MINUTES OF THE

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

TELEPHONIC/VIRTUAL MEETING

August 14, 2020

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. via teleconference. A quorum was established following roll call.

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
Mr. Adan Delgado, Deputy Secretary, PED
Dr. Donald W. Duszynski
Mr. Steven Gluckstern [took over as Chairman following Election of Board Officers]

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
Ms. Liz Lorang, Executive Assistant, Board Liaison
Ms. Monica Lujan, Member Services Director
Ms. Debbi Lucero, Budget & Procurement Manager
Ms. Karla Leyba, Member Services Bureau Chief
Mr. Casey Poe, Compliance and Portfolio Manager
Ms. Mariana LaRoche, Communications Director
Ms. Charlene Zalma, Human Resources Manager

Others Present:
Mr. Allan Martin, Investment Advisor, NEPC
Ms. Patricia J. Turner, ERB Contract Attorney
Ms. Judith Beatty, Board Recorder

Statement by Chairwoman Cameron

Chairwoman Cameron stated that today's agenda does not provide for public comment; therefore, the board will not accept oral comment during the meeting. On behalf of the board, she thanked everyone who submitted written comments, all of which are part of this meeting's written record even though many were received after comments had been posted. The board decided to accept written comments rather than oral comments so board members could hear from more members of the public than would have been possible during the public comment session at the board's June 19 meeting.

b. **Approval of Agenda**

Mr. Magid moved approval of the agenda, as published. Dr. Duszynski seconded the motion, which passed by unanimous roll call vote, with Chairwoman Cameron, Mr. Goff, Mr. Magid, Mr. Eichenberg, Mr. Delgado, Dr. Duszynski and Mr. Gluckstern voting in favor.

c. **Approval of Minutes: June 19, 2020**

Mr. Goff moved approval of the June 19 minutes, as submitted. Mr. Gluckstern seconded the motion, which passed by unanimous roll call vote, with Chairwoman Cameron, Mr. Goff, Mr. Magid, Mr. Eichenberg, Mr. Delgado, Dr. Duszynski and Mr. Gluckstern voting in favor.

d. **Introduction of Guests**

Chairwoman Cameron welcomed guests.

2. CONSENT AGENDA: BOARD TRAVEL

None.

3. DISCUSSION ON DIVESTMENT: DAVID POWELL, PRINCIPAL, GROOM LAW GROUP

Ms. Goodwin introduced David W. Powell, a principal with Groom Law Group, which for many years has acted as the NMERB's fiduciary attorney as well as its tax counsel.

Mr. Powell said his slide presentation would focus on the June 2020 Department of Labor (DOL) proposed regulation defining the duties of plan fiduciaries under ERISA when considering economically targeted investments or those that incorporate ESG (environmental, social and governance) factors. He said he wanted to put that recent development in the context of the laws applicable to the NMERB in terms of its investing duties.

Mr. Powell cited and discussed the following, with added emphasis (underlined):

- **New Mexico Constitution (Article XX, § 22),** which says that the retirement system trust fund of PERA and ERB is "to be administered and invested by each respective system for the sole and exclusive benefit of the members, retirees and other beneficiaries of that system….A system trust fund shall never be used, diverted, loaned, assigned, pledged, invested, encumbered or appropriated for any other purpose."

- **NMSA §22-11-13(A)**: The board is authorized to invest or reinvest the fund in accordance with the Uniform Prudent Investor Act.

- **Uniform Prudent Investor Act, §45-7-603**. Standard of care; portfolio strategy; risk and return objectives. A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust.

- **Uniform Prudent Investor Act, §45-7-604**. A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

- **Uniform Prudent Investor Act, §45-7-606.** Loyalty. A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

- **Internal Revenue Code, §401:** (a) Requirements for qualification. A trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall constitute a qualified trust under this section…(2) if under the trust instrument is impossible, at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries under the trust, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, purposes other than for the exclusive benefit of his employees or their beneficiaries…

Mr. Powell stated that while what the DOL says may not technically apply to public retirement systems, the language they are using is basically the same language that is in the New Mexico Constitution, NM Statutes and the Internal Revenue Code.

Mr. Powell said the proposed DOL guidance is built on other guidance the DOL has issued going back to at least the George H. W. Bush administration, and probably to South African divestment interests that began to emerge in the 1980s. He said the law has never really changed, but each administration has put its spin on how to interpret the law. The latest one is a proposed rule, so is not in effect yet, but there are attempts to finalize it before the November 2020 election.

Mr. Powell said the proposed rule means that ERISA fiduciaries must always put first the economic interests of the plan in providing retirement benefits. In addition, it states that "pension plans covered by ERISA are statutorily bound to a narrower objective: management with an eye single to maximizing the funds available to pay retirement benefits. Providing a secure retirement for American workers is the paramount and eminently worthy social goal of ERISA plans. Plan assets may not be enlisted in pursuit of other social or environmental objectives."

Mr. Powell said it goes on to describe how this could apply to ESG factors, and acknowledges that there are times when ESG factors can have a financial impact, emphasizing that the concern is for the financial impact of the plan. With respect to when ESG factors may have a financial effect, it does state that there could be instances when ESG issues "present material business risk or opportunities for companies that company officers and directors need to manage as part of the company's business plan and that qualified investment professionals would treat as economic considerations under generally accepted investment theories." It also states that, if one concludes that alternative investments are financially comparable, then with all things being equal, one can be preferred over the other on the basis of ESG factors as the tiebreaker.

Mr. Powell said one area of the proposed regulation that has attracted a lot of attention is that it requires that there be writing that memorializes why the decision was made and why it was still prudent and met the duty of loyalty for financial reasons. He pointed out that it is currently a best practice, and one he is sure the NMERB follows, which is to keep a good record as to how and why it makes its investment decisions.

Mr. Delgado said he is sure there are investment opportunities that the NMERB would never consider investing in under any circumstances because they are repugnant for one reason or another. He asked what protects the NMERB when deciding not to invest in these opportunities.

Mr. Powell responded that, in many cases where an investment is that extreme, presumably it would also have financial impact, and the NMERB could act on the financial impact. In his experience, many people have different ideas as to what are the most beneficial ESG factors, and sometimes they are in conflict. He said the proposed regulation acknowledges that the concept of ESG is not very well defined, so different people can come to different conclusions on that. He said he represents some non-ERISA church plans, and some of them divest in completely different ways. Some churches will not invest in alcohol but will invest in firearms, while other churches will not invest in firearms or weapons of mass destruction but are happy to invest in alcohol. He said the job of a fiduciary is not to make perfect decisions, but to go through a prudent process, evaluate the facts and circumstances, and make the best judgment possible on a financial basis.

Mr. Delgado asked if the NMERB would have discretion in deciding against investing in a highly profitable company with great potential returns that is connected to human trafficking. He said there has to be some discretion that the NMERB can exercise in what it does or does not invest in.

Mr. Powell responded that the question would be how something as reprehensible as human slavery would not have a financial impact. He said potential legal issues could also make this a risky investment.

Mr. Gluckstern asked if he could summarize Mr. Powell's statement as follows: If the board can determine that there is a financial impact by the conduct of any given stock or corporation the NMERB might own, then that is the authority on which the board can choose to say it wants to invest or not invest. For example, the oil and gas industry is a significant contributor to what is the largest existential threat to the climate. On that basis, some board members could conclude it should not own oil and gas stocks; however, if it cannot conclude that as a financial outcome, it should not operate under the idea that it can get rid of that particular class of stock.

Mr. Powell responded that the board may conclude that a particular good may be a social good, or that a particular aspect of some company may be a social bad, but it cannot make a decision to invest in it or to sell it unless the board can make a decision that it is in the financial interest of the fund participants or beneficiaries to do so, because it is not permitted to sacrifice return for those decisions. For example, if the board has a particular environmental concern, the question becomes whether that has a financial impact, or is that not a good investment in the long term because of some environmental impact. He pointed out that the DOL recognizes that there are ESG factors that can have a financial impact.

Allan Martin, financial advisor to the NMERB plan, pointed out that the NMERB as a fund does not manage individual stock portfolios. The board discharges its duties either by hiring managers who are fiduciaries to the fund to choose which stocks to buy and sell, or to put it in an index fund. If the board were to not like an individual stock held by one of its managers, it has a right to question them, but they are a fiduciary to the fund. For the board to suggest selling a stock, when the managers have made a judgment to hold it, is potentially a violation of the board's fiduciary duty. In an index fund, the board has simply chosen a well-defined vehicle which research has shown over time is likely to outperform individual managers. NMERB staff does not have the ability to examine the individual stocks held in an index fund and make the kind of financial judgment the board would be asking them to make. While some plans do buy and sell individual stocks, the NMERB Board of Trustees does not.

Mr. Powell concurred with Mr. Martin, adding that an element of the decision to invest in an index fund it to reduce costs through passive investment. He noted that the proposed DOL regulation also cites additional cost as a consideration, and in this case the board would be looking at net financial impact. It would have to revise the investment policy if it wanted to go back to individual stock picks, but it would have to be done in the context of why it would be prudent to do that.

Mr. Eichenberg commented that, in the context of active versus passive, what the board is discussing today is private prisons, where it continues to lose money. In the S&P 400 overall, however, the investment portfolio looks good. If the board were to choose to make a change to its investment policy, he asked Mr. Powell what changes the board would have to make in order to make the policy take into consideration not necessarily the ESG factor, but the financial merits.

Mr. Powell responded by stating that he is not an investment advisor, but from a lawyer's perspective, the board should make any changes as part of a prudent process and for fiduciary and financial purposes, which is to maximize the return of the fund.

Mr. Jacksha provided some background on the reason for the board's decision to invest passively versus actively in some instances. In liquid efficient markets, it is very hard to add value as an active manager, and staff found that to be true from its own experience. Staff decided that either they weren't very good at picking managers in that space, or that it is just too hard for managers to add value, so the decision was made to index those funds.

Chairwoman Cameron asked if the NMERB can replace a stock in the S&P 400, as she understood that recently occurred. Mr. Jacksha responded that Standard & Poor's determines which stocks go in the index, which stocks leave, and the size of each of those positions. In the case of the stock that is leaving, Standard & Poor's decided that CoreCivic no longer fits their criteria for being included in the S&P 400 Index and are bringing in another stock to replace it. The NMERB will follow that change, because its policy says it will invest in all of the stocks in the S&P 400, and the investment policy does not permit staff to vary from that.

Mr. Eichenberg recalled being part of a discussion a few years ago on active versus passive managers, and asked Mr. Jacksha to run a spreadsheet showing where they weren't making the money and why the NMERB made the decision to go from active to passive.

Mr. Martin said the NMERB has $374 million in the S&P 400 as of June 30. Mr. Jacksha added that this is less than 3 percent of the total portfolio.

Chairwoman Cameron stated that one of the prison stocks was dropped from the S&P 400 recently, and asked Mr. Jacksha if she was correct that, if the NMERB is passive, then he is not responsible for picking the stock that replaces that. Mr. Jacksha said that was correct. Standard & Poor's has chosen a new stock to replace that "and we will be buying that stock and selling the other one." He said that takes effect next week.

Chairwoman Cameron said, "If we wanted to be in charge of divesting, we would have to make the choices on divestment, we would have to change our policy to not invest in the S&P 400. Is that correct?" Mr. Jacksha responded yes, in some fashion. He said the board would have to either say it would have to go to active management totally, in which case it would have to hire an outside manager to do it; or it could say it will invest in the S&P 400 except for XYZ, but would have to make some kind of change to the language in the policy.

Mr. Powell added that the legislature could mandate it, as well. Mr. Jacksha said that was correct; and per the NMERB divestment policy, which says it will follow the law, it would divest if the legislature were to pass the law.

Mr. Eichenberg said he would like to see the board review a policy change to allow it to be more active on what it selects. He asked Mr. Jacksha how much time he would need for this, and suggested 60-90 days. He cited Mr. Jacksha's comments that the board could do this even with a passive investor, but would have to change parts of the policy.

Mr. Jacksha responded that the important decision for the board is whether it wants to divest of things or not; and then, what does it want to accomplish, e.g., what does it want to divest of, etc., and then it could think about the language to structure that. He stressed the need for a goal.

Mr. Eichenberg said he was just looking for the opportunity to do this and to determine how broad the language needs to be.

Mr. Eichenberg moved that staff come up with the language necessary to give us the opportunity to divest going forward and to come back with legal and investment advice. Mr. Delgado seconded the motion.

Chairwoman Cameron asked if there would be a timeline for this. Mr. Eichenberg said this would go back to staff as to when they could put it on the agenda. Mr. Jacksha said this would have to be discussed with counsel and Ms. Goodwin before scheduling something.

Chairwoman Cameron said the next board meeting is in about 60 days, and asked Mr. Jacksha if that would be enough time.

Ms. Roubidoux said that, if she understands the motion, it would require a change in the divestment policy and also a change in the investment policy, but not a change to the rule for the Investment Committee. Ms. Goodwin stated that Ms. Roubidoux had cited all of the relevant documents and policies to allow for this.

Ms. Goodwin if she understood correctly that Mr. Eichenberg was asking staff to draft what he would recommend as criteria to have for the board to make a divestment decision. Mr. Eichenberg responded yes. He said he was looking for the opportunity to have that available to the board.

Mr. Gluckstern asked Mr. Eichenberg if he was looking for the policy that would allow the board to make a divestment decision, or was he asking staff to develop the criterion under which the board would divest or not. He said these are two different things.

Mr. Eichenberg responded, "That would go back to Bob again and to Jan. Yes, if they give us the opportunity to change policy so that we can use financial merit or whatever we choose as our criteria, that we can do that individually. So that's what they're putting together for us. And I assume it's going to be a smorgasbord of criteria along with policy change for the board to look at and make a decision on how we move forward."

Mr. Jacksha asked if Mr. Eichenberg was suggesting the board make individual investment decisions and in effect be the portfolio manager. Mr. Eichenberg responded that this was not his intention. His intention was for the board to have the opportunity to give staff guidance through policy, and the criteria staff gives the board, to tell staff how the board wants staff to proceed. He said, "I just want the opportunity every once in a while to say, wait a minute, whether it's climate change or human trafficking or whatever that comes before us through an S&P investment, that we get to say wait a minute, our policy allows us to say we don't want to do that anymore."

Mr. Jacksha asked Ms. Goodwin and Ms. Roubidoux if it was reasonable to bring this back to the next board meeting. Ms. Goodwin responded that they would try. Ms. Roubidoux added that they will have to look at the divestment policy and the investment policy, and in order for the board to comply with their fiduciary duty based on Mr. Powell's presentation, if the fund is going to deviate from the public portion of the S&P 400, standards will have to be established on how to create those deviations. She commented that it sounds like a simple proposition on its face, but to "actually put meat on the bones" and establish parameters around the basic requirements, it will take considerable thought to determine what those criteria are.

Mr. Eichenberg suggested that staff make an attempt to get back to the board in 60 days, and to let the board know if it turns out more time is needed.

Dr. Duszynski recalled that, when the Investment Committee formulated the divestment policy, it chose option A over option B. He said Mr. Eichenberg seemed to be suggesting that the board choose option B instead. Mr. Eichenberg stated that he did not have that option in front of him, but perhaps this could be discussed at the next meeting. He added that it might turn out that the board simply can't do this, but he is asking Mr. Jacksha, Mr. Martin and legal counsel to look into whether or not the board can exercise the opportunity rather than going with the assumption that it can't do this. This is why he made the motion as broad as he did.

Chairwoman Cameron commented that some people were hoping the board could come to a conclusion today, but she thought Mr. Eichenberg had wisely recommended that the board first look into what it has to do in order to get there. She said some financial managers have reached out to her and said the board could simply act on this today without a problem, but she has a great deal of faith in Mr. Jacksha and recognizes the need to proceed in such a way that the board can do this correctly.

Chairwoman Cameron said she would like a report on this at the next Investment Committee meeting, and at the board meeting in October. She asked Mr. Eichenberg if he would accept this as part of the motion. Mr. Eichenberg said he didn't think a timeline was necessary, as staff had volunteered to attempt to do that at the next meeting or at least to provide a progress report at that time.

Mr. Jacksha responded that staff understands the board wants staff to come back at the next board meeting with some language.

The motion passed unanimously by roll call vote, with Chairwoman Cameron, Mr. Goff, Mr. Magid, Mr. Eichenberg, Mr. Delgado, Dr. Duszynski and Mr. Gluckstern voting in favor.

Chairwoman Cameron thanked Mr. Jacksha for his work. "I know that we've come a long way. Personally, I would have liked for us to have had a vote today, but I also realize our responsibility and that we're not ending the battle here. We at least have a plan and we hopefully will not draw it out, but we will get it done as soon as we can to make sure we're doing it in the best way. We are fiduciaries. We have certain boundaries. We had a glimmer of hope in the battle when S&P took the CoreCivic stock off of it, but it would have been easier if they'd done it in both of them. I hope that the letter I wrote to them, was an individual, was read; I don't know. The financial advisor has been very helpful, and our fiduciary responsibility is to follow our rules, which are made to protect our funds for our retirement, and we cannot do a wrong to make a right, but we can continue to fight to the right. One suggestion I have is that we, I'm saying members, I'm not saying ERB alone, but we go to the legislature and demand that our monies not be put in those companies. That's where the real [inaudible] comes from, and that we not take our children and ask them to live in cells without water and subject to the mental and physical abuse, and I know this personally because I have mentioned before I have two adoptee cousins that did that, and having to learn to [inaudible] of living in the prisons, and I think we should ask our legislators to stand with us and protect our most precious commodity by setting some guidelines that protect our children and not jail them. And then we give that money to our schools to educate our children to provide mental health services and support that need. This cannot divide us. Those that are listening did not get the answer we wanted, but we have to be prudent and I still will fight for our divestment in private prisons, but we will work together as a board, and there's been a lot of movement forward today, and we cannot give up, so we have to keep up our fight. I thank you all for the input and for coming to the conclusion, board, that we did that we have heard the call and we are going to look and see what we can do to come to an end this kind of treatment of our children."

Mr. Jacksha pointed out that the NMERB owns .02 percent of the stock of The GEO Group. With respect to how much difference that would make, in his opinion, the real answer is not at the individual company level, but at the federal policy level on how the U.S. handles immigration, because it has no coherent or rational immigration policy. He said he would encourage everyone who is aware of this issue to exert their political influence and call their representatives and stress the need for a rational and coherent immigration policy.

4. INVESTMENT REPORTS: BOB JACKSHA, CIO

a) June 2020 Quarterly Performance Report

Investment advisor Allan Martin presented the 6/30/2020 investment performance report, which includes the June 30 fiscal year. Since this report was generated, the S&P 500 is up another 5.6 percent in July and an additional 2.5 percent in August, despite a significantly worsening U.S. economic outlook. NEPC estimates that the NMERB portfolio has appreciated at least 3 percent since this report was provided.

- Over the past 5 years, the fund returned 5.7 percent per annum.

- Over the past 3 years, the fund returned 4.7 percent per annum.
- For the year ending June 30, 2020, the fund experienced a net investment loss of $106.2 million, which includes a net investment gain of $455.2 million during the quarter. Assets decreased from $13.3 billion 12 months ago, to $12.8 billion on June 30, 2020, with $470 million in net distributions during the year. The fund returned -0.97 percent, underperforming the policy index by 287 basis points and ranking in the 90th percentile of its peers.

b) <u>Investment Committee Report</u>

Mr. Jacksha reported on yesterday's Investment Committee actions:

- Approved a master service agreement with Dynamo Software, Inc. for a term of up to four years. Because of the significant increase in document handling NMERB staff has to deal with, with some staff spending up to 40 percent of their time with the task, this agreement will relieve the burden on staff and will help the NMERB store and retrieve those documents in a more efficient fashion.
- Approved an Investment Policy revision and Investment Services Procurement Policy revision.
- Approved a contract with Top Tier Capital Partners for private equity consulting services at an annual cost of $100,000. They will act as venture consultant to the NMERB in addition to running a Separately Managed Account, which is an existing account that is not part of the approval.
- Reviewed the Q4 2019 private equity performance report.

c) <u>Investment Policy Revision</u>

Mr. Jacksha reviewed a summary of policy change recommendations:

1. Page 3, remove manager and consultant selection authority of the Investment Committee.
2. Page 4, transfer those duties to a Staff Selection Committee.

Mr. Jacksha said some board members will remember that the board looked at this a couple of years ago and decided not to pursue it at that time. The board received some outside input, including from the executive director of the Arizona retirement system. To summarize his point, their board does not have an investment committee that makes decisions, and there is an oversight committee that essentially looks at what the staff is doing, but staff makes the manager and consultant's decisions. His point was that if the board is to be an oversight authority, then it has an inherent conflict in choosing managers and overseeing the process.

Responding to Mr. Goff, Mr. Jacksha said staff anticipates that the Staff Selection Committee would be members of staff, and they would probably rotate that. He said the effective date for the policy changes is in October, which will allow for one more Investment Committee meeting, and for staff to work on procedures.

Mr. Goff said Mr. Jacksha had indicated that the Investment Committee would not have to meet as often with this process, and that he would report to the board at each of its meetings. Mr. Jacksha responded that, even though staff would be making the decisions, it still wants to recognize that the board is the oversight authority and therefore should be kept in the loop. Staff would continue to make presentations before the board. In addition, the Investment Committee would still have some oversight responsibilities, and would probably meet quarterly (or more often, if necessary) to review investment reports, as they currently do, and also review the Proxy Voting Report, Commission Reports, and so forth.

Mr. Martin stated that Arizona State Retirement System is one of his advisees and they have been operating under this structure for many years. Their board vigorously debates asset allocation, but they do not discuss or get involved in manager section. He commented that discussing an underperforming manager in public tends not to be good for the manager and discourages people from wanting to work for the board. NEPC thinks these changes align responsibility with authority, and things are reported to the board in a timeframe that allows for the board to reverse a decision. He said they feel this represents the best governance practices they are aware of.

Mr. Jacksha also noted that this is what he calls the main investment policy, but there are subsidiary policies for certain alternative asset classes, and those will probably need to be revised to reflect the changes. The Investment Policy Statement contains an unambiguous statement that if there is a conflict with subsidiary policies, the main policy rules. He said staff could make this change and true up things at a future meeting.

Mr. Jacksha reviewed the following changes, which were approved by the Investment Committee at its July meeting for recommendation to the board:

3. Page 5 “RISK CONTROLS”, removes the maximum allocation of 25% in a manager’s investment product. From a risk control standpoint, the exposure to a certain percentage of a product is irrelevant. The dollar amount is the defining factor for exposure.
4. Page 8, change the assumed rate from 7.25% to 7% to reflect the board’s action taken earlier this year.
5. Page 9, change allowable range of cash allocation, increasing the maximum allowed.
6. Page 15, allow the Chief Investment Officer to delegate proxy voting responsibilities to another staff member.
7. Pages 18 and 19, minor changes to proxy voting details to be consisting with formatting.

Chairwoman Cameron moved approval of the changes to the Investment Policy Statement, as presented. Mr. Goff seconded the motion, which passed by roll call vote, with Chairwoman Cameron, Mr. Goff, Mr. Magid, Mr. Delgado, Dr. Duszynski and Mr. Gluckstern voting in favor, and Mr. Eichenberg voting against.

d) <u>Investment Services Procurement Policy Revision</u>

Mr. Jacksha stated that the two changes to the Investment Services Procurement Policy, which he reviewed, go hand-in-hand with the changes that were just approved to the Investment Policy.

Mr. Goff moved for approval. Mr. Gluckstern seconded the motion, which passed unanimously by roll call vote, with Chairwoman Cameron, Mr. Goff, Mr. Magid, Mr. Eichenberg, Mr. Delgado, Dr. Duszynski and Mr. Gluckstern voting in favor.

e) <u>Other Investment Reports</u>

None.

5. <u>BUDGET: DEBBI LUCERO, BUDGET & PROCUREMENT MANAGER</u>

a. <u>FY 21 Budget Overview</u>
b. <u>FY 22 Budget Appropriation Request</u>

Ms. Lucero presented these reports.

Mr. Goff moved to approve the budget appropriation request, as presented. Mr. Magid seconded the motion, which passed unanimously by roll call vote, with Chairwoman Cameron, Mr. Goff, Mr. Magid, Mr. Eichenberg, Mr. Delgado, Dr. Duszynski and Mr. Gluckstern voting in favor.

6. <u>DISABILITY RETIREMENTS: KARLA LEYBA, MEMBER SERVICES BUREAU CHIEF</u>

Ms. Leyba presented the June-July status report of disability claims from Maximus Federal. She said there were two new disability claims received and processed, four periodic reviews, and 23 periodic and initial disabilities pending receipt of documentation. Next week, Maximus will be hold a virtual meeting on the new portal and training for the new system.

Mr. Gluckstern moved for approval. Mr. Duszynski seconded the motion, which passed unanimously on the following roll call vote: Chairwoman Cameron; Mr. Goff; Mr. Magid; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski; Mr. Gluckstern.

7. <u>AGE & SERVICE RETIREMENTS: MONICA LUJAN, MEMBER SERVICES DIRECTOR</u>

Ms. Lujan reported that 427 retirements were approved for the June-July period, broken down as follows: 4 disability applications under age 60; 24 reciprocities; and 399 regular retirement applications processed. There were 41 members retiring with 30+ years of earned service.

Dr. Duszynski moved for approval. Mr. Magid seconded the motion, which passed unanimously on the following roll call vote: Chairwoman Cameron; Mr. Goff; Mr. Magid; Mr. Gluckstern.

8. <u>NEW NMERB WEBSITE TOUR: MARIANA LAROCHE, COMMUNICATIONS DIRECTOR</u>

Ms. Goodwin listed the NMERB employees who have been working on the new website for many months. She said Ms. LaRoche has done an amazing job of getting the new website up and running with only two months on the job.

Ms. LaRoche highlighted features of the newly designed website, which included the new logo.

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

a. Retirement Season Update

Ms. Goodwin reported there were 906 retirements for this year, which is somewhat lower than for the two previous years, with 1,037 retirements in 2018 and 932 retirements last year.

b. Agency Activities Report

Ms. Goodwin said the six-page NMERB Departmental Activity Report for June-July is in the board book. Even at only 25 percent occupancy, all of the work continues to get done, and staff shows an amazing amount of resiliency, passion and determination.

c. Audit Update

Ms. Goodwin stated that the entrance conference is scheduled for next Friday with Moss Adams.

d. Retiree Healthcare Update

Ms. Goodwin stated that the NMRHCA held its annual retreat virtually on July 9-10, and approved premium increase rates of 6 percent for the pre-Medicare retirees and 4 percent for the Medicare enrollees. They also elected new officers, with Doug Crandall as President, Therese Saunders as Vice President, and LeAnne Larrañaga-Ruffy as Secretary.

e. Other

Ms. Goodwin stated that Jeff Mitchell and Julian Baca have continued to refine their BBER report as well as make certain corrections. The report will be distributed to board members as soon as it is ready. She added that she and Mr. Jacksha will be presenting at the IPOC meeting next week, and she will make a brief reference to the BBER report, as she would like Dr. Mitchell to make a presentation directly to the IPOC so they can hear all of the compelling information it contains.

10. DISCUSSION OF BOARD SELF-ASSESSMENT: MARY LOU CAMERON, CHAIR

Chairwoman Cameron stated that she has emailed this to board members. She highlighted scenarios that the board will need to work on, citing the need for more emphasis on long-range strategic thinking and planning.

11. ELECTION OF BOARD OFFICERS

Chairwoman Cameron said she has been on the board for 20 years and Chairwoman for 10 years, and will not be running again.

Mr. Magid nominated Steven Gluckstern for Chairman. Dr. Duszynski seconded the nomination.

There were no other nominations.

Dr. Duszynski moved to elect Steven Gluckstern as Chair by acclamation. Mr. Goff seconded the motion, which passed unanimously on the following roll call vote: Chairwoman Cameron; Mr. Goff; Mr. Magid; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski; Mr. Gluckstern.

Mr. Gluckstern nominated Russell Goff as Vice Chair. Mr. Magid seconded the nomination.

There were no other nominations.

Dr. Duszynski moved to elect Russell Goff as Vice Chair by acclamation. Mr. Gluckstern seconded the motion, which passed unanimously on the following roll call vote: Chairwoman Cameron; Mr. Goff; Mr. Magid; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski; Mr. Gluckstern.

Mr. Goff nominated Larry Magid as Secretary. Dr. Duszynski seconded the nomination.

There were no other nominations.

The nomination passed unanimously on the following roll call vote: Chairwoman Cameron; Mr. Goff; Mr. Magid; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski; Mr. Gluckstern.

12. EXECUTIVE SESSION: 12:27 p.m.

- **a. Threatened or pending litigation in which the Board is or may become a participant—(session closed pursuant to NMSA 1978, § 10-15-1-(H)(7): discussion regarding the Board's authority to set compensation of executive staff. Patricia J. Turner (Canepa & Vidal, P.A.), legal counsel to the board.**
- **b. Limited personnel matters (session closed pursuant to NMSA 1978, § 10-15-1-(H)(2): discussion regarding evaluation of Jan Goodwin, Executive Director**

Chairman Gluckstern moved that the board go into executive session under Section 10-15-1(H)(7) of the Open Meetings Act (OMA) to discuss threatened or pending litigation in which the Board is or may become a participant regarding the Board's authority to set compensation of executive staff; and Section 10-15-1(H)(2) of OMA to discuss limited personnel matters involving the evaluation of the Executive Director. Mr. Magid seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Mr. Eichenberg; Ms. Cameron; Mr. Delgado; Dr. Duszynski.

Chairman Gluckstern moved to come out of executive session at 1:07 p.m., stating that the only matters discussed in executive session were threatened or pending litigation in which the Board is or may become a participant regarding the Board's authority to set compensation of executive staff; and limited personnel matters involving the evaluation of the Executive Director. Mr. Magid seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Mr. Eichenberg; Ms. Cameron; Mr. Delgado; Dr. Duszynski.

14. NEXT MEETING: FRIDAY, OCTOBER 16, 2020 – ALBUQUERQUE OR VIRTUAL MEETING

15. ADJOURN: 1:09 p.m.

Mr. Goff moved to adjourn the meeting. Mr. Magid seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Mr. Eichenberg; Ms. Cameron; Mr. Delgado; Dr. Duszynski.

Steven Gluckstern, Chairman

ATTEST:

Larry Magid, Secretary