



**INVESTED IN TOMORROW.**

**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF  
NEW MEXICO**

**REQUEST FOR PROPOSALS FOR  
ILLIQUID INVESTMENT CONSULTANT SERVICES**

**RFP NO. NM INV-001-FY25**

**RELEASE DATE: AUGUST 2, 2024**

**DEADLINE FOR SUBMITTAL OF CERTIFICATION OF MINIMUM  
QUALIFICATIONS: AUGUST 16, 2024, 5:00 PM (MDT)**

**DEADLINE FOR SUBMISSION: SEPTEMBER 13, 2024, 5:00 PM (MDT)**

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## **PART I. INTRODUCTION AND GENERAL INFORMATION**

### **A. Summary of Solicitation**

Public Employees Retirement Association of New Mexico ("PERA") invites submittal of sealed, responsive proposals from qualified Offerors for illiquid investment consulting services (direct commitment of capital or funding investments in less liquid vehicles). As explained in more detail in this Request for Proposals ("RFP"), PERA requests that Offerors respond to this solicitation by submitting formal acknowledgements of Minimum Qualifications ("MQs") and a proposal for services in accordance with the deadlines described in the Procurement Schedule that is set forth in Part IV (E) of this RFP. PERA expects to select one or more proposals by no later than December 31, 2024, and execute a Professional Services Agreement ("Agreement") thereafter. PERA, in its discretion, may reject all proposals.

### **B. Structure and Contracting Authority of Requesting Party**

PERA is the public body of the State of New Mexico that is responsible for administering and managing the investment of all monies constituting the assets of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (together "the Fund"). PERA is a qualified plan under Section 401(a) of the Internal Revenue Code. The Fund's assets were valued in excess of \$17 billion as of June 30, 2024.

PERA is governed by the Public Employees Retirement Board (the "Board"). The New Mexico Constitution obligates the Board to administer and invest the Fund for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The Uniform Prudent Investor Act, NMSA 1978, §§ 45-7-601 to 45-7-612 (see Appendix F, Item B), requires the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund.

NMSA 1978, §§ 10-11-130(A)(7), and 10-11-133(E) authorize the Board to make and execute contracts for investment management services. NMSA 1978, § 13-1-98(CC) exempts PERA from compliance with the New Mexico Procurement Code for all contracts for investment advisory services, investment management services or other investment-related services. PERA has adopted its Procurement Policy for Investment-Related Services that governs this procurement. *See* Appendix G.

The Board has adopted its Investment Policy (revised December 12, 2023). *See* Appendix F, Item A. The Investment Policy provides that investment consultants are hired by and accountable to the Board through the authority of PERA's Chief Investment Officer (CIO). An investment consultant must work with the Board and PERA investment staff ("Staff") in the oversight and implementation of investment objectives. The service provider selected under this RFP shall serve in a fiduciary capacity to PERA and the Board and must agree to the indemnification and other provisions in substantially the same form as set forth in PERA's Professional Services Agreement (*see* Form of Professional Services Agreement attached as Appendix E to this RFP), provided that, any additional terms and conditions that PERA may accept in PERA's sole discretion will be incorporated into any final contract. Copies of pertinent New Mexico statutes and administrative rules relating to the investments are attached at Appendix F, Items B and C. *See also* Part VII, Key Contractual Provisions.

### **C. Ethical Disclosures and Conflicts of Interest**

Members of the Board and PERA employees are subject to NMSA 1978, § 10-11-130.1 (see, Part VII, Key Contractual Provisions, (G) Campaign Contributions and Gift Policy), which limits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, Offeror or contractor of services to PERA, or

from a person who is authorized to invest public funds pursuant to state or federal law. For purposes of this Policy, potential bidder means any person or entity that may provide services to PERA within the next twelve months.

All Offerors or incumbent providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and incumbent providers shall certify that the requirements of the Governmental Conduct Act, NMSA 1978, §§ 10-16-1 through 10-16-18, regarding contracting with a public officer or state employee have been followed.

#### **D. Overview of PERA Investment Activities**

PERA invests in:

- Global equities (public, private),
- Core fixed income,
- Credit (liquid and illiquid),
- Absolute Return (hedge funds),
- Real assets (illiquid real estate, natural resources, farmland, and infrastructure)

These mandates are implemented through multiple investment vehicles including separately managed accounts, limited partnerships, funds of one and commingled funds. All assets are managed externally by firms retained by PERA's Staff in accordance with the PERA Investment Policy. For Offeror's information, PERA's current strategic asset allocation appears below:

	<b>Weights</b>		<b>Managers</b>
<b>Global Equity</b>	<b>46%</b>	<b>Weighted Benchmark</b>	<b>42</b>
Global Public Stock	27%	MSCI ACWI IMI (\$net)	6
Private Equity	19%	MSCI ACWI IMI (\$net)	37
<b>Core Fixed Income</b>	<b>13%</b>	<b>Bloomberg U.S. Aggregate Bond Index</b>	<b>1</b>
Core Fixed Income	13%	Bloomberg U.S. Aggregate Bond Index	
<b>Credit</b>	<b>17%</b>	<b>Weighted Benchmark</b>	<b>29</b>
Liquid Credit	8%	Barclays High Yield 2% Issuer Constrained	4
Illiquid Credit	9%	Morningstar LSTA Leveraged Loan Index	15
<b>Absolute Return</b>	<b>6%</b>	<b>SOFR + 2.5%</b>	<b>10</b>
Hedge Funds	6%	SOFR + 2.5%	
<b>Real Assets</b>	<b>18%</b>	<b>Weighted Benchmark</b>	<b>34</b>
Illiquid Real Estate	7%	FTSE EPRA NAREIT Global Equity Index	13
Illiquid Real Assets	11%	S&P / Dow Jones Brookfield Global	21

#### **E. Objectives of this Solicitation**

As further described below, the purpose of this RFP is to invite responsible Offerors to submit competitive sealed proposals to provide illiquid assets, sometimes referred to as alternative assets, Investment Consulting Services. Such services shall conform to PERA's investment rules, Investment Policy, and statutory investment requirements, as they may be amended from time to time.

## PART II. SCOPE OF WORK

Please check which of the five asset classes your firm is submitting a proposal for:

- Private Equity (buyout, VC, restructures, etc.)
- Private/Illiquid Credit (direct lending, asset-based lending, real estate debt, etc.)
- Private/Illiquid Real Estate (all commercial property types)
- Private/Illiquid Real Assets (infrastructure, natural resources, agriculture, etc.)
- Absolute Return (zero beta hedge fund portfolio)

### A. Description of Consulting Services Sought

PERA requests proposals for “Illiquid Investment Consulting Services,” defined as consulting services for directly committing capital or funding for investments in less liquid vehicles including limited partnerships, separate accounts, continuation vehicles, funds of one and/or commingled vehicles within the global equities, credit and real assets asset categories.

The purpose of the RFP is to select an investment consultant instead of an active manager of any portfolio, fund of illiquid assets or funds of funds. PERA will consider proposals for one or more of the following services:

- (1) a full-service illiquid investment consultant to provide the requested scope of services for the full range of illiquid investments in which PERA invests,
- (2) an illiquid investment consultant for a narrower subset of illiquid investments, or
- (3) an illiquid investment consultant for a single category of illiquid investments.

The proposal must demonstrate that the Offeror can provide advice and recommendations on all categories, classes or types of assets identified in the Offeror’s proposal. Proposals must specifically identify the scope of services offered under appropriate descriptive headings and any illiquid investment asset categories, strategies, or vehicles excluded from the services offered.

Offerors are invited to submit proposals for any one, combination or all the investment consulting services described above for the scope components and deliverables in Section II.B. However, the proposal *must clearly identify the intended service offering(s) on the cover page of the submission.*

### B. Common Components of Scope of Work and Deliverables

Regardless of the scope of services proposed, or the category, class or type of investments proposed, the proposal must address each of the components listed below. PERA will consider additional components of work explained in the proposal that an Offeror believes to be necessary or advantageous to PERA.

#### 1. Strategic Illiquid Asset Consulting

- a. Provide recurring recommendations concerning long-term investment policy, objectives and strategy for the illiquid assets portfolio that is consistent with PERA’s Investment Policy.
- b. Prepare special analyses and/or research, as requested by Staff.
- c. In consultation with Staff, define goals and objectives, monitor portfolio risk, and model program cash flows/commitment pacing for the illiquid assets portfolios.
- d. Provide a rolling 24-month forward calendar for high conviction general partners by sub-strategy and geography.
- e. Provide a comprehensive analysis of PERA’s current illiquid portfolio, including risk/return analysis, manager evaluations, and an action plan, if appropriate.

- f. Conduct and prepare comprehensive written research, analysis, and advice on specific investment issues, special projects or other activities, as requested.
- g. Appear as needed at Board meetings, Investment Committee meetings, or other meetings to: (i) present research, analyses, written reports and recommendations; and (ii) respond to questions relating to the illiquid asset portfolios or the illiquid asset market.
- h. Attend meetings with Staff, in order to provide advice and counsel on matters related to the illiquid assets portfolio, as needed.
- i. Coordinate and communicate with PERA Staff about illiquid asset funds in the portfolio on an ongoing basis, in order to ensure the effective and successful administration of the illiquid asset portfolios.
- j. Provide other consulting services ancillary to identification, analysis, and evaluation of goals, strategies, and objectives of illiquid assets portfolios.

## 2. Illiquid Asset Fund Investment Sourcing and Due Diligence

It is expected that the Consultant will assist Staff with sourcing and due diligence for illiquid asset fund investments. The fund sourcing and due diligence will include the following actions, at a minimum:

- a. Develop a proactive, structured process to: (i) analyze the full universe of available investments; and (ii) efficiently identify investments most advantageous to PERA. This process will include detailed analysis of prospective investments identified by Staff.
- b. Conduct due diligence on prospective investments that Consultant or Staff recommend for consideration. Due diligence will include evaluation of the prospective investment fund's history, team, performance, and strategy. Present written recommendations to the Staff internal meeting, which will include: (i) the results of Consultant's investment due diligence (IDD); (ii) a discussion of strategic considerations; (iii) an analysis regarding how the recommendation fits within PERA's illiquid assets portfolio; and (iv) a detailed business review of the illiquid assets investment fund terms and fund documents. The review and reporting will also include operational due diligence (ODD) of a prospective fund or manager's governance, organization, back office, accounting, risk, systems and valuation methodologies.
- c. Work with Staff and legal counsel in the negotiation of investment contract terms and conditions.

## 3. Reporting and Monitoring of the Illiquid Assets Portfolio

In monitoring the portfolio, the Consultant must perform the following:

- a. Preparation of Performance Evaluations. Consultant shall use information provided by PERA and, at PERA's election, by the Bank of New York Mellon, or such other custody bank as PERA may designate from time to time (the "Custody Bank"), reflecting the activity and performance of each illiquid investment portfolio and illiquid asset class to prepare the following reports, analyses, and evaluations:
  - i. Consultant shall have full responsibility for monitoring and reporting investment performance on all illiquid investments and, will assist PERA staff in deployment of internal procedures for supplemental monitoring and performance measurement of illiquid investments.
  - ii. Consultant shall provide written illiquid investment performance evaluation reports quarterly. The quarterly reports shall be completed and submitted within 135-150 days following quarter end.
  - iii. Each quarterly report described in the previous paragraph shall include, at a

minimum: allocation breakdown by geography, sector and industry; updates on each investment fund; listing of each investment fund by sector; date of commitment to each investment fund; commitment amount to each investment fund; draw-down amounts by investment fund; outstanding commitment by investment fund; distribution amounts by investment fund; investment fund NAVs; multiples by investment fund; the internal rate of return of each investment fund; and all items above aggregated for the total illiquid assets portfolio.

- iv. Each quarterly report described in paragraph (ii) shall also include: statistical and graphic data serving as the basis for the evaluation; narrative comments with respect to the performance and the data; including relevant observations with respect to market conditions, risk levels, management styles; and an executive summary of pension plan fund and investment portfolio performance.
  - v. Each quarterly report described in paragraph (ii) reports will include an analytical review of the illiquid investment portfolio, including returns and risk. Consultant shall calculate the various rates of return, including time and dollar weighted averages, effective and market rates of return with rates of returns generated by a representative number of similar public pension plan funds, and shall compare those results with the rates of return generated by appropriate benchmark indices as determined for each portfolio, with the rates of return generated by the total fund, and with the rates of return generated by a representative number of other organizations managing comparable investments. The evaluation will also include performance attribution analysis for each portfolio.
  - vi. On at least an annual basis provide a monitoring report which includes a ratings report for each fund/general partner in the portfolio. This report should include the current and previous rating of the fund with detail regarding strategy and/or team changes. This rating shall be provided at the initiation of the first investment and ongoing thereafter.
  - vii. Consultant shall discuss each quarterly performance evaluation report with PERA investment staff for review prior to presentation to the Board. Consultant may, at PERA's discretion, be asked to present each quarterly performance evaluation report to the Board at meetings specified by PERA
  - viii. Consultant shall prepare updates for quarterly Investment Committee meeting packets, including quarterly cash valuations, and other periodic reporting that PERA Board or Staff may require.
- b. Reconcile all cash flows, net asset values, and investment data with the Custody Bank reports and records for accuracy.
  - c. Take responsibility for the timely review and analysis of key events that may affect illiquid asset portfolios. This review and analysis shall cover, without limitation, market changes, changes in senior management, and substantial reductions in portfolio value. Monitoring will be conducted through surveillance of the media, communication with professional networks, and the systematic review of the reporting for the Funds. This review shall be reported to staff as soon as practicable.
  - d. Assist in any actions taken to protect the interests of PERA as an investor, and interact, where necessary, with portfolio general partners to ensure individual fund compliance with contract terms.
  - e. Assist Staff in attending partnership annual meetings, and, where appropriate, attend advisory boards and provide a report for monitoring

- f. Review and provide a detailed recommendation memo with courses of action for all fund document amendments.

#### 4. Physical Presence at Meetings

Consultant's representatives must attend:

- a. One Investment Committee and Board meeting per quarter or more frequently as may be directed by the Board;
- b. Annual Board Retreat (several days during a summer month in New Mexico); and
- c. Meetings related to investment manager searches and site visits (as needed).

#### 5. Collaboration with Board and Staff

Consultant's representatives must:

- a. Provide educational workshops to the Board, staff, and other stakeholders on specific issues designated by PERA and/or recommended by the Consultant.
- b. Provide comments and analysis on proposed federal and state legislation affecting the illiquid assets portfolio.
- c. Support the Staff, Board, and Investment Committee through written and/or oral presentations with government agencies, legislative committees, auditors etc.
- d. Meet with Staff monthly, or as may be necessary from time to time, to review the illiquid portfolio, update Staff regarding the current market/new issues and advise regarding improvements to the illiquid assets portfolios.

#### 6. Collaboration with General Consultant Regarding Formulation and Review of Investment Goals, Objectives, and Policies

The illiquid asset consultant shall collaborate with PERA's general consultant in regard to providing ongoing advice and technical support in the establishment and refinement of portfolio strategic asset allocation, investment goals, objectives, and policies. The consultant will use asset allocation models, as requested by staff, to determine the influence of differing asset mixes and investment style strategies on the projected return to PERA and the projected risk resulting from differing asset mixes and strategies.

PERA periodically engages the services of the general consultant and actuary to conduct an asset/liability modeling study. The asset/liability modeling study is on a project basis only. While the general consultant will take the lead on asset liability studies, the illiquid asset consultant shall assist in any matter necessary and applicable. An illiquid asset consultant selected for this assignment must have demonstrated capabilities in this area.

#### 7. Conflicts with Staff and Consultants

Consultant shall, in its fiduciary capacity to PERA, act at all times in the best interests of PERA and the PERA Fund. Consultant will collaborate with PERA staff and its general consultant while avoiding conflicts of interest. As illiquid investment consultant to PERA, Consultant has the responsibility to advise PERA and the Board if it disagrees with recommendations made by other investment consultants under contract with PERA. If there are conflicts or disagreements regarding asset allocation policies, return and risk findings, manager performance, the PERA Board may ask the parties involved in the dispute to submit their respective opinions, recommendations, and conclusions to the PERA Board for consideration and resolution. Notwithstanding any provisions contained in the Agreement between Consultant and PERA to the contrary, the final decision of PERA shall prevail. Consultant shall collaborate with PERA's general consultant to provide timely reporting of the performance of PERA's illiquid investments to be included in the



calculation of PERA's total fund performance.

8. Other

Conduct such services under the contract as may be reasonably asked of an illiquid asset investment consultant by a public pension plan.

## **PART III. MINIMUM QUALIFICATIONS**

### **A. Certification Requirement**

Each Offeror must certify, by no later than the deadline set forth in the Procurement Schedule, that it meets all of the following minimum qualifications as of the date its proposal is submitted to PERA. In order to certify, the Offeror shall complete, sign, and submit all forms required by this RFP. These documents include: Appendix A (Minimum Qualifications Compliance), Appendix B (Signature Page), Appendix C (Questionnaire), and Appendix D (Fee Proposal Form).

**FAILURE TO MEET AND CERTIFY TO THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NON-RESPONSIVENESS.**

### **B. List of Minimum Qualifications**

1. Offeror must be a SEC-registered investment advisor or exempt from registration. If exempt, the Offeror must explain the nature of their exemption from registration.
2. Offeror must meet the following minimum client base and experience requirements as of June 30, 2024:
  - a. An Offeror must have at least five (5) defined benefit pension plan clients, of which three (3) are public pension plans with total plan assets of at least \$5 billion each.
  - b. An Offeror must have ten (10) years' experience in providing investment consulting services to U.S. tax-exempt clients with total plan assets of at least \$5 billion.
  - c. An Offeror proposing investment consulting services for illiquid asset classes must have ten (10) years' experience providing direct investment and due diligence consulting on a non-discretionary basis to a U.S. tax-exempt client with total assets of at least \$5 billion.
3. Other Requirements. Offeror must:
  - a. Agree to be a fiduciary to PERA as that term is defined by the laws and rules governing the Board.
  - b. Not have any direct or indirect ownership of investment managers, investment brokers or investment banking services or directly or indirectly provide money management services.
  - c. Disclose annually to PERA any revenues, income, fee breaks, soft dollars, hotel and travel expense, or other items of significant monetary value received by the consultant or any affiliates from investment managers, general partners, brokerage firms, investment banks or other financial services businesses.
  - d. State that investment consulting services are the primary revenue source (at least 50%) of the Offeror's business, and overall firm revenues and detail any other sources of revenue that are not derived from advisory/consulting services.
4. Offeror must agree to keep the proposal open for a period of not less than 180 days from the date the proposal is received by PERA.
5. Any contract for investment consulting services described in this RFP must incorporate terms and provisions that are materially similar to those included in the Form of Professional Services Agreement attached to this RFP as Appendix E.
6. Offeror must agree to separately submit a fee proposal with the RFP response on the form provided in Appendix D.

## **PART IV. THE COMPETITIVE PROCESS**

### **A. General Information**

In order to qualify for award of a contract, an Offeror must comply with all of the requirements set forth in this RFP, including without limitation submittal of proposals by no later than the deadlines set forth in the Procurement Schedule.

PERA recognizes that it may be advantageous to select more than one consulting firm to fulfill the Scope of Work described in Part II of this RFP. PERA's goal is to hire a consultant or consultants whose experience, whether broad-based or specialized, can best satisfy its needs. Consultants are encouraged to respond to each of the duties cited in Part II, Scope of Work, in which they have special expertise.

This RFP is governed by the Public Employees Retirement Association Procurement Policy for Investment-Related Services (attached, Appendix G). This RFP may be canceled and any and all proposals may be rejected in whole or in part when it is in the best interests of PERA. This RFP shall not be modified except by written amendment.

### **B. Written Questions**

PERA will accept and respond to written questions about this RFP and the procurement process within the period described in the Procurement Schedule.

Written questions shall be submitted to PERA as follows:

**VIA WEBSITE:** <https://www.erfp.us/inhub-verus-peranm-illiquid-investment-consultant-services/>

All inquiries related to the RFP will be facilitated through InHub; questions can be asked on the Communications tab, no later than the due dates outlined in Part IV. The Competitive Process, Section E of this RFP.

PERA will only respond to written questions submitted to the email address set forth above by Offerors that submit the Acknowledgment of Minimum Qualifications Compliance (Appendix A) to PERA by the deadline set forth in the Procurement Schedule. Potential Offerors shall clearly identify the subject matter of questions by referring to the appropriate section, paragraph, and page of the RFP. PERA is not obligated to answer inappropriately labeled questions.

No written response to the questions shall be construed as a modification of the RFP unless PERA amends the RFP in accordance with New Mexico PERA's Investment-Related Services Procurement Policy.

PERA will post written questions and responses as soon as reasonably practicable on its website at [www.nmpera.org/financial-overview/rfps/](http://www.nmpera.org/financial-overview/rfps/) and the RFP portal at:

<https://www.erfp.us/inhub-verus-peranm-illiquid-investment-consultant-services/>

### **C. Communications with PERA**

PERA will only communicate with Offerors by means of written questions and answers, as explained above. After the deadline for submitting written questions passes, PERA will no longer communicate with Offerors about the substance or process of this procurement.

### **D. Qualifications for Award**

To qualify for consideration, an Offeror must demonstrate that it meets all of the requirements of this RFP including, without limitation, formal acknowledgement that the Offeror meets all of the MQs set forth in Part III, above. PERA will only consider proposals submitted by Offerors that meet the MQs. All formal acknowledgements and proposals shall become the property of PERA.

Proposals from investment service providers that are under contract with PERA to provide active management services for any portfolio, including without limitation an illiquid assets fund or fund of funds at the time of award will not be considered. Similarly, an investment consultant that is awarded a contract under this RFP will be disqualified from serving as an active manager of any portfolio, including without limitation an illiquid assets fund or fund of funds for PERA. PERA may use the services of an investment consultant selected under this RFP to assist in the selection of active managers for various illiquid asset portfolios, funds or funds of funds.

### **E. Procurement Schedule**

A proposal may be withdrawn or modified prior to the time and date of the submittal deadline described in the Procurement Schedule. Proposals withdrawn after the submittal deadline may not be reconsidered. PERA may refuse to consider any proposal submitted or modified after the deadline for submittal. Offerors should bear in mind that PERA will consider solicitations submitted or modified after the submittal deadline only under very limited circumstances.

The following schedule governs procurement under this RFP. In the event of any discrepancy between the dates in the Procurement Schedule and dates listed in other parts of the RFP, those referenced in the Procurement Schedule shall prevail. Please note that the exact dates for items No. 6-9, and the dates for negotiations, if any, shall be set at PERA's discretion without the need to amend the RFP.

<b>Procurement Schedule</b>		
<b>Action</b>	<b>Responsibility</b>	<b>Date Time</b>
<b>1. Release of RFP</b>	<b>PERA</b>	<b>8/2/2024</b>
<b>2. Return Acknowledgement of Compliance with Minimum Qualifications</b>	<b>OFFEROR</b>	<b>8/16/2024 5PM MDT</b>
<b>3. Deadline for Submission of Written Questions</b>	<b>OFFEROR</b>	<b>8/23/2024 5PM MDT</b>
<b>4. Response to Written Questions</b>	<b>PERA</b>	<b>8/30/2024 5PM MDT</b>
<b>5. Deadline for Submission of Proposals</b>	<b>OFFEROR</b>	<b>9/13/2024 5PM MDT</b>
<b>6. Evaluation of Proposals, Oral Presentations of Finalists</b>	<b>EVALUATION COMMITTEE</b>	<b>9/16/2024 - 11/1/2024</b>
<b>7. Due Diligence</b>	<b>EVALUATION COMMITTEE</b>	<b>11/1/2024 - 11/30/2024</b>
<b>8. Contract Award</b>	<b>PERA</b>	<b>On or before December 31, 2024</b>
<b>9. New Contract Proposed Effective Date</b>	<b>PERA/OFFEROR</b>	<b>On or before February 15, 2025</b>

## **PART V. SUBMISSION REQUIREMENTS**

### **A. Method for Submission of Proposals**

All submissions and other communications shall be addressed to PERA as follows:

**VIA WEBSITE:** <https://www.erfp.us/inhub-verus-peranm-illiquid-investment-consultant-services/>

Submissions will be accepted in electronic format only via InHub, access to which can be requested at the link above. **No hard copy submissions or facsimile transmissions shall be accepted.**

Proposals must be submitted and received by the submission deadline set forth in the Procurement Schedule in Part IV above.

### **B. Method for Submission of Confidential or Proprietary Information**

All proposals submitted will be considered public records. Proposer may request in writing for the nondisclosure of confidential information submitted in the proposal response. Such information or data shall be clearly marked and identified as confidential. If the proposer's submission contains material the proposer considers confidential, the proposer shall submit a separate redacted version of the proposal under the submission requirements in Part V.A Method for Submission of Proposals in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After contract award, each proposal, except those portions for which the proposer has made a valid written request for confidentiality, shall be open to public inspection. PERA reserves the right to review the appropriateness and validity of a request for confidential treatment.

Submissions of complete, unredacted proposals will be accepted in electronic format only via email to: [PERA-RFP-Consultant@state.nm.us](mailto:PERA-RFP-Consultant@state.nm.us). No hard copy submissions or facsimile transmissions shall be accepted. Proposals must be submitted and received by the submission deadline set forth in the Procurement Schedule in Part IV above.

### **C. Method for Submission of Appendix D Fee Proposal Forms**

Fee proposals (Appendix D Fee Proposal Form) must be submitted in electronic format only via email to: [PERA-RFP-Consultant@state.nm.us](mailto:PERA-RFP-Consultant@state.nm.us). No hard copy submissions or facsimile transmissions shall be accepted.

### **D. Format and Content of Proposals**

Proposals submitted in response to this RFP must be organized and submitted in the format described below, using the forms attached in the appendices to the RFP and following the applicable instructions. Only finalists will be required to submit signed hard copy proposals. Within each section of the proposal, Offeror should address the items in the RFP in the order in which they appear in the RFP. Please make sure that you include headings and page numbers in all deliverables. Proposals should stress completeness, clarity, and succinctness.

**ANY PROPOSAL THAT DOES NOT STRICTLY ADHERE TO THE FOLLOWING FORMAT AND DOES NOT ADDRESS EACH SPECIFICATION AND REQUIREMENT WITHIN THE RFP AND THE APPLICABLE FORMS MAY BE DEEMED NON-RESPONSIVE.**

1. Each proposal shall contain a cover sheet that clearly identifies the intended service offerings proposed, including the scope of services or any limitation on the category, class, or type of illiquid investment services.
2. Each proposal shall contain an index or table of contents near the front of the proposal, listing the materials included in the proposal. Please, make sure to include headings and page numbers in all deliverables.

3. Offerors shall complete, sign and attach to the proposal a completed and signed Signature Page (Appendix B). By signing the Signature Page contained in Appendix B, the Offeror agrees to accept and comply with all the terms and conditions of the RFP.
4. Any proposals not bearing the appropriate signatures on the Signature Page contained in Appendix B, referenced above, will not meet the minimum qualification requirements of the RFP and will not be considered further in the evaluation process.
5. The Offeror may attach such other supplementary material as it sees fit to explain its proposal and any additional contractual terms and conditions that the Offeror may suggest.
6. All proposals submitted will be considered public records. The Offeror may request in writing the nondisclosure of confidential information contained in the proposal. Such data shall be clearly marked and identified as "confidential". If the submission contains material that the Offeror considers confidential, the Offeror shall provide a separate redacted version of the proposal in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After contract award, each proposal, except those portions for which the Offeror has made a valid written request for confidentiality, shall be open to public inspection. PERA reserves the right to review the appropriateness and validity of a request for confidentiality.

## PART VI. EVALUATION OF PROPOSALS

PERA may award multiple contracts under this RFP for the Scope of Work described in Part II, above. The contract award shall be made to the responsible Offeror or Offerors whose proposal is deemed most advantageous to PERA.

The evaluation of proposals will be conducted by an evaluation committee appointed by the Board Chair. However, any Board member will be allowed to attend and participate in any proceedings, meetings, and deliberations of the evaluation committee, including but not limited to oral presentations of the short-listed Offerors and preparation of the final evaluation report.

Proposals that are non-responsive due to failure to meet the MQs (See Part III), or otherwise, shall be eliminated from further consideration. PERA will notify all Offerors of its decision at the time the award is made. Also, at its sole discretion, PERA may at any time during the evaluation process eliminate from further consideration proposals whose performance does not rank favorably relative to others responding to the RFP.

As part of the evaluation process, PERA may, in its sole discretion, invite selected Offerors to appear for interviews, discussions, or negotiations, in accordance with the requirements of the PERA Procurement Policy for Investment-Related Services. It should be clearly understood, however, that PERA reserves the right to accept proposals and make contract awards without conducting interviews, discussions or negotiations. Furthermore, as a condition of submitting a proposal, all Offerors shall agree to provide the services required by this RFP and to adhere to all the requirements, specifications, terms, and conditions of this RFP. For these reasons, PERA strongly recommends that Offerors review the RFP with their corporate counsel in advance of submitting a proposal. (*See also* Part V, Submission Requirements, and the Signature Page located in Appendix B.)

If PERA elects to conduct interviews, discussions or negotiations with Offerors, PERA may establish a common date for submissions of best and final fee offers, if appropriate. Offerors shall bear any, and all costs incurred by them in the conduct of any discussions or negotiations, including travel to Santa Fe for oral presentations or their costs associated with due diligence visits made by members of the RFP Evaluation Committee. Any additional terms and conditions which may be the subject of interview, discussion or negotiation will be discussed only between PERA and the Offeror who suggests them and shall not be deemed an opportunity to amend the Offeror's proposal in any other respect.

The evaluation committee shall recommend to the Board the one or more Offerors to be awarded the contract. The final contract award shall be made by the Board, subject to such conditions as the Board deems appropriate. PERA is not obligated to award any contract or fund any mandate described in this RFP.

The evaluation committee shall create a record, including but not limited to uniform evaluation sheets, showing the basis for its recommendation to the Board and shall prepare a written report and its recommendation to the Board of the successful Offerors and runners up, if any. The Chief Investment Officer shall retain the scoring sheets and evaluation committee report for at least the stated term of the resulting contract.

Proposals that are deemed responsive to the consulting services requested and the components of Scope of Work described in Part II will be evaluated according to the following evaluation factors:

<b>Evaluation Factors</b>
Offeror's Organization background, general description
Offeror's illiquid investments consulting philosophy

Offeror's experience in providing illiquid investments consultant services
Offeror's size and experience of team dedicated to individual illiquid strategies proposed
Offeror's use of technology, such as database access and research analytics
Offeror's ability to provide custom solutions based on specific portfolio needs
Offeror's illiquid investments research team and capabilities (both investment strategy and market-based research)
Offeror's fee proposal

The procedure for protesting award of a contract under this RFP is set forth in PERA's Procurement Policy for Investment-Related Services at paragraph 15. *See* Appendix G.



## PART VII. KEY CONTRACTUAL PROVISIONS

The contract between PERA and the successful Offeror shall contain substantially the same terms and conditions as in the Sample Professional Services Agreement attached to this RFP at Appendix E. The contract shall include a compensation term that does not materially deviate from the fee proposed by the Offeror on the Fee Proposal Form attached as Appendix D.

Copies of PERA's current Investment Policy, Investment Statutes, and Investment Policies and Practices Rule (PERA Rule No. 2.80.300 NMAC) (*see* Appendix F), shall be attached to the contract. While Offerors may suggest additional contractual terms and conditions, PERA will not accept any terms and conditions that change the terms and conditions set forth by PERA in the sample contract attached hereto at Appendix E. Any additional terms and conditions that PERA may, at PERA's sole discretion, accept will be incorporated into any final contract. Offerors should be aware that PERA will not accept material changes to the indemnification or jurisdictional terms and conditions set forth in the Form of Professional Services Agreement (*see* Appendix E).

Pursuant to the terms of PERA's Investment Policy, the contract between PERA and a successful Offeror for the investment consulting services as described in this RFP shall incorporate Investment and Operational Guidelines that set the investment guidelines and administrative requirements for the services provided by the Offeror. Key terms of the Professional Services Agreement include the following:

### **A. Compensation**

Subject to the provisions of Paragraphs B (Term of Agreement) and D (Termination), PERA shall pay Contractor for its consultant service an annual fee in accordance with the following schedule:

From: February 1, 2025, through December 31, 2032:    \$[    ]    per annum

PERA shall pay no additional fees for services rendered by Contractor under this Agreement. One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which consultant services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

### **Payment of Taxes**

Contractor shall be responsible for paying any and all taxes, including New Mexico gross receipts taxes, assessed on the compensation received under this Agreement and shall identify and pay those taxes under Contractor's federal and state identification number(s).

### **Waiver of Late Payment Charges**

Contractor waives assessment of any late payment charges.

### **B. Term of Agreement**

The initial term of the Agreement shall be for [eight (8)] years and shall commence when executed by the parties and terminate on December 31, 2032. The Agreement is subject to early termination upon the terms and conditions set forth in the Agreement, or for lack of appropriations at any time during the term of the Agreement, notwithstanding the foregoing or any other provision of the Agreement.

### **C. Standards of Performance**

1. All services performed by Contractor under the Agreement must conform to all applicable state and federal laws and regulations, including but not limited to NMSA 1978, Sections 10-11-1 to 10-11-142, NMSA 1978, Sections 10-11A-1 to 10-11A-7, NMSA 1978, Sections 10-12B-1 to 10-12B-19, and NMSA 1978, Sections 10-12C-1 to 10-12C-18, as such acts may be amended from

time to time and applicable PERA regulations. All services performed by Contractor under the Agreement must also comply with acceptable industry standards and practices. Contractor shall acquire and hold during the term of this Agreement, including any renewals, all licenses and permits required to perform the services called for in this Agreement.

2. Contractor holds itself out as an expert in consulting on non-traditional asset class investments for large trust funds. Accordingly, Contractor acknowledges and agrees that in providing investment advice, it will use the degree of care, diligence and skill that a prudent investor would use in the in the conduct of an enterprise of like character and with like aims. Contractor further acknowledges that it is a fiduciary to PERA and shall at all times act in a fiduciary capacity to PERA. Contractor is under a duty to exercise reasonable care, skill and caution as set forth in the Uniform Prudent Investor Act, NMSA 1978, §§ 45-7-601 to 45-7-612, and the manner in which investment advice is handled will be evaluated in light of such prudent investor standard.

3. During the performance of all services by Contractor, PERA will retain all final decision-making authority with respect to the management and administration of retirement plans funded thereby and investments related thereto, subject to Contractor's obligations as provided for in the Agreement.

#### **D. Termination**

1. Early Termination. Notwithstanding any other provision of the Agreement, the Agreement may be terminated as follows: by PERA delivering to Contractor a notice of the intent to terminate at least thirty (30) days prior to the intended date of termination and by Contractor delivering to PERA a notice of the intent to terminate at least ninety (90) days prior to the intended date of termination. In the event the termination date does not coincide with the last day of a quarter, Contractor shall be entitled to a prorated portion of the fee for the quarter during which termination occurs. By such termination, neither PERA nor Contractor may nullify obligations, if any, already incurred for performance or failure to perform prior to the date of termination. Termination under this paragraph may be made with or without cause. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED PERA IN SUCH CIRCUMSTANCES AS DEFAULT OR BREACH OF CONTRACT BY CONTRACTOR.

2. Termination for Lack of Appropriations. The terms of the Agreement are contingent upon sufficient authorizations and appropriations being or having been made by the New Mexico Legislature for the performance of the Agreement. If sufficient authorizations and appropriations are not or have not been made by the New Mexico Legislature, or are discontinued by the New Mexico Legislature, the Agreement shall terminate upon written notice being given by PERA to Contractor. PERA's decision as to whether sufficient authorizations or appropriations are or have been made, or are or have been discontinued, shall be accepted by Contractor and shall be final.

#### **E. Indemnification**

In addition to Contractor's liability as provided for in the Agreement, Contractor shall indemnify, defend, and hold harmless PERA, the PERA Board, and their officers and employees from and against any and all claims, demands, liability, suits, causes of action, losses, damages, fines, fees, attorney fees, penalties, costs, expenses, injuries to property, judgments (including defense costs and attorney fees) that occur or arise out of or in connection with: (1) Contractor's performance or failure to perform under any provision of the Agreement; (2) Contractor's breach of any term, condition, warranty or representation contained in the Agreement; (3) Contractor's provision of services that are not in accordance with any applicable law, rule, regulation, or provision of the Agreement; (4) Contractor's failure to perform in accordance with the standard of care contained in the Agreement; or (5) any error, omission, fraud, embezzlement, theft or negligence of Contractor. It is understood, however, that Contractor's obligations under this Paragraph do not

extend to liabilities resulting from causes beyond the control and without the fault or negligence of Contractor, including acts of God, war or civil commotion, fire, earthquake, or other natural disaster, and unforeseeable acts of any federal, state, or local government or agency thereof. Contractor's obligations to indemnify PERA under this Paragraph shall survive the expiration or termination of the Agreement, or any extension thereof.

In the event that any action, suit or proceeding related to the services performed by Contractor under this Agreement or under any similar agreement with Contractor's other advisory clients providing for services substantially similar to those provided under the Agreement is brought against Contractor, Contractor shall, to the extent legally permissible, as soon as reasonably practicable after it receives notice thereof, notify PERA. Contractor shall notify PERA of regulatory and legal actions or proceedings against Contractor with respect to its other advisory clients to the extent required pursuant to the applicable Form ADV amendment requirements.

**F. Disclosure of Placement Fees/Third-Party Marketers**

The Board is prohibited from making any investment unless the recipient of the investment discloses the identity of any third-party marketer who rendered services on behalf of the recipient in obtaining the investment and also discloses the amount of any fee, commission or retainer paid to the third-party marketer for the services rendered. See NMSA 1978, § 10-11-133.1.

**G. Campaign Contribution and Gift Policy**

The Contractor and its officers and employees are prohibited from soliciting or receiving campaign contributions, for or on behalf of any PERA Board member, or any political candidate in the State of New Mexico, from any investment company or brokerage firm, including its officers and employees, which has engaged in any financial transaction with PERA within the preceding twelve (12) months prior to the solicitation or receipt of the contribution or which reasonably expects within the next twelve (12) months to engage in financial transactions with the PERA. In addition, the Contractor shall comply with the prohibitions and restrictions upon making campaign contribution to PERA Board members and candidates for the position of PERA Board member, and giving gratuities to PERA Board members and PERA employees, contained in NMSA 1978, § 10-11-130.1. The Contractor shall annually certify to PERA compliance with NMSA 1978, § 10-11-130.1, regarding restrictions on gratuities to PERA Board members and PERA employees. Violation of this Paragraph constitutes a breach by the Contractor of its Agreement with PERA.

**H. Contractor warranties and representations**

Contractor acknowledges, warrants, and represents to PERA that the following statements are true as of the effective date of this Agreement and agrees that the same are incorporated and made part of this Agreement:

1. Contractor is registered as an investment advisor under the Investment Advisors Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached).
2. Contractor meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under the Contract (unless exempt, and explanation of exemption is attached).
3. Contractor has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the Contract.
4. Contractor serves as a fiduciary to PERA as that term is defined by the laws and rules governing the Board.
5. Contractor warrants that it will not delegate its fiduciary responsibilities assumed pursuant

to the Contract.

6. Contractor is not under contract with PERA to provide active management services for any portfolio, including without limitation an illiquid assets fund or fund of funds at the time of award.
7. In the event that it is awarded a contract under this RFP, Contractor acknowledges that it is disqualified from executing a contract for or serving as an active manager of any portfolio, including without limitation an illiquid assets fund or fund of funds for PERA.
8. Contractor does not directly or indirectly own any investment managers, investment brokers or investment banking services or directly or indirectly manage any pooled asset.
9. Contractor will annually report to PERA any revenues, income, fee breaks, soft dollars, hotel and travel expense, or other items of significant monetary value received by the consultant or any affiliates from investment managers, general partners, brokerage firms, investment banks or other financial services businesses
10. Contractor warrants that it has positive net worth as of the effective date of this Agreement and shall maintain a positive net worth for the entire term of this Agreement, including all extensions of the Agreement.

## **APPENDICES**

<b>APPENDIX A:</b>	<b>Acknowledgement and Certification of Minimum Qualifications</b>
<b>APPENDIX B:</b>	<b>Signature Page</b>
<b>APPENDIX C:</b>	<b>Questionnaire</b>
<b>APPENDIX D:</b>	<b>Fee Proposal Form</b>
<b>APPENDIX E:</b>	<b>Form of Professional Services Agreement</b>
<b>APPENDIX F:</b>	<b>Investment Policy, Investment Statutes, and Investment Policies and Practices Rule</b>
<b>APPENDIX G:</b>	<b>Procurement Policy for Investment-Related Services</b>

## **APPENDIX A**

### **ACKNOWLEDGMENT AND CERTIFICATION OF COMPLIANCE WITH MINIMUM QUALIFICATIONS**

INSTRUCTIONS FOR SUBMISSION:

COMPLETE, SIGN AND SUBMIT AN ELECTRONIC COPY OF THIS FORM AS FOLLOWS:

**VIA WEBSITE:** <https://www.erfp.us/inhub-verus-peranm-illiquid-investment-consultant-services/>

**NO LATER THAN AUGUST 16, 2024, 5:00 PM MOUNTAIN DAYLIGHT TIME**

ONLY POTENTIAL OFFERORS WHO MEET THE MINIMUM QUALIFICATIONS SET FORTH IN PART III OF THIS REQUEST FOR PROPOSALS AND RETURN THIS FORM BY THE ABOVE DEADLINE ARE ENTITLED TO RECEIVE COPIES OF PERA'S WRITTEN RESPONSES TO OFFERORS' WRITTEN QUESTIONS.

**ACKNOWLEDGMENT AND CERTIFICATION OF  
COMPLIANCE WITH MINIMUM QUALIFICATIONS**

THE OFFEROR HEREBY ACKNOWLEDGES AND CERTIFIES THAT:

- It has received, reviewed in its entirety, and understands the text and appendices attached to Request for Proposals No. NM INV-001-FY25 for Illiquid Investment Consulting Services, which begins with a cover page and ends with the last page of Appendix G, the PERA Procurement Policy for Investment- Related Services.
- It meets all of the minimum qualifications set forth in Part III of the RFP above as of the date of submission of the RFP response.

RFP #:

TYPE:

FIRM:

REPRESENTED BY (CONTACT PERSON):

TITLE:

ADDRESS:

CITY/STATE/ZIP:

E-MAIL:

PHONE NUMBER:

DESCRIPTION OF SERVICES PROPOSED: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

This page has been signed by an authorized signatory with the authority to certify that the Offeror meets the above-stated minimum qualifications.

SIGNED BY: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## **APPENDIX B**

### **RFP RESPONSE SIGNATURE PAGE**

INSTRUCTIONS FOR SUBMISSION:

RETURN AN ELECTRONIC COPY OF THIS FORM TOGETHER WITH THE COMPLETE PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) AS FOLLOWS:

**VIA WEBSITE:** <https://www.erfp.us/inhub-verus-peranm-illiquid-investment-consultant-services/>

**SUBMISSION DEADLINE: SEPTEMBER 13, 2024, AT 5:00 PM MOUNTAIN DAYLIGHT TIME**



**RFP RESPONSE SIGNATURE PAGE**

By signing below Offeror acknowledges and affirms the following:

- Receipt of a complete copy of the RFP for Illiquid Investment Consulting Services, beginning with the cover page and ending with Appendix G, PERA Procurement Policy for Investment-Related Services.
- The Offeror hereby certifies that it meets all of the minimum qualifications set forth in Part III of the RFP and incorporated in Appendix A, Acknowledgment and Certification of Compliance with Minimum Qualifications.
- The Offeror has answered all questions in Appendix C, Company Questionnaire, accurately and completely and submitted all attachments requested in the RFP.
- The Offeror has completed and provided a fee proposal that conforms to the guidelines set forth in Appendix D, Fee Proposal Form.
- Any contract for investment consulting services described in this RFP must incorporate terms and provisions that are materially similar to those included in the Form of Professional Services Agreement attached to this RFP as Appendix E.

OFFEROR NAME: \_\_\_\_\_

DESCRIPTION OF SERVICES PROPOSED: \_\_\_\_\_

STREET ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL ADDRESS: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

FEIN: \_\_\_\_\_ CONTACT PERSON: \_\_\_\_\_

This page has been signed by a signatory with the authority to bind the Offeror. By signing this Signature Page, Offeror represents that the undersigned representative has the authority to bind the Offeror, and by submitting a proposal in response to this RFP, Offeror agrees to perform the services proposed in accordance with the RFP and to adhere to all requirements, specifications, terms and conditions of the RFP. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.

**SIGNED BY:** \_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## APPENDIX C

### COMPANY QUESTIONNAIRE

**Please check which of the five asset classes your firm is submitting a proposal for:**

- Private Equity (buyout, VC, restructures, etc.)**
- Private/Illiquid Credit (direct lending, asset-based lending, real estate debt, etc.)**
- Private/Illiquid Real Estate (all commercial property types)**
- Private/Illiquid Real Assets (infrastructure, natural resources, agriculture, etc.)**
- Absolute Return (zero beta hedge fund portfolio)**

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## A. ORGANIZATION

1. Identify the location of the main office and any satellite offices globally.
2. State the firm's mission statement and philosophy.
3. Provide a brief history of the firm and its operations, including the year formed, ownership structure, and any ownership changes that occurred during the past five (5) years. Note any anticipated changes to the firm's corporate or organizational structure.
4. Using the table format below, list the firm's lines of business and the contributions of each business to the firm's total revenue. If the firm is an affiliate or subsidiary of an organization, what percentage of the parent firm's total revenue does the subsidiary or affiliate generate?

Lines of business	2023	2022	2021
Illiquid investment consulting services	%	%	%
Non-discretionary	%	%	%
Discretionary	%	%	%
Other consulting services	%	%	%
Other (please describe)	%	%	%

5. Provide details on the financial condition of the firm (include debt/equity and debt/total assets, and other pertinent ratios). Attach the firm's current audited financial statement.
6. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance the firm carries. List the insurance carriers supplying the coverage and supply certificates evidencing the coverage.
7. Please provide a brief description of any past or pending regulatory action, litigation, legal proceeding or other investigation involving the firm or any of its affiliates or parent, or any registered employees and/or principals as defendants in the last five (5) years. Where applicable, provide an explanation and indicate the current status or disposition of the proceedings.
8. Provide an organizational chart of the firm and describe the relationship between each component and the consulting group. The chart should include the positions and functions of all professionals in

the organization.

9. Identify the key personnel in the firm and their roles within the organization including a summary of years with the firm and prior experience.
10. Please provide a brief description of the firm's plans for growth over the next three (3) to five (5) years, such as new client assets, personnel composition, succession planning, and additional firm services.
11. Does the firm have a written code of conduct or a set of standards for professional behavior? Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? How is employee compliance monitored? Please describe findings of the most recent compliance review. Include a copy of the firm's written code of conduct if the CFA Code is not used.
12. Describe the key features of the firm's business continuation and disaster recovery plans.
13. Complete the chart below (relevant information) for **each** asset class (Private Equity, Private Credit, Private Real Assets, Private Real Estate, Absolute Return) your firm is submitting a proposal for:

Mandate Type	# of Clients	Market Value	Uncalled Commitments	Target Annual Commitments
Monitoring/Reporting Accounts				
Non-Discretionary Accounts				
Discretionary Accounts				
Commingled Funds/Funds of Funds				
Secondary Funds/Accounts				
Other				

14. Provide a list of full-retainer clients, segregated by Illiquid Asset Consulting and Other Consulting lost or gained during the past three (3) years, including consulting AUM.
15. Provide a list of all public fund clients, including the size of the fund and the length of service provided to them by the firm. Distinguish those clients for which your firm serves as the Illiquid Asset Consultant.
16. Provide the identity of your firm's five (5) largest total revenue clients by name and include asset value and products/or services provided by your firm to each client. Distinguish those clients for which your firm receives revenues for Illiquid Asset Consulting.

## **B. CONSULTANT TEAM INFORMATION**

1. For the team expected to be assigned to PERA's account please provide a resume or biography and the following:
  - a. Primary and backup consultant assigned to this engagement
  - b. Describe the primary role of each consultant
  - c. Description of position and current responsibilities
  - d. Tenure at firm and in industry
  - e. Areas of expertise and experience
  - f. Education and professional designations and memberships
  - g. Relevant publications and presentations
  - h. The number and names of clients these consultants currently serve
  
2. What is the turnover of professional staff (senior management and consulting personnel) over the last five (5) years? Please list staff positions hired, resigned and terminated within the last five (5) years, including a description of each position and the reason for the hire, resignation and/or termination.
  
3. Describe the firm's compensation and incentive program and/or other programs for hiring and retaining key consultant personnel. How does the firm tie client performance and satisfaction to a consultant's compensation? Please be detailed and specific.
  
4. What is the average and maximum number of clients assigned per consultant? Describe the firm's succession plan in the event the key personnel in this assignment should leave the firm? Do you consult with the client for their input when considering replacements?
  
5. Describe any services performed by the organization that may not be offered by other consultants.
  
6. Please detail any significant contributions the firm has made in developing and defining "best practices" in the pension fund investment consulting field.
  
7. Does the firm have an annual conference for clients (or something similar)? Please describe and provide the prior year agenda.

### **C. ILLIQUID ASSET CONSULTING SERVICES**

**Illiquid assets, as defined by PERA, include private equity, illiquid credit, real estate, real assets, and hedge funds. Please specify if the response is specific to only one or several of these asset types.**

1. Please provide the firm's view of the current illiquid asset market. Provide commentary for private equity, illiquid credit, real assets, real estate, and hedge funds.

2. What are the current risk return expectations for the following illiquid assets, including sub-asset classes? Based on the expectations, what is the near-term investment thesis?

a. Private Equity

- i. Venture Capital
- ii. Buyout
- iii. Growth Equity
- iv. Secondaries

b. Private Credit

- i. Direct Lending
- ii. Specialty Finance
- iii. Special Situations
- iv. Distressed Debt

c. Real Assets

- i. Core Private Real Estate
- ii. Value Add Private Real Estate
- iii. Opportunistic Private Real Estate
- iv. Timber/Farmland
- v. Oil and Gas Partnerships
- vi. Infrastructure

d. Hedge Funds

3. Demonstrate the firm's consulting approach by providing a preliminary assessment of PERA's current illiquid asset portfolio (or the relevant portion(s) for which the Offeror is proposing services). Please describe the firm's approach and methodology for analyzing PERA's investment policy and asset holdings and discuss the process that will be utilized to recommend investment objectives and/or investment policies to PERA. Highlight the risk management component of this process. What unique client factors would the firm consider? How will your organization provide customized consulting to PERA while avoiding a more generic approach to its advisory services? Please refer to the performance reports available on PERA's website at [www.nmpera.org/investments/performance/](http://www.nmpera.org/investments/performance/)

4. PERA recently adopted larger allocations to private equity, illiquid credit and real assets. What experience does the firm have in achieving a significantly increased target allocation in a timely, prudent manner? Please provide a detailed implementation strategy.

5. Outline a process for maintaining and providing a continuous review of PERA's Investment Policy Statement as it pertains to illiquid assets including but not limited to, investment strategies and implementation issues, such as pace commitment drawdowns, the quality of investments and transparency of underlying investments.

6. For the firm's illiquid asset consulting group, please provide the following information for each asset class (Private Equity, Private Credit, Private Real Assets, Private Real Estate, Absolute Return) your firm is submitting a proposal for:

	2024	2023	2022	2021	2020
<b>Total Discretionary Accounts (#)</b>					
<b>Total Non-Discretionary Accounts (#)</b>					
<b>Total Accounts/Relationships (#)</b>					
<b>Total Discretionary Accounts (\$)</b>					
<b>Total Non-Discretionary Accounts (\$)</b>					
<b>Total Assets under Advisement (\$)</b>					

7. Please describe how the firm would work with PERA to understand how the illiquid assets would fit within PERA's total asset allocation. What types of investment mixes would the firm recommend for PERA?
8. Describe the firm's philosophy and experience investing in international illiquid assets. What percentage of the current client base invests in the international sector? As it pertains to PERA, what is the target weighting for international exposure? Please provide the firm's history and coverage of international funds and/or managers. Describe the team within the organization that is dedicated to international illiquid assets.
9. Describe the firm's philosophy and experience investing in private equity. What percent of the current client base invests in private equity? What target allocation would you advocate for PERA? As private equity encompasses an array of strategies, what specific strategies are recommended (e.g. buyouts, venture capital, growth equity, secondaries, etc.)? Please provide the firm's history and coverage of private equity funds and/or managers. Describe the team within the organization that is dedicated to private equity.
10. Does the firm have a position on the trend of larger private equity firms "going public", and expanding their products/strategies?
11. Describe the firm's philosophy and experience investing in private debt. What percent of the current client base invests in private debt? What target allocation would you advocate for PERA? As private debt encompasses an array of strategies, what specific strategies are recommended (e.g. special situation, distressed debt, direct senior debt)? Please provide the firm's history and coverage of private debt funds and/or managers. Describe the team within the organization that is dedicated to private debt.
12. Describe the firm's philosophy and experience investing in real assets. What percentage of the current client base invests in real assets? What target allocation would you advocate for PERA? As real assets encompass an array of strategies, what specific strategies are recommended (e.g. infrastructure, timber/farmland, real estate)? Please provide the firm's history and coverage of real asset funds and/or managers. Describe the team within the organization that is dedicated to real assets.
13. What does your firm consider a conventional definition of leverage for illiquid investments? Does



this definition change for different types of investments? If so, describe.

14. Discuss the firm's views on the utilization of leverage in illiquid investing. How does your firm measure and monitor leverage use in clients' illiquid investments?
15. Describe how your firm views secondary opportunities in the current market environment.
16. Describe the firm's views on and approach to evaluating co-investments. Discuss how concentration risk in co-investing is managed by your firm.
17. Does the firm have any selection biases? Does the firm advocate allocation of capital to first time or "emerging" (i.e., smaller) funds?
18. How is the firm helping position client portfolios, or what changes is the firm currently recommending to outperform public markets over the next five (5) years?
19. Does the firm have a position on the use of large strategic or separate accounts with select managers?
20. Does the firm foresee investors being able to negotiate more preferential fees and terms over the near future? If so, how would the firm assist clients in this endeavor, and how will your firm negotiate favorable economics (e.g., fees, carry, reimbursements, etc.) for PERA?
21. What are the firm's thoughts regarding the following items as they relate to PERA:
  - a. Advisory board seats
  - b. Benchmarks
  - c. Co-investments
  - d. Debt vs. equity investments
  - e. Direct investments
  - f. Fund of fund investments
  - g. Leverage
  - h. Secondaries
  - i. Size of commitments
  - j. Tactical vs. strategic
  - k. Types of investments
22. How does the firm allocate commitments among client accounts generally and for discretionary vs. non-discretionary? Does your firm maintain an allocation policy to ensure fair treatment of all clients? If so, please provide a copy in your RFP response.
23. Explain the firm's ability to introduce PERA to new opportunities and general partners outside PERA's existing illiquid assets portfolio. Describe your firm's illiquid investments sourcing resources and personnel.
24. Explain the firm's ability to provide diligence on staff sourced funds. Is there a limit on number of

funds reviewed if the firm hasn't completed diligence.

25. Explain the firm's ability to collaborate with staff on sourcing, instead of providing a list of potential investments.
26. Provide details regarding the firm's investment approach, including sourcing process and portfolio construction.
27. Describe the firm's investment due diligence process, including a description of the following components:
  - a. Staffing: number of senior and junior analysts
  - b. Investment and risk analysis: quantitative and qualitative frameworks utilized, key areas of focus or differentiation
  - c. Scoring method: approved, not approved, focus, conviction level, risk/return, etc.
  - d. Utilization of third-party resources or data
  - e. Subscription, regulatory, and other legal document reviews
  - f. Operational due diligence capabilities, resources, and approach
  - g. Typical time from initiation to completion of due diligence reporting
  - h. Reference checks
28. Ongoing monitoring of private funds done by the Consultant after the commitment made by the LP:
  - a. How often are investment and operational due diligence reports updated?
  - b. How often are site visits made and what specific aspects are evaluated during these visits?
  - c. How will the consultant provide actionable insights and recommendations based on the monitoring reports? What is the process for implementing changes or adjustments to the investment strategy based on these insights?
  - d. What criteria and methods will the consultant use to evaluate the risk and performance of fund managers and general partners managing private investments?
  - e. How will the consultant ensure that the investments comply with the contractual terms, fund mandates, and regulatory requirements?
29. Are ILPA principles and OPERA (Open Protocol Enabling Risk Aggregation) guidelines applied in the sourcing and due diligence process?
30. In an appendix, please provide examples of the following reports (include sector/strategy description) for each asset category within illiquid assets:
  - a. Investment fund deal log
  - b. All funds reviewed 2019-2024
  - c. All funds recommended to clients each year since 2019
  - d. Funds slated for review in 2024
  - e. Due diligence report for recommended investment
  - f. Due diligence report for declined investment
  - g. Operational due diligence report for recommended/declined investment
  - h. Sample white papers authored over the past three (3) years
  - i. Sample pacing for an illiquid assets portfolio
  - j. Sample cash flow and liquidity analysis report

- k. Sample portfolio diversification report
  - l. Sample emerging manager evaluation report
  - m. Sample quarterly illiquid investment performance evaluation report
  - n. Sample market analysis report analyzing market trends, economic indicators, and their potential impact on an illiquid assets portfolio. This report would include sector-specific analysis and forecasts to assist in strategic decision-making.
31. What is the firm's approach for assessing its performance on non-discretionary mandates? Describe the firm's process of establishing benchmark performance targets for a client and how that selection relates to the benchmark for individual investment funds.
32. PERA uses public market benchmarks and utilizes direct alpha and KS PME to review illiquid investments. What are your firm's thoughts on this approach?
33. Describe the different methodologies, measures and sources of data utilized by the firm for calculating, analyzing and evaluating its clients' illiquid investments performance. What benchmarks and databases are available? Which does the firm prefer and why? If responding for multiple illiquid investments types (e.g., private credit, private equity, etc.), specify applicable distinctions for performance evaluation methodology and approach.
34. Describe your firm's approach to illiquid investments risk management including a list of the main risks monitored and an explanation of how each risk is measured, monitored and managed.
35. Is there a dedicated team for illiquid investments risk management/monitoring? If so, please list the team members, their titles, tenure at firm, tenure in the industry and credentials/education.
36. Describe the tools your firm employs to evaluate and monitor risk in illiquid assets investments at both the strategy and asset class levels and whether these are third-party systems/tools or proprietary systems/tools.
37. What are the standard outputs/reports produced by your firm for purposes of monitoring and evaluating clients' illiquid investment performance and risk exposures? With what frequency are these reports produced? How soon after quarter-end can clients expect to receive their performance monitoring and risk reports? Provide a copy of standard client performance and risk reporting.
38. How does your firm ensure the accuracy of manager-reported position/exposure data and fund NAV? How is this data collected and processed?
39. Describe the extent throughout your firm's illiquid investments approach and processes to which automated data collection and management systems and processes are employed and which components are manual processes? Describe the checks and balances integrated into your firm's approach and processes ensuring the data integrity related to sourcing, due diligence, recommendation and monitoring activities for clients' illiquid investments.
40. (If applicable) List the net IRR and net multiple for each of the firm's private equity clients for three (3), five (5), and ten (10) year periods, ended December 31, 2023. It is not necessary to identify clients by name. In addition, please provide overall net IRR and net multiple for the last ten (10) vintage years, ending December 31, 2023. Include percentile charts of performance relative to the

peer universe.

41. (If applicable) List the net IRR and net multiple for each of the firm's private credit clients for three (3), five (5), and ten (10) year periods, ended December 31, 2023. It is not necessary to identify clients by name. In addition, please provide overall net client IRR and net multiple for the last ten (10) vintage years or since inception of your firm's private credit consulting practice, ending December 31, 2023. Include percentile charts of performance relative to the universe.
42. (If applicable) List the net IRR and net multiple for each of the firm's private real assets clients for three (3), five (5), and ten (10) year periods, ended December 31, 2023. It is not necessary to identify clients by name. In addition, please provide overall client net IRR and net multiple for the last ten (10) vintage years, ending December 31, 2023. Include percentile charts of performance relative to the peer universe.
43. (If applicable) List the net IRR and net multiple for each of the firm's private real estate clients for three (3), five (5), and ten (10) year periods, ended December 31, 2023. It is not necessary to identify clients by name. In addition, please provide overall client net IRR and net multiple for the last ten (10) vintage years, ending December 31, 2023. Include percentile charts of performance relative to the peer universe.
44. (If applicable) List the total return, net of fees, for each of the firm's hedge fund clients for three (3), five (5), and ten (10) year periods, ended December 31, 2023. It is not necessary to identify clients by name. In addition, please provide overall client total return, net of fees, for the last ten (10) years, ending December 31, 2023. Include percentile charts of performance relative to the peer universe.
45. How does the firm customize its manager recommendations for clients' investment programs with regard to their legal limitations, investment policies, resources, funding ratio, and governance? Provide a brief example.
46. Describe any fee reconciliation services (e.g., carried interest and management fees) provided to clients.
47. What is the firm's standard practice to communicate its expertise with clients? For example, do clients have direct access to various firm personnel or do they only work through a client relationship manager?
48. Provide a list and brief explanations of notable recent research or special projects that the firm has conducted for clients in the realm of illiquid investments or investing.
49. Provide an overview of your firm's back-office operations as they relate to clients' illiquid investments programs. Please list specific services provided to clients regarding cash flow and transaction management, fund accounting and fund administration capabilities, including:
  - a. Assigned staff, their background and experience.
  - b. Accounting and reporting systems.
  - c. Internal controls and procedures for validating and tracking capital draws, funding commitments, partnership management fees, and other expenses or cash flows related to partnership investments on behalf of clients.

- d. Steps taken to ensure timely notification of capital draws and distributions from partnerships.
  - e. Describe how the firm manages or assists with clients' stock distributions.
  - f. Amount of involvement needed by PERA staff to complete, monitor and manage such transactions and functions.
50. Describe how a client would transition to the firm's services. For example, quarterly performance reporting continuity, or recommendations made if current managers/funds were extremely low rated by the firm's analysts.
51. Describe any lessons learned through the years and/or mistakes made in working with clients.
52. Include any other information the firm believes to be pertinent but is not previously requested in this RFP.
53. Does the firm offer any training classes or courses for staff?
54. Does the firm offer availability for ad-hoc analysis questions from staff?
55. NM PERA has seen an increasing number of continuation vehicle opportunities (both single and multi-asset). Please describe your current process with regard to evaluating these opportunities.

**D. RESEARCH CAPABILITIES**

1. Describe the firm's commitment to research and system enhancements. What percentage of the firm's revenue is reinvested in the research department? Please provide the most recent annual dollar amount.
2. Describe the structure and organization of the firm's research department, including the number and experience of analysts. Does the firm gather and maintain its own data, or does it utilize a third party's database?
3. Please provide the number of funds in the firm's database by strategy as categorized in the table below:

<b>Strategy</b>	<b># in Database</b>	<b># of Funds Performed Due Diligence</b>	<b># of Funds Recommended</b>	<b># of Funds with Client Capital</b>
Venture Capital				
Buyout				
Growth Equity				
Mezzanine				
Direct Lending				
Special Situations				
Distressed				
Secondary				
Co-Investments				

Core Real Estate				
Opp Real Estate				
Value Add Real Estate				
Timber/Farmland				
Oil & Gas				
Infrastructure				
Hedge Funds				
Fund of Funds				
Continuation Funds				

4. How does the firm perform due diligence on international funds? Please describe the process.
5. Describe the system used by the firm to support investment fund searches and performance evaluations. In particular, address the degree of automation of the system and the timing for the firm's review of manager performance, style characteristics, holdings and policy compliance (e.g., daily, weekly, monthly, and quarterly).
6. Include a description of the research and other technical resources, including online databases and artificial intelligence analytical tools that you make available for the clients.
7. What sources does the firm use to source/collect daily news on managers, and how is this made available/provided to clients?
8. Please disclose the firm's current co-invest relationship with all current NM PERA private equity managers.
9. NM PERA has seen GPs pushing through many GP-favorable changes in recent re-ups. Does the firm highlight term changes from prior funds and note to clients LP-unfriendly changes that should be pushed back on during legal negotiations? Does the firm provide commentary on market standard with regard to terms that can be used in conjunction with legal negotiations, and how is the view on market standard derived? If so, please provide an example and how it was used by a client.
10. NM PERA has a rigorous legal negotiation process, and there can be a disconnect with items flagged by counsel that are not highlighted by the consultant. How would the firm expect to create synergies here?
11. Please describe the firm's process for creating pacing plans for clients. How do you manage an illiquid asset category significantly decreasing or increasing in size relative to the plan portfolio? For example, an illiquid asset category being 10%, and shifting to 5% or 15%, or even being eliminated altogether.
  - a. What method is used to determine capital market expectations used in pacing and asset allocation modeling by the firm?
12. How would the firm perform a review on NM PERA's current portfolio with regard to potential secondary sales? Within the current portfolio, would the team recommend any secondary sales currently?

13. How does the firm plan to support NM PERA’s long-term plan of bringing a co-invest program in-house?
14. Please provide a sample of a manager rating/recommendation that changed from the prior fund to the current fund and some high-level commentary on why the view changed.
15. With the longer fundraises that are increasingly common, please describe how updates are made to initial due diligence reports and how those are communicated to clients.
16. Has an illiquid asset fund that the firm has recommended to a client ever been liquidated, forced to redeem assets back to clients, or otherwise gone out of business?
17. Occasionally, NM PERA may be unable to attend an Advisory Board meeting and request the consultant to attend on NM PERA’s behalf. How would your illiquid asset consulting team approach this?
18. Please provide information on how the teams are organized in each asset class. How does the firm propose to review different market segments with NM PERA on a regular basis? What is the level of access NM PERA can expect?
19. NM PERA requests consultants to provide a review and recommendation on amendments and voting items from Advisory Boards. How would the team approach this? What is the approval process?
20. Please describe your firm’s investment committee structure in each asset class. Please include veto rights, majority/unanimous, etc.
21. Over the last five (5) years, on average, provide the number of illiquid asset managers for which the firm does the following per year (distinguish each asset class, if applicable):

Review:	
Meet with:	
Subject to full due diligence:	
Approve for investment:	
Recommend clients redeem in full:	

## **E. CONFLICTS OF INTEREST**

1. Disclose any business the firm, affiliates, or parent company does with any PERA investment-related associates.
2. Are there any actual or potential conflict of interest issues the firm would have in servicing PERA? If so, describe them.
3. How does the firm identify and manage conflicts of interest?

4. Does the firm hold or sponsor investment manager or client conferences? If so, describe all the conferences the firm held or sponsored in the past twenty-four (24) months. If these services are offered on complementary basis to public pension plan clients with gift reporting requirements, how are these complementary services disclosed?
5. Has the firm, or anyone in the firm, provided any gifts, travel and room expenses, entertainment or meals to any PERA Board member or Investment staff member during the past thirty-six (36) months? If yes, describe the expenses and their purpose.
6. List and describe any professional relationship the firm has had with PERA, its legislative oversight bodies, or the State of New Mexico during the past three (3) years.
7. Does your firm have relationships with asset managers that are recommended or mentioned to your firm's public fund clients for consideration? If so, describe those relationships.
8. Does your firm or any principal or officer of your firm, receive any compensation or payment from asset managers that your firm recommends or mentions to your public fund clients for consideration? If so, describe those relationships.
9. Are there any circumstances under which the firm, or any individual in the firm, remits or receives compensation, finder's fees or any other benefit to or from investment managers or third parties? If so, what is the extent of these payments in relation to the firm's other revenue?

## **F. MISCELLANEOUS**

1. What are the firm's specialties and strengths? What differentiates the firm's illiquid asset consulting services from its competitors? What are the firm's limitations? Why should PERA hire the firm rather than its competitors in illiquid asset consulting? Please list the firm's top five (5) illiquid asset consulting competitors.
2. Briefly describe how a new client would transition to the firm? Does the firm backload transaction and/or investment performance data? Please describe any problems the firm has encountered in transitioning a new client from their previous consultant.
3. Does the firm have a basis for what counts as an "Institutional quality" investment in private markets?
4. Questions about AI
  - a. Is there a formal/informal policy for usage internally/externally?
  - b. Are there any in-house tools being created and if so, would these be offered as a future product to clients?
  - c. If an AI product is being used, how are security concerns being mitigated?



## **G. REFERENCES**

Provide a list of five (5) public fund clients with per fund target commitment sizes from \$75-150 million to which the firm provides illiquid asset investment consulting services, including name, primary contact, telephone number, email address, asset values, number of years the client has retained the firm and the product(s) or service(s) the client uses. PERA may contact any of these clients for reference purposes.

**APPENDIX D**  
**FEE PROPOSAL FORM**

**OFFEROR'S NAME:** \_\_\_\_\_

**DESCRIPTION OF SERVICES OFFERED:**

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**PROPOSED ANNUAL COMPENSATION FOR SERVICES DESCRIBED ABOVE:**

Offeror proposes to charge PERA for the consultant services described above an annual fee in accordance with the following schedule:

From: February 1, 2025, through December 31, 2032: \$\_\_\_\_\_per annum

**Applicable Contract Terms:**

PERA shall pay no additional fees for services rendered by Contractor under this Agreement. One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which consultant services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

Payment of Taxes

Contractor shall be solely responsible for the payment of all taxes and assessments of any kind for which Contractor, in its corporate capacity, may become liable by virtue of the performance of the services as specified in this Agreement.

Waiver of Late Payment Charges

Contractor waives assessment of any late payment charges.

## APPENDIX E

### FORM OF PROFESSIONAL SERVICES AGREEMENT

This Agreement is made and entered into by and between the Public Employees' Retirement Association of New Mexico ("PERA"), and [draft] ("Contractor").

The parties agree as follows:

#### A. SCOPE OF SERVICES

Contractor shall perform illiquid asset investment consulting services for non-traditional asset classes, including, but not limited to: [draft]. The following services are to be provided by Contractor on behalf of PERA:

##### 1. Strategic Illiquid Asset Consulting

- a. Provide recurring recommendations concerning long-term investment policy, objectives and strategy for the illiquid assets portfolio that is consistent with PERA's Investment Policy.
- b. Prepare special analyses and/or research, as requested by Staff.
- c. In consultation with Staff, define goals and objectives, monitor portfolio risk, and model program cash flows/commitment pacing for the illiquid assets portfolios.
- d. Provide a rolling 24-month forward calendar for high conviction general partners by sub- strategy and geography.
- e. Provide a comprehensive analysis of PERA's current illiquid portfolio, including risk analysis, manager evaluations, and an action plan, if appropriate.
- f. Conduct and prepare comprehensive written research, analysis, and advice on specific investment issues, special projects or other activities, as requested.
- g. Appear as needed at Board meetings, Investment Committee meetings, or other meetings to: (i) present research, analyses, written reports and recommendations; and (ii) respond to questions relating to the illiquid asset portfolios or the illiquid asset market.
- h. Attend meetings with Staff, in order to provide advice and counsel on matters related to the illiquid assets portfolio, as needed.
- i. Coordinate and communicate with PERA Staff about illiquid asset funds in the portfolio on an ongoing basis, in order to ensure the effective and successful administration of the illiquid asset portfolios.
- j. Provide other consulting services ancillary to identification, analysis, and evaluation of goals, strategies, and objectives of illiquid assets portfolios.

##### 2. Illiquid Asset Fund Investment Sourcing and Due Diligence

It is expected that the Consultant will assist Staff with sourcing and due diligence for illiquid asset fund investments. The fund sourcing and due diligence will include the following actions, at a minimum:

- a. Develop a proactive, structured process to: (i) analyze the full universe of available investments; and (ii) efficiently identify investments most advantageous to PERA. This process will include detailed analysis of prospective investments identified by Staff.
- b. Conduct due diligence on prospective investments that Consultant or Staff recommend for consideration. Due diligence will include evaluation of the prospective investment fund's history, team, performance, and strategy. Present written recommendations to the Staff internal meeting, which will include: (i) the results of Consultant's investment due diligence (IDD); (ii) a discussion of strategic considerations; (iii) an analysis regarding how the recommendation fits within PERA's illiquid assets portfolio; and (iv) a detailed business review of the illiquid assets investment fund terms and fund documents. The review and reporting will also include operational due diligence (ODD) of a prospective fund or manager's governance, organization, back office, accounting, risk, systems and valuation methodologies.
- c. Work with Staff and legal counsel in the negotiation of investment contract terms and conditions.

### 3. Reporting and Monitoring of the Illiquid Assets Portfolio

In monitoring the portfolio, the Consultant must perform the following:

- a. Preparation of Performance Evaluations. Consultant shall use information provided by PERA and, at PERA's election, by the Bank of New York Mellon, or such other custody bank as PERA may designate from time to time (the "Custody Bank"), reflecting the activity and performance of each illiquid investment portfolio and illiquid asset class to prepare the following reports, analyses, and evaluations:
  - i. Consultant shall have full responsibility for monitoring and reporting investment performance on all illiquid investments and, will assist PERA staff in deployment of internal procedures for supplemental monitoring and performance measurement of illiquid investments.
  - ii. Consultant shall provide written illiquid investment performance evaluation reports quarterly. The quarterly reports shall be completed and submitted within 135-150 days following quarter end.
  - iii. Each quarterly report described in the previous paragraph shall include, at a minimum: allocation breakdown by geography, sector and industry; updates on each investment fund; listing of each investment fund by sector; date of commitment to each investment fund; commitment amount to each investment fund; draw-down amounts by investment fund; outstanding commitment by investment fund; distribution amounts by investment fund; investment fund NAVs; multiples by investment fund; the internal rate of return of each investment fund; and all items above aggregated for the total illiquid assets portfolio.
  - iv. Each quarterly report described in paragraph (ii) shall also include: statistical and graphic data serving as the basis for the evaluation; narrative comments with

respect to the performance and the data; including relevant observations with respect to market conditions, risk levels, management styles; and an executive summary of pension plan fund and investment portfolio performance.

- v. Each quarterly report described in paragraph (ii) reports will include an analytical review of the illiquid investment portfolio, including returns and risk. Consultant shall calculate the various rates of return, including time and dollar weighted averages, effective and market rates of return with rates of returns generated by a representative number of similar public pension plan funds, and shall compare those results with the rates of return generated by appropriate benchmark indices as determined for each portfolio, with the rates of return generated by the total fund, and with the rates of return generated by a representative number of other organizations managing comparable investments. The evaluation will also include performance attribution analysis for each portfolio.
  - vi. On at least an annual basis provide a monitoring report which includes a ratings report for each fund/general partner in the portfolio. This report should include the current and previous rating of the fund with detail regarding strategy and/or team changes. This rating shall be provided at the initiation of the first investment and ongoing thereafter
  - vii. Consultant shall discuss each quarterly performance evaluation report with PERA investment staff for review prior to presentation to the Board. Consultant may, at PERA's discretion, be asked to present each quarterly performance evaluation report to the Board at meetings specified by PERA
  - viii. Consultant shall prepare updates for quarterly Investment Committee meeting packets, including monthly cash valuations, and other periodic reporting that PERA Board or Staff may require.
- b. Reconcile all cash flows, net asset values, and investment data with the Custody Bank reports and records for accuracy.
  - c. Take responsibility for the timely review and analysis of key events that may affect illiquid asset portfolios. This review and analysis shall cover, without limitation, market changes, changes in senior management, and substantial reductions in portfolio value. Monitoring will be conducted through surveillance of the media, communication with professional networks, and the systematic review of the reporting for the Funds. This review shall be reported to staff as soon as practicable.
  - d. Assist in any actions taken to protect the interests of PERA as an investor, and interact, where necessary, with portfolio general partners to ensure individual fund compliance with contract terms.
  - e. Assist Staff in attending partnership annual meetings, and, where appropriate, attend advisory boards and provide a report for monitoring.
  - f. Review and provide a detailed recommendation memo with courses of action for all fund document amendments.

#### 4. Physical Presence at Meetings

Consultant's representatives must attend:

- a. One Investment Committee and Board meeting per quarter or more frequently as may be directed by the Board;
  - b. Annual Board Retreat (several days during a summer month); and
  - c. Meetings related to investment manager searches and site visits (as needed).
5. Collaboration with Board and Staff

Consultant's representatives must:

- a. Provide educational workshops to the Board on specific issues designated by PERA and/or recommended by the Consultant.
  - b. Provide comments and analysis on proposed federal and state legislation affecting the illiquid assets portfolio.
  - c. Support the Staff, Board, and Investment Committee through written and/or oral presentations with government agencies, legislative committees, auditors etc.
  - d. Meet with Staff monthly, or as may be necessary from time to time, to review the illiquid portfolio, update Staff regarding the current market/new issues and advise regarding improvements to the illiquid assets portfolios.
6. Collaboration with General Consultant Regarding Formulation and Review of Investment Goals, Objectives, and Policies

The illiquid asset consultant shall collaborate with PERA's general consultant in regard to providing ongoing advice and technical support in the establishment and refinement of portfolio strategic asset allocation, investment goals, objectives, and policies. The consultant will use asset allocation models, as requested by staff, to determine the influence of differing asset mixes and investment style strategies on the projected return to PERA and the projected risk resulting from differing asset mixes and strategies.

PERA periodically engages the services of the general consultant and actuary to conduct an asset/liability modeling study. The asset/liability modeling study is on a project basis only. While the general consultant will take the lead on asset liability studies, the illiquid asset consultant shall assist in any matter necessary and applicable. An illiquid asset consultant selected for this assignment must have demonstrated capabilities in this area.

7. Conflicts with Staff and Consultants

Consultant shall, in its fiduciary capacity to PERA, act at all times in the best interests of PERA and the PERA Fund. Consultant will collaborate with PERA staff and its general consultant while avoiding conflicts of interest. As illiquid investment consultant to PERA, Consultant has the responsibility to advise PERA and the Board if it disagrees with recommendations made by other investment consultants under contract with PERA. If there are conflicts or disagreements regarding asset allocation policies, return and risk findings, manager performance, the PERA Board may ask the parties involved in the dispute to submit their respective opinions, recommendations, and conclusions to the PERA Board for consideration and resolution. Notwithstanding any provisions contained in the Agreement between Consultant and PERA to the contrary, the final decision of PERA shall prevail. Consultant shall collaborate with PERA's general consultant to provide timely reporting of the performance of PERA's illiquid investments to be included in the calculation of PERA's total fund performance.

8. Other

Conduct such services under the contract as may be reasonably asked of an illiquid asset investment consultant by a public pension plan.

**B. COMPENSATION**

1. Consultant Fee

Subject to the provisions of sections C (Term of Agreement) and D (Termination) of this Agreement, PERA shall pay Contractor for its consultant service an annual fee in accordance with the following schedule:

From: February 1, 2025, through December 31, 2032: \$[ ] per annum

PERA shall pay no additional fees for services rendered by Contractor under this Agreement. One quarter of the applicable Annual Fee shall be paid to Contractor for each calendar quarter for which Contractor renders services under this Agreement. Contractor shall submit to PERA a certified billing statement for each calendar quarter after the end of the quarter for which consultant services have been rendered. Payment shall be made by PERA within a reasonable time following PERA's receipt and approval of a certified billing statement.

2. Payment of Taxes

Contractor shall be responsible for paying any and all taxes, including New Mexico gross receipts taxes, assessed on the compensation received under this Agreement and shall identify and pay those taxes under Contractor's federal and state identification number(s).

3. Waiver of Late Payment Charges

Contractor waives assessment of any late payment charges.

**C. TERM OF AGREEMENT**

The initial term of the Agreement shall be for [eight (8)] years and shall commence when executed by the parties and terminate on January 31, 2032. Notwithstanding the foregoing or any other provision of this Agreement, at any time during the term of the Agreement, this Agreement is subject to early termination or termination for lack of appropriations in accordance with Paragraph D(1) or Paragraph D(2), below.

**D. TERMINATION**

1. Early Termination

Notwithstanding any other provision of this Agreement, this Agreement may be terminated as follows: by PERA delivering to Contractor a notice of the intent to terminate at least thirty (30) days prior to the intended date of termination and by Contractor delivering to PERA a notice of the intent to terminate at least ninety (90) days prior to the intended date of

termination. In the event the termination date does not coincide with the last day of a quarter, Contractor shall be entitled to a prorated portion of the fee for the quarter during which termination occurs. By such termination, neither PERA nor Contractor may nullify obligations, if any, already incurred for performance or failure to perform prior to the date of termination. Termination under Paragraph D(1) may be made with or without cause. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED PERA IN SUCH CIRCUMSTANCES AS DEFAULT OR BREACH OF CONTRACT BY CONTRACTOR.

## 2. Failure of Appropriation

The terms of this Agreement are contingent upon sufficient authorizations and appropriations being or having been made by the New Mexico Legislature for the performance of this Agreement. If sufficient authorizations and appropriations are not or have not been made by the New Mexico Legislature, or are discontinued by the New Mexico Legislature, this Agreement shall terminate upon written notice being given by PERA to Contractor. PERA's decision as to whether sufficient authorizations or appropriations are or have been made, or are or have been discontinued, shall be accepted by Contractor and shall be final.

## **E. CONTRACTOR'S ACKNOWLEDGEMENTS, WARRANTIES, AND REPRESENTATIONS**

Contractor acknowledges, warrants, and represents to PERA that the following statements are true as of the effective date of this Agreement and agrees that the same are incorporated and made part of this Agreement:

1. Contractor is registered as an investment advisor under the Investment Advisors Act of 1940 and that it shall maintain such registration at all times during the term of the contract (unless exempt and explanation of exemption is attached);
2. Contractor meets or will meet before the award of a contract the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to Contractor's actions under the Contract (unless exempt, and explanation of exemption is attached);
3. Contractor has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by the Contract;
4. Contractor serves as a fiduciary to PERA as that term is defined by the laws and rules governing the Board;
5. Contractor warrants that it will not delegate its fiduciary responsibilities assumed pursuant to the Contract;
6. Contractor is not under contract with PERA to provide active management services for any portfolio, including without limitation an illiquid assets fund or fund of funds at the time of award;



7. Contractor is disqualified from executing a contract for or serving as an active manager of any portfolio, including without limitation an illiquid assets fund or fund of funds for PERA;
8. Contractor does not directly or indirectly own any investment managers, investment brokers or investment banking services or directly or indirectly manage any pooled asset;
9. Contractor will annually report to PERA any revenues, income, fee breaks, soft dollars, hotel and travel expense, or other items of significant monetary value received by the consultant or any affiliates from investment managers, general partners, brokerage firms, investment banks or other financial services businesses; and,
10. Contractor warrants that it has positive net worth as of the effective date of this Agreement and shall maintain a positive net worth for the entire term of this Agreement, including any and all extensions of the Agreement.

## **F. STANDARDS OF PERFORMANCE**

1. All services performed by Contractor under the Agreement must conform to all applicable state and federal laws and regulations, including but not limited to NMSA 1978, Sections 10-11-1 to 10-11-142, NMSA 1978, Sections 10-11A-1 to 10-11A-7, NMSA 1978, Sections 10-12B-1 to 10-12B-19, and NMSA 1978, Sections 10-12C-1 to 10-12C-18, as such acts may be amended from time to time and applicable PERA regulations. All services performed by Contractor under the Agreement must also comply with acceptable industry standards and practices. Contractor shall acquire and hold during the term of this Agreement, including any renewals, all licenses and permits required to perform the services called for in this Agreement.
2. Contractor holds itself out as an expert in consulting on non-traditional asset class investments for large trust funds. Accordingly, Contractor acknowledges and agrees that in providing investment advice, it will use the degree of care, diligence and skill that a prudent investor would use in the in the conduct of an enterprise of like character and with like aims. Contractor further acknowledges that it is a fiduciary to PERA and shall at all times act in a fiduciary capacity to PERA. Contractor is under a duty to exercise a skill greater than that of an ordinary person and the manner in which investment advice is handled will be evaluated in light of Contractor's superior skill.
3. During the performance of all services by Contractor, PERA will retain all final decision-making authority with respect to the management and administration of the retirement plan(s) funded thereby and investments related thereto, subject to Contractor's obligations as provided for in Paragraph (A), above.

## **G. INDEMNIFICATION**

1. In addition to Contractor's liability as provided for in Paragraph (F)(2) of this Agreement, Contractor shall indemnify, defend, and hold harmless PERA, the PERA Board, and their officers and employees from and against any and all claims, demands, liability, suits, causes of action, losses, damages, fines, fees, attorneys fees, penalties, costs, expenses, injuries to property,

judgments (including defense costs and attorney fees) that occur or arise out of or in connection with: (1) Contractor's performance or failure to perform under any provision of this Agreement; (2) Contractor's breach of any term, condition, warranty or representation contained in this Agreement; (3) Contractor's provision of services that are not in accordance with any applicable law, rule, regulation, or provision of this Agreement; (4) Contractor's failure to perform in accordance with the standard of care contained in Paragraph (F)(2) of this Agreement; or (5) any error, omission, fraud, embezzlement, theft or negligence of Contractor. It is understood, however, that Contractor's obligations under this Paragraph (G) do not extend to liabilities resulting from causes beyond the control and without the fault or negligence of Contractor, including acts of God, war or civil commotion, fire, earthquake, or other natural disaster, and unforeseeable acts of any federal, state, or local government or agency thereof. Contractor's obligations to indemnify PERA under this Paragraph (G) shall survive the expiration or termination of this Agreement, or any extension thereof.

2. In the event that any action, suit or proceeding related to the services performed by Contractor under this Agreement or under any similar agreement with Contractor's other advisory clients providing for services substantially similar to those provided under this Agreement is brought against Contractor, Contractor shall, as soon as reasonably practicable after it receives notice thereof, notify PERA.

## **H. STATUS OF CONTRACTOR**

1. Contractor and its agents and employees are independent contractors performing professional services for the PERA and are not employees of PERA or the State of New Mexico. Contractor and its agents and employees shall not, by virtue of this Agreement, accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of PERA or the State of New Mexico. Contractor acknowledges that all sums received hereunder are reportable by Contractor for income tax purposes as self-employment income or business income.

2. Contractor acknowledges and agrees that it does not have the authority to bind the state of New Mexico to any obligation. This Agreement does not provide any discretionary power or authority to Contractor. PERA shall have sole responsibility for determining whether to implement any recommendations made by Contractor and for implementing such recommendations, including without limitation, the review and negotiation of any agreements or other documents required.

## **I. ASSIGNMENTS**

Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without prior written approval of PERA. No such assignment or transfer shall relieve Contractor from its obligations and liabilities under this Agreement.

## **J. SUBCONTRACTING**

1. Contractor shall not subcontract any portion of the services to be performed under this Agreement without prior written approval of PERA. No such subcontracting shall relieve Contractor from its obligations and liabilities under this Agreement.

2. Contractor shall maintain detailed time records that indicate the date, time and nature of services rendered. Contractor shall maintain such time records for a period of three (3) years from the date of the final payment under this Agreement. Such records also shall be subject to inspection by PERA, the New Mexico Department of Finance and Administration, and the State Auditor. PERA, the New Mexico Department of Finance and Administration, and the State Auditor shall have the right to audit billings both before and after payment; payment under this Agreement shall not foreclose the right of PERA to recover excessive or illegal payments.

#### **K. RELEASE**

Contractor's acceptance of final payment of the amount due under this Agreement shall operate as a release of PERA, the State of New Mexico, and their officers and employees, from all liabilities, claims and obligations whatsoever arising from or under this Agreement. Contractor agrees not to purport to bind the State of New Mexico or PERA to any obligations not assumed herein by the State of New Mexico or PERA, unless Contractor has express written authority from PERA to do so, and then only within the strict limits of that authority.

#### **L. CONFIDENTIALITY**

1. "Confidential Information" given to or developed by Contractor in the performance of this Agreement shall be kept confidential and shall not be made available by Contractor to any individual or organization by Contractor without the prior written approval of PERA.

2. For the purposes of this Agreement, "Confidential Information" shall mean all written information of any kind, type or nature, together with all documents whether created or maintained by electronic means, which relate to (a) financial information, (b) any proprietary, intellectual property or trade secret which PERA or any of its Board members, officers, employees or agents identifies as confidential at the time of disclosure. Confidential Information shall not include any data or Confidential Information that is (i) publicly known or becomes publicly known through no unauthorized act of Contractor, (ii) rightfully received from a third party without being identified as confidential, (iii) disclosed by PERA to a third party without restrictions on use or disclosure similar to those contained herein (such disclosure not to include inadvertent disclosure of Confidential Information and reasonable efforts to correct the disclosure) or (iv) approved by PERA for disclosure to the public.

#### **M. PRODUCT OF SERVICES; COPYRIGHT**

3. All materials or products developed or produced by Contractor under the terms of this Agreement shall become the property of PERA and shall be delivered to PERA no later than

the termination date of this Agreement. Nothing produced or developed, in whole or in part, by Contractor under this Agreement shall be the subject of an application for copyright, or any other claim of ownership, by or on behalf of Contractor.

#### **N. CONFLICT OF INTEREST**

Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under this Agreement. Contractor shall not engage in transactions with either itself, including any affiliates or parent companies of Contractor, or other firms that provide investment management services to PERA except upon prior written approval of PERA. Contractor certifies that the requirements of the Governmental Conduct Act, NMSA 1978, Sections 10-16-1 to 10-16-18, regarding contracting with a public officer or state employee, have been followed, if applicable.

#### **O. GRATUITIES AND CAMPAIGN CONTRIBUTIONS**

Contractor and its officers and employees are prohibited from soliciting or receiving campaign contributions, for or on behalf of any PERA Board member, or any political candidate in the State of New Mexico, from any investment company or brokerage firm, including its officers and employees, which has engaged in any financial transaction with PERA within the preceding twelve

(12) months prior to the solicitation or receipt of the contribution or which reasonably expects within the next twelve (12) months to engage in financial transactions with the PERA. In addition, Contractor shall comply with the prohibitions and restrictions upon making campaign contribution to PERA Board members and candidates for the position of PERA Board member, and giving gratuities to PERA Board members and PERA employees, contained in NMSA 1978, § 10-11-130.1. Contractor shall annually certify to PERA compliance with NMSA 1978, § 10-11-130.1, regarding restrictions on gratuities to PERA Board members and PERA employees. Violation of this Paragraph constitutes a breach by Contractor of its Agreement with PERA.

#### **P. AMENDMENT**

This Agreement shall not be altered, changed or amended except by instrument, in writing, executed by the parties hereto.

#### **Q. MERGER**

This Agreement incorporates all of the agreements, covenants and understandings between the parties hereto concerning the subject matter hereof. No prior agreement or understanding, oral or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in

this written Agreement or written amendment to this Agreement.

**R. APPLICABLE LAW**

This Agreement shall be governed by the laws of the State of New Mexico.

**S. WAIVER**

No waiver of any breach of this Agreement or any terms or conditions hereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid, alleged or binding unless the same is in writing and signed by the party alleged to have granted the waiver.

**T. EQUAL OPPORTUNITY COMPLIANCE**

Contractor agrees to abide by all applicable Federal and State laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

**U. NOTICE OF PENALTIES**

The Procurement Code, NMSA 1978, Sections 13-1-28 through 13-1-199, as amended, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

**APPENDIX F**

**INVESTMENT POLICY, INVESTMENT STATUTES, AND INVESTMENT POLICIES  
AND PRACTICES RULE**

**APPENDIX F TABLE OF CONTENTS**

A.	PERA Investment Policy (Revised December 12, 2023).....	F.A
B.	PERA Investment-related statutes.....	F.B
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# THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO



INVESTED IN TOMORROW.

## INVESTMENT POLICY

Revised

December 12, 2023

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# THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO

## INVESTMENT POLICY

### I. INTRODUCTION

#### A. Statutory Authority

The Public Employees' Retirement Association of New Mexico (PERA) was created by law in 1947 and is authorized to administer the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended (the PERA Act), the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and State laws relating to the administration of public employees' retirement systems in the State of New Mexico. As of April 2016, PERA administers thirty-one retirement plans under a defined benefit structure for state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators. PERA is governed by the Retirement Board (the Board).

#### B. Authority and Duties of the Board

Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the PERA trust funds (the Fund) for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The PERA Act, NMSA 1978 §§ 10-11-132 and 10-11-133 generally describe the authority of the Board to invest the Fund. Both those sections incorporate and adopt the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, which require the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. Among other things, the UPIA requires that Fund investments be diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board also recognizes that care must be exercised to maintain PERA's status as a government plan that is exempt from the requirements of the federal Employees Retirement Income Security Act of 1974 and as a qualified plan that is exempt from taxation under the Internal Revenue Code.

#### C. Mission Statement

In recognition of its fiduciary responsibility, the Board adopts the following as the mission statement for PERA:

The mission of the Board of the Public Employees' Retirement Association is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to Association members.

#### D. PERA Roles and Responsibilities/Delegations of Authority

To accomplish its mission, the Board relies on PERA employees and third-party investment consultants (Investment Consultants) to properly administer the Fund and implement the investment strategies it adopts. Because of the number of parties involved, their roles in investing and managing the Fund must be clearly explained. Doing so increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

## Ethics and Conflicts of Interest

The Board and PERA employees are obligated to act in the exclusive interest of PERA members, retirees, and beneficiaries. Investment Consultants serve in a fiduciary capacity to PERA. Board members and PERA employees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make decisions in accordance with PERA's mission statement.

## Board of Trustees

The primary fiduciary responsibility of the Board is to ensure prudent investment and management of the Fund. It is the responsibility of the Board to ensure that PERA employees administer investments of the Fund at a reasonable cost while preserving the quality of investments. All principal investment policy decisions are subject to approval by the Board. The Board shall oversee the management of the Fund in compliance with this Investment Policy and all applicable federal and State laws and regulations concerning the administration of a government pension plan. The Board, with the assistance of PERA investment staff (Staff) and consultants, determines the strategic direction of investment of the Fund including the strategic asset allocation target, and the active management strategy target, all of which shall be reviewed at least semiannually.

## Investment Committee

To assist the Board in carrying out its duties, it established an Investment Committee (the Committee). The Committee makes recommendations to the Board on strategic asset allocation target. The Committee establishes benchmarks, including a policy portfolio, for evaluating the performance of the total investment portfolio. The Committee shall also adopt an annual work plan and, at least quarterly, review all principal investment policy actions and portfolio performance. The Committee may invite Staff and Investment Consultants to inform and make recommendations to the Committee on any topic or issue pertinent to PERA's investment operations. The Committee Chair shall have the duty and the authority to set Committee meeting agendas and request specific analyses and reports from Staff and Investment Consultants.

## Executive Director

The Board appoints the Executive Director (the Director). The Director is responsible for planning, organizing, and administering the operations of PERA under policy guidance and direction from the Board. In fulfilling these investment responsibilities, the Director retains and relies on Staff and Investment Consultants.

## Chief Investment Officer and Investment Staff

Staff reports directly to the Chief Investment Officer (the CIO) who in turn reports to the Director. The CIO, with the assistance of Staff, has the responsibility and authority to assist the Board and the Committee in establishing investment and administrative policies. The CIO and Staff are responsible for implementing the policies and programs established by the Board. The CIO has primary responsibility to implement and direct all decisions necessary and appropriate to carry out the Board's investment policies, including the strategic asset allocation target, approved by the Board. The CIO shall report on all decisions and the progress of implementation of those decisions to the Committee.

The CIO and Staff shall manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, report on the progress of the Fund in meeting its investment objectives, and monitor and report to the Board on the performance of the Fund against the appropriate benchmarks. The CIO and Staff shall have the delegated authority to evaluate, select, monitor, and terminate investment vehicles and managers necessary and appropriate to implement the Board's policies. Their actions shall be disclosed to the Board

periodically, as directed by the Committee. Staff exercise the same fiduciary responsibility under applicable law as the Board.

### General Counsel and Legal Staff

The Office of General Counsel and legal staff (Legal Counsel) are primarily responsible for legal compliance of the investment program and advise the Board, the Director, the CIO, and the Staff on investment-related legal matters. Legal Counsel exercises the same fiduciary responsibility under applicable law as the Board.

### Third Party Service Providers

- **Investment Consultants.** Investment Consultants are hired by and accountable to the Board through the authority of the Director. Investment Consultants shall report to the Board or the Committee as directed. An Investment Consultant’s duty is to work with the Board and Staff in the oversight and implementation of investment objectives.

The Board’s investment strategic consultant shall provide advice and recommendations to the Board or Committee regarding its strategic objectives, and oversight and implementation of principal investment objectives.

Investment selection and monitoring consultants shall provide advice and recommendations regarding selection of investment managers and portfolio monitoring to the CIO and Staff.

- **Custodian Bank.** The Custodian Bank serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of Staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The Custodian Bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The Custodian Bank cooperates with and provides assistance to Staff and Investment Managers in the reconciliation process. PERA may opt to designate other duties to the Custodian Bank as stipulated in the professional services agreement.
- **Investment Managers.** The Board believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Investment Managers are selected by the CIO and, subject to the terms and conditions of this Policy, serve PERA through contracts that specify in principal part: investment guidelines, administrative requirements, responsibilities, and performance expectations for management of each mandate. Proxy voting is considered to be a component of the investment decision process and will be exercised in accordance with the established PERA Proxy Voting Policy. Investment Managers will report to Staff on the performance of the Fund using formats and at intervals specified by Staff. This information will be synthesized by Staff and presented to the Committee on at least a quarterly basis in accordance with established performance monitoring and oversight procedures.
- **External Legal Counsel.** The General Counsel may retain external legal counsel to advise Staff and negotiate and prepare contracts with Investment Consultants and Investment Managers to protect PERA’s interests and status as a tax-exempt government plan.

## II. OVERVIEW OF INVESTMENT POLICY

### A. Purpose of the Investment Policy

The purpose of the Investment Policy (the Policy) is to explain implementation of the investment principles and objectives of the Board. The Policy provides a reference point for the management of PERA's assets. The Policy provides guidance to the Board and Staff, as well as Investment Consultants, Investment Managers, and the Custodian Bank. The Policy is intended to provide parameters that ensure prudence and care in the execution of the investment program.

The Policy intends to provide the foundation for prudent management of the Fund, including the standards and disciplines by which the Board can evaluate Staff, Investment Consultants, Investment Managers, and the Custodian Bank.

## **B. Investment Principles**

Accordingly, the Board adopts the following principles and objectives to guide its investment strategies and decisions:

- Preserve the long-term principal of the Fund.
- Maximize total return within prudent risk parameters.
- Maintain sufficient liquidity to meet PERA's obligations.

## **III. INVESTMENT OBJECTIVES**

### **A. Primary Objective**

PERA's primary objective is to prudently invest assets to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board adopts the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be considered when assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment on the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

### **B. Long-Term Returns**

Due to the long-term nature of PERA's pension obligations and the inherent risks in short-term tactical investing, PERA must maintain a long-term perspective in formulating and implementing its investment policy, and in evaluating its investment performance. Therefore, the Board: (1) targets a long-term rate of return commensurate with the actuarially assumed rate of return; (2) adopts an allocation policy

developed to meet the targeted rate of return over long periods of time, while minimizing volatility (risk); and (3) minimizes the costs of investing through efficient use of internal and/or external resources.

Investment performance is measured by the following long-term objectives:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. The Board seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

PERA's progress in meeting these return measures will be reported to the Committee on at least a quarterly basis.

### **C. Evaluation of Risk**

The Board adopts a strategic asset allocation target that is appropriate for existing and anticipated circumstances. In targeting returns, the Board takes into account the benefit levels and structure of the plans supported by the Fund. PERA will periodically conduct and present to the Committee an asset/liability study to determine the extent to which the long-term asset allocation is consistent with the liabilities of the retirement plans that it administers. In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major asset classes utilized by the Fund. PERA will regularly measure and monitor Fund risks in its management of the Fund. The following commonly employed performance and risk evaluation metrics: Total Fund Standard Deviation (i.e., risk), Total Fund Sharpe Ratio (a widely used measure of risk adjusted returns), Total Fund Tracking Error (active risk) and Total Fund Information Ratio (a widely used measure of risk adjusted active returns) will be reviewed on a regular basis.

In accordance with generally accepted principles for prudent investors, the allocation of capital across asset categories increases the probability of meeting or exceeding the Fund's objectives at a prudent level of risk. In establishing its risk tolerance, PERA will consider its ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in the financial condition of the Fund.

## **IV. ASSET ALLOCATION**

### **A. Strategic Asset Allocation Targets**

Based on recommendations by Staff and Investment Consultants, the Board shall choose the strategic asset allocation target based on its determination of the appropriate risk tolerance for PERA, and its long-term return expectations. Each asset class allocation percentage has a long-term target position within the overall portfolio and a maximum and minimum range around that target allocation. Asset class policy targets and ranges are listed in Appendix A, which is separately adopted by the Board.

The Board recognizes that the long-term target allocation may take an extended period to implement. Staff and Investment Consultants will provide the Board with regular updates on the status of targeted asset allocation of the Fund as a whole and the component asset classes. The Board will prudently

monitor this progress and the Fund's performance throughout the implementation period.

The target allocation will be reviewed annually for significant economic and market changes, and as appropriate, to changes in the Fund's long-term goals and objectives. A comprehensive asset allocation study should be conducted at least every three years to verify or revise the targets.

## **B. Rebalancing Strategy**

The Board authorizes the CIO and Staff to rebalance the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal of implementing the rebalancing policy is to minimize transaction costs, market impact, and opportunity costs.

The Board adopts a rebalancing policy that considers allocation ranges rather than time periods. Upper and lower allocation limits established for each asset class are defined in Appendix A. When the allocation to all asset classes remains within these limits, Staff will use cash flow to maintain the overall allocation as closely as possible to the target.

In the event that a liquid strategy within an asset class deviates from an upper or lower allocation limit, the asset class will be rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day window it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category.

Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

Staff will report the results of rebalancing activities to the Committee no later than the subsequent regular meeting.

## **V. PERFORMANCE BENCHMARKS**

### **A. Benchmark Philosophy**

Selecting benchmarks is among the most important decisions the Board makes behind setting asset allocation policy. Benchmarks provide the mechanism through which to evaluate the success of the investment program in meeting objectives. They provide the link between expectations and success. The principal philosophy is that asset classes and strategies selected by the Board are intended to gain exposure to various markets and that PERA benchmarks should be reflective of those respective markets both in terms of return and risk. Benchmarks should be simple rather than complex. Additionally, approved benchmarks should be those commonly employed by PERA's peers. Recommended benchmarks should be consistent with the benchmark proxy used in the asset allocation policy development process. The preference is for benchmarks with transparent construction and rebalancing methodologies and that are investable. Benchmarks should be representative of the relevant opportunity set for the asset class, sub-asset class or strategy.

### **B. Benchmarking Goals**

The overarching goal of PERA benchmarks is to provide the Board a measurement tool in order to evaluate and understand the degree to which the Fund is successful in meeting policy objectives over both the short term (i.e., 3 or less years) and long term (i.e., 5 or more years). Benchmarks provide insight into how capital markets are performing, in general, and help the Board understand how individual asset classes, sub-asset classes and strategies are contributing to overall results. A

secondary goal of benchmarks is to ascertain the relative skill of PERA staff in their implementation decisions regarding individual strategy and external manager selection. Lastly, PERA benchmarks should meet industry standards for benchmark quality and that these benchmarks fairly and accurately represent the asset classes and strategies employed in the Fund.

### **C. Benchmarking Framework**

The Board will establish benchmarks for each asset class and sub-asset class that contributes to the total fund benchmark. Benchmarks will be reflective of the market opportunity set intended to be captured by the asset class or sub-asset class. For long-only, public markets portfolio strategies, only published, widely recognized benchmarks will be employed that have been deemed to represent the investment characteristics and risk profile objective of the asset class or sub-asset class. Benchmarks will be reviewed at least every two years, and PERA takes a long-term view, i.e., five (5) years or more, in evaluating progress towards meeting stated investment goals.

### **D. Total Fund Benchmark**

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are referred to as the “Policy Index” and are identified in Appendix B, which is separately adopted by the Committee. The Board may use the Policy Index to compare the Fund’s actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

### **E. Mandate-Level Benchmarks**

Benchmarks relevant to an investment shall be used as standards to measure the performance of Investment Managers. Acceptable benchmarks include but are not limited to:

- the appropriate market indices on a nominal and risk-adjusted basis;
- the performance of peers within their style group;
- adherence of the Investment Manager to the stated investment philosophy and style; and
- adherence to this Policy and the guidelines established in the investment contract.

The Board will work with Staff and the Investment Consultants to identify appropriate sub-asset class benchmarks. Staff and Investment Consultants will review the appropriateness of these benchmarks and report to the Committee on a regular basis.

## **VI. INVESTMENT GUIDELINES**

Recognizing that capital markets are global in nature, the Board shall consider asset classes that represent all investment opportunities appropriate for PERA, as long as such investments comply with the UPIA. The terms and conditions of investment contracts are subject to legal review for compliance with applicable law and applicable investment standards.

### **A. Investments**

#### **Global Equity**

An appropriately diversified Fund should include, commensurate with market conditions, global equity investments, both public and private. This allocation is structured to help the Fund meet its total return goals and will be implemented through strategies that include both liquid and illiquid mandates.

- **Public Equity.** The objective of public equity investments is to provide exposure to global

economic growth opportunities and seek to capture capital appreciation and current income. The public equity allocation must anticipate long-term capital appreciation as it targets economic growth with an acceptable exposure to price volatility and the risk of loss.

- Private Equity. The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded equity securities. In making private equity investments, PERA shall consider that private equity Investment Managers typically have concentrated portfolios and generate returns by making operational changes to the acquired businesses and often employ leverage to generate superior returns.

### Core Fixed Income

An appropriately diversified Fund should include, bonds, notes or other obligations of the U.S. government, its agencies, government-sponsored enterprises, corporations, or collateralized obligations, including but not limited to mortgages are targeted to achieve risk reduction and mitigation. In addition, these portfolios may include debt obligations of non-U.S. governmental or quasi-governmental entities and corporations with an investment grade rating, which may be denominated in foreign currencies.

### Credit

An appropriately diversified Fund should include, commensurate with market conditions, global credit investments to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. Credit investments shall be targeted to provide current income and total return with a strong focus on preservation of capital. In making these investments, PERA shall consider the potential volatility as compared to the Core Fixed Income allocation. PERA shall also consider credit investments that utilize leverage, shorting, derivatives, and illiquidity to generate greater risk-adjusted returns. Credit investments include similar types of securities as those in the Core Fixed Income allocation but may have different credit characteristics at the time of purchase.

### Absolute Return

An appropriately diversified Fund should include, commensurate with market conditions, an allocation of assets for absolute return investments to provide diversification and downside protection. PERA shall consider the absolute return allocation as a component of the total investment portfolio that provides lower expected volatility and a greater expectation for capital preservation through a more stable pattern of total returns. The absolute return allocation includes, but is not limited to, hedge fund strategies and other public markets investments that may utilize leverage and/or derivatives to generate a risk-adjusted return commensurate with investments employed within the Core Fixed Income and Credit allocations.

### Real Assets

An appropriately diversified Fund should include, commensurate with market conditions, investments in real assets to generate current income and provide capital appreciation. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a hedge against inflation. Real assets investments may include but are not limited to liquid and illiquid securities in real estate, infrastructure, commodities, natural resources, timber, agriculture and farmland. The real assets portfolio includes market-neutral strategies—these portfolios seek to avoid elevated exposure to broad market risk through the use of hedges. Market-neutral strategies shall target a zero correlation with broad market movements and provide diversification benefits for the total fund.

## **B. Other Investment Considerations**



The Board may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost and administrative complexity, authorize any investment except as otherwise expressly prohibited.

- Operating Cash Management. In order to mitigate risk and ensure liquidity, commensurate with market conditions, the services of the State Treasurer may be used for overnight investment of short-term assets. Use of a separate or commingled short-term investment fund administered by the Custodian Bank may be considered.
- Currency. As means to mitigate risk while realizing returns, PERA may consider active currency strategies that do not necessarily hedge existing international holdings, but instead, seek absolute return which may include leverage, cross-hedging, emerging markets, and interest- rate futures.
- Securities Lending with the Custodian Bank: The Board has authorized a securities lending program for all or any portion of the assets held as investments by PERA. Securities may only be loaned by the designated agent(s) by contracting for the temporary exchange of securities, for a specified fee or consideration for periods not to exceed one year, with broker-dealers, banks or other recognized institutional investors.
- Cash Overlay: Overlay strategies may be used to manage risk, asset allocation, and market exposures through futures, options, swap agreements, or forward agreements.

### Securities Regulations

PERA shall consider, based on market considerations, whether engagement of Investment Managers registered under the Investment Company Act of 1940 is appropriate. This Act governs the operations of investment companies and their managers. PERA should work with its Investment Consultants and Investment Managers to ensure compliance with all federal and state securities laws including, but not limited to, the Securities Act of 1933 and the Investment Advisers Act of 1940. PERA recognizes that such registration is not applicable to all investment strategies or to investment opportunities located outside the United States.

### Leverage

Leverage is implicit in many investment strategies and leverage in and of itself is not strictly prohibited so long as activities do not materially increase the risk level of the Plan. Leverage will be considered when deciding to retain an Investment Manager, and the Board, in conjunction with Staff, Investment Consultants, and Investment Managers, will avoid managers who employ unreasonable levels of leverage.

### Liquidity

The Fund must maintain an easily accessible balance of cash equivalents and other reasonably liquid assets for the purposes of meeting the financial obligations of the Fund. The Board will govern these liquidity requirements through the utilization of a structural hierarchy, which will classify asset classes according to liquidity availability and pricing sensitivity during market stress. Convertible Liquidity is defined as a level of access from asset classes that can be liquidated in a relatively short amount of time with minimal pricing impact. Delayed Liquidity will capture all remaining asset classes that can be sold, but at a greater expense and/or over a longer time frame. Within these two classifications asset classes will be further classified across tiered availability. Liquidity guidelines are listed in Appendix C, which is separately adopted by the Board.

### Derivatives

Investment Managers may use derivative instruments such as futures, options, swaps, and forwards, to implement investment strategies in a low cost, efficient manner or construct portfolios with risk and return characteristics that cannot be created with cash market securities. Derivatives may also be used

within the context of a cash overlay program. The cash overlay program, administered by an Investment Manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds.

### Reporting

Total Fund performance reporting will be formally presented to the Investment Committee quarterly and shall include comparative peer performance data, compiled by the Board Investment Strategic Consultant. Illiquid\_asset class performance reporting will be provided to the Investment Committee quarterly and formally presented no less than twice a year, reviewing the fiscal year end and calendar year end results. All reporting shall be published to the PERA website for public reference, on a timely basis, following quarterly review.

### **C. Prohibited Investments**

In accordance with UPIA guidelines, the Board, Staff, Investment Consultants, and Investment Managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

Investments precluded by law or regulation:

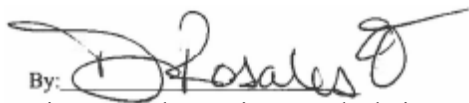
- Transactions that involve a broker acting as a "principal" where such broker is also the Investment Manager who is making the transaction are prohibited unless otherwise approved in each manager's respective PSA.
- Any other investments as specified in each Investment Manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

## **VII. REVIEW AND APPROVAL OF INVESTMENT POLICY**

The Board shall review the Policy on an annual basis to determine if modifications are necessary or desirable. It is expected that PERA Staff will review the Policy on an annual basis. Staff will recommend modifications as warranted. When modifications are made and approved by the Board, they shall be promptly communicated to all Investment Managers and other interested persons, as well as updated on the PERA website.

By signing this Investment Policy, the Board, through its Chair, indicates its agreement therewith.

Adopted: June 25, 1992  
Amended: September 14, 1993  
April 28, 1994  
September 28, 1995  
January 29, 1998  
March 23, 1998  
January 27, 2000  
September 26, 2002  
July 31, 2003  
October 31, 2003  
July 1, 2005  
September 28, 2005  
December 29, 2005  
July 27, 2006  
August 31, 2006  
September 28, 2006  
June 1, 2007  
August 30, 2007  
July 31, 2008  
June 24, 2010  
November 29, 2012  
August 28, 2014  
December 18, 2014  
September 24, 2015  
April 28, 2016  
December 14, 2017  
July 26, 2018  
April 30, 2020  
December 14, 2021  
October 27, 2022  
October 26, 2023  
December 12, 2023

By: 

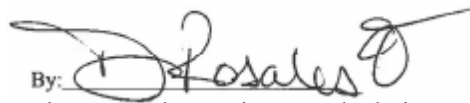
Diana Rosales Ortiz, Board Chair  
Public Employees' Retirement Association of New Mexico

## APPENDIX A. ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective: April 1, 2024

Asset Class	Lower Limit	Strategic Asset Allocation Target	Upper Limit
Global Equity	41%	46%	51%
Core Fixed Income	10%	13%	16%
Credit	13%	17%	21%
Absolute Return	3%	6%	9%
Real Assets	14%	18%	22%

Adopted: December 12, 2023

By: 

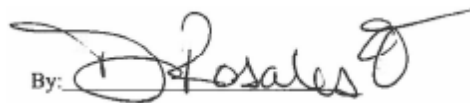
Diana Rosales Ortiz, Board Chair  
Public Employees' Retirement Association of New Mexico

## APPENDIX B. BENCHMARKS

Effective: April 1, 2024

<b>Global Equity</b>	<b>Weighted Benchmark</b>
Global Public Stock	MSCI ACWI IMI (\$net)
Private Equity	MSCI ACWI IMI (\$net)
<b>Core Fixed Income</b>	<b>Bloomberg U.S. Aggregate Bond Index</b>
Core Fixed Income	Bloomberg U.S. Aggregate Bond Index
<b>Credit</b>	<b>Weighted Benchmark</b>
Liquid Credit	Bloomberg High Yield 2% Issuer Constrained
Illiquid Credit	Morningstar LSTA Leveraged Loan Index
<b>Absolute Return</b>	<b>SOFR + 2.5%</b>
Hedge Funds	SOFR + 2.5%
<b>Real Assets</b>	<b>Weighted Benchmark</b>
Illiquid Real Estate	FTSE EPRA Nareit Global Equity Index
Illiquid Real Assets	S&P / Dow Jones Brookfield Global Infrastructure Index

Adopted: December 12, 2023

By: 

Diana Rosales Ortiz, Board Chair  
Public Employees' Retirement Association of New Mexico

## APPENDIX C. LIQUIDITY GUIDELINES

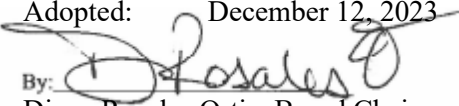
Effective: April 1, 2024

At no time shall Tier 1 assets fall below 10% of the total fund market value. For the purposes of liquidity, tier classifications and their corresponding asset classes are as follows:

Convertible Liquidity		
Tier 1	1-5 Day Liquidity	Core Fixed Income Cash and Cash Overlay
Tier 2	5-90 Day Liquidity	Global Public Stock Liquid Credit
Delayed Liquidity		
Tier 3	90-365 Day Liquidity	Hedge Funds
Tier 4	1 Year + Liquidity	Private Equity Illiquid Credit Illiquid Real Estate Illiquid Real Assets

Adopted: ~~December 12, 2023~~

By:

  
Diana Rosales Ortiz, Board Chair

Public Employees' Retirement Association of New Mexico

## **B. PERA INVESTMENT-RELATED STATUTES**

### **Uniform Prudent Investor Act (UPIA)**

Chapter 45. Uniform Probate Code  
Article 7. Trust Administration  
Part 6. Uniform Prudent Investor Act

#### **45-7-601. Short title.**

Sections 45-7-601 through 45-7-612 NMSA 1978 may be cited as the "Uniform Prudent Investor Act".

**History:** 1978 Comp., § 45-7-601, enacted by Laws 1995, ch. 210, § 82.

#### **45-7-602. Prudent investor rule.**

A. Except as otherwise provided in Subsection B of this section, a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

B. The prudent investor rule, a default rule, may be expanded, restricted, eliminated or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

**History:** 1978 Comp., § 45-7-602, enacted by Laws 1995, ch. 210, § 83.

#### **45-7-603. Standard of care; portfolio strategy; risk and return objectives.**

A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.

B. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

C. Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:

- (1) general economic conditions;
- (2) the possible effect of inflation or deflation;
- (3) the expected tax consequences of investment decisions or strategies;
- (4) the role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interest in closely held enterprises, tangible and intangible personal property and real property;
- (5) the expected total return from income and the appreciation of capital;
- (6) other resources of the beneficiaries;
- (7) needs for liquidity, regularity of income and preservation or appreciation of capital; and
- (8) an asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.

D. A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

E. A trustee may invest in any kind of property or type of investment consistent with the standards of the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

F. A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

**History:** 1978 Comp., § 45-7-603, enacted by Laws 1995, ch. 210, § 84.

#### **45-7-604. Diversification.**

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

**History:** 1978 Comp., § 45-7-604, enacted by Laws 1995, ch. 210, § 85.

#### **45-7-605. Duties at inception of trusteeship.**

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements and other circumstances of the trust, and with the requirements of the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

**History:** 1978 Comp., § 45-7-605, enacted by Laws 1995, ch. 210, § 86.

#### **45-7-606. Loyalty.**

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

**History:** 1978 Comp., § 45-7-606, enacted by Laws 1995, ch. 210, § 87.

#### **45-7-607. Impartiality.**

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

**History:** 1978 Comp., § 45-7-607, enacted by Laws 1995, ch. 210, § 88.

#### **45-7-608. Investment costs.**

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust and the skills of the trustee.

**History:** 1978 Comp., § 45-7-608, enacted by Laws 1995, ch. 210, § 89.

#### **45-7-609. Reviewing compliance.**

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

**History:** 1978 Comp., § 45-7-609, enacted by Laws 1995, ch. 210, § 90.



#### **45-7-610. Delegation of investment and management functions.**

A. A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill and caution in:

- (1) selecting an agent;
- (2) establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and
- (3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

B. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

C. A trustee who complies with the requirements of Subsection A of this section is not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.

D. By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this state, an agent submits to the jurisdiction of the courts of this state.

**History:** 1978 Comp., § 45-7-610, enacted by Laws 1995, ch. 210, § 91.

#### **45-7-611. Language invoking standard.**

The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978]: "investments permissible by law for investment of trust funds", "legal investments", "authorized investments", "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital", "prudent man rule", "prudent trustee rule", "prudent person rule" and "prudent investor rule".

**History:** 1978 Comp., § 45-7-611, enacted by Laws 1995, ch. 210, § 92.

#### **45-7-612. Application to existing trusts.**

The Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978] applies to trusts existing on and created after its effective date. As applied to trusts existing on its effective date, the Uniform Prudent Investor Act governs only decisions or actions occurring after that date.

**History:** 1978 Comp., § 45-7-612, enacted by Laws 1995, ch. 210, § 93.

**[end of Uniform Prudent Investors Act]**

## **Public Employees Retirement Act**

### Chapter 10. Public Officers

#### Article 11. Retirement of Public Officers and Employees Generally

#### **10-11-132. Investment of funds; prudent investor standard; indemnification of board members.**

The funds created by the state retirement system acts are trust funds of which the retirement board is trustee. Members of the retirement board jointly and individually shall be indemnified by the state from the funds administered by the retirement board from all claims, demands, suits, actions, damages, judgments, costs, charges and expenses, including court costs and attorney fees and against all liability losses and damages of any nature that members shall or may sustain by reason of any decision made in the performance of their duties pursuant to the state retirement system acts. The retirement board shall invest and reinvest the funds in accordance with the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].

**History:** Laws 1987, ch. 253, § 132; 1989, ch. 46, § 1; 1992, ch. 116, § 11; 1995, ch. 94, § 1; 1997, ch. 189, § 11; 2003, ch. 345, § 1; 2005, ch. 240, § 4.

#### **10-11-133. Investment of funds; prudent investor standard; conditions.**

- A. Commissions paid for the purchase and sale of any security shall not exceed brokerage rates prescribed and approved by stock exchanges that have been approved by or are under the control of the United States securities and exchange commission or by industry practice.
- B. The retirement board shall invest and manage the funds administered by the retirement board in accordance with the Uniform Prudent Investor Act [45-7-601 through 45-7-612 NMSA 1978].
- C. The retirement board shall provide quarterly performance reports to the legislative finance committee and the department of finance and administration. Annually, the retirement board shall ratify and provide its written investment policy, including any amendments, to the legislative finance committee and the department of finance and administration.
- D. Securities purchased with money from or held for any fund administered by the retirement board and for which the retirement board is trustee shall be in the custody of the state treasurer who shall, at the direction of the retirement board, deposit with a bank or trust company the securities for safekeeping or servicing.
- E. The retirement board may consult with the state investment council or state investment officer and request information or advice with respect to the retirement board's overall investment plan, may utilize the services of the state investment council and state investment officer and may act on their advice concerning the plan. The state investment council and state investment officer shall render investment services to the retirement board without expense to the retirement board. The retirement board may also employ the investment management services and related management services of a trust company or national bank exercising trust powers or of an investment counseling firm or brokers for the purchase and sale of securities, commission recapture and transitioning services and may pay reasonable compensation for such services from funds administered by the retirement board. The terms

of any such investment management services contract shall incorporate the statutory requirements for investment of funds under the retirement board's jurisdiction.

- F. The retirement board shall annually provide for its members no less than eight hours of training in pension fund investing, fiduciary obligations or ethics. A member elected to the retirement board who fails to attend the training for two consecutive years shall be deemed to have resigned from the retirement board.
- G. Except as provided in the Public Employees Retirement Act, a member of the retirement board, employee of the retirement board or any person connected with the retirement board in any manner shall not:
  - (1) have any direct or indirect interest in the gains or profits of any investment made by the retirement board;
  - (2) receive any direct or indirect pay or emolument for services provided to the retirement board or the association;
  - (3) directly or indirectly, for the member, employee or person, for themselves or as agent or partner of others, borrow any of the funds or deposits of the association or in any manner use them except to make current and necessary payments authorized by the retirement board; or
  - (4) become an endorser or surety or become in any manner an obligor for money of the retirement board loaned or borrowed.

**History:** Laws 1987, ch. 253, § 133; 1989, ch. 46, § 2; 1992, ch. 116, § 12; 2005, ch. 240, § 5; 2009, ch. 288, § 11.

#### **10-11-133.1. Disclosure of third-party marketers; penalty.**

- A. The retirement board shall not make any investment, other than investments in publicly traded equities or publicly traded fixed-income securities, unless the recipient of the investment discloses the identity of any third-party marketer who rendered services on behalf of the recipient in obtaining the investment and also discloses the amount of any fee, commission or retainer paid to the third-party marketer for the services rendered.
- B. Information disclosed pursuant to Subsection A of this section shall be included in the quarterly performance reports of the retirement board.
- C. Any person who knowingly withholds information required by Subsection A of this section is guilty of a fourth-degree felony and shall be punished by a fine of not more than twenty thousand dollars (\$20,000) or by imprisonment for a definite term not to exceed eighteen months or both.
- D. As used in this section, "third-party marketer" means a person who, on behalf of an investment fund manager or other person seeking an investment from the fund and under a written or implied agreement, receives a fee, commission or retainer for such services from the person seeking an investment from the fund.

**History:** Laws 2009, ch. 152, § 2.

**[End of PERA Act]**

## **C. PERA INVESTMENT-RELATED ADMINISTRATIVE RULES**

Link: <https://www.srca.nm.gov/parts/title02/02.080.0300.html>

### **TITLE 2 PUBLIC FINANCE**

#### **CHAPTER 80 PUBLIC EMPLOYEES RETIREMENT**

##### **PART 300 INVESTMENT POLICIES AND PRACTICES**

**2.80.300.1 ISSUING AGENCY:** Public Employees Retirement Association, P. O. Box 2123, Santa Fe, New Mexico 87504-2123

[10-15-97; 2.80.300.1 NMAC - Rn, 2 NMAC 80.300.1, 12-28-00]

**2.80.300.2 SCOPE:** This rule applies to the public employees retirement board and its investment managers and brokerage firms.

[10-15-97; 2.80.300.2 NMAC - Rn, 2 NMAC 80.300.2, 12-28-00]

**2.80.300.3 STATUTORY AUTHORITY:** This rule is authorized by NMSA 1978, Sections 10-11-130, 10-11-132, 10-11-133 and 10-11-133.1, as amended.

[10-15-97; 2.80.300.3 NMAC - Rn, 2 NMAC 80.300.3, 12-28-00; A, 9-30-10]

**2.80.300.4 DURATION:** Permanent.

[10-15-97; 2.80.300.4 NMAC - Rn, 2 NMAC 80.300.4, 12-28-00]

**2.80.300.5 EFFECTIVE DATE:** May 4, 1994 unless a different date is cited at the end of a section.

[10-15-97; 2.80.300.5 NMAC - Rn, 2 NMAC 80.300.5, 12-28-00]

**2.80.300.6 OBJECTIVE:** The objective of this rule is to set the public employees retirement board's investment policy for investments of funds under NMSA 1978, Sections 10-11-132 and 10-11-133, as amended.

[10-15-97; 2.80.300.6 NMAC - A, 2 NMAC 80.300.6, 12-28-01; A, 8-15-01]

**2.80.300.7 DEFINITIONS:** [Reserved]

[2.80.300.7 NMAC - A, 2 NMAC 80.300.7, 12-28-00]

**2.80.300.8 - 9** [Reserved]

**2.80.300.10 INVESTMENT COMMITTEE:** [Reserved]

[2.80.300.10 NMAC - A, 2 NMAC 80.300.10, 12-28-00]

**2.80.300.11 - 19** [Reserved]

**2.80.300.20 MANAGEMENT AND PHILOSOPHY:** [Reserved]

[2.80.300.20 NMAC - A, 2 NMAC 80.300.20, 12-28-00]

**2.80.300.21 - 29** [Reserved]

**2.80.300.30 BEST EXECUTION AND BEST PRICE**

A. Statement of policy: The New Mexico public employees retirement board adopts the following statement as its policy with respect to securities transactions of the PERA investment funds.

(1) The board serves as trustee of the retirement funds created under the Public Employees Retirement Act, NMSA 1978, Section 10-11-1 et seq.; the Judicial Retirement Act, NMSA 1978, Section 10-12B-1 et seq.; the Magistrate Retirement Act, NMSA 1978, Section 10-12C-1 et seq.; and the Volunteer Firefighters Retirement Act, NMSA 1978, Section 10-11A-1 et seq.

(2) As trustee of these funds, the board has a fiduciary responsibility to invest these funds solely in the interest of the members, retirees, and beneficiaries and exclusively to provide benefits to the members, retirees, and beneficiaries and to pay reasonable administrative costs. The board also has a fiduciary obligation to give primacy to the preservation of trust funds and to insure the procurement of a reasonable income while avoiding undue investment risks.

(3) The board has delegated the investment of the funds under its jurisdiction to external investment managers.

(4) By contractual agreement, the board has delegated to its investment managers full discretion with regard to securities transactions so long as they conform to New Mexico state statutes, the PERA investment policy and the specific PERA investment objectives and guidelines for each particular investment portfolio.

(5) Both by contract and by virtue of common law trust principles, the investment managers serve as fiduciaries to PERA and must at all times act in a fiduciary capacity to PERA and the investment accounts assigned to them.

(6) As fiduciaries of the funds, both the board and its investment managers are obligated to require that all securities transactions be made on the basis of best execution under the circumstances at the lowest available price.

(7) The board's policy is that all securities transactions shall be executed on the basis of best execution under the circumstances at the lowest available price and that all investment decisions shall be made solely for the benefit of the members, retirees and their beneficiaries.

B. [Reserved]

[10-15-97; 2.80.300.30 NMAC - Rn & A, 2 NMAC 80.300.30, 12-28-00; A, 8-15-01, A, 9-30-10]

**HISTORY of 2.80.300 NMAC:**

**Pre-NMAC History:** The material in this part was derived from the previously filed with the State Records Center and Archives under: Rule 300.00, Investment Policies and Practices, filed on 10-4-79; PERA Rule 300.00, Investment Policies and Practices, filed on 11-19-81; PERA Rule 300, Investment Policies and Practices, filed on 7-1-91; PERA Rule 300, Investment Policies and Practices, filed on 5-4-94.

**THE PUBLIC EMPLOYEES’  
RETIREMENT ASSOCIATION  
OF  
NEW MEXICO**



**INVESTED IN TOMORROW.**

**PROCUREMENT  
PROCEDURES FOR  
INVESTMENT-RELATED  
SERVICES**

Revised: May 30, 2019

# Procurement Procedure for Investment-Related Services

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## 1. **Scope**

This Procurement Procedure for Investment-Related Services (this “Procedure”) sets forth the procedures and guidelines by which Public Employees Retirement Association of New Mexico (“PERA”) shall procure investment-related services and tangible goods that are adjunct to those services. This Procedure also applies to procurement of certain services for the PERA Fund and the PERA SmartSave Deferred Compensation Plan.

Pursuant to [NMSA 1978, Section 13-1-98\(CC\) \(2015\)](#), PERA is exempt from the Procurement Code ([NMSA 1978, Sections 13-1-28 through 13-1-199](#)) for all contracts for investment advisory services, investment management services or other investment-related services.

This Procedure does not apply to the procurement of tangible goods and services purchased through State of New Mexico statewide purchasing agreements or otherwise required for the administration of PERA investments.

Members of the Board and PERA employees are subject to the Governmental Conduct Act, [NMSA 1978, Sections 10-16-1 through 10-16-18](#), and the PERA prohibition on gifts and contributions, as explained in more detail in Section 19.

## 2. **Purpose**

The Public Employees Retirement Board (“the Board”) adopts this Procedure: 1) to provide an open and fair competitive process to acquire competent and qualified investment-related consultant and manager services and other investment-related services; 2) to allow PERA to respond to unacceptable performance and market changes in a flexible, efficient, and timely manner; and 3) to comply with all relevant laws, statutes, ethical codes of conduct, and other applicable policies adopted by the Board.

## 3. **Legal Authority**

PERA operates under the authority of the Public Employees Retirement Act of New Mexico, [NMSA 1978, Sections 10-11-1 to 10-11-142](#), as amended, the Volunteer Firefighters Retirement Act, [NMSA 1978, Sections 10-11A-1 to 10-11A-8](#), as amended, the Judicial Retirement Act, [NMSA 1978, Sections 10-12B-1 to 10-12B-19](#), as amended, the Magistrate Retirement Act, [NMSA 1978, Sections 10-12C-1 to 10-12C-18](#), as amended, the Public Employees Reciprocity Act, [NMSA 1978, Sections 10-13A-1 to 10-13A-4](#), and the State of New Mexico Deferred Compensation Act, [NMSA 1978, Sections 10-7A-1 through 10-7A-12](#), as amended, as well as other federal and New Mexico laws relating to qualified governmental plans.

## 4. **Services Subject to the Procedure**

This Procedure applies to the procurement of the services of the Board Investment Strategic Consultant, CIO Investment Consultants, Investment Consultants for the SmartSave Plan, Investment Managers for Liquid Investments and Illiquid Investments, and other investment-related services in

accordance with the legal authorities described in Section 3 of this Procedure, the Investment Policy, and the Investment Policy for the PERA SmartSave Deferred Compensation Plan. As required by the Investment Policy, the Board, the Investment Committee, the Chief Investment Officer, PERA employees, and service providers selected under this Procedure shall be disciplined in adhering to the Investment Policy including applicable investment criteria. An investment consultant or investment manager selected pursuant to this Procedure shall agree contractually to serve PERA and the Board as a fiduciary in accordance with all applicable federal and New Mexico law that provide for the fiduciary duties and obligations of PERA or the PERA Board.

This Procedure also governs procurement of external investment-related legal services through the General Counsel. PERA retains the services of external legal counsel for investment-related advice and to review and negotiate terms and provisions of Liquid Investment and Illiquid Investment documents. The use of external counsel is prudent and necessary due to rapid changes in regulation of global Liquid Investments and Illiquid Investments and the knowledge and experience of external counsel regarding the legal issues arising from those Investments. Providers of investment-legal services selected pursuant to this Procedure serve PERA in accordance with the applicable codes of professional responsibility and fiduciary laws applicable to PERA.

In addition, this Procedure governs procurement of other investment-related services that are necessary and appropriate to PERA's investment program such as transition managers, cash overlay managers, other specialty investment managers, custodial banking services, brokers, and other counter-parties.

Investment-related service providers are defined in the following section.

## **5. Definitions**

“Board Investment Strategic Consultant” means the Third-Party Service Provider explained on page 3 of the Investment Policy that “provide[s] advice and recommendations to the Board or [Investment] Committee regarding its strategic objectives, risk budget, and oversight and implementation of principal investment objectives.” The Board Investment Strategic Consultant also advises and confers with the Chief Investment Officer.

“CIO Investment Consultant” means an investment advisor other than the Board Investment Strategic Consultant that provides advice and recommendations to the Chief Investment Officer regarding selection of Investment Managers for Liquid Investments or Illiquid Investments.

“Corrupt Practice” is defined as offering, giving, soliciting, or receiving anything of value to influence the action of a public official or employee, or threatening injury, harm or retaliation to

any person or their property, position or reputation in connection with any procurement in order to obtain or retain business or any other advantage in the conduct of business.

“Emergency” means an unexpected circumstance that requires a rapid decision to prevent a significant financial loss where the normal processes required in this Procedure would not prevent or avoid such

loss. Poor performance by a service provider is not to be considered an Emergency. By way of example, an Emergency can include, although it is not limited to, the departure of an Investment Manager or other key personnel from a service provider without notice, SEC investigation or action against a service provider or individuals with a service provider, or a service provider's unexpected loss of its organizational capabilities.

“External Legal Counsel” means legal counsel retained to advise the General Counsel and Chief Investment Officer about all legal aspects of investment transactions undertaken for PERA, including but not limited to preparation and negotiation of investment contracts, the rights, obligations, and liabilities arising under applicable domestic and international securities laws, securities brokerage and trading laws, and laws pertaining to the organization, operation, and governance of the legal entities through which investments are made.

“Fraudulent Practice” means misrepresenting or omitting any material fact in order to influence or make a procurement.

“Fund” means the “trust funds” referred to in Article XX, Section 22 (A) of the New Mexico Constitution and as the term is used in the Investment Policy.

“Illiquid Investment” means an investment in global securities or other assets that cannot easily be sold or exchanged for cash without a substantial loss in value. As explained in the Investment Policy, an investment strategy involving these assets include illiquid equities (hedged and private equity), illiquid credit (private and distressed debt and hedged credit) and illiquid real assets (illiquid real estate, illiquid real assets and market-neutral strategies). Illiquid Investments generally target long-term return objectives. These assets are designed to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. Illiquid Investments are usually made outside of public securities exchanges by acquiring an interest in a limited partnership, limited liability company, fund of one, separate account, dedicated managed account, commingled fund, offshore entity, or similar investment vehicle, as appropriate for the individual investment. Illiquid Investments were typically referred to as alternative assets in prior versions of this Procedure.

“Incumbent Provider” means a service provider that is a party to a valid contractual relationship for providing investment-related services under a professional services agreement with PERA.

“Investment Committee” means the Committee of the same name established by the Board ([see NMAC 2.80.200.50 \(A\)\(5\)](#)) to assist in carrying out its duties and means the same as the term used in the Investment Policy.

“Investment Manager” means an entity and its agents that provide investment management services for Liquid Investments and Illiquid Investments.

“Investment Policy” means the PERA Investment Policy.

“Liquid Investment” means an investment in securities and other assets that are typically traded on public exchanges and can be converted into cash quickly and with minimal impact to the price

received. These assets are identified in the Investment Policy. As explained in the Investment Policy, Liquid Investments include global equities (public and low volatility equities), risk reduction and mitigation strategies (public domestic and global core bonds), credit (public high yield and emerging market debt), and real assets (liquid real estate and liquid real assets). Liquid Investments were typically referred to as traditional assets in prior versions of this Procedure.

“Offeror” means any person or persons responding to a Request for Proposal or a Request for Information.

“Other Service Provider” means a provider of investment-related services and its agents, other than those defined in this Procedure which typically provide services related to execution of investment decisions and custody of PERA assets such as brokers, counterparties, custodial banks, liquidation agents, and valuation agents.

“Runner-Up” means one or more Offerors not initially selected for award but qualified for award by meeting or complying with all mandatory criteria and formally designated as a Runner-Up by the evaluation committee.

“Small Purchase” means the procurement of investment-related services for total compensation that does not exceed fifty-thousand dollars (\$50,000.00). For purposes of this Procedure, a Small Purchase procurement includes investment-related services or tangible property ancillary to investment services, but does not include performance-fee compensation contracts for investment management services.

“SmartSave Investment Consultant” means the “Investment Consultant” defined on page 1 of the Investment Policy for the PERA SmartSave Deferred Compensation Plan that serves as “the principal investment consultant selected by the Board from time to time to advise the Board about the investment functions of the Plan.”

“Strategic Asset Allocation” means the strategic allocation target established by the Board and as the term is used in the Investment Policy.

“Third-Party Administrator” means the Deferred Compensation Carrier that performs recordkeeping and other functions of the Third-Party Administrator described in the Plan Document and means the same as the term defined in the Investment Policy for the PERA SmartSave Deferred Compensation Plan.

## **6. Selection of Solicitation Process**

Except as otherwise provided in this Procedure, procurement of investment-related services by PERA shall be achieved by a competitive Request for Proposals process (“RFP”) or Request for Information process (“RFI”) in accordance with this Procedure.

### **a. Election of RFP or RFI Process**

An RFP shall be used for procurement of the services of the Board Investment Strategic Consultant, the SmartSave Investment Consultant, CIO Investment Consultant, and the Third-Party Administrator.

Either the RFP or an RFI may be used for procurement of Investment Manager services for Liquid Investments, External Legal Counsel, or an Other Service Provider.

To determine whether to use the RFP and/or RFI, the Chief Investment Officer or the General Counsel, as appropriate, shall consider material factors including, but not limited to: 1) the number of service providers capable of providing the service; 2) the mandate being considered for procurement; 3) the nature of the services being procured; and 4) the relative weight to be given to pricing in making the selection. PERA shall maintain written documentation of each procurement consistent with applicable record retention policies and procedures.

**b. Selections Exempt from the RFP or RFI Process**

Competitive procurement through the RFP or RFI process is not necessary under any of the following circumstances:

- i. Procurement is for the services of an Investment Manager for an Illiquid Investment;
- ii. Procurement is for the services of an Investment Manager for a Liquid Investment for the PERA SmartSave Deferred Compensation Plan and that the selection may proceed in accordance with the Selection Procedure for investment managers set forth in the Investment Policy for the PERA SmartSave Deferred Compensation Plan.
- iii. Extension of a Contract. The Chief Investment Officer in consultation with the Executive Director may approve extension of a contract awarded through an RFP or RFI process for a given mandate for an incumbent Investment Manager for Liquid Investments that is currently providing satisfactory service for the same or substantially similar mandate on the equivalent or better terms to PERA. The Chief Investment Officer shall consider whether extension of the contract is prudent based on: i) the existing market conditions; ii) the terms, structure, and objectives of the investment, and; iii) the availability of qualified Offerors. Except for a contract for custodial banking services, the term of any such extension shall be for no more than (4) years unless the Chief Investment Officer concludes that a longer or indefinite term is prudent based on the considerations set forth in the previous sentence. A contract for custodial banking services may be extended for an unlimited time. This exemption shall be exercised by PERA by no less than thirty (30) days prior to the expiring term of the current contract;
- iv. Termination and Transition. In the event that the Chief Investment Officer terminates a contract for Investment Manager services for Liquid Investments, the Chief Investment Officer in consultation with the Executive Director may approve a new or amended contract for the transition of the assets subject to the terminated contract to another Incumbent Provider who: i) is currently providing satisfactory investment management services under a contract

awarded through an RFP or RFI process; and ii) is qualified to provide services for the asset class described in the terminated contract. The new or amended contract should be negotiated in connection with the transitioning of assets on equivalent or better terms to PERA. The term of the contract awarded under this paragraph shall be for no longer than four (4) years except as otherwise deemed prudent by the Chief Investment Officer based on the considerations set forth in paragraph 6(b)(iii);

- v. In the event that solicitation of qualified service providers is deemed to be impracticable, the Chief Investment Officer in consultation with the Executive Director may approve contracting with an Incumbent Provider or Investment Manager services for Liquid Investments that is currently providing satisfactory service under a contract that is the result of a RFP or RFI process, for the provision of services or a mandate not provided by an Incumbent Provider under an existing contract. The term of the contract awarded under this paragraph shall be for no more than four (4) years except as otherwise deemed prudent by the Chief Investment Officer based on the considerations set forth in paragraph 6(b)(iii);
- vi. The selection of an investment manager or investment option for the PERA SmartSave Deferred Compensation Plan as provided by the Investment Policy for the PERA SmartSave Deferred Compensation Plan.
- vii. Determination by the Chief Investment Officer in consultation with the Executive Director that the procurement is a Small Purchase procurement as defined in this Procedure; or
- viii. Determination by the Chief Investment Officer in consultation with the Executive Director that the procurement meets the requirements of an Emergency procurement as defined in this Procedure. Performance under any contract awarded under this paragraph shall be reviewed by the Chief Investment Officer in consultation with the Executive Director within twelve (12) months. In no event, however, shall the term of the contract awarded under this paragraph, including any and all extensions, exceed two (2) years. A contract awarded pursuant to this paragraph does not qualify for the other exceptions to competitive procurement set forth in this section.

## **7. Exemption from the RFP and RFI Processes—Criteria for Identification of Illiquid Investments**

### **a. Categories of Illiquid Investments**

Illiquid Investments principally involve direct investments in funds or other investment vehicles that acquire, hold, sell, and finance portfolio companies and other assets. For the purposes of the exceptions identified in Section 6, Illiquid Investments are defined as provided in Section 5 of this Procedure and in the Investment Policy. The asset types identified in the definition are further explained as follows:

- i. Illiquid Global Equities – Illiquid forms of global equities include private equity and hedge equity. The objective of the private equity allocation is to capture a premium from making

long-term, Illiquid Investments in predominantly non-publicly traded equity securities. Hedged equity investments look to reduce broad market risks to isolate security-specific returns. These vehicles will utilize long and short positions along with leverage to accomplish their investment objectives.

- ii. Illiquid Credit – Illiquid forms of credit include strategies in which the underlying debt securities trade infrequently or with a negotiated price as well as hedged credit strategies. The objective of illiquid credit strategies (such as distressed and private debt) is to capture a premium from making long-term, Illiquid Investments through non-public or negotiated transactions. Hedged credit strategies use leverage, shorting, and derivatives to generate greater risk-adjusted returns.
- iii. Illiquid Real Assets – Illiquid forms of real assets include private real assets, private real estate and market neutral strategies. The objective of private real assets and private real estate strategies is to capture a premium from making long-term, Illiquid Investments in predominantly non-publicly traded securities. Market neutral strategies target a zero correlation with broad market movements.

**b. Considerations, Criteria, and Process for Selection of Illiquid Investments**

The Chief Investment Officer is responsible for selection of Illiquid Investments, and may elect to use the services of the Board Investment Strategic Consultant and the CIO Investment Consultant to review and analyze the most appropriate investments from a comprehensive universe of investment opportunities.

The Chief Investment Officer shall consider the strategic objectives of the Board set forth in the Investment Policy and the legal and economic terms of an Illiquid Investment. Illiquid Investments shall be subject to due diligence analysis by PERA employees and an investment consultant sufficient to demonstrate the prudence of the investment. A report of the due diligence analysis and a complete evaluation of how the investment is expected to achieve the strategic objectives of the Board shall be presented to the Chief Investment Officer who shall have final authority to evaluate, select, monitor, and terminate Illiquid Investment Managers and investment vehicles in accordance with the terms of their contracts.

When evaluating a prospective Investment Manager for Illiquid Investments, the Chief Investment Officer shall manage operational and investment due diligence review to implement the objectives and considerations set forth in the Investment Policy and complimentary industry norms that include, but are not limited to, the following considerations:

- i. the prospective Investment Manager’s organization and stability;
- ii. the track record of the prospective Investment Manager;
- iii. the qualifications, experience, and retention of the prospective Investment Manager’s key personnel;
- iv. the proposed investment strategy including the bases of anticipated returns;

- v. the timing and structure of distributions;
- vi. fees and total costs;
- vii. the portfolio need and diversification benefits of the proposed investment strategy; and,
- viii. the sufficiency of legal and economic terms governing the investment strategy of prospective Investment Manager.

The General Counsel with the assistance of External Legal Counsel as the General Counsel may deem appropriate, shall review investment materials and information and advise the Chief Investment Officer about the favorability, legal risks, and sufficiency of the terms and provisions of an investment in accordance with the Investment Policy, applicable law, and generally accepted legal standards for private investments. The General Counsel negotiates the legal terms and provisions of an investment in consultation with the Chief Investment Officer.

## **8. Public Notice**

Except for an Emergency procurement, notice of an RFP shall be published at least twenty-one (21) calendar days prior to the date set for opening of responses. Notices referred to in this Procedure may be published or furnished electronically, in print, or both at the Chief Investment Officer's discretion. Notice shall be posted on PERA's website and disseminated through media and other channels in a manner and as necessary to provide commercially reasonable notice to interested and qualified Offerors. Notice may be published in newspapers and/or trade journals in this or any other state, and internationally. In addition, PERA may provide notice directly to persons or businesses identified through prior solicitations, independent investment services, and through other information available in the investment industry.

## **9. Procurement Processes<sup>1</sup>**

### **a. The RFP Process—Initiation and Selection**

- i. Board Investment Strategic Consultant, CIO Investment Consultants, SmartSave Investment Consultant, and the Third Party Administrator
  - Issuance of an RFP for the Board Investment Strategic Consultant, CIO Investment Consultants, SmartSave Investment Consultant, and the Third Party Administrator shall be approved by the Board.
  - Selection of the Board Investment Strategic Consultant, CIO Investment Consultant, SmartSave Investment Consultant, and the Third Party Administrator, is subject to final approval of the Board in accordance with this Procedure.

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<sup>1</sup> See, Appendix 1, Decision Matrix



- ii. Liquid Investment Managers, and Other Service Providers
  - Issuance of an RFP for Investment Manager services for Liquid Investments, and for Other Service Providers shall be by the Chief Investment Officer. Notice shall be provided to the Investment Committee at the first meeting following the issuance of the RFP.
  - Selection of Investment Manager services for Liquid Investments, and Other Service Providers through the RFP process shall be by the Chief Investment Officer in consultation with the Executive Director. Notice shall be provided to the Investment Committee at the first meeting following the approval.
- iii. External Legal Counsel
  - Issuance of an RFP for External Legal Counsel shall be by the General Counsel in consultation with the Executive Director, after prior notice to the Investment Committee.
  - Selection of External Legal Counsel through the RFP process shall be by the Executive Director in consultation with the General Counsel. Notice shall be provided to the Investment Committee at the first meeting following the issuance of the selection.

**b. The RFP Process—Terms of Solicitation**

RFPs shall contain, as appropriate:

- i. specifications of the services to be procured including clearly identified "minimum" and "preferred" (discretionary) criteria and/or minimum mandatory qualifications for prospective Offerors;
- ii. the term of a contract for the Board Investment Strategic Consultant, the SmartSave Investment Consultant, CIO Investment Consultant, Other Service Provider, (other than a custody bank), and Third-Party Administrator, shall be appropriate for the scope of services, but shall not to exceed eight (8) years;
- iii. the term of a contract for liquid Investment Manager services shall be appropriate for the proposed mandate, but should not exceed eight (8) years unless the Chief Investment Officer in consultation with the Executive Director concludes that a longer or indefinite term is appropriate based on the structure and objectives of the investment;
- iv. reference to [NMSA 1978, § 10-11-133.1](#) which provides for disclosure of the identity and fees paid to any third-party marketer;
- v. a contract for custodial banking services may be for an indefinite term, provided it is terminable at will by PERA on reasonable notice;
- vi. description of PERA's mandatory contract terms that are appropriate for the services procured, including but not limited to a term stating that the contractor accepts fiduciary status with respect to assets managed on behalf of PERA;
- vii. a proposal for compensation for the services to be procured;

- viii. the location and means of submittal of responses. Each RFP shall state that PERA shall have no responsibility or obligation to accept responses that are not submitted in accordance with the solicitation or to provide for redelivery of the same;
- ix. the deadline for receipt of proposals including the calendar date and the time. A deadline for receipt of proposals for solicitation of the Board Investment Strategic Consultant, CIO Investment Consultant, SmartSave Investment Consultant, and the Third-Party Administrator may be extended by the Board on the request of the Chief Investment Officer, to accommodate unforeseen circumstances outside of the control of an Offeror. A deadline for receipt of proposals for Investment Manager services for Liquid Investments, External Legal Counsel, or Other Service Provider may be extended the Chief Investment Officer, or the General Counsel, as appropriate, to accommodate unforeseen circumstances outside of the control of an Offeror. Any such extension must be requested and approved, with notice given to prospective Offerors within a reasonable time;
- x. a statement notifying Offerors as follows:
 

“That during the process leading to an award of any contract by PERA, no member of the Board or PERA employee shall knowingly communicate concerning any matter relating to the contract or selection process with any party financially interested in the contract, or an officer or employee of that party, unless the communication is: (1) part of the process expressly described in the request for proposal or other solicitation invitation; or (2) part of a noticed Board meeting; or (3) as provided below. Any applicant or bidder who knowingly participates in a communication that is prohibited by this paragraph shall be disqualified from the contract award.

The procedures and prohibitions prescribed by this section shall not apply to: (1) communications that are incidental, exclusively social, and do not involve PERA or its business, or the Board or PERA employee’s role as a PERA official; or (2) communications that do not involve PERA or its business and that are within the scope of the Board or PERA employee’s private business or public office wholly unrelated to PERA.”
- xi. a proposal cover sheet, to be completed and signed by the Offeror and submitted electronically;
- xii. a description of a formal question and answer process;
- xiii. the selection criteria and/or qualifications in the evaluation of the responses;
- xiv. citation to applicable statutes, rules and policies;
- xv. an agreement that the proposal is not confidential and is considered to be a public record; and
- xvi. any other information the Chief Investment Officer or the General Counsel believes will be useful in procuring the services sought to be procured.

Subject to appropriate and timely notification of Offerors, RFPs may be modified or amended prior to the selection for the limited purposes of:

- i. clarifying or correcting errors or defects; or

- ii. . modifying the schedule for the submission of responses and the deadline for receipt of responses.

The requirement for notice of amendment of an RFP shall be:

- i. in the form and manner of the initial RFP if it occurs before the deadline for receipt of responses; and
- ii. by written notice to all Offerors if it occurs after the deadline for receipt of responses.

c. **The RFI Process—Initiation and Selection**

i. Liquid Investment Managers and Other Service Providers

- Issuance of an RFI for Investment Manager services for Liquid Investments and for Other Service Providers shall be by the Chief Investment Officer. Notice shall be provided to the Investment Committee at the first meeting following the issuance of the RFI.
- Selection of an Investment Manager for Liquid Investments and Other Service Providers through the RFI process shall be by of the Chief Investment Officer in consultation with Executive Director. Notice shall be provided to the Investment Committee at the first meeting following the issuance of the selection.

ii. External Legal Counsel

- Issuance of an RFI for External Legal Counsel shall be by the General Counsel in consultation with the Executive Director, after prior notice is provided to the Investment Committee.
- Selection of External Legal Counsel shall be by the Executive Director in consultation with the General Counsel. Notice shall be provided at the first meeting of the Investment Committee following the selection.

d. **The RFI Process—Considerations for Solicitation**

The following considerations apply to an RFI undertaken under this Procedure:

- i. notice of the solicitation shall be provided to potentially qualified service providers that have been identified through the means described in the last sentence of Section 8 of this Procedure;
- ii. the solicitation shall include a reference to [NMSA 1978, § 10-11-133.1](#) which provides for disclosure of the identity and fees paid to any third-party marketer;
- iii. description of PERA’s mandatory contract terms that are appropriate for the services procured, including but not limited to a term stating that the contractor accepts fiduciary status with respect to assets managed on behalf of PERA;
- iv. a proposal for compensation for the services to be procured;

- v. a statement notifying Offerors as follows:

“That during the process leading to an award of any contract by PERA, no member of the Board or PERA employee shall knowingly communicate concerning any matter relating to the contract or selection process with any party financially interested in the contract, or an officer or employee of that party, unless the communication is: (1) part of the process expressly described in the request for proposal or other solicitation invitation; or (2) part of a noticed Board meeting; or (3) as provided below. Any applicant or bidder who knowingly participates in a communication that is prohibited by this paragraph shall be disqualified from the contract award.

The procedures and prohibitions prescribed by this section shall not apply to: (1) communications that are incidental, exclusively social, and do not involve PERA or its business, or the Board or PERA employee’s role as a PERA official; or (2) communications that do not involve PERA or its business and that are within the scope of the Board or PERA employee’s private business or public office wholly unrelated to PERA.”

- vi. analytical software and comprehensive databases will be used in an unbiased and fair manner to research, evaluate and compare Offerors;
- vii. Offerors may reply to the RFI by submitting information about the services they supply and the price at which those services would be provided;
- viii. the Chief Investment Officer in consultation with the Board Investment Strategic Consultant may review proposals and negotiate with one or more of the Offerors to obtain the highest quality of services at the most reasonable price;
- ix. the term of a contract for Investment Manager services for Liquid Investments shall be appropriate for the proposed mandate, but should not exceed eight (8) years unless with the Chief Investment Officer concludes that a longer or indefinite term is appropriate based on the structure and objectives of the investment;
- x. the term of a contract for an Other Service Provider (except for custodial banking services) or External Legal Counsel shall be appropriate for the scope of services, but shall not to exceed eight (8) years, and;
- xi. an agreement that the proposal is not confidential and is considered to be a public record; and,
- xii. a contract for custodial banking services may be for an indefinite term, provided it is terminable at will by PERA on reasonable notice.

#### **10. Sufficiency of Responses to RFPs and RFIs**

Responses received after the deadline will be rejected.

Responses shall not be corrected or modified after submittal.

Responses and Offerors that fail to meet all mandatory requirements shall be rejected. Responses must include a proposal cover sheet, which has been fully completed, signed and submitted electronically on or before the deadline for responses to the RFP or RFI.

Telephone and other types of inquiries concerning the proposal, outside the formal question and answer process, shall be discouraged.

Successful Offerors and Runners-Up shall meet or comply with all minimum criteria and/or qualifications.

## **11. Selection Criteria**

Selection criteria shall be appropriate for the proposed scope of services or investment mandate and the applicable PERA investment policy as determined by the Chief Investment Officer and the General Counsel, as applicable.

PERA may use internet-based or analytic software applications and comprehensive databases to research, evaluate, compare and select investment products across asset classes and vehicle types.

## **12. Evaluation of Proposals**

The Chief Investment Officer, in consultation with one or more investment consultants shall evaluate and approve the selection of service providers through an RFP or RFI process.

### **a. Board Investment Strategic Consultant, SmartSave Investment Consultant, and Third Party Administrator**

The Board Chair, with the advice of the Investment Committee Chair and the Chief Investment Officer, shall appoint an evaluation committee for each RFP for the Board Investment Strategic Consultant, a CIO Investment Consultant, SmartSave Investment Consultant, and Third Party Administrator. The designation of the evaluation committee is at the discretion of the Board Chair and may include members of the Board, the Executive Director, the Chief Investment Officer, the General Counsel, and PERA employees. Appointed Board members shall participate as voting members of the evaluation committee for the Board's Investment Strategic Consultant and the Third Party Administrator.

The Board, in consultation with the Executive Director, the Chief Investment Officer, or the General Counsel, as appropriate, shall approve the successful Offeror or Offerors for the Board's Investment Strategic Consultant, a CIO Investment Consultant, the SmartSave Investment Consultant, and the Third-Party Administrator under the RFP process based on the recommendation of the evaluation committee.

### **b. Investment Managers for Liquid Investments, External Legal Counsel, and Other Service Provider**

For procurement of Investment Managers for Liquid Investments, External Legal Counsel, and Other Service Provider, the Chief Investment Officer or the General Counsel, as appropriate, may designate staff, board members and consultants to assist, consistent with their respective duties under this Procedure.

**c. Evaluation of Proposals Submitted in Response to an RFP or an RFI**

Selected Offerors may be invited for interviews, discussions or negotiations. Offerors who have participated in interviews, discussions or negotiations may be provided the opportunity to submit best and final offers. There is no right to an interview, discussion, negotiation, or the opportunity for best and final offers.

An Offeror's proposal shall be evaluated based on relevant and appropriate factors and considerations sufficient to justify the selection. Selection of an Investment Manager for Liquid Investments shall include but is not limited to the Offeror's;

1. business approach and methodology;
2. philosophy and process;
3. references, experience and qualifications of key personnel;
4. experience with the asset class under consideration;
5. verified or verifiable performance and portfolio data for a period of time that include a variety of economic and market environments;
6. the compensation proposal;
7. a history of consistently strong and successful performance versus peers and relevant benchmarks; and,
8. the results of a satisfactory background check, including federal, state and local criminal, civil, regulatory and enforcement matters.

Selection criteria for External Legal Counsel and Other Service Providers shall be appropriate for the services being procured and sufficient to justify the selection.

The Board, Chief Investment Officer, and the General Counsel, as appropriate, shall create a record that documents and explains the basis for the selection in accordance with this Procedure. PERA shall retain the record including all pertinent evaluation materials in accordance with applicable document retention requirements, but in no case for a period of less than the stated term of the contract procured pursuant to this Procedure and a reasonable audit period.

**13. Award**

A successful Offeror and all other responding parties shall be promptly notified in writing of the award.

Contracts may be awarded to more than one Offeror as a result of a single RFP or RFI process.

Contracts may be awarded to one or more Offerors designated as Runners-Up within two (2) years of the initial deadline set for receipt of RFP or RFI responses subject to due diligence and successful contract negotiations conducted by the Chief Investment Officer or the General Counsel.

**14. Termination of Contract or Other Appropriate Action for Wrongful Conduct**

In the event that the Board determines that violation of the New Mexico Government Conduct Act or paragraph 8.6.1 of the PERA Employee Code of Conduct materially impacted the award of a contract under this Procedure, and that termination of the contract or other appropriate action is consistent with applicable law and the Board's fiduciary duties to PERA members, the Board may direct the Executive Director to terminate the contract, or take other appropriate action. This provision shall be incorporated expressly in any contract entered into under the authority of this Procedure and such contract shall expressly provide that action taken by the Board or Director hereunder shall not constitute an event of default or other event causing adverse action by the other contracting parties.

**15. Public Disclosure**

After award of a contract under this Procedure, any written determination of award, any evaluation committee report, as applicable, and all proposals are subject to public inspection in accordance with applicable public record laws including the New Mexico Inspection of Public Records Act, NMSA 1978, Sections 14-2-1 through 14-2-12. Any material claimed to be privileged, confidential, proprietary, or a trade secret must be clearly designated as such in advance and provided on separate pages.

**16. Protest Procedure**

PERA's procurement of investment-related services is exempt from the New Mexico Procurement Code (NMSA 1978, Sections 13-1-1 *et seq.*) and Offerors have no resort to the protest procedures set out in the New Mexico Procurement Code ([NMSA 1978, Sections 13-1-172 through 176](#)) or related options of the New Mexico Administrative Code involving procurement of investment-related services. As a trust fund, PERA has no authority to award money damages, costs or attorney fees to a party asserting a grievance under this Procedure. In the interest of providing a fair, open and competitive procurement process for investment-related services, the following protest procedure is provided.

An Offeror responding to an RFP or an RFI who is not awarded an investment-related services contract may file a Notice of Protest with PERA.

A Notice of Protest shall state the full factual basis for the protest. A Notice of Protest must be in writing and received or post-marked within ten (10) calendar days of the award by the Board that gives rise to the protest.

A Notice of Protest shall be sent or delivered to:

NMPERA  
Office of General Counsel  
33 Plaza La Prensa  
Santa Fe, New Mexico 87507  
Attention: Notice of Protest

The filing and receipt of a Notice of Protest shall not stop or delay the execution of an investment-related services contract between and the successful Offeror.

The General Counsel or his or her designee shall conduct an interview with the protestor, either in person or telephonically and may, in his or her sole discretion, conduct interviews with others who have or may have information relating to the award and/or the protest.

The General Counsel shall promptly issue a written recommendation to the Board. The written recommendation shall state whether or not the General Counsel recommends that the contract whose award gave rise to the protest process should be terminated, and whether or not the General Counsel recommends an alternative contract award to the protestor or whether the RFP or RFI should be cancelled and reissued. The written recommendation shall state the full factual basis for the recommendation.

The General Counsel shall mail the written recommendation to the protestor and shall provide written notice of the scheduled Board vote on the recommendation.

The Board shall vote on the recommendation at its first regularly scheduled meeting following the issuance of the written recommendation.

The General Counsel shall notify the protestor in writing of the Board vote.

## **17. Emergency and Small Procurements**

In the case of Emergency and Small Purchase procurements, as defined in this Procedure, the Chief Investment Officer may, preselect or invite a provider of investment-related services to present an offer. The Chief Investment Officer, in his or her discretion, may negotiate a contract with that provider if the offer is deemed acceptable and subject to the following conditions:

The Small Purchase procurement for investment-related professional services must have a value not exceeding fifty thousand dollars (\$50,000), excluding applicable state and local gross receipts taxes in accordance with applicable professional services contract procedures promulgated by the department of finance and administration.

Investment-related tangible property or services having a value of not more than fifty thousand dollars (\$50,000.00) may be procured under this section by issuing a direct purchase order to a contractor based upon the best obtainable price.



Procurements shall not be artificially divided to fall within the Small Purchase procurement exemption.

**18. Research and Information**

At any time and irrespective of any existing contracts, PERA may conduct independent research or may issue an informal request for information to survey the marketplace about the availability, quality, and price of investment-related services.

**19. Penalties for Corrupt Practices and Fraudulent Practices**

Upon discovery of any Corrupt Practice or Fraudulent Practice as defined in this Procedure, the Board may reject a proposal, reject a recommendation for an award or declare an individual or firm ineligible for a stated period of time or the Board may impose any combination of these measures.

In addition, a Corrupt Practice or a Fraudulent Practice relating to activities that are subject to this Procedure may constitute fraud, bribery, and illegal gratuities and kickbacks that are crimes classified as felonies under New Mexico law.

Civil and criminal penalties are imposed for violation of the Governmental Conduct Act, [NMSA 1978, Sections 10-16-17, 18](#).

Civil penalties are imposed for antitrust violations of the Trade Practices and Regulation Act, [NMSA 1978, Sections 57-1-1, 6](#).

**20. Ethical Disclosures and Conflicts of Interest**

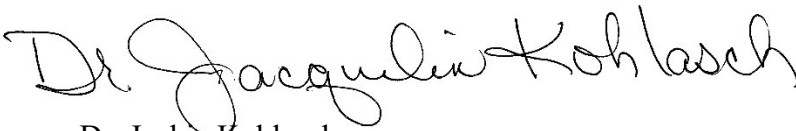
Members of the Board and PERA employees are subject to [NMSA 1978, Section 10-11-130.1](#), which prohibits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, Offeror, or contractor of services to PERA, or is authorized to invest public funds pursuant to state or federal law. For purposes of this Procedure, a potential bidder means any person or entity that has either offered services in response to a request issued pursuant to this Procedure or demonstrated an interest in offering services to PERA during the period commencing twelve-month prior to the issuance of the solicitation, or has otherwise been identified as a potential bidder by the Chief Investment Officer or General Counsel.

All Offerors or Incumbent Providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and Incumbent Providers shall certify compliance with the requirements of the Governmental Conduct Act, [NMSA 1978, Sections 10-16-1 through 10-16-18](#). Contracts executed in accordance with this Procedure shall provide for the prohibitions and disclosures explained in this section.

**Approval by the Retirement Board**

By signing this Procurement Procedure for Investment-Related Services, the Board, through its Chair, approves the statements contained in this Procedure.

Adopted: January 26, 2006  
Amended: August 31, 2006  
Amended: November 30, 2006  
Amended: October 30, 2014  
Amended: August 25, 2016  
Amended: May 30, 2019

By:   
Name: Dr. Jackie Kohlasch  
Retirement Board Chair

APPENDIX 1

DECISION MATRIX

	RFP or RFI	Issuance	Selection	Prior	Notice	Terminate	Extension	Transition
Board Inv. Strat. Consult	RFP only	Board/ED	Board	-	-	Board	Board	Board
CIO Investment Consultant	RFP only	Board/ED	Board	-	-	Board	Board	Board
Liquid Manager	CIO	CIO	CIO	-	IC	CIO/Board*	CIO	CIO
Illiquid Manager	-	-	CIO	-	IC	CIO/Board*	-	-
Other Provider	CIO	CIO	CIO	-	IC	CIO/Board*	-	-
External Legal Counsel	GC	ED/GC	ED	-	IC	ED/GC/Board*	-	-
SmartSave Third Party Administrator	RFP only	Board/ED	Board	IC	-	Board	Board	Board
SmartSave Investment Consultant	RFP only	Board/ED	Board	-	-	Board	Board	Board
SmartSave Investment Manager	SmartSave IP	CIO	CIO	-	IC	CIO/Board*	CIO	CIO

Legend

Board\* = *see* Sec. 14 (Termination of Contract for Conflicts of Interest)

CIO = Chief Investment Officer

ED = Executive Director

GC = General Counsel

IC = PERA Investment Committee

IP = Investment Policy

- = not applicable

In the event that the Decision Matrix is inconsistent with the terms of the Procedure, the terms of the Procedure shall prevail.