



NEW MEXICO  
EDUCATIONAL RETIREMENT BOARD

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**MINUTES OF THE**

**NEW MEXICO EDUCATIONAL RETIREMENT BOARD**

**ARP COMMITTEE**

**November 13, 2024**

**I. a CALL TO ORDER/ASCERTAIN QUORUM**

A meeting of the Alternative Retirement Plan (ARP) Committee was called to order at 9:30 a.m. in the NMERB Main Office, 701 Camino de Los Marquez, Santa Fe, New Mexico. A quorum was present.

**Members Present:**

Mr. Max Baca, Chair [signing off 10:55 a.m.]  
Dr. Matias Fontenla  
Dr. Reilly White

**Staff Present:**

Mr. David Archuleta, Executive Director  
Mr. Lawrence Esquibel, Deputy Director  
Mr. Jacob Maule, General Counsel  
Mr. Ian Padilla-Salazar, Executive & HR Assistant  
Ms. Renée Garcia, Communications Director

**Others Present:**

Mr. Jared Hardin, Financial Advisor, CAPTRUST  
Mr. Michael Sanders, Financial Advisor, CAPTRUST  
Ms. Judith Beatty, Recorder

**b. APPROVAL OF AGENDA**

**Dr. White moved for approval of the agenda. Chairman Baca seconded the motion, which passed unanimously.**

**2. REVIEW AND APPROVAL OF MINUTES: July 9, 2024**

**Dr. White moved approval of the July 9 meeting, as presented. Chairman Baca seconded the motion, which passed. [In abstention: Dr. White.]**

**3. ARP OVERVIEW AND FIDUCIARY TRAINING: JARED HARDIN,  
FINANCIAL ADVISOR, CAPTRUST**

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Mr. Hardin made a presentation on Fiduciary Training.

Regarding the section on the committee's duty to evaluate managers at least quarterly, Chairman Baca asked if the committee should be meeting more frequently than twice a year. Mr. Archuleta responded that he did not feel this was necessary because a lot of decisions made by the committee have a long-term outlook. For example, any recommended change by CAPTRUST would be based on several quarters of underperformance in a fund, so meeting more often would not have any discernible effect on outcome.

Chairman Baca commented that the committee can always call a special meeting if necessary.

Dr. White asked if trustees have E&O insurance. Mr. Archuleta responded that he has surety bond coverage as executive director because he is responsible for signing documents; however, the board does not have insurance, nor does statute require it.

Mr. Maule added that the state of New Mexico, including agencies, boards, commissions, etc., is protected by the Tort Claims Act and other applicable statutes, and if any type of action is brought under one of those statutes, the GSD Risk Management Division provides full coverage for the defense.

Responding to Chairman Baca, Mr. Hardin clarified that NMERB does not transmit any cybersecurity data to the recordkeepers for the ARP plan; however, CAPTRUST provides baseline information on the recordkeeper's security and can bolster that with the recordkeeper providing any additional details on cybersecurity. CAPTRUST does this for other clients and can do this for the ARP Committee.

Chairman Baca recommended that the ARP Committee hear a report on any cybersecurity audit findings or other concerns in executive session, if necessary.

In discussion on the ARP Operations Manual. Dr. Fontenla said UNM keeps adding titles of faculty members. He would like to review that.

Mr. Archuleta noted that, two years ago, CNM asked that the list include people in the IT field with five years' employment who want to take the money with them when they leave. No official position was taken. He said this would create a generally negative actuarial impact, although it would be miniscule. He said it would be helpful to look at this.

**4. DEFINED CONTRIBUTION PLAN REVIEW: SEPTEMBER 30, 2024**  
**JARED HARDIN, FINANCIAL ADVISOR, CAPTRUST**  
**MICHAEL SANDERS, FINANCIAL ADVISOR, CAPTRUST**

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- **Plan Structure Background**
- **Plan Annuity Structure Review**
- **Plan Annuity Investments Review**
- **Plan Expense Review**
- **Service Provider Evaluation and Considerations**

Mr. Hardin presented the Plan Structure and Annuity Review.

Mr. Hardin provided background on the news that came out in August 2024 regarding TIAA and some of their sales practices, investment management practices, and advice practices. The news was tied to an SEC investigation of a whistleblower complaint which alleged that, to make up for losses that TIAA is experiencing on the recordkeeping side, TIAA is or was incentivizing their sales representatives and financial advisers to recommend that participants move into TIAA's proprietary investments. He said none of the major recordkeepers are making any of their money from their core recordkeeping services alone. For instance, the ARP plan has reduced the recordkeeping fee over 80 percent.

Mr. Hardin said TIAA was also sued shortly after the news broke alleging that the investment advice tool designed and utilized by TIAA intentionally funneled money into TIAA's proprietary investment products. There are two ways ARP participants can interact with the tool: 1) they can have a one-on-one discussion with a TIAA financial advisor; or 2) they can do it themselves online. Since 2022, about 250 ARP participants have interacted with the tool in one of those ways. There are about 2,500 ARP participants in the plan with a balance in TIAA.

Mr. Hardin commented that, regardless of the outcome of the lawsuit and SEC investigation, there is a perception risk that will still be out there in terms of having TIAA as the recordkeeper. CAPTRUST is talking to its clients about what that means to them and how that impacts their plan.

Mr. Hardin said Fidelity was also in the news recently when they had a small security incident where the personal data of 77,000 clients was hacked. No ARP

participants were affected. In addition, earlier this year, Fidelity's sales practices were subject to a whistleblower complaint and SEC investigation. Allegations were like the ones against TIAA, but there was no annuity component, so it fell a bit more under the radar.

Mr. Hardin commented that there are no perfect recordkeepers out there, but CAPTRUST wants to evaluate their services and fees as a best practice.

Mr. Hardin stated that ARP's mappable assets in the TIAA program, including fixed annuities (TIAA Traditional), variable annuities (CREF) and mutual funds, total \$465.8 million. This represents 52 percent of the assets the ARP Committee has with TIAA that are under the committee's full control. The non-mappable assets, totaling \$431 million or 48 percent, are the old annuity structures that existed for the ARP since 1991 until CAPTRUST made the change. The committee has no control over these investments and cannot move them to a different investment or service provider. If the ARP Committee were to evaluate TIAA as a service provider or move to a different recordkeeper, it could only move 52 percent of the assets, which impacts plan pricing and would typically result in slightly higher fees.

Mr. Hardin said \$121 million in fixed annuities of the non-mappable subtotal has a timeline of 10 annual installments. Participants could take their money out of the variable annuities (\$310 million) but every single person would have to make that decision.

Responding to Dr. White, Mr. Hardin said there are six to eight top providers who could operate the ARP plan. CAPTRUST could investigate what the pricing might look like were the ARP Committee to issue an RFP. He said it has been about ten years since the committee evaluated other service providers.

Mr. Hardin said an RFI process would take three to four months from start to finish.

Mr. Hardin said CAPTRUST is recommending that the TIAA Real Estate Account be placed on watch this quarter. The fund has been struggling since the pandemic, particularly with its office properties.

Mr. Hardin presented CAPTRUST's recommendations (slide 114):

- Adjustments to service provider contracts to make sure they are bolstered to provide as much protection to NMERB and plan participants as possible.
- Evaluation of proprietary investment options.

- Provider fee and services benchmarking RFP, starting out as an RFI.

There was committee consensus to proceed with the RFI process on seeking an alternative service provider. [Chairman Baca was not present.]

**5. OTHER BUSINESS: SCHEDULE SPRING/SUMMER 2025 ARP COMMITTEE MEETING**

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Staff will survey committee members on dates.

**6. ADJOURNMENT: 12:10 p.m.**

Accepted by:

  
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Max Baca, Chair