



NEW MEXICO
EDUCATIONAL RETIREMENT BOARD

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

June 27, 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 [virtual]
Ms. Mary Lou Cameron, Vice Chair [virtual]
Mr. Max Baca, Secretary
Hon. Laura M. Montoya, New Mexico State Treasurer [virtual]
Dr. Matías Fontenla
Mr. Antonio Ortiz [virtual]
Ms. Renee Ward
Dr. Reilly White

Members Excused:

Secretary Stephanie Rodriguez

Staff Present:

Mr. David Archuleta, Executive Director
Mr. Bob Jacksha, Chief Investment Officer
Mr. Steve Neel, Deputy CIO, Alternative Assets
Mr. Ian Padilla-Salazar, Executive & HR Assistant
Ms. Megan Mannila, Chief Financial Officer
Ms. Renada Peery-Galon, Deputy Director
Mr. Raul Duran, Member Services Director
Ms. Renee Garcia, Communications Director

Others Present:

Mr. Sam Austin, NEPC

Ms. Judith Beatty, Board Recorder

b. Approval of Agenda

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

c. Approval of Regular Meeting Minutes: April 25, 2025

Ms. Cameron moved for approval of the April 25, 2025, minutes. Mr. Baca seconded the motion.

Treasurer Montoya moved the following amendments:

Page 4, paragraph preceding Item 7: "SIC did approve pay bands ~~on~~ recommended by the consultants it worked with, which provided ranges, but it was the director who made the salary ~~recommendations~~ decisions."

Mr. Baca seconded the amendment.

The motion to approve the minutes, as amended, passed unanimously.

2. PUBLIC FORUM AND INTRODUCTIONS

Attendees introduced themselves.

3. CONSENT AGENDA: BOARD TRAVEL

No requests.

4. ALTERNATIVE RETIREMENT PLAN (ARP) COMMITTEE REPORT: MAX BACA, CHAIR

Mr. Baca reported that the ARP Committee met on June 23 to review the results of the ARP Recordkeeper Request for Information and to do a quarterly review. The RFI was issued to determine whether or not ARP's recordkeeping services were warranted consistent with industry best practices. CAPTRUST did the evaluation and recommended retaining TIAA and Fidelity as the active services providers for ARP and to negotiate updates to the current contract terms.

Mr. Baca noted the following:

- The proposed recordkeeping fees represent a 31% and 12.5% reduction to TIAA's and Fidelity's current required revenue, respectively, and are anticipated to result in annual savings to ARP participants of \$97,500 and \$14,750, respectively, totaling approximately \$112,000 annually.
- CAPTRUST recommends the ARP Committee evaluate the use of Collective Investment Trust investment vehicles to further reduce plan fees and discuss lifetime income solutions.
- While normally the recommendation would have been acted on during the committee meeting and reported out to the Board, it was not listed as an action item and is now before the entire Board for its consider and approval.

Ms. Cameron moved to approve the recommendations for accepting the CAPTRUST reduction and recordkeeping fees. Ms. Ward seconded the motion, which passed unanimously.

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

Mr. Hardin reviewed the work of the ARP Committee over the past year and discussed highlights of the recordkeeping RFI and resulting recommendations.

Mr. Hardin stated that, in August 2024, CAPTRUST learned of concerns about both providers, TIAA and Fidelity. For TIAA, it involved their sales and advisory practices in investment recommendations. On Fidelity's side, there was a cyberbreach that occurred, although it did not affect the NMERB. Because of those concerns, and because of normal best practice in terms of evaluating ARP's service providers every 10 years, CAPTRUST conducted an in-depth review of the ARP structure with the ARP Committee. Resulting from that discussion was the recommendation discussed with the Board in December to conduct the recordkeeper RFI in order to evaluate TIAA and Fidelity. He noted that doing an RFI or RFP for recordkeeping services is considered the gold standard in the industry for evaluating the services and benchmarking the fees, and it is best practice to do that every 7 to 10 years.

Mr. Hardin stated that the RFI was issued in April 2025. It specifically targeted four providers. Due to the ARP's dual nature as a governmental retirement plan by regulation and operating more similarly to a higher education retirement plan in practice, the RFI was issued to leading recordkeepers in both segments. The two incumbent providers, TIAA and Fidelity, were included on the higher education side, and Nationwide and Empower were included in the governmental space. The ARP is statutorily required to maintain two service providers for the plan and up to five, which really impacts which service providers the ARP is able to go with. Empower and Nationwide really do not make proposals in a dual nature structure, while on the higher education side it is very common to have a dual recordkeeper structure. Based on the current statutory requirements governing the ARP, the illiquid assets in the TIAA program and evaluation of the responses to the recordkeeper RFI, CAPTRUST recommended retaining TIAA and Fidelity as the active service providers for the ARP. CAPTRUST was able to get Fidelity and TIAA to reduce their fees. TIAA reduced their annual fee by \$97,500 and Fidelity by \$14,750, for a total annual savings of \$112,000 based on current plan assets.

Responding to Treasurer Montoya, Mr. Hardin said there are about 2,000 active participants in the ARP and another 2,500 terminated participants with a balance, for about 4,500 participants in total.

6. JUNE 30, 2024, ACTUARIAL AUDIT: SCOTT PREPPERNAU, FSA, EA, MAA

Mr. Preppernau presented this report.

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

a. Agency Activities

Mr. Archuleta presented highlights from his report:

- Mr. Archuleta, Mr. Maule, Mr. Jacksha and staff will be presenting a comprehensive review of the NMERB organization to the Interim Investments, Pension & Oversight Committee on July 18.
- Deputy Director Renada Peery-Galon has compiled a spreadsheet of all essential job tasks for communications, members services, administrative services, and information technology services.
- In June, NMERB sent notices to all people affected by the changes to the return-to-work updates adopted by the legislature this year.
- Longtime contract support staff member Anthony Armijo will no longer provide accounting support after June 30, 2025. Mr. Armijo was previously State Controller. After retiring from that position, he joined NMERB, where he has been for the last 15 years. NMERB is extending its sincere appreciation and gratitude for all of the work he has done over the years.

b. Retiree Health Care Authority

Mr. Archuleta reported that the trust fund grew from \$1.609 billion to \$1.613 billion during the month of February.

c. Other

Mr. Archuleta stated that he recently distributed an article from *The Santa Fe New Mexican* regarding the salary increases dedicated to State Investment Council staff. NMERB will be calling together a group meeting with the Compensation Committee after the week of July 4 to discuss REDW's recommendations and how they compare to salaries at the SIC and PERA.

Building update: The building is 99.9% complete. In April, the City Planning Commission granted approval, along with their revisions, including access to water and utility hookups. NMERB has yet to

receive either. The challenges are that they have listed out a number of requirements that NMERB is in the process of providing. This includes putting fencing around the retention ponds on the property, removing plants not authorized by the City and replacing them, seeding at the back end of the property to help with any drainage issues, stops at all parking spaces, and replacing the lights (and lamp posts) along the Super Walmart and Presbyterian Hospital side because the wattage is too high. These are simple fixes; however, the challenge facing NMERB is that the City is unwilling to schedule the utility connection until the changes have been completed.

Mr. Archuleta said the last issue, which has been discussed with the Governor's Office, involves the last property at the end before it goes into an arroyo. There is an expectation that a bridge will be built across the arroyo at some point in the future. The City is requesting that NMERB construct about 250 feet of sidewalk along the southern perimeter of the property. NMERB can't construct the sidewalk because the road doesn't exist and the grading to the arroyo is more than five feet, so it can't design a sidewalk that would meet standards, nor can it obligate future capital outlay beyond its existing capital outlay appropriation, which expires in June 2027. NMERB doesn't have the legal authority to issue a bond, and the legislature isn't going to authorize funding for a future obligation that may not occur, so NMERB is out of options at this point.

Mr. Baca suggested the possibility that legal counsel could draft an MOA between the agency and City stipulating that NMERB would install a sidewalk once the bridge was completed by the City.

Mr. Archuleta responded that NMERB could submit an MOA with another agency if there is funding available. If this road is built five years from now, NMERB doesn't have the legal authority to obligate the legislature or anyone else to fund a future expense. Right now, the cost estimate is \$28,000 and the City doesn't want to be on the hook for that expense five years from now.

Treasurer Montoya asked Mr. Archuleta if he thought NMERB was being held to a different standard. Mr. Archuleta responded that he believed so, commenting that most other building complexes have access to water well in advance, while NMERB is having to truck in water to work on this project, including during the winter in freezing temperatures.

Responding to Treasurer Montoya, Mr. Archuleta said the changes have so far cost \$140,000.

8. RETIREMENTS: RAUL DURAN, MEMBER SERVICES DIRECTOR

a. Disability

Mr. Duran reported that there has been a total of 24 disability cases in CY 2025.

b. Age & Service

Mr. Duran reported that, for the April-May bimonthly period, there have been 6 disability retirements, 18 reciprocity retirements, and 671 regular retirements, for a grand total of 695 retirements.

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

9. INVESTMENT REPORTS: BOB JACKSHA, CHIEF INVESTMENT OFFICER

a. Extension of State Street Custody Bank Contract

Portfolio Manager Alan Myers stated that NMERB has Russian assets that are sanctioned and cannot be sold or transferred to Northern Trust, which NMERB is transitioning to on July 1. NMERB needs to have State Street continue to hold custody of those assets. One of them is a sovereign bond and the other is a cash balance in rubles. The total amount is \$203,000.

Mr. Jacksha asked for Board approval to execute an agreement with State Street to have them continue to hold these assets.

Treasurer Montoya asked if there is charge for holding these assets. Mr. Myers responded that State Street has quoted a monthly fee of \$100, but he could not provide an exact dollar amount because the documents haven't been signed.

Dr. Fontenla moved that the Board approve staff executing an agreement with State Street to continue custody of the Russian assets. Mr. Baca seconded the motion, which passed unanimously.

b. Resolution for Custodial Bank Authority

Mr. Jacksha stated that this resolution will give authorization to instruct Northern Trust on the day-to-day custody activities that it would normally perform for NMERB, including securities, cash movements, capital calls, etc.

Treasurer Montoya asked what the internal controls are.

Mr. Myers responded that these are the authorities that have been generally used in the past. Internally, operations staff can only move money within the bank, but any movement of money outside of the bank needs approval by senior executives.

Mr. Jacksha stated that if NMERB has a capital call for private equity, for example, that would entail moving money outside the bank. Operations would either set that up or approve that Northern has set that up. That would then require a second approval from a more senior person such as himself or Steve Neel to initiate the cash movement. It also requires Northern Trust to go through their internal process and approve that as well. It also includes verification that they have to go back to the manager to verify that they are initiating this, which is separate from the letter NMERB receives from them. There are multi-level steps around the movement of cash outside of the custody bank.

Treasurer Montoya noted that the certificate does not include the word “initiating,” so that there is one initiator and one authorizer in different roles so that not one individual has the full access to do something.

Mr. Myers clarified that operations staff has to be directed to initiate by a senior staff member, and then senior staff has to be able to approve whatever is initiated. The email is included with the documentation at the custody bank, so there is a paper trail. This is included in the bank contract.

Treasurer Montoya asked if the executive director and deputy director have always been included on the list of employees with the authority to authorize all cash and security/trade transitions. Mr. Myers responded yes, because they have authority to administer the contract as well.

Treasurer Montoya said it would make more sense for the director or deputy director to have that role and for all the other employees to do the authorizing of security/trade transactions. She said a junior portfolio manager should not be able to give the same directive that the executive director gives on behalf of the Board on the overall contract with the bank.

Mr. Jacksha stated that the NMERB’s internal policy does not allow anyone other than the executive director or deputy director to sign these contracts, so outside of this document there is another control on that.

Treasurer Montoya pointed out that if the bank has no knowledge of NMERB internal policy, then its understanding would be that all of those employees have that role. She suggested adding what access each employee has on the list, and then state on the second page that only the executive director and/or deputy director have the authority to make any amendments to the contract, and that only the chief investment officer or deputy chief investment officer have the authority to remove or add people to the list of people authorize to do security/trade transactions.

Mr. Archuleta suggested that the addendum clarifying the internal controls be acted on at the next Board meeting, since there was no immediate need to approve that at this meeting.

Mr. Baca moved to approve Secretary’s Certificate for the State of New Mexico Educational Retirement Board with Northern Trust, with the addendum addressing internal controls acted on at the next Board meeting. Ms. Cameron seconded the motion, which passed with Treasurer Montoya abstaining.

c. Q1 2024 Investment Report

Mr. Austin presented this report.

d. Staff Selection Committee Report

Mr. Neel presented a summary of the investments approved by the Staff Selection Committee in May and June.

e. Investment Committee Report

Mr. Jacksha summarized actions taken by the Investment Committee at this morning's meeting.

f. Other Investment Reports

None.

10. PROPOSED RULE CHANGE

Mr. Archuleta stated that, in August, NMERB will be requesting the Board's authority to begin the rule change process, which will include soliciting public comment. The Board will receive a redline version in August. The first change being proposed is to update the rules to reflect changes adopted by the 2025 legislature to move the 36 months to 60 months, and to increase the \$15,000 return-to-work limit up to \$25,000. The second requested rule change is the result of NMERB's transition to a new IT system, which will create difficulty calculating the interest on late payments received by the Local Administrative Units. The change being proposed will be to switch to a flat fee. The Board will be asked to vote on the rule change at the October meeting.

11. BOARD/EXECUTIVE DIRECTOR EVALUATION PROCESS: RUSSELL GOFF, CHAIR

Chairman Goff referred to the draft ERB Board Annual Review of Performance and asked Board members to review it and suggest any changes or additions. The final version will be provided after the October retreat.

Chairman Goff stated that the Evaluation Committee has been working on the evaluation of the Executive Director. Board members will receive a summary of Mr. Archuleta's goals in late July, which will be followed by a Survey Monkey. The goal is to hold a discussion of the evaluation the August meeting.

15. NEXT MEETING: FRIDAY, AUGUST 22, 2025 – LOCATION TBD

Mr. Baca announced that he has accepted a position at Eastern Washington University in Spokane as VP for Business and Strategy. The president has graciously allowed Mr. Baca to finish out his term with the NMERB Board of Trustees.

16. ADJOURN: 12:15 p.m.



Russell Goff, Chairman

ATTEST:



Max Baca, Secretary