

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

ACTION SUMMARY

June 22, 2018

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MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD
REGULAR MEETING

June 22, 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 9:10 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 [telephonically]
Mr. H. Russell Goff, Vice Chairman
Mr. Larry Magid, Secretary
Mr. David Craig

Members Excused:

Dr. Donald W. Duszynski
The Hon. Tim Eichenberg, New Mexico State Treasurer

Staff Present:

Ms. Jan Goodwin, Executive Director
Mr. Rick Scroggins, Deputy Director
Mr. Bob Jacksha, CIO
Mr. Roderick Ventura, General Counsel
Ms. Susanne Roubidoux, Deputy General Counsel
Ms. Monica Lujan, Member Services Director
Ms. Liz Lorang, Executive Assistant
Ms. Leilia Nelson, Outreach Coordinator
Mr. Lawrence Esquibel, Chief Information Officer
Ms. Norma Henderson, Chief Financial Officer

Others Present:

Mr. Michael Miranda, NEPC
Mr. Dan McKay, Albuquerque Journal
Ms. Judith Beatty, Board Recorder
[See sign-in sheet.]

b. **Approval of Agenda**

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

c. Approval of Minutes – April 9, 2018

Mr. Magid moved for approval of the April 9 minutes, as submitted. Mr. Craig seconded the motion, which passed unanimously.

d. Approval of Minutes – April 20, 2018

Mr. Magid moved for approval of the April 20 minutes, as submitted. Mr. Craig seconded the motion, which passed unanimously.

e. Approval of Minutes – May 24, 2018

Mr. Magid moved for approval of the May 24 minutes, as submitted. Mr. Craig seconded the motion, which passed unanimously.

f. Introduction of Guests

Staff and guests introduced themselves.

2. SWEARING IN OF NEW BOARD MEMBER – PLACEHOLDER

None.

3. CONSENT AGENDA: BOARD TRAVEL

Chairwoman Cameron requested approval for two nights of hotel expenses for the June 30 NEA pension forum. Director Goodwin has agreed that it would be beneficial for her to attend.

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

4. INVESTMENT REPORTS: BOB JACKSHA, CIO

a. Q1 Investment Report

Mr. Miranda presented the quarterly performance report.

- Over the past 5 years, the fund returned 7.8 percent per annum, outperforming the actuarial assumed rate of 7.25 percent. The fund's risk-adjusted performance ranks in the 6th percentile of its peers.
- Over the past 3 years, the fund returned 7.2 percent per annum, outperforming the policy index by 14 basis points and ranking in the 24th percentile of its peer group.
- For the year ending March 31, 2018, the fund experienced a net investment gain of \$1.17 billion, which includes a net gain of 51.4 million during the quarter. Assets increased from \$12.1 billion 12 months ago to \$12.8 billion on March 31. The fund returned 9.7 percent, underperforming the policy index by 67 basis points and ranking in the 73rd percentile of its peers.

In reviewing the 3-month attribution report, Mr. Miranda said the fund trailed the policy index by about 30 basis points, with private equity being the primary detractor.

Mr. Jacksha commented that there is always a lag in reporting at year-end, because all of the funds do an audit, which takes longer. There are some secondary funds in the portfolio, which also require an audit, and then the umbrella funds have to do an audit, so the delay is even longer. Because of the timing issue, he said he suspects there is some performance that hasn't been reported, and which the index may have reported. If so, that will begin to show in subsequent months and in the June 30 report. Regardless, the one-year return for private equity is still over 12 percent, which is a solid return.

b. Other Investment Reports

None.

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

Ms. Lujan presented the Retirement Summary Report for April and May 2018.

-- There were two disability retirements under age 60, and one over age 60.

-- There were 31 reciprocity applications and 723 regular retirement applications, for a total of 757 applications processed for the bimonthly period.

Vice Chair Goff asked how many people are retiring under the age of 60. Ms. Lujan said she would provide that information later.

Ms. Goodwin said that, for FY 2017, the average age of retirement was 61.8.

In discussion on the Retiree Health Care Authority, Ms. Goodwin said the NMRHCA is not prefunded; it started in the mid 1990s, and at that point, 16,000 people who had never paid contributions were given retirement benefits. Unfortunately, the premiums were only allowed to increase by 3 percent per year, and contributions were never high enough to cover the actual cost of the benefits. As an ex officio board member, she has been working hard with the other board members to try to address this, and a proposal will be brought forward at the 2019 legislative session.

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

6. DISABILITY BENEFITS: RICK SCROGGINS, DEPUTY DIRECTOR

Mr. Scroggins reported on activity for the months of April and May 2018.

-- One new disability application was approved. Six are awaiting medical information, and eight have submitted applications.

-- There were no new actions on Periodic Claims, with 11 actions pending.

-- There was no action on COLAs.

Addressing a previous question from Vice Chair Goff about any changes in the volume of disability claims, Mr. Scroggins said current records reflect a slight decline. He said he would have more information at the end of this fiscal year, at which time he would present a report reflecting 3 years of activity, which is the period of time MMRO will have been under contract with ERB.

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

7. CAPITAL IMPROVEMENT REQUEST: NORMA HENDERSON, CFO

Mr. Henderson presented a one-page summary of the ERB Infrastructure Capital Improvement Plan for FY 2020-2024. She reminded the board that the ERB submitted this plan last year, as it has for the past five years, without successful consideration. This year, the ERB is submitting it again, but minus the Albuquerque office lease because the ERB has recently negotiated a new lease at another location in Albuquerque.

Ms. Henderson said the Santa Fe office is “busting at the seams,” as everyone knows, and the investment team is located offsite. Ultimately, the goal is to house all staff members in one building in Santa Fe at an estimated cost of \$7 million. The General Services Division (GSD) has given approval to the ERB to submit this plan.

Ms. Henderson noted that the plan has a phased approach, with \$4,950,000 funded in the first year and the balance, \$2,050,000, funded in the second year. She said the options are to purchase a new building, purchase an existing building and renovate, or construct a new building. That cost is not expected to exceed \$7 million.

Mr. Craig stated that, as a new member of the board, he has not seen the documentation to support this plan, so could not vote on it at this time.

Ms. Goodwin said staff would be happy to provide Mr. Craig with any documentation he wanted so he could feel more comfortable with this. She stated that staff spoke extensively yesterday with the Facilities Management Division of GSD, and the proposed course of action is to issue an RFP to purchase a new building or purchase an existing building and renovate it. She noted that the ERB has worked with Dekker Parrish Sabatini, the architectural firm, to do an assessment of the ERB’s needs, including cost estimates. Their report has been shared with the board previously.

Responding to Vice Chair Goff, Mr. Scroggins said the ERB issued an RFP last fall for a new Albuquerque location, and a selection was made in February. The ERB will disclose the new location as soon as the lease is signed. He said staff would move into the new space on November 1.

Mr. Scroggins stated that GSD has agreed to a slight expansion of the requested space to accommodate new expansion positions that did not exist at the time the RFP was issued. Also, ERB has requested a small addition of about 600 square feet for the planned data-cleansing project.

Mr. Magid moved for approval. Chairwoman Cameron seconded the motion, which passed 3-1, with Mr. Craig voting against the motion.

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

a. **Update 2018 Retirement Season**

Reporting on July 1 retirements, Ms. Goodwin said 973 retirement applications have been received as of today. Last year at this time, the count was 1,114, and in 2016 was 1,157.

b. **NMRHCA Update**

Ms. Goodwin said the NMRHCA would hold its annual retreat in July, when it will work on its strategic plan for wellness and set premium levels for 2019. This is the first year that GASB 75 reporting has been in place, and the exit conference held by the board earlier this week went well.

c. **Refund interest Rate – 7/1/2018 – 6/30/2019**

Ms. Goodwin reported that the refund interest rate, which goes into effect on July 1, would be 2.56 percent. This is based on the 5-year Treasury bond as of March 31, 2018.

d. **Other**

Board members received a copy of the Departmental Activity Report.

9. **EXECUTIVE SESSION: 9:45 a.m.**

- a. **Litigation – American Federation of State, County and Municipal Employees Council 18 et al v. State of New Mexico. (Session closed pursuant to NMSA 1978, Section 10-15-1(H)(7))**
- b. **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**
- c. **Limited Personnel Matters – (session closed pursuant to NMSA 1978, Section 10-15-1(H)(2). Performance evaluation of Executive Director**

Vice Chair Goff moved that the board go into executive session pursuant to Section 10-15-1(H)(7) of the Open Meetings Act for purposes of discussing pending litigation and 10-15-1(H)(2) 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.

[The board was in executive session until 10:10 a.m.]

Mr. Goff moved to come out of executive session. The only matters discussed during the executive session were pending litigation and 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.

Against: None.

10. ACTION FROM EXECUTIVE SESSION

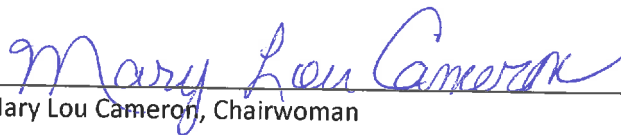
None.

11. NEXT MEETING: AUGUST 24, 2018 – ALBUQUERQUE

Ms. Goodwin said the sustainability work session is scheduled for Tuesday, July 10, at 9:00 a.m.

12. ADJOURN

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



Mary Lou Cameron, Chairwoman

ATTEST:



Larry Magid, Secretary