



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

**December 10, 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. H. Russell Goff, Chair

Ms. Mary Lou Cameron, Vice Chair

Mr. Larry Magid, Secretary

The Hon Tim Eichenberg, New Mexico State Treasurer

Dr. Donald W. Duszynski

Dr. Matías Fontenla

Ms. Katarina Sandoval, Deputy Secretary of Public Education [sworn in]

Mr. Mario Suazo

**Members Excused:**

None.

**Staff Present:**

Mr. Rick Scroggins, Interim Executive Director

Mr. Lawrence Esquibel, Deputy Director

Mr. Bob Jacksha, Chief Investment Officer

Mr. Steve Neel, Deputy Chief Investment Officer, Alternative Assets

Mr. Prakash Bhakta, Chief Information Officer

Ms. Sara Brownstein, CFO

Ms. Mariana LaRoche, Communications & Outreach Director

Ms. Karla Leyba, Member Services Bureau Chief

Ms. Monica Lujan, Member Services Director

Ms. Susanne Roubidoux, General Counsel

**Others Present:**

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

**b. Approval of Agenda**

**Ms. Cameron moved for approval of the agenda, as presented. Mr. Magid seconded the motion, which passed unanimously by roll call vote.**

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

**Ms. Cameron moved approval of the October 15, 2021, minutes, as presented. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.**

**d. Introduction of Guests**

Chairman Goff introduced Katrina Sandoval, designee for the Public Education Department.

**2. SWEARING IN OF NEW BOARD MEMBERS**

Katarina Sandoval, Deputy Secretary of Education, was sworn in.

**3. CONSENT AGENDA: BOARD TRAVEL**

Ms. Cameron stated that she would like to attend the NCTR summer workshop.

Chairman Goff and Mr. Magid said they would like to attend the NEPC conference on February 1 and 2, in Phoenix.

**Ms. Cameron moved for approval of these requests. Mr. Magid seconded the motion, which passed unanimously by roll call vote.**

**4. OPEN MEETINGS ACT RESOLUTION FOR 2022:  
SUSANNE ROUBIDOUX, GENERAL COUNSEL**

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Ms. Roubidoux reviewed highlights of the Open Meetings Act resolution, which requires annual approval. She said this year's version of the resolution is virtually the same as last year's resolution, inserting "2022" where needed.

**Dr. Duszynski moved for approval of the Open Meetings Act Resolution for 2022, as presented. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.**

**5. APPROVAL OF 2022 BOARD MEETING DATES**

**Ms. Cameron moved for approval of the 2022 board meeting dates. Dr. Fontenla seconded the motion, which passed unanimously by roll call vote.**

**6. AUDIT COMMITTEE (AC) REPORT: MARY LOU CAMERON,**

**a) AC Committee Meeting – November 18, 2021**

Ms. Cameron stated that the Audit Committee met virtually on Thursday, November 18, 2021, for an exit conference for the 2021 Annual Financial Audit and discussion of the FY21 Follow-up Internal Audit and Vendor Management Internal Audit. NMERB Chairman Russell Goff was also present for this meeting.

Ms. Cameron noted the following highlights:

- The financial audit, which began in June, recognized that the NMERB had \$16,361,524,358 in assets with a funding status of 69.8 percent. Most of the assets are investments. A total of \$11 billion was reported in alternative investments.
- The liability of the NMERB fund closed down from \$33 billion to \$16 billion in one year.
- Prior to March 31, 2021, insignificant amounts of money were not being deposited on a timely basis. The Public Money Act requires checks to be deposited within 24 hours on the following business day. Due to COVID, staff was working mainly from home, and checks accumulated. Corrective steps have been put in place.

**7. ALTERNATIVE RETIREMENT PLAN (ARP) COMMITTEE REPORT: LARRY MAGID, CHAIR**

**a) ARP Committee Meeting – December 3, 2021**

Magid reported that the ARP Committee met on December 3 and addressed the following items:

- Approved CAPTRUST's recommended edits to the Committee Charter and the Investment Policy. The changes are in line with best practices for defined contribution plans.
- Reviewed the current record keeping plan and administrative fees and approved CAPTRUST's recommendations regarding reductions to both, which resulted in a significant overall reduction to the total plan administrative fees. Over a period of four to five months, CAPTRUST was able to negotiate a total plan administrative fee reduction of 7.5 basis points from the TIAA program and 8 basis points from the Fidelity program, representing almost a 70 percent reduction in the overall total plan administration fee for participants. Projected annual savings from the TIAA program are \$565,869, or an annual average savings of \$184 per participant, and from the Fidelity program are \$147,748, or an annual average savings of \$138 per participant.
- Reviewed benchmarking information for record keeping and administrative fees and negotiated a reduction in those fees. Fidelity was already at the lower end and TIAA was well below the average for fees in the range of balances.
- Reviewed the balances in the Revenue Credit Account at TIAA and Fidelity and approved reimbursement of \$306,805 to TIAA participants and \$157,302 to Fidelity participants, or an average of \$99 per TIAA participant and \$147 per Fidelity participant.
- Discussed the CAPTRUST Q3 review and approved retaining the following funds on watch: DFA Emerging Markets I and Fidelity Small Cap Discovery.
- Scheduled the next meeting for June 8, 2022.

**b) Amendments to ARP Committee Charter and ARP Investment Policy:**

**Susanne Roubidoux, General Counsel**

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Ms. Roubidoux stated that the ARP Committee reviewed the Committee Charter and the Investment Policy at its meeting of December 3, 2021. The charter hadn't been reviewed since 2014, and with the assistance of the advisor, CAPTRUST, the committee recommended changes to bring the charter in line with best practices.

Ms. Roubidoux reviewed the changes, which addressed committee procedure; the authority of the committee; its duties and responsibilities; educational requirements; and meetings, minutes, and communications.

Ms. Roubidoux noted the following addition to Paragraph II.C:

- Committee members shall be automatically removed upon his or her ceasing to hold his or her Board position unless otherwise provided by action of the Board.

Ms. Cameron commented that the language “unless otherwise provided by action of the Board” was unclear and might infer that the Board could allow a former Board member to be a member of the ARP committee. Ms. Roubidoux stated that only a current Board member can be a member of the ARP committee but agreed that the provision would be clearer if this language were deleted.

**Ms. Cameron moved approval of the ARP Committee Charter with the proposed change to Paragraph II.C as discussed, and that all other changes to the ARP Committee Charter be approved as presented. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.**

Ms. Roubidoux stated that CAPTRUST’s recommended changes to the ARP Investment Policy were intended to bring the policy up to more current standards for defined contribution plans of similar size to the ARP, and to add more meat to the bones of the policy, which was lacking in some areas. She noted that the policy hadn’t been reviewed since 2015.

Ms. Roubidoux reviewed the proposed changes to the policy, which addressed ARP Committee responsibilities and monitoring of investment options.

**Ms. Cameron moved approval of the proposed amendments to the ARP Investment Policy, as presented. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.**

**8. JUNE 30, 2021, ACTUARIAL REPORT:  
RYAN FALLS AND DANA WOOLFREY, GABRIEL ROEDER SMITH &  
COMPANY**

[Chairman Goff said Mr. Falls was at his daughter’s college graduation and therefore would not be present.]

Ms. Woolfrey presented this report. [Slide presentation on pages 38-59 of meeting book.]

In summary, Ms. Woolfrey said market value gains during FY 2021, and increased contributions from Senate Bill 42, put the NMERB on the best trajectory it has been on in years. While the funding period of 42 years is not ideal, it is now a finite number and there are deferred investment gains, which create a tailwind going forward.

**Ms. Cameron moved acceptance of the June 30, 2021, actuarial report. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.**

## **9. INVESTMENT REPORTS: BOB JACKSHA, CIO**

### **a) September 2021 Quarterly Performance Report**

Mr. Martin presented the Q3 report, with the following highlights:

- Over the past 5 years, the fund returned 10.3 percent per annum.
- Over the past 3 years, the fund returned 11.0 percent per annum.
- For the year ending September 30, 2021, the fund experienced a net investment gain of \$3.4 billion, which includes a net investment gain of \$351 million during the quarter. Assets increased from \$13.2 billion 12 months ago to \$16.0 billion on September 30, 2021, with \$524.6 million in net distributions during the year. The fund returned 25.82 percent, underperforming the policy index by 550 basis points and ranking in the 6th percentile of its peers.

### **b) Staff Selection Committee Report**

Mr. Jacksha and Mr. Neel reviewed action taken at the October and November Staff Selection Committee (SSC) meetings.

- Beach Point SCF I, LP is the NMERB's separately managed account, with assets primarily in high yield bonds, senior bank loans, distressed debt, and occasionally public equity. Beach Point is the NMERB's largest manager in the Opportunistic Credit portfolio, managing just over \$500 million. The SSC authorized the continuation of the LP agreement with this manager for an additional four years.
- B Capital Growth Fund III, LP/Opportunity Fund III, LP: Approved a \$100 million commitment across both funds for the Private Equity portfolio. The commitment is venture focused and venture growth focused. They focus on SAS logistics, healthcare, B2B commerce,

and retail. These are the fourth and fifth commitments to the B Capital platform.

- Industry Ventures Direct III, LP: Approved a \$20 million commitment to the Private Equity portfolio. The fund seeks to create a diversified portfolio in B and C round direct investments in venture-backed companies. Industry Ventures is one of the NMERB's largest relationships across its private equity platform and dates back to 2009.
- Raine Partners Fund IV, LP: Approved a \$60 million commitment for the Private Equity portfolio. This is a growth equity fund that seeks to invest in minority positions in the preferred equity of late stage companies in sectors such as content and entertainment; sports and lifestyle; gaming; and internet and technology. This is the second Raine commitment for the platform.
- Hammes Partners Fund IV: Approved a \$50 million commitment for the Real Estate portfolio. Hammes intends to acquire and develop medical office buildings, ambulatory care centers, and specialty hospitals that offer relatively stable cash flows coupled with moderate growth potential. The NMERB's relationship with Hammes dates back to 2014.
- Sares Regis Multifamily Value Add Fund IV: Approved a \$60 million commitment for the Real Estate portfolio. Sares Regis focuses on Class B multifamily properties that are located in rapidly growing supply constrained markets in the West and Southwest. The Sares Regis relationship with the NMERB dates back to 2013.

### **c) Investment Committee Report**

Mr. Jacksha reported that the Investment Committee met this morning and reviewed the Q2 2021 Private Equity report and the Real Estate and Natural Resources report for the same period.

Mr. Jacksha noted that the Private Equity report posted to the website, distributed to the trustees, and presented to the Investment Committee, consists of June 30 results because of a few generally expected delays in some private equity numbers for the third quarter. As noted in NEPC's report, private equity returns for the quarter were up almost 10 percent and up about 60 percent for the 1-year period.

Mr. Jacksha stated that, since inception, Real Estate and Natural Resources together reflect an 11 percent return. For the 1-year period, Real Estate returned about 34 percent and Natural Resources a little over 10 percent.

**d) Other Investment Reports**

None.

**10. NMERB UPDATE ON BUILDING PROJECT: LAWRENCE ESQUIBEL, DEPUTY DIRECTOR**

Mr. Esquibel reported that, since the last board meeting, NMERB management (Mr. Esquibel and Mr. Scroggins) have met with the Dekker Parrish Sabatini on three occasions to discuss the initial schematic design for the building. A couple of services are being added to the DPS contract for a topographical survey and a public water plan, an additional cost of \$12,000. Department directors also met with the architects to discuss their vision and spacing needs. The work is scheduled to be completed and delivered by December 31. Yesterday, he and Mr. Scroggins had the third meeting with the DPS staff to discuss the building layout. The estimated footprint is 25,075 square feet.

Mr. Esquibel stated that, over the next couple of months, design development will be the focus with the completion and delivery of this phase by February 17, 2022. The process will include a minimum of two program reviews with NMERB. The next phase will include the construction documents, which will take 56 days.

Mr. Esquibel said NMERB management is working to secure a project manager to ensure timely and cost-efficient completion of the project, and a couple of recommendations have been forwarded from GSD. Quotes from two individuals have been received. Additional recommendations are anticipated prior to contracting with any individual.

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

Ms. Leyba presented the October-November status report on disability claims. She reported that there 1 claim in process, 12 pending receipt of final information, 102 closed cases, and 18 pending periodic review, for a total of 133.

Ms. Cameron asked Ms. Leyba to send her a report reflecting last year's numbers in comparison to this year's.

**Ms. Cameron moved to accept the Disability Retirement Report, as presented. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.**



## **12. AGE & SERVICE RETIREMENTS: MONICA LUJAN, DIRECTOR OF MEMBER SERVICES**

Ms. Lujan reported on the October-November period. During the bimonthly period, there was one disability application (under age 60) processed, 17 reciprocity applications, and 151 regular retirement applications, for a grand total of 169

**Mr. Suazo moved acceptance of the Age & Service Retirements report, as presented. Mr. Eichenberg seconded the motion, which passed by unanimous roll call vote.**

## **13. DIRECTOR'S REPORT: RICK SCROGGINS, INTERIM EXECUTIVE DIRECTOR**

### **a) Retiree Health Care Update**

Mr. Scroggins reported that the NMRHCA held their monthly meeting this week, and the audit report has been filed with the State Auditor's Office. The agency is participating in an RFP for pharmaceutical benefit management services, along with the New Mexico Risk Management Division, New Mexico Public School Insurance Authority, APS, and UNM. The NMRHCA's funds are managed by the SIC, and they now have balances in excess of \$1 billion as of October 31. The NMRHCA is expected to seek legislation in the upcoming session to address cost sharing for behavioral health treatment, and COVID-19 testing and treatment costs.

### **b) Agency Activities**

Mr. Scroggins said the Activity Report is in the board book, reflecting a lot of activity in each department for the period of late October to mid-December.

### **c) Other**

Mr. Scroggins said the NMERB is in the final third of the 15-month business process improvement project, and staff has contributed greatly to this large effort. Accomplishments include important updates or additions to the pension administration system and the forms that are available to the members on the website. Many of these forms are now available on DocuSign documents, which makes it even easier for the members to get information processed with the NMERB.

Mr. Scroggins stated that the NMERB is developing an RFP for actuarial services with plans to issue it before the end of this calendar year. The contract with GRS is set to expire April 30, 2022, and may not be further extended. Mr. Scroggins noted that §22-11-9 of the Educational Retirement Act requires the NMERB to employ the services of an actuary and pay a reasonable fee; and that 2.82.1.16 NMAC requires that “the director shall recommend an actuarial firm to be engaged for the purpose of performing routine actuarial services and actuarial investigations and evaluations to be provided for in a contract to be approved by the board.” Because the timeframe for the RFP will not allow for that entire process to be completed before the February 2022 board meeting, staff plans to present the final recommendations for the actuarial firm at the April 2022 meeting for the board’s consideration. He asked that any board member wishing to participate on the evaluation committee for the actuarial services contact him as soon as possible.

Mr. Scroggins stated that, due to the continued spread of COVID-19 and having some staff members test positive, which required involved steps in reporting to the oversight agencies and having some staff members tested, he has authorized staff to telework 100 percent, if they choose, until the end of March. Some tasks require physical presence in the office, and those will continue to be performed as necessary. Some people prefer to be in the office, and that will be permitted. The proper preventative steps continue for those that are physically in the office.

Mr. Scroggins reported that the NMERB has successfully implemented virtual appointments for the members, which has been met with enthusiasm. Limited staffing seems to be the biggest factor in keeping this service from being utilized in large numbers.

Mr. Scroggins reported that the Office of the State Auditor has approved the FY 2021 audit report, which will be presented at the February meeting. He commended CFO Sara Brownstein and her staff for their hard work.

#### **14. EXECUTIVE SESSION: 11:20 a.m.**

##### **a) Pending litigation in which the Board is or may become a participant (session closed per § 10-15-1(H)(7)). Update regarding:**

i) *NMERB v. Debbie Romero and DFA*, Case No. D-101-CV-2021-00353. Mark T. Baker (Peifer, Hanson, Mullins & Baker, P.A.), legal counsel to the Board;

ii) *Jan H. C. Goodwin v. Governor Lujan Grisham et al.*, Case No. 1:21-cv-00483-JHR-KK (U.S. District Court, New Mexico). Luke A. Salganek (Miller Stratvert P.A.), legal counsel to the Board.

iii) *In re Credit Default Swap Antitrust Litig.*, Case No. 1:21-cv-00606. Brian E. McMath, Assistant Attorney General, New Mexico Office of the Attorney General.

**b) Limited personnel matters (session closed per § 10-15-1(H)(2)).  
Update regarding Executive Director search and pay.**

**c) Personnel matters regarding pay levels of exempt staff  
(session closed per § 10-15-1(H)(2)).**

**d) Discussion regarding (i) retirement of Rick Scroggins, Interim Executive Director; and (ii) appointment of Acting Executive Director  
(session closed per § 10-15-1(H)(2)).**

**Chairman Goff moved that the board go into executive session for the following purposes:**

**a) Discussion of pending litigation in which the Board is or may become a participant (session closed per § 10-15-1(H)(7)) of the OMA), specifically: i) *NMERB v. Debbie Romero and DFA*, Case No. D-101-CV-2021-00353; ii) *Jan H.C. Goodwin v. Governor Lujan Grisham et al.*, Case No. Case No. 1:21-cv-00483-JHR-KK; and iii) *In re Credit Default Swap Antitrust Litig.*, Case No. 1:21-cv-00606.**

**b) Limited personnel matters (session closed per § 10-15-1(H)(2)).  
Update regarding Executive Director search and pay;**

**c) Personnel matters regarding pay levels of exempt staff  
(session closed per § 10-15-1(H)(2)); and**

**d) Discussion regarding (i) retirement of Rick Scroggins, Interim Executive Director; and (ii) appointment of Acting Executive Director  
(session closed per § 10-15-1(H)(2)).**

**Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.**

[Board came out of executive session at 1:20 p.m.]

**Chairman Goff moved that the board come out of executive session. The only matters discussed were:**

- a) Three pending court cases in which NMERB is or may become a participant, specifically (i) *NMERB v. Debbie Romero and DFA*; (ii) *Jan Goodwin v. Governor Lujan Grisham, et al*; and (iii) *In re Credit Default Swap Antitrust Litigation*.**
- b) An update regarding Executive Director search and pay;**
- c) Personnel matters regarding pay levels of exempt staff;**
- d) Retirement of Rick Scroggins, Interim Executive Director; and the appointment of an Acting Executive Director.**

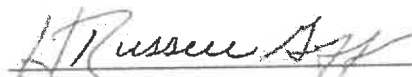
**Ms. Cameron seconded the motion, which passed unanimously by roll call vote. [Mr. Magid was not present for the vote.]**

**15. ACTION FROM EXECUTIVE SESSION**

**Ms. Cameron moved that the board hire David Archuleta as the new Executive Director at an annual salary of \$165,000 and that his employment will begin on January 10, 2022. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote. [Mr. Magid was not present for the vote.]**

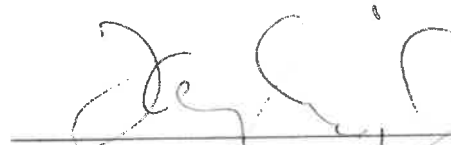
**16. NEXT MEETING: FEBRUARY 18, 2022 – SANTA FE OR VIRTUAL**

**17. ADJOURN: 1:30 p.m.**



Russell Goff, Chairman

ATTEST:



Larry Magid, Secretary