

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

**December 4, 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:**

Mr. Steven Gluckstern, Chairman  
Mr. H. Russell Goff, Vice Chairman  
Mr. Larry Magid, Secretary  
Ms. Mary Lou Cameron  
The Hon Tim Eichenberg, New Mexico State Treasurer  
Mr. Adan Delgado, Deputy Secretary, PED  
Dr. Donald W. Duszynski

**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. Karla Leyba, Member Services Bureau Chief  
Ms. Mariana LaRoche, Communications & Outreach Director

**Others Present:**

Mr. Allan Martin, Investment Advisor, NEPC  
Mr. Ryan Falls, GRS  
Ms. Dana Woolfrey, GRS  
Ms. Judith Beatty, Board Recorder

**b. Approval of Agenda**

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

**c. Approval of Minutes: October 16, 2020**

**Mr. Magid moved approval of the October 16 minutes, as submitted. Ms. Cameron seconded the motion, which passed by roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Eichenberg and Dr. Duszynski voting in favor. [Abstaining: Mr. Delgado. He stated that he could not see the minutes clearly enough.]**

**d. Introduction of Guests**

Chairman Gluckstern welcomed staff and guests. Mr. Ventura noted that there were a number of members of the public who were also attending this meeting.

**2. CONSENT AGENDA: BOARD TRAVEL**

There were no requests for board travel.

**3. OPEN MEETINGS ACT RESOLUTION FOR 2021: SUSANNE ROUBIDOUX, GENERAL COUNSEL**

Ms. Roubidoux stated that, under the Open Meetings Act, public boards and commissions are required to annually set forward their Open Meetings Act Resolution, which governs public meetings.

Ms. Roubidoux referred to the redline version in the board book, noting that the only substantive change was in paragraph 1, where it indicates that the board meetings can also be held by virtual location. It is expected that the prohibition on large gatherings because of COVID-19 will continue at least for some portion of 2021.

**Mr. Goff moved approval of the Open Meetings Act Resolution, as presented. Dr. Duszynski seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Eichenberg, Mr. Delgado and Dr. Duszynski voting in favor.**

**4. DIVESTMENT**

**a. Divestment Policy Revision**

Chairman Gluckstern stated that the revision to the Divestment Policy states that the equities of companies that own or operate prisons will be excluded from both of the internally managed index portfolios. The exclusion will not apply to derivative exposure, as it would not be practical to do so.

Chairman Gluckstern noted that, since the October 16 board meeting, the S&P 400 has dropped the second of two private prison stocks previously held in that portfolio, so the NMERB no longer owns private prison stocks. Mr. Jacksha noted that the NMERB sold both positions last month.

**Ms. Cameron moved to accept the revision to the Divestment Policy, which reads: “Also, the equities of companies that own or operate prisons will be excluded from both of the internally managed index portfolios. This exclusion will not apply to derivative exposure, as it is not practical to do so.” Mr. Eichenberg seconded the motion, which passed on the following roll call vote:**

**Voting in favor: Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.**

**Voting against: Mr. Goff**

**Abstaining: Chairman Gluckstern.**

Mr. Goff indicated that he wanted to change his vote to yes.

Ms. Roubidoux clarified that a vote could not be changed without another roll call.

**The motion passed on the following roll call vote:**

**Voting in favor: Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.**

**Abstaining: Chairman Gluckstern.**

**b. Investment Policy Revision**

**Ms. Cameron moved to accept the amendment to the Public Equities section of the Investment Policy under Domestic Equity, which reads: “The equities of companies that own or operate prisons will be excluded from both of the internally managed index portfolios. This exclusion will not apply to derivative exposure, as it is not practical to do so.” Mr. Eichenberg seconded the motion.**

Dr. Duszynski asked Mr. Jacksha to explain the meaning of derivatives.

Mr. Jacksha responded that the NMERB just hired an overlay manager, who will be getting the NMERB exposure of the public markets through derivatives such as future contracts, options, swaps, and things of that nature. The derivatives don't own the underlying securities anyway, so if someone is buying an S&P 400 index future, they are buying a derivative security that mirrors the performance of the index. Nonetheless, someone couldn't buy the futures contract and exclude one or two stocks since they don't own them in the first place.

**The motion passed on the following roll call vote:**

**Voting in favor: Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.**

**Abstaining: Chairman Gluckstern.**

**5. JUNE 30, 2020 ACTUARIAL VALUATION REPORT: RYAN FALLS AND DANA WOOLFREY, GABRIEL ROEDER SMITH & COMPANY**

Ms. Woolfrey reviewed the results of the most recent actuarial evaluation.

Highlights:

- The change in assumptions adopted in conjunction with the Experience Study, lowering the expectations of future investment returns and no longer assuming that returns would provide for administrative expenses. Salary increase assumptions and payroll growth were also changed.

- The market value return of about -1 percent versus the 7 percent assumption. Absent any recovery, an 8 percent swing has a very big impact on the funding trajectory.
- Although the market value return was about -0.6 percent, with five-year smoothing to mitigate the effect, the return is 6 percent.
- Salary increases for continuing actives averaged 8.9 percent versus assumed average increase of 4.1 percent.
- UAAL is expected to grow by \$0.2 billion in 2020. UAAL was expected of \$8.5 billion, but it was actually \$9.0 billion. Difference was \$0.3 billion liability loss (from salary increases being greater than expected) and \$0.2 billion asset loss (smoothed).
- In 2018, the board revised the funding policy, seeking to eliminate the unfunded liability by 2049. This goal is not being met. To meet that goal, the total contribution rate would be 21.24 percent, a shortfall of 7 percent of pay.
- In 2019, the open group projection was at 47 years. After the assumption changes and Experience Study, it was 70 years. With market value returns this past year, it has been pushed to infinite, and the funded ratio is expected to slowly decline over the projection period.
- When accounting procedures indicate the NMERB trust is expected to be depleted, accounting liabilities are calculated based on a discount rate that is a blend between the investment return assumption and a current bond rate of 2.45 percent for 2020. If the state were to make the commitment to prefund the benefits over a reasonable amount of time, it would push the single discount rate back up to 7 percent and potentially reduce the liability by \$1.1 billion.

Mr. Falls stated that, while the plan is expected to run out of money in about 100 years, every day that the NMERB gets less money than it needs makes it incrementally harder to fix. Two years ago, Ms. Goodwin and her staff worked hard to develop a new package of contributions and benefits to get the plan in line; and while there were positive results from that, an increase of an additional 4 percent of pay from the state and/or the employers failed to materialize.

Concluding the presentation, Mr. Falls stated that by increasing the contribution rate by 1.0 percent per year for four years, to get to 18.15 percent of pay, the NMERB would be back on track to paying off its unfunded liability in 40 years.

Chairman Gluckstern commented that, in the course of considering the matter of divestment and board members' obligations as fiduciaries, he became aware of how impassioned the NMERB's stakeholders and teachers were about how their money was being invested in private prisons. Technically, however, it is not their money, and payment into a defined benefit plan is a contractual obligation where a portion of a teacher's salary is paid into a trust, and a bargain is made with the trust and the state that they will then get benefits when they retire. He pointed out that the teachers are not at risk in terms of the plan's unfunded liability because the state has the obligation to pay them under their benefit plan, and that is an important distinction. When the NMERB makes decisions regarding an

investment, it is basically less on behalf of the stakeholders and more on the state, which is relying on the pool of capital to honor its obligation. If the pool of capital were to run out, the obligation would continue, and it is the board's obligation as fiduciary to protect the stakeholders to make sure those funds are available. He commented that this is very different from a defined contribution plan, where the pool belongs to the people who pay into it and who are taking the risk of bad or good investments in the pool.

Chairman Gluckstern added that, with respect to divestment, he is committed to making sure the board acts in ways that honor basic human rights, but continues to believe that identifying single industries is an incorrect way of serving the constituents, who should be lobbying the state and legislators and not the NMERB. He said he feels the board should revisit whether it wants its investment policies to include any divestment policy at all, and plans to include this on the agenda the next time the board meets.

**Mr. Magid moved to accept the June 30, 2020, actuarial report, as presented. Dr. Duszynski seconded the motion, which passed by unanimous roll call vote, with Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Eichenberg, Mr. Delgado and Dr. Duszynski voting in favor. [Chairman Gluckstern's audio was not functioning during the roll call.]**

**6. INVESTMENT REPORTS: BOB JACKSHA, CIO**

**a. September 2020 Quarterly Performance Report**

NEPC investment advisor Allan Martin presented this report, with the following highlights:

- Over the past 5 years, the fund returned 7.4 percent per annum.
- Over the past 3 years, the fund returned 5.3 percent per annum.
- For the year ending September 30, 2020, the fund experienced a net investment gain of \$330.5 million, which includes a net investment gain of \$592.2 million during the quarter. Assets decreased from \$13.3 billion 12 months ago to \$13.2 billion on September 30, with \$470.5 million in net distributions during the year. The fund returned 2.4 percent, underperforming the policy index by 353 basis points and ranking in the 93rd percentile of its peers.

Mr. Martin referred to the follow-up report, Private Market vs. Public Market Performance, on page 230. He noted that there has been very strong performance in public markets and a belief that private markets offer more reliable outperformance in a low return environment. The NMERB has 48 percent of the portfolio targeted for private markets (private equity, 15 percent; opportunistic credit, 16 percent; real estate, 8 percent; and real assets, 9 percent). Mr. Jacksha had asked NMERB to review the performance of private equity, opportunistic credit, and real estate over longer periods to make sure that this thesis is borne out. In every case, the private market composite has had the highest risk-adjusted returns for periods greater than one year.

**b. Staff Selection Committee Report**

Mr. Jacksha referred to the due diligence checklist for an overlay manager. The NMERB issued an RFI, with five respondents. It was narrowed to two finalists, with Parametric selected as overlay

manager based on cost and the NMERB's past experience with them in terms of customer service. The NMERB is currently working on finalizing a contract with them.

Mr. Neel summarized actions taken by the Staff Selection Committee at its November 19 meeting:

- Approved Parametric Portfolio Associates as overlay manager.
- Approved a \$30 million commitment to B Capital Opportunities Fund I. This is the third commitment the NMERB has made to the B Capital platform. It is a global venture growth general partner with offices around the world.
- Approved a commitment of \$100 million to a separately managed account with Top Tier Capital Partners, which is exclusively focused in venture that normal public pensions cannot access. This is the second tranche, with the first tranche tracking at an 18 percent net IRR.

**c. Investment Committee Report**

Mr. Jacksha reported actions taken at this morning's Investment Committee:

- Reviewed the real estate and natural resources Q2 report and private equity report.

**d. Other Investment Reports**

None.

**7. SENATOR STEWART LEGISLATIVE PROPOSAL: JAN GOODWIN**

Ms. Goodwin reviewed the 2021 legislative proposal that Senator Mimi Stewart has worked on with the NMERB, calling for a 1 percent annual increase in the contribution rate for the next 4 years, including that all increases in employer contributions for ARP participants will go to the ERB fund and not to ARP participants. The proposal will increase the funded ratio to 73.6 percent in 2051.

Ms. Goodwin said the bill would be presented to the Investments & Pensions Oversight Committee next week and then at the LESC the following week.

Dr. Duszynski asked what steps can be taken to get stakeholders on board to lobby legislators and urge their support. He cited the thousands of people who lobbied the NMERB about divesting from private prisons. Ms. Goodwin responded that she has spoken to AFT, who have committed their support to this and are going to ask Senator Stewart to support a higher contribution level. In addition, based on Dr. Duszynski's suggestion at the last meeting, the NMERB has developed a database with all of the email addresses of the people who contacted the NMERB about divestment, and will be emailing them asking for their support.

**Dr. Duszynski moved to endorse this proposal unanimously. Ms. Cameron seconded the motion.**

Responding to Chairman Gluckstern on whether the motion could be approved by acclamation, as proposed. Ms. Roubidoux said a roll call vote would be necessary because this is a virtual meeting.

The motion passed on the following roll call vote: Chairman Gluckstern; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski. [Not present for the vote: Mr. Goff.]

**8. ERB COMMUNICATIONS AND OUTREACH STRATEGY:  
MARIANA LAROCHE, DIRECTOR OF COMMUNICATIONS & OUTREACH**

Ms. LaRoche made a presentation on the ERB's communication and outreach strategy.

Chairman Gluckstern asked if this outreach strategy would allow the NMERB to communicate with its own members on certain matters, such as advocating for an issue. He wondered if there was a way to separate them by age, geography, etc. Ms. LaRoche responded that this is possible and is definitely the purpose of this strategy. She said help will be needed from the employers, however, as sometimes contact information isn't kept current. One of the challenges will be coming up with ways to keep the database up to date.

Dr. Duszynski asked Ms. LaRoche what sort of support she has in terms of staff to complete these ambitious processes she has outlined; in other words, does she have the resources to move forward right now. Ms. LaRoche responded that she will be presenting a more detailed strategy at the next board meeting, at which time she will better know what resources will be needed to implement it.

Ms. Goodwin noted that the NMERB is in the process of hiring someone to join the Communications & Outreach team and work with Ms. LaRoche.

**9. ERB FACILITIES/ACQUISITION OF PROPERTY—UPDATE ON BOARD OF FINANCE MEETING: ROD VENTURA, DEPUTY DIRECTOR**

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Mr. Ventura reported that the NMERB appeared before the Board of Finance on November 15, which conditionally approved the purchase of this property. The two conditions were: 1) that the NMERB provide them with the executed general warranty deed upon the sale; and 2) to change the description of the land to the description reflected in the final survey done in July and shown in the title binder.

Mr. Ventura said documents provided to the Board of Finance staff in preparation for the meeting included the property appraisal, which was completed in late June at \$980,000 and approved by the Taxation & Revenue Department. The property was listed at \$1.2 million. In addition, he said NMERB provided an environmental site assessment, which showed no issues.

Mr. Ventura stated that the resolution in the board packet has been updated from the resolution adopted in June to reflect the revised land description.

**Ms. Cameron moved that the board approve the resolution to the board's June resolution regarding the acquisition of real property to include an amended description of the property, as requested by the Board of Finance. Dr. Duszynski seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Eichenberg, Mr. Delgado and Dr. Duszynski voting in favor.**

**10. DISABILITY RETIREMENTS: KARLA LEYBA, MEMBER SERVICES BUREAU CHIEF**

Ms. Leyba presented the October-November status report of disability claims. She said there were 4 disability applications in process; 8 pending final information; 41 letters sent; 8 cases closed; and 20 pending periodic review, for a grand total of 82.

**Chairman Gluckstern moved to accept the disability retirements report, as presented. Ms. Cameron seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.**

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

Member Services Bureau Chief Karla Leyba presented the October-November report for Ms. Lujan, who was fulfilling her duties as a member of the Naval Reserve.

Ms. Leyba reported that there were 4 members retired on disability; 9 reciprocities and 128 regular retirements processed for the October-November period, for a grand total of 141 applications. She noted the downward turn in retirements during this bimonthly period, potentially due to the COVID-19 pandemic.

Dr. Duszynski asked if the NMERB knows how many of its members have passed away because of COVID-19. Ms. Leyba responded that the NMERB doesn't have that information because the cause of death is not reviewed. Dr. Duszynski asked Ms. Leyba to look into this, as teachers are among the high-risk groups, and it would be interesting to know whether members are dying at a faster rate than the general population of the state. Ms. Leyba said she would consult with Ms. Lujan.

**Mr. Goff moved for acceptance of the report. Dr. Duszynski seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.**

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

**a. Retiree Healthcare Update**

Ms. Goodwin responded that the NMRHCA would be presenting another bill this year during the upcoming legislative session.

**b. Agency Activities**

Ms. Goodwin referred to the NMERB Departmental Activity Report for the October-November period and noted that, even with all of the remote working from home, it has not slowed the NMERB down at all, as it continues to make incredible process throughout every division of NMERB.

**c. Other**

None.

**13. EXECUTIVE SESSION 11:35**



- a. Threatened or pending litigation in which the Board is or may become a participant – (session closed pursuant to NMSA 1978, Section 10-15-1(H)(7): discussion regarding the Board’s authority to set compensation of executive staff. Mark T. Baker (Peifer, Hanson, Mullins & Baker, P.A.), legal counsel to the Board

Chairman Gluckstern moved that the board go into executive session pursuant to Section 10-15-1(H)(7) of the Open Meetings Act 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. Mr. Eichenberg seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.

[The board came out of executive session at 12:40 p.m.]


Chairman Gluckstern moved that the board come out of executive session. The only matters discussed during 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. Mr. Magid seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.

14. ACTION FROM EXECUTIVE SESSION: 12:40 p.m.


Chairman Gluckstern stated that it is a decision by the board to continue to move forward retaining the services of Mark Baker of Peifer, Hanson, Mullins & Baker to continue to move forward, seeking clarification of the board’s authority to set compensation of executive staff. Mr. Magid seconded the motion, which passed on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Dr. Duszynski. Abstaining: Mr. Delgado.

12. NEXT MEETING: FRIDAY, FEBRUARY 19, 2021 – ALBUQUERQUE OR VIRTUAL MEETING

13. ADJOURN: 12:45 p.m.

  
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Steven Gluckstern, Chairman

ATTEST:

  
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Larry Magid, Secretary