

**NEW MEXICO EDUCATIONAL RETIREMENT BOARD**

**INVESTMENT COMMITTEE**

**TELEPHONIC/VIRTUAL MEETING**

**October 16, 2020**

**1. a. CALL TO ORDER**

A meeting of the New Mexico Educational Retirement Board Investment Committee was called to order on this date at 8:30 a.m. via teleconference. A quorum was present.

**Members Present:**

Mr. H. Russell Goff, Chair  
Mr. Steven Gluckstern  
Mr. Larry Magid

**Members Excused:**

None.

**Staff Present:**

Ms. Jan Goodwin, Executive Director  
Mr. Rod Ventura, Deputy Director  
Mr. Bob Jacksha, Chief Investment Officer  
Ms. Susanne Roubidoux, General Counsel  
Mr. Mark Canavan, Investment Officer, Real Estate  
Mr. Nathan Sax, Fixed Income Portfolio Manager  
Ms. Liz Lorang, Executive Assistant, Board Liaison  
Ms. Monica Lujan, Member Services Director  
Mr. Lawrence Esquibel, Chief Information Officer

**Others Present:**

Mr. Asif Hussain, Caledon  
Ms. Noi Spyratos, Caledon  
Ms. Judith Beatty, Recorder

**b. Approval of Agenda**

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

c. Approval of Minutes: September 17, 2020

Mr. Gluckstern moved approval of the September 17 minutes, as submitted. Mr. Magid seconded the motion, which passed unanimously.

**d. Introduction of Guests**

Chairman Goff welcomed staff.

**2. Q3 PROXY VOTING REPORT**

Mr. Jacksha presented this report.

**Mr. Magid moved acceptance of the Q3 Proxy Voting Report. Mr. Gluckstern seconded the motion, which passed unanimously.**

**3. Q2 2020 INFRASTRUCTURE REPORT**

[Presenters: Mark Canavan and Noi Spyratos and Asif Hussain, Caledon]

Highlights from the report presented by Mr. Hussain and Ms. Spyratos:

-- The portfolio is doing well overall. Net IRR returns since inception are 6.1 percent, but are 3.5 percent on a time-weighted basis. Returns have been increasing over time, and although commitments made in 2008 and 2009 have faced challenges, investments made later continue to do well.

-- The portfolio is expected to rebound quite well coming out of the crisis to the extent there have been write-down of some assets, and overall diversification has made a positive impact on performance.

-- In the market overall, Caledon sees strong appetite for infrastructure assets. There was a slowdown in Q1 and Q2 following lockdowns, with very few new investments being made, but that began to turn around in August and September as people became accustomed to the "new normal."

-- There are 12 infrastructure fund commitments, and Caledon is hoping the NMERB's \$50 million investment in Prostar Energy Infrastructure Fund II, approved in March 2020, will be in a position to close by the end of the year. Alongside that fund, Caledon recently made the first co-investment out of Caledon Andromeda Investments III. Overall, co-investment deal flow has been quite strong.

-- Diversification parameters are strong and on track with the investment policy guidelines. Good geographic diversification with some overexposure to North America.

Responding to Mr. Gluckstern, Mr. Jacksha said they typically see a wide divergence between net and gross at the outset of a fund commitment because fees are generally taken

from the very beginning. Mr. Canavan added that the J-curve effect is larger at the beginning because the fund hasn't been fully invested. In addition, as the fund matures, the manager has to pay back all of the fund expenses and management fees, effectively narrowing the spread. He pointed out that the co-investment platform generates a much smaller gross-to-net spread, which is one of the ways the NMERB saves capital. Most co-investments are generated with a no-fee and no-carry incentive structure.

Mr. Jacksha asked Caledon if they feel the proper metric for an infrastructure program is a time-weighted return or an IRR. Mr. Hussain responded that they typically use IRR to measure investment performance, as it seems more common in private markets. To normalize across the portfolio, including across any public markets investments, it isn't unusual to see a portfolio, including one for infrastructure, being time-weighted to measure against other asset classes.

Mr. Jacksha commented that he feels the IRR is the right metric because it measures the manager's discretion to draw down funds, and it takes timing into account.

**4. Q3 COMMISSION REPORTS**

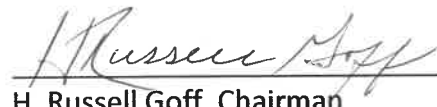
[Informational item.]

**5. OTHER REPORTS AND DISCUSSION**

None.

**ADJOURN**

The meeting adjourned at 8:50 a.m.



H. Russell Goff, Chairman