



NEW MEXICO
EDUCATIONAL RETIREMENT BOARD

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MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD OF TRUSTEES

REGULAR MEETING

December 13, 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 [virtual attendance]
Hon. Laura M. Montoya, New Mexico State Treasurer
Mr. Max Baca
Dr. Matías Fontenla
Dr. Reilly White

Members Excused:

Secretary Stephanie Rodriguez
Mr. Antonio Ortiz

Staff Present:

Mr. David Archuleta, Executive Director
Mr. Lawrence Esquibel, Deputy Director
Mr. Bob Jacksha, Chief Investment Officer
Mr. Jacob Maule, General Counsel
Mr. Steve Neel, Deputy CIO, Alternative Assets
Mr. Ian Padilla-Salazar, Executive & HR Assistant
Ms. Renada Peery-Galon, ASD Director/CFO
Mr. Kevin Swinson, Chief Information Officer
Ms. Jenna Vigil, Benefit Services Bureau Chief

Others Present:

Mr. Sam Austin, NEPC

Mr. Jared Hardin, CAPTRUST

Ms. Christine Anaya, State Treasurer's Office

Ms. Judith Beatty, Board Recorder

b. Approval of Agenda

Ms. Cameron moved approval of the agenda, as published. Treasurer Montoya seconded the motion, which passed unanimously

c. Approval of Regular Meeting Minutes: October 25, 2024

Mr. Baca moved approval of the October 25, 2024, meeting minutes. Dr. Fontenla seconded the motion, which passed unanimously.

2. PUBLIC FORUM AND INTRODUCTIONS

Attendees introduced themselves.

3. CONSENT AGENDA: BOARD TRAVEL

Chairman Goff and Dr. Fontenla requested approval to attend the NEPC conference in Phoenix in February.

Mr. Baca moved for approval. Treasurer Montoya seconded the motion, which passed unanimously.

4. STAFF RETIREMENT, SANDRA ALVA: RUSSELL GOFF, CHAIR

Chairman Goff presented Ms. Alva with a gift honoring her years of service to NMERB.

5. ALTERNATIVE RETIREMENT PLAN (ARP) COMMITTEE REPORT: MAX BACA

Mr. Baca stated that the ARP Committee (Max Baca, Matias Fontenla, Reilly White) met on November 13 at 9:30 a.m. and heard a report from Jared Hardin of CAPTRUST on the committee's duties and responsibilities as fiduciaries.

Mr. Baca said Dr. Fontenla highlighted the need to review the eligible faculty members who can participate in the ARP plan, ensuring that the ARP is communicating with them, as well.

Mr. Baca said the committee heard presentations on various aspects of the plan that included a review of the plan annuity structure, investment expenses and service provider recommendations. The committee recommended that it proceed with an RFI on provider fees as well as service benchmarks. He stated that he stepped away from the meeting at 10:55 a.m., and thanked Dr. Fontenla for taking over as chair for the remainder of the meeting.

Mr. Baca recommended changing the ARP Committee meeting schedule from June and December to the spring and early fall (September or October). This would allow the committee sufficient time to consider upcoming recommendations from consultant CAPTRUST.

6. ARP – CAPTRUST OVERVIEW AND UPDATE: JARED HARDIN, CAPTRUST

Mr. Hardin presented an update on his August report regarding an SEC investigation and related lawsuit filed against TIAA, one of the ARP's recordkeepers.

Mr. Hardin said that, in preparation for next steps in 2025, CAPTRUST provided a very in-depth review to the ARP Committee on the history of the ARP and its investments, and where its plan assets currently sit. CAPTRUST wants to make sure that any steps in evaluating the recordkeepers are done with a baseline of information and knowledge on how things have developed over time in the industry. Investment options in the ARP were discussed on the TIAA and Fidelity side as well as the benchmarking of fees and services of the recordkeepers, and the compensation they are receiving for their services. From that, CAPTRUST developed recommendations for the committee to consider, including issuing an RFI for recordkeeping services.

**7. ACTUARIAL VALUATION REPORT: DANA WOOLFREY, FSA; THOMAS LYLE, FSA
GABRIEL, ROEDER, SMITH AND COMPANY**

Ms. Woolfrey and Mr. Lyle made this presentation.

Dr. Fontenla asked if the positive numbers in the report would allow for giving a one-time increase to the COLA. Mr. Archuleta responded that the legislature has looked at opportunities to give the NMERB one-time payments to distribute to the members. Otherwise, it would not be a good idea to take money from the NMERB fund to distribute to the members.

Ms. Woolfrey added that defined benefit pension plans have a long history of taking some of their excess funding to distribute to members during the good times, which means those funds are not available when times are not good. She said she would hate to set a precedent by taking that potential additional COLA out of the funding period and just hope for the best. As mentioned by Mr. Archuleta, NMERB could pursue additional funding that would not impair the plan's funding trajectory.

Mr. Baca moved to accept the Actuarial Valuation Report, as presented. Ms. Cameron seconded the motion, which passed unanimously.

**8. 2024 STAFF COMPENSATION STUDY: CAROL COCHRAN, CPA/PFS, CCP,
DEBS, SMA, CMS, THRP, CFC, SHRM-SCP, EMBA; RACHEL OVERMIER, MPA,
SHRM-SCP, THRP, REDW**

Ms. Cochran and Ms. Overmier introduced themselves and made a slide presentation.

Ms. Overmier stated that, based on the REDW's Compa-ratio, which is a snapshot of where NMERB is in the market in the recommended salary ranges, NMERB is about 83-86% of the market, with the midpoint being 100%.

Mr. Baca noted that some job titles were not benchmarked, including Deputy Director. Ms. Cochran responded that, using the Compease system, which has already considered thousands of

datapoints, they specifically looked at those positions for benchmarking that are highly competitive, difficult to retain, and where market pricing is very important. By interviewing the NMERB team and reviewing the questionnaires, they were able to identify the positions that were felt to be most market competitive and were difficult to recruit and retain.

Treasurer Montoya suggested the REDW create a spreadsheet to include other factors besides just the market rate for each title, which would provide a more holistic view. She cited the geographic factor as well as benefits (annual leave, sick leave, etc.) being included in someone's salary. This would allow for an apples-to-apples comparison. Ms. Overmier responded that the geographic factor was applied to all salary ranges and positions.

Mr. Archuleta said there is still some work that needs to be done on the study, which will next go to the ad hoc compensation committee for further refinement.

Mr. Archuleta clarified that the contract with REDW was specific to the salary. Treasurer Montoya said the contract should be changed, then, to include additional factors.

Ms. Cochran said they would recommend that a total compensation study be done for NMERB's higher level executives. One area where NMERB has a gap, which was brought up in Mr. Jacksha's email, is that there is naturally going to be a big difference in comparing total compensation to base compensation. For those executive level positions, it is typical to have some form of incentive compensation, which NMERB currently doesn't have.

Ms. Cochran stressed that, in looking at incentive-based pay to determine whether someone has hit the mark to earn their incentive, the criteria must be very specific to the role and goals and objectives for the year. She commented that identifying those is an art form, so there should be a process adopted for measuring it all along the way.

Ms. Cochran said it is important that the recommended salary range reflect the market pricing for base compensation. While they were only asked to look at base compensation, they would recommend looking at total compensation to include an incentive component rather than being added to base compensation.

Ms. Cochran recommended that NMERB meet the market in terms of base compensation, but to meet or exceed the market in terms of total compensation. This helps the NMERB with recruitment and retention.

In reviewing the McLagan survey slide, Ms. Cochran stated that REDW missed the mark in benchmarking investment positions, as they should have focused primarily on assets under management (AUM). When AUM is considered, the survey supports REDW's recommended salary ranges for executive level investment positions. She said it is important to recognize that, when looking at the salary ranges, sometimes people will go to the minimum or midpoint, which is generally seen as being market. The reason for such a significant salary band is that, when employees demonstrate high performance and longevity, they can progress along a large band. As part of the portion of the engagement that REDW has yet to do, they would be pricing and slotting employees within their band taking into consideration the economics of the NMERB but also taking into consideration tenure and experience. This is very important, as it is the whole reason for having a band.

Mr. Magid commented that, in the first meeting NMERB had with REDW, he asked them if they had ever done this kind of study before, and they said no, “and it shows.” He said Santa Fe’s cost of living is much higher than the national average, and the NMERB is losing people because it doesn’t pay competitive rates.

Ms. Cochran clarified that, in their interview with the NMERB, they said they had not done this kind of study for a public pension fund. They have over 25 years of experience with governmental compensation studies and New Mexico businesses. They have less experience with investment positions, however. They should have consulted REDW Wealth but did not. Ms. Cochran said that, for the investment positions, they are very willing to look at this again and ask their Wealth partners to assist.

NEPC advisor Sam Austin stated that NEPC did a full one-year fiduciary audit for one of their clients, which was slightly larger than NMERB, and concluded that the most important issue facing that peer was being able to attract and retain the best investment talent. As a result, they felt they needed to upgrade their incentive compensation program.

9. EXECUTIVE DIRECTOR’S UPDATE: DAVID ARCHULETA, EXECUTIVE DIRECTOR

a. Agency Activities

- IPOC has endorsed the NMERB’s “clean-up bill” but declined to endorse legislation allowing the NMERB to cap the value of unclaimed benefits following the death of a member. Sen. Figueroa will sponsor the NMERB’s legislation in the Senate and Rep. Raymundo Lara will carry the bill in the House.
- The NM Coalition of Educational Leaders will seek legislation increasing the period a return-to-work retiree can serve from 36 months to 72 months.
- The NMERB received three responses to the RFQ for Custody Bank Services. The top two ranking organizations will present to the board on January 9 at 9:30 a.m. in a Special Meeting.

Mr. Maule reported on the status of the NMERB’s Declaratory Action and Injunction regarding the City of Santa Fe. The next likely step will be to file a motion for “Judgment on the Pleadings.” The NMERB will continue to press forward in its attempt to have a final decision from the City before April so there is no delay in the project.

b. Retiree Health Care Authority

- NMRHCA’s Fiduciary Net Position is now 47% as of 6-30-2023 from its early days, when it was 3%,

10. PENSION ADMINISTRATION SYSTEM MODERNIZATION PROJECT UPDATE: KEVIN SWINSON, INFORMATION TECHNOLOGY DIRECTOR

Mr. Swinson made a slide presentation.

11. RETIREMENTS: RAUL DURAN, ACTING MEMBER SERVICES DIRECTOR

[Mr. Duran was not present because of illness. Mr. Archuleta presented these reports]

a. Disability Retirements

Mr. Archuleta reported that there were 6 new disability claims and one periodic review during the October-November bimonthly period, for a total of 41 for calendar year 2024.

b. Age and Services

Mr. Archuleta reported that, for the October-November period, there was one disability benefits application processed, 27 reciprocity applications processed, and 293 normal retirements, for a total of 262 applications for the bimonthly period. The average retirement age was 67.36 years.

Mr. Baca moved for approval of Items a and b. Dr. Fontenla seconded the motion, which passed unanimously.

12. INVESTMENT REPORTS: BOB JACKSHA, CIO

[Presenters: Bob Jacksha, Steve Neel, and Sam Austin, NEPC]

a. NEPC Contract Review

Mr. Austin presented an overview of the Hightower/NEPC transaction, which was first presented at the last meeting for review. [Page 257.]

Mr. Austin said the partners of NEPC will retain a 20% interest in the business from a financial standpoint, but a 100% interest in managing the day-to-day business of the business and its leadership. They control the budget, hiring and firing, their succession planning, and strategic direction.

Mr. Austin said more than 96% of their clients have signed the consent letter, with a handful (including the NMERB) remaining. He stressed that the consent letter does not change the contract in any form or fashion. He said the deadline for the consent letter has been extended to December 23 and the transaction is expected to close on January 2, 2025.

Mr. Jacksha read a suggested motion, which was provided by Mr. Austin:

"The Board authorizes the Executive Director to sign a consent letter provided by NEPC. This consent acknowledges the change in control of NEPC reflecting the anticipated 80% ownership by Hightower advisors and 20% ownership by NEPC partners. NEPC LLC will continue to provide advice in a fiduciary capacity to NMERB and all contractual obligations under the existing contract with NMERB will remain in full force and effect."

Mr. Baca so moved, with the following amendment: "With review of the letter by counsel and any adds to protect the interest of NMERB."

Ms. Cameron seconded the motion, which passed unanimously by roll call vote.

b. Q3 2024 Investment Report

Mr. Austin presented this report.

c. Staff Selection Committee Report

There were no meetings scheduled during the bimonthly period.

d. Investment Committee Report

Mr. Jacksha reported on actions taken by the Investment Committee in this morning's meeting.

Mr. Jacksha said the committee reviewed the Q2 2024 private equity report and the Q2 real estate and natural resources report.

e. Other Investment Reports

Mr. Jacksha distributed a list of companies headquartered in New Mexico, as requested by Mr. Baca. The only public investment he could find was in TXNM Energy, a holding company for PNM. He said this is a very small position, about \$85,000. On the private side, there is about \$106 million, the biggest portion in the oil and gas industry in the Permian. None of these managers are required to invest in New Mexico, but they have found companies they believe compete favorably with national investments. This includes the NMERB's co-investments.

13. 2025 OPEN MEETINGS ACT RESOLUTION: JACOB MAULE, GENERAL COUNSEL

Mr. Maule requested approval of the Open Meetings Act Resolution for 2025.

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

14. EXECUTIVE SESSION: 12 :55 p.m.

- a. **Deliberations regarding the Hearing Officer's Recommended Decision in the Administrative Appeal of Ria De Kruyf, NMERB No. 24-02. (Session closed per NMSA 1978, § 10-15-1(H)(3). Isabelle Lopez, Assistant Attorney General**
- b. **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); Jacob Maule, General Counsel to the Board.**

Ms. Cameron moved to enter executive session for the following purpose: Deliberations in connection with the administrative adjudicatory proceedings, session closed per § 10-15-1(H)(3 of the Open Meetings Act, specifically the administrative appeal of Ria De Kruyf, NMERB Case No. 24-02; and discussion of pending litigation in which NMERB is a participant, session closed per § 10-15-1(H)(7) of the Open Meetings Act, specifically, regarding Katherine Chippeaux, Robert Jacksha, et al v. the NMERB, Case No. D-101-CV-2023-01297.

The motion was seconded by Mr. Baca and passed unanimously by roll call vote.

[The board was in executive session from 12:55 to 2:30 p.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 in the administrative appeal of Ria De Kruyf, NMERB No. 24-02; and pending litigation in which NMERB is a participant, specifically, regarding Katherine Chippeaux, Robert Jacksha, et al v. the NMERB, Case No. D-101-CV-2023-01297.

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

15. ACTION FROM EXECUTIVE SESSION

Treasurer Montoya moved to approve the recommended findings of fact and conclusions of law in the hearing officer's recommended decision issued December 26, 2023, which is incorporated by reference, but modify the retirement overpayment penalty to zero dollars. Dr. Fontenla seconded the motion, which failed to pass on the following roll call vote:

For: Treasurer Montoya; Dr. Fontenla; Dr. White

Against: Chairman Goff; Mr. Magid, Mr. Baca; Ms. Cameron

Mr. Baca moved to approve the hearing officer's recommended decision issued on December 26, 2023, which is incorporated by reference. Ms. Cameron seconded the motion, which passed on the following roll call vote:

For: Chairman Goff; Ms. Cameron; Mr. Magid; Mr. Baca

Against: Treasurer Montoya, Dr. Fontenla, Dr. White

Explaining his vote on the first motion, Mr. Baca stated that he was very sympathetic to these cases, and it is very difficult for him as a board member to make decisions on them; however, he was glad that the changes in rules have put in place to make this more friendly towards the members.

Treasurer Montoya said she was very disappointed in this decision, which makes a teacher who went to substitute for eight days and who made less than \$600 lose over \$1,000 a month and \$1,600 for a full month. Because this rule was outdated and antiquated, a lot of people have ended up suffering the consequences after the Governor, this state, and the country asked them to come back to work. For those reasons, she thought this person should have been treated a little bit differently.


16. NEXT MEETING: FRIDAY, FEBRUARY 28, 2025 – ALBUQUERQUE

17. ADJOURN: 2:40 p.m.



Russell Goff, Chairman

ATTEST:


~~MAX BACA~~_____
Larry Magid, Secretary
MB 2/28/25