

IPOC State of PERA 2021 Message

Good morning, Madam Chair, Mr. Vice Chair and IPOC Members;

I am Francis Page, the PERA Board's Vice-Chair, sitting as PERA Board's Acting Chair and a Retiree Member. I appreciate the opportunity to provide you with the status of PERA and to share with you the Board's vision for PERA's future.

Part of this future is the appointment of Mr. Greg Trujillo as PERA's permanent Executive Director. Mr. Trujillo was soundly and overwhelmingly selected, based on a 9 to 1 vote by the Board at last month's meeting. Greg possesses the skills, knowledge, experience, and vision to carry PERA forward and build a truly dynamic team. We are excited to collaborate closely with him and support him in his new role.

The calendar year continued to be a year of change and challenges. Working with the changes, despite these challenges, PERA operations continue to be in step with expectations and is moving forward to correct any issue that impedes PERA's progress. This is demonstrated by PERA being awarded the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA).

PERA and the PERA fund continues to remain strong, with the fund's assets reaching an all-time high of \$18.2 Billion and closing the fiscal year (June 30, 2021), with a 24.02% return. This is the highest return in PERA's history.

As advised by Acting CIO Kristin Varela, absolute fund performance is high, only slightly lagging some peers. PERA's risk adjusted returns rank favorably, and most importantly, the safety and security of the fund remains well ahead of its peers.

Prior to Acting CIO, Ms. Varela has served as PERA's Deputy CIO. Under Kristen's leadership, PERA's investments staff forms a strong

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and talented team. This includes Acting Deputy CIO, Ms. LeAnne Larranaga-Ruffy, who was one of four women named to Trusted Insight's list of Top Public Pension Investment Directors, a national publication.

The PERA Fund is an enduring fund and is prudently invested. The focus is on allocating assets for long-term growth, with reasonable risk, which will provide for all generations of members. This will generate steady, compounding returns, which will grow while protecting the corpus of the fund.

If a downturn in the market occurs; the fund is positioned for success into the future. This is based on strong current returns and plan changes; with a focus on downside protection.

The PERA Fund is a mature fund. The ratio of retirees is nearing 50%. The major concerns are to maintain liquidity to fund benefits and reducing the unfunded liability. It has been 15 months since the implementation of SB 72, but later this month, PERA will be conducting an updated valuation of the fund and the investment team is projecting the funding level will rise to approximately 72%.

Over the last 8 months, under the strong leadership of Mr. Trujillo (who has served as the Acting Executive Director), PERA is successfully navigating the storm of the pandemic and seamlessly continues to provide an elevated level of customer service to our members. PERA continues to move forward by improving operations, updating policies, and increasing transparency.

Over the last year, PERA has made benefit payments to New Mexico retirees and beneficiaries totaling over \$1.3 Billion, including the 13th COLA check, utilizing contributions of \$0.7 Billion with the rest coming

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from liquid investments. Most of these funds our injected into our state's economy.

The Board has also been busy. Since January of this year, the Board has held 36 Board and Committee Meetings, with most of the work starting and accomplished at the committee level.

The Investment Committee has been meeting with Investment Staff several times a month since January, to include PRISM and Update Meetings, which has included a preliminary discussion of the CIO Search Process. Also, Investment staff have executed the rebalancing of the investment portfolio, and have established a Portfolio Fit and Review Team (PRFT), along with conducted PRFT meetings

Internal Audits have been completed in the following areas: Investment Performance Reporting, Information Technology, Years of Service, and Employee Transmittal Audits. This has occurred under the oversight of the Audit and Budget Committee; while working alongside the Administrative Services Division (ASD). In addition, ASD submitted PERA's FY 20 External Audit timely to DFA and LFC, along with the FY 22 Operating Budget and FY 23 Budget Request. Also, work has begun on the FY 21 External Audit.

With an Executive Director in place, PERA can now focus on the hiring process for a Chief Investment Officer and General Counsel.

The Board is working to address findings highlighted by the Offices of the State Auditor and Attorney General; as well as findings identified by PERA's own internal auditors. Specifically, the Board has begun the rulemaking process to clarify the duties of PERA's Executive Director, as well as establishing a permanent Governance Committee of the Board. This Committee will be tasked with overseeing the development and implementation of the Board's Strategic Plan, which will direct the

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future of the organization, in addition to Board Member conduct along with strengthening the Board's Fiduciary knowledge.

All PERA's Committee Chairs and Vice Chair positions have been appointed. In addition, all committee charters have been modified and will have been approved by next week. Finally, the Board is moving forward with kicking off strategic planning sessions in November. We expect this to be a month-long process and is something that has not been done at the board level for quite some time.

Other work and changes at PERA include technological updates and changes to various systems, reengaging a disability review contract, working with the AG's Office on disability appeals and seeking lead plaintiff status on securities litigation, and other Board and Staff duties. What has been noted above, are just highlighted items, in addition to day to day and month to month duties of the Board and Staff.

Much of the credit, for PERA's success, goes to the resolute and diligent PERA Staff. They are a team of professionals, who have laid a strong and solid foundation, which will help move PERA into a continued successful future.

The primary focus of this meeting is to discuss Board Governance, which I have just laid out above. Board Governance is and will continue to be a major focus at PERA through training, education, and accountability. Issues did not develop overnight; nor will they be corrected overnight. There were a lot of hands involved in getting PERA to where it was at the beginning of the year, and it will take just as many to bring PERA back on the right course who are working together. PERA is like an aircraft carrier. You cannot change course on a drop of a hat, it will take time and a lot of challenging work to get PERA on the proper course, which is already occurring.

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The Board and Staff are excited to announce that we are working on plans to celebrate PERA's 75th Anniversary next calendar year.

In closing, as I have stated, PERA, its Staff, the Board and the PERA Fund remains STRONG! Thank you for this opportunity to share our successes and plans with you.

I will now stand for questions.