



State of New Mexico
Educational Retirement Board

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MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD OF TRUSTEES
REGULAR MEETING

April 26, 2024

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, NM State Treasurer
Mr. Max Baca
Dr. Donald W. Duszynski
Dr. Matias Fontenla
Mr. Antonio Ortiz

Members Excused:

Mr. Mario Suazo

Staff Present:

Mr. David Archuleta, Executive Director
Mr. Mark Canavan, Investment Officer, Real Estate & Natural Resources
Mr. Randall Cherry, General Counsel
Mr. Lawrence Esquibel, Deputy Director
Mr. Bob Jacksha, Chief Investment Officer
Ms. Monica Lujan, Member Services Director
Ms. Megan Mannila, Budget and Financial Services Manager
Ms. Renada Peery-Galon, ASD Director/CFO
Mr. Kevin Swinson, Chief Information Officer

Ms. Jenna Vigil, Benefit Services Bureau Chief
Ms. Ariana Wakefield, Executive Assistant
Mr. Jacob Maule, Deputy General Counsel
Mr. Robert Shulman, Assistant General Counsel

Others Present:

Ms. Judith Beatty, Board Recorder

b. Approval of Agenda

Treasurer Montoya moved approval of the agenda, removing item 11b (Investment Staff Compensation). Dr. Duszynski seconded the motion, which passed with Mr. Magid voting against.

c. Approval of Minutes

- **February 23, 2024**

Treasurer Montoya moved approval of the minutes of the February 23, 2024, meeting. Dr. Duszynski seconded the motion, which passed unanimously.

d. Approval of the Special Meeting Minutes: March 27, 2024

Treasurer Montoya moved approval of the minutes of the March 27, 2024, meeting. Dr. Duszynski seconded the motion, which passed unanimously.

e. Introduction of Guests

Chairman Goff welcomed guests and staff.

2. CONSENT AGENDA: BOARD TRAVEL

Mr. Magid requested approval to attend the Pension Bridge Private Equity in Chicago on July 22-24, 2024.

Mr. Baca moved for approval. Dr. Fontenla seconded the motion, which passed unanimously.

3. Executive Session: 9:13 A.M.

- a. Deliberations regarding the Hearing Officer's Recommended Decision in the Administrative Appeal of Ernest Richard Greene, ERB No. 23-01 (session closed per NMSA 1978 § 10-15-1(H)(3).**

- b. Deliberations regarding the Hearing Officer's Recommended Decision in the Administrative Appeal of Ria de Kruyf, ERB No. 24-02 (session closed per NMSA 1978, § 10-15-1(H)(3).**
- c. 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 Peter 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); Randall J. Cherry, General Counsel to the Board.**

Chairman Goff moved to enter executive session for the following purpose: Deliberations in connection with the administrative adjudicatory proceeding, session closed per § 10-15-1(H)(3) of the OMA, specifically the administrative appeals of Ernest Richard Greene, Case No. NMERB 23-01 and Ria de Kruyf, Case No. NMERB 24-02; and pending litigation in which the NMERB is a participant, session closed per § 10-15-1(H)(7) of the OMA, specifically Katherine Chippeaux, Robert Jacksha, et al, v. NMERB et al, Case No. D-101-CV-2023-01297.

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

[The board was in executive session from 9:13 a.m. until 11:00 a.m.]

Chairman Goff moved that the board come out of executive session. The only matters discussed during executive session were deliberations in connection with the administrative adjudicatory proceedings, specifically the administrative appeals of Ernest Richard Greene and Ria de Kruyf, Case No. NMERB 24-02; and and pending litigation in which the NMERB is a participant, specifically Katherine Chippeaux, Robert Jacksha, et al, v. NMERB et al, Case No. D-101-CV-2023-01297.

Treasurer Montoya seconded the motion, which passed unanimously by roll call vote.

4. Action from Executive Session: 11:00 a.m.

Treasurer Montoya moved the board reject the Hearing Officer's decision in Case NMERB 23-01 regarding Ernest R. Greene due to extenuating circumstances during COVID and the documentation presented in executive session; and task legal counsel to draft the appropriate order to comply with statute and board policy. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.

Mr. Baca moved the board remand NMERB Case No. 24-02, Rita de Kruyf, back to the Hearing Officer for further facts and conclusions of law and a determination of 1) how the back interest was calculated; 2) how the period of eligibility was determined; 3) the period of ineligibility; and 4) any other issues the Hearing Officer deems appropriate or relevant under the circumstances. Dr. Duszynski seconded the motion, which passed unanimously by roll call vote.

5. Board Member Travel Training: Renada Peery-Galon, ASD Director/CFO; Megan Mannila, Budget and Financial Services Manager

Ms. Peery-Galon and Ms. Mannila made this presentation.

6. FY25 Operating Budget; Renada Peery-Galon, ASD Director/CFO; Megan Mannila, Budget and Financial Services Manager

Ms. Peery-Galon requested that the board adopt the following:

- **The fiscal year 2025 compensation for David Archuleta, Executive Director:**
 - **Option 1 – not including the 3 percent compensation increase or**
 - **Option 2 – Including the 3 percent compensation increase.**
- **The fiscal year 2025 agency organization chart for the NMERB.**

Responding to Treasurer Montoya, Ms. Peery-Galon stated that there were no changes to the organizational chart from the previous fiscal year, and that the 3 percent compensation amount was \$5,853. She said everything from the operating budget comes from interest on investments.

Mr. Baca proposed Option 1 and that the board take a bigger look at compensation following the annual evaluation.

Motion died for lack of a second.

Treasurer Montoya moved to adopt Option 2. Dr. Duszynski seconded the motion, which passed unanimously.

Mr. Baca moved to approve the 2025 agency organization chart in the board packet. Dr. Fontenla seconded the motion, which passed unanimously.

7. Pension Administration System Modernization Project Update: Kevin Swinson, Chief Information Officer

Mr. Swinson reported that the PAS modernization project is currently on track, on time, on budget, and in a green status. TELUS is providing implementation services, MBS is doing the data cleanse, Segal is providing project management services, and NTT is providing IV&V services. They are now doing the data cleanup and migrating the data to TELUS and are meeting with staff on refinement. He said they have started interacting with the LAUs.

Responding to Mr. Baca, Mr. Swinson said the data cleanup is being attacked in waves, with about 12 different waves over the course of the next two years. They are massaging and cleansing the data in the order of importance. He said the process is going well.

8. Disposal of Information Technology Equipment; Kevin Swinson, Chief Information Officer

Mr. Swinson reported that, in the last eight months, they have been able to retire all their on-premises Legacy hardware from the Simms and OSO data centers in Albuquerque and Santa Fe, which are both run by DoIT. In addition, NMERB has migrated the entire stack to the AWS cloud.

Mr. Swinson requested permission to dispose of the list of items attached (in the board packet), including workstations, printers, monitors, and servers.

Mr. Baca expressed concern that the NMERB is going through some kind of certification process in having the hard drives scrubbed so the NMERB can be assured that nothing remains. Mr. Swinson responded that the hard drives are being scrubbed from machines that DoIT has that are like a degausser and go to DOD levels of security. Mr. Baca suggested that, if the hard drives aren't then picked up, the NMERB find a company that destroys them after they are scrubbed.

Mr. Baca moved for approval. Dr. Fontenla seconded the motion, which passed unanimously. [Mr. Magid was not present during the vote.]

9. Retirements: Jenna Vigil, Benefit Services Bureau Chief, Monica Lujan, Member Services Director

a. Disability Benefits

Ms. Vigil reported that no disabilities were closed during the February-March period and that there has been a total of five cases for calendar year 2024.

b. Age & Service Retirements

Ms. Lujan reported that, during the February-March period, there was one disability application under age 60 and one over 60, with 21 reciprocities and 391 normal retirements, for a total of 414 applications for the bimonthly period. The average retirement age during the bimonthly period was 62.

Treasurer Montoya moved for adoption of the retirement reports. Mr. Baca seconded the motion, which passed unanimously.

10. Director's Reports: David Archuleta, Executive Director

a. Retiree Health Care Update

Mr. Archuleta referred to the report of NMRHCA activities at the March and April meetings. Highlights included approving staff's legislative request to pursue a joint resolution proposing to seek Constitutional protections for Retiree Health Care Benefits. The market value of investments for February was \$1.354 billion.

b. Agency Activities

Mr. Archuleta reviewed highlights from the NMERB Departmental Activity Report for the February-March period.

- In 2010 the NMERB overpaid 700 recipients about \$1.7 million because of a technical glitch that has since been corrected. Last month, NMERB mailed letters to the 294 people left on the list who had failed to repay the owed amounts (\$154,148.93 in total). From this mailing, 74 letters were returned as undeliverable, 9 people made telephone contact, 6 people agreed to a repayment agreement and 6 people have repaid a total of \$1,436.84.
- The NMERB's new analyst from the LESC is Mark Montoya.
- Members of the UNM Retiree Association intend to pursue legislation during the 2025 session like Senate Memorial 4 (Sen. Stewart) and House Memorial 1 (Rep. Garratt). The memorials, which were introduced in the 2024 session, requested a study of the differences between NMERB's and PERA's pension plans and recommendations on how to narrow the gap in value between the two benefits.

Mr. Archuleta reported that, during the March-April period, there were 125 return to work applications, of which 36 were for the 36-month program. As of today, 287 people were authorized for the 36-month program.

c. Other

Mr. Archuleta reported that the NMERB may be going with a Zoom system or something like that. PERA is already moving in that direction. The current phone system will no longer be supported after June 2024.

Mr. Archuleta said the City of Santa Fe is preparing to build a bridge across the arroyo adjacent to the NMERB's property. NMERB staff met with the City regarding the turnoff onto the property and its proximity to the roundabout and the possibility of moving it. The NMERB will be request assistance and approval from the Facilities Management Division to address the issue.

Mr. Archuleta stated that he will be on vacation from May 30 to June 7.

11. Investment Reports: Bob Jacksha, Chief Investment Officer

a. Custody Bank Contract

[Presenters: Portfolio Manager Alan Myers and Operations Manager Rita Lopez, with general investment consultant Sam Austin, NEPC]

Mr. Myers stated that NMERB's custody bank contract with State Street Bank & Trust will expire on June 30, 2024. Staff is proposing that the contract be extended for an additional two years. The NMERB Investment Services Procurement Policy states that if the NMERB board approves, a contractor currently providing satisfactory service will be afforded an opportunity to extend an existing contract or negotiate a new contract upon expiration of the existing contract for the same or substantially similar mandate on equivalent terms or terms more favorable to NMERB.

Mr. Myers stated that, on July 1, 2014, the NMERB moved its custodial services and custodied assets from JP Morgan to State Street after going through an extensive RFP process and receiving approval from the board. The original contract was extended for an additional two years, with the board's approval, in 2018, 2020 and again in 2022 based on the procurement policy for custody banks. The Investment Services Procurement Policy states that "There shall be no limit on the number of extensions of a contract to provide custodial banking services." The contract is cancelable by the board without cause with 30 days' written notice.

Mr. Myers said the amendment, which was approved by Chief Legal Counsel Randall Cherry, changes only the term of the NMERB's original agreement.

Mr. Myers stated that the NMERB's relationship with State Street has not been trouble-free, but staff and State Street have been working together to resolve all ongoing issues. Staff recommendation to extend the contract comes with the intent to continue to work with State Street to resolve current and ongoing issues. The NMERB has implemented a Key Performance Indicator process with State Street so that a failure to perform per the contract will result in a credit to the fees paid to State Street. Staff holds biweekly calls with State Street and is in touch daily, as needed, to ensure that all issues are resolved in a timely manner.

Responding to Dr. Fontenla, Mr. Myers said the NMERB pays about \$80,000-\$85,000 a month to State Street, which is based on activity and the number of accounts it has with them.

Mr. Austin commented that the fees for custodians are roughly comparable. It is a high investment business for the platforms they provide, which is reflected in the fees. He said the advantages of one custodian over another are marginal at best, and the net result of switching from one custodian to another, based on his experience with clients, is "that you exchange one set of problems for a different set of problems with a different custodian." He said these are usually not worth the effort of going through an open search for a custodian.

Mr. Austin acknowledged that he ran both the investment management and custodian operations for NMERB when he was at Bankers Trust in the 1990s.

Mr. Baca said he was concerned that the board was being asked to approve an extension to this contract with only a couple of months left in the fiscal year, which leaves very little time for discussion because the next board meeting is scheduled on June 28. Although Mr. Austin offered his opinion on this extension request, he personally didn't know what the NMERB would gain or lose by extending or not extending. He said going out for an RFP would allow the NMERB to sharpen its pencils and identify certain terms and conditions that could be negotiated as part of a new contract.

Mr. Baca moved to amend this to one year and ask staff to go out for an RFP. Treasurer Montoya seconded the motion.

Responding to Treasurer Montoya, Mr. Jacksha said there are two or possibly three banks in the U.S. that can provide custodial services, and all of them are national. There are no banks in New Mexico with this capability.

Treasurer Montoya asked Mr. Myers what the “current and ongoing issues” with State Street were. Mr. Myers responded that they were mostly communication and responsiveness.

Treasurer Montoya commented that it seemed like the board was almost expected to vote in favor of this request because there was so little time left before the contract expires. She said she didn’t want to be a rubberstamp for the NMERB, and thought it was prudent and in the NMERB’s best interest to issue an RFP, since State Street has now had this contract for ten years.

Mr. Myers stated that doing an RFP would be a nine-month process, when the NMERB would be about to move into the new facility, and then within two months the NMERB would be transitioning from one bank to another. He expressed concern that the NMERB would be dealing with new equipment in a new building and could be in a situation where it might not be able to make the transition effectively.

Treasurer Montoya commented that this sounded like a lot of excuses. She pointed out that although it does take time to do an RFP, it does not take nine months. She said the advantage of doing an RFP in this case is that the NMERB has been in a relationship with State Street for ten years, which puts it in an advantageous position of being able to negotiate better terms.

Mr. Austin commented that Mr. Baca and Treasurer Montoya are asking the right questions, but as the NMERB’s fiduciary advisor, he has seen dozens of these done, and they do take in the order of nine months. He said it is an enormous lift to do a custodian search. There used to be four or five major players, and every eight to ten years, these banks must make enormous investments to upgrade their platforms. A lot of players have dropped out as a result, and there are now really two players on the same level, and the third is a half-step down from them. Not only is the search difficult and lengthy, but the shift to a new custodian bank is also another herculean task that is always fraught with difficulty. Of the 71 other clients that NEPC works with, of those who have gone through this process, “the juice is usually not worth the squeeze.”

Mr. Jacksha stated that, if the board wishes to take the RFP route, he would suggest that it approve this two-year extension, which would allow for the RFP process. The NMERB has a 30-day cancelation right, which would allow for that prior to the end of the term. He said going out for an RFP would be a waste of the NMERB’s resources, and it does not have a lot of resources and needs to carry on with its daily operations. He suggested that the board not do this.

Mr. Baca noted Mr. Austin's comments that there were issues with both banks, and pointed out that the RFP can include language and criteria to ensure that those issues don't occur without breaching the contract. He also stated that code in 1990 was very different from what it is today, and the monitoring systems today are a lot more efficient. While migrations are a little bit trickier, if staff comes back in a future meeting with the data and presents recommendations based on the new information they have, he might feel differently than he does today.

The motion passed by roll call vote, with Dr. Duszynski voting against the motion. [Not present for the vote: Mr. Magid.]

b. Staff Selection Committee Report

Mr. Jacksha and Mr. Neel reviewed action taken during the March and April SSC meetings.

c. Other Investment Reports

None.

12. Next Meeting: Friday, June 28, 2024 - Albuquerque

13. ADJOURN: 12:50 P.M.



Russell Goff, Chairman

ATTEST:



Larry Magid, Secretary