



State of New Mexico
Educational Retirement Board

701 Camino de los Marquez Santa Fe, New Mexico 87505
Toll Free 1(866) 691-2345 Main Office (505) 827-8030



MINUTES OF THE

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

TELEPHONIC/VIRTUAL MEETING

April 23, 2021

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
Mr. Adan Delgado, Deputy Secretary, PED
The Hon Tim Eichenberg, New Mexico State Treasurer
Dr. Donald W. Duszynski

Members Excused:

None.

Staff Present:

Mr. Rick Scroggins, Interim Executive Director
Mr. Bob Jacksha, Chief Investment Officer
Ms. Susanne Roubidoux, General Counsel
Mr. Lawrence Esquibel, Chief Information Officer
Ms. Karla Leyba, Member Services Bureau Chief
Ms. Monica Lujan, Member Services Director
Ms. Mariana LaRoche, Communications & Outreach Director

Others Present:

Mr. Allan Martin, Investment Advisor, NEPC
Ms. Judith Beatty, Board Recorder

b. Approval of Agenda



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

c. Approval of Minutes: February 19, 2021

Mr. Goff moved approval of the February 19, 2021, minutes, as submitted. Dr. Duszynski seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Delgado, Mr. Eichenberg and Dr. Duszynski voting in favor.

d. Approval of Minutes: March 2, 2021

Mr. Magid moved approval of the March 2, 2021, minutes, as submitted. Ms. Cameron seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Delgado, Mr. Eichenberg and Dr. Duszynski voting in favor.

d. Introduction of Guests

Chairman Gluckstern welcomed staff and guests.

2. CONSENT AGENDA

a. Board Travel

Ms. Cameron she would like to attend the June NCTR conference either virtually or in person, depending on how the conference arranges it. Chairman Gluckstern asked any board members wishing to attend the conference to submit a written request to Mr. Scroggins.

Chairman Gluckstern recommended approval to attend the NCTR conference for Ms. Cameron and any other trustees who would like to attend.

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

3. PRESENTATION OF BUSINESS PROCESS IMPROVEMENT PROJECT:
LINEA SOLUTIONS, INC., ERIC GRIFFIN, SENIOR CONSULTANT

Mr. Scroggins stated that Mr. Griffin is the lead in the current project underway at NMERB, and has substantial experience in pension administration systems implementation.



Mr. Griffin made a PowerPoint presentation.

Mr. Griffin said Linea was contacted last year by NMERB to do a strategic assessment because the current pension administration system used by the staff and members will not be supported in the future by the vendor to provide regular updates; and there were a number of pain points and issues within the organization that needed to be resolved within the short, medium and long term. Linea held discovery meetings with management and subject matter experts and produced a 30-page assessment, from which Linea made recommendations on ways to enhance NMERB's current operations and do upgrades with the existing vendor. He reviewed Linea's objectives in two coordinated timelines: 1) the system (PAS) upgrade project, which will require legislative approval in February 2022; and 2) the business process improvement (BPI) project, which will conclude after the training is conducted in Q1 2022.

4. AUDIT COMMITTEE REPORT: MARY LOU CAMERON, COMMITTEE CHAIR

Ms. Cameron highlighted topics reviewed at the Audit Committee meeting held this month.

5. INVESTMENT REPORTS: BOB JACKSHA, CIO

Referring to items a, b, and c, Mr. Jacksha stated that the main change in the Real Estate, Real Assets, and Private Equity policy revisions are to bring them into order with the central investment policy. A change was made last year to bring the approval process for managers to a Staff Selection Committee, and all three policies reflect that. He said the central investment policy always takes precedence if there are any differences.

a. Real Estate Policy Revisions

Mr. Jacksha stated that the Investment Committee reviewed and approved the revisions earlier this morning.

Mr. Canavan reviewed the changes to the document.

Mr. Goff moved for approval of the changes, as presented. Ms. Cameron seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Ms. Cameron, Mr. Delgado, Mr. Eichenberg and Dr. Duszynski voting in favor. [Mr. Magid was not present for the roll call.]

b. Real Asset Policy Revisions



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Mr. Jacksha stated that the changes to this document are very similar to those in the other policy documents, which include the Staff Selection Committee versus the Investment Committee responsibilities.

Mr. Canavan reviewed the changes to the document.

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

c. Private Equity Policy Revisions

Mr. Jacksha stated that this document, like the previous two, includes the addition of the Staff Selection Committee and its responsibilities versus those of the Investment Committee.

Mr. Neel said the only other change was to add a provision where the Investment Committee would monitor the overall Private Equity Portfolio.

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

d. Staff Selection Committee Report

Mr. Jacksha stated that, although board members were provided with a written summary of the March items earlier, he was prepared to give a summary of both the March and April meetings at this meeting based on a comment from a member at a previous meeting who was concerned about transparency. He said he would leave it up to the board to decide whether members wanted interim meetings only in writing or whether action from both meetings should be summarized at each board meeting. He said he did not need an answer immediately.

Mr. Neel summarized action taken at the March and April Staff Selection Committee meetings:

- Arctos Sports Partners Fund I: Approved a \$40 million commitment. Arctos seeks to generate PE type returns by acquiring illiquid minority stakes in professional sports franchises, including Major League Baseball, the NBA, and European soccer.
- Banner Ridge (Secondary) IV: Approved \$100 million commitment. Banner Ridge general partner focuses on secondary interests in private credit, special situation and distressed LP interests. NMERB has invested in all of their prior funds and in their prior organization.



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- GoldenTree: Reauthorized the relationship with GoldenTree for an additional four years. GoldenTree is focused on CLO debt but has the ability to invest opportunistically in other dislocated credits that include high yield bonds, leveraged loans, equity and distressed debt.
- Hamilton Lane: Specialty consultant for real estate and natural resources. NNERB has contracted with the team dating back to 2007, when the principals were at a prior firm that was ultimately acquired by Hamilton Lane. The Staff Selection Committee authorized a new four-year contract.
- Blackstone Harvest Advisors: Extended an existing contract for four years. Harvest Partners invests in publicly traded Master Limited Partnerships in the U.S. midstream energy space. NNERB has been an investor with them since 2016.
- Industry Ventures Partnership Holdings VI: Approved a \$50 million commitment. The platform focuses on early stage venture in seed investments in primary funds, secondaries, and co-investments. This is a particularly notable commitment, as NNERB has been invested across the Industry Ventures platform since 2011. This is the ninth fund interest NNERB has committed to them.
- Kildare European Partners III: Approved a \$50 million commitment. This fund will pursue distressed real estate and real estate-based assets in Europe. This is the third commitment NNERB has made to the Kildare platform.
- Lightyear Fund V: Approved a \$10 million top-off to a fund previously approved for \$50 million, for a total of \$60 million. Lightyear focuses on growth opportunities in financial services. This is the third Lightyear fund the NNERB has committed to, the first commitment being made in 2011.
- NovaQuest II: Approved a \$60 million commitment. The NovaQuest platform is focused on healthcare and life science companies, primarily North American. NNERB invested in a prior fund. The relationship dates back to 2019.
- One William Street Extension: Under the procurement policy, NNERB is required to bring back open-end relationships every four years. One William Street invests across a range of credit investments, including whole loans and structure credit securities like asset backed securities, residential mortgage-backed securities, commercial mortgage-backed securities, collateralized loan obligations, and collateralized debt obligations. This relationship dates back to 2017, when NNERB invested \$100 million as part of the opportunistic credit asset class.



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Mr. Jacksha stated that Arctos hired placement agent CSP Securities. Details of that will be included in the quarterly report, which will be published on the website.

e. Private Equity Co-Investment Case Study

Mr. Jacksha said he felt it would be beneficial to make a brief presentation on the NMERB's co-investment program, which was begun in 2009 with the hiring of an outside "general partner" to some of the legwork. Since then, \$1.36 billion has been committed to co-investments across the private markets platform.

Mr. Jacksha said the NMERB has a co-investment program for two major reasons: fees are typically about half of what they would be in a fund investment; and the NMERB retains selectivity in choosing these investments.

Mr. Neel discussed a recent transaction as a case study:

- NMERB invested a total of approximately \$17 million across multiple private equity co-investment portfolios in a technology company.
- The company recently completed an initial public offering, generating approximately 12.0x NMERB's original investment,
- At the IPO price this single co-investment generated approximately \$180 million in value for NMERB's fund (8% return to the PE portfolio; 1.2% to the entire NMERB portfolio).
- Since the IPO, the company has traded up in the public markets. NMERB has already received about \$90 million, and still retains some public exposure.

f. Other Investment Reports

None.

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

Ms. Lujan reported on the February-March period. During the bimonthly period, there were five disability (under the age of 60) applications processed, 23 reciprocity applications, and 295 regular retirement applications, for a grand total of 323. This number is consistent with the same period in previous years.

Ms. Cameron asked if Ms. Lujan could generate a report by district, e.g., Albuquerque, Deming, Silver City, etc. Ms. Lujan responded that she would see if that was possible.

In discussion on the July 1 status report and the jump in retirements from 475 for the third week in April 2020 to 660 for the same period in April 2021, Chairman Gluckstern said it would be helpful to



know the ages of the retirees in the group and whether this reflected a change in behavior or was a reflection of aging.

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

7. DISABILITY RETIREMENTS: KARLA LEYBA, BUREAU CHIEF, MEMBER SERVICES

Speaking to a question raised in the previous agenda item regarding a jump in retirements, Ms. Leyba said she believed the increase was partly due to the change in the age 55 increment penalties, or not being able to apply for healthcare until a certain age.

Ms. Leyba presented the February-March status report of disability claims. She said 90 cases are still on file with Maximus Federal with 9 pending and one under expert review; 1 letter has been sent; 10 cases are closed for various reasons; and 19 are pending periodic review. Since preparation of this report in early April, the total has gone up to 98.

Ms. Cameron moved to accept the disability report, as presented. Mr. Goff 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.

Mr. Delgado said he believed the rule change made by the New Mexico Retiree Health Care Authority had put some educational employees in a corner, causing them to retire earlier than originally planned in order to retain the subsidy benefit without a penalty, depending on their age.

Mr. Goff agreed that the rule change would create a big impact on the number of retirees this year.

8. ASSET DISPOSAL: LAWRENCE ESQUIBEL, CHIEF INFORMATION OFFICER

Mr. Esquibel presented the IT equipment disposal list, consisting of the Oracle database appliances that have housed the pension administration system for the past four and a half years.

Ms. Cameron moved for approval. 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.

9. FY22 OPERATING BUDGET: SARA BROWNSTEIN, CHIEF FINANCIAL OFFICER



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Ms. Brownstein stated that NMERB's budget was approved through HB2 during the last legislative session. As required, NMERB will submit the budget to the State Budget Division and the Legislative Finance Committee on May 3.

Ms. Brownstein noted that there was no difference between NMERB's appropriation request and the approved budget in HB2. Included in the budget was a 1.5 percent increase for salaries for NMERB staff, approximately \$95,000. About \$1.5 million was appropriated from other state funds to implement and conduct a data cleanse project, extended through FY22. NMERB has continuing budget adjustment authority for investment-related management fees.

10. DIRECTOR'S REPORT: RICK SCROGGINS, INTERIM EXECUTIVE DIRECTOR

a. Refund Rate for FY22

Mr. Scroggins reported that the refund rate would be 0.92 percent beginning in FY22, up from 0.37 percent in the current fiscal year.

b. NMRHCA Update

Mr. Scroggins said the NMRHCA rule change would go into effect on July 31, 2021. As mentioned by Mr. Delgado and Mr. Goff, the most important aspect of the rule change is that they established a minimum age of 55 in order to begin receiving any kind of subsidy from the NMRHCA. Members are concerned that if they qualify to retire but aren't yet 55 years old, they are not covered unless they retire before July 1.

Mr. Scroggins said the years of service requirement to receive the maximum subsidy has increased from 20 to 25 years, also going into effect on July 31. The people retired prior to that are essentially grandfathered in. It does not affect members of enhanced retirement programs like police, fire, correctional officers, or judges.

Mr. Scroggins said NMERB took steps a couple of weeks ago to assist members with those NMRHCA changes, providing an Immediate vs. Delayed Retirement Calculator on the website to help them input information to determine the effect of retiring in two years, three years, etc. He said Monica Lujan and Mariana La Roche were both very instrumental in getting the process done and the new calculator activated on the website.



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c. Agency Activities

Mr. Scroggins said the NMERB Departmental Activity Report (February – mid April) begins on page 155 of the board book.

Mr. Scroggins said Ms. La Roche’s Communications & Outreach Activities Report begins on page 161 and includes details on the Immediate vs. Delayed Retirement Calculator.

d. Legislative Update

Mr. Scroggins discussed the highlights of SB42, which affects NMERB:

- Increases the employer contribution by 1 percent each year for the next two fiscal years, resulting in a 15.15 percent contribution for FY22 and 16.15 in FY23, and remains at that rate. For employers with ARP participants, the one-year increase is remitted to the NMERB fund.
- Extends the Return to Work sunset date from January 1, 2022 to January 1, 2024.
- Requires that NMERB report to DFA, LFC, LESC, and other appropriate interim legislative committees on fund status. The NMERB also has to report on the options to improve pension solvency and fund status with no additional contributions from public employers. NMERB will be looking to different sources for advice and possible assistance in structuring the response to the report.

Mr. Scroggins commented that, without increasing the contribution rate, especially from employees, future action would call for reduction of benefits.

Mr. Scroggins said PERA’s current employer contribution rate is higher than that of the NMERB, and NMERB employees also pay more. Ms. Lujan clarified that effective July 1, 2019, the employer contribution rate for State Plan 3 is 17.24 percent with PERA.

Chairman Gluckstern said that he appreciates the legislature’s generosity with 1 percent per year, but it still treats educational employees of the state at a disadvantage to other employees.

Mr. Scroggins summarized three other legislative actions taken that will affect NMERB:

- SB303 increases the board size by two members, bringing it to a total of nine. One will be from AFT New Mexico, and the other will be the Higher Education Secretary or designee. This goes into effect June 18, prior to the next board meeting.



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- SB 12, the Revised Uniform Law on Notarial Acts, provides for the use of electronic signatures on forms and also enables the use of electronic notaries in New Mexico, effective January 1, 2022.
- SB345 changes some elements of the Per Diem and Mileage Act. It retains the in-person meetings for four hours and longer at \$95, and less than four hours is \$45, and any virtual meeting of any length is \$45.

e. **Building Update**

Mr. Scroggins said the review panel for the Architect and Engineering Services RFP met on April 13 for a general organization session and are now in the process of reviewing the submissions. They will later do the evaluations and make the selection. Members of the panel are Santa Fe architect Michael Bodelson along with NMERB staff members Kay Chippeaux, Kevin Long, and Lawrence Esquibel.

11. **EXECUTIVE SESSION**

- a. **Pending litigation in which the board is a participant (session closed pursuant to NMSA 1978, § 10-15-1(H)(7): update regarding NMERB v. Debbie Romero and Dept. of Finance and Administration, Case No. D-101-CV-2021-00353. Mark T. Baker (Peifer, Hanson, Mullins & Baker, P.A.); legal counsel to the board.**
- b. **Discussion regarding threatened litigation in which NMERB may become a participant involving a former employee and the State of New Mexico et al.**

Chairman Gluckstern moved to go into Executive Session pursuant to Section 10-15-1(H)(7) of the Open Meetings Act to discuss (i) pending litigation in which the board is a participant, NMERB v. Debbie Romero and DFA, Case No. D-101-CV-2021-00353; and (ii) threatened litigation in which NMERB may become a participant involving a former employee of NMERB and the State of New Mexico et al. Mr. Goff seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Delgado; Mr. Eichenberg; Dr. Duszynski.

Mr. Eichenberg said he would not be present at Executive Session.

12. **ACTION FROM EXECUTIVE SESSION: 11:30**

Chairman Gluckstern moved that the board come out of Executive Session, and that the only matters discussed in Executive Session were (i) pending litigation in which the board is a participant, NMERB v. Debbie Romero and DFA, Case No. D-101-CV-2021-00353; and (ii) threatened litigation in which NMERB may become a participant involving a former employee of NMERB and the State of



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New Mexico et al. Dr. Duszynski seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Delgado; Dr. Duszynski.

13. NEXT MEETING: FRIDAY, JUNE 25, 2021 – ALBUQUERQUE OR VIRTUAL MEETING

14. ADJOURN:

Meeting adjourned at 11:30.

~~Steven Gluckstern, Chairman~~

N. Russell Goff, Vice-Chairman

ATTEST:

Larry Magid, Secretary