

## **New Mexico Educational Retirement Board**

FOR IMMEDIATE RELEASE

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An article appearing this week in the New York-based International Business Times alleging that Gov. Susana Martinez influenced investment decisions at the New Mexico Educational Retirement Board is simply false. The Governor does not initiate, suggest or influence investment decisions by NMERB.

Here are the facts:

- Staff and Trustees are solely interested in making investments in the best interest of NMERB and its beneficiaries as required by our fiduciary duty.
- Of the hundreds of investments made by NMERB, the International Business Times found only one that may or may not be in violation of the SEC rules regarding a two-year “blackout” period on contributions. NMERB has asked the manager, EnerVest, for a thorough explanation of this situation.
- While it is accurate that the Governor appoints three Trustees to the Board, there has never been any influence on investment selection exerted by her appointees or any of the other Trustees. The Trustees who serve on the Investment Committee (IC) have final approval of investments, but they do not otherwise participate in or influence the manager selection process. In 2015, only one gubernatorial appointee served on the four-member Investment Committee, which makes investment decisions for the Board.
- The manager selection process is conducted and controlled by the NMERB staff and consultants, until one or more finalists are presented to the Investment Committee for approval, in accordance with policies.
- The Trustees do not know which managers are under consideration until the final approval at the Investment Committee.
- The Securities and Exchange Commission (SEC) campaign contribution rules apply to investment managers (“advisors” in SEC parlance) and not to public pension plans. The NMERB is not required to gather the information, report to the SEC, or enforce compliance of SEC rules.
- Despite that fact that we are not required to do so by any state or federal laws or SEC regulations, NMERB has voluntarily adopted a transparency policy of requiring managers to disclose contributions and NMERB makes that information public.
- One of the contractual provisions for NMERB managers is a representation that they are in material compliance with SEC regulations.
- Our campaign contribution disclosure requirement is based on the New Mexico procurement code requirements for state contracting. Those requirements do not include what the article calls “independent expenditure” groups such as the Republican Governors Association and other third-party Political Action Committees (PACs).
- Laws passed following New Mexico’s prior “pay to play” issues focus on placement agents, not campaign contributions. Not only is the NMERB in compliance with state law regarding placement agents, but the NMERB policy exceeds the law’s standards.

- The increased allocation to alternatives is part of our long-term strategy since 2007 to reduce risk and volatility and has nothing to do with campaign contributions. In addition, alternative assets have performed very well. Many other public pension plans are following this same strategy.
- Three investment groups were singled out by the article: EnerVest, BP Capital and Crow. In all cases, these investments have generated positive returns for ERB. Since inception through March 31, 2017, the EnerVest investment has returned just short of 10 percent in income and capital appreciation, net of fees, the BP investment has returned 99 percent. NMERB has invested in three Crow funds. The first has returned almost 10%, the second just over 8%. The third has not yet drawn any capital, so there is no relevant performance information as of March 31<sup>st</sup>.

Board Chair Mary Lou Cameron stated, “At NMERB, we focus on roles and responsibilities. The Board’s role is to ensure sustainability of our pension benefits for our members. Our staff’s responsibility is to recommend the best investments to us, while informing us of any political contributions made by investment managers. The funds that we invest in are responsible for complying with rules set up by regulatory agencies, including the SEC. I am very comfortable that all of the investments that the board has made are in the best interests of our members.”

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