

**MINUTES OF THE**  
**NEW MEXICO EDUCATIONAL RETIREMENT BOARD OF TRUSTEES**

**REGULAR MEETING**

**August 26, 2022**

**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. at the Albuquerque Public Schools Headquarters, 6400 Uptown Boulevard, N.E., Albuquerque, New Mexico. A quorum was established following roll call.

**Members Present:**

Mr. H. Russell Goff, Chair  
Ms. Mary Lou Cameron, Vice Chair  
Dr. Donald W. Duszynski  
Dr. Matías Fontenla  
Mr. Antonio Ortiz  
Mr. Mario Suazo

**Members Excused:**

The Hon Tim Eichenberg, New Mexico State Treasurer  
Mr. Larry Magid, Secretary

**Incoming Board Member:**

Mr. Max Baca [to be sworn in at October regular meeting]

**Staff Present:**

Mr. David Archuleta, Executive Director  
Mr. Rick Scroggins, Assistant Director  
Mr. Lawrence Esquibel, Deputy Director  
Ms. Monica Lujan, Member Services Director  
Ms. Destiny Martinez, Executive Assistant  
Ms. Melinda Garcia, HR Director  
Ms. Megan Mannila, Budget & Procurement Officer  
Ms. Jenna Vigil, Member Services Bureau Chief  
Ms. Susanne Roubidoux, General Counsel

**Others Present:**

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

**b. Approval of Agenda**

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

**c. Approval of Minutes: June 24, 2022**

Dr. Duszynski moved approval of the minutes of the June 24, 2022, meeting. Dr. Fontenla seconded the motion, which passed unanimously.

**d. Introduction of Guests**

Chairman Goff welcomed guests and staff.

**2. CONSENT AGENDA: BOARD TRAVEL**

Mr. Archuleta said Dr. Fontenla requires approval to attend either the IFT or the NCTR conference in Tucson later in October.

**Ms. Cameron moved for approval. Mr. Suazo seconded the motion, which passed unanimously.**

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

**a. June 2022 Quarterly Performance Report**

[Presenter: Allan Martin]

Mr. Martin presented the Q2 report, with the following highlights:

- Over the past 5 years, the fund returned 8.5 percent per annum.
- Over the past 3 years, the fund returned 8.8 percent per annum.
- For the year ending June 30, 2022, the fund experienced a net investment gain of \$183.9 million, which includes a net investment loss of \$772.9 million during the quarter. Assets decreased from \$15.8 billion 12 months ago to \$15.5 billion on June 30, 2022, with \$514.5 million in net distributions during the year. The fund returned 1.0 percent, outperforming the policy index by 3.8 percent and ranking in the 3rd percentile of its peers.

Mr. Martin stated that the NMERB will lag in very strong up markets because it has a more diversified portfolio, while in down markets it does very well because it is protected. Mr. Jacksha added that the NMERB is at or above the median in most periods, which he feels is a reasonable goal.

Mr. Martin pointed out that, had the NMERB simply indexed the fund as opposed to building a complex portfolio with multiple asset classes, it would be \$1.3 billion poorer than it is over the last ten years.

**b. Investment Committee Report**

[Presenter: Bob Jacksha]

Mr. Jacksha reported on actions taken by the Investment Committee, which met this morning:

- Accepted the Q2 Proxy Voting Report.
- Reviewed the Q2 Commission Report.
- Reviewed the quarterly Private Equity Report for December 31, 2021.

c. **Staff Selection Committee Report**

[Presenter: Bob Jacksha]

Mr. Jacksha summarized the actions of the Staff Selection Committee at its meeting this month:

- Edgewood Partners III: Approved a \$100 million investment for the Real Estate and Real Assets portfolio. This is a co-investment fund run by Hamilton Lane. Because this is a co-investment fund, the fees are much lower than a normal fund. The fund has done very well.
- Waterfall Dislocation Opportunity Fund: Approved a \$100 million commitment for the Opportunistic Credit portfolio. This is an existing manager that the NMERB has done three or four funds with. This will invest in asset-backed securities. This came out of some discussions with a partner about what they are seeing in the marketplace these days. With the downturn in equity markets and the upturn in interest rates, they are seeing securities priced at attractive levels, and they think the NMERB will get a low double-digit return even if these securities don't appreciate in price.

d. **Derivatives Usage Report**

Mr. Jacksha reviewed a chart reflecting that the NMERB is well below its policy limit on the use of leverage.

**Welcome to Incoming Board Member Max Baca**

Chairman Goff and board members welcomed Max Baca to the meeting. Mr. Baca would be participating in today's meeting but would not be voting until the October meeting, when he would be sworn in.

**4. FY24-FY26 STRATEGIC PLAN: LAWRENCE ESQUIBEL, DEPUTY DIRECTOR**

Mr. Esquibel stated that the proposed strategic plan, which is 114 pages, includes an Executive Summary, Vision and Mission Statement, and list of Values. These items are all carried over from the previous strategic plan, inasmuch as the purpose of the NMERB's existence and the organization's overall concept remain the same. The plan highlights the NMERB's governance structure, programs, and list of immediate and pressing challenges, along with its four overarching goals: 1) financial integrity and good governance; 2) meet member expectations; 3) technological innovation; and 4) organizational strength.

Mr. Esquibel stated that, in developing this plan, each manager was asked to work with their teams to gather opinions and input regarding meaningful gauges of performance. He referred to a list of

measures by program area that will be measured by staff on a quarterly basis and reported to the board prior to the submission of the annual appropriation request each fall. The measures are expected to identify successes as well as deficiencies and will be used to determine the allocation of resources and the usefulness of certain initiatives. The document is expected to evolve over the years as priorities change. Any proposed changes will come before the board for approval.

Dr. Duszynski noted that page 2 of the Strategic Plan states that the NMERB is governed by a nine-member Board of Directors, which includes the following:

- A member elected by the New Mexico Association of University Professors (4-year term)

Dr. Duszynski said there is no such thing as a “New Mexico Association of University Professors,” which he is supposed to be representing. According to the AAUP website, there are just two member organizations in New Mexico: the Santa Fe Community College AAUP (formed in 2018 to foster public employee relations and get raises for the faculty, but has few members); and the United Academics of the University of New Mexico (UAUNM), which was formed in March 2020 and is basically the labor union for faculty. He said his term will end in less than two years, and potentially the board seat will be filled by a representative from UAUNM. He said the implications concern him.

Ms. Roubidoux said the provision in statute under the Educational Retirement Act (22.11.3) specifies “one member to be elected for a term of four years by the New Mexico members of the American Association of University Professors.” Dr. Duszynski responded that that has never happened, and asked if this is something the board should be concerned about.

Mr. Archuleta stated that he did not think this had any material impact on the Strategic Plan itself. He said the NMERB will have to research this and come up with a plan.

Ms. Cameron agreed that the list of representative organizations should be specific to avoid any potential conflict in the future. She thanked Dr. Duszynski for raising this issue so it can be clarified.

**Ms. Cameron moved approval of the Strategic Plan for FY24. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.**

## **5. FY24 ORGANIZATIONAL CHART: LAWRENCE ESQUIBEL, DEPUTY DIRECTOR**

Mr. Esquibel referred to the NMERB Organizational Chart (page 121) by division.

Dr. Duszynski asked what substantive changes have been made to the Organizational Chart since it was last approved. Mr. Esquibel responded that many positions have been added to Member Services and Information Technology.

Responding to Mr. Suazo, Ms. Garcia said there are 10-12 vacancies at the current time.

Mr. Archuleta clarified that most positions are in the process of being filled or are scheduled to be filled. The NMERB expanded the number of positions in the last year, including ten new employees in Member Services, but there were insufficient resources set aside in this year’s operating budget as recommended by DFA and LFC last year to support all of those positions. The NMERB is addressing that by absorbing vacancy savings and later this year will submit a budget adjustment request.

Mr. Jacksha stated that, in terms of portfolio management, there is a vacancy rate of about one-third, or 4 people out of 12. Mr. Neel said there is a team of 6 in the Albuquerque office, with 3 positions vacant. Two portfolio managers recently left after accepting positions in other states. The NMERB is advertising on multiple sites, and is in the process of receiving applications and resumes. Interviews will begin in the next week or so.

Responding to Mr. Baca, Ms. Lujan said the vacancy rate in Member Services, with 26 employees, was 33 percent prior to the restructure. This added 9 employees, and the vacancy rate is currently at 17 percent. Contributing factors are the high volume of calls and the skill it takes to handle that volume. In addition, there are many job opportunities in the market right now, and Member Services is struggling with that.

**Dr. Fontenla moved for approval of the FY24 Organizational Chart. Mr. Suazo seconded the motion, which passed unanimously.**

**6. BUDGET: RICK SCROGGINS, ASSISTANT DIRECTOR & ACTING CFO; AND MEGAN MANNILA, BUDGET & PROCUREMENT MANAGER**

**a. FY24 Budget Appropriation Request**

Ms. Mannila reviewed highlights from the FY24 appropriation request.

**Ms. Cameron moved for approval. Dr. Fontenla seconded the motion, which passed unanimously.**

**b. FY23 – FY25 IT Appropriation**

Mr. Scroggins stated that the current Pension Administration System (PAS), which was implemented in 2014, is nearing its end-of-support and maintenance life. An RFP was issued for PAS in April 2022, with best and final evaluations conducted in July. The NMERB is currently in contract negotiations with the selected firm, after which the NMERB will submit the entire scope of the project (Full Business Case) to DoIT for approval. The project is expected to take four years to complete.

Mr. Scroggins said today's request is to go forward with submitting the project to DoIT with an additional appropriation to cover the four-year project. The anticipated project cost for FY24-FY27 is \$30.5 million. This will be expended through the next four fiscal years.

**Ms. Cameron moved to approve the FY24-FY27 appropriation request. Dr. Fontenla seconded the motion, which passed unanimously.**

**c. Certification of Capital Assets**

Mr. Scroggins asked for board approval of the list of capital assets (pp. 141-164).

**Ms. Cameron moved for approval. Mr. Suazo seconded the motion, which passed unanimously. [Not present for the vote: Dr. Fontenla]**

**7. DISABILITY RETIREMENTS: JENNA VIGIL, MEMBER SERVICES BUREAU CHIEF**

Ms. Vigil presented the June-July status report on disability claims. There were 6 disability claims during the two-month period and 28 since January 2022. Since January 2020, there have been 17 cases pending receipt of final information, 138 closed cases, and 12 cases pending periodic review.

**Mr. Suazo moved to approve the Disability Retirement Report, as presented. Dr. Duszynski seconded the motion, which passed unanimously. [Not present for the vote: Dr. Fontenla.]**

**8. MEMBER SERVICE REPORTS: MONICA LUJAN, MEMBER SERVICES DIRECTOR**

**a. Age & Service Retirements**

Ms. Lujan reported that, during the June-July period, there were 25 reciprocity applications and 609 regular retirement applications, for a total of 634 members who applied for retirement during this period.

Ms. Lujan also reported that, as of this morning, there were 42 retirees who applied for Return to Work under the 36-month rule. She added that a lot of retirees are also taking advantage of the 12-month Return to Work program.

**Dr. Duszynski moved to approve the Disability Retirement Report, as presented. Ms. Cameron seconded the motion, which passed unanimously. [Not present for the vote: Dr. Fontenla.]**

**b. Retirement Season Update**

Ms. Lujan reported that there have been 912 retirements this season, versus last year's 1,269, or about 357 retirees. Although this is a marked difference, this year's numbers fall in line with previous years'.

**c. Staffing Challenges**

Ms. Lujan said she has previously discussed the difficulty of hiring and retaining staff. Contributing factors were call volume, compensation, and the skills needed to work with this special population. In FY 2022, the Call Center received more than 64,000 calls, or about 253 calls a day across an average of four agents. On top of that, the agents had additional duties that included the processing of applications.

Ms. Lujan reported that, after the restructuring was approved in February 2022, the staff grew from 26 to 35 FTE. She said a rapid hire event was very successful, and there are currently 5 vacancies (soon to be 6) in Member Services. Internal staff members have been promoted to other positions, allowing for growth across the agency, but that has put a strain on other areas because it created vacancies in those areas. She said new employees are being trained and the division is working with business analysts to work on improvements, and the manuals for Member Service processes are also being updated.

Mr. Baca asked Ms. Lujan if Member Services is experiencing compression and inversion given the existing market. He also asked if there is a hybrid telework process that meets the needs of the job description, accountability, etc.

Ms. Lujan responded that, with the new Pension Administration System, she believes they will have staff working in a virtual environment with the hybrid model, but first they need to stabilize and train. With respect to salary, their median pay ranges from \$34,000 to \$45,000 at midpoint. There isn't anyone at the midpoint level yet, but they are seeing some improvement because of increases through SPO.

Mr. Baca cited a recent study where there were more vacancies in agencies that required employees to come into the office versus agencies that had a hybrid approach.

**9. DIRECTOR'S REPORT: DAVID ARCHULETA, EXECUTIVE DIRECTOR**

**a. Agency Activities**

Mr. Archuleta referred to the NMERB Departmental Activity Report (late June – mid August) on 208.

Mr. Archuleta said the NMERB is in negotiations with the selected firm to manage the Pension Administration System and they anticipate this being complete by November.

Mr. Archuleta also reported that the newly hired Chief Financial Officer has left the NMERB and returned to his old job at New Mexico Highlands University. The NMERB has begun the recruitment process for a new CFO.

**b. NMRHCA Update**

Mr. Archuleta reported that the NMRHCA board of directors approved various changes to the program, including plan rates, at its July annual meeting. The board will be holding a special meeting later this month that will include stakeholder input regarding the NMRHCA's proposed 2023 legislation.

**c. Other**

Mr. Archuleta said the NMERB is preparing to issue two additional RFPs, one for data cleansing services once it is able to determine anticipated costs, and the other for a project manager. The appropriation request will be brought to the LFC in October.

**10. BOARD SELF-ASSESSMENT: RUSSELL GOFF, CHAIR**

Chairman Goff said that, at the June meeting, he noted that the NMERB has undergone a number of changes over the last year, including a new Executive Director and a new Deputy Director, a new Assistant to the Executive Director, a new tech director, the addition of several new board members, a new Return to Work Plan, and plans for a new facility.

Mr. Archuleta added that, as part of the governance structure, they were looking at circulating a list of proposed questions to board members that they could use in the self-evaluation process in October, with the evaluations being conducted in December.

**11. ELECTION OF BOARD OFFICERS**

Ms. Cameron nominated Russell Goff as Chair. Mr. Suazo seconded.

There were no other nominations.

The motion passed unanimously.

Chairman Goff nominated Mary Lou Cameron as Vice Chair. Dr. Duszynski seconded.

There were no other nominations.

The motion passed unanimously.

Chairman Goff nominated Larry Magid as Secretary. Dr. Duszynski seconded.

There were no other nominations.

The motion passed unanimously.

**12. EXECUTIVE SESSION: 11:02 a.m.**

- a) Threatened or pending litigation in which the Board is a participant (session closed per § 10-15-1(H)(7). Update regarding:
  - i) *NMERB v. Debbie Romero and Dept. of Finance and Administration*, Case No. A-1-CA- 40106 (New Mexico Court of Appeals);
  - ii) *Jan H. C. Goodwin v. Governor Lujan Grisham et al.*, Case No. Case No. 1:21-cv-00483-JHR-KK (U.S. District Court, New Mexico); and
  - iii) EEOC #39B-2022-00060.

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

- a) Discussion of threatened or pending litigation in which NMERB is or may become a participant (session closed per § 10-15-1(H)(7) of the OMA), specifically:
  - i) *NMERB v. Debbie Romero / DFA*, Case No. A-1-CA- 40106;
  - ii) *Jan H. C. Goodwin v. Governor Lujan Grisham et al.*, Case No. Case No. 1:21-cv-00483-JHR-KK;
  - iii) EEOC #39B-2022-00060.

Dr. Duszynski seconded the motion, which passed unanimously by roll call vote:

For: Chairman Goff; Ms. Cameron; Mr. Magid; Dr. Duszynski; Dr. Fontenla; Mr. Ortiz; Mr. Suazo.

[The board came out of executive session at 12:00 p.m.]

**13. ACTION FROM EXECUTIVE SESSION**



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

a) Threatened or pending litigation in which NMERB is or may become a participant, specifically (i) *NMERB v. Debbie Romero/ DFA*; (ii) *Jan Goodwin v. Governor Lujan Grisham et al*; and (iii) EEOC #39B-2022-00060.

Dr. Duszynski seconded the motion, which passed unanimously by roll call vote:

For: Chairman Goff; Ms. Cameron; Dr. Duszynski; Dr. Fontenla; Mr. Ortiz; Mr. Suazo.

Ms. Cameron moved the ratification and approval of a settlement in the amount of \$10,000, inclusive of attorney's fees and costs, in EEOC #39B-2022-00060. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote:

For: Chairman Goff; Ms. Cameron; Dr. Duszynski; Dr. Fontenla; Mr. Ortiz; Mr. Suazo.

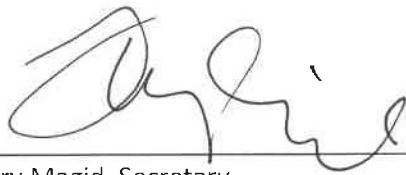
15. NEXT MEETING: FRIDAY, OCTOBER 14, 2022 – ALBUQUERQUE

16. ADJOURN: 12:00 p.m.



Russell Goff, Chairman

ATTEST:



Larry Magid, Secretary