PERA 2016 Board

PERA
Public Employees
Retirement Association
of New Mexico

Letter from the Board Chair

Board Chair Patricia (Patty) French

Dear PERA Members,

July 1, 2016 marked an important milestone in the 69 year history of the Public Employees Retirement Association of New Mexico. That is when the final provision of pension reform legislation passed in 2013 takes effect. On behalf of the PERA Board, I want to thank the Legislature and Governor for working with us to pass the reforms.

Asking for shared sacrifice in 2013 from all of our members wasn't easy. However, without reform, our ability to provide one of the best public pensions in the country would have been at risk.

Thanks to pension reform, we have seen a steady improvement in our solvency forecasts. As of our last valuation, PERA was projected to meet our goal of being 100% funded by 2043. Recent market volatility will likely impact FY16 results but there is no question that reform has had a significant, positive impact on PERA's outlook.

Despite this progress, we will continue to stress caution going forward. Unfortunately, in each of the last three legislative sessions there have been efforts to change the PERA benefit, often under the guise of solving problems that are not the responsibility of the retirement system like employee retention, that would potentially roll back some of the progress we've made. We appreciate the Legislature resisting these efforts.

Now that PERA is on a more stable footing, we are focused on making sound, long term decisions to ensure that we pay the future benefits we've promised just as we've done for the past 69 years.

We recently adopted a new strategy for investing PERA's $14 billion Fund that prioritizes lessening risk in the portfolio. The Board will also look at reducing our investment return projection from the current 7.75% to what we believe is a more realistic future rate.

Reducing the investment return assumption may impact our funding levels in the short term. However, it reflects market outlook for the foreseeable future, thereby helping the Board more prudently administer the Fund and the benefit we offer.

Mission Statement

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.

Pension reform was hard work and we are pleased that the law has now been fully implemented. Thanks in large part to the changes made in 2013, PERA continues to provide a solid retirement benefit to 38,000 current retirees and we will be able to do so for many years to come.

Patricia French

Patricia "Patty" French
Board Chair

NM PERA Investments Staff Nationally Recognized

Two staff members of the PERA Investments Division were recently recognized for three distinguished awards in the global pension investing industry.

LeAnne Larranaga-Ruffy, Director of Equity for PERA, received the 2016 Investor Intelligence Award by Institutional Investor's Intelligence Network. Investor Intelligence Network is an online community that is aimed solely for the senior decision-makers at the world's largest pension funds, foundations, endowments and sovereign pools.

Left - LeAnne Larranaga-Ruffy, Right - Jude Perez

Jude Perez, Deputy Chief Investment Officer for PERA was recognized on the 2016 40 Under 40 list from Chief Investment Officer, a global investments publication. The 40 Under 40 list is comprised of those who are under age 40 and are making a difference in the public pension investing industry.

Additionally, Jude was listed on the Top 30 Future CIOs at Pension Funds by Trusted Insight, another global industry publication that highlights seasoned investment directors, deputy CIOs, investment officers and managers with the experience and investment saavy worthy of managing an investment office of their own.

2016 Annual Elections

On April 22, 2016, the PERA Election Committee met to verify the candidates for the 2016 PERA Board election. The Committee's report was accepted by the PERA Board on May 10, 2016.

RETIREE POSITION

The Election Committee determined that two individuals submitted more than the required 50 valid nominations necessary to be an eligible candidate for the PERA Board Retiree Member position. Those candidates are:

- Dan Mayfield
- Kurt Weber

Information for each candidate is under the Retiree Election Information section on the next page.

STATE POSITION

The Election Committee determined that two individuals submitted more than the required 150 valid nominations necessary to be an eligible candidate for the PERA Board State Member position. Those candidates are:

- Claudia Armijo
- Paula Fisher

Candidate information is available at *www.nmpera.org* under "News & Announcements".

MUNICIPAL POSITION

The Election Committee verified that Patricia (Patty) French submitted more than the required 150 valid nominations necessary to be an eligible candidate for the PERA Board Municipal Member position. No other candidates for the PERA Board Municipal Member position met the requirement to have a minimum of 150 valid nominations.

As a result, Ms. French has been declared the winner. She currently serves on the PERA Board and will start her new term of office in January 2017.

BALLOTS

This year's ballots will come in an envelope due to post office requirements and will be mailed before mid-August. Ballots must be received by the Main Santa Fe Post Office by noon on September 16, 2016 to be counted. Ballots received after this date are invalid and will not count toward the election results. Please make sure you vote early so your vote will count.

For further information on the election process contact Karen Risku, PERA Deputy General Counsel, at 505-476-9351 or by email at *Karen.Risku@state.nm.us*.

2016 PERA Board Retiree Election

## Questions Posed to All Retiree Candidates

1. How long have you been a PERA member? (Which agencies or affiliates and the type of work?)

2. How long were you employed in your most recent PERA position? What were your major responsibilities?

3. Education - What is your highest degree attained?

4. Other relevant experience:

5. What special contribution do you believe you would make to the PERA Board?

Daniel J. "Dan" Mayfield

1. 27 years. Chief Financial Officer/Deputy County Manager, Bernalillo County. Executive Director, NM Retiree Healthcare Authority.

2. 22 years with Bernalillo County. Directed financial reporting, accounting, budget, procurement, risk management, structuring/selling municipal bonds, legislative analysis/presentation.

3. MBA – NM Highlands University.

4. Current PERA Retiree Board Member, Board Vice-Chair and Investment Chair. Reduced investment fees $15 million. Recovered $50 million settlement against Wells Fargo. Grew fund balance to largest in PERA history. Improved member services including combining PERA & RHCA offices. Lifelong New Mexican, Veteran, BBA UNM. Executive Director, NMRHCA. Certified Government Financial Manager; President, Retired Public Employees of NM; NM Distinguished Public Service Award.

5. Most qualified candidate - Integrity, dedication to representing all retirees, extensive financial/investment experience & understanding of fiduciary responsibility. I will continue to protect your benefit including annual COLA. I will be a strong voice for all retirees. Endorsed by Albuquerque Firefighters.

Kurt Weber
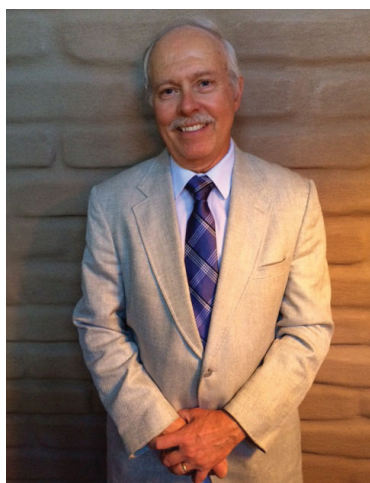
1. I have been a PERA member 28 years. I worked 10 years as Deputy Director Operations with State Investment Council (SIC). My responsibilities included Financial Reporting, Budgets and Management Information Systems.

2. I transferred to PERA as Deputy Director Operations for 15 years. My responsibilities included all those above plus Deferred Compensation (DC) Plan and Contribution Accounting.

3. I received a Business Administration Bachelor Degree from UNM, with an Accounting Major and Economics Minor. Certified Public Accountant (retired status 2012).

4. National Association State Retirement Administrators. National Association Government Deferred Compensation Administrators. Interim Executive Director in 2000 and 2011.

5. My goal is to give back to PERA serving as a Board Member. It is critical to properly fund benefits to avoid large future benefit reductions. I understand Actuarial principles and consistently opposed unfunded benefits especially prior service enhancements. A Funding Reserve must be created when investment markets are strong to weather market downturns.
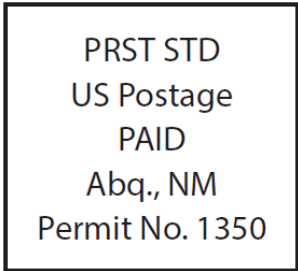
PERA Asset Allocation Update

Strategic Asset Allocation, or the apportionment between assets, is the biggest determinant of a portfolio's return. In an effort to best position PERA for meeting its current and future benefit payments, the Board recently changed the strategic asset allocation of the Fund. The changes incorporated simplifying the portfolio from eight asset categories to four asset categories. The key to structuring the new asset allocation was to identify asset category groupings based on the role each asset plays in a broader portfolio. This allows for true diversification. True diversification is achieved when combining asset categories that respond differently to various economic environments. This type of structure avoids constructing a portfolio that is "diversified in name only" or positioned for only one type of economic cycle.

Asset category targets and investing to reach these targets are not the end of PERA's investing exercise. Investments and markets continuously move in different directions at various speeds. When this happens, assets need to be rebalanced back to their strategic asset allocation targets in order to maintain the intended risk and reward profile of the portfolio. Disciplined rebalancing provides a long-term mitigant against various market cycles and capital market risks. This is due to the fact that rebalancing forces the practice of "selling high, buying low." For a public pension plan, such as PERA, this is taking the long view. It is methodical and unemotional. Human emotions make it difficult to remain steadfast to the long view given the uncertain financial markets. Over the long term, PERA believes that the new strategic asset allocation will help efforts to deliver the investment returns needed to keep the Fund "healthy" and achieve PERA's mission of providing a stable lifetime benefit to current and future members.

Below is PERA's new Strategic Asset Allocation listing the appropriate rebalancing ranges;

ASSET ALLOCATION TARGETS and REBALANCING RANGES

Effective April 28, 2016

Asset Class	Lower Limit	Strategic Asset Allocation Target	Upper Limit
Global Equity	38.5%	43.5%	48.5%
Risk Reduction and Mitigation	18.5%	21.5%	24.5%
Credit Oriented Fixed Income	11.0%	15.0%	19.0%
Real Assets	16.0%	20.0%	24.0%