

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

REGULAR MEETING

February 14, 2020

1. a. ROLL CALL: QUORUM PRESENT

A Regular Meeting of the New Mexico Educational Retirement Board was called to order on this date at 9:00 a.m. in Porter Hall at the New Mexico Energy, Minerals and Natural Resources offices in the Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe. A quorum was present.

Members Present:

Ms. Mary Lou Cameron, Chairwoman
Mr. Larry Magid, Secretary
Mr. Sam Collins, Deputy State Treasurer [until 10:00 a.m.]
The Hon. Tim Eichenberg, New Mexico State Treasurer (joining 10:00 a.m.)
Mr. Adan Delgado, Deputy Secretary, PED
Dr. Donald W. Duszynski
Mr. Steven Gluckstern

Members Excused:

Mr. H. Russell Goff, Vice Chairman

Staff Present:

Ms. Jan Goodwin, Executive Director
Mr. Rod Ventura, Deputy Director
Mr. Bob Jacksha, Chief Investment Officer
Ms. Susanne Roubidoux, General Counsel
Ms. Elena Cardona, Deputy General Counsel
Mr. Robert Shulman, Assistant General Counsel
Ms. Norma Henderson, CFO
Mr. Lawrence Esquibel, Chief Information Officer
Ms. Liz Lorang, Executive Assistant, Board Liaison
Ms. Karla Leyba, Bureau Chief, Member Services

Others Present:

Mr. Allan Martin, Investment Advisor, NEPC
Ms. Judith Beatty, Board Recorder
[See sign-in sheet.]

b. Approval of Agenda

Mr. Magid moved approval of the agenda, as published. Mr. Delgado seconded the motion, which passed unanimously.

c. **Approval of Minutes: December 6, 2019**

Mr. Gluckstern moved approval of the December 6 minutes, as submitted. Mr. Magid seconded the motion, which passed unanimously.

d. **Introduction of Guests**

Ms. Goodwin introduced HR Director Charlene Zalma to the board.

2. **CONSENT AGENDA**

a. **Board Travel**

Mr. Delgado stated that he was unable to attend the NEPC Public Fund Workshop on February 4-5, but would like permission to attend the April Pension Bridge conference in San Francisco.

Chairwoman Cameron said she would like to attend the NCTR Trustee Institute this summer.

Mr. Magid moved for approval of these requests. Dr. Duszynski seconded the motion, which passed unanimously.

3. **PRESENTATION OF JUNE 30, 2019 AUDIT REPORT: MOSS ADAMS LLP**

[Presenters: Moss Adams Partner Kory Hoggan and Audit Senior Manager Aaron Hamilton. Also present: Norma Henderson.]

Mr. Hoggan reported that they issued two separate audit reports, one on the financial statements and the other on the Governing Auditing Standards Report on Internal Controls, and both were unmodified clean opinions. There were no material weaknesses or sufficient deficiencies. Mr. Hoggan said the audit was issued on November 27, prior to the State Auditor deadline for the ERB.

Mr. Hamilton thanked Norma Henderson and the entire team for their assistance and candor in helping Moss Adams complete their work. He said people from Moss Adams staff who worked on the audit commented that the ERB was the best client they had ever worked with.

Dr. Duszynski moved to accept the Audit Report, as presented. Mr. Magid seconded the motion, which passed unanimously.

4. **INVESTMENT REPORTS: BOB JACKSHA, CIO**

a. **December 2019 Quarterly Performance Report**

[Presenter: Allan Martin, NEPC]

Mr. Martin presented highlights from the report:

- Over the past five years, the Fund returned 7.5 percent per annum.

- Over the past three years, the Fund returned 9.3 percent per annum.
- For the year ending December 31, 2019, the Fund experienced a net investment gain of \$1.7 billion, which includes a net investment gain of \$535.2 million during the quarter. Assets increased from \$12.5 billion 12 months ago to \$13.8 billion on December 31, a new high. The Fund returned 14.1 percent for the year.

Mr. Jacksha noted that the ERB is off to a good start in this fiscal year, with returns at a little over 5 percent. He pointed out that, for all of the periods under 15 years, the ERB has exceeded the 7.25 percent targeted return. The 15-year period included the 2008-09 downturn, the 20-year period included some of the 2001 “tech wreck,” and the 30-year return exceeds 8 percent. He said he was pleased with those results.

b. Investment Committee Report

The Investment Committee did not meet in February.

c. Other Investment Reports

None.

[Mr. Collins left the meeting with the arrival of Mr. Eichenberg.]

5. DISABILITY RETIREMENTS: KARLA LEYBA, MEMBER SERVICES BUREAU CHIEF

Ms. Leyba reported that the new disability vendor, Maximus Federal Services, Inc. visited ERB offices on January 8. The ERB has since sent out six disability applications and responses are expected sometime in late February.

Mr. Magid moved for approval. Mr. Gluckstern seconded the motion, which passed unanimously.

6. AGE & SERVICE RETIREMENTS: KARLA LEYBA, MEMBER SERVICES BUREAU CHIEF

Ms. Leyba reported that 282 retirements were approved for the December-January period, broken down as follows: 4 disability applications under age 60; 19 reciprocities; and 259 regular members.

Mr. Eichenberg moved for approval. Mr. Magid seconded the motion, which passed unanimously.

7. DIRECTOR’S REPORT: JAN GOODWIN, EXECUTIVE DIRECTOR

a. Retiree Healthcare Update

Ms. Goodwin reported that there has been a great deal of consternation among state employees and ERB employees about a rule change made by the NMRHCA several months ago, where members who retire after December 2020 will have to wait until age 55 to get the full subsidy from NMRHCA. The NMRHCA Board is weighing extending the deadline six months

because it makes an issue for many ERB members who would have to retire this July rather than the following July.

Ms. Goodwin also noted that the ERB is working with its actuary to prepare a calculator that ERB members can use to see what the effect would be on their retirement benefit and cost of healthcare insurance if they continue to work longer versus retire sooner.

b. Agency Activities

Ms. Goodwin referred to the four-page Departmental Activity Report, reflecting a very busy period for ERB staff.

c. Legislative Updates

Ms. Goodwin reported that the ERB bill (House Bill 46) was tabled in the House Appropriations & Finance Committee last Saturday, as they were uncomfortable with the bill's requirement of making a distribution from the gross receipts tax fund. The ERB had decided to take that route rather than request an increase in the employer contribution rate because of Higher Education's previous opposition to it. She and Mr. Ventura met with the Chief of Staff of the Governor this week, who reiterated the Governor's commitment to work with the ERB next year to address its funding situation.

Ms. Goodwin said there are a number of bills in the session on Return to Work, with SB 111 making the most progress. The troubling thing that this bill poses for ERB is that it essentially undoes all of the revenue that HB 360 generated and will add two years to the funding period. As a result of that, members of the Senate Finance Committee have promised to work with the ERB next year on arriving at a viable solution. When the ERB met with the Governor's Chief of Staff, she told him that ERB has already been "reformed to death" and there is little else ERB can do on the member side either in the form of benefits or contributions, so the only thing left is to raise the employer contribution rate.

d. Other

None.

8. EXECUTIVE SESSION: 10:15 a.m.

a. Limited Personnel Matters – (session close pursuant to NMSA 1978, Section 10-15-1(H)(2): (i) Compensation of Chief Investment Officer; and (ii) update regarding compensation of executive staff

Chairwoman Cameron moved that the board go into executive session pursuant to Section 10-15-1(H)(2) of the Open Meetings Act for the purpose of discussing limited personnel matters regarding the compensation of the Chief Investment Officer and an update regarding compensation of executive staff. Mr. Magid seconded the motion, which passed on the following roll call vote:

For: Chairwoman Cameron; Secretary Magid; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski; Mr. Gluckstern.

Against: None.

9. ACTION FROM EXECUTIVE SESSION: 11:05 a.m.

Mr. Eichenberg moved that the board come out of executive session. The only matters discussed in executive session were limited personnel matters. Mr. Magid seconded the motion, which passed unanimously.

Chairwoman Cameron reported that no decision was made, and no action will be taken at this time.

10. NEXT MEETING: APRIL 17, 2020 -- ALBUQUERQUE

Its business completed, the Educational Retirement Board adjourned the meeting at 11:10 a.m.

Mary Lou Cameron, Chairwoman

ATTEST:

Larry Magid, Secretary