

**New Mexico Legislative Council Service
Fiduciary Review for the
Public Employees Retirement Association
Listing of All Recommendations with Priorities**

Below is a complete list of the recommendations that are included in the review. For ease of reference, the order in which the recommendations are made in the report and page number in which the topic is discussed is provided. We have also listed the initial step required to address the recommendation, if the Board chooses to do so. The Board has the ultimate authority to prioritize, accept, modify, and reject any and all recommendations based on PERA's needs and resources.

	Recommendations	Requirement	Priority
1	Seek a statutory change requiring new Board member orientation and more hours of on-going education, including annual fiduciary training. (see page 8)	Statutory Change	*
2	Provide by policy a specific orientation and formalized on-going education for Investment Committee members. (see page 8)	Board Policy Enhancement	
3	Examine the intent of the Prudent Investor Act and its application to PERA and determine whether protections, indemnification, or immunity provided under the Public Employees Retirement Act, the Tort Claims Act, and other laws are appropriate. (see page 10)	Board Policy Enhancement	
4	Amend the statute to include a definition of who is a fiduciary. (see page 10)	Statutory Change	
5	Review and update the "Board Policies and Procedures" to be more comprehensive and in-line with best practices. (see page 11)	Board Policy Enhancement	
6	Create a detailed position description for Board members and distribute it during the election and appointment process. (see page 13)	Position Description Development	
7	Evaluate whether an ex-officio member should be allowed to designate a specific person to attend, participate, and vote at meetings. (see page 13)	Board Discussion	
8	Have the Audit Committee review disclosure forms so that any conflicts of interest or policy violations can be appropriately managed. (see page 14)	Process/Procedure Enhancement	
9	Modify the Standards of Conduct to require disclosure of gifts, entertainment, and meals by vendors and outside service providers on an annual basis. (see page 15)	Board Policy Enhancement	
10	Require Board members and staff to annually acknowledge in writing that they have read and will comply with their respective Standards of Conduct. (see page 15)	Board Policy Enhancement	

	Recommendations	Requirement	Priority
11	Conduct annual training regarding the Standards of Conduct to highlight the importance of ethics and conflicts of interest. (see page 15)	Process/Procedure Enhancement	
12	Clarify who has responsibility for legal and policy compliance. (see page 16)	Board Discussion	
13	Consider the value of adding outside non-voting experts to serve on the Investment Committee. (see page 17)	Committee Composition Change	
14	Create an Investment Committee Charter, an Evaluation Committee Charter, and an Audit and Budget Committee Charter. (see page 13/18)	Committee Charter Development	
15	Re-evaluate the functions of the ad hoc Evaluation Committee in light of the "Board Policies and Procedures" which state that the Board will operate at a governance and not an operational level. (see page 18)	Board Discussion	
16	Enhance the Executive Director position description to include oversight of investment activities. (see page 18)	Position Description Enhancement	
17	Create a comprehensive CIO position description. (see page 19)	Position Description Enhancement	*
18	Discuss what value an accountability matrix may have in documenting and clarifying roles and responsibilities. (see page 19)	Board Discussion and Possible Document Creation	
19	Ensure that investment goals in the strategic plan are in-line with those in the investment policy. (see page 19)	Board Discussion	
20	Enhance the language in the consultants' contracts to note that they are accountable to the Board. (see page 19)	Contract Modification	
21	Seek autonomy in setting staff size for investments, or in the alternative, seek staffing exemptions for critical positions like the CIO. (see page 21)	Statutory Change	*
22	Fill the CIO position as soon as possible. (see page 21)	Hire Staff	*
23	Seek budget autonomy but maintain fiduciary standards, transparency, and reporting requirements. (see page 22)	Statutory Change	*

	Recommendations	Requirement	Priority
24	Continue to analyze PERA's budget and efficiency using CEM or another reputable source. (see page 24)	Board Discussion	
25	Disallow tactical asset allocation. (see page 32)	Board Discussion and/or Policy Enhancement	*
26	Set a date for achieving the target allocations for all asset classes. (see page 33)	Board Discussion	
27	Evaluate the suitability of global mandates for equities. (see page 35)	Statutory Change	
28	Update and tighten the ranges around the targets for each asset class. (see page 37)	Board Policy Enhancement	*
29	Establish a disciplined rebalancing policy. (see page 37)	Board Policy Enhancement	*
30	Revise the stated goals in the IPS and the strategic plan to be consistent and tied to risk adjusted returns. (see page 38)	Board Strategic Plan Enhancement	
31	Eliminate the investment goal in the strategic plan that focuses on selecting managers based on past performance. (see page 39)	Board Strategic Plan Enhancement	
32	Explore the benefits of risk budgeting with consultants. (see page 40)	Staff/Consultant Analysis and Board Discussion	
33	Ensure the excess return target of 50 basis points is in-line with the tracking and active risk levels within the portfolio. (see page 40)	Board Discussion and Possible Strategic Plan Enhancement	
34	Update and improve the IPS with the assistance of the consultant. (see page 41)	Board Policy Enhancement	
35	Re-evaluate the allocation to underperforming active fixed income and equity managers. (see page 44)	Staff/Consultant Analysis and Board Discussion	
36	Evaluate the costs and benefits of managing a portion of the assets internally. (see page 45)	Staff/Consultant Analysis and Board Discussion	
37	Continue to evaluate the portfolio structure, including the number and types of investment managers, with the investment consultant. (see page 45)	Staff/Consultant Analysis and Board Discussion	
38	Ensure the index funds, when aggregated, represent the asset class portfolio. (see page 46)	Staff/Consultant Analysis and Board Discussion	

	Recommendations	Requirement	Priority
39	Evaluate whether a formal RFP process remains the most efficient and effective way to conduct manager searches. (see page 47)	Board Discussion and Possible Practice Modification	
40	Improve documentation of the selection and monitoring processes used by PERA. (see page 49)	Board Policy Enhancement	
41	Place greater emphasis on skill and organizational factors, and less emphasis on past performance, when selecting investment managers. (see page 49)	Due Diligence Policy Enhancement	
42	Seek statutory authority to hire the custodian bank. (see page 49)	Statutory Change	*
43	Seek a statutory change to allow discussions and materials of private market investments with proprietary investment strategies to be kept confidential. (see page 51)	Statutory Change	
44	Include a policy portfolio as the total fund benchmark in the IPS. (see page 54)	Board Policy Enhancement	*
45	Reconsider benchmarks for international equities, real estate, and commodities. (see page 55)	Staff/consultant Analysis and Board Discussion	*
46	Do not disqualify investment managers from consideration based solely the availability of performance based fee arrangements. (see page 57)	Board Policy Enhancement	
47	Evaluate PERA's disclosure, registration, and monitoring requirements for placement agents in light of current industry standards and document the Board's position in a policy. (see page 59)	Evaluation of Current Practices	
48	Delegate the responsibility of tracking placement agent usage and fees to an independent consultant. (see page 60)	Modification of Existing Practice	
49	Report performance net of fees. (see page 63)	Performance Report Enhancement	*