



NEW MEXICO
EDUCATIONAL RETIREMENT BOARD

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MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD OF TRUSTEES
REGULAR MEETING
February 28, 2025

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
Hon. Laura M. Montoya, New Mexico State Treasurer [virtual]
Mr. Max Baca, Secretary [elected during meeting]
Mr. Antonio Ortiz
Ms. Renee Ward

Members Excused:

Secretary Stephanie Rodriguez
Dr. Matías Fontenla
Dr. Reilly White

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
Mr. Raul Duran, Benefit Services Bureau Chief
Ms. Shirley Rodriguez, Retirement Specialist Supervisor

Others Present:

Mr. Sam Austin, NEPC
Ms. Judith Beatty, Board Recorder

b. Approval of Agenda

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

c. Approval of Regular Meeting Minutes: December 13, 2024

Mr. Baca moved for approval of the December 13, 2024, minutes. Ms. Cameron seconded the motion, which passed unanimously.

d. Approval of Special Meeting Minutes: January 9, 2025

Mr. Baca requested that Item 6 (Northern Trust presentation) include more questions posed by the board than what was reflected in the minutes. He said he would send his questions to Ms. Beatty to assist.

Mr. Baca moved to table approval of the January 9 minutes, with staff and board members sending questions to Ms. Beatty. Ms. Cameron seconded the motion, which passed unanimously.

2. PUBLIC FORUM AND INTRODUCTIONS

Attendees introduced themselves.

3. CONSENT AGENDA: BOARD TRAVEL

No requests.

4. STAFF RETIREMENT, ROBERT HAMPTON: RUSSELL GOFF, CHAIR

Chairman Goff presented Mr. Hampton with a gift from the board and thanked him for his years of service to NMERB. Mr. Hampton joined NMERB in 2009 as an IT Generalist II, and in 2016 was promoted to Database Administrator. Chairman Goff commented that Mr. Hampton has been the backbone of the NMERB's database administration and his contributions to NMERB have been too numerous to fully recount.

5. BOARD SECRETARY ELECTION: RUSSELL GOFF, CHAIR

Chairman Goff nominated Max Baca as Secretary to the NMERB Board of Trustees. Ms. Cameron seconded the nomination.

There were no more nominations.

The motion passed unanimously.

Chairman Goff noted that the Board Secretary also automatically serves on the Evaluation Committee.

6. NMERB COMMITTEE ASSIGNMENTS: RUSSELL GOFF, CHAIR

Chairman Goff appointed Renee Ward to the Salary Committee.

Chairman Goff appointed Matias Fontenla as Chairman of the Investment Committee.

Chairman Goff appointed Max Baca to the Investment Committee.

7. ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2024: KORY HOGGAN, PARTNER; AARON HAMILTON, SENIOR MANAGER, MOSS ADAMS, LLP

Mr. Hoggan and Mr. Hamilton made this presentation.

Mr. Hoggan noted that NMERB received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association this year.

Mr. Hoggan said the audit received a clean opinion.

Referring to the Schedule of Investment and Administrative Expenses (page 103), Mr. Baca noted that NMERB is spending almost \$11 million on contractual services and asked if those fees are in line with what Moss Adams sees in other plans.

Mr. Hoggan responded that he didn't see anything that jumped out.

Mr. Baca observed that Investment Expenses (page 188) jumped to more than \$500,000 in 2024 after staying \$200,000 for several previous years. He questioned why there was such a large increase. Ms. Peery-Galon said she would investigate this and respond later.

Referring to cash flow history (page 147), Mr. Baca said it appears that NMERB has been short by almost \$253 million in cash in 2024 and close to \$500 million between 2018 and 2022 and wondered if this is something NMERB should be discussing with the actuaries. Mr. Jacksha responded that this is more of an actuarial question, but in 2021, when \$500 million was the net outflow, was contributions coming in minus what NMERB paid out. NMERB made changes over that time, which is why the number improved. The changes are projected to get NMERB to 100 percent funding, and a negative cash flow is very common among funds that are mature, with a lot of retirees, so NMERB doesn't see this as a severe problem. Mr. Jacksha said investment income is supposed to make up the gap, and it should if NMERB hits 7 percent.

Mr. Baca noted that the shortage in cash flow was \$65 million in 2001 and has continued to grow since then, which is a concern to him. Mr. Jacksha responded that the percentage of assets, however, came down substantially in 2024 after being at 3+ percent for a few years. From the actuarial point of view, this level looks okay. The number may grow, but as the NMERB's assets grow, he expects that contributions and distributions will grow over time.

Ms. Peery-Galon referred to the executive summary (page 120) and noted that the funding period has gone from 26 years to 22 years. She said the board set the goal of 30 years at the beginning when the employer contributions started going up, and it is doing what the intent was.

Mr. Baca moved to accept the audit report, as presented. Ms. Cameron seconded the motion, which passed unanimously by roll call vote.

8. EXECUTIVE DIRECTOR'S UPDATE: DAVID ARCHULETA, EXECUTIVE DIRECTOR

[Deputy Director Esquibel presented this report.]

a. Agency Activities

Mr. Esquibel reported that longtime NMERB portfolio manager Mark Canavan passed away on February 19 following complications from pneumonia. He worked for NMERB for 17 years, retiring in August 2024, and would be missed.

Mr. Esquibel said NMERB would be sad to see Robert Hampton, Database Administrator, leave the agency. He has done such a great job at NMERB and has trained staff to make sure NMERB will be able to continue its operations following his retirement.

General Counsel Jacob Maule reported that, in response to the Declaratory Action against the City of Santa Fe, the city has asserted that NMERB does not have the authority to bring this lawsuit on its own and is required to be represented by the Department of Justice. He said NMERB has obviously represented itself before, and when he was working at the Risk Management Division, he saw many of these types of lawsuits that were pursued without this expressed authority. He has been in contact with DOJ this week and requested the Special Commission to allow NMERB to proceed with the lawsuit and expects to see it by early next week.

Mr. Esquibel reported on the NMERB-related House and Senate bills moving through the legislative committee process.

Mr. Esquibel reported on progress with the new building. NMERB expects to be issued a certificate of occupancy by the end of March.

In discussion on Human Resources, Mr. Baca noted that there were five classified positions that were vacant, including two accountants and an auditor. He said it would be helpful to know why there were such high numbers in those areas, for instance, was it a salary issue or something else. He would like to discuss this further the next time the Salary Committee meets.

Under Member Services, Mr. Baca noted that 244 death notifications were received post-retirement. He asked how the NMERB learns about these deaths. Mr. Esquibel responded that NMERB works with Vital Records and does its own searches through LexisNexis, Thompson Reuters and obituaries.

Mr. Maule said NMERB also receives notification from the decedent's estate.

Mr. Baca said he would like to know what action NMERB takes when it isn't notified in time to stop mailing checks to the deceased person's address.

b. Retiree Health Care Authority

Ms. Garcia reported that, as of December 31, 2024, the trust fund was valued at \$1.6 billion. Financial advisors Meketa will review portfolio positioning with NMRHCA staff ahead of the March 1, 2025, SIC trading window for any potential rebalancing needs.

c. Legislative

[Addressed under Agency Activities.]

d. Other

None.

9. RETIREMENTS: RAUL DURAN, ACTING MEMBER SERVICES DIRECTOR

a. Disability Retirements

Mr. Duran reported that there were three new disability claims and three periodic reviews during the December-January bimonthly period, for a total of 52 for calendar year 2024.

b. Age and Services

Mr. Duran reported that, for the December-January bimonthly period, there were 3 disability retirements, 33 reciprocity applications processed, and 212 normal retirements, for a total of 248 applications for the bimonthly period.

Responding to Mr. Baca on why ages were removed from the retirement report, Mr. Maule stated that, in reviewing the statutes, it was discovered that the NMERB is prohibited from sharing the age of members publicly. He said he would email an unredacted report to board members.

Mr. Baca moved for approval of the retirements, as presented by Mr. Duran. Ms. Ward seconded the motion, which passed unanimously.

10. INVESTMENT REPORTS: BOB JACKSHA, CIO

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

a. NEPC General Investment Consultant Contract Review

Mr. Austin made a presentation on why NEPC is an ideal partner for NMERB. He noted that NEPC has had a relationship with NMERB for almost 20 years, providing consistency and partnering in a relationship.

Mr. Neel stated that NMERB has retained NEPC as its General Consultant since 2005, and the most recent contract will expire on September 30, 2025.

Mr. Neel said the board has two options: 1) Extend the current contract with NEPC for a period of two years; or 2) alternatively, the board may request the staff to issue an RFP for General Consulting services. The RFP process will take approximately five months.

Mr. Neel reviewed what services the General Consultant provides to NMERB. This includes performance reporting on a monthly and quarterly basis; manager monitoring; asset/liability studies at least every three years; providing ongoing advice and technical support in the establishment and refinement of portfolio strategic asset allocation, investment goals, objectives, and policies; risk management and analysis; advice and assistance in money manager selections; providing research materials; and attending board and Investment Committee meetings as requested.

Mr. Jacksha added that NMERB accesses NEPC's research and things of that nature on a regular basis, and staff is constantly in contact with their analysts on managers and other matters. Staff is very pleased with the relationship.

Ms. Ward asked when the last RFP was issued for a General Consultant. Mr. Neel responded that he believed it was in 2013. Mr. Jacksha said he believed it was 2013 but agreed that it has been a few years since the last RFP was issued.

Responding to Mr. Baca, Mr. Neel said NEPC is paid a flat fee of \$500,000 per year, including travel and other expenses, with an option for one increase, but it has not exercised that option.

Mr. Austin clarified that the \$500,000 was lowered about 18 months ago, although NEPC has done more travel with NMERB since.

Mr. Baca asked if there are instances where the two teams have a different philosophy. Mr. Jacksha responded that he could not think of instances where there has been a big disagreement on general philosophy and strategy. NMERB may have a disagreement on a manager now and then, but ultimately it is NMERB's decision who it wants to hire. In that case, NEPC provides the NMERB the background it needs.

Mr. Austin recalled when NMERB staff approached him 6-9 months ago to ask for his thoughts on a certain manager. He responded that he was very skeptical of that kind of strategy in general, because it hadn't worked in his experience, but agreed to have the research team look at it. In another instance, about 6-7 years ago, when NMERB started the Other Diversifying Asset class, he felt most strongly that it should be with the primary goal of having low correlation to the other asset classes, but NMERB shouldn't benchmark it to reach an assumed rate. He said Mr. Neel's response was that NMERB could do both, and he was right.

Mr. Neel agreed that it is important to have a consultant where there can be a frank and candid discussion.

Mr. Baca asked Mr. Austin how NMERB will benefit from the Hightower relationship, and what is the downside, if any.

Mr. Austin responded that the benefit is a stronger NEPC to provide the kind of research resources that work with the NMERB team all the time and make recommendations that keep it in the top quartile. He does not know anyone else who is in the top quartile for every period for every period out to 20 years. This doesn't come if there isn't enough staff on the research side. He stated that he knows some very smart and diligent people that work for other consulting firms, and they can't keep up with the client requests because they don't have enough trained, smart people who are also able to talk to the clients. NEPC has already grown its staff on the research side for each of the seven years he has worked with NMERB. The relationship with Hightower had to be where NEPC was confident they would not tell NEPC how to run its business, giving them the ability to expand the research side.

Mr. Austin said that the potential downsides are that if the requests 5 to 10 years from now from the RIA (high net worth side of Hightower) is asking for capacity in private market strategies, how does NEPC allocate that between its institutional and retail clients. He said he didn't see that likely in the next few years, and NEPC has a very good allocation policy between its advisory business versus its discretionary clients, where it makes the investment decision.

Mr. Jacksha said he hasn't seen any change in the relationship, although it is still early, and something they will watch for. Regarding private clients having access to private assets, he said he was a little skeptical how well that would work out. Some private asset classes may be suitable, but it is a trend that is happening in the industry but hasn't gone very far at this point.

Mr. Neel said he could see the business rationale for this and thought it made a lot of sense. For NMERB, the important things to monitor are the employment agreements and ensuring that NEPC continues to have the talent, resources, and staff, and that NMERB can continue to have the same access to them.

Chairman Goff wondered about the impact on staff of changing the custody bank and general consultant at the same time. Mr. Jacksha responded that operations staff will be very busy in the transition, and some of that will fall on investment staff, particularly Steve Neel and his team, as well as Alan Myers. His biggest concern with getting a new investment consultant is that the NMERB might not agree on the general philosophy and other top line issues. For years NMERB has been in agreement with at least the general direction, including the low volatility strategy that came out of discussions with Alan Martin, NEPC, and the Board of Trustees.

Mr. Jacksha said the hope is that NEPC will have more resources and revenue and is able to continue to build out staff.

Treasurer Montoya expressed concern that it would be very difficult for any agency to manage the RFP process for a new custody bank and investment consultant at the same time, although it is not prudent to allow so much time to go by before issuing another RFP. She said she would support renewing the NEPC contract for two more years and that NMERB should issue an RFP next time. Given the situation with limited staff, she thought this would be the prudent thing to do.

Mr. Baca moved to extend the NEPC contract for two years and prepare to issue an RFP before the two-year term is up. Treasurer Montoya seconded the motion, which passed unanimously.

Mr. Baca agreed with Treasurer Montoya's comments. NMERB needs to be very careful right now because staff is balancing a lot of issues, including moving into a new building. NMERB still must do its due diligence at some point. At the NEPC workshop, the emphasis was on "trust but verify." He commented that things can change very quickly.

b. Q4 2024 Investment Report

Mr. Austin presented this report.

c. Staff Selection Committee Report

Mr. Neel presented this report.

d. Other Investment Reports

Mr. Jacksha reported that portfolio manager Nathan Sax will officially retire on April 1.

LEGISLATIVE UPDATE: DAVID ARCHULETA

Mr. Archuleta reported that SB 133 (Educational Retirees Returning to Work) has passed through the Senate without opposition and is now at the House. The bill proposes to increase the \$15,000 per year return-to-work limit to \$25,000 and increase the period a retiree can serve in a full-time return-to-work capacity from 36 months to 60 months.

11. EXECUTIVE SESSION: 11:40 a.m.

- 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); Jacob Maule, General Counsel to the Board.**

Chairman Goff moved that the board enter executive session for the following purpose: 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-101-2023-02197. Mr. Baca seconded the motion, which passed unanimously.

[The board was in executive session from 11:40 to 12:33 p.m.]

12. ACTION FROM EXECUTIVE SESSION: 12:33 p.m.

Chairman Goff moved that the board come out of executive session. The only matter discussed was 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-101-2023-02197.

Mr. Baca seconded the motion, which passed unanimously.

13. NEXT MEETING: FRIDAY, APRIL 25, 2025 – ALBUQUERQUE

14. ADJOURN: 12:35 p.m.


Russell Goff, Chairman

ATTEST:


Max Baca, Secretary