



MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD OF TRUSTEES
REGULAR MEETING
October 14, 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
Mr. Larry Magid, Secretary
The Hon. Tim Eichenberg, New Mexico State Treasurer
Mr. Max Baca [sworn in during meeting]
Dr. Donald W. Duszynski
Dr. Matías Fontenla
Mr. Antonio Ortiz

Members Excused:

Mr. Mario Suazo

Staff Present:

Mr. David Archuleta, Executive Director
Mr. Rick Scroggins, Assistant Director
Mr. Lawrence Esquibel, Deputy Director
Mr. Prakash Bhakta, Chief Information Officer
Ms. Monica Lujan, Member Services Director
Ms. Destiny Martinez, Executive Assistant
Ms. Melinda Garcia, HR Director
Ms. Jenna Vigil, Benefit Services Bureau Chief
Ms. Susanne Roubidoux, General Counsel

Others Present:

Mr. Allan Martin, Investment Advisor, NEPC [on phone]
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

- **August 25, 2022, Board Retreat**
- **August 26, 2022**

Ms. Cameron moved approval of the minutes of the August 25, 2022, Board Retreat. Mr. Magid seconded the motion, which passed unanimously.

Mr. Magid moved approval of the minutes of the August 26, 2022, meeting. Dr. Duszynski seconded the motion, which passed unanimously.

d. Introduction of Guests

Chairman Goff welcomed guests and staff.

2. SWEARING IN OF NEW BOARD MEMBERS

Max Baca was sworn in as Board of Trustees member.

3. CONSENT AGENDA: BOARD TRAVEL

No requests.

4. APPROVAL OF 2023 BOARD MEETING DATES

Board members were asked to choose between the proposed calendar and the alternative calendar.

Ms. Cameron moved to approve the proposed calendar, with the Investment Committee meeting at 8:15 a.m. and BOT meeting at 9:00 a.m. on the following dates: February 17, April 21, June 23, August 18, October 13, and December 8, 2023. Mr. Magid seconded the motion, which passed unanimously.

5. NMERB COMMITTEE APPOINTMENTS

Mr. Archuleta clarified that, if additional board members are interested in participating in these committees, it's important to know that the three-person membership on the Investment Committee is set in the rule. The other committee membership numbers are set in their charters, so those would have to be amended. While a five-person membership would constitute a quorum of the board, a four-person membership would not, but there is the potential for a tied vote.

- **Alternative Retirement Plan (ARP)**

Chairman Goff appointed Larry Magid, Chairperson, Don Duszynski, and Mario Suazo to the Alternative Retirement Plan. Mr. Magid seconded the motion, which passed unanimously.

- **Audit Committee**

Chairman Goff appointed Mary Lou Cameron, Chairperson, Russell Goff, and Antonio Ortiz to the Audit Committee. Mr. Baca seconded the motion, which passed unanimously.

- **Evaluation Committee**

Chairman Goff appointed Russell Goff, Chairperson, Mary Lou Cameron, and Larry Magid to the Evaluation Committee. Dr. Fontenla seconded the motion, which passed unanimously.

- **Investment Committee**

Chairman Goff appointed himself, Larry Magid, and Matías Fontenla to the Investment Committee. Dr. Duszynski seconded the motion, which passed unanimously.

6. BOARD SELF-ASSESSMENT: RUSSELL GOFF, BOARD CHAIR

Chairman Goff stated that, over the last several weeks, he and Mr. Archuleta have been discussing what would be the best way to approach the board self-assessment process. He has reached out to the National Council of Teacher Retirement and asked to speak with trustees from other states, and has received information from Texas Retired Teachers, Colorado PERA, Minnesota, and Nebraska, and he has also spoken with Wisconsin at the NCTR conference.

Chairman Goff said two self-evaluation options are available for review in the board book. The first (Trustee Self Evaluation) is an entry-level self-evaluation

form designed to help the NMERB create a baseline of information for the board and how it can be more effective. The second, which is tied to the strategic plan, is a more in-depth review of performance and its purpose is to identify areas of strength and areas needing improvement in order for the board to carry out the NMERB's mission.

Mr. Archuleta suggested the board pick one to use as a baseline, and the second as a follow-up to see whether or not there is any improvement. The form can be sent to board members now, with the results compiled by November and brought back at the December meeting.

Ms. Cameron moved that the first form on pages 22-23 (Trustee Self Evaluation) be sent out to board members now, with the results compiled in November and brought back to the board at its December meeting. Dr. Fontenla seconded the motion, which passed unanimously.

7. INVESTMENT REPORTS UPDATE: STEVE NEEL, DEPUTY CIO

[On phone: NEPC investment advisor Allan Martin]

Mr. Neel presented his report with the following highlights:

- Returns through July and August period +80 basis points but returns are expected to be down 3 percent for the month of September and down about 2 percent for the quarter. The NMERB is a lower-risk and highly diversified portfolio and generally performs better than its peers in poor markets.
- The Investment Committee will be reviewing the asset allocation in November for adoption by the board at the December meeting.

Mr. Martin commented that this is an extremely challenged environment. People do not know how long there will be this high level of inflation and how interest rates will go, and there is a lot of uncertainty around growth.

Mr. Martin said they have run the 2022 capital market forecast versus the NMERB's current target portfolio, and the 10-year expected return without any alpha is 6.5 percent, very similar to last year. The 30-year forecasted return is 7.5 percent, which would be about a 40 percent chance of a return below the NMERB's assumed rate. There is therefore no real need for the board to contemplate serious changes to the asset allocation, although there may be some minor changes to the portfolio. This will be brought to the board in December with the view that, as the 2023 capital market forecast becomes available, the NMERB may want to re-initiate the process early next year when there is more clarity.

Responding to Mr. Baca, Mr. Neel said the NMERB prides itself on being a low volatility portfolio. Vis-à-vis its peers, it is in the top 5 percent with regard to volatility, and its Sharpe ratio is generally higher.

Mr. Martin added that a 60/40 portfolio for the month of August would have been down from 3.5 to 3.8 percent depending on the amount of international exposure. The NMERB's return of +80 basis points for the same period was significantly better than that, which is a consequence of having a higher allocation of non-public market assets. The NMERB continues to do extremely well in down markets.

8. BUILDING UPDATE: LAWRENCE ESQUIBEL, DEPUTY DIRECTOR

Mr. Esquibel presented an update on the building project as of October 4, 2022:

- Soft costs (inspections, FFE, appliances, plan review and permitting): \$1.1 million
- Design fees: \$605,496.93
- Construction costs:
 - MACC: \$10,388,711 (includes cost escalation for 1 year of 8.5%)
 - Contingency: \$1,038,871.10 (10% of MACC)
 - Santa Fe Tax: \$863,561.60 (8.3125%/tax rate tables updated 2x a year)
- Total construction costs: \$12,291,143.70
- Total project cost: \$13,987,847.46
- Update to ICIP presented to DFA and Capital Outlay Bureau on October 13, 2022

Mr. Esquibel said current per-square-foot construction costs are projected at \$534 for a June start on the project, which is estimated to take 18 months. The timeline includes potential supply chain and/or construction labor challenges.

Mr. Esquibel presented architectural renderings of the building entrance, lobby, and other areas.

Mr. Eichenberg suggested modifications to the design to accommodate an active shooter situation. This would include sealing off any public meeting space from the rest of the building, so any visitor on a board day would not be able to leave that space and have access to the administrative offices.

9. DISABILITY RETIREMENTS: JENNA VIGIL, BENEFIT SERVICES BUREAU CHIEF

Ms. Vigil presented a list of cases closed for the August-September period. There are 13 disability cases for the period, for a total of 41 for the calendar year.

Dr. Duszynski moved to approve the Disability Retirements report, as presented. Mr. Baca seconded the motion, which passed unanimously.

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

Ms. Lujan presented the August-September status report on disability claims. There were 5 applications processed for members under age 60, 2 applications processed for members over age 60, 27 reciprocity applications, 273 normal retirement applications, for a total of 307 applications processed during the bimonthly period.

Ms. Lujan stated that the number of applications processed represents seasonal patterns seen in the past.

Ms. Lujan said 88 people have taken advantage of the 36-month 90-day layout.

Ms. Cameron moved to approve the Age & Service Retirement Report, as presented. Dr. Duszynski seconded the motion, which passed unanimously.

11. DIRECTOR'S REPORT: DAVID ARCHULETA, EXECUTIVE DIRECTOR

a. Agency Activities

- Mr. Archuleta commended Prakash Bhakta and Monica Lujan for their presentation at the C2 Committee last week. It was successful, and it seems as though the project will be moving forward smoothly.
- NMERB staff continues to negotiate all elements of a new contract for the Pension Administration System Modernization project. They anticipate having a finalized contract by mid-November.
- NMERB staff will be meeting with LESC Director Perea-Warniment on October 18 to discuss 2023 legislative priorities.
- NMERB staff will present its FY23 appropriation request to the LFC on October 20. Board members are welcome to attend.

- The NMERB received notice last week that it will be undergoing an LFC program evaluation looking at its internal audit function.

b. NMRHCA Update

- Switch enrollment is underway with changes effective January 1, 2023.
- In August, the NMRHCA board approved proposing an increase in the employee-employer contributions, boosting revenue to the NMRHCA by a half percent, to 3.5 percent of payroll, two-thirds of which would come from the employer and one-third from the employee. It would include a one-time infusion of \$26 million to the trust fund to make up for the money they would have otherwise received had this legislation passed last year.

c. Other

- The hearing for the administrative appeal from Ernest R. Greene has been set for December 1.

12. LEGISLATIVE PROPOSAL FOR 2023 SESSION: DAVID ARCHULETA, EXEC. DIRECTOR

Mr. Archuleta reviewed the proposals:

- Pension administration system: Amend the Procurement code to allow the new Pension Administration System contracts to exceed 4 years. The NMERB is currently under contract negotiations for the new system. By the time the system is completely built and up and running, the NMERB will already be at the point where it would be issuing a new RFP for this service.
- Southeast New Mexico College (SENMC): Amend the Educational Retirement Act (ERA) to allow eligible employees of SENMC to participate in the Alternative Retirement Plan.
- Required minimum distribution (RMD) age: Amend the ERA to refer to the RMD age stated in the IRS code. Federal law increased the RMD age from 70 ½ to 72 for distributions beginning in 2020. There is pending federal legislation that may increase the age to 73 and possibly 75. The ERA cites the previous RMD age of 70 ½ . Rather than having to amend the ERA each time the federal law changes,

the ERA would simply refer to the appropriate section of the IRS code.

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

13. EXECUTIVE SESSION: 10:07 a.m.

a) Threatened or pending litigation in which NMERB is a participant. Session closed per NMSA 1978, § 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. 1:21-cv-00483-JHR-KK (U.S. District Court, New Mexico); and

iii) *State of New Mexico ex rel. Foy v. Vanderbilt Capital Advisors, LLC*, Case No. D-101-CV-2008-01895 (1st Judicial District Court).

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 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. 1:21-cv-00483-JHR-KK; and

iii) *State of New Mexico ex rel. Foy v. Vanderbilt Capital Advisors, LLC*, Case No. D-101-CV-2008-01895.

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

For: Chairman Goff; Ms. Cameron; Mr. Magid; Treasurer Eichenberg; Mr. Baca; Dr. Duszynski; Dr. Fontenla; Mr. Ortiz.

[The board came out of executive session at 10:30 a.m.]

14. 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) *State of New Mexico ex rel. Foy v. Vanderbilt Capital Advisors, LLC*.

Mr. Magid seconded the motion, which passed unanimously by roll call vote:

For: Chairman Goff; Ms. Cameron; Mr. Magid; Treasurer Eichenberg; Mr. Baca; Dr. Duszynski; Dr. Fontenla; Mr. Ortiz.

15. NEXT MEETING: FRIDAY, DECEMBER 9, 2022 – ALBUQUERQUE

16. ADJOURN: 10:30 a.m.



Russell Goff, Chairman

ATTEST:



Larry Magid, Secretary