

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

REGULAR MEETING

August 24, 2018

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 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 [joining at 11:20 a.m.]
Mr. David Craig

Members Excused:

Dr. Donald W. Duszynski

Staff Present:

Ms. Jan Goodwin, Executive Director
Mr. Rick Scroggins, Deputy Director
Mr. Roderick Ventura, General Counsel
Mr. Steve Neel, Deputy CIO, Alternative Assets
Ms. Kay Chippeaux, Deputy CIO, Public Markets & Credit
Ms. Susanne Roubidoux, Deputy General Counsel
Ms. Liz Lorang, Executive Assistant
Ms. Lealia Nelson, Outreach Coordinator
Mr. Lawrence Esquibel, Chief Information Officer
Ms. Norma Henderson, Chief Financial Officer

Others Present:

Mr. Allan Martin, NEPC
Mr. Ian Lanoff, Groom Law Group, Fiduciary Counsel [by phone]
Ms. Lori Chavez, Attorney General's Office
Ms. Judith Beatty, Board Recorder
[See sign-in sheet.]

b. Approval of Agenda

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

c. Approval of Minutes – July 10, 2018

Mr. Goff moved for approval of the July 10 minutes, as submitted. Mr. Magid seconded the motion, which passed unanimously.

d. Approval of Minutes – June 22, 2018

Mr. Goff moved for approval of the June 22 minutes, as submitted. Mr. Magid seconded the motion, which passed unanimously.

e. Introduction of Guests

Staff and guests introduced themselves.

2. SWEARING IN OF NEW BOARD MEMBER – PLACEHOLDER

None.

3. ELECTION OF BOARD OFFICERS

Mr. Goff nominated Mary Lou Cameron as Chair. Mr. Magid seconded the motion.

There were no other nominations.

The motion passed unanimously.

Mr. Magid nominated Russell Goff as Vice Chair. Mr. Craig seconded the motion.

There were no other nominations.

The motion passed unanimously.

Mr. Goff nominated Larry Magid as Secretary. Mr. Craig seconded the motion.

There were no other nominations.

The motion passed unanimously.

4. CONSENT AGENDA: BOARD TRAVEL

a. **NCTR Annual Conference, October 7, 2018 to October 9, 2018**

Chairwoman Cameron and Vice Chair Goff asked for approval to attend this conference.

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

5. INVESTMENTS CONSIDERATION: DIVESTMENT, ENGAGEMENT OR OTHER OPTIONS: IAN LANOFF, GROOM LAW GROUP; JAN GOODWIN, EXECUTIVE DIRECTOR; ROD VENTURA, GENERAL COUNSEL

[Mr. Lanoff joined the meeting by telephone.]

Mr. Ventura stated that there has been extensive discussion among institutional investors about ESG (Environmental, Social and Governance) considerations in regard to investment. For example, an issue recently brought before CalSTRS and the Chicago Teachers Pension Fund involves investment with private prisons that detain immigrants, including children.

Mr. Ventura stated that this is on the agenda today as an informational item intended to help board members begin to think about this issue and where to go with it as questions arise in the future about how the ERB invests, what its investments do, and how they affect society.

Mr. Lanoff said that, when considering ESG factors or no longer investing in or divesting particular investments that may have a social aspect to them, the only thing that matters as fiduciaries under New Mexico law is an economic analysis of the impact of those actions. In other words, even if there is a distaste for investing in tobacco or Iran or private prison equities, that has to be not only secondary but not even part of the equation in making a decision as fiduciaries. If, based on its decision as fiduciaries after looking at economic and investment criteria, the ERB can stop investing or get rid of investments that are consistent with their personal views of what's good for society, that is legal, but only if the Board of Trustees can arrive at that conclusion after going through a prudent economic analysis. Under New Mexico law, the two standard fiduciary considerations are, first, prudence or due diligence, and second, the duty of loyalty. The board's duty is only to the interest of the participants in the trust fund and not to any other outside entity or cause.

Mr. Lanoff said he understands one of the issues that may come up for consideration is investment in the equities of private prisons. He said he would discuss his experience with other boards that have previously looked at this issue.

Mr. Lanoff said that, if the ERB is going to think about no longer investing in their stock, or divesting stock it currently holds, whether that is through money managers or in an index fund, there are two questions it has to raise:

1) Is it prudent to hold onto this group of equities representing private prisons? When gauging prudence, the ERB looks at the risk it takes by investing in that particular stock on a risk-return basis. This is no different from the approach the ERB ordinarily exercises when looking at investments.

Mr. Lanoff noted that the board of one giant fund he represents has decided to stop investing in private prison stock and to get rid of private prison stock it already holds both directly and in an index fund. This board answered the question of whether it was prudent in a negative way; that is, based on their own analysis by their staff and outside advisors and consultants, they decided it was too risky in the current circumstances to continue to invest in private prisons and to continue to hold the stock it currently owned. Among the risks they identified were: ongoing and future litigation risk; reputational risk of the firms because of allegations of human rights abuses; regulatory risk because of state laws affecting the use of private prisons; and business model risks because of declining crime rates and changes to criminal justice policies that could reduce incarceration rates. They also looked at the 10-K filings that these companies are required to file with the SEC, and noted that these companies themselves told the FTC that they face risk from the government appropriations process, fluctuations in occupancy levels, resistance to the privatization of prisons; and legislation.

Mr. Lanoff said he had no objection to what they did because he reviewed the due diligence process that they followed under the prudence standard, and was able to advise them they had followed prudent procedure and due diligence, and that it was therefore a prudent thing to do. For that particular fund, it really wasn't divestment as such, but rather finding that they shouldn't be holding it, period.

2) Is it imprudent to get rid of that stock and not invest in it in the future? Fiduciaries only ask this question if they and their advisors don't reach the same conclusion that the fund he had just described reached.

Mr. Lanoff said he represents another fund that reached the second question. Their outside consultant to staff was unwilling to say on current evidence that it wasn't prudent for them to hold stock of private prisons.

Mr. Lanoff commented that he feels the majority of advisors will go to the second question because, based on the finding of the first question, board members might wonder why they were advised to make the investment in the first place or continue to hold that stock, and staff and advisors might be less than direct in responding to that issue.

Mr. Lanoff said the way to measure the second question is to assess whether a particular stock can be replaced in the portfolio without sacrificing risk and return. Under the law, this has been called given the "everything is equal" test. If one measures the prison stock over what stock would replace it (direct investment or index fund), the only way one can legally get rid of the prison stock is that it can be replaced in the portfolio.

Mr. Lanoff said that, in the second fund he represents, the outside consultant opined that the amount of stock held by the fund in private prisons was so minimal it wouldn't even have any impact, positive or negative, on the value of the portfolio. She advised the trustees, who agreed, that that satisfied the "everything being equal" test. They could simply replace it in the portfolio, and there would be no change in risk or return to the overall portfolio.

Mr. Lanoff noted that it is easier to divest with respect to direct investments than it is with an index fund, which usually parrots the S&P 500, which includes private prisons. In the past with other kinds of investments, funds have basically thrown up their hands and said it was too complicated or costly and they would only divest direct investments. With respect to both of the clients he has discussed today, both had private prisons in the index fund and didn't want them in there any longer. Their course of action was to set up a separate index fund that did not hold private prisons; and as a matter of prudence going forward, their advisors and consultants would continue to monitor the performance of the regular index fund that they were still in, and the new index fund that they were establishing, to compare results. If there weren't too much of a variation based on the taking out of the private prison stock, then they would continue to run the index fund without the private prisons in it.

Mr. Lanoff noted that the consultants in the second fund said it didn't matter, so they just decided to hold onto the index fund that they had and instructed the manager to get rid of the stock. The manager, because of the influence of that investor and other big investors, decided to just take it out of the index.

Mr. Lanoff said he has been working on these issues since the 1980s, with South Africa divestiture, and these rules have been in effect since then. With respect to public lands, he was not aware of any decision to divest that has ever been challenged in court. Under ERISA, which only applies to private sector plans, these rules have been adopted by the U.S. Labor Department, and he was not aware of any situation where divestment has taken place where either the Labor Department or plaintiffs or plaintiff's counsel have ever challenged a decision to divest.

Mr. Lanoff concluded that the board obviously wants to follow the law, but the risk of violating the law through the years has proved to be almost non-existent.

Mr. Martin asked Mr. Lanoff to expound on his earlier point that any board that adopts a measure to divest needs to do so based on an economic analysis.

Mr. Lanoff said that was at the core. The Trump Labor Department just issued a recent instruction to its field offices (which applied only to private sector plans) strongly reminding fiduciaries (in connection with the more general topic of ESG investing and not divesting) that it is only economic and investment analysis that rules the day when making these investments or undoing these investments. If the fund is able to reach its social objective, that's fine, but that's just incidental to the basic decision that has to be legally based on a financial and economic analysis.

Ms. Goodwin asked Mr. Lanoff to discuss the advantages of engagement over divestment.

Mr. Lanoff responded that it depends on the circumstances. All of the boards and staffs he deals with prefer engagement. Even the legislation that he has helped boards get changed has made engagement the first choice ahead of divestment, which is always the last resort. The problem is that, with certain kinds of investments, with guns being the best examples, most of his clients have found that it's unrealistic to expect gun manufacturers to behave themselves in a way they feel is consistent with their beliefs and the beliefs of gun purchasers. His clients will go through the steps of engagement, and sometimes the gun manufacturers won't even meet with them, so there really is no prudent course they can follow with respect to gun manufacturers. He said he had no idea about private prisons, whether there are reforms that could be sought by plan fiduciaries that would make them feel better about investing in private prisons or, more important, to improve the risk factor to make it less risky for private prisons as an investment. As a lawyer talking about prudence, because engagement doesn't cost much and there's no real need for the kind of analysis he talked about earlier, it is practical to take that route. He added that divesting in private equity is so legally complicated that it is a much more defensible choice to devote a lot of energy to engagement before exploring the possibility of divestment.

Mr. Ventura commented that, the way he sees it, if the board is faced with making a decision on investment based on societal concerns and can pass the tests cited by Mr. Lanoff, there are a few choices: the possibility of divestment; the possibility of engagement and trying to change the company that way; and the possibility of doing nothing.

With respect to divestment, Mr. Ventura said he has spoken with the general counsel of CalSTRS and looked at the Chicago Teachers Pension Fund and other funds to see how they go about making these decisions, and there are other possibilities the board might consider:

-- If the board is going to divest, is it going to eliminate its standing and right as a shareowner and foreclose further engagement? If it walks away and takes its money from the table, it no longer has a voice to make a societal change.

-- Whether the divestment is actually going to have a significant or a negligible impact on those companies. There have been studies reflecting that divestment really doesn't do that much, and the board might want to study that further.

-- Is divestment or engagement going to increase cost and short-term losses? CalSTRS is a \$240 billion fund, and they engage by sending out media notices to companies and meeting with the people. The ERB doesn't have that kind of push or staff to do those engagements, so it has to consider what resources it could drain from the fund if it plans to engage with any company on any societal issue.

-- Is divestment or engagement going to compromise ERB's investment strategies and negatively affect investment performance? This should be the first thing taken into consideration.

Mr. Ventura said CALSTRS looked at private prisons this summer and decided on engagement rather than divestment. He noted that CalSTRS does not as a rule divest immediately, and their first action is always engagement. They believe that if they involve themselves in the company, they will effect a bigger change than if they take their money and leave, because they will simply be replaced by another entity that will come along and invest, and they will have lost their voice in the process.

Mr. Ventura said it is important to remember that CalSTRS and other funds have a procedure on how to go about making this decision. For example, CalSTRS has a list of 20 risk factors, and when a societal issue comes up, they have to compare it to the list of risk factors to see if it is on there. If it is not on there, they probably will not do anything. If it is, they move to the next steps. Mr. Ventura recommended that the board consider adopting a procedure for that before moving forward with any such decision.

Ms. Goodwin commented that there is another way of doing engagement, which is what a lot of other pension funds do and is cost effective. She stated that an organization such as the Council of Institutional Investors (CII) bands together and does engagement that way. She agreed that the ERB doesn't have the staff to do engagement at the level that CalSTRS does; however, by participating in an organization and being a member of CII, the ERB would be able to do that.

Ms. Goodwin noted that Chairwoman Cameron attended one of CII's conferences in February to see if this is a group the ERB might want to be affiliated with.

Mr. Ventura stated that a member of the public had contacted the ERB to indicate he wished to address this issue today.

Robert Feuer, special education teacher at Highland High School and Fed Rep for the ATF (Albuquerque Teachers Federation) union, stated that private prisons are a very risky investment because their success depends on "the way the political winds blow." He said there was a movement away from private prisons at the end of the Obama Administration, and now that has reversed itself, but that may reverse itself again in two years. He thanked the board for addressing this issue, and added that state employees appreciate the hard work of the ERB and its investment staff in growing the fund, but would not want to see investments made at the expense of the most vulnerable members of society. He said that, as a teacher in a high poverty school, he has witnessed the "school to prison pipeline in action," and discovered that he was supporting the private prison system with his retirement fund. While he realized he was addressing the social justice side of this issue, there is also reason to believe that private prisons are not a sound investment, and thought something else could easily replace it.

There was no further public comment.

Mr. Martin stated that he advises the San Francisco Employees Retirement System (SFERS), which is a \$25 billion fund, and the Seattle City Employees Retirement System, which is a \$3 billion fund. Both have been lobbied by many people to divest of fossil fuels. While NEPC offered its expert advice in this case on fossil fuels, one can substitute fossil fuels with climate change, private prisons, child labor law, women on boards, compensation disparity, funding the Dakota Access Pipe Line, and any number of other important social issues.

Mr. Martin commented that the public seems to think that these securities can be readily disposed of, and there are in fact certain securities the ERB holds directly in its own index fund and which it can dispose of without going to a third party and incurring high fees. The index fund is a very small portion of the overall portfolio, though, and the ERB hires money managers for most of the remainder. These money managers are fiduciaries that are legally bound to choose securities solely on the basis of risk and return criteria, and to tell them not to do that is worrisome. When this gets to private markets, the only way to get rid of a particular security is to get rid of the entire investment and not just the prison piece of it, and that could cause serious damage.

Mr. Martin noted that SFERS did divest of the holdings of gun manufacturers, which was .20 basis points in their portfolio. They also divested of thermal coal companies that got more than 50 percent of their revenue from the mining of thermal coal, and that was .02 percent of their total portfolio.

Mr. Martin read from the executive summary of a 200-page document NEPC prepared for SFERS in response to a proposed motion that they divest of fossil fuels. NEPC agreed that long-term portfolio diversification “should be a key element as prudent investors deal with climate change as an increasingly important risk factor, but the challenge for the board is to determine the most efficient tools that SFERS can utilize to diagnose the impact of climate change, mitigate potential negative consequences, and capitalize on potential positive outcomes. An integrated ESG approach can encourage the active investment managers to disclose the role that climate change plays in their investment process. An optimal set of tools can help leverage resources with likeminded institutional investors to pressure the worst carbon emitters and to encourage new green technologies that may flourish during the transition to a cleaner energy infrastructure over the next several decades.”

Mr. Martin read from a list of tools that NEPC suggested SFERS employ, in decreasing order of effectiveness:

- 1) Proxy voting to endorse transparent corporate disclosure regarding their carbon footprint and the risk that environmental factors pose to their business. Mr. Martin recommended that the ERB examine its proxy voting policies, which it hasn't done in a while, as there may be issues that the ERB wants to express more forcefully.

2) Active engagement alongside other large investors to influence egregious carbon emitters. The ERB should be careful whom it chooses to engage with, however, as UNPRI is very “e-oriented,” and the environmental concerns of fossil fuel production may not be a priority for New Mexico.

3) Invest in technologies and industries expected to benefit from the change in energy mix. Mr. Martin said he told SFERS that New Mexico is already very active in investing in technologies such as water resource preservation and mitigation banking, and did it for the right reasons -- to make money for the retirement plan and not to express a negative view on carbon production.

4) Integration of ESG principles throughout the investment process at the plan level. Mr. Martin said this could be accomplished by inserting a question in the RFP asking how the manager addresses the risk of, for instance, climate change. He commented, “Just tell the manager that you think it’s important that they take a point of view. Not what they think, but the fact you think it’s important.”

5) Selective reduction of exposure to impacted industries via passive management. The ERB can easily do this with its own index fund.

6) Broad divestment from industries expected to be the most impacted. NEPC feels this is the least efficient of the tools and a potentially costly option.

Mr. Martin said the executive summary also stated, “Removing a significant portion of the investable universe of securities that active money managers can invest in is by definition a restriction on the diversification of the SFERS portfolio. Academic research [54 studies cited] has found that divestment decreases return of active management, and past studies of other securities’ exclusion initiatives confirm the negative effects of divestment.”

Ms. Goodwin said the problem with divestment is that it can be a slippery slope. She said arguments could be made for excluding alcohol, tobacco, sugary foods, guns, and other controversial things.

Mr. Craig said he wasn’t convinced that creating policies to engage or divest is the best way for this board to go given that it has not previously taken any steps to engage or divest in any form before, at least not since he has been on the board. He added that he didn’t believe the plan should be getting into picking favorites, as Ms. Goodwin mentioned, particularly because of political whims. He also stated that he did not believe that pension plans or investment plans should be trying to direct public policy, and that the proper venue for that is the legislative process.

Vice Chair Goff recommended that additional discussion take place at the Investment Committee.

6. SUSTAINABILITY AND PLAN DESIGN – STATEMENT OF BELIEFS AND GUIDING PRINCIPLES: JAN GOODWIN, EXECUTIVE DIRECTOR

Ms. Goodwin said this is a continuation of the discussion from the June meeting, when some items were left open for additional review and finalization today.

There was consensus on the following changes:

Plan Design

6. Age 60 is the ~~appropriate~~ recommended age for retirement.
7. A 30-year work history with NMERB employers is ~~required~~ recommended for an adequate level of retirement income from all sources.

Funding

1. The Plan and its benefits must be sustainable and on a path to 100% funding by June 30, 2042 ~~within XX years~~.

Investments

Ms. Goodwin said actuarial consultant Ryan Falls had commented that this statement seemed too goal oriented. She said achieving a risk-adjusted rate of return has always been the ERB's objective, however, and that is reflected in the Investment Policy Statement and how the Investment Division has focused its work.

The board agreed that this language should remain unchanged.

1. The performance goal for the Fund is to achieve a risk adjusted rate of return over time, equal to or exceeding the actuarial target.

Mr. Magid moved for adoption of the Sustainability and Plan Design Statement of Beliefs and Guiding Principles with the recommendations, as stated. Mr. Goff seconded the motion, which passed unanimously.

7. INVESTMENT REPORTS: STEVE NEEL, DEPUTY CIO

a. Investment Policy Statement Revision

Mr. Neel reviewed recommended revisions to the Investment Policy Statement, with one additional revision. This document was reviewed and recommended for approval at yesterday's Investment Committee meeting:

-- Page 3, under Sudan policy restrictions, the name of the service provider was changed to EIRIS Conflict Risk Network.

-- Page 3, under Investment Committee, asset allocation reviews must occur at least every three years instead of every two years.

-- Page 3, Investment Division staff will be required to pass a self-administered ethics exam every two years instead of periodically.

New change:

-- Page 7, under Asset Allocation, changing the benchmark for Real Assets from CPI + 5% to CPI + 4%. This makes the policy statement consistent with the performance report and asset level policy.

-- Page 8, under Domestic Equities, it previously said the NMERB believes the large cap market is efficient but the smaller cap market is inefficient; therefore, small and midcap would have active managers. It now states that the midcap market is efficient as well, and it has been moved to internal management.

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

b. June 2018 Quarterly Performance Report

Mr. Martin reported fiscal year returns of a net 8.3 percent, or \$1.02 billion in investment gains. July gains are estimated at 1.2 to 1.5 percent, so the fund continues to do well. Other highlights:

-- Five-year returns at 8.1 percent per year, outperforming the actuarial assumed rate of 7.25 percent.

-- Three-year returns at 7.6 percent per year.

-- Fiscal year returns include a net investment gain of \$190 million during the quarter. Assets increased from \$12.3 billion 12 months ago to \$12.9 billion on June 30, 2018, with \$454 million in net distributions during the year.

In conclusion, Mr. Martin commented that the positioning of the portfolio going forward is quite advantageous. Despite a conservative strategy historically, the fund has still outperformed its assumed rate and done very well, and the actions of staff in terms of tactical tilts and manager selection have been very strong.

c. Investment Committee Report

Mr. Neel reported on yesterday's activity at the Investment Committee:

- Made a commitment of \$100 million to Brevet Direct Lending Intermediate Duration Fund for the opportunistic credit portfolio.
- Reviewed the Investment Policy Statement.
- Accepted the Proxy Report.
- Reviewed private equity performance for CY 2017. Net returns were 4 percent for the quarter and 14 percent annualized.
- Received the commission report as an informational item.

d. Other Investment Reports

Mr. Neel distributed a sheet highlighting New Mexico-centric investments in New Mexico private markets. A total of \$1.9 billion has been invested, and the ERB's portion is about \$130 million.

8. FY20 BUDGET APPROPRIATION REQUEST: NORMA HENDERSON, CFO

Ms. Henderson reviewed details from the FY2020 budget appropriation request of \$31,691,000, which included a \$527,000 expansion request. The total request is about \$122,000 over the current operating budget.

-- The FY2020 expansion request is for a total of eight positions. Six are new positions and two are temporary intern positions, which must be requested each year. The six new positions are as follows: an Accountant/Auditor in the Finance Department; an IT Systems Administrator for the IT Department; a Stable Value Portfolio Manager for the Investments Division; and three positions for Member Services - two Accountant/Auditor positions (one for payroll and one for refunds); and one Retirement Specialist.

In addition, there are two additional term positions for the data cleanse project. Funding for these two positions along with the other costs associated with the project will be requested in a Special Appropriation in the fall.

Mr. Magid moved approval of the FY 2020 budget appropriation request, as presented. Mr. Craig seconded the motion, which passed unanimously.

9. DISABILITY RETIREMENTS: RICK SCROGGINS, DEPUTY DIRECTOR

Mr. Scroggins reported five new claims were approved, nine waiting on medical evaluations of claims, and three pending receipt of medical evaluation information. For periodic

reviews there were 8 approved, 2 waiting on medical information and 1 application sent. There were no disability COLA requests.

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

10. AGE & SERVICE RETIREMENTS: MONICA LUJAN, DIRECTOR OF MEMBER SERVICES

Mr. Scroggins reported that there were 4 disability, 2 disability greater than 60 years old, 39 ERB reciprocity retirements, 595 normal retirements, and one PERA reciprocity, for a total of 641 retirements processed for the two-month period of June and July 2018.

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

11. DIRECTOR'S REPORT: JAN GOODWIN, EXECUTIVE DIRECTOR

a. Retirement Season Update

[Addressed under Age & Service Retirements.]

b. Audit Update

Ms. Goodwin reported that the entrance conference has taken place with the auditors, who are now busily at work auditing the financial statements.

c. Retiree Healthcare Update

Ms. Goodwin reported that the New Mexico Retiree Health Care Authority held its annual retreat in July and set premiums for the 2019 calendar year. In addition, they will be working on a legislative package to increase contributions, and will be doing the GASB-75 report.

d. Other

Ms. Goodwin noted that the Departmental Activity Report, in the packet, reflects a very productive two-month period.

Ms. Goodwin said representatives at the stakeholder meeting, held two weeks ago, discussed possible elements of plan design changes. They have been sent three proposals, scored by the actuary. The group will meet again on September 6 and try to reach consensus on a final proposal.

Ms. Goodwin said she addressed the ERB's performance results and sustainability efforts at yesterday's LFC meeting, when there was a great deal of discussion about Wisconsin's risk-

sharing model. Wisconsin does a COLA only during those years when the investment return has exceeded a certain threshold amount. She noted that Wisconsin is 100 percent funded and has been for several decades.

12. EXECUTIVE SESSION: 11:15 a.m.

- a. **Deliberations regarding the Hearing Officer's Recommended Decision in the Administrative Appeal of Andy C. Saucedo (deceased) (session closed pursuant to NMSA 1978, §10-15-1(H)(3); Attorney General's Office)**
- b. **Deliberations regarding the Hearing Officer's Recommended Decision in the Administrative Appeal of Dwight Capshaw (deceased) (session closed pursuant to NMSA 1978, §10-15-1(H)(3); Attorney General's Office)**
- c. **Deliberations regarding the Hearing Officer's Recommended Decision in the Administrative Appeal of Julie Colella (session closed pursuant to NMSA 1978, §10-15-1(H)(3); Attorney General's Office)**

Chairwoman Cameron moved that the board go into executive session pursuant to section 10-15-1(H)(3) of the Open Meetings Act for purposes of discussing and deliberating on the administrative appeal Andy C. Saucedo, the administrative appeal of Dwight Capshaw, and the administrative appeal of Julie Colella. Mr. Goff seconded the motion, which passed on the following roll call vote:

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

Against: None.

[Note: Mr. Eichenberg joined the proceedings at 11:20 a.m.]

Chairwoman Cameron moved to come out of executive session. The only matters discussed during executive session were the administrative appeal Andy C. Saucedo, the administrative appeal of Dwight Capshaw, and the administrative appeal of Julie Colella. Mr. Magid seconded the motion, which passed on the following roll call vote:

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

Against: None.

Mr. Eichenberg asked the record to reflect that, although he was only present for the executive session, the attorney walked him through each one of the three appeals.

13. ACTION FROM EXECUTIVE SESSION: 12:00 p.m.

Mr. Goff moved that, in the matter of Andy C. Saucedo, the board adopt the Hearing Officer's finding of fact, conclusions of law, and recommended decision. Mr. Magid seconded the motion, which passed unanimously.

Mr. Craig moved that, in the matter of Dwight Capshaw, the board adopt the Hearing Officer's finding of fact, conclusions of law, and recommended decision. Mr. Magid seconded the motion, which passed unanimously.

Mr. Magid moved that, in the matter of Julie Colella, the board adopt the Hearing Officer's finding of fact, conclusions of law, and recommended decision. Mr. Goff seconded the motion, which passed unanimously.

**14. REVIEW OF PROCESS AND TIMELINES FOR EXECUTIVE DIRECTOR EVALUATION:
BOARD CHAIR**

Chairwoman Cameron noted that, while the charter states that this process can take place every other year, the board could opt to do a complete evaluation every year if it wanted to. Last year, the board did a detailed evaluation and also wrote up goals for the Executive Director. One option would be to evaluate the progress of those goals this year and conduct a detailed evaluation next year.

Following discussion, Chairwoman Cameron recommended that board members review Ms. Goodwin's progress with the goals, which she would take to the Executive Committee when it meets on September 21.

15. NEXT MEETING: FRIDAY, OCTOBER 19, 2018 – ALBUQUERQUE

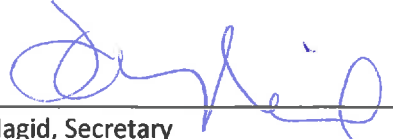
16. ADJOURN

Its business completed, the Educational Retirement Board adjourned the meeting at 12:10 p.m.



Mary Lou Cameron, Chairwoman

ATTEST:



Larry Magid, Secretary

