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**MINUTES OF THE  
NEW MEXICO EDUCATIONAL RETIREMENT BOARD  
ARP COMMITTEE MEETING  
December 8, 2022**

**1. a. ROLL CALL: QUORUM PRESENT**

A meeting of the Alternative Retirement Plan (ARP) Committee was called to order at 9:00 a.m. via teleconference/virtual meeting. A quorum was present.

**Members Present:**

Mr. Larry Magid, Chair  
Mr. Mario Suazo

**Members Excused:**

Dr. Donald Duszynski

**Staff Present:**

Mr. David Archuleta, Executive Director  
Mr. Rick Scroggins, Assistant Director & Chief Financial Officer  
Mr. Lawrence Esquibel, Deputy Director  
Ms. Susanne Roubidoux, General Counsel

**Others Present:**

Mr. Jared Hardin, Financial Advisor, CAPTRUST  
Mr. Michael Sanders, Principal, CAPTRUST  
Ms. Judith Beatty, Board Recorder

**b. Approval of Agenda**

**Mr. Suazo moved approval of the agenda, as published. Chairman Magid seconded the motion, which passed unanimously.**

**2. REVIEW AND APPROVAL OF MINUTES: June 8, 2022**

**Mr. Suazo moved approval of the June 8, 2022 minutes, as presented. Chairman Magid seconded the motion, which passed unanimously.**

**3. INTERIM UPDATE: JARED HARDIN, FINANCIAL ADVISOR, CAPTRUST**

- **Implementation of Q1 2022 Approved Changes**

Mr. Hardin summarized the changes that were approved at the June 2022 meeting, most of which were related to share class changes of the various annuities offered within the plan. This was all with the goal of ensuring that the plan is offering the least expensive share class of all the investments that are available. TIAA completed implementation of the share class changes in September and October 2022 and these are now in full effect.

- **Year End Summary**

Mr. Hardin stated that at the December 2021 meeting the ARP Committee approved significant reductions in record keeping and administration fees for the Alternative Retirement Plan for both Fidelity and TIAA participants, saving participants approximately \$620,000 in fees and returning about \$400,000 in excess fees or excess revenues to plan participants.

**4. REVENUE CREDIT ACCOUNT REVIEW: JARED HARDIN, FINANCIAL ADVISOR, CAPTRUST**

Mr. Hardin stated that the Revenue Credit Account (RCA) is funded from administrative fees (currently 1 basis point) collected from participant accounts and is used to pay applicable plan expenses. Amounts in the RCA not needed to cover plan expenses are returned to participants on an annual basis. The current balances in the RCA (as of November 30, 2022) are approximately \$95,000 in the TIAA Program and \$25,000 in the Fidelity Program. Based on CAPTRUST's analysis of anticipated expenses in the coming year, it recommends retaining \$60,000 in the TIAA Program and \$15,000 in the Fidelity Program.

**Mr. Suazo moved that the committee approve CAPTRUST'S recommendations for the Revenue Credit Accounts at TIAA and Fidelity and reimburse to the respective Participants the excess funding not needed to cover anticipated plan expenses, as follows:**

**TIAA participants: \$35,000  
Fidelity Participants, \$10,000**

**Chairman Magid seconded the motion, which passed unanimously.**

**5. PLAN GOVERNANCE DOCUMENTS REVIEW: JARED HARDIN, FINANCIAL ADVISOR, CAPTRUST**

- **Committee Charter**
- **Investment Policy**

Mr. Hardin reviewed the Committee Charter and Investment Policy and said no changes were recommended.

**6. DEFINED CONTRIBUTION QUARTERLY REVIEW: SEPTEMBER 30, 2022, JARED HARDIN, FINANCIAL ADVISOR, CAPTRUST; MICHAEL SANDERS, PRINCIPAL, CAPTRUST**

- **Program Overview**
- **Industry Updates**
- **Economic Review**
- **Service Provider Plan Review**
- **Investment Analysis**
- **Fund Lineup Recommendations**

Mr. Hardin presented the program overview and industry updates.

Mr. Hardin said the Advancing Auto-Portability Act of 2022 is a bipartisan bill introduced in the Senate in June. It encourages plan sponsors to adopt auto-portability features. At a high level, auto-portability identifies a participant's retirement account at a previous employer and automatically rolls over these assets to their new employer's plan, as opposed to an IRA, where the participant has to track down where their money was moved. The Act impacts participants with balances below \$5,000. He commented that workers who have had a series of jobs may have left their plan assets in their old employers' retirement plans without ever consolidating those assets.

Mr. Hardin said this is not as impactful under the ARP plan structure in terms of the mandatory contribution that goes into the plan because most participants have balances above \$5,000. If the Act or a similar proposal is enacted, CAPTRUST will bring recommendations forward to the committee.

Mr. Hardin reported that the SEC has proposed changes this year that aim to standardize the disclosures and some of the messaging around environmental, social, and governance (ESG) funds so investors know the areas a fund is targeting. Because there are no disclosure requirements, an investment manager can label a fund as an ESG fund even though their goals or investment management style do

not align with the ESG strategy. The SEC proposal distinguishes three ESG fund categories that would require specific disclosures.

Mr. Hardin noted that the ARP doesn't have a suite of ESG investment options in the investment menus with TIAA and Fidelity. The DOL previously stated that plans could include ESG investments in the investment lineup if performance held up to the standards of that asset class. The DOL subsequently relaxed the rule to say ESG could be incorporated as a standalone consideration, but even with that, unless there is a demand for it or a clear benefit in offering those differentiated ESG asset classes, CAPTRUST is not making a recommendation to the committee at this time or in the foreseeable future.

In reviewing single fund usage, which has been a point of interest for the committee, Mr. Hardin noted that the majority of these users are in the target date fund series, with 778 in the TIAA-CREF Lifecycle series (out of 3,100 participants) and 738 in the Fidelity Freedom series (out of 1,200 participants). There are 254 single fund users in TIAA Traditional, which is a fixed annuity fund.

Chairman Magid commented that the number of people and the amount of money in money market accounts is concerning, and most of these individuals have probably been in money market accounts for a long time. Mr. Hardin agreed. He said CAPTRUST can take a deeper look into the age ranges of the participants and determine whether it would be helpful to reach out to them. He added that there were about 60 participants in money market accounts the last time CAPTRUST looked at this issue.

Mr. Sanders presented the Investment Review and investment watchlist recommendations.

**Mr. Suazo moved that the committee approve CAPTRUST's recommendations for the investment watchlist, as follows:**

- **Oakmark International Institutional – Retain on Watch**
- **T. Rowe Price Blue Chip Growth I – Place/Retain on Watch**
- **DFA Emerging Markets I – Retain on Watch**

**Chairman Magid seconded the motion, which passed unanimously.**

**Mr. Suazo moved that the committee approve CAPTRUST's recommendations for replacement of the High Yield fund offered within the Fidelity investment menu, as follows:**

- **Remove Fidelity High Income (SPHIX) from the program's investment menu and map all current assets and future contributions to MainStay MacKay High Yield Corporate Bond R6.**

**Chairman Magid seconded the motion, which passed unanimously.**

**7. OTHER BUSINESS**

The next meeting was scheduled for June 15, 2023 at 9:00 a.m.

**8. ADJOURN: 10:45 a.m.**

Accepted by:



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Larry Magid, Chair