

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD
ARP COMMITTEE
TELEPHONIC/VIRTUAL MEETING

May 21, 2020

I. a CALL TO ORDER/ASCERTAIN QUORUM

A meeting of the Alternative Retirement Plan (ARP) Committee was called to order on this date at 9:05 a.m. via videoconference / teleconference. A quorum was present.

Members Present:

Mr. Larry Magid, Chair
Dr. Donald Duszynski
Mr. Steven Gluckstern

Members Excused:

None

Staff Present:

Ms. Jan Goodwin, Executive Director
Mr. Roderick Ventura, Deputy Director
Ms. Susanne Roubidoux, General Counsel
Ms. Elena Cardona, Deputy General Counsel
Ms. Liz Lorang, Executive Assistant, Board Liaison

Others Present:

Mr. Michael Sanders, Principal, Cammack Retirement Group
Mr. Jared Hardin, Senior Account Manager, Cammack Retirement Group
Ms. Denise Burns, Vice President, Head of Investments, Cammack Retirement Group
Ms. Judith Beatty, Recorder

b. APPROVAL OF AGENDA

Dr. Duszynski moved approval of the agenda, as published. Mr. Gluckstern seconded the motion, which passed unanimously.

2. REVIEW AND APPROVAL OF MINUTES: December 5, 2019

Mr. Gluckstern moved approval of the December 5, 2019, minutes, as submitted. Dr. Duszynski seconded the motion, which passed unanimously.

3. CAMMACK RETIREMENT GROUP TEAM INTRODUCTIONS

Mr. Hardin introduced himself and Mr. Sanders and discussed their duties and responsibilities with the ERB. Ms. Burns said she would continue working with the ERB in her role as head of investments. In addition, Regina Lee, research analyst, and Emily Wrightson, vice president/public markets, would also be working with the ERB.

4. CAMMACK RETIREMENT GROUP DUE DILIGENCE REVIEW, MARCH 31, 2020
MICHAEL SANDERS, PRINCIPAL, CAMMACK RETIREMENT GROUP

-- As of March 31, 2020, the NMERB ARP held approximately \$676.8 million in combined total assets, and combined balance as of December 31, 2019, was approximately \$785 million.

TIAA Program

- Total plan assets were \$527.3 million for the quarter ending March 31, 2020 and \$610 million for previous quarter.
- As of March 31, 2020, the Revenue Credit Account balance was \$1,061,868. In April, \$800,000 was distributed from the account and credited back to participant accounts.
- Funds highlighted for discussion: PIMCO Total Return Instl (place on watch); Templeton Global Bond R6 (continue on watch); and Oakmark International Institutional (place on watch).

Fidelity Program

- Total plan assets were \$104.4 million for quarter ending March 31, 2020 and \$121.3 million for previous quarter.
- Funds highlighted for discussion: PIMCO Total Return Instl (place on watch); Fidelity High Income (remove from watch); Templeton Global Bond R6 (continue on watch); and Oakmark International Institutional (place on watch).

Valic Program

- Total plan assets are \$44.9 million for quarter ending March 31, 2020 and \$53 million for previous quarter.

Mr. Hardin discussed retirement plan trends and 2020 business planning strategy.

Ms. Burns presented the Plan Allocation and Economic Review.

Responding to Mr. Gluckstern about the duties and responsibilities of the ARP Committee, Ms. Roubidoux said there has been litigation in which retirement plan sponsors have provided such a narrow choice of investments that the plan sponsor is essentially making the choice for plan participants. On the flip side, there is also litigation in which the menu of investments is so broad that it is very difficult for an ordinary plan participant to decide which investments to choose. She said plans must strike a middle balance by having a reasonable menu of options available. Under no circumstances, however, does the plan sponsor give investment advice to participants.

Mr. Hardin concurred. He stressed the need to create diversified options within the plan for participants, who can then make their choices within a range of options. The committee's role is to

oversee those options to make sure that they are performing as they should and are still suitable choices, and when that is no longer the case, removing them. This is done with the help of Cammack, as the advisor, whose job is also to go through the investment policy statement and make sure, as fiduciary, that participants have access to educational tools that help them make appropriate investment choices.

Mr. Gluckstern asked if the ERB offers the ability in the defined contribution (DC) plan to buy a security that reflects the returns earned in the ERB defined benefit (DB) plan main portfolio on a blended diversified basis. Mr. Sanders responded said there are plans in the overall DC universe that have a unitized version of the DB plan within them, but those are typically mega (\$19-\$20 billion) plans.

Mr. Gluckstern asked if there is information on the aggregate annual return for all of the DC participants that can be compared to the DB plan.

Mr. Sanders responded that they could contact the record keepers at TIAA and Fidelity and get a breakdown of the average returns. He said he would estimate that investors in a target date fund probably earned 15-20 percent returns last year; however, Q1 returns this year have affected returns all over the board. He added that the advantage of a DB plan is the ability to use smoothing techniques and to get in and out of investments quickly. With Oakmark International Institutional, which is recommended for watch, a DB manager could quickly move out of this fund, but on the DC side, the process is at least 60 days.

Ms. Goodwin added that the ERB went through that review a few years ago and found that its DB plan significantly outperformed the average investor in the DC plan. Less than a handful of people beat the DB performance, and part of the problem was that so many people in the DC plan were invested in cash.

Mr. Gluckstern said he would like to better understand whether this is something the ERB could offer and what it would cost. He stated that given how good the DB management system is, it seems like an option that DC participants might want to have.

5. STATUS UPDATE

JARED HARDIN, SENIOR ACCOUNT MANAGER, CAMMACK RETIREMENT GROUP

Mr. Hardin presented a status update on actions taken on the fee leveling project, transition to retirement choice contracts, and return of plan servicing credits.

- Fee leveling project: The investment share class and fee assessment changes occurred in January 2020 at TIAA and March 2020 at Fidelity along with the addition of two new investments. ARP participants will see both changes reflected on their Q1 2020 account statement.
- Transition to Retirement Choice (RC) contracts: The transition to the new RC contracts with TIAA occurred in January 2020 as part of the investment share class and fee levelization project. Participant balances in all eligible mutual funds were moved to the new RC contracts. Balances in TIAA and CREF annuities remain under the previous Retirement Annuity (RA) /Group Retirement Annuity (GRA) contracts.

- Return of Plan Servicing Credits: In April 2020, \$800,000 in plan servicing credits was returned to participants with TIAA accounts using the Asset-Based Proportionate above Revenue Requirement method. ARP participants at UNM received the majority of credits (just under \$528K), followed by NMSU ARP (\$166K) and New Mexico Tech ARP (\$47K). The return of plan servicing credits from Fidelity will be initiated during Q2 2020.

Ms. Roubidoux stated that Cammack was extremely helpful in working with the ERB and the record keepers to get the necessary paperwork submitted to return Plan Servicing Credits to TIAA account participants.

[Cammack representatives signed off.]

6. RENEWAL OF PROFESSIONAL SERVICES CONTRACT – CAMMACK RETIREMENT GROUP

Ms. Roubidoux recommended that the ARP Committee renew the contract with Cammack for an additional one-year term, from July 1, 2020 through June 30, 2021. The compensation and scope of work would be the same as in the current contract. She noted that Cammack has provided consulting services to the ARP since approximately 2013. The current contract is for \$58,000, with a one-year term expiring on June 30, 2020.

Ms. Roubidoux stated that the previous consultant from Cammack, Mr. Mirzada, advised ARP for many years but left Cammack in January 2020. Mr. Sanders and Mr. Hardin were assigned in February and have done an outstanding job of coming up to speed on the ARP in such a short period of time.

Dr. Duszynski moved that the ARP Committee authorize a professional services consultant contract with Cammack Retirement Group in the amount of \$58,000 for an additional year, subject to and contingent upon New Mexico State Law, Educational Retirement Board policies, negotiation of final terms and conditions, and completion of appropriate paperwork. Mr. Gluckstern seconded the motion, which passed unanimously.

7. OTHER BUSINESS

None.

8. ADJOURNMENT

Meeting was adjourned at 11:10 a.m.

Accepted by:

Accepted and Approved unanimously by the Committee on 12/08/2020

Larry Magid, Chair