



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

**December 10, 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 8:30 a.m. via teleconference. A quorum was established following roll call.

**Members Present:**

Mr. Larry Magid, Chair  
Mr. Russell Goff

**Members Excused:**

Dr. Matías Fontenla

**Staff Present:**

Mr. Bob Jacksha, CIO  
Mr. Lawrence Esquibel, Deputy Director  
Mr. Rick Scroggins, Interim Executive Director

Mr. Mark Canavan, Investment Officer, Real Estate & Natural Resources

Mr. Steve Neel, Deputy CIO, Alternative Assets

**Others Present:**

Mr. Allan Martin, NEPC  
Mr. Sean Gill, NEPC  
Mr. Steve Gruber, Hamilton Lane  
Ms. Judith S. Beatty, Recorder

**b. Approval of Agenda**

**Mr. Goff moved approval of the agenda, as published. Chairman Magid seconded the motion, which passed unanimously by roll call vote.**

**c. Approval of Minutes: October 15, 2021**

**Mr. Goff moved approval of the October 15, 2021, minutes, as presented. Chairman Magid seconded the motion, which passed unanimously by roll call vote.**

**d. Introduction of Guests**

Chairman Goff welcomed attendees.

**2. Q2 PRIVATE EQUITY REPORT**

[Presenters: Steve Neel with Sean Gill, NEPC]

Mr. Neel credited private markets team members Aaron Armstrong, Casey Poe, and Kevin Tatlow for their work, along with key partners Sean Gill of NEPC, BlackRock Private Equity Partners, Top Tier Capital partners, and Banner Ridge. He commented that this is a very talented group and today's results are a reflection of that.

Mr. Neel presented highlights:

- IRR for the 1-year period (trailing): 60%, outpacing ILPA's all funds benchmark by 4%. Throughout the ten-year time period, the NMERB outpaced the ILPA benchmark, the single exception being the last quarter, when it missed it by 1%.
- In the last year, the program has added \$1.3 billion in value.
- The NMERB's co-investment program has over \$600 million committed. Over the last 12 years, it has generated over 2X MOIC and a 21% IRR.

Mr. Gill noted that the ILPA universe has shrunk a bit over the last 15 years, from 200+ funds per vintage year down to 140-150. The NMERB's vintage years have continued to show increasingly higher net IRRs, reflecting what is happening in the overall private equity universe. The ERB began moving out of mezzanine funds, secondaries and other

higher cash flowing strategies that were seen in earlier vintage years when there were lower IRRs. In the 2007-2011 timeframe, the NMERB's cash distributions were very much in excess of the ILPA median universe and closer to top quartile. Mr. Neel and the team have been looking at higher IRR-generating strategies as evidenced in the most recent years in comparison to the rest of the ILPA universe.

Mr. Neel noted that ILPA is discontinuing the ILPA Private Markets Benchmark, effective January 1, 2022. There will be a policy revision in the near term that will incorporate new benchmarks.

### **3. Q2 REAL ESTATE AND NATURAL RESOURCES REPORT**

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

Mr. Canavan presented the following highlights for the second quarter:

- NMERB has 64 active partnerships with 31 active GP relationships
- Entire portfolio's (Real Estate and Real Assets) market value is \$1.8 billion with 1.44X MOIC
- IRR is 11%, up 38 basis points from the prior quarter
- Total commitments: \$2.9 billion with \$1.8 billion of market value. The 1-year net IRR of 23.3% reflects very good recovery coming out of the economic shutdown due to COVID.
- All of the real estate sectors, with the exception of retail and office, had a dramatic rebound with a 33.9% net IRR for the 1-year period. Based on a report from NEPC, Investment Metrics ranked the NMERB as the top plan in Real Estate for almost all time periods.
- The 1-year net return for Natural Resources was 10.44%.

Mr. Gruber said it was important to point out that this is the first report where Hamilton Lane has switched over from time-weighted returns to IRRs.

Mr. Gruber said Hamilton Lane is cognizant of the fact that the NMERB is under its target allocation, although 2021 has been an active

allocation year with over \$700 million in commitments across the portfolio. He said \$600 million of this was in Real Estate and about \$100 million in Natural Resources.

Mr. Gruber said real estate portfolio performance is driven by four factors: investments in medical office; investments in multifamily residential; warehouse; and the Co-Investment program. On the natural resources side, energy has been leading along with water and timber. The Ag portfolio has been lagging.

Mr. Gruber stated that they are ramping up their commitments to counter the realizations and disposition proceeds they have been receiving. They are building back to target and have a good manager lineup with respect to strategy and allocations to strategies with tailwinds for forward-looking performance, as well.

#### **4. OTHER REPORTS AND DISCUSSION**

None.

#### **ADJOURN**

The meeting adjourned at 9:00 a.m.

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Larry Magid, Chairman