

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

June 25, 2021

1. a. CALL TO ORDER

A meeting of the New Mexico Educational Retirement Board Investment Committee was called to order on this date at 8:15 a.m. via teleconference. A quorum was established following roll call.

Members Present:

Mr. Russell Goff, Chair
Ms. Mary Lou Cameron

Members Excused:

Mr. Larry Magid

Staff Present:

Mr. Bob Jacksha, CIO
Mr. Rick Scroggins, Acting Deputy Executive Director
Mr. Steve Neel, Deputy CIO, Alternative Assets
Ms. Kay Chippeaux, Deputy CIO, Public Markets & Credit
Mr. Mark Canavan, Investment Officer, Real Estate & Natural Resources
Mr. Nathan Sax, Fixed Income Portfolio Manager

Others Present:

Mr. Steve Gruber, Hamilton Lane
Mr. Asif Hussain, CBRE Caledon
Ms. Noi Spyratos, CBRE Caledon
Ms. Judith S. Beatty, Recorder

b. Approval of Agenda

Ms. Cameron moved approval of the agenda, as published. Chairman Goff seconded the motion, which passed unanimously.

c. Approval of Minutes: April 23, 2021

Ms. Cameron moved approval of the April 23, 2021, minutes, as submitted. Chairman Goff seconded the motion, which passed unanimously.

d. Introduction of Guests

Chairman Goff welcomed guests and staff.

2. FIXED INCOME POLICY REVISIONS

[Presenter: Kay Chippeaux and Nathan Sax]

Ms. Chippeaux stated that the NMERB internally manages its Fixed Income portfolio to the Barclays US investment grade benchmark. The team is requesting a few revisions to the Investment Policy because some things have changed over time in the investment environment.

Mr. Sax said there were two important changes to the policy:

1. V.B: Staff is requesting a change in the limit on the purchase of private placements, including Rule 144(a) securities from a limit of 15 percent to a limit of 30 percent. These securities are placed directly with qualified institutional buyers like ourselves because of their lower administrative costs and ability to be brought to market quickly. The universe of securities has grown in this area. They are also considered highly liquid. Their inclusion in the NMERB portfolio gives access to a broader scope of desirable fixed income securities. These are not fully registered with the SEC.

Ms. Cameron asked if there is any problem with these securities not yet being fully registered. Mr. Sax responded that it may have been a concern 30 years ago, but they have gradually become increasingly prevalent because, for the issuers, they can be brought to market more cheaply and quickly.

Mr. Jacksha added that the important attributes of private placements are really the same as registered bonds. The credit is the same, depending on the issuer. It is really the legal form. He said there are probably a few categories of investors that either don't do private placements or don't do a lot of them. The differences are not very great from those that are registered; in other words, they are not more risky because of that.

2. VII.d: Staff is suggesting that the current minimum requirements for liquidity be revised to combine the NMERB's required Treasury holdings at 50 percent of the index weight with the STIF (Short Term Investment Fund) cash fund holdings. The STIF is a money market investment that matures in about 22 days. The minimum holding requirements for Treasuries, combined with the STIF, is designed to mature an adequate level of liquidity. Both may be monetized within a day.

Mr. Martin said NEPC has reviewed the changes and supports staff's recommendations.

Chairman Goff moved that the Investment Committee recommend that the board approve the changes to the Core Fixed Income Policy. Ms. Cameron seconded the motion, which passed unanimously.

3. Q4 INFRASTRUCTURE PERFORMANCE REPORT

[Presenter: Mark Canavan with Asif Hussain and Noi Spyrtos, CBRE Caledon]

Mr. Canavan presented highlights from the Q4 Infrastructure report:

- Portfolio Fair Value: \$495 million of invested capital and \$265 of Unfunded Commitments, for a Total Exposure of \$760 million, spread across 13 fund investments and 20 direct investments.
- Total Net Return Since Inception: 7.0 percent.

Mr. Jacksha reported that the co-investment program is progressing nicely. Like everything the NMERB is looking at in terms of performance, there was a bump in the road in the first calendar quarter of last year, but shorter-term performance shows improvement.

4. Q4 REAL ESTATE AND NATURAL RESOURCES PERFORMANCE REPORT

[Presenter: Mark Canavan with Steve Gruber, Hamilton Lane]

Mr. Canavan presented highlights from the Q4 report:

- The Natural Resources and Real Estate program has grown 61 active partnerships with 30 active GP relationships.
- \$2.8 billion in committed capital with about \$900 million of unfunded commitments.
- Market value: \$1.5 billion.
- Total Portfolio Net IRR: December 2021, 10.48 percent, a drop from last year's 11.56 percent. Since that time, performance has dramatically come back.

Mr. Canavan said part of the drop in performance was because multifamily properties were not allowed to increase rent in different parts of the US or enforce leasing contracts.

Mr. Canavan noted that parts of the agriculture portfolio did exceptionally well, depending on which parts of the food chain were being sold to. For instance, school system products did poorly while products in Costco, Smith's, etc., did exceptionally well.

Mr. Canavan said that, while oil & gas dropped precipitously in Q1 due to demand destruction during that time, since the beginning of this year there has been a tremendous markup in the portfolio as the supply/demand imbalance has gone out of whack, this time with significantly more demand than product.

5. Q4 2020 PROXY VOTING REPORT

Ms. Cameron moved to approve the Proxy Report, as presented. Chairman Goff seconded the motion, which passed unanimously.

6. Q4 COMMISSION REPORTS

[Informational.]

7. OTHER REPORTS AND DISCUSSION

Mr. Jacksha reported that official numbers aren't in for May, but returns should be up 3 percent.

ADJOURN

The meeting adjourned at 8:40 a.m.



H. Russell Goff, Chairman