

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

ARP COMMITTEE

TELEPHONIC/VIRTUAL MEETING

June 27, 2024

I. a CALL TO ORDER/ASCERTAIN QUORUM

A meeting of the Alternative Retirement Plan (ARP) Committee was called to order at 9:00 a.m. at the APS Headquarters, 6400 Uptown Boulevard, N.E., Albuquerque, New Mexico. Virtual attendance was also available. A quorum was not present.

Members Present:

Dr. Donald Duszynski

Members Excused:

Mr. Max Baca, Chair

Mr. Mario Suazo

Staff Present:

Mr. David Archuleta, Executive Director

Mr. Lawrence Esquibel, Deputy Director

Mr. Randall Cherry, General Counsel

Others Present:

Mr. Jared Hardin, Financial Advisor, CAPTRUST

Ms. Marcia Peters, Financial Advisor, CAPTRUST

Ms. Judith Beatty, Recorder

[NOTE: Because no quorum was available, action on Items 1.b, 2 and 5 was deferred to a special meeting to be scheduled later.]

b. APPROVAL OF AGENDA

Deferred.

2. REVIEW AND APPROVAL OF MINUTES: December 7, 2023

Deferred.

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

Mr. Hardin said CAPTRUST has been working with TIAA on optimizing the data in their system so that the ARP is separated from all of the other institutions and is its own distinct plan. This will allow for more detailed reporting specific to the ARP.

Mr. Hardin said CAPTRUST and NMERB staff worked with TIAA in creating a flyer that gives a high-level overview of the ARP, compares it to the NMERB DB plan, and provides other general information for ARP participants. TIAA has submitted the final draft, which will be sent to NMERB staff for approval and then distributed.

Mr. Hardin stated that CAPTRUST's new contracts with TIAA and Fidelity took effect on January 1, 2024. CAPTRUST was able to negotiate a 1 basis point reduction in fees on the Fidelity side. A larger fee reduction was negotiated on the TIAA side about a year and a half ago. The fees charged by Fidelity and TIAA are now about the same. He commented that the fees are the lowest CAPTRUST has seen for a program of this size.

4. DEFINED CONTRIBUTION QUARTERLY REVIEW – MARCH 31, 2024 **JARED HARDIN, FINANCIAL ADVISOR, CAPTRUST** **MARCIA PETERS, FINANCIAL ADVISOR, CAPTRUST**

- Industry Updates
- Economic Review
- Program Overview
- Fiduciary Calendar Review
- Investment Analysis
- Fund Lineup Recommendations

Cybersecurity

Mr. Hardin stated that cybersecurity has been a major area of focus across the recordkeeping industry and ancillary providers that support the recordkeeping industry. The industry has invested a lot of money and development over the last 5-10 years into protocols, but there were no formal guidelines for plan sponsors until 2021, when the Department of Labor released "Tips for Hiring a Service Provider with Strong Cybersecurity Practices."

Mr. Hardin said the guidelines say how plan sponsors can evaluate the cybersecurity efforts of their service providers in the areas of data sharing and cybersecurity insurance. With plan data sharing, some service providers need access to little, if any, participant data, and recordkeepers and third-party administrators may be getting more data than they actually need. Mr. Hardin said he doesn't see this as an

issue with the ARP, which is pretty streamlined in terms of the data they receive but is worth reevaluating.

From a cybersecurity insurance perspective, Mr. Hardin said it is important that ARP, which is covered by the state, is covered not only by fiduciary liability insurance but also by cyber liability insurance. In addition, it is important to educate plan participants on the importance of keeping their contact information up to date with the recordkeeper and be alert to notifications about any suspicious activity.

Mr. Hardin said CAPTRUST's vendor analysis team provided the DOL's guidelines to TIAA and Fidelity and asked them to detail what measures they have taken to address them. He said the results have been provided to NMERB staff.

Mr. Hardin said he has looked at the Fidelity and TIAA contracts and thinks the cybersecurity language should be more robust in terms of incorporating some of the DOL guidelines.

Retirement Income

Mr. Hardin stated that retirement income is another hot topic in the industry. Over the past five years, there has been a huge focus on strategies that would turn participants' accumulation into retirement income, and more recently the focus has been on setting up custom default investment strategies that would have embedded in them the ability to turn a participant's investment balance into monthly income at retirement.

Mr. Hardin said TIAA and Fidelity also have options available. CAPTRUST will review some of the options available through TIAA and Fidelity at the next meeting.

Collective Investment Trusts

Mr. Hardin stated that the ARP plan was set up to mimic a 403(b) plan, which could only use annuities as investment options. Collective Investment Trusts are not allowed to be used in 403(b) plans, but Secure Act 2.0 paved the way for CITs to be available in 403(b) plans, and legislative approval is expected soon.

Mr. Hardin said the ARP plan is a 401(a) and can use CITs. CAPTRUST typically advocates for use of CITs where there is a concentration of assets that would lead to a significant reduction. Because ARP has \$300-\$350 million in target date funds, it could save 10-20 basis points by using a CIT rather than a mutual fund.

Mr. Hardin agreed to have CAPTRUST put together a comprehensive overview of the different investment and asset classes where it would be beneficial to use a CIT.

Fiduciary Calendar Review

Mr. Hardin said CAPTRUST feels more due diligence is needed on participant engagement. This means working with the recordkeepers to review demographics to see how people are utilizing the services, what the recordkeepers are doing to educate them about the plan, and doing a review of missing participants, dormant accounts, old addresses, etc.

Plan Investment Review

Mr. Hardin pointed out that the ARP “Plan Performance Success Rate,” which is based on how the ARP’s investments have been doing as a whole over the past three years, is 89. He said this is a very good score.

Ms. Peters reviewed the scorecard and watchlist recommendations:

T Rowe Price Blue Chip Growth I: Remain on watch

JP Morgan Small Cap Equity R6: Remain on watch

PiMCO Total Return Instl: Remove from watch

Oakmark International Institutional: Replace

Mr. Hardin stated that they are recommending Oakmark be removed altogether and that its assets be mapped to the TIAA CREF International Equity Index Institutional option. This is not a one-for-one match because they don’t recommend adding another foreign large value fund. It still gives the participants international exposure, and puts them in the index, which is a cheaper option with more diversification.

Mr. Hardin stated that they are also recommending that the committee add Foreign Large Growth as a brand-new investment and as a standalone international option for participants who want more concentrated international exposure. No assets would be backed into that fund.

Ms. Peters added that CAPTRUST is focused on MFS International Growth as an investment option for the committee to consider. The strategy is more conservative and focuses on strong companies with strong balance sheets and has good downside protection.

5. PROFESSIONAL SERVICES CONTRACT FY25 – CAP FINANCIAL PARTNERS, LLC D/B/A CAPTRUST FINANCIAL ADVISORS

Mr. Cherry said staff is recommending extending this contract for one more year.

[Action deferred to special meeting.]

6. OTHER BUSINESS: SCHEDULE WINTER 2024 ARP COMMITTEE MEETING

[Deferred to special meeting.]

7. ADJOURNMENT: 10:45 a.m.

Accepted by:

Max Baca, Chair

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