

New Mexico Public Employees Retirement Association

Board Meeting

Thursday, January 26, 2023

1. Call to Order

This monthly meeting of the Public Employees Retirement Board was called to order by Claudia Armijo, Chair, at approximately 9:00 a.m. on the above-cited date at the PERA Building, 33 Plaza la Prensa, Senator Fabian Chavez, Jr. Board Room, Santa Fe, New Mexico.

2. Pledge of Allegiance

Roberto Ramirez led the Pledge of Allegiance.

3. Roll call

The meeting attendance met quorum with the following members present;

Board Members Present

Claudia Armijo
Valerie Barela
Paula Fisher
Tony Garcia
Loretta Naranjo Lopez
Francis Page
Shirley Ragin
Roberto Ramirez
Augustine Romero [at 9:10am]
Diana Rosales Ortiz
Maggie Toulouse Oliver [at 9:20am]

Board Members Absent

Laura Montoya

Staff

Greg Trujillo, Executive Director
Trish Winter, Executive Assistant
Anna Williams, Deputy Director
Michael Shackelford, CIO
LeAnne Larranaga-Ruffy, Deputy CIO
Lynette Kennard, CFO
Anthony Montoya, General Counsel
Misty Schoepner, Deputy General Counsel
Sara Hume, Director, Beta & Risk
Kate Brassington, Investment Associate
Clayton Cleek, Investment Associate
Michael Killfoil, Investment Associate
Justin Deubel, Investment Account Manager
Valerie Hayas, Data & Compliance Manager

Jovanna Archuleta, Investment Administrator
Karyn Lujan, Deferred Compensation Plan Manager
Christina Perea, Outreach Bureau Chief
Natalie Padilla, Outreach
Melinda Marquez, Member Services Bureau Chief
Angela Romero, Albuquerque Office Manager
Ron Gallegos, CTO

Others in Attendance

Kory Hoggan, Partner, Moss Adams
Lauren Kisten, Moss Adams
Aaron Hamilton, Moss Adams
Ryan Falls, GRS Actuaries
Janie Shaw, GRS Actuaries

4. Approval of Agenda

Loretta Naranjo Lopez requested an amendment to the agenda, changing the word Tuesday to Thursday with today’s date. She also requested Item C. 8, SJM 2 State Employee Task Force be removed from the agenda because it is not a PERA issue, it is a state human resources issue.

Chair Armijo stated that the Board must discuss any bill that could impact PERA and the trust fund and decide whether to support, oppose, or be neutral. SJM 2 has language involving PERA.

Diana Rosales Ortiz moved to approve the agenda with a change on the date from Tuesday to Thursday. Paula Fisher seconded. Motion passed with a unanimous roll call vote as follows;

| | |
|-----------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela, | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Diana Rosales Ortiz | Yes |

5. Approval of Meeting Minutes

A. Approval of December 13, 2022, Board Meeting Minutes

Paula Fisher moved to approve the December 13, 2022, Board Meeting Minutes. Tony Garcia seconded. Motion passed with a roll call vote of 8 to 1 as follows;

| | |
|-----------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela, | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | No |

| | |
|---------------------|-----|
| Francis Page | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Diana Rosales Ortiz | Yes |

B. Approval of January 10, 2023, Board Meeting Minutes

Tony Garcia moved to approve January 10, 2023, Board Meeting Minutes. Paula Fisher seconded. Motion passed with a roll call vote of 8 to 1 as follows;

| | | |
|-----------------------|-----|----|
| Claudia Armijo | Yes | |
| Valerie Barela | Yes | |
| Paula Fisher | Yes | |
| Tony Garcia | Yes | |
| Loretta Naranjo Lopez | | No |
| Francis Page | Yes | |
| Shirley Ragin | Yes | |
| Roberto Ramirez | Yes | |
| Diana Rosales Ortiz | Yes | |

6. Approval of Consent Agenda

Shirley Ragin moved to approve the Consent Agenda. Paula Fisher seconded. Motion passed with a unanimous roll call vote as follows;

| | |
|-----------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Diana Rosales Ortiz | Yes |

In response to Mr. Page's question, Chair Armijo clarified that all Board meetings would be in person.

7. Unfinished Business

No items were removed from the Consent Agenda.

8. New Business

A. Election of 2023 PERA Board Officers

1. Board Chair, Nominees Presentation of Goals and Priorities

Nominees for Board Chair are Claudia Armijo, Francis Page, and Loretta Naranjo Lopez.

Member Armijo; Member Page and Member Naranjo Lopez each presented their goals and priorities if elected Chair.

2. Vice-Chair, Nominee's Presentation of Goals and Priorities.

Member Rosales Ortiz presented her goals and priorities and stated that it would be an honor to be elected Vice-Chair again along with Chair Armijo.

3. 2023 Board Chair Election

The Board members voted for the Board Chair as follows;

| | | |
|-----------------------|----------------|-----------------------|
| Claudia Armijo | Claudia Armijo | |
| Valerie Barela | Claudia Armijo | |
| Paula Fisher | Claudia Armijo | |
| Tony Garcia | Claudia Armijo | |
| Loretta Naranjo Lopez | | Loretta Naranjo Lopez |
| Francis Page | | Francis Page |
| Shirley Ragin | Claudia Armijo | |
| Augustine Romero | Claudia Armijo | |
| Roberto Ramirez | Claudia Armijo | |
| Diana Rosales Ortiz | Claudia Armijo | |

Claudia Armijo – 7 votes, Loretta Naranjo Lopez – 1 vote, Francis Page – 1 vote. Claudia Armijo retained her seat as Board Chair.

4. 2023 Board Vice-Chair Election

Roberto Ramirez moved to accept Diana Rosales Ortiz as Board Vice-Chair by acclamation. Francis Page seconded.

Board recessed to Executive Session for an Administrative Appeal at 9:20am;

Paula Fisher made the motion to recess to Executive Session. Loretta Naranjo Lopez seconded. The motion passed with a unanimous roll call vote as follows;

| | |
|-----------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Diana Rosales Ortiz | Yes |

The Board convened back to Regular Session at 9:38am.

Vice-Chair Rosales Ortiz stated the only business discussed in Executive Session was what was on the agenda.

Board Members Present

- Claudia Armijo
- Valerie Barela
- Paula Fisher
- Tony Garcia
- Loretta Naranjo Lopez
- Francis Page
- Shirley Ragin
- Roberto Ramirez
- Augustine Romero
- Diana Rosales Ortiz
- Maggie Toulouse Oliver

1. Final decision on Administrative Appeal

1. Peggy Martinez (PID # 164513)

Shirley Ragin moved to adopt the hearing officer's recommended findings of fact and conclusions of law, approve the hearing officer's recommended decision, and deny the claimant's request for PERA Disability Retirement Benefits. Valerie Barela seconded the motion. Motion passed with a unanimous roll call vote as follows;

| | |
|------------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Augustine Romero | Yes |
| Diana Rosales Ortiz | Yes |
| Maggie Toulouse Oliver | Yes |

B. Consideration of 2023 Proposed Legislation

General Counsel Anthony Montoya stated that all the bills have yet to have a hearing, but some are scheduled for hearings this afternoon and some for tomorrow.

1. HB64 Return to Work for Public Safety Employees

Representative Bill Rehm presented this bill at the last Board meeting. The bill provides for retired members, various Public Safety Employees to return to work and collect their pension and their new salary when they return to employment.

Roberto Ramirez inquired about the actuary's thoughts on the bill and whether the bill is a positive to the fund. Mr. Trujillo stated it is a slight positive to the fund. He explained that for any return-to-work bill, as long as PERA is getting contributions from both the employee and the employer, a member is, not increasing their benefit while in the return-to-work program.

Loretta Naranjo Lopez mentioned that the return-to-work bills did not receive support in the past. She asked if there had been any input on the bill from the entire membership. Mr. Trujillo said he believed the Legislature now has a different opinion because of some of the issues employers face. He mentioned that there are currently five variations of return to work bills by other legislators.

Augustine Romero mentioned that there had been concerns about double dipping in the past. Maggie Toulouse Oliver stated that she was also getting feedback on concerns about double dipping. She indicated that the crime concerns around the State and in Albuquerque had been acknowledged and that robust law enforcement is now in place. She added that the double dipping days were addressed way back before she became a Board member.

Paula Fisher pointed out that it would not be prudent to support a taxpayer pension fund that will encourage double dipping. She cited that in the late 2000s, double dipping was out of control when the Richardson administration allowed it. She thus wondered why the PERA Board would support what happened in the past despite being told that the bills would have no impact on the fund. She stated that in the Legislature, when the bills go from one committee to the next, they are amended as they move forward. In the long run, the bills may have amendments that PERA would not have supported in the first place.

Claudia Armijo moved to remain neutral on HB64 Return to Work for Public Safety Employees. Valerie Barela seconded.

Chair Armijo stated that the bill is fiscally neutral or slightly positive for the PERA fund. She indicated that the decision on whether or, not it's good policy public and a good way to build a permanent workforce was for the legislators and the Executive to decide.

Addressing Paula. Fisher's concerns, Mr. Trujillo stated that the bills would be modified as they go through the legislative session. He, noted that the bills might only sometimes come back to the Board, but staff will work with the Legislative Committee Chair, Mr. Ramirez, and the Board leadership to ensure that the Board is notified of any changes.

Vice-Chair Rosales Ortiz stated that last year, Mr. Trujillo had been keen on informing the Board of any legislative bills. She believed he would be on top of things and keep updating the Board.

Mr. Page mentioned that when he was at the Office of Insurance, OSI, he was on a one-year contract but stayed for six years because they could, not find people to fill the positions. He stated that there is currently a crisis in the workforce. He further pointed out that many officers do not get to rest because there are no people to relieve them. He believed that if the bill positively impacts the PERA fund, it would be prudent to support it. If the bill impacted PERA negatively, he would, not support it.

Loretta Naranjo Lopez stated that there should be more analysis of this bill. She said that at 20 years, police and firefighters usually have health issues, which is why they were given a shorter period. She believed that increasing it to 30 years would not sit well with them. She also agreed with Paula Fisher that the officers would not decide to go back to work at the entry-level.

Vice-Chair Rosales Ortiz called for the vote.

Motion to remain neutral on HB64 Return to Work for Public Safety Employees passed with a roll call vote of 10 to 1 as follows;

| | | |
|------------------------|-----|----|
| Claudia Armijo | Yes | |
| Valerie Barela | Yes | |
| Paula Fisher | Yes | |
| Tony Garcia | Yes | |
| Loretta Naranjo Lopez | Yes | |
| Francis Page | | No |
| Shirley Ragin | Yes | |
| Roberto Ramirez | Yes | |
| Augustine Romero | Yes | |
| Diana Rosales Ortiz | Yes | |
| Maggie Toulouse Oliver | Yes | |

2. HB65 Return to Work for Affiliated Public Employer

Representative Rehm also presented this bill at the last Board meeting. It allows retirees from all plans to return to work, not just public safety officers. It also requires a 90-day layout, non-refundable contributions, the prohibition on increasing pension while one has returned to work and is limited to entry-level positions. The sunset is July 1, 2026, and it also requires annual reporting by PERA.

Claudia Armijo moved to remain neutral on HB65 Return to Work for Affiliated Public Employer. Loretta Naranjo Lopez seconded.

Chair Armijo stated that her motion was a fiscal decision because of the Board's fiduciary duty to the fund. It was not an endorsement of a policy for retaining employment.

Motion to remain neutral on HB65 Return to Work for Affiliated Public Employer passed with a roll call vote of 10 to 1 as follows;

| | | |
|-----------------------|-----|----|
| Claudia Armijo | Yes | |
| Valerie Barela | Yes | |
| Paula Fisher | Yes | |
| Tony Garcia | Yes | |
| Loretta Naranjo Lopez | Yes | |
| Francis Page | | No |
| Shirley Ragin | Yes | |
| Roberto Ramirez | Yes | |
| Augustine Romero | Yes | |
| Diana Rosales Ortiz | Yes | |

3. HB66 Safety Officer Retirement Calculations

Representative Rehm presented this bill at the last Board meeting. There are four different versions of this bill that the Board will follow.

HB 66 raises the maximum pension benefit cap from 90% to 100%, provided that after a member hits 90, their multiplier drops to 1%. In theory, if a person works 30 years to get to 90%, it will take ten more years to get to 100%. They'll be getting 1% per year up to 100.

An applicability section in the bill clarifies that this is not to go back and recalculate. It is only for service moving forward. For example, if a member has already worked to their pension cap of 90 and has been working for the last ten years, this won't retroactively bump them up to 100. They'll have to do their 90 to 100 from the date the bill goes into effect.

Vice-Chair Rosales Ortiz asked about the date it goes into effect. Mr. Montoya stated that since the bill does not carry an effective date, it defaults to 90 days after the session, which is June 16.

Chair Armijo asked if there is an actuarial projected analysis of the bill's impact. Mr. Trujillo stated that even though the benefit could increase, the contributions do not change. The statutory contribution will continue to be paid.

Mr. Montoya stated that another similar bill extends the maximum benefit to 100%. Mr. Montoya further stated that from an analysis point of view, this bill would have a net cost to the fund because it would potentially increase benefits for long-service people. If it intends to encourage people to work longer, PERA will realize gains over time.

Vice-Chair Rosales Ortiz mentioned that people are not retiring at 62 anymore in the current world. She felt that this bill might encourage people to keep working. She indicated that HB 64 and HB 65 are opening the door for people to go back to work, and then with this bill, they might be encouraged to keep working after the sunrise deadline. She also remarked that the unfunded liability would eventually increase.

Mr. Montoya stated that it would increase the unfunded liability initially. He also pointed out that if people work longer due to socioeconomic factors, the cost to PERA will still increase whether or not the bill passes.

Maggie Toulouse Oliver asked if the bill is intended to enhance recruitment for public safety. Mr. Montoya stated that the bill intends to keep people in their current positions longer so as, not to create premature vacancies.

Mr. Trujillo indicated that part of the initial proposal of SB 72 in 2020 was to remove the cap completely to entice people from leaving employment. He mentioned many other agencies, like ERB, do, not cap pensions.

Paula Fisher reiterated that while people continue to work in her field, officers are waiting for their 25 years, and they are done. She asked if those that choose to stay until the 30-year date benefits provided they live for ten more years. Mr. Montoya said they would start earning their benefit in the 31st year. Paula pointed out that, eventually, there will be an impact on the fund because the unfunded liability will be affected.

Addressing Paula Fisher's concerns, Mr. Trujillo stated that most employees that have a 3% pension factor could retire at 25 years. They usually get 75% of their pension at that point. They would, however, must work up to 30 years to get the 90%. Therefore, to go to 100%, they would have to go over 33 years, when this provision would take effect.

Loretta Naranjo Lopez asked if it would start today for all employees or if it would start when new employees come in. She was concerned that employees would be getting huge benefits when they have, not been paying for 33 years. High raises were given to people ready to retire and only put in money for part of the 25 years at the time. This is what led to the unfunded liability in the first place.

Mr. Trujillo stated that a new employee that starts today would be a tier two employee with a 2.5% factor. It will therefore take 40 years for the new employee to get 100% benefits. He explained that the way the bill reads, if an employee has worked 33 years as of today, they will only get credit for the three additional years once the bill takes effect around the beginning of the fiscal year.

Loretta Naranjo Lopez argued that the employees will still not have paid for 33 years. Mr. Trujillo pointed out that they pay contributions each pay period, whether over 30 or under 30. The contributions will, however, remain the same.

Vice-Chair Rosales Ortiz explained that if a police officer hits 25 years on June 15 and the bill takes effect on June 16, the officer gets to stay at work and move forward. Mr. Trujillo clarified that if officers hit 25 years, they will continue increasing their pension factor beyond 75%. It is after year 30 that the provision will kick in to go beyond 90%. so, from year 31 an employee gets an increased pension.

Mr. Montoya added that it would be 1% per year after year 30. Therefore, after working 40 years, a tier two employee would need to work for ten more years to get to 100%.

Claudia Armijo moved to table the discussion of this bill and left it to the Legislative Committee process to vet it in more depth. Loretta Naranjo Lopez seconded.

Mr. Trujillo asked if the Board's position on the bill was neutral. Vice-Chair Rosales Ortiz stated that the Board did not have a position.

Mr. Page was against the motion to table the bill. He stated that he was ready to vote on it, and his vote would be 'no' since the bill would impact the fund.

Vice-Chair Rosales Ortiz called for the vote.

Motion to table the discussion of this bill for the Legislative Committee to vet it in more depth passed with a roll call vote of 9 to 1, with one abstinence as follows;

| | | |
|------------------------|-----|---------|
| Claudia Armijo | Yes | |
| Valerie Barela | Yes | |
| Paula Fisher | Yes | |
| Tony Garcia | Yes | |
| Loretta Naranjo Lopez | Yes | |
| Francis Page | | No |
| Shirley Ragin | Yes | |
| Roberto Ramirez | Yes | |
| Augustine Romero | Yes | |
| Diana Rosales Ortiz | | Abstain |
| Maggie Toulouse Oliver | Yes | |

Maggie Toulouse Oliver acknowledged that Mr. Page's concerns about tabling the bill were valid. She stated by tabling it the Board was entrusting the Legislative Committee to figure out and help guide the Board on how to weigh in on the bill. She added that she has all the trust in Mr. Ramirez and that Mr. Page's concerns had been raised several times during her time on the Board.

Loretta Naranjo Lopez agreed with Maggie Toulouse Oliver's sentiments. She stated that the votes should be yes or no on the bill and that she would have voted no. She further, noted that more information should be provided on the bill to help analyze it.

Mr. Page pointed out that if bills come up in the future and the Board does, not vote on them, they would have no right to complain about what happens in the Legislature.

4. HB 106 Increase Public Employee Pension Max

This bill was introduced by Representative Eliseo Lee Alcon and will be heard today in House Labor, in which Rep. Alcon is the Chair.

This Legislation also raises the maximum pension benefit from 90% to 100%. However, the multiplier is not reduced to 1%. It continues at the multiplier members receive in whatever Plan they are in. It also includes the prohibition on retroactive recalculations.

Francis Page moved to oppose HB 106 Increase Public Employee Pension Max. Loretta Naranjo Lopez seconded. Motion to oppose failed with a roll call vote of 8 to 2, with one abstinence, as follows;

| | | |
|------------------------|---------|-----|
| Claudia Armijo | Abstain | |
| Valerie Barela | No | |
| Paula Fisher | No | |
| Tony Garcia | No | |
| Loretta Naranjo Lopez | | Yes |
| Francis Page | | Yes |
| Shirley Ragin | No | |
| Roberto Ramirez | No | |
| Augustine Romer | No | |
| Diana Rosales Ortiz | No | |
| Maggie Toulouse Oliver | No | |

Roberto Ramirez moved to table HB 106 Increase Public Employee Pension Max. Claudia Armijo seconded. Motion to table passed with a roll call vote of 10 to 1 as follows;

| | |
|------------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | Yes |
| Francis Page | No |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Augustine Romero | Yes |
| Diana Rosales Ortiz | Yes |
| Maggie Toulouse Oliver | Yes |

Mr. Ramirez encouraged all the Board members to attend the legislative session in the afternoon to be part of the discussion of the bills. Vice-Chair Rosales Ortiz agreed, adding that as fiduciaries, the Board members will be held accountable, so they should make an effort to attend the session.

5. SB96 Public Safety Officer Pensions

Another benefit cap bill raises the maximum pension benefit from 90 to 100% for only one State Police Plan. It also prohibits retroactive calculations and will have the June 16 effective date. Senator George Munoz introduced this bill.

Francis Page moved to oppose SB 96 Public Safety Officer Pensions. Loretta Naranjo Lopez seconded.

Ms. Naranjo Lopez stated that the Board never received an actuary report. She was concerned that the Board was not following proper procedures.

Motion to oppose SB 96 Public Safety Officer Pensions failed with a roll call vote of 8 to 3 as follows;

| | |
|------------------------|-----|
| Claudia Armijo | No |
| Valerie Barela | No |
| Paula Fisher | No |
| Tony Garcia | No |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | No |
| Roberto Ramirez | No |
| Augustine Romero | Yes |
| Diana Rosales Ortiz | No |
| Maggie Toulouse Oliver | No |

Roberto Ramirez moved to table SB 96 Public Safety Officer Pensions. Claudia Armijo seconded. Motion to table passed with a roll call vote of 10 to 1 as follows;

| | | |
|------------------------|-----|----|
| Claudia Armijo | Yes | |
| Valerie Barela | Yes | |
| Paula Fisher | Yes | |
| Tony Garcia | Yes | |
| Loretta Naranjo Lopez | Yes | |
| Francis Page | | No |
| Shirley Ragin | Yes | |
| Roberto Ramirez | Yes | |
| Augustine Romero | Yes | |
| Diana Rosales Ortiz | Yes | |
| Maggie Toulouse Oliver | Yes | |

6. SB 124 Public Employees Returning to Work

Senator Michael Padilla introduced this bill. It combines the concepts of the two previously discussed bills, HB 106 and SB 96. The only difference is that it includes return to work for all plans and requires a 12-month layout and non-refundable contributions. Both the employer and employee make contributions. The employee's pension who's returned to work is, not increased when they return to work. The bill is limited to 36 consecutive or, Non-consecutive months. This means it allows for 36 months of return to work, and members could use that as they see fit.

Additionally, it includes a raise from 90% to 100% for all plans, has no retroactive recalculation, and the member gains their multiplier as it was for their Plan. The multiplier does not change once they hit 90. It has a July 1, 2023, effective date.

In response to Mr. Ramirez, Mr. Montoya stated that a complete bill analysis needs to be done. However, the bill has a couple of competing things whereby some pieces would be positive, and others would increase the liability.

Vice-Chair Rosales Ortiz asked if a member could work and stop and go back to work again at any time if it is within 36 months. Mr. Montoya responded in the affirmative.

Mr. Trujillo stated that the bill's sponsor wants to give people options. They could do so if a member retires and wants a salary plus a pension. On the other hand, if a member chooses to work longer and increase their retirement, they have that option.

Mr. Trujillo mentioned that returning to work has been a heavy topic at the Legislature this year because employers face staffing issues.

Vice-Chair Rosales Ortiz pointed out that it would allow for double dipping. Mr. Trujillo agreed that it would allow for double dipping and give members an incentive to stay longer.

Francis Page moved to oppose SB 124 Public Employees Returning to Work. Loretta Naranjo Lopez seconded. Motion to oppose failed with a roll call vote of 8 to 3 as follows;

| | |
|----------------|----|
| Claudia Armijo | No |
| Valerie Barela | No |
| Paula Fisher | No |

| | |
|------------------------|-----|
| Tony Garcia | No |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | No |
| Roberto Ramirez | No |
| Augustine Romero | Yes |
| Diana Rosales Ortiz | No |
| Maggie Toulouse Oliver | No |

Roberto Ramirez moved to table SB 124 Public Employees Returning to Work. Maggie Toulouse Oliver seconded. Motion to table passed with a roll call vote of 8 to 3 as follows;

| | |
|------------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | No |
| Francis Page | No |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Augustine Romero | No |
| Diana Rosales Ortiz | Yes |
| Maggie Toulouse Oliver | Yes |

7. SB 145 State Police Retirement Changes

Mr. Montoya made the statement that he discussed with the individual doing the legislative analysis for these bills at the Legislature the issue of putting into the analysis a note regarding the provisions of Article 20, Section 22 of the State Constitution that the Legislature is prohibited from enacting Legislation unless that Legislation is adequately funded. If an item is deemed to hurt the fund, the Legislature will need to fund it with state money.

There was much discussion among board members regarding unfunded legislation.

Mr. Page emphasized that the Board has to show a position on the bills instead of leaving it up to the Legislature.

Shirley Ragin further stated that it was hard to make decisions because the bills change as they move along, which could change the impact on the fund. She added that however much the Board needed to represent its position, the tabling and neutral positions were important to allow the Board time to get more information.

She agreed with Mr. Ramirez that the bills need to be further discussed at the Committee level so that the concerns of the Board can be passed on to Executive Director Trujillo. These concerns might help shape some amendments as the bills move forward.

Francis Page moved to oppose SB 145 State Police Retirement Changes. Loretta Naranjo Lopez seconded. Motion to oppose failed with a roll call vote of 8 to 3 as follows;

| | | |
|------------------------|----|-----|
| Claudia Armijo | No | |
| Valerie Barela | No | |
| Paula Fisher | No | |
| Tony Garcia | No | |
| Loretta Naranjo Lopez | | Yes |
| Francis Page | | Yes |
| Shirley Ragin | No | |
| Roberto Ramirez | No | |
| Augustine Romero | | Yes |
| Diana Rosales Ortiz | No | |
| Maggie Toulouse Oliver | No | |

Mr. Montoya stated that he had yet to discuss SB 145, which was very different from the others. He had just given a disclaimer of what might be in the analysis moving forward.

Vice-Chair Rosales Ortiz retracted the Board's action on SB 145 and invited Mr. Montoya to discuss it.

Ms. Winter mentioned that according to Robert's Rules, a motion should be made before a discussion happens so that the debate is prevalent and meaningful to the motion.

Mr. Montoya stated that SB 145 is sponsored by Senator George Munoz. He noted that currently, in law, under the State Police members, there is a 20% enhancement if that state police member is a patrolman, sergeant, or lieutenant rank. The enhancement is not afforded to those of an exempt rank, the higher ranks within the state police plan.

The bill proposes to extend that 20% enhancement to all state police members regardless of rank. The enhancement is effective on the effective service date for all services going forward. It also allows for a retroactive recalculation for active members. Retired members still need to get the 20% added to recalculate their pension benefits. An active member's full membership under that Plan would be calculated as if they had had the enhancement for that entire time.

Mr. Trujillo mentioned that the 20% enhancement only applies to tier one. A tier two member no longer receives an enhancement. This was previewed in December by Deputy State Police Chief Weisler. Once they reach a certain rank, about ten members still pay the same rates that other state police officers pay, but they don't receive that enhancement. The issue is that officers do not want to move into leadership positions because they lose that enhancement even though they are still paying for it.

Loretta. Naranjo Lopez inquired about the funding percentage. Mr. Trujillo stated that State Police is currently 124% funded.

Paula Fisher asked about the impact on the fund. PERA's actuary, Mr. Ryan Falls stated that it would increase the cost of the fund. He added that even though State Police is currently overfunded and have more money than they need, the bill will increase the unfunded liability.

Francis Page moved to oppose SB 145 State Police Retirement Changes. Loretta Naranjo Lopez seconded.

Maggie Toulouse Oliver, noted that the analysis report indicated that the impact on the fund had not been determined yet, but the actuary was anticipating a negative impact. Mr. Falls stated that a formal report had yet to be issued, but his opinion was that there would be a negative impact on the fund.

Concerning the enhancement, Mr. Trujillo explained that state police and others get a 20% enhancement. This means that every year they are physically on the job; they get 14 months of service credit. Municipal police and municipal fire only get a 3.5% pension factor and a 20-year retirement benefit, while state police get a 3% pension factor plus the enhancement. So even at 25 years, they retire with 75%.

Motion to oppose SB 145 State Police Retirement Changes failed with a roll call vote of 7 to 4 as follows;

| | |
|------------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | No |
| Paula Fisher | No |
| Tony Garcia | No |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | No |
| Roberto Ramirez | No |
| Augustine Romero | Yes |
| Diana Rosales Ortiz | No |
| Maggie Toulouse Oliver | No |

Paula Fisher moved to table SB 145 State Police Retirement Changes. Valerie Barela seconded. Motion to table SB 145 State Police Retirement Changes passed with a roll call vote of 8 to 3 as follows;

| | |
|------------------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | No |
| Francis Page | No |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Augustine Romero | No |
| Diana Rosales Ortiz | Yes |
| Maggie Toulouse Oliver | Yes |

8. SJM 2 State Employee Evaluation Task Force

Mr. Montoya stated that Senate Joint Memorial 2 is a government-wide study of employee salary and benefit structures. He mentioned that in a memorial, there are several statements of findings and other statements of what they want to occur with the Memorial.

Mr. Montoya stated that this Memorial requests that the Legislative Council Service convenes a task force to study three items in all branches of government. These are employee classifications, compensation systems, and benefits practices.

PERA received the Memorial because the Memorial states that once it is passed, it should be distributed to the following; the Director of the Council Service, who will convene the Task Force; the Governor, the Chief Justices of the Supreme Court; the Director of SPO, the Secretary of General Services, the Executive Director of PERA, the Attorney General, the Director of the Administrative Office of the Courts, and the Director of the Administrative Office of the District Attorneys.

Mr. Trujillo mentioned that the Memorial was brought before the Board because any changes in benefit or compensation structures will impact PERA's budget and employees.

Vice-Chair Rosales Ortiz stated that the Memorial might be a recruiting tool. She noted that PERA is one of the best funds in the nation and hoped that the task force would compare New Mexico to other states in terms of how New Mexico is below the national average wages.

Claudia Armijo moved to support SJM 2 State Employee Evaluation Task Force. Maggie Toulouse Oliver seconded.

Chair Armijo stated that the Memorial touched on much of what the Board had already discussed regarding the need to re-evaluate the pay at the State, county, and municipal levels to have pay parity with other states and in public safety in particular. She mentioned that this study was done a few years ago. It was a good thing for PERA to be involved in, especially since paying more to PERA's employees and participants will increase the fund.

Shirley Ragin voiced her support for the motion and stated that things that come out of the State are often unfunded. She further, noted that if it comes to pay increases, the State should provide revenue to the entities because their tax base is smaller.

Mr. Ramirez inquired about the cost of the compensation study and if PERA will be required to shoulder some of it. Mr. Montoya stated that the Legislative Council Service (LCS) is the entity that is tasked with convening the task force so that they will be the ones bearing the cost of it. He indicated that he had not seen a draft of the upcoming budget but believed there would be a modest appropriation toward the LCS.

Chair Armijo agreed with Mr. Ramirez and added that since the LCS and the task force will turn to PERA for actuarial projections, they will need to pay for that for the actuarial expenses.

Motion to support SJM 2 State Employee Evaluation Task Force passed with a unanimous roll call vote as follows;

| | |
|----------------|-----|
| Claudia Armijo | Yes |
| Valerie Barela | Yes |

| | |
|------------------------|-----|
| Paula Fisher | Yes |
| Tony Garcia | Yes |
| Loretta Naranjo Lopez | Yes |
| Francis Page | Yes |
| Shirley Ragin | Yes |
| Roberto Ramirez | Yes |
| Augustine Romero | Yes |
| Diana Rosales Ortiz | Yes |
| Maggie Toulouse Oliver | Yes |

9. Additional Proposed 2023 Legislation

Mr. Trujillo stated that there were no additional bills, but some will be coming soon, the main one being the Special Needs Trust bill introduced at the last meeting. Representative Chasey had agreed to sponsor the bill. She was fine with the language but asked that ERB be included. ERB had also decided to be part of it.

Mr. Trujillo also mentioned that there had been ongoing talks about the potential for one-time appropriations and additional money. He believed bills would be introduced early next week that could be forwarded to the Board. Some ideas have been floated for the Judiciary and Magistrate Plans because they are severely underfunded.

Mr. Trujillo stated that Representative Lundstrom is going to develop a proposal to provide potential additional 13th check payments to PERA members using one-time money. Rep. Lundstrom is currently working on Legislation that would propose that any retiree aged 65 or older get an additional 2% 15th check over the next five years. The estimated cost of that is about \$90 million.

Paula Fisher asked about the possibility of getting the Legislature to appropriate funds to assist PERA with its current unfunded liability. Mr. Trujillo stated that PERA received a request from the Legislature regarding what an appropriation of \$100 million would do to the unfunded liability. He pointed out that that amount will be too little to make a significant difference as far as the PERA fund goes.

An analysis of the Judicial and Magistrate plans indicated that since they are much smaller, a one-time \$20 million appropriation will move the needle significantly. Regarding the additional 13th check, Mr. Trujillo stated that if the Legislature gives PERA \$90 million to put into the fund, more is needed to cover even a month's payroll. He indicated that since it will help retirees aged 65 and older, PERA will support it.

Mr. Trujillo added that the additional 2% would continue the new Cost of Living Adjustment (COLA) model from going into effect. Anybody eligible for COLA will still get that with potentially a 2% 13th check on top of it.

Paula Fisher asked if it was possible to get a contribution for the State General Fund since it is being done for Judicial and Magistrate. Mr. Trujillo stated that PERA had asked Legislature for a contribution. He noted that the unfunded liability of Stage General is \$2 billion. Therefore, any amount contributed needs to be in the billions. He pointed out that this is a significant amount of money currently unavailable for PERA.

Mr. Trujillo reminded the Board that regarding SB 72, PERA is in year three of a six-year implementation of employee and employer increases of 4%. He indicated that it might be taking time, but PERA has made some progress, and that money is coming in to reduce the unfunded liability.

D. Final Audited Financial Statements

B. PERA Annual Comprehensive Financial Report Fiscal Year 2022 and Deferred Compensation Plan Financial Statements Fiscal Year 2022

Ms. Lauren Kisten and Mr. Aaron Hamilton, Senior Assurance Managers at Moss Adams, presented the final audit results. Ms. Kisten stated that Moss Adams had been PERA's auditors for the Deferred Compensation Plan for three years. This is their first year as auditors of the main Annual Comprehensive Financial Report (ACFR).

Ms. Kisten reported that they issued the following audit reports for the year ended June 30, 2022:

- i. Audit report on the Deferred Compensation Plan.
- ii. Audit report on ACFR.
- iii. Internal control reports over financial reporting in compliance and accordance with government auditing standards.

She stated that all the opinions were unmodified. The Deferred Compensation Plan report was issued on October 26, 2022, and the ACFR report was published on, November 23, 2022. Both were on time with the State audit deadline.

A financial summary of the Deferred Compensation Plan indicated a decrease in the net fiduciary position. Contributions were up from the prior years. Benefits paid were down, and administrative expenses were low and in line with the two prior years. Ms. Kisten indicated that the net loss in investment income was a trait seen across the market, not only with the PERA plan.

Mr. Hamilton presented the ACFR report and indicated that, no material weaknesses were reported and no compliance findings related to the state audit rule were noted. However, a significant deficiency was recorded related to the benefit payment calculation for one retiree in the Judicial Fund.

Over 15 samples were selected, and an error was, noted with one individual resulting in an underpayment to that individual over several years. Management immediately responded to the finding and made a plan and a project to address the issue. The project is currently in process.

Mr. Hamilton stated that overall, the investment returns impacted the funded status. A general decline was seen in the funded status.

With regard to the investment return, Mr. Hamilton indicated that 2021 was a phenomenal year for PERA, but the reverse happened in 2022. The overall end-of-the-year net position for the pension was at \$16.5 billion in assets under management.

Mr. Hamilton stated that Moss Adams is required to make certain communications to those charged with governance. He reported that they perform exit conferences with members of the Audit Committee, which contains Board members. Other communications brought to the Board's attention included;

- i. Significant accounting policies are summarized in, Note 2 of the financial statements.
- ii. Representations were requested and received from management. These were provided before the issuance of the audit report.
- iii. There were, no audit adjustments proposed or uncorrected misstatements during the two audits.
- iv. No difficulties with management or significant issues arose during the audits.
- v. There was a new accounting pronouncement. A further footnote disclosure is provided within the ACFR related to PERA's leases.

Mr. Hamilton reminded the Board that Moss Adams is independent of PERA and the State of New Mexico. Independence is the backbone of their integrity and profession. He also, noted that the audit was performed per the scope and timeline discussed with management at the beginning of the audit. The tone at the top for management was helpfulness, openness, and honesty in all audit requests.

Mr. Page asked about the impact of the new pronouncement on PERA. Mr. Hamilton stated that it added the right to use intangible assets, but there's an offsetting liability.

Vice-Chair Rosales Ortiz commended staff and the Audit Committee for their hard work. She, noted that with regard to the end-of-year net position, PERA was far ahead of other funds across the nation.

E. Long-Term Actuarial Projections

Mr. Falls stated that the discussion would revolve around the new COLA formula effective July 1, 2023. He indicated that the new COLA would be more complex than the past, so he walked the Board through the formula and the iterations of calculating it. He noted that the part of SB 72 that put in the unique contribution rates also affected the COLA.

He mentioned that the COLA was designed so that if the investments over five years have outperformed the minimum 0.5% needed to pay for COLA, then the excess will be used to pay for a bigger COLA.

Mr. Falls stated that in October 2022, they presented an annual actuarial evaluation. As of June 30, 2022, PERA had a \$72 billion unfunded liability. This represents a funded ratio of 70%. Taking the member and employer contributions, including the scheduled increases already in statute, the projections indicated that the unfunded liability would be paid off in 59 years. He added that the gifts are sufficient to pay for the benefits as they accrue today and pay off the unfunded liability over time.

Francis Page asked what percentage the calculation of the COLA was based upon. Mr. Falls stated that the current valuation assumption is that, on average, COLA will be 1.6%. On July 1, 2023, when the 0.5% COLA is granted, the fund will realize a small gain for paying a total smaller than the current assumptions. He noted that it could be around 0.5% or 1.1% this year.

Ms. Shaw stated that it was in the range of \$120 million to \$130 million. Mr. Falls added that when doing the next actuarial evaluation on July 1, 2023, the unfunded liability will be about \$120 million less because the COLA was 0.5%. Mr. Falls further stated that the COLA would bounce around a lot. There are years when it will be 0.5%, others when it will be 3 or 4, but over time, it will average to about 1.5 or 1.6 based on the current projection.

He further indicated that the 59 years needs to incorporate the change in the membership over time to have more Tier II members. Tier II members are less expensive than Tier I members. Increasing Tier II members will help PERA meet its goals faster than the 59 years' project. The estimations indicated that it would shave off 10 to 15 years of the 59 years.

On the new COLA formula, Mr. Falls stated that the new COLA would be called the return on the actuarial value of assets, which is the five-year average return of the fund. The excess of that five-year average return over the hurdle rate will be used to pay COLA to an extent bigger than 0.5%. This is multiplied by the funded ratio, which is currently 70%. Only 70% of the excess will be used to pay for the COLA.

Mr. Page mentioned that he was getting a lot of questions from PERA members concerning the new COLA and how it would be calculated. He asked if emails would be sent out to the members or if a discussion session would be held to explain it to them.

Mr. Trujillo stated that the staff is prepping newsletters to announce the new COLA. Emails will also be sent to all retirees, and PERA's outreach group will organize sessions.

Ms. Janie Shaw kicked off her presentation by stating the benefits of projections. She indicated that the current forecast would provide three things that are, not usually shown in the regular projections;

- i. Demographics of the Plan going forward. Currently, the demographic is 50/50 split between Tier I and Tier II in the active population. Going forward, the Tier I members will retire and be replaced by Tier II members. The cost to provide benefits for Tier II is less than for Tier I. When the price goes down, there will be more in the contribution rates to pay off the unfunded liability.
- ii. Inherent volatility in the market. The projections will indicate that the market returns will vary from year to year. They will also show how the COLA changes with different market returns. The valuation assumes a 7.25% return in the future.
- iii. Set expectations for future COLA.

Ms. Shaw noted that 47 years is still outside the Board's funding policy of 25 years. According to the projection, she stated that the funded ratio is expected to stay at 70% for the foreseeable future, which will lead to an increase in the unfunded liability.

Mr. Falls added that PERA was on the right path. He stated that the best way to track progress right, now is to look at the amortization period and how it is coming down over time.

Ms. Shaw stated that the projections indicated a lot of volatility in the COLA. On the flip side, the COLA will be changing every year for retirees. About 50% of the time, the fund will pay out the 0.5% COLA, but about 30% of the time, retirees will get the 3% COLA.

Vice-Chair Rosales Ortiz requested a comparison of New Mexico to other states with regard to the buying power of retirees. Mr. Shaw stated that inflation is a challenge for everyone, particularly retirees with fixed incomes. He said that looking at the COLA options of other states, some states want to give extra money to their retirees, either through a 13th check or some different permutations.

Mr. Shaw stated that on the positive side, PERA has a COLA built in for its retirees. Other states like Texas and Oklahoma do, not have a regular COLA. They grant them occasionally, but it is, not a built-in statute. He added that there would be times when PERA will pay out a bigger COLA when there is a positive five-year period in the market. He also acknowledged that PERA has one of the best investment teams that will do their best to accumulate five-year returns.

Mr. Page inquired about the amount of one-time money PERA will need to move the needle a little if it were to pay the unfunded liability in 47 years. Mr. Trujillo stated that Mr. Falls had worked on a potential proposal for a \$2 billion appropriation. The bill has yet to be introduced, and Mr. Trujillo said it would, not be. However, a \$2 billion appropriation will put the fund at about 80% funded.

Chair Armijo thanked Mr. Falls and Ms. Shaw for the presentation, noting that it was good and concise. She also requested that when discussing the new COLA with retirees, they should ensure that they show how it is a compounding COLA.

F. CIO Report

CIO, Michael Shackelford, reported that for the fiscal year through, November 2022, the fund was up about 0.6%. This is because the market has been up since summer, and it is a reflection of two things;

- The stock market has been up because many participants think the Federal Reserve is nearing its end in raising rates. This is good for stocks.
- The bond market thinks the Fed will push the market into a recession. This has lowered rates, which is good for the bonds.

The market participants are on the lookout for what will happen in 2023. Mr. Shackelford mentioned that economic data suggests that the Fed might engineer a soft landing that would end inflation without a recession. Other data suggests that there may be a mild recession.

Vice-Chair Rosales Ortiz noted that during the 2009 recession, the PERA fund suffered a huge loss. She acknowledged that the portfolio is, now different than it was back then but also asked about the expected impact on investments in case of a mild recession.

Mr. Shackelford stated that a more prolonged recession may lead to 2008 and 2009 scenarios, but, not as bad because that was a recession led by a financial crisis.

Paula Fisher asked if any of the portfolios had performance issues and if anyone was on watch. Mr. Shackelford stated that the portfolios are constantly monitored of their performance and managers. He indicated that there is currently, nothing significant in the portfolios that would change the portfolio's characteristics or lead to a different result than what the market will naturally bear.

E. Executive Director's Report

Mr. Trujillo reported that Karyn Lujan is organizing a Retirement Day at the Capitol on February 8.

He also reported that about 50,000 1099s were sent out last week. Last year, the number was around 46,000. The 1099s go out to all retirees and members who refunded their contributions.

9. Public Comment

There was no Public Comment.

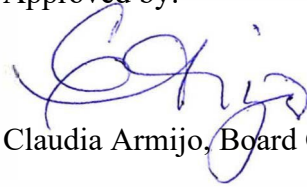
Loretta Naranjo Lopez requested the Legislative Committee seek a sponsor to work on the unfunded liability. She also requested that COLA be looked at and that SB 72 is repealed because retirees are struggling with the impacts of inflation.

Paula Fisher congratulated Ms. LeAnne Larranaga-Ruffy on her promotion to Deputy CIO. She also commended Mr. Trujillo for recognizing talent and promoting it within the staff. Vice-Chair Rosales Ortiz agreed that promoting within is the best solution.

10. Adjournment

Vice-Chair Rosales Ortiz adjourned the meeting at approximately 11:44am with, no other business to discuss.

Approved by:



Claudia Armijo, Board Chair

ATTEST:



Greg Trujillo, Executive Director