

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD

REGULAR MEETING

September 29, 2008

A Regular Meeting of the New Mexico Educational Retirement Board was called to order on this date at approximately 9:00 a.m. at the Sandia Resort, 30 Rainbow Road, N.E., Albuquerque, New Mexico.

ROLL CALL – QUORUM PRESENT:

Members Present:

Mr. Bruce F. Malott, Chairman
Ms. Mary Lou Cameron, Vice-chair
Dr. Veronica C. Garcia
Mr. H. Russell Goff [elected Secretary during meeting]
Mr. James B. Lewis
Dr. Beulah Woodfin

Members Excused:

Mr. Gary B. Bland

Legal Counsel Present:

Mr. Chris Schatzman

Staff Present:

Ms. Jan Goodwin, Executive Director
Mr. Bob Jacksha, Chief Investment Officer
Ms. Linda Kissko, Executive Admin. Assistant
Ms. LeAnne Larrañaga-Ruffy, Investment Officer
Ms. Clara Mares, HR Director
Mr. Steve Moreno, Benefits Manager
Mr. Steve Neel, Portfolio Manager
Mr. Jeff Riggs, Deputy Director
Mr. Paul Swanson, Member Services
Mr. Greg Trujillo, IT Director
Mr. Robert Westervelt, CFO

Others Present:

Mr. Allan Martin, New England Pension Consultants
Ms. Judith Beatty, Recorder
[Also see sign-in sheet]

a. Approval of Agenda

Ms. Cameron moved approval of the Agenda, as published. Mr. Lewis seconded the motion, which passed by voice vote.

2. ELECTION OF OFFICERS

Mr. Lewis nominated the following slate of officers:

**Bruce Malott, Chair
Mary Lou Cameron, Vice-chair
H. Russell Goff, Secretary**

Mr. Lewis then moved that the nominations cease and that these nominees be approved by acclamation. Dr. Woodfin seconded the motion and the slate of nominees was approved by acclamation.

3. APPROVAL FY 2010 BUDGET REQUEST: JEFF RIGGS

Mr. Riggs said the ERB has submitted a budget before the October 1 deadline but has been informed that the LFC and DFA will accept an amended budget should the Board decide to make changes.

Mr. Riggs presented the following budget summary for 2010:

1. The ERB has requested an overall base budget increase of 10%, or \$3,225,000 million, of which \$2,829,100 is for investment-related contracts.
2. A 9% increase will be required to fully fund salaries and benefits. While the current year budget imposes a 4% vacancy credit and does not budget for overtime and leave payouts, those items were imposed in the 2010 budget. After adjustments, there is a modest increase of 4-5%.
3. There were three expansion requests, including two FTEs: an additional attorney and an additional IT position.

Mr. Riggs said the Board will recall that the ERB requested a general counsel position last year, and while now Chris Schatzman is on board along with Robert Shulman, the ERB strongly feels there is the need for a third attorney. He said there is a vast amount of work to be done to ensure that all of the rules and regulations are up to date, and with increasing investment activity in the private equity and hedge fund area, staff feels the need for additional advice and legal expertise.

Mr. Riggs also clarified for Mr. Malott that the ERB additionally spent \$322,000 last year in contractual attorney fees (BU 535500-Attorney Fees) and is requesting \$425,000 for FY 2010. He said the ERB feels that the outside expertise provided by Foster Pepper more than pays for itself, because in-house legal counsel does not necessarily have the specific expertise that Foster Pepper offers in investment deals.

Mr. Jacksha added that Foster Pepper specifically provides legal review on limited partnership agreements in all of the alternative investment areas that the ERB is involved in, including private equity, real estate and infrastructure.

On the matter of the additional IT position, Mr. Riggs explained that there are currently four FTEs, including a manager, and one more FTE is needed. He noted that the IRIS system has been formally accepted over the past few months, and the amount of work required in this department is more than the current staff can handle.

4) Expansion also includes increased outreach travel funds.

Mr. Riggs stated that Member Services staff will begin to visit the schools and provide some services in different districts. He said the ERB sees this as an important function of Member Services.

Ms. Cameron commended staff on doing an excellent job.

Mr. Malott asked how the ratio of staff to fund size and constituency base at PERA compares to that of the ERB.

Mr. Riggs responded that the ERB has more members than PERA, but he was not sure of PERA's fund size—he thought it was around \$13 billion. He said their investment staff is larger and they have four attorneys.

Mr. Schatzman said PERA just added a fourth attorney. He added that PERA does certain things in house that the ERB does not, but they do a lot of ordinary work with members. He said they do a few investment things the ERB does not do.

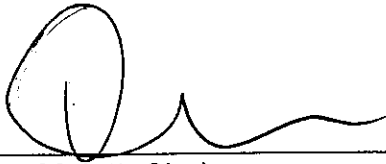
Mr. Schatzman stated that legal staff is not proposing to perform the same in-house functions as PERA, but ERB legal staff is not anywhere near the level of review it needs to do in order to ensure it is doing its job. He said ERB rules are also seriously out of date with statutory changes. He stated that legal counsel also would like to do more work with the constituents in answering questions about divorce impact, etc., and answering questions that come from investment staff and Member Services.

It was clarified that the ERB's headcount is 57 and the PERA's is 86.

Ms. Cameron moved approval of the FY 2010 budget, including expansion items. Mr. Goff seconded the motion, which passed by voice vote.

ADJOURN

Its business completed, the Educational Retirement Board adjourned the meeting at approximately 9:15 a.m.

A handwritten signature in black ink, consisting of a large, stylized 'B' followed by a series of loops and a long horizontal stroke.

Bruce Malott, Chairman

ATTEST:

H. Russell Goff, Secretary