

**NEW MEXICO EDUCATIONAL RETIREMENT BOARD**

**ACTION SUMMARY**

**April 20, 2018**

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**MINUTES OF THE**  
**NEW MEXICO EDUCATIONAL RETIREMENT BOARD**  
**REGULAR MEETING**

**April 20, 2018**

**1. CALL TO ORDER: 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 the Educational Retirement Board Conference Room, 6201 Uptown Boulevard, N.E., Ste. 203, Albuquerque, New Mexico.

**Members Present:**

Ms. Mary Lou Cameron, Chairwoman

Mr. H. Russell Goff, Vice Chairman

Mr. Larry Magid, Secretary

The Hon. Tim Eichenberg, New Mexico State Treasurer [arriving 10:15 a.m.]

Mr. David Craig

**Members Excused:**

Dr. Donald W. Duszynski

**Staff Present:**

Ms. Jan Goodwin, Executive Director

Mr. Rick Scroggins, Deputy Director

Mr. Bob Jacksha, Chief Investment Officer

Mr. Roderick Ventura, General Counsel

Ms. Susanne Roubidoux, Deputy General Counsel

Ms. Monica Lujan, Member Services Director

Ms. Lealia Nelson, Outreach Coordinator

Ms. Liz Lorang, Executive Assistant

Mr. Lawrence Esquibel, Chief Information Officer

**Others Present:**

Mr. Joseph Simon, LESC

Ms. Anne Hanika-Ortiz, LFC

Mr. Connor Jorgensen, LFC

Ms. Judith Beatty, Recorder

[See sign-in sheet.]

**b. Approval of Agenda**

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

**c. Approval of Minutes – February 16, 2018**

**Mr. Magid moved approval of the minutes of the February 16 meeting, as submitted. Mr. Goff seconded the motion, which passed unanimously.**

**d. Introduction of Guests**

Chairwoman Cameron welcomed staff and guests.

LFC analyst Anne Hanika-Ortiz stated that she would be retiring soon, and introduced Connor Jorgensen, who would be replacing her and would be attending ERB meetings in the future.

**2. SWEARING IN OF NEW BOARD MEMBER – PLACEHOLDER**

None.

**3. CONSENT AGENDA:**

**a. NCTR 18th Trustee Workshop: July 22-July 25, 2018**

Chairwoman Cameron stated that she planned to attend this workshop, which would be in Berkeley, California.

**Mr. Goff moved for approval. Mr. Magid seconded, and the motion passed unanimously.**

Chairwoman Cameron informed the board that she would be attending this year's NEA pension workshop in June in St. Paul. [Board approval not required, as travel expenses are not covered by the NMERB.]

**4. APPROVAL OF NMERB COMMITTEE CHARTERS: ROD VENTURA, GENERAL COUNSEL**

**a. Investment Committee Charter**

Mr. Ventura requested approval of the amendment to the charter, which would comply with a rule change made about a year ago that the makeup of the committee be changed from four board members to three.

**Mr. Goff moved approval of the amendment to the charter. Mr. Magid seconded the motion, which passed unanimously.**

**b. Evaluation Committee Charter**

Mr. Ventura stated that this charter was drafted to give some guidance as to how the Evaluation Committee would operate. The committee would consist of three board members, who would serve for one calendar year and be reappointed annually. Among its duties and responsibilities, the committee would coordinate the process for evaluating the Executive Director, which would happen at least once every other year, and develop evaluation criteria. A third party could be brought in as facilitator. The board would review the committee's evaluation, with the Executive Director invited to participate in that process.

**Mr. Magid moved for approval of the charter, as presented. Mr. Goff seconded the motion, which passed unanimously.**

**c. Audit Committee**

Mr. Ventura noted that the charter's existing language refers to the Internal Auditor. Because the NMERB contracts that position out, any reference to the Internal Auditor now adds the language, "or any contractor that functions in this capacity."

Mr. Ventura said the second major change was to eliminate the Audit Committee's authority to recommend the Comprehensive Annual Financial Report (CAFR), including the Audit Report, to the board for approval. He explained that it has become very difficult for the Audit Committee to do this because of the challenges associated with due dates to the State Auditor's Office and Board meeting schedules towards the end of the calendar year. For example, the last audit report was not approved until February 2018. He stressed that removing this language from the charter does not take any authority away from the Audit Committee because the Audit Report eventually has to be approved by the board anyway, so this responsibility can revert back to the board. The whole idea of having an Audit Committee is to make the work easier for the board, but this particular responsibility does not accomplish that.

**Mr. Magid moved for approval of the amendments to the charter. Mr. Goff seconded the motion, which passed unanimously.**

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

**a. Investment Committee Report**

Mr. Jacksha summarized yesterday's actions at the Investment Committee.

- Approved a \$50 million investment in Edison Partners IX, a growth equity manager.
- Approved a \$30 million investment in Bernhard Partners Fund II, a fund in the buyout space focusing on industrial and energy services companies.
- Approved an additional \$25 million commitment to an existing \$50 million investment in a separate account in Halderman Agriculture (now called US Agriculture) and extended the acquisition and management period another two years.

- Reviewed and accepted the proxy voting report.
- Reviewed the Q4 2017 Infrastructure report. Returns since inception (2008) are 5.8 percent. These are good returns, considering that the program began in 2008 at the time of the downturn in the markets, and has a number of new investments.
- Rescheduled the September meeting to September 21 at 9:30 a.m.
- Reviewed the quarterly commission reports.

**b. Other Investment Reports**

None.

**6. ALTERNATIVE RETIREMENT PLAN: LARRY MAGID, ARP COMMITTEE CHAIR**

**a. ARP Committee Report**

Mr. Magid reported that Cammack, the consultant, reviewed the due diligence report. The committee also discussed the real estate fund that is in the TIAA variability annuity option and the Fidelity Small Cap Discovery Fund. Both were put on watch.

Mr. Magid said the committee also discussed the TIAA and Fidelity communication campaigns and renewed Cammack's contract for one year.

**7. AWARD OF ACTUARIAL RFP: JAN GOODWIN EXECUTIVE DIRECTOR**

Ms. Goodwin reported that Gabriel Roeder Smith (GRS) has been the NMERB actuary for many years, and every four years their contract comes up for review. At that time, the NMERB goes out for an RFP. This year, three responses were received from the following firms: Gabriel Roeder Smith; Segal; and Milliman. The evaluation committee consisted of Rick Scroggins, Monica Lujan and herself. They also provided Vice Chair Goff with a copy of all of the proposals so that he could review them.

Ms. Goodwin said the committee unanimously recommends the selection of Gabriel Roeder Smith. Although all of the firms are very highly qualified and have a great deal of experience, GRS has the most in-depth knowledge of NMERB; secondly, their fee was much more favorable than the others.

Ms. Goodwin requested approval by the board to award an additional four-year contract to Gabriel Roeder Smith to do the NMERB's actuarial services.

Mr. Magid asked Ms. Goodwin if she thought the bidding among the firms was deliberately skewed as an accommodation to each other. Ms. Goodwin responded that this was an interesting question, but she doubted it because they all do want the business. For instance, Milliman put in extra questions to learn more about the contract and work that was expected of them.

Mr. Scroggins added that, with respect to the bid differences, GRS has economies built in because of its years of work with the NMERB, which is an obvious advantage.

Mr. Magid moved to award this contract to GRS, as recommended. Mr. Goff seconded the motion, which passed unanimously.

#### 8. SUSTAINABILITY SURVEY: JAN GOODWIN, EXECUTIVE DIRECTOR

Ms. Goodwin stated that, after she and Mr. Scroggins did the sustainability tour around the state in October, November and December, they told attendees that NMERB would be doing a survey to see what sorts of proposed plan design changes the members would be willing to support. The survey was up in March through Friday, April 13 and was advertised on the website and in the newsletter, with 3,700+ people completing it. She presented some of the highlights.

-- They discovered that most ERB members, active and retired, do not understand their benefits. (ARP plan providers have also found this to be true of their members.) The NMERB has already begun efforts to educate members. It has prepared a 3-fold brochure for new employees and has distributed 11,000+ copies to different employers around the state. The brochure is also on the website. The NMERB is also discussing working on more mid-career and early-career member education through meetings and on the website.

-- While people seemed almost unanimously in favor of increasing the employer contribution during the tour presentations, the results were quite different in the survey. Apparently many members thought that increasing the employer contribution would result in a decrease somewhere else on either employee benefits or employee compensation. Interestingly, the question of increasing the employer contribution by 1% per year for 3 years had the most support from members.

-- There were 3 different questions about the COLA: 1) eliminate until NMERB is 100% funded; 2) eliminate COLA for 10 years and then return to full COLA; and 3) eliminate COLA for 5 years and then return to full COLA. Results were somewhat contradictory. Retirees had a much stronger reaction to this than active members, since the COLA is part of the current retiree benefit and they do not want to see it changed.

-- To the questions about making some changes for new people as they come in, including reducing the multiplier by 2% for new hires, there seems to be a decent amount of support. This will have to be part of the board's larger discussion, such as considering the questions: "What kind of income replacement does the NMERB Board want to provide for its members?", and "What is to be considered a typical working career length?"

-- To the question about a tiered multiplier so that the first ten years would have a smaller multiplier, going up with each ten-year tier so that on average the multiplier would be 2.35% for someone who has worked 30 years, this had a much higher level of support.

-- There was a fair level of support for allowing the Return to Work (RTW) program to sunset at the end of 2021. The NMERB has found that, if someone does return to work, they would have been much better off having worked longer and then retired with a higher benefit. The NMERB needs to work on getting the word out on that. Legislation extending the deadline can be expected in the next couple of years.

-- The RTW exception rule is a substantial administrative burden for the NMERB. This past month, the NMERB sent more than 30 letters out to people who were on the edge of violating the earnings cap. The board will need to think about how to handle this in the future.

-- There was strong support for the idea of a six-month layout for people wanting to work during retirement, after which the employee and employer would pay contributions with no cap on earnings.

-- There was strong support for PERA retirees working for an NMERB employer paying contributions to NMERB. The NMERB employer currently pays contributions, but the PERA retiree does not.

Ms. Goodwin stated that there were many comments and questions, which Mr. Scroggins has put together in pdf format for review.

Ms. Goodwin thanked Liz Lorang for putting together the many charts illustrating the results of this survey, and Lealia Nelson for putting the survey together and getting it up on the website. Given that the survey closed just a week ago, there was a very fast turnaround time and this was a very good team effort.

**9. AGE & SERVICE RETIREMENTS: MONICA LUJAN, MEMBER SERVICES DIRECTOR**

Ms. Lujan presented the Retirement Summary Report for February and March 2018. There was a total of 238 retirement applications received and approved. Ms. Lujan said the number remains consistent with historical averages.

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

**10. MEMBER SERVICES RETIREE SURVEY: MONICA LUJAN, MEMBER SERVICES DIRECTOR; LIZ LORANG, EXECUTIVE ASSISTANT & PROCESS IMPROVEMENT SPECIALIST**

Ms. Lorang summarized retiree survey statistics gathered since May 2017.

Ms. Lorang noted that the majority of respondents gave the NMERB a favorable rating and there were a lot of positive comments. Many people were very complimentary about customer service and ERB staff for their responsiveness.

**11. DISABILITY BENEFITS: RICK SCROGGINS, DEPUTY DIRECTOR**

Mr. Scroggins reported on activity for the months of February and March.

-- Under New Claims, four applications were processed and approved. Nine are in process, and one may be closed out because of non-responsive.

-- There were no Periodic Claims.

-- There was one Disability-COLA approved.

Mr. Scroggins noted that the NMERB continues to be satisfied with the service provided by MMRO.

Mr. Craig moved acceptance of the Disability Benefits Report, as presented. Mr. Magid seconded the motion, which passed unanimously.

**12. DIRECTOR'S REPORT: JAN GOODWIN, EXECUTIVE DIRECTOR**

**a. Update on 2018 Retirement Season**

[Previously presented by Monica Lujan under Item 9.]

**b. NMRHCA Update**

Ms. Goodwin said the NMRHCA Legislative Committee, which she has just joined, is working on proposed legislation for the 2019 session. She noted that the NMRHCA's funded status is in the low two digits, and with their GASB-75 requirement, all participating employers in New Mexico on their June 30, 2018 financial statements will be picking up their portion of the share of the unfunded liability. This increases the need to get the NMRHCA on the path to solvency, which ends in 20 years.

**c. Agency Activities**

Ms. Goodwin presented a four-page report presenting activity highlights on almost every area of the NMERB. She commented that people are working hard and are getting a lot done.

Mr. Craig stated that he had some questions about cybersecurity. Ms. Goodwin explained that the NMERB tried to bring a cybersecurity bill forward during the last legislative session that would allow such discussion in executive session, but there was not enough time for it. Mr. Craig agreed to meet with IT staff to have his questions addressed.

**d. Legislative Update**

Ms. Goodwin reported that, in addition to the NMERB's attempt to bring a cybersecurity bill forward in the last session, it was actively monitoring HB 86, sponsored by Representative Roch, to allow members who are retiring with sick leave to effectively purchase that time and get additional service credit. Although the NMERB Board resolved in 2012 to have no benefit increases until it reached 100 percent funding, the bill passed both houses almost unanimously, but the Governor vetoed the bill.

**e. Other**

None.

**13. EXECUTIVE SESSION: 10:15 a.m.**

- a. Limited Personnel Matters (session closed pursuant to NMSA 1978, Section 10-15-1(H)(2): Compensation of Executive Director, Deputy Director, General Counsel and Chief Investment Officer and agency practices in regards to Compensation**
-



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

**For: Chairwoman Cameron; Vice Chair Goff; Secretary Magid; Mr. Craig.**

**Against: None.**

[Mr. Eichenberg joined the board in executive session at approximately 10:15 a.m.]

[The board was in executive session until 11:50 a.m.]

Chairwoman Cameron moved to come out of executive session. The only matters discussed during the executive session limited personnel matters, as set forth in the agenda. Mr. Magid seconded the motion, which passed on the following roll call vote:

**For: Chairwoman Cameron; Vice Chair Goff; Secretary Magid; Mr. Craig; Mr. Eichenberg.**

**Against: None.**


14. **NEXT MEETING: FRIDAY, JUNE 22, 2018 -- ALBUQUERQUE**

15. **ADJOURN**

Its business completed, the Educational Retirement Board adjourned the meeting at 11:55 a.m.

  
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Mary Lou Cameron, Chairwoman

ATTEST:

  
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Larry Magid, Secretary

