

ACTION SUMMARY

NEW MEXICO EDUCATIONAL RETIREMENT BOARD

May 12, 2006

<u>Item</u>	<u>Action</u>	<u>Page #</u>
<u>APPROVAL OF AGENDA</u>	Approved	2
<u>APPROVAL OF MINUTES</u> April 21, 2006	Approved	2
EQUITY INVESTMENT IN VANDERBILT FINANCIAL TRUST	Approved Investment Committee recommendation	2-3
<u>DIRECTOR'S REPORT</u> Asset Allocation/Rebalancing; ERB/PERA Performance Comparison; Hedge Fund Search Calendar; Other Items	Informational	3-4

MINUTES OF THE
NEW MEXICO EDUCATIONAL RETIREMENT BOARD
SPECIAL MEETING
May 12, 2006

A Special Meeting of the New Mexico Educational Retirement Board was called to order on this date at approximately 12:30 p.m. in the Educational Retirement Board Room, 6201 Uptown Boulevard, N.E., Ste. 203, Albuquerque, New Mexico.

1. ROLL CALL

A quorum was present, as follows:

Members Present:

Mr. Bruce F. Malott, Chairman
Mr. Gary B. Bland, Secretary
Dr. Veronica Garcia
Mr. Douglas Minge Brown
Mr. Delman Shirley
Dr. Pauline Turner

Members Excused:

Ms. Mary Lou Cameron, Vice-chair

Legal Counsel Present:

Mr. Robert Shulman, Staff Attorney

Staff Present:

Dr. Evalynne Hunemuller, Executive Director
Mr. Jeffrey M. Riggs, Deputy Director
Mr. Frank C. Foy, Chief Investment Officer
Ms. Shari LaCome, Executive Admin. Assistant

Others Present:

[See sign-in sheet.]

A. APPROVAL OF AGENDA

Dr. Garcia moved approval of the Agenda, as published. Mr. Brown seconded the motion, which passed 6-0 by voice vote.

B. APPROVAL OF MINUTES: April 21, 2006

Upon motion by Mr. Brown, seconded by Dr. Garcia, the Minutes of the April 21 meeting were approved 6-0 by voice vote, as submitted.

C. INTRODUCTION OF GUESTS

Dr. Hunemuller introduced guests.

**2. EQUITY INVESTMENT IN VANDERBILT FINANCIAL TRUST:
FRANK FOY, ALLAN MARTIN, PAT LIVNEY.**

Noting the detailed presentation made to the Investment Committee just prior to this meeting, Mr. Malott asked the Board to take action on an equity investment in Vanderbilt Financial Trust.

Mr. Bland moved approval of the Investment Committee's recommendation to remove \$40 million from the International Equity portfolio and place it into Vanderbilt Financial Trust in the private equity allocation. The motion was seconded by Mr. Brown and passed on the following Roll Call vote:

For: Mr. Malott; Mr. Bland; Dr. Garcia; Mr. Brown.

Against: Dr. Turner; Mr. Shirley.

Dr. Turner cited three reasons for voting against the Investment Committee's recommendation: 1) she felt this investment instrument to be very complicated, and was concerned about what appeared to be a hasty decision; 2) the Board has not yet been educated on this investment instrument, and no written materials were provided for Board members to study in advance; and 3) the Board has not yet discussed policies and procedures with respect to alternative investment strategies.

Dr. Turner said she had no idea whether this was a good investment or not, and was concerned about what appeared to be unrealistic promises made by the Vanderbilt representative, Mr. Livney.

In voting against the motion, Mr. Shirley said Dr. Turner had spoken to most of his concerns. He said he did not have enough information to make an informed decision, objected to the hastiness of this decision, and was not sure the Board was following its own policies and procedures.

Mr. Shirley also said he was not comfortable in using the SIC's evaluations on any of these alternative investments because the SIC is not the fiduciary agent for the ERB.

3. DIRECTOR'S REPORT

Asset Allocation/Rebalancing – Frank Foy

Mr. Foy reported that, on April 30, the ERB rebalanced the portfolio by moving monies out of International Equities and Emerging Markets, which were heavily overweighted due to an impressive 62% rate of return by the managers in these categories.

Mr. Foy clarified that, at the last Board meeting, he handed out a flash report containing figures that turned out to be erroneous. He explained that Northern Trust mistakenly included REITs in the equity portion of the portfolio, and also classified the \$500 million given to WAMCO, the new fixed income manager, as equity.

ERB, PERA Performance Comparison — Frank Foy

Mr. Foy reviewed a comparison of performance by the ERB and PERA for the one-year and three-year period ending 3/31/06. He noted that the ERB has outperformed PERA by approximately 100 basis points for both periods.

Hedge Fund Search Calendar

In a review of the schedule for interviewing hedge fund manager finalists, the finalist interview dates were changed to Monday and Tuesday, July 17 and 18. Mr. Malott suggested that July 19 be held open in the event more time was needed.

NEPC advisor Allan Martin reported that all of the RFPs went out on time, and about 42 funds have indicated an interest.

Other Items – Dr. Hunemuller

Dr. Hunemuller called attention to an article in *Round the Roundhouse*, highlighting the ERB's successful implementation of the IRIS system.

Dr. Hunemuller distributed materials on the sixth annual Trustee Workshop (National Council on Teacher Retirement).

Dr. Hunemuller referred to a letter from Greg Geisler, informing the Board that he would be giving up the ERB account to undertake new duties at the LFC, and complimenting ERB staff and the Board for their assistance and diligence.

Dr. Hunemuller read from a letter she received from retiree Helen London, thanking the ERB for its successful management of the Fund.

Dr. Hunemuller noted that the Board packet included a page addressing travel reimbursement options available for Board and Committee meetings.

Dr. Hunemuller referred to a news release announcing that the ERB has released its annual report for the period ended June 30, 2005.

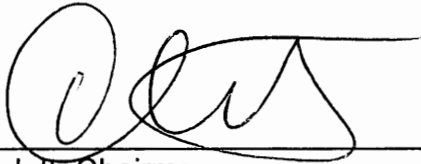
4. NEXT MEETING JUNE 16, 2006 — ALBUQUERQUE

5. EXECUTIVE SESSION

None.

ADJOURNMENT

Its business completed, the Educational Retirement Board adjourned the meeting at approximately 12:45 p.m.



Bruce Malott, Chairman

ATTEST:

Gary B. Bland, Secretary