<table>
<thead>
<tr>
<th>Item</th>
<th>Action</th>
<th>Page #</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPROVAL OF AGENDA</td>
<td>Approved</td>
<td>2</td>
</tr>
<tr>
<td>APPROVAL OF MINUTES</td>
<td>Approved</td>
<td>3</td>
</tr>
<tr>
<td>November 21, 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>APOLOGO ADVISORS FUND VIII –</td>
<td>$50 million commitment</td>
<td>3</td>
</tr>
<tr>
<td>PRIVATE EQUITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CUSTODY BANK RFP FINALISTS</td>
<td>Approved BNY Mellon and State Street as</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>finalists</td>
<td></td>
</tr>
<tr>
<td>WAMCO CONTRACT EXTENSION</td>
<td>Extend to February 28, 2014</td>
<td>6</td>
</tr>
<tr>
<td>ISS – PROXY RESEARCH &amp; VOTING SERVICE</td>
<td>Approve for up to 2 years</td>
<td>6</td>
</tr>
<tr>
<td>BLOOMBERG INFORMATION SERVICE</td>
<td>Approve for up to 4 years</td>
<td>6</td>
</tr>
<tr>
<td>DOW JONES NEWS SERVICE</td>
<td>Approve for up to 4 years</td>
<td>7</td>
</tr>
<tr>
<td>OTHER INV REPORTS/DISCUSSIONS</td>
<td>Informational</td>
<td>7</td>
</tr>
</tbody>
</table>
MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD
INVESTMENT COMMITTEE
December 12, 2013

1. a. Call to Order – Quorum Present

A meeting of the New Mexico Educational Retirement Board Investment Committee was called to order on this date at 1:15 p.m. in the Educational Retirement Board Conference Room, 6201 Uptown Boulevard, N.E., Ste. 203, Albuquerque, New Mexico.

Members Present:
Mr. H. Russell Goff, Chair
Ms. Mary Lou Cameron
Ms. Jan Goodwin
Dr. Thomas McGuckin

Members Excused:
None.

Staff Present:
Mr. Bob Jacksha, CIO
Mr. Rick Scroggins, Deputy Executive Director
Ms. Kay Chippeaux, Portfolio Manager
Mr. Steve Neel, Deputy CIO
Ms. Christine Ortega, Investment Financial Analyst
Mr. Jude Perez, Portfolio Manager

Others Present:
Mr. Larry Magid, Incoming Board Member
Mr. Allan Martin, NEPC
Mr. Sean Gill, NEPC
Ms. Judith S. Beatty, Recorder

b. Approval of Agenda

Ms. Cameron moved approval of the agenda, as presented. Ms. Goodwin seconded the motion, which passed unanimously by voice vote.
c. Approval of Minutes: November 21, 2013

Ms. Goodwin moved approval of the November 21 minutes, as submitted. Ms. Cameron seconded the motion, which passed unanimously by voice vote.

d. Introduction of Guests

Guests were introduced.

2. APOLLO ADVISORS FUND VIII – PRIVATE EQUITY

Mr. Neel, Mr. Perez and Mr. Gill addressed this item.

Mr. Neel presented staff’s recommendation of a $50 million commitment to Apollo Investment Fund VIII.

-- This is a commitment to an existing GP. In 2008, the ERB committed $40 million to Apollo Fund VII. Through 9-30-2013, this investment has a net IRR of 26.4 percent and a net multiple of 1.6x. Since inception, the $40 million commitment has generated $43 million in cash distributions and there is a remaining value of approximately $30 million. This fund is the ERB’s third-best performer in its private equity portfolio.

-- Apollo was founded in 1990 and now manages $114 billion of assets across three primary business segments: private equity, credit, and real estate, in addition to a new exposure in natural resources.

-- Apollo has 660 employees, including 90 private equity investment professionals, across offices in New York, Los Angeles, Houston, London, Frankfurt, Luxembourg, Singapore, Hong Kong, and Mumbai.

-- Managing partners Leon Black, Joshua Harris and Marc Rowan have worked together for 27 years. The senior partners in the private equity business have worked together on average for 13 years and have developed deep distressed investing and credit experience. The team is supported by 20+ operating executives who further supplement the team at the board level in transactional analysis and due diligence, and with managerial and operational perspective.

-- Apollo Fund VIII has a hard cap of $17.5 billion, which is up from $12 billion from the last fund. This is due to investor demand exceeding $20 billion. Apollo has closed on more than $12 billion from new and existing investors and should wind down its fund raise by the end of this year.
Apollo is currently the most successful large cap fund. Many of its competitors have decreased their fund sizes due to a difficult fundraising environment and, in some cases, mediocre performance. This fund size should be a competitive advantage for Apollo.

Apollo employs an all weather strategy that includes three major transaction types: distressed-for-control, corporate carve-outs, and opportunistic buyouts. These strategies are employed at different points in the economic cycle, and allow the GP to consistently deploy capital without regard to the prevailing economic environment. This is also a competitive advantage for Apollo.

Mr. Perez reviewed Apollo’s historic investment performance.

Apollo representatives Danielle Thorsen and Andrew Jhawar appeared before the committee and made a presentation.

Responding to Ms. Goodwin, Mr. Jhawar said their average hold time on an investment is five to six years, although some can be only two years and others ten years.

[Apollo representatives left the proceedings.]

Mr. Jacksha said staff likes their flexible strategy and track record. He said staff had some concern over the size of the fund, but decided that this was actually an advantage.

Mr. Neel added that that, while the ERB has to some degree navigated away from megafunds, there are periods of time in the market where megafunds do outperform, and it is prudent for the ERB to have some exposure there.

Mr. Jacksha pointed out that there is a difference between a megafund (Apollo) and a fund that executes mega-buyouts. He said the latter strategy is more problematic and the ERB has seen over time that the people doing that are syndicating to huge buyouts and have not performed very well.

Dr. McGuckin moved that the Investment Committee approve a commitment of $50 million plus any notional interest to Apollo Investment Fund VIII, L.P. The commitment shall not exceed 20 percent of the committed capital of the fund and is subject to New Mexico state law, Educational Retirement Board policies, Educational Retirement Board approval for placement agents and negotiation of final terms and conditions and completion of appropriate paperwork. Ms. Cameron seconded the motion, which passed unanimously by voice vote.

3. CUSTODY BANK RFP FINALISTS
Mr. Scroggins, Ms. Chippeaux, Ms. Ortega and Mr. Martin addressed this item.

Mr. Scroggins stated that, for many years, custody services for investment-related agencies (State Treasurer’s Office, State Investment Council, PERA and ERB) were provided by a custody bank approved and contracted by the NM State Board of Finance. The current custody agent is JP Morgan and the contract covering the custody services expires June 30, 2014. In 2011, legislation was passed that amended the statute and included authorization for the ERB Board to contract out for the services. On April 26, the Board authorized staff to issue an RFP for custodial bank services and provided that the Investment Committee would review the finalists and make a recommendation to the full Board for final approval.

Ms. Chippeaux discussed the questions and concerns raised by the team in designing the scope of services in the RFP, including the different roles of a custody bank and the needs of the ERB. The team segregated the discussions into four areas: core custody services, accounting and reporting, customer service, and ancillary services.

Ms. Ortega reviewed the RFP process and due diligence conducted by the team. She said there were four respondents: BNY Mellon Asset Servicing; JPMorgan Chase Bank, N.A.; The Northern Trust Company; and State Street Bank and Trust Company.

Ms. Ortega said the evaluation team consisted of herself, Sara Brownstein, Kay Chippeaux and Rick Scroggins, who were assisted by Kelley Koehler and Alan Myers and NEPC consultants Dan LeBeau and Mario Tate. Based on the top two scores, on-site visits were scheduled with BNY Mellon and State Street, and in November, the evaluation team spent a day with each of the banks as part of the due diligence process.

Mr. Martin stated that NEPC supports the retention of either State Street Bank and Trust Company or BNY/Mellon, as each bank has the resources necessary to provide the full suite of services to the ERB’s $10 billion global multi-asset portfolio.

Mr. Martin stated that he spent 15 years at Bankers Trust managing the custodial bank business. He commented that ERB staff did the best and most thorough job he had ever seen a staff do in this process.

Mr. Scroggins discussed the fee structure of each firm, noting that fees fluctuate depending on a number of factors. For that reason, the offeror’s fee proposal was given a small value in the overall scoring.

Ms. Cameron moved that the Investment Committee recommend BNY Mellon and State Street as the finalists for the custody bank search. Dr. McGuckin seconded the motion, which passed unanimously by voice vote.
4. WAMCO CONTRACT EXTENSION – FIXED INCOME

Mr. Jacksha, Ms. Chippeaux and Mr. Martin addressed this item.

Mr. Martin recommended that the ERB extend the contract that is currently in place with WAMCO for the two-month period from December 13, 2013 through February 28, 2014. WAMCO was originally retained by the ERB in March 2006. Under the existing procurement policy, investment managers may be retained for up to eight years before NEPC must either (1) request an exemption from the Board to extend the contract further; or (2) issue an RFP. He said it is NEPC’s hope that extending the contract for two months will provide enough time for ERB staff to complete the process of transitioning management of the fund’s core fixed income assets in-house. However, should more time be needed, the Board should expect another request for an exemption in early 2014.

Dr. McGuckin moved approval of this recommendation to extend the WAMCO contract for the two-month period from December 13, 2013 through February 28, 2014. Ms. Goodwin seconded the motion, which passed unanimously by voice vote.

5. ISS – PROXY RESEARCH AND VOTING SERVICE

Ms. Chippeaux presented staff’s recommendation that the ERB contract with Institutional Shareholder Services, Inc. for proxy services for a term of up to two years with the right to cancel upon 30 days’ notice.

Ms. Cameron moved that the Investment Committee approve a contract with Institutional Shareholder Services, Inc. for proxy services for a term of up to two years with the right to cancel upon 30 days’ notice, subject to and contingent upon New Mexico State Law, Educational Retirement Board policies and negotiation of final terms and conditions and completion of appropriate paperwork. Dr. McGuckin seconded the motion, which passed unanimously by voice vote.

6. BLOOMBERG INFORMATION SERVICE

Ms. Chippeaux recommended that the ERB approve the continuation of service under the current agreement with Bloomberg for financial information services for a term of up to four years. She stated that the office has had an open-ended agreement with Bloomberg to provide financial information services for many years through its proprietary computer system. Under the current Investment Services Procurement Policy, the agreement needs to come before the Investment Committee for review, as it has been in place for more than eight years.
Ms. Chippeaux stated that the current fees for five terminals and service are $125,000 per year.

Ms. Cameron moved that the Investment Committee approve the continuation of service under the current agreement with Bloomberg for financial information services for a term of up to four years, subject to and contingent upon New Mexico state law and Educational Retirement Board policies. Dr. McGuckin seconded the motion, which passed unanimously by voice vote.

7. DOW JONES NEWS SERVICE

Ms. Chippeaux recommended that the ERB approve the continuation of service under the current agreement with Dow Jones News Services for a term of up to four years. Under the current Investment Services Procurement Policy, the agreement needs to come before the Investment Committee for review, as it has been in place for more than eight years.

Dr. McGuckin moved that the Investment Committee approve the continuation of service under the current agreement with Dow Jones News Services for a term of up to four years, subject to and contingent upon New Mexico state law and Educational Retirement Board policies. Ms. Cameron seconded the motion, which passed unanimously by voice vote.

8. OTHER INVESTMENT REPORTS AND DISCUSSIONS

Mr. Goff and Dr. McGuckin stated that they would be attending the NEPC Conference in Phoenix on January 27-28.

Mr. Jacksha reviewed the S&P 500 chart for 2013, reflecting an upward trend.

9. NEXT MEETING: JANUARY 23, 2014 AT 1:00 P.M. IN ALBUQUERQUE

[This date was tentative.]
ADJOURN

Its business completed, the Investment Committee adjourned the meeting at 3:30 p.m.

Accepted by:

H. Russell Goff, Chairman