A Regular Meeting of the New Mexico Educational Retirement Board was called to order on this date at 9:00 a.m. via teleconference. A quorum was established following roll call.

**Members Present:**
Mr. Steven Gluckstern, Chairman
Mr. H. Russell Goff, Vice Chairman
Mr. Larry Magid, Secretary
Ms. Mary Lou Cameron
Mr. Adan Delgado, Deputy Secretary, PED
The Hon Tim Eichenberg, New Mexico State Treasurer
Dr. Donald W. Duszynski

**Members Excused:**
None.

**Staff Present:**
Ms. Jan Goodwin, Executive Director
Mr. Rick Scroggins, Acting Deputy Director
Mr. Bob Jacksha, Chief Investment Officer
Ms. Susanne Roubidoux, General Counsel
Mr. Lawrence Esquibel, Chief Information Officer
Ms. Karla Leyba, Member Services Bureau Chief
Ms. Monica Lujan, Member Services Director
Ms. Mariana LaRoche, Communications & Outreach Director

**Others Present:**
Mr. Allan Martin, Investment Advisor, NEPC
Ms. Judith Beatty, Board Recorder
b. Approval of Agenda

Mr. Magid moved approval of the agenda, as published. Dr. Duszynski seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Delgado, Mr. Eichenberg and Dr. Duszynski voting in favor.

c. Approval of Minutes: December 4, 2020

Ms. Cameron moved approval of the December 4 minutes, as submitted. Mr. Magid seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Delgado, Mr. Eichenberg and Dr. Duszynski voting in favor.

d. Introduction of Guests

Chairman Gluckstern welcomed staff and guests.

2. CONSENT AGENDA

a. Board Travel

No requests.

3. PRESENTATION OF JUNE 30, 2020 AUDIT REPORT: MOSS ADAMS LLP

Kory Hoggan, Partner, and Aaron Hamilton, Senior Manager at Moss Adams, presented this report, along with a slide presentation detailing financial highlights.

- Moss Adams performed the audit work in the August-September timeframe in 2020, and the reports were submitted in November to the State Auditor. An exit meeting was held with members of management and the board Audit Committee. The State Auditor released the reports in December. NMERB is one of the few agencies of this size in the state that drafts its own CAFR and submits it to the GFOA’s Excellence in Financial Reporting program, something it should be very proud of.

- Moss Adams had an unmodified opinion, with no exceptions or material weaknesses noted.
Mr. Goff moved for approval of the audit report. Mr. Magid seconded the motion, which passed by unanimous roll call vote, with Chairman Gluckstern, Mr. Goff, Mr. Magid, Ms. Cameron, Mr. Delgado, Mr. Eichenberg and Dr. Duszynski voting in favor.

4. INVESTMENT REPORTS: BOB JACKSHA, CIO

a. December 2020 Quarterly Performance Report

NEPC investment advisor Allan Martin presented this report, with the following highlights:

- Over the past 5 years, the fund returned 8.6 percent per annum.
- Over the past 3 years, the fund returned 7.0 percent per annum.
- For the year ending December 31, 2020, the fund experienced a net investment gain of $900.0 million, which includes a net investment gain of $1.1 billion during the quarter. Assets increased from $13.9 billion 12 months ago to $14.2 billion on December 31, with $484.5 million in net distributions during the year. The fund returned 6.8 percent, underperforming the policy index by 322 basis points and ranking in the 95th percentile of its peers.

Mr. Martin noted comments by Moss Adams that investment returns for FY2020 dipped. For the FYTD, the fund earned $1.6 billion versus $271 million paid out. The NMERB is a mature public fund, and it is not surprising that the contributions are less than the benefits paid out. However, over all periods, particularly looking at five and ten years, net investment gains have significantly exceeded the net payout.

Mr. Jacksha stated that, while in the past there has been a relatively small difference between the assets in the financial report versus the 6/30 investment report, in the current year the difference is larger at $300 million. He explained that the NMERB holds the financial statement number open a little longer as it gets more data. The cutoff for many of the alternative investments included in the report was March 31, when there was a dip in valuations, and the financial statements captured some of the recovery that took place between March and June, creating an unusually large difference.

b. Investment Committee Report

The Investment Committee did not meet this month.

c. Staff Selection Committee Report

Mr. Jacksha summarized the action taken in yesterday’s meeting:
• AE Industrial Partners Extended Value Fund, also called a continuation fund. Working with BlackRock, staff decided to stay in the assets in AE Industrial Partners Fund I, and created the continuation fund with some other limited partners. Staff made a commitment of $70 million, which includes the assets being transferred and $30 million of new cash to provide for future acquisitions. Staff feels this offers reduced risk because it knows what the assets are and can make some solid projection on outcomes.
• B Capital Opportunities Fund I: Approved a $10 million commitment add-on to a $30 million commitment in May 2019. They increased their fund size, so there is more dollars available for the NMERB.
• SV Health Growth Fund VII: Initially committed $35 million in May 2019. Returns have been good, and staff approved another $15 million, for a total of $50 million.
• Tenex Capital Partners Fund III: In March 2020, the NMERB approved a $50 million, and yesterday approved another $10 million. This is the third Tenex fund the NMERB has invested in.

d. Other Investment Reports

None.

5. ARP COMMITTEE REPORT – LARRY MAGID, COMMITTEE CHAIR

Mr. Magid presented highlights from the December 8, 2020, ARP Committee meeting:

• Received fiduciary training for DC plan sponsors.
• Interim updates on the following projects: revision of Fidelity enrollment guide; Fidelity revenue credit account disbursed $100,0000 back to participants in April 2020; discussed e-delivery procedures for TIAA and Fidelity.
• Approved reconfiguration of the ARP plan in TIAA’s system. There will be one ARP plan in TIAA’s system with location codes for each institution, and it will simplify the administration of the plan.
• Reviewed plan assets, investment analysis and fund lineup as of 9/30/2020.
• Approved fund lineup changes recommended by Cammack: continued PIMCO Total Return Institutional and Oakmark International on watch; placed on watch TIAA-CREF Lifecycle TDF Series and CREF Stock R2; and replaced Templeton Global Bond R6 and mapped all assets and future contributions in the fund to the Plan’s qualified default investment alternative.
Responding to Chairman Gluckstern on how ARP participants are doing versus members in the NMERB’s basic program, Mr. Magid said it is difficult to make a comparison. Right now, the committee’s focus is to try to get ARP participants more involved in managing their investments and to take a more active role over them.

6. NMERB PENSION CYBERSECURITY ASSESSMENT: LINEA SECURE, LLC, JASON TODD, SENIOR CYBERSECURITY CONSULTANT, PETER DEWAR, PRESIDENT

Ms. Goodwin said the NMERB has been working with Linea for the last several months on the cybersecurity assessment project as well as the business process improvement project. The NMERB holds cybersecurity very near and dear to its heart and brought in Linea to provide a second set of eyes in addition to the best practices it follows.

Mr. Dewar and Mr. Todd made a slide presentation.

Mr. Todd said they were pleased to say that the NMERB is performing very good due diligence around key areas, especially for pension operations in protecting member information as well as fund assets from cybersecurity threats. In Member Services, Financial Services, Investment Operations and Executive Leadership, they found due diligence performed in line with industry best practices.

-- In Executive Leadership, they reviewed the risk management program with cybersecurity as a foundational component, assessed the third party vendor due diligence program to minimize external threats, and discussed the cybersecurity roadmap to proactively identify key activities.

-- In Investments, they discussed the system security plan for the implementation of new systems, reviewed the third party due diligence program used to determine cyber risk absorbed from vendors, analyzed the IT team access control and administration of key IT services/systems.

-- In Member Services, they discussed business processes to ensure they were designed with security in mind to allow for a more feature-rich and secure set of services, and reviewed practices for minimizing the threats of social engineering attacks for the call center and member self-service.

-- In Financial Services, they reviewed practices for document retention and securing access to file storage locations.

-- In Information Technology, reviewed cybersecurity policies that map to the NIST 800-53 Rev 5 standards, discussed external penetration testing for key applications, reviewed
the system security plan used to govern security requirements for key applications, and analyzed full key control audit procedures used to ensure policies have been defined and practices have been demonstrated.

Responding to Mr. Magid, Mr. Dewar said the NMERB has processes and procedures in place that could be executed in the event of a ransomware attack.

7. **DISABILITY RETIREMENTS: KARLA LEYBA, MEMBER SERVICES BUREAU CHIEF**

Ms. Leyba stated that Dr. Duszynski had asked at the December meeting how many deaths among frontline workers, i.e., teacher and staff, were COVID-related. While the NMERB does not include the cause of death in its reporting, she did a manual audit from March through December 2020 and found that a large number of people died because of COVID with a significant number of them being Native American.

Ms. Leyba reviewed a sample case and procedure followed by Maximus Federal. She said Maximus Federal is available 24 hours a day and is very responsive.

Ms. Leyba presented the December-January status report of disability claims. She said 90 cases are still on file with Maximus Federal with 11 pending and one under expert review; 49 letters have been sent; 10 cases are closed for various reasons; and 19 are pending periodic review.

Mr. Goff moved to accept the disability report, as presented. Mr. Delgado seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.

8. **AGE & SERVICE RETIREMENTS: MONICA LUJAN, MEMBER SERVICES DIRECTOR**

Ms. Lujan reported on the December-January period. During the bimonthly period, there were five disability applications processed, 40 reciprocity applications, and 502 regular retirement applications, for a grand total of 547. She commented that this is a significant increase over previous years during this bimonthly period. NMERB is observing that many members that were previously eligible or are now eligible are choosing to retire now. She said one could only guess the reasons for the increase.

Ms. Goodwin added that a number of the Higher Education employers – UNM, NMSU and CNM – had provided incentives for some of their faculty and staff to retire, so that is part of what has driven the increase. She clarified that the incentives were dollar amounts based on the number of years of service and all of the money came from the Higher Ed institutions and was not paid by NMERB.
Dr. Duszynski moved to accept the report. Mr. Eichenberg seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.

9. DIRECTOR’S REPORT: JAN GOODWIN, EXECUTIVE DIRECTOR

a. Retiree Healthcare Update

Ms. Goodwin reported that the NMRHCA is doing a bill this year in the legislature, but it is basically a cleanup bill to align their statute with the Affordable Care Act and other changes that have been made.

b. Agency Activities

Ms. Goodwin referred to the NMERB Departmental Activity Report for the December-mid February period.

c. Legislative Update

Ms. Goodwin reported that Senate President Pro Tem Mimi Stewart’s bill (SB 42) to increase the NMERB employer contribution rate is going well, receiving a do pass in Senate Education and a do pass in Senate Finance, which also extended the sunset for the Return to Work program. A number of superintendents are very concerned, feeling that a high number of teachers will retire this year, so wanted the additional flexibility of the Return to Work program for more time.

Ms. Goodwin commented that the NMERB has spent a lot of time discussing this with the actuaries. The way it currently works is that once someone retires and has a 12-month layout, they can go back to their employer, work as much as they want, and receive their pension and paycheck from the employer. The employer and retiree pay the full contributions to the NMERB while the retiree is working. Because those contributions are being paid and there is no liability accruing, the actuaries have told the board that it does not hurt the fund at all and is a net positive for the fund. She added, however, that most retirees are better off suspending their retirement and earning additional service credit, but most do not do that. The NMERB is in the process of developing a calculator, with GRS doing the heavy lifting, so members can see that for themselves.

Ms. Goodwin said another bill that is important for NMERB, also by Senate President Pro Tem Mimi Stewart, is a freestanding bill that extends the sunset for the Return to Work program.
i. **SB 303 Change ERB Board Composition**

Ms. Goodwin said a third bill, SB 303, increases the number of members of the ERB Board of Trustees from seven to nine members, adding 1) a member appointed by the AFT union membership and 2) the Higher Education Secretary or designee.

Ms. Goodwin said she was bringing this to the board’s attention because a number of members of the Senate Education Committee asked what the NMERB board members think about this.

Mr. Delgado commented that he liked the bill because it would add representation from two important constituency groups.

Chairman Gluckstern said he had no issue around increasing the number of members, but didn’t know if any analysis has been done of what that means in terms of what kinds of additional people should be added, and whether adding another member of the Administration would be a good idea. He thought the board should not take a position at this point and ask that the bill be deferred until the next legislative session.

Dr. Duszynski stated that he also had some concerns about this bill, but recalled commenting at a board meeting that the number of members should be increased because it was heavily loaded with people from the northern part of the state and that it would be a good idea to bring someone on board from NMSU.

Dr. Duszynski wondered if some groups are trying to load the board with their own members.

Dr. Duszynski observed that his own membership on the board was described in the bill as someone elected by “the New Mexico members of the American Association of University Professors,” an organization that didn’t exist. Given that, he wondered how he and his predecessor, Beulah Woodfin, managed to be on the board in the first place. He said there are two units of the AAUP that are based in New Mexico, one from the Santa Fe Community College, whose webpages state that they are concerned about union dues, membership, contract negotiations and management, and apparently there are only six or seven members. In addition, the union at UNM, the United Academics of UNM, is in its infancy with no charter, bylaws or membership list, and its website shows no mention of AAUP.

Dr. Duszynski recommended looking at all of the positions in the bill in detail.
Mr. Goff stated that Senate Education Committee members wondered if opening up the board membership would result in requests for representation for the Superintendent’s Association, bilingual education, business officials, and charter schools.

Mr. Goff agreed that a study would be a good idea, and that considering representation from the southern part of the state, as mentioned by Dr. Duszynski, was worth looking into. He said he was concerned about opening the door to a much larger number of members that could have a negative impact on the effectiveness of the board, which works well with seven members.

Ms. Cameron said she supported the bill but agreed that a study would be in order before considering any change to the number of members.

Chairman Gluckstern said he felt there was consensus that a study should be done before considering any additions to the number of members. He said perhaps Ms. Goodwin could bring in a consultant to look at a “best governance policy.” He suggested Ms. Goodwin provide feedback to the Senators that the board is not supportive of this bill at this time, but for the reasons stated, and not that it doesn’t ultimately think there should be an expansion in the number of representatives.

Ms. Cameron moved, seconded by Mr. Delgado, that the board support SB 303. The motion failed to pass on the following roll call vote:

For: Ms. Cameron; Mr. Delgado; Mr. Eichenberg.

Against: Chairman Gluckstern; Mr. Goff; Mr. Magid; Dr. Duszynski.

Mr. Goff moved that the board take no position on this bill and request that a study be done to look at the membership of the NMERB board. Dr. Duszynski seconded the motion, which passed on the following roll call vote:

For: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Dr. Duszynski.

Against: Mr. Delgado.

d. Other

Ms. Goodwin said staff is getting ready to issue an RFP for an actuarial audit, and would like to have a couple of volunteers from the board serve on the selection committee.
Mr. Goff said he would serve on the selection committee.

Ms. Goodwin said the NMERB issued an RFP for architectural and engineering services for the new building, and on March 10 should be receiving all of the proposals. The selection committee will meet the week of March 22 to select a firm.

10. EXECUTIVE SESSION: 11:05

a. Threatened or pending litigation in which the Board is or may become a participant – (session closed pursuant to NMSA 1978, Section 10-15-1(H)(7)): discussion regarding the Board’s authority to set compensation of executive staff. Mark T. Baker (Peifer, Hanson, Mullins & Baker, P.A.), legal counsel to the Board

Chairman Gluckstern moved that the board go into executive session pursuant to Section 10-15-1(H)(7) of the Open Meetings Act to discuss threatened or pending litigation in which the board is or may become a participant regarding the board’s authority to set compensation of executive staff. The motion was seconded by Mr. Eichenberg and passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.

[The board came out of executive session at 11:32 a.m.]

Chairman Gluckstern moved that the board come out of executive session. The only matters discussed during executive session were threatened or pending litigation in which the board is or may become a participant regarding the board's authority to set compensation of executive staff. Mr. Magid seconded the motion, which passed unanimously on the following roll call vote: Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Mr. Eichenberg; Mr. Delgado; Dr. Duszynski.
11. **ACTION FROM EXECUTIVE SESSION: 11:32 p.m.**

Chairman Gluckstern moved that the board authorize the pursuit of legal action to clarify its authority on the setting of compensation for executive staff. Mr. Magid seconded the motion.

Mr. Eichenberg cited problems experienced recently by the PERA board, when the chairman granted the director a raise without authorization from the board and in violation of PERA statutes. He commended Ms. Goodwin for staying true to her fiduciary responsibility to the NMERB and for her integrity in not attempting to circumvent the process, which is now in its third year.

The motion passed on the following roll call vote:

**For:** Chairman Gluckstern; Mr. Goff; Mr. Magid; Ms. Cameron; Dr. Duszynski.

**Against:** Mr. Delgado; Mr. Eichenberg.

Mr. Eichenberg said he had voted against the motion because he felt the board should also include the executive staff and the head of the executive staff, which would include the governor.

12. **NEXT MEETING: FRIDAY, APRIL 23, 2021 – ALBUQUERQUE OR VIRTUAL MEETING**

13. **ADJOURN**

Meeting adjourned at 11:45 a.m.

\[Signature\]

Steven Gluckstern, Chairman

**ATTEST:**

\[Signature\]

Larry Magid, Secretary

New Mexico Educational Retirement Board, February 19, 2021