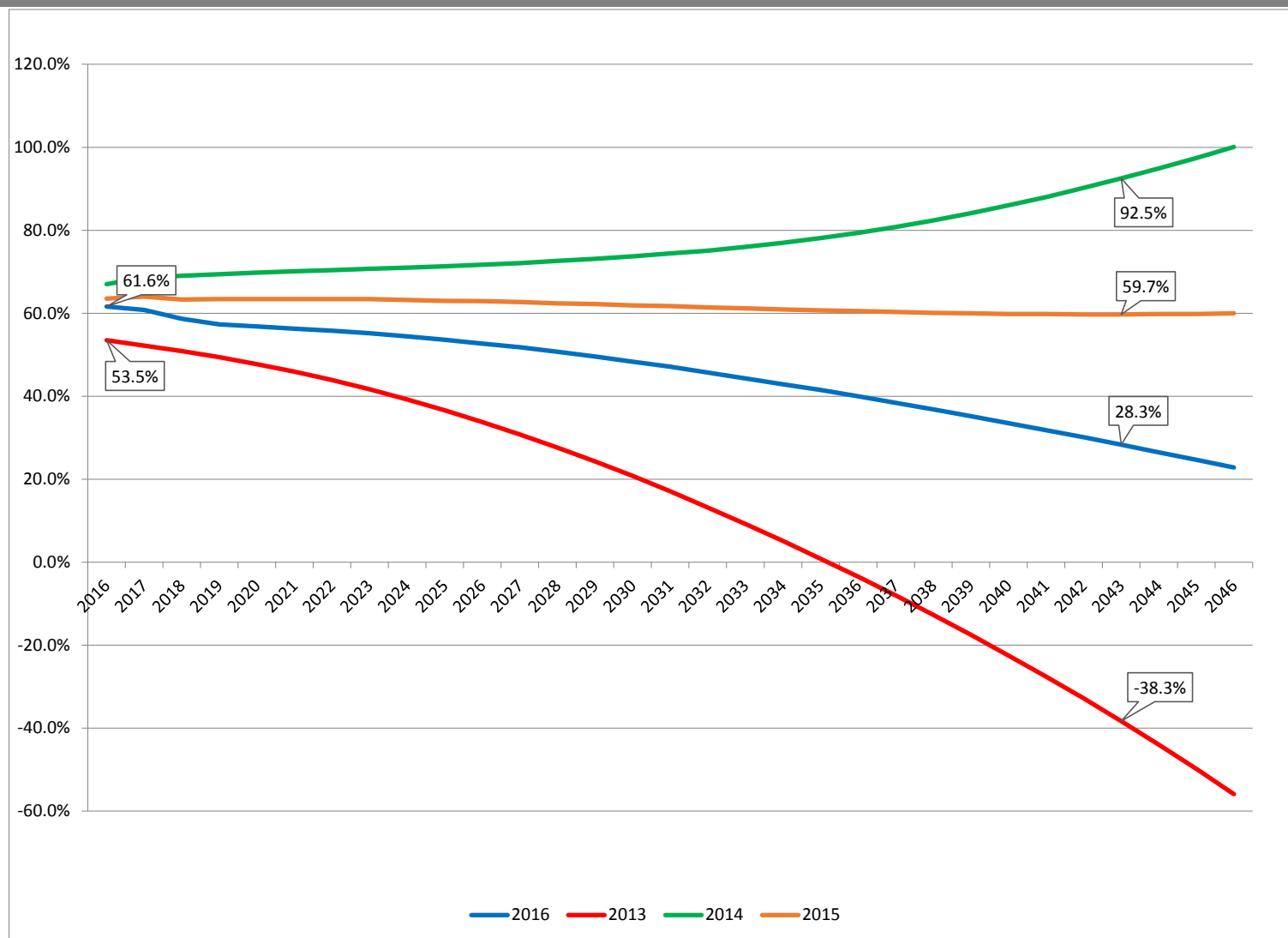
COLAs

Modeler

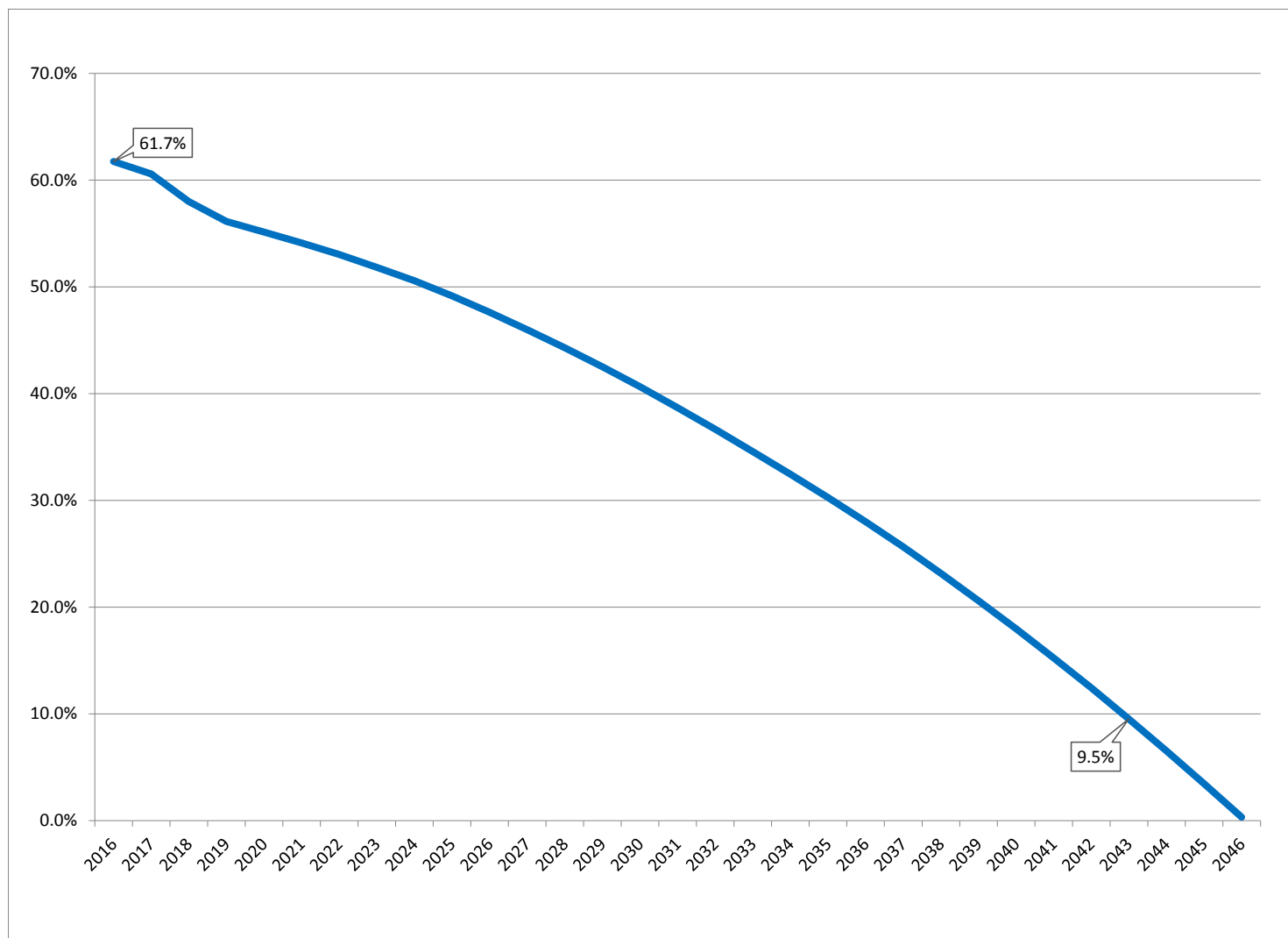
2016 Projected Funded Ratio Judges



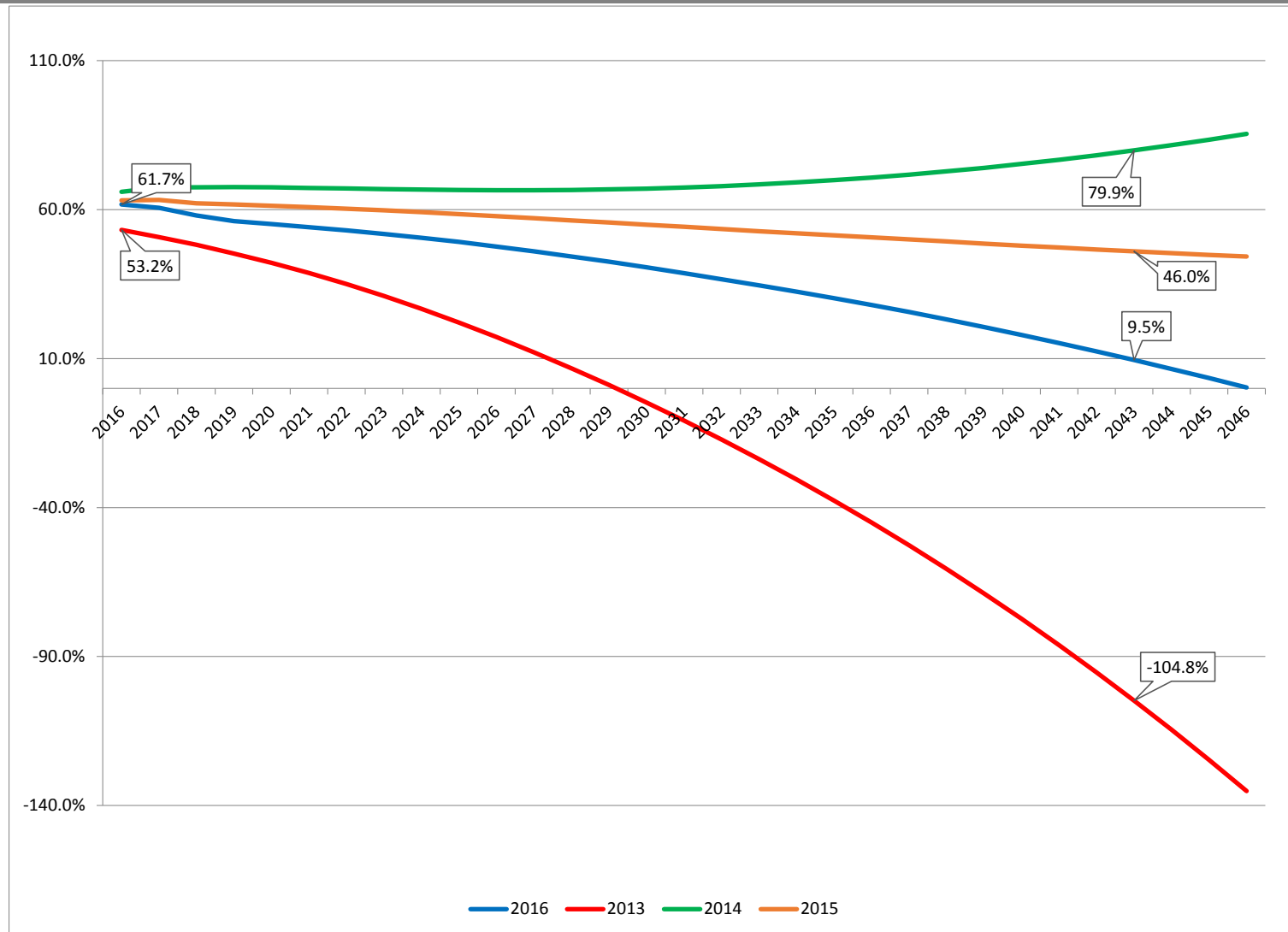
Last 4 Years Projected Funded Ratio Judges



2016 Projected Funded Ratio Magistrates



Last 4 Years Projected Funded Ratio Magistrates



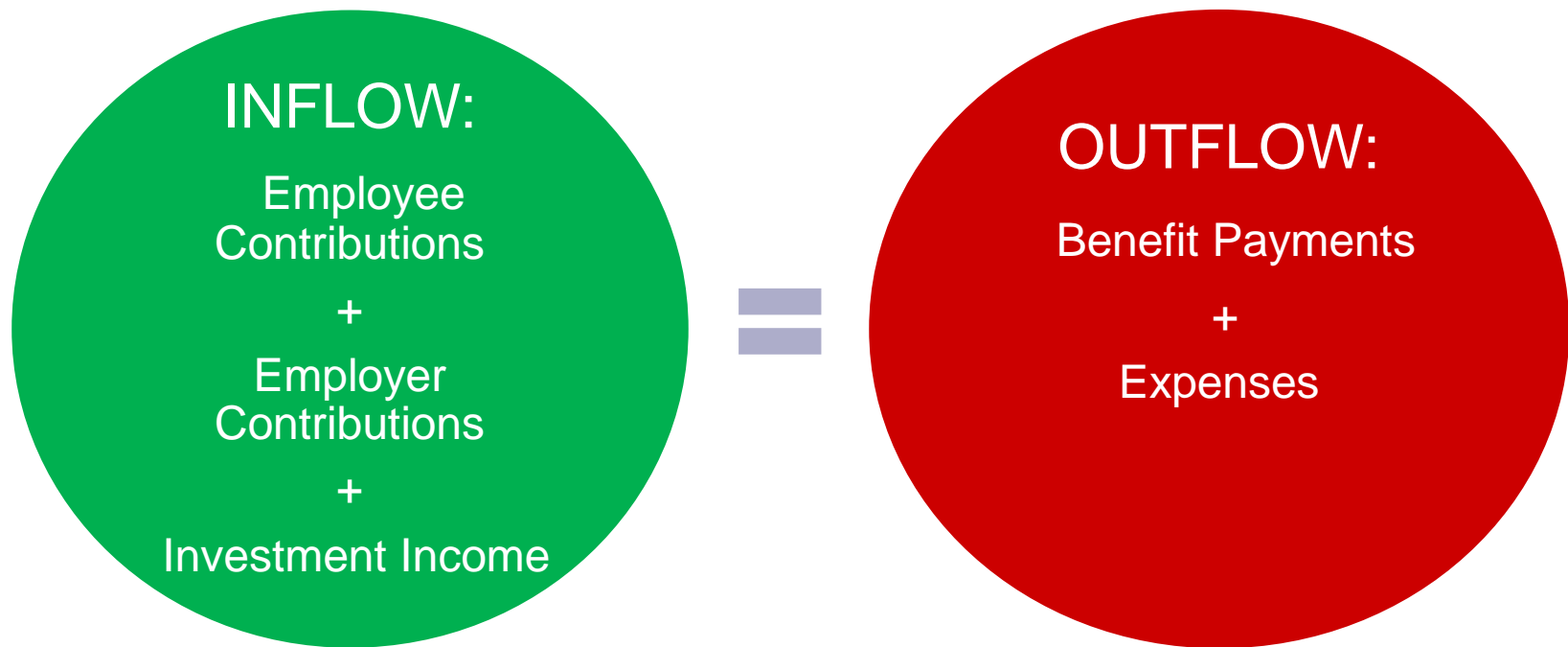
Significant Funding Shortfalls 2016 Valuation



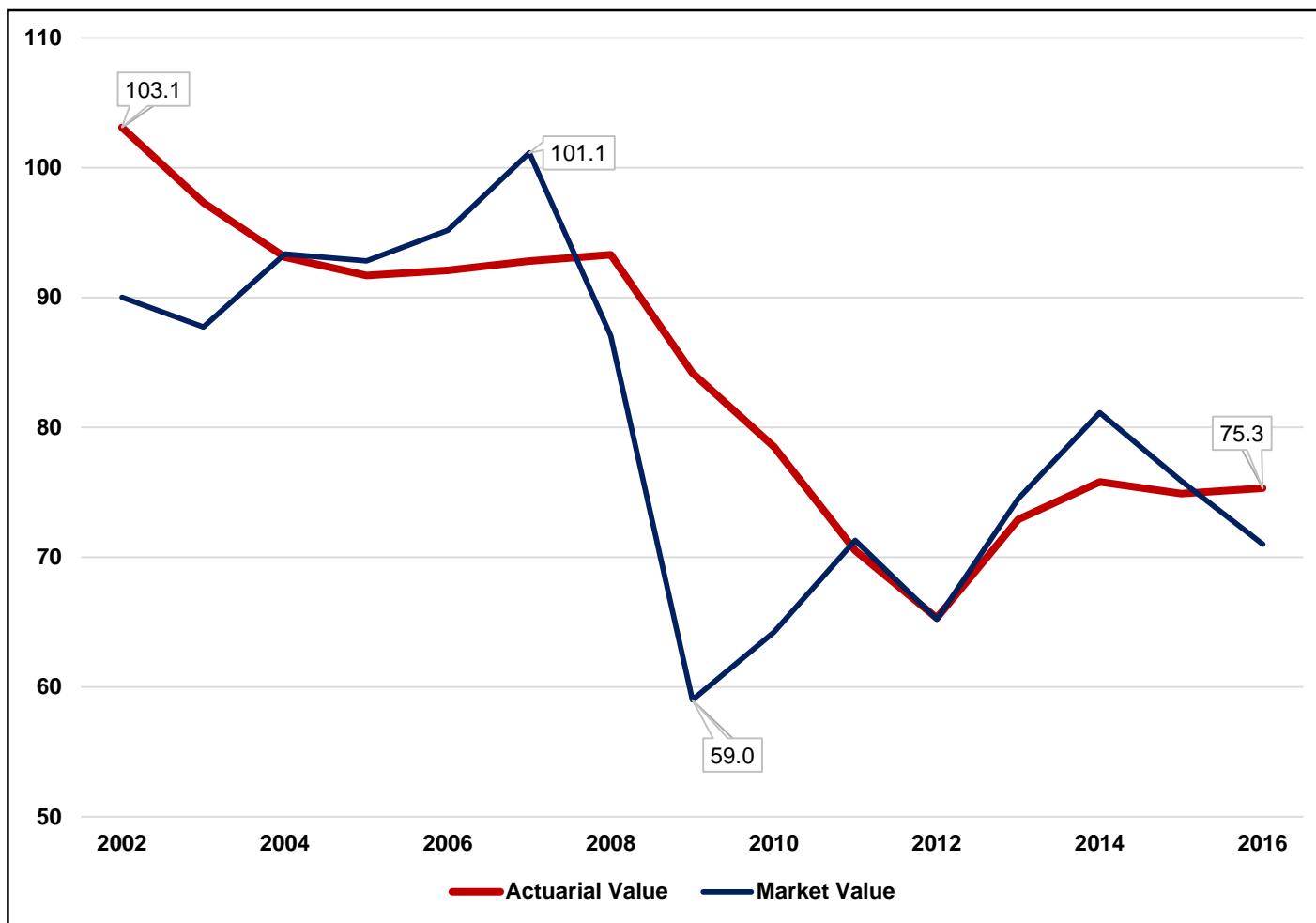
- Judicial 4.34% of pay
- Magistrates 4.99% of pay

Funding Equation: $C + I = B + E$

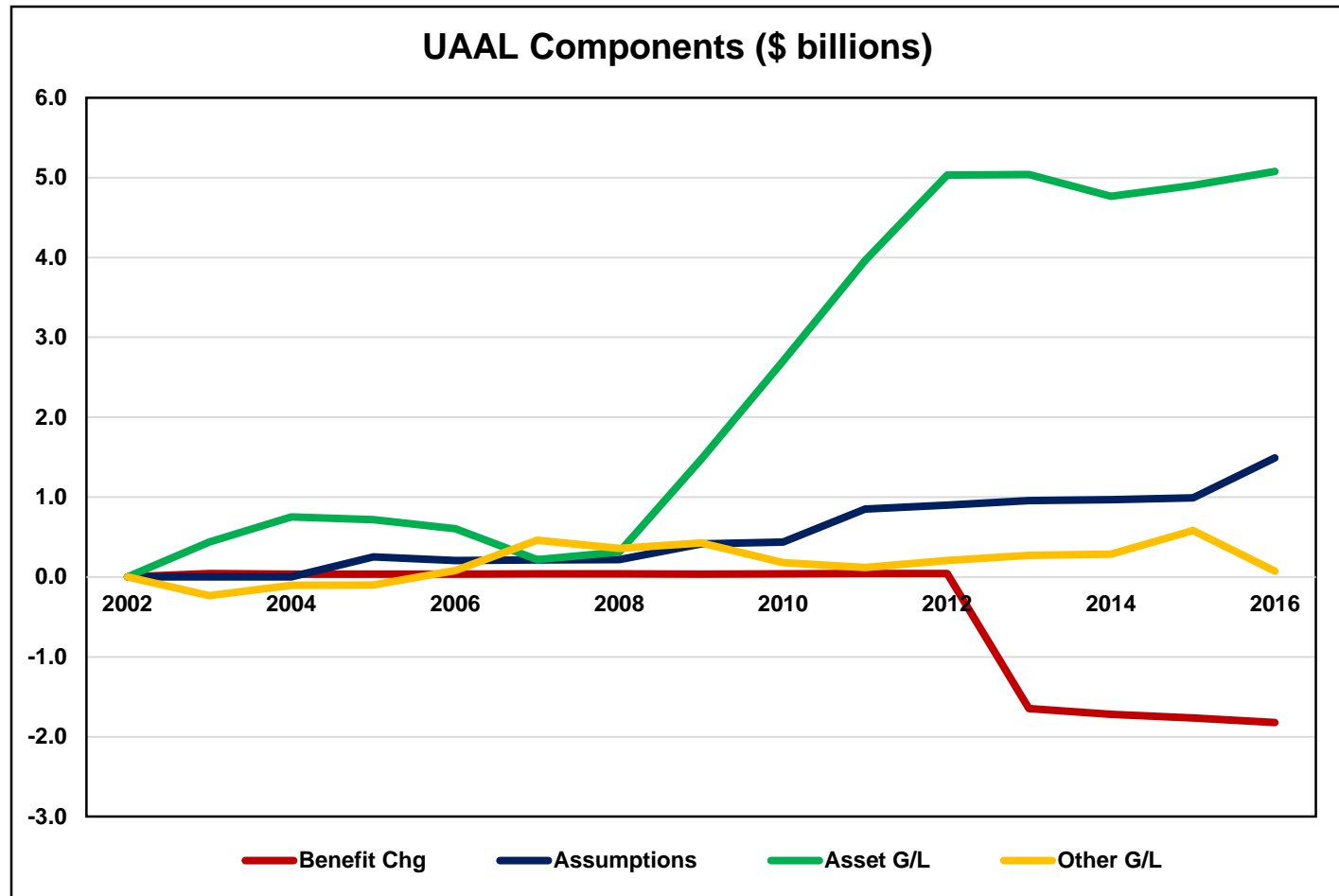
To ensure long term solvency the inflows must equal the outflows over the life of the program



PERA Funded Status 2002-2016



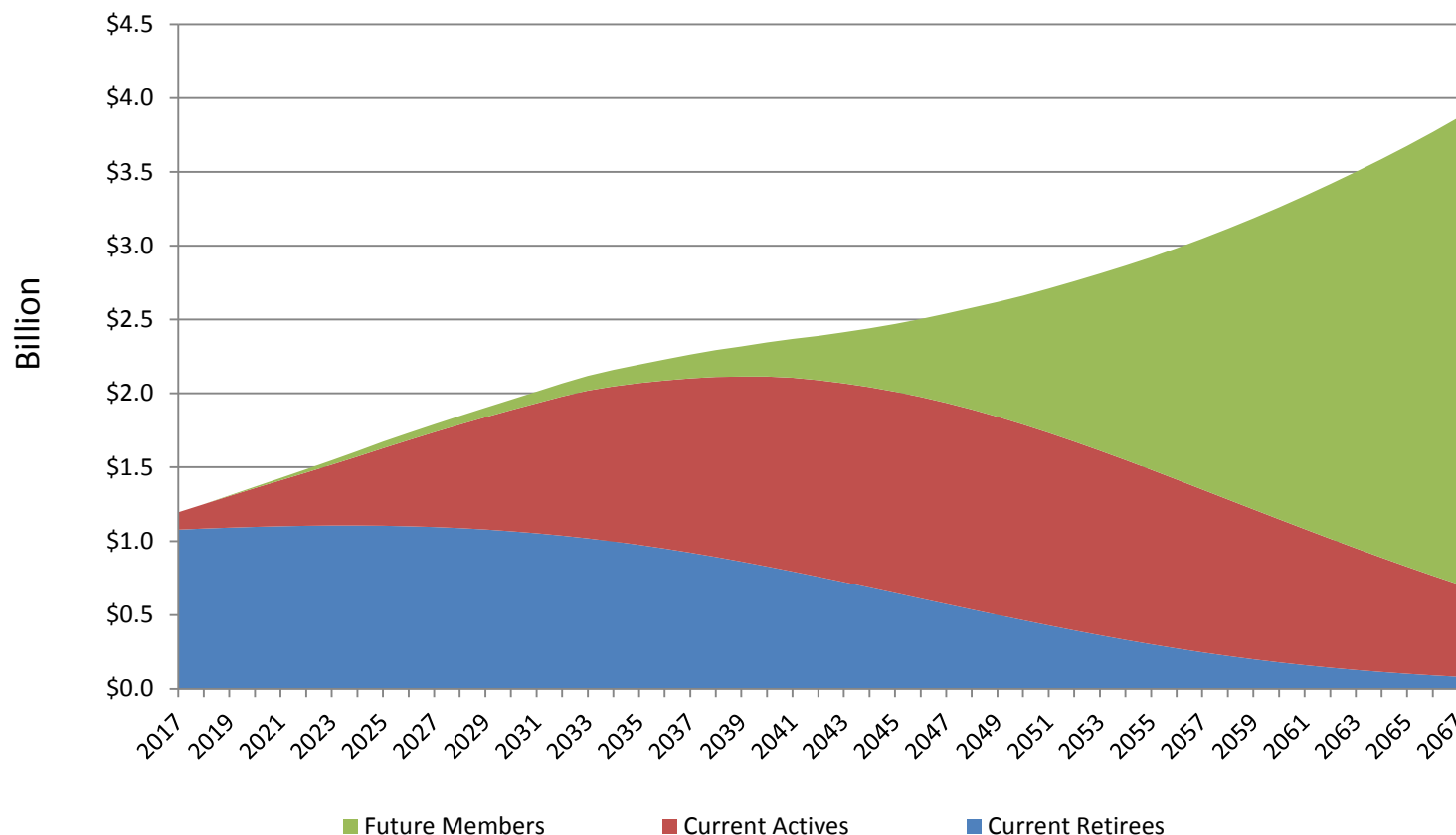
Sources of UAAL (\$4.82 billion) Since Full Funding in 2002



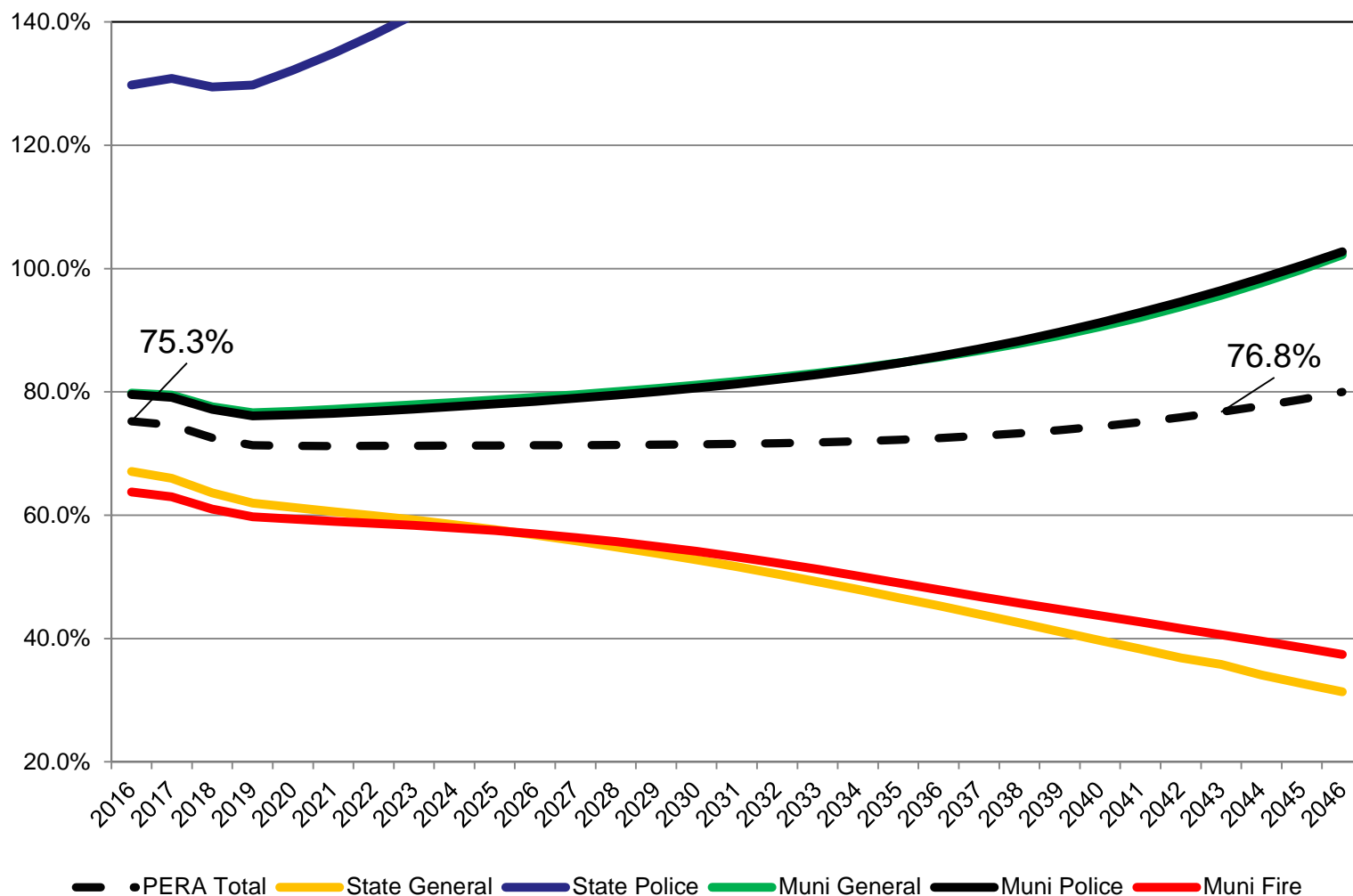
Expected Benefits Promised



PERA Expected Total Benefit Payments Including Future Members – Basis for Projections



2016 Projection of PERA Funded Ratios

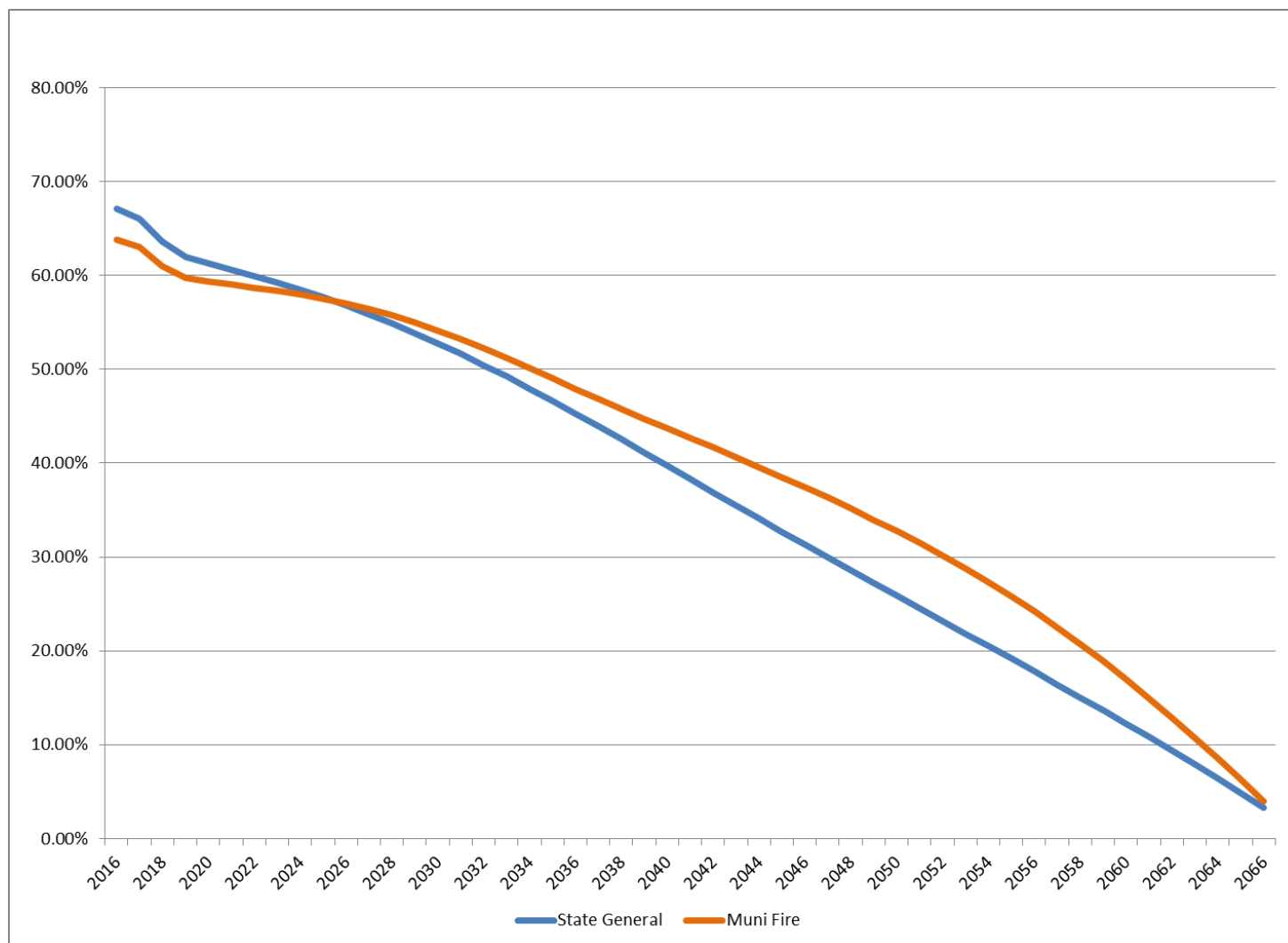


Significant Funding Shortfalls 2016 Valuation

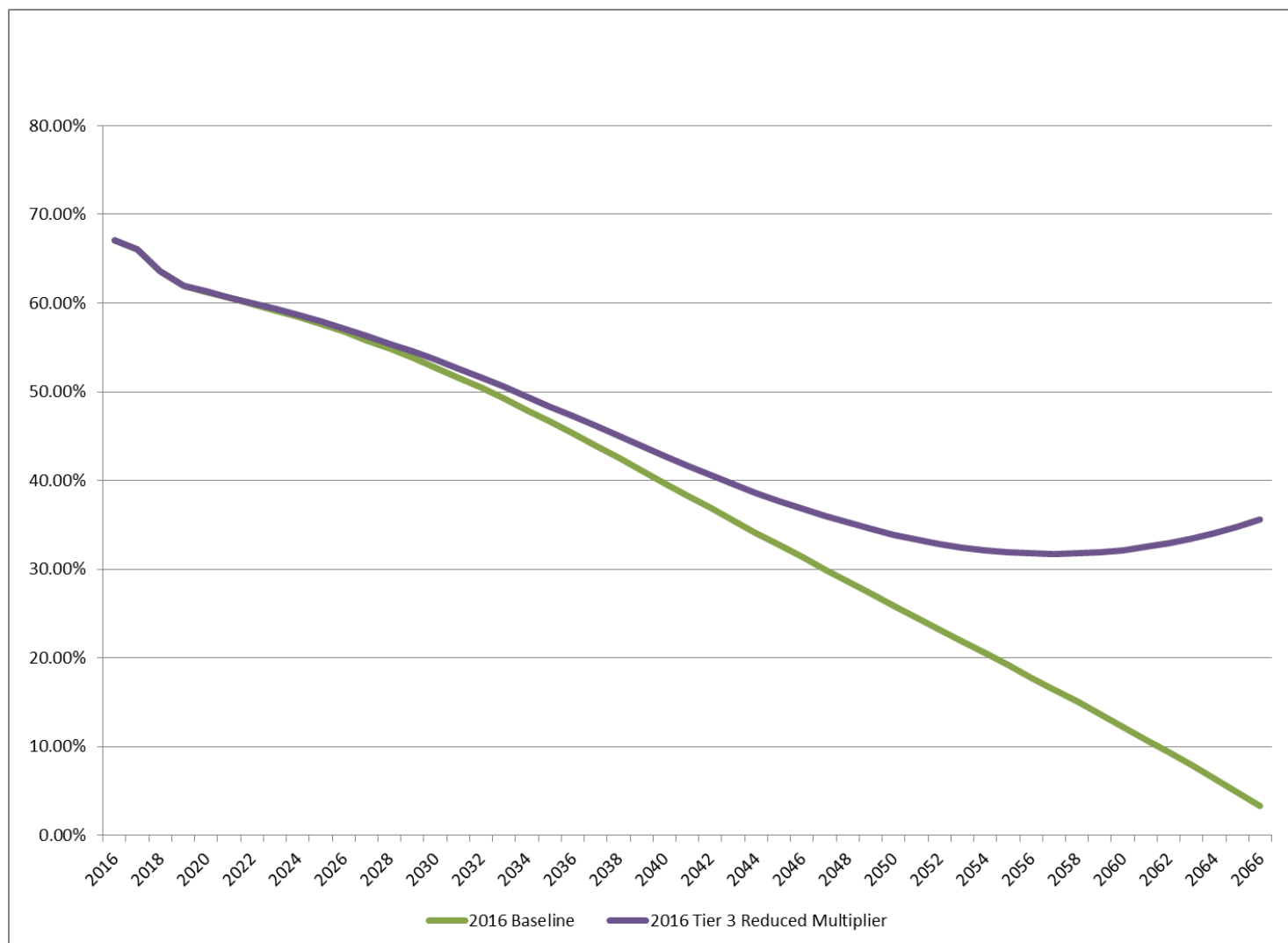


- State General 7.99% of pay
- Municipal Fire 13.87% of pay

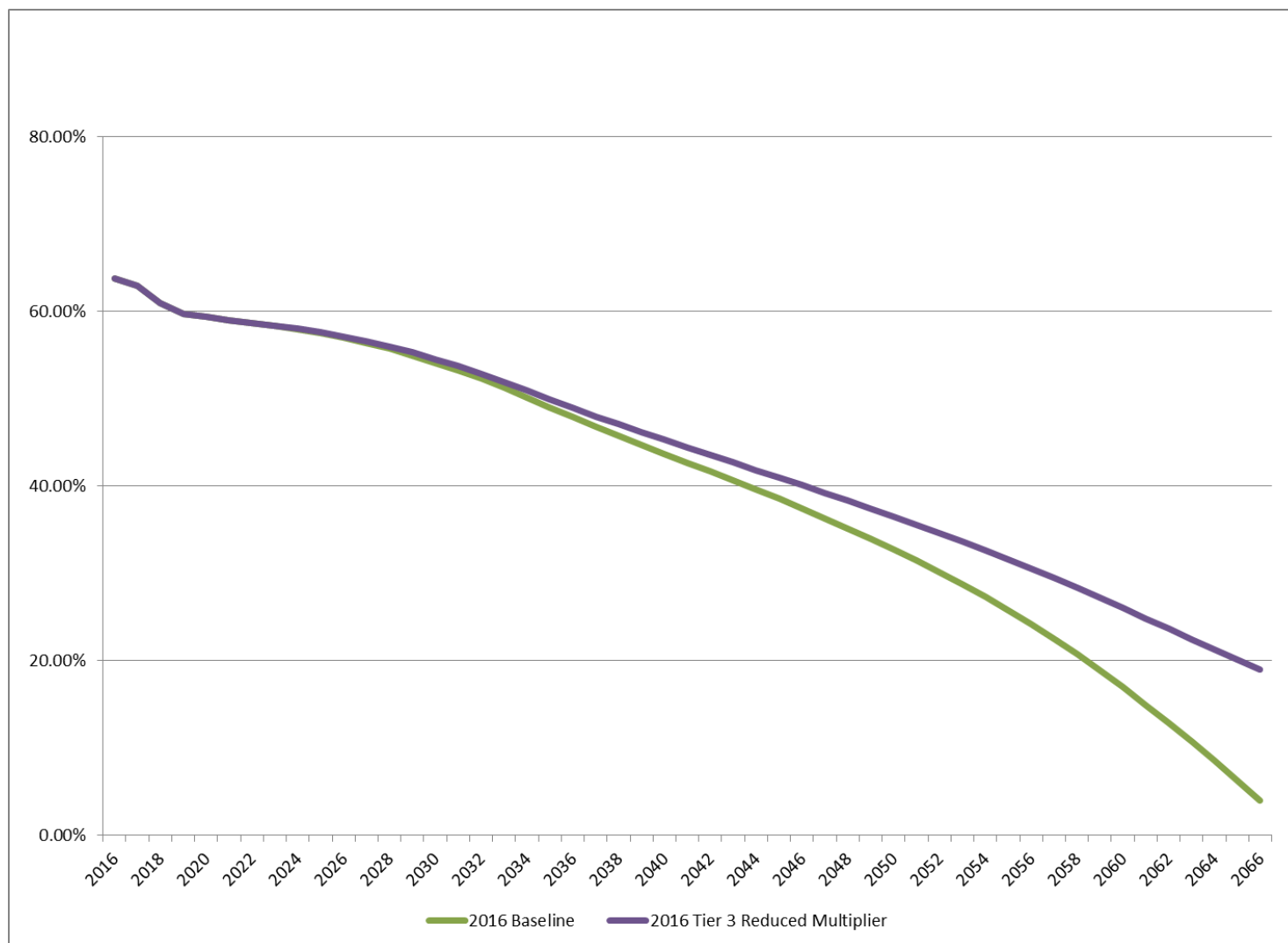
Projection of State General and Municipal Fire Funded Ratios



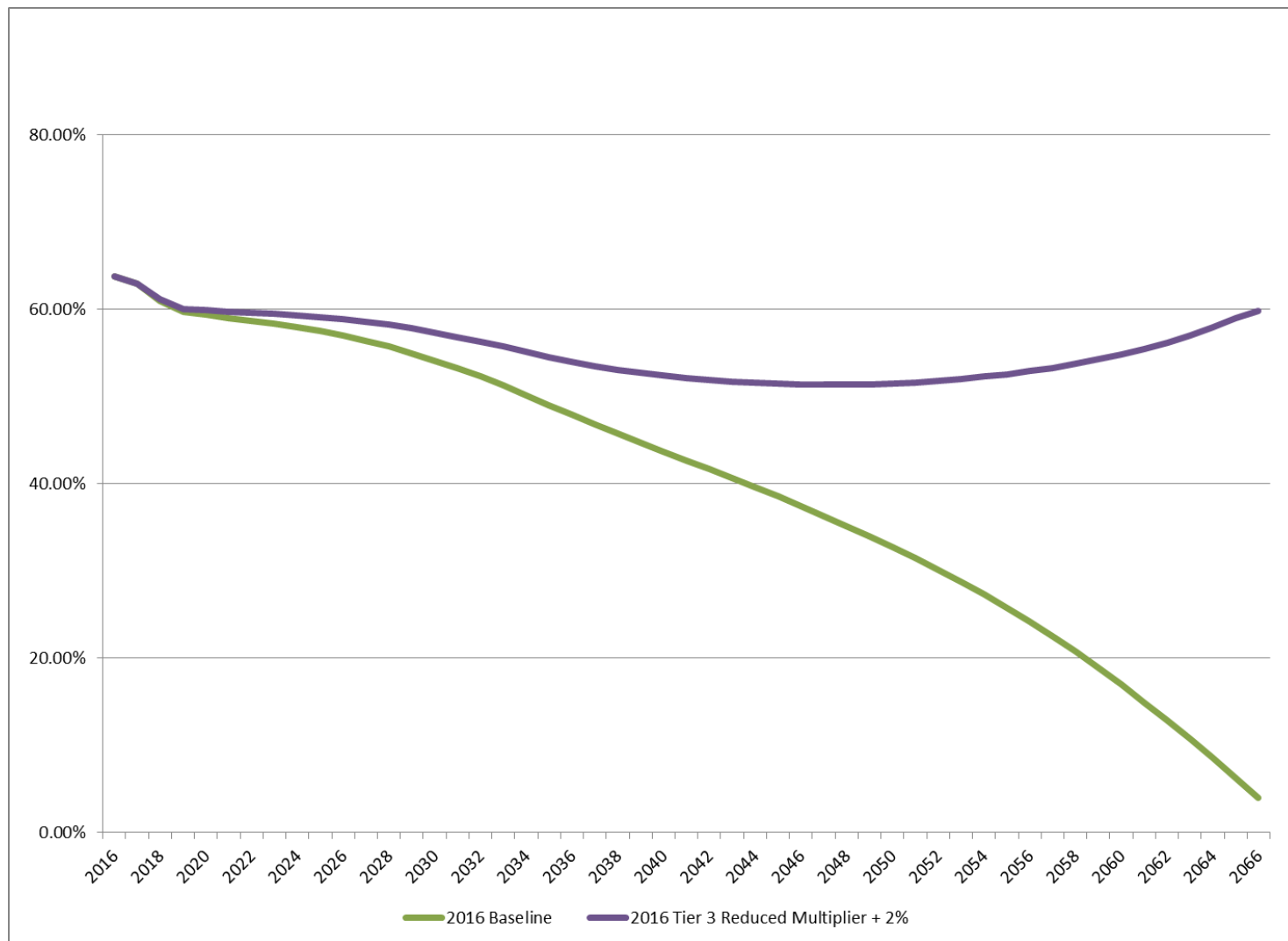
Reduce Multiplier for State General New Hires by 0.5%



Reduce Multiplier for Municipal Fire New Hires by 0.5%

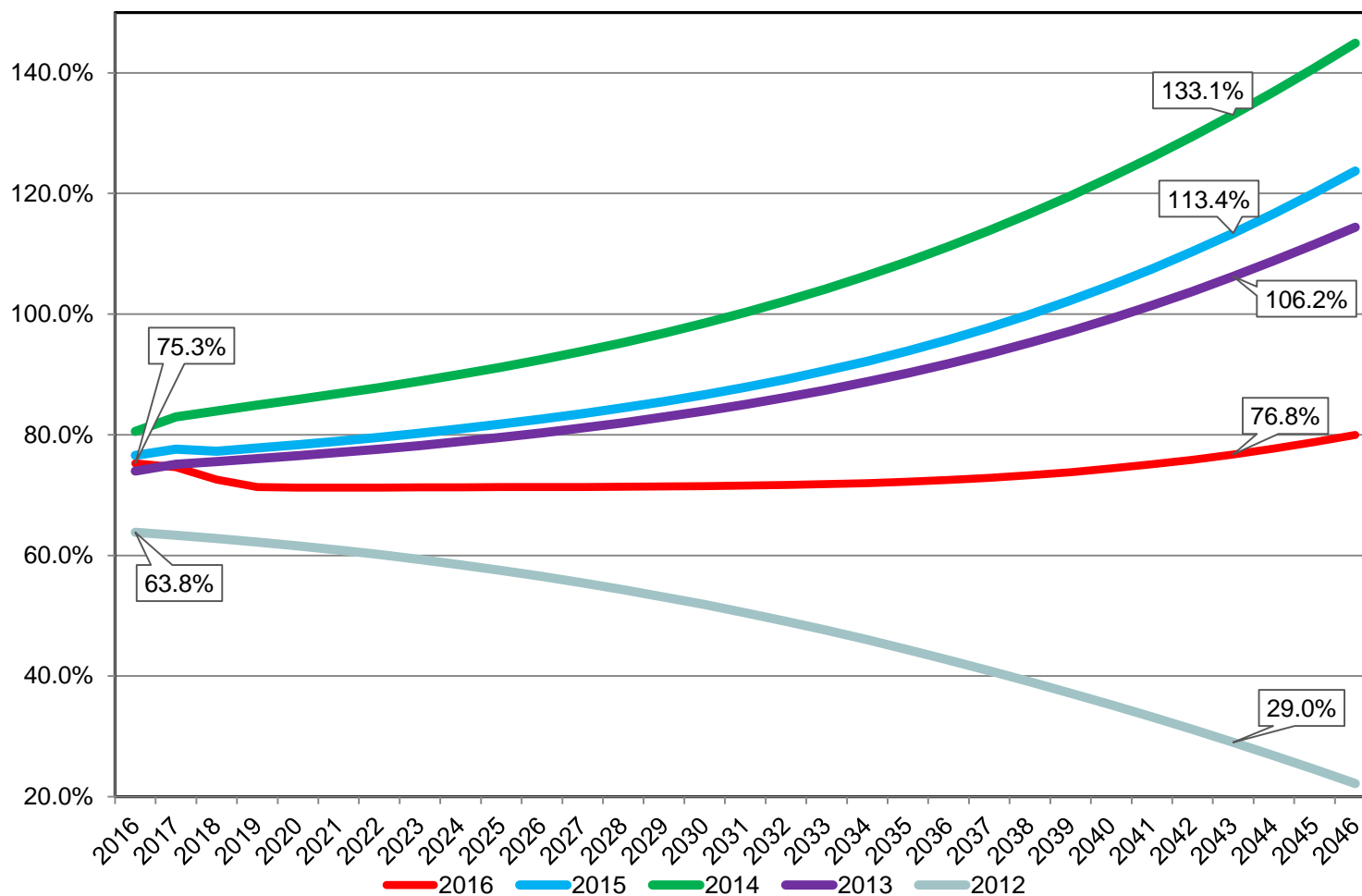


Reduce Multiplier for Municipal Fire New Hires by 0.5% and Increase Contribution 2% of Pay



Projection of PERA Funded Ratios

Comparison of Projections Total PERA 2012 to 2016



Volatility of Investment Rate of Return

Statistical Analysis of Expected Real Return Distribution (Net of Investment Related Expenses)							
Time Span In Years	Mean Real Rates of Return	Standard Deviation	Real Rates of Return by Percentile				
			5 th	25 th	50 th	75 th	95 th
1	5.9%	10.7%	-10.6%	-1.5%	5.4%	12.8%	24.4%
5	5.5%	4.7%	-2.1%	2.3%	5.4%	8.7%	13.5%
10	5.5%	3.4%	0.1%	3.2%	5.4%	7.7%	11.1%
20	5.4%	2.4%	1.6%	3.9%	5.4%	7.1%	9.4%
30	5.4%	1.9%	2.3%	4.2%	5.4%	6.8%	8.7%
50	5.4%	1.5%	3.0%	4.4%	5.4%	6.5%	7.9%

Likelihood of Investment Returns



- Actual long-term returns are equally likely to be above the median as below
 - 7.25% through 2026
 - 7.75% thereafter
- Actual long-term returns are twice as likely to be above the 33rd percentile return as below
 - 5.79% to 6.29%
- Actual long-term returns are three times as likely to be above the 25th percentile return as below
 - 5.02% to 5.52%

Actuarial Model

- Model Funded Ratio, Cash Flow and Net Cash Flow.
- Ultimate trend of annual cash outflow increase also approximates minimum sustainable asset growth for ongoing system.
- Maximum sustainable negative cash flow is expected return less outflow trend.



CONFIDENTIAL INFORMATION FOR

New Mexico Public Employees Retirement
Board

Request for Legal Services for Fiduciary Counsel

March 10, 2017





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K&L GATES

A Response to Request for Information
for Legal Services for Fiduciary Counsel
to the

Public Employees Retirement Association of New Mexico

March 2017

Delivering value as Fiduciary Counsel

New Mexico Public Employees Retirement Board

March 10, 2017



Renada Peery-Galon
33 Plaza La Prensa
Santa Fe, New Mexico 87507

Phone: (505) 476-9304
E-Mail: Renada.Peery-Galon@state.nm.us

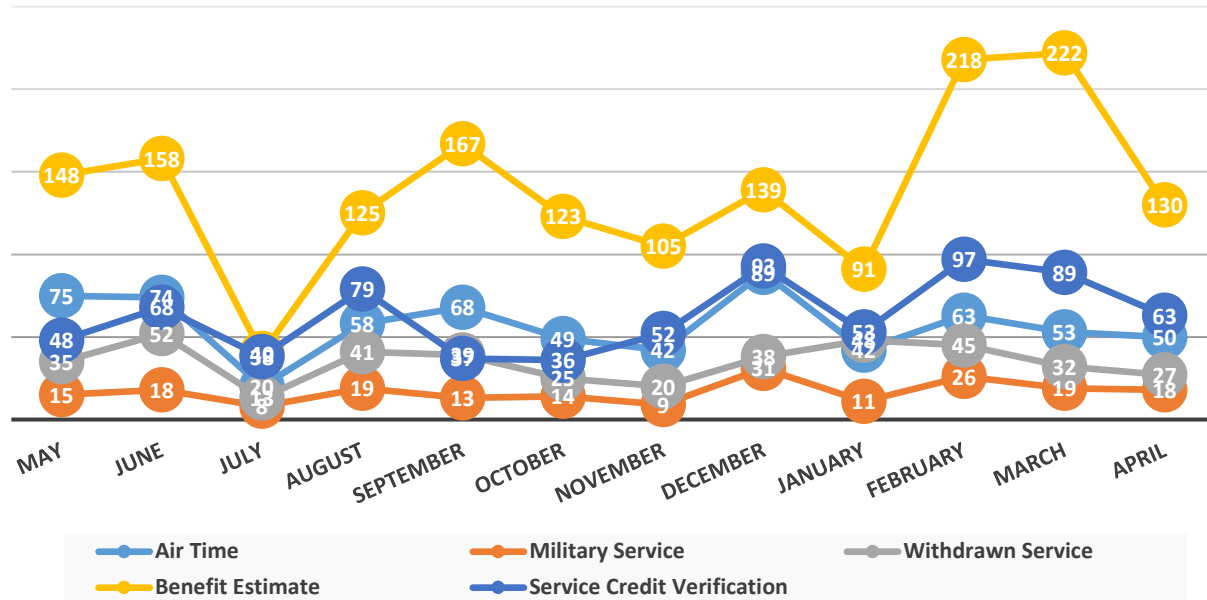


Response to RFI for Legal Services
for Fiduciary Counsel to the
**New Mexico Public Employees
Retirement Board**

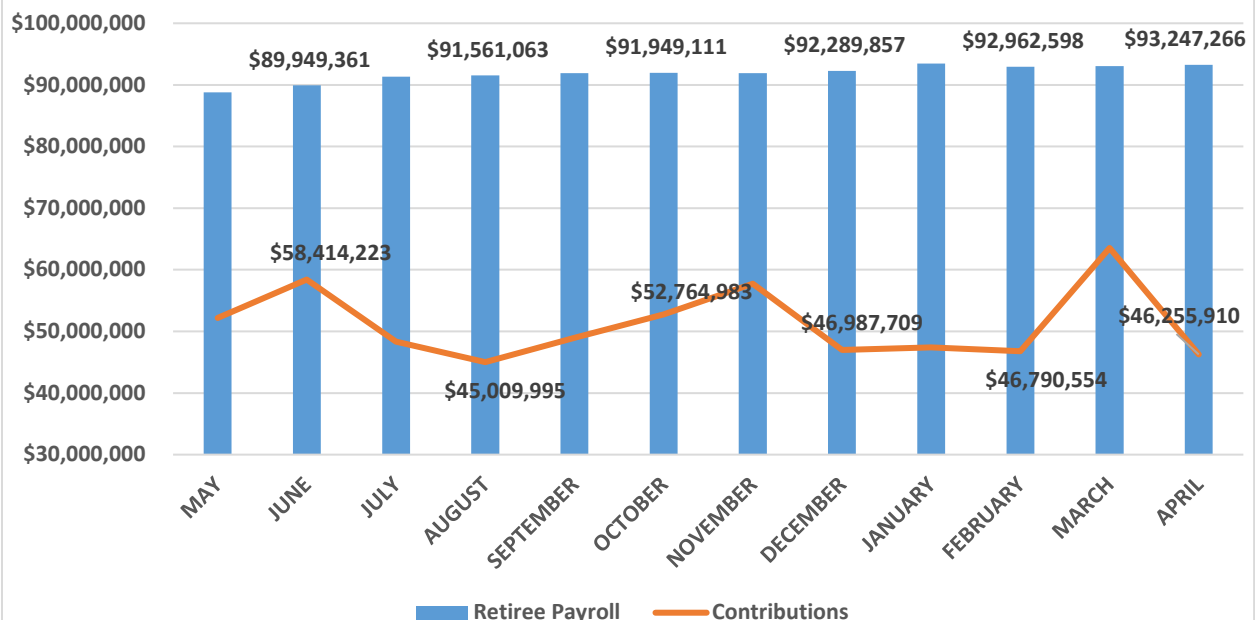
March 10, 2017

EXECUTIVE DIRECTOR'S REPORT PERA BOARD MEETING – MAY 25th, 2017

Request Types: May 2016 - April 2017



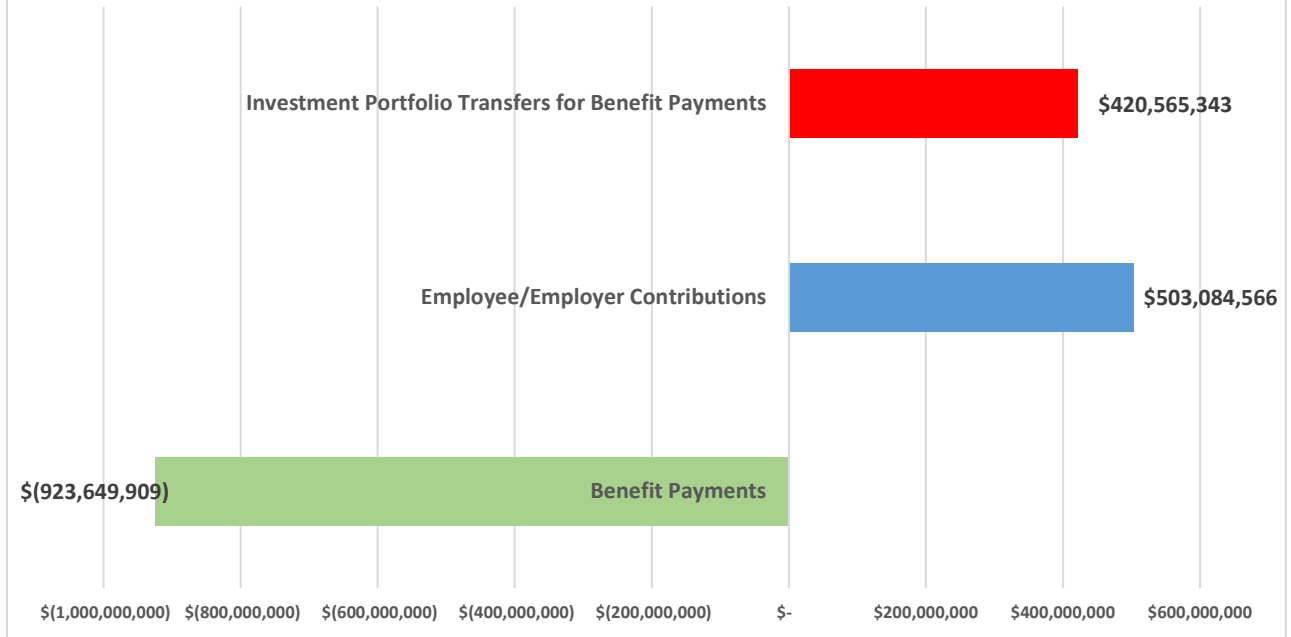
Retiree Payroll vs: Total Contributions - May 2016 - April 2017



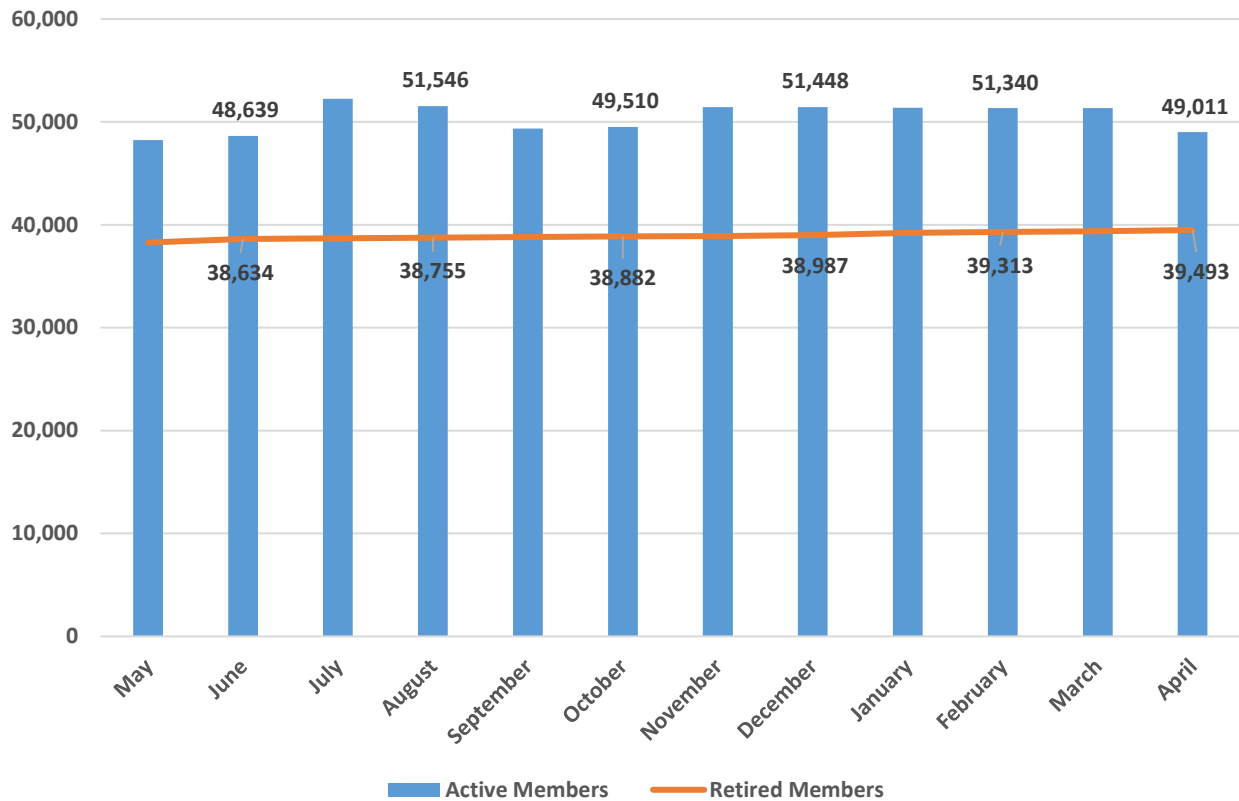
Total Retiree Payroll = \$1,102,417,960 Total Contributions: \$614,382,161

**** Due to adjustments to Employer reports contributions amounts are subject to change**

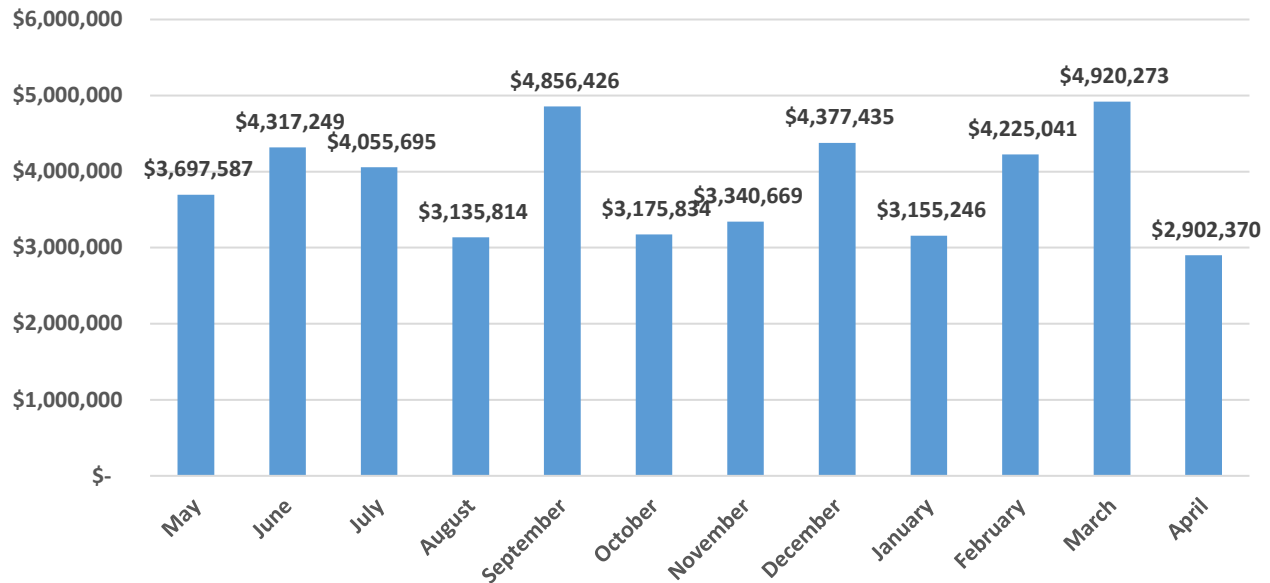
FY17 Contributions: Investment Income & Contributions thru April 2017



Active Members vs: Retired Members - May 2016 - April 2017



Refunds - May 2016 - April 2017



**** Total Refunds Paid during this period was \$46,159,640**

VACANCY REPORT			
Position	Division	Date Vacated	Status
Accountant & Auditor-O	Member Services	10/14/2016	Under Review
Public Relations Specialist-A	Outreach	2/1/2016	Under Review
IT Generalist II	Information Technology	2/1/2016	Offer Pending
IT End User Support III	Information Technology	1/9/2016	Under Review
Line Manager II	Administrative Services	1/1/2017	Awaiting Posting
Chief Investment Officer	Investments	4/11/2017	Position Posted
Retirement Specialist I	Member Services	5/19/2017	Position Posted

PERA has 84 authorized FTE and currently has 7 vacancies

MEMBER OUTREACH			
Date	Outreach Officer	Location/Employers	Type
5/10/2017	Grant Wright	PERA Santa Fe	PERA General Information Seminar
5/11/2017	Christina Gauthier	PERA ABQ	PERA General Information Seminar
5/11/2017	Christina Gauthier	Village of Los Lunas	PERA General Information Seminar

PERA SmartSave Items of Interest - May 2017				
County by Region	<i>North</i>	Group Presentations	Individual Meetings	Benefits Fairs
	Rio Arriba	1		
	San Miguel	2		
	Santa Fe	17	42	
	County by Region	<i>Central</i>		
	Bernalillo	11	14	28
	McKinley	4	32	
	Sandoval	3	3	2
	County by Region	<i>South</i>		
	Chaves	21	38	

Dona Ana	4	2	2
Lea	10		
Otero			1
SmartSave Assets as of 4/30/2017 - \$557,625,330			
SmartSave Participants as of 4/30/2017 - 20,334			

APRIL 2017 AIR TIME PURCHASES	
Plan Type	No. of Purchases
State Plan 3	11
Municipal Plan 2	1
Municipal Plan 3	3
Municipal Plan 4	0
Municipal Fire Plan 5	2
Municipal Police Plan 5	0
State Police/Corrections	0
TOTAL:	17

APRIL 2017 AIR TIME PURCHASES	
No. of Months	No. of Purchases
1	0
2	0
3	2
4	2
5	0
6	0
7	1
8	0
9	1
10	3
11	0
12	8
TOTAL:	17

STAFF TRAVEL:

Karyn Lujan – Chicago, IL, Deferred Compensation Investment Summit, May 15 – 17, 2017.



INVESTED IN TOMORROW.

PERA Board Meeting May 25, 2017

CONSENT AGENDA

- 1. Approval of Minutes:** April 27, 2017 and May 9, 2017
- 2. Investments:** Alternative Asset recommendation for approval, to be funded according to the cash plan and subject to legal review by General Counsel:
 - a. Recommendation to Commit up to \$100 Million to Encap Energy Capital Fund XI, L.P.
 - b. Recommendation to Commit up to \$100 million to Cerberus Residential Opportunity Fund, LP (Fund of One)
- 3. SmartSave:**
 - a. Recommendation to replace the Invesco Global REIT allocation with Prudential Retirement Real Estate Fund II within the PERA Smart Save LifeCycle Portfolios, subject to legal review by general counsel.
- 4. Ratification of Retirements - Benefits processed through 5/1/2017:**
 - a. Normal
 - b. Deferred
 - c. Reciprocity to ERA
 - d. Non-Duty Death
 - e. Non-Duty Disability
 - f. Reciprocity to PERA
- 5. Affidavits for Free Military Service:**
 - a. Richard Zamora - 13 months
 - b. Cesar Gonzalez - 1 month
 - c. Enrigue Arzabal - .25 months
 - d. Allan Ballinas - 13 months
- 6. Duty and Non-Duty Death Determinations:**
 - a. Seth M. Pershan – Non Duty
 - b. Steven Garlach – Non Duty
 - c. Alana Roberson – Non Duty
 - d. Viola Martinez – Non Duty
 - e. Paul Archuleta – Non Duty
 - f. Patrick Garcia – Non Duty
 - g. Yvonne Basabilvazo – Non Duty
 - h. Michelle Aubel – Non Duty
 - i. James A. White Sr. – Non Duty
- 9. Setting of Meetings: June 2017**

a. SmartSave Committee	June 13, 2017	9:00 a.m.
b. Rules & Administration Committee	June 13, 2017	After SmartSave
c. Audit & Budget Committee	June 13, 2017	After Rules & Administration
d. Disability Review Committee	June 13, 2017	11:00 a.m.
e. Board of Trustees Retreat	June 27-28, 2017	Taos, NM Taos Civic Center
e. Investment Committee	June 29, 2017	9:00 a.m.
f. Board Meeting	June 29, 2017	After Investments

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