



**MINUTES OF THE  
NEW MEXICO EDUCATIONAL RETIREMENT BOARD OF TRUSTEES  
REGULAR MEETING  
August 25, 2023**

**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 [telephonically]  
Hon. Laura M. Montoya, New Mexico State Treasurer [sworn in during meeting]  
Mr. Max Baca  
Dr. Matías Fontenla

**Members Excused:**

Dr. Donald W. Duszynski  
Mr. Antonio Ortiz  
Mr. Mario Suazo

**Staff Present:**

Mr. David Archuleta, Executive Director  
Mr. Lawrence Esquibel, Deputy Director  
Mr. Bob Jacksha, Chief Investment Officer  
Ms. Monica Lujan, Member Services Director  
Ms. Megan Manilla, Budget and Procurement Manager  
Ms. Susanne Roubidoux, General Counsel  
Mr. Randall Cherry, Deputy General Counsel  
Mr. Rick Scroggins, Assistant Director  
Mr. Kevin Swinson, Chief Information Officer  
Ms. Jenna Vigil, Benefit Services Bureau Chief

Ms. Ariana Wakefield, Executive Assistant

**Others Present:**

Mr. Sam Austin, 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 23, 2023**

**Ms. Cameron moved approval of the minutes of the June 23, 2023, meeting. Dr. Fontenla seconded the motion, which passed unanimously. [In abstention: Mr. Baca.]**

**d. Introduction of Guests**

Chairman Goff welcomed guests and staff.

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

**a. Laura M. Montoya, State Treasurer**

Treasurer Montoya was sworn in.

**3. CONSENT AGENDA: BOARD TRAVEL**

- Ms. Cameron: Pensions & Investments Public Funds Conference in Scottsdale, September 19-20
- Mr. Goff and Treasurer Montoya: NCTR, La Jolla, October 7-10
- Mr. Baca: International Foundation of Employee Benefit Plans (IFEBP) trustee training, Boston, September 30-October 8

**Treasurer Montoya moved for approval. Dr. Fontenla seconded the motion, which passed unanimously.**

#### **4. BUDGET: MEGAN MANNILA, BUDGET & PROCUREMENT MANAGER**

##### **a. FY25 Budget Appropriation Request**

Ms. Mannila presented this request.

Treasurer Montoya asked about the 952.4 percent increase in GSD Work Comp Insurance. Ms. Mannila responded that this was due to an increase in Workers Comp claims in FY 23 and is a rate set by GSD.

Treasurer Montoya asked Mr. Archuleta if the NMERB would be paying an increase on the new special assessment for the next fiscal year. Mr. Archuleta responded that this was a good question. The Health Benefits Fund had been underwater for quite some time, and a special assessment was levied against all agencies and participants in the fund. Normally it isn't something that the NMERB would scan the General Appropriation Act for, but now it will be paying closer attention to what is going on with GSD and DoIT rates in the future. Treasurer Montoya commented that a lot of counties and cities are suing the administration, and if the lawsuits are successful, the NMERB probably should look into whether it could be reimbursed.

**Mr. Baca moved approval of the FY25 budget appropriation request, as presented. Dr. Fontela seconded the motion, which passed unanimously.**

##### **b. FY23 Certification of Capital Assets**

Ms. Mannila referred to the asset depreciation report.

**Ms. Cameron moved approval of the FY23 Certification of Capital Assets. Dr. Fontenla seconded the motion, which passed unanimously.**

#### **5. RETIREMENTS: MONICA LUJAN, MEMBER SERVICES DIRECTOR; JENNA VIGIL, MEMBER SERVICES BUEAU CHIEF**

##### **a. Age and Service**

Ms. Lujan reported that, during the June-July period, 4 members were approved for disability benefits, 35 reciprocity applications were approved, and there were 399 normal retirement applications, for a total of 438 applications for the bimonthly period.

Ms. Lujan stated that pages 95-101 list retirements sorted by age, a request made by Mr. Baca at the last board meeting. Out of the 438 applications listed, 63 retired before the age of 55, 249 retired between ages 60 and 70, and 49 were over the age of 70.

Ms. Lujan stated that the chart of the NMERB retirements over time reflects a decrease this year of about 5 percent.

Chairman Goff asked at what point would the under-age-55 qualification for the NMRHCA have an impact on the fund. Mr. Archuleta responded that it probably had an immediate impact in 2021, when people rushed to be grandfathered in, and he suspected it had already played itself out at this point.

Chairman Goff asked how many people have applied for the Return to Work (RTW) change. Mr. Archuleta responded that, for the 36-month RTW program, as of today there were 140.

Ms. Lujan added that many retirees are withdrawing from the 1-year layout Return to Work program, which sunsets at the end of 2023, with most of them requesting to move into the RTW Less than \$15,000 Per Year program or the RTW .25 FTE or Less program. Mr. Archuleta commented that this is a concern because retirees in those two programs are not required to pay the non-refundable contributions. In addition, many retirees mistakenly believe that if they exceed the \$15,000 earnings limit the NMERB will waive it or not consider it an issue.

#### **b. Disability**

Ms. Vigil reported that a total of 15 disability cases have been reviewed during CY 2023, including 5 cases during the June-July period.

**Ms. Cameron moved to accept the Age and Service Disability retirements. Mr. Baca seconded the motion, which passed unanimously.**

### **6. IT EQUIPMENT DISPOSAL: LAWRENCE ESQUIBEL, DEPUTY DIRECTOR**

Mr. Esquibel presented the list of IT equipment requiring disposal.

**Treasurer Montoya moved for approval. Ms. Cameron seconded the motion, which passed unanimously.**

### **7. EXECUTIVE DIRECTOR'S UPDATE: DAVID ARCHULETA, EXECUTIVE DIRECTOR**

#### **a. Retiree Health Care Authority**

- The NMRHCA board approved a four-year contract with The Standard Life for term life insurance for members. There was a slight increase in the premium.

- At the NMRHCA Board of Directors annual retreat, the board approved a 5 percent increase in premiums charged for all pre-Medicare plan members. The board also vote to not increase the rates charged for the Medicare Supplement Plan. As a result of these actions, the fund is not expected to begin deficit spending until FY33.

## **b. Agency Activities**

Mr. Archuleta reviewed highlights from the NMERB Departmental Activity Report for the June-July period.

- In July, NMERB staff presented an agency update to the Investments and Pensions Oversight Committee. The committee asked what it would take to make the program whole. The answer to that question is it would take a \$9 billion infusion of cash. The committee also asked whether and how climate change might impact the NMERB's investments. The answer is that the NMERB's investment strategy and asset allocation do not independently consider a particular asset's contribution to, or solution for, climate change. Another question was what would happen if the NMERB matched up its employer-employee contributions to those of PERA retirees. The result is that it would shave three years off the NMERB's projected funded status from 29 years to 26.
- The committee also asked staff to measure the impact of increasing the employee and employer contribution to 10.92 percent and 19.24 percent respectively. This change would match the contributions directed toward PERA and represent a 0.22 percent increase to the employee and a 1.09 percent increase to the employer. The combined 1.31 percent increase would help NMERB reach its funding goals by 2048, or one year ahead of the board's funding policy and 3 years ahead of the NMERB's current trajectory.

Mr. Baca notes that the state is projecting revenues of \$3.5 billion and about \$1.9 billion in non-recurring revenue. Given the NMERB's investment portfolio and the fact that staff has done a remarkable job, he thought it would be prudent for the NMERB to ask for a big infusion of cash. Mr. Archuleta agreed but added that while a \$500 million infusion might improve the solvency of the program, members are still getting only a fraction of their COLAs and the impact would be much greater if that money were distributed among the members in a one-time check.

Treasurer Montoya suggested that it might make sense for the NMERB to work with PERA and the NMRCHA to jointly ask for a certain amount of money to improve fund solvency instead of duplicating resources.

- NMERB staff will be at the State Board of Finance meeting on September 19 to request final approval to enter into an agreement for the construction of a new office building. Final total building cost is projected at approximately \$12.5 million including taxes.
- On July 19, the NMERB received notice from the Pension Benefit Information LLC (PBI) that information including member names, last four digits of the Social Security number, date of birth, city, state, zip code, and client-use fields affiliated with NMERB were unlawfully accessed by cyber criminals between May 29 and May 30, 2023. The NMERB's contract with them concluded in October 2022 and these services are now performed by Thomson Reuters. Members affected by the breach will be notified by PBI and offered free credit monitoring services for one year. NMERB recommends that members take advantage of this service.
- Mr. Archuleta and Lawrence Esquibel attended the NASRA (National Association of State Retirement Administrators) in Colorado this month. With each state weighing in on challenges they are facing, two issues prominently discussed were ESG investments and AI.
- Senior portfolio manager Francine Jacques will be leaving the NMERB this week to take a position in the private sector.

### **c. Board Policy Review**

- Staff is requesting that the Board of Trustees review the NMERB Policies and Procedures document, which was last reviewed and adopted by resolution in 2012. Staff will be presenting a revised and redlined document at the October meeting for review, with proposed adoption at the December meeting.

## **8. BOARD SELF EVALUATION PROCESS: RUSSELL GOFF, BOARD CHAIR**

### **a. Survey Results**

Chairman Goff thanked board members for completing the survey. He said there were some positive results. He encouraged board members to reach out to him or Executive Director Archuleta to discuss any concerns.

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

### **a. NEPC General Consultant Contract**

[Also present: Sam Austin, Partner, NEPC]

Mr. Jacksha stated that NEPC's contract as general investment consultant is coming due on September 30, 2023. The NMERB has the option of extending the contract for two years under Exceptions, which states that if the NMERB

is satisfied with the services being provided under the contract, it can do so with approval.

Mr. Jacksha said NEPC was hired in 2005 and has served in this role since then. Allan Martin has been the NMERB's consultant for the entire engagement, although he has recently indicated that he is likely to retire within a year or so. Sam Austin would take on that role going forward.

Responding to Mr. Baca, Mr. Jacksha said the NMERB did a new contract in 2019. The NMERB did not go out and do a broad search, as is permitted under its Procurement Services Policy, and the board decided to keep NEPC for a new contract for four years. He said the policy will allow another two-year extension if the board approves the two-year extension being requested today. After that, a new contract will be necessary.

Responding to Treasurer Montoya, Mr. Jacksha said the portfolio amount is currently \$16 billion. The contract amount for FY22 was \$499,088 and started at \$430,000 in 2019. Treasurer Montoya commented that the contract cost has gone up by about \$100,000 although the portfolio hasn't increased that significantly in relation to it, and it is because of the decision to use the CPI as escalator. She asked if it would be possible to renegotiate the contract to remove the CPI threshold and use a percentage increase as escalator.

Deputy General Counsel Randall Cherry confirmed that this could be negotiated.

Mr. Austin said that was acceptable.

Treasurer Montoya also requested that the negotiation include discussion of the dollar amount based on the amount of the investment portfolio.

Mr. Austin responded that consultant contracts are intentionally not tied to the amount of the AUM because a consultant does not want to be in the position of recommending something that might increase their fee. He said NEPC would prefer that their fee be based on the quality of service they provide.

Treasurer Montoya agreed, but said she still believes that a contract amount based on a \$16 billion portfolio is excessive relative to the national norm because of the CPI-based escalator. She added that having the same consultant for 20 years is also a concern, especially when it comes to investments, although she was not recommending a search. She recommended that the person negotiating and determining the CPI and dollar amount for it to still be in alignment should be able to do that in time for the next meeting; and if that cannot be negotiated on the CPI, that the negotiation include a one-year renewal term with the possibility of another one-year renewal, and if not within this year, to go out to bid.

Mr. Austin commented he has two clients with portfolios between \$35 and \$40 billion who are paying less than what the NMERB is paying. He added that the CPI escalator, in many years when there was no inflation, did result in a smaller increase; however, NEPC feels that inflation is likely to be back in the 2.5 to 3 percent range over the next couple of years. They are open to any good faith conversation.

**Mr. Baca moved to table this item and upon negotiation with staff and the contractor, to return and hold a special meeting prior to the contract expiration date of September 30. Treasurer Montoya seconded the motion, which passed unanimously.**

### **b. Q2 Investment Report**

Mr. Austin Presented this report with the following highlights:

- Over the past 5 years, the fund returned 7.8 percent per annum.
- Over the past 3 years, the fund returned 11.1 percent per annum.
- For the year ending June 30, 2023, the fund experienced a net investment gain of \$871.6 million, which includes a net investment gain of \$415.1 million during the quarter. Assets increase from \$15.5 billion 12 months ago to \$16.0 billion on June 30, 2023, with \$362.0 million in net distributions during the year. The fund returned 5.6 percent, underperforming the policy index by 89 basis points and ranking in the 91st percentile of its peers.

### **c. Staff Selection Committee Report**

Mr. Jacksha reviewed the actions taken at the SSC's June, July, and August meetings:

- Approved a \$75 million commitment to Banner Ridge Secondary Fund V for the Private Equity portfolio. The fund buys used limited partnership commitments from other investors, usually at a discount. This has been a very profitable area for the NMERB.
- Approved commitments of \$50 million to Five Point Water Management and Sustainable Infrastructure Fund IV for the Natural Resources portfolio and \$30 million for the Private Equity portfolio.
- Approved a \$100 million commitment to Kildare Partners IV, which invests in distressed real estate. The commitment was split with \$50



million to the Opportunistic Credit portfolio and \$50 million to Real Estate.

- Authorized the continuation of the Waterfall Eden Fund, the Waterfall Victoria Fund, and the Sutherland REIT.
- Approved a \$20 million commitment to Ballast Equity Partners Fund I along with a \$10 million sidecar co-investment commitment. They are a venture- and growth- equity focused private secondary strategy.
- Approved a \$150 million investment to Sixth Street TAO for the Opportunistic Credit portfolio. They invest globally across the entire spectrum of strategies and themes within the Sixth Street platform: growth, opportunities, fundamental strategies, direct lending, infrastructure, agriculture, credit market strategies, structured products, and TAO.
- Approved a new investment-related services contract with CBRE Investment Management for infrastructure consulting for four years.
- Approved a three-year extension of the Master Service Agreement with Burgiss Private I, a system the NMERB uses to keep track of private assets.
- Approved a \$100 million commitment to Edgewood Fund IV for the Real Estate and Real Assets portfolios. Edgewood is managed by Hamilton Lane, the NMERB's consultant for real estate and real assets. This is a co-investment and secondary fund.
- Approved a \$50 million commitment to Ram Special Opportunities Fund for the Real Estate portfolio. This is primarily a debt-focused fund.

#### **d. Investment Committee Report**

Mr. Jacksha summarized actions taken by the Investment Committee this morning:

- Reviewed the December 31 Private Equity Report.
- Approved the Proxy Voting Report.
- Reviewed the Commission Report.
- Looked at the Derivatives Compliance Report. The high point for the quarter was 2%, well under the 20% policy limit.

#### **e. Other investment Reports**

None.

### **10. ELECTION OF BOARD OFFICERS**

**Ms. Cameron nominated Russell Goff as Chair. Mr. Baca seconded, and the motion passed unanimously by roll call vote.**

**Dr. Fontenla nominated Mary Lou Cameron as Vice Chair. Mr. Baca seconded, and the motion passed unanimously by roll call vote.**

**Dr. Fontenla nominated Larry Magid as Secretary. Mr. Baca seconded, and the motion passed unanimously by roll call vote.**

**11. EXECUTIVE SESSION: 11:35 a.m.**

**Chairman Goff moved that the board go into Executive Session for the following purpose:**

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

**Katherine Chippeaux, Robert Jacksha, Duncan Manning, Nathan Sax, and Pete Werner v. The State of New Mexico, Educational Retirement Board and Department of Finance and Administration; Case No. D-101-CV-2023-01297 (1st Judicial District Court, Santa Fe); Luke A. Salganek, Miller Stratvert P.A., legal counsel to the board.**

- b. Executive Director, Performance Evaluation (Session closed per §10-15-1(H)(2) limited personnel matters)**

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

**12. ACTION FROM EXECUTIVE SESSION: 12:40 p.m.**

**Chairman Goff moved to come out of Executive Session. The only matters discussed during Executive Session were:**

- a. Pending litigation in which NMERB is a participant, specifically the Chippeaux et al. lawsuit, Case No. D-101-CV-2023-01297; and**
- b. Executive Director Performance Evaluation**

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

**Ms. Cameron moved to increase Executive Director David Archuleta's salary to \$195,000. Mr. Baca seconded the motion, which passed unanimously by roll call vote. [Mr. Magid was not present]**

**Treasurer Montoya said she has had an opportunity to work with Mr. Archuleta on a regular basis and appreciates what he is doing with the administration and employees. She said the board's decision to increase his salary is a way to show him how much the board values him.**

**13. NEXT MEETING: FRIDAY, OCTOBER 13, 2023 - ALBUQUERQUE**

**14. ADJOURN: 12:45 p.m.**

\_\_\_\_\_  
Russell Goff, Chairman

ATTEST:

\_\_\_\_\_  
Larry Magid, Secretary

DRAFT