

THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO



INVESTED IN TOMORROW.

INVESTMENT POLICY

Revised

December 12, 2023

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THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO

INVESTMENT POLICY

I. INTRODUCTION

A. Statutory Authority

The Public Employees' Retirement Association of New Mexico (PERA) was created by law in 1947 and is authorized to administer the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended (the PERA Act), the Volunteer Firefighters Retirement Act, NMSA 1978, Sections 10-11A-1 to 10-11A-8, as amended, the Judicial Retirement Act, NMSA 1978, Sections 10-12B-1 to 10-12B-19, as amended, the Magistrate Retirement Act, NMSA 1978, Sections 10-12C-1 to 10-12C-18, as amended, and the Public Employees Reciprocity Act, NMSA 1978, Sections 10-13A-1 to 10-13A-4, as well as other federal and State laws relating to the administration of public employees' retirement systems in the State of New Mexico. As of April 2016, PERA administers thirty-one retirement plans under a defined benefit structure for state employees, municipal employees, county employees, police, firefighters, judges, magistrates, and legislators. PERA is governed by the Retirement Board (the Board).

B. Authority and Duties of the Board

Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the PERA trust funds (the Fund) for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The PERA Act, NMSA 1978 §§ 10-11-132 and 10-11-133 generally describe the authority of the Board to invest the Fund. Both those sections incorporate and adopt the Uniform Prudent Investor Act (UPIA), NMSA 1978, §§ 45-7-601 to 45-7-612, which require the Board to exercise the reasonable care, skill, and caution of a prudent investor when it invests and manages assets in its capacity as trustee of the Fund. Among other things, the UPIA requires that Fund investments be diversified to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board also recognizes that care must be exercised to maintain PERA's status as a government plan that is exempt from the requirements of the federal Employees Retirement Income Security Act of 1974 and as a qualified plan that is exempt from taxation under the Internal Revenue Code.

C. Mission Statement

In recognition of its fiduciary responsibility, the Board adopts the following as the mission statement for PERA:

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.

D. PERA Roles and Responsibilities/Delegations of Authority

To accomplish its mission, the Board relies on PERA employees and third-party investment consultants (Investment Consultants) to properly administer the Fund and implement the investment strategies it adopts. Because of the number of parties involved, their roles in investing and managing the Fund must be clearly explained. Doing so increases operational efficiency, ensures clear lines of responsibility, and reduces or eliminates duplication of effort.

Ethics and Conflicts of Interest

The Board and PERA employees are obligated to act in the exclusive interest of PERA members, retirees, and beneficiaries. Investment Consultants serve in a fiduciary capacity to PERA. Board members and PERA employees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make decisions in accordance with PERA's mission statement.

Board of Trustees

The primary fiduciary responsibility of the Board is to ensure prudent investment and management of the Fund. It is the responsibility of the Board to ensure that PERA employees administer investments of the Fund at a reasonable cost while preserving the quality of investments. All principal investment policy decisions are subject to approval by the Board. The Board shall oversee the management of the Fund in compliance with this Investment Policy and all applicable federal and State laws and regulations concerning the administration of a government pension plan. The Board, with the assistance of PERA investment staff (Staff) and consultants, determines the strategic direction of investment of the Fund including the strategic asset allocation target, and the active management strategy target, all of which shall be reviewed at least semiannually.

Investment Committee

To assist the Board in carrying out its duties, it established an Investment Committee (the Committee). The Committee makes recommendations to the Board on strategic asset allocation target. The Committee establishes benchmarks, including a policy portfolio, for evaluating the performance of the total investment portfolio. The Committee shall also adopt an annual work plan and, at least quarterly, review all principal investment policy actions and portfolio performance. The Committee may invite Staff and Investment Consultants to inform and make recommendations to the Committee on any topic or issue pertinent to PERA's investment operations. The Committee Chair shall have the duty and the authority to set Committee meeting agendas and request specific analyses and reports from Staff and Investment Consultants.

Executive Director

The Board appoints the Executive Director (the Director). The Director is responsible for planning, organizing, and administering the operations of PERA under policy guidance and direction from the Board. In fulfilling these investment responsibilities, the Director retains and relies on Staff and Investment Consultants.

Chief Investment Officer and Investment Staff

Staff reports directly to the Chief Investment Officer (the CIO) who in turn reports to the Director. The CIO, with the assistance of Staff, has the responsibility and authority to assist the Board and the Committee in establishing investment and administrative policies. The CIO and Staff are responsible for implementing the policies and programs established by the Board. The CIO has primary responsibility to implement and direct all decisions necessary and appropriate to carry out the Board's investment policies, including the strategic asset allocation target, approved by the Board. The CIO shall report on all decisions and the progress of implementation of those decisions to the Committee.

The CIO and Staff shall manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, report on the progress of the Fund in meeting its investment objectives, and monitor and report to the Board on the performance of the Fund against the appropriate benchmarks. The CIO and Staff shall have the delegated authority to evaluate, select, monitor, and terminate investment vehicles and managers necessary and appropriate to implement the Board's policies. Their actions shall be disclosed to the Board

periodically, as directed by the Committee. Staff exercise the same fiduciary responsibility under applicable law as the Board.

General Counsel and Legal Staff

The Office of General Counsel and legal staff (Legal Counsel) are primarily responsible for legal compliance of the investment program and advise the Board, the Director, the CIO, and the Staff on investment-related legal matters. Legal Counsel exercises the same fiduciary responsibility under applicable law as the Board.

Third Party Service Providers

- Investment Consultants. Investment Consultants are hired by and accountable to the Board through the authority of the Director. Investment Consultants shall report to the Board or the Committee as directed. An Investment Consultant’s duty is to work with the Board and Staff in the oversight and implementation of investment objectives.

The Board’s investment strategic consultant shall provide advice and recommendations to the Board or Committee regarding its strategic objectives, and oversight and implementation of principal investment objectives.

Investment selection and monitoring consultants shall provide advice and recommendations regarding selection of investment managers and portfolio monitoring to the CIO and Staff.

- Custodian Bank. The Custodian Bank serves as the bank of record for the assets comprising the Fund and is responsible for maintaining the official book of record under the supervision of Staff, calculating investment performance, and serving as the primary layer of risk control in the safekeeping of Fund assets. The Custodian Bank is responsible for the ongoing pricing and valuation of all assets, collection of income generated by those assets, and any corporate action notification. The Custodian Bank cooperates with and provides assistance to Staff and Investment Managers in the reconciliation process. PERA may opt to designate other duties to the Custodian Bank as stipulated in the professional services agreement.
- Investment Managers. The Board believes that external management of Fund assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses. Investment Managers are selected by the CIO and, subject to the terms and conditions of this Policy, serve PERA through contracts that specify in principal part: investment guidelines, administrative requirements, responsibilities, and performance expectations for management of each mandate. Proxy voting is considered to be a component of the investment decision process and will be exercised in accordance with the established PERA Proxy Voting Policy. Investment Managers will report to Staff on the performance of the Fund using formats and at intervals specified by Staff. This information will be synthesized by Staff and presented to the Committee on at least a quarterly basis in accordance with established performance monitoring and oversight procedures.
- External Legal Counsel. The General Counsel may retain external legal counsel to advise Staff and negotiate and prepare contracts with Investment Consultants and Investment Managers to protect PERA’s interests and status as a tax-exempt government plan.

II. OVERVIEW OF INVESTMENT POLICY

A. Purpose of the Investment Policy

The purpose of the Investment Policy (the Policy) is to explain implementation of the investment principles and objectives of the Board. The Policy provides a reference point for the management of PERA's assets. The Policy provides guidance to the Board and Staff, as well as Investment Consultants, Investment Managers, and the Custodian Bank. The Policy is intended to provide parameters that ensure prudence and care in the execution of the investment program.

The Policy intends to provide the foundation for prudent management of the Fund, including the standards and disciplines by which the Board can evaluate Staff, Investment Consultants, Investment Managers, and the Custodian Bank.

B. Investment Principles

Accordingly, the Board adopts the following principles and objectives to guide its investment strategies and decisions:

- Preserve the long-term principal of the Fund.
- Maximize total return within prudent risk parameters.
- Maintain sufficient liquidity to meet PERA's obligations.

III. INVESTMENT OBJECTIVES

A. Primary Objective

PERA's primary objective is to prudently invest assets to meet its statutory obligations to its members. The Board will manage the Fund in a manner that reflects the Fund's unique liabilities and funding resources, incorporates accepted investment theory, and targets growth and returns appropriate to prudent levels of risk based on reliable empirical evidence. Accordingly, the Board adopts the following principles:

- Strategic asset allocation is the most significant factor influencing the Fund's ability to meet its stated investment objectives.
- Risk is an unavoidable component of investing and shall be considered when assessing investment policy and strategy. In evaluating specific investments, both the risks associated with that investment as well as the impact of the investment on the overall portfolio shall be considered.
- Diversification distributes a portfolio across asset categories to avoid excessive exposure to any one source of risk.
- The Fund's liabilities are long-term and the investment strategy must incorporate the appropriate balance between short- and long-term considerations.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Fund.

B. Long-Term Returns

Due to the long-term nature of PERA's pension obligations and the inherent risks in short-term tactical investing, PERA must maintain a long-term perspective in formulating and implementing its investment policy, and in evaluating its investment performance. Therefore, the Board: (1) targets a long-term rate of return commensurate with the actuarially assumed rate of return; (2) adopts an allocation policy

developed to meet the targeted rate of return over long periods of time, while minimizing volatility (risk); and (3) minimizes the costs of investing through efficient use of internal and/or external resources.

Investment performance is measured by the following long-term objectives:

- The actuarial assumed target rate of return is the key actuarial assumption affecting future funding rates and payment of pension obligations. Investment performance that exceeds or underperforms the target rate may materially impact future funding rates. The Board seeks to have long-term investment performance that will meet or exceed its actuarial assumed rate of return while managing risk.
- The policy benchmark is calculated by applying the investment performance of the asset class benchmarks to the Fund's asset allocation targets. The policy benchmark permits the Board to compare the Fund's actual performance to a total fund benchmark and to measure the contribution of active investment management and policy adherence.

PERA's progress in meeting these return measures will be reported to the Committee on at least a quarterly basis.

C. Evaluation of Risk

The Board adopts a strategic asset allocation target that is appropriate for existing and anticipated circumstances. In targeting returns, the Board takes into account the benefit levels and structure of the plans supported by the Fund. PERA will periodically conduct and present to the Committee an asset/liability study to determine the extent to which the long-term asset allocation is consistent with the liabilities of the retirement plans that it administers. In determining a prudent level of risk for the targeted returns, PERA shall consider the total Fund risk, expected volatility, liquidity, and general sensitivity of the overall asset allocation by monitoring the major asset classes utilized by the Fund. PERA will regularly measure and monitor Fund risks in its management of the Fund. The following commonly employed performance and risk evaluation metrics: Total Fund Standard Deviation (i.e., risk), Total Fund Sharpe Ratio (a widely used measure of risk adjusted returns), Total Fund Tracking Error (active risk) and Total Fund Information Ratio (a widely used measure of risk adjusted active returns) will be reviewed on a regular basis.

In accordance with generally accepted principles for prudent investors, the allocation of capital across asset categories increases the probability of meeting or exceeding the Fund's objectives at a prudent level of risk. In establishing its risk tolerance, PERA will consider its ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in the financial condition of the Fund.

IV. ASSET ALLOCATION

A. Strategic Asset Allocation Targets

Based on recommendations by Staff and Investment Consultants, the Board shall choose the strategic asset allocation target based on its determination of the appropriate risk tolerance for PERA, and its long-term return expectations. Each asset class allocation percentage has a long-term target position within the overall portfolio and a maximum and minimum range around that target allocation. Asset class policy targets and ranges are listed in Appendix A, which is separately adopted by the Board.

The Board recognizes that the long-term target allocation may take an extended period to implement. Staff and Investment Consultants will provide the Board with regular updates on the status of targeted asset allocation of the Fund as a whole and the component asset classes. The Board will prudently

monitor this progress and the Fund's performance throughout the implementation period.

The target allocation will be reviewed annually for significant economic and market changes, and as appropriate, to changes in the Fund's long-term goals and objectives. A comprehensive asset allocation study should be conducted at least every three years to verify or revise the targets.

B. Rebalancing Strategy

The Board authorizes the CIO and Staff to rebalance the portfolio in accordance with policy guidelines and established procedures on an ongoing basis. The goal of implementing the rebalancing policy is to minimize transaction costs, market impact, and opportunity costs.

The Board adopts a rebalancing policy that considers allocation ranges rather than time periods. Upper and lower allocation limits established for each asset class are defined in Appendix A. When the allocation to all asset classes remains within these limits, Staff will use cash flow to maintain the overall allocation as closely as possible to the target.

In the event that a liquid strategy within an asset class deviates from an upper or lower allocation limit, the asset class will be rebalanced to return to its strategic asset allocation target range within ninety (90) days. Within this ninety-day window it may be impractical or costly to reallocate capital towards less liquid investment strategies within each major asset category.

Rebalancing shall consider liquidity so that investments can be converted into cash in a short time, with little or no loss in value, as necessary to facilitate the objectives of the Fund. The marketability of an asset will be considered when rebalancing within each asset category. The rebalancing strategy may be implemented through the use of the cash overlay program.

Staff will report the results of rebalancing activities to the Committee no later than the subsequent regular meeting.

V. PERFORMANCE BENCHMARKS

A. Benchmark Philosophy

Selecting benchmarks is among the most important decisions the Board makes behind setting asset allocation policy. Benchmarks provide the mechanism through which to evaluate the success of the investment program in meeting objectives. They provide the link between expectations and success. The principal philosophy is that asset classes and strategies selected by the Board are intended to gain exposure to various markets and that PERA benchmarks should be reflective of those respective markets both in terms of return and risk. Benchmarks should be simple rather than complex. Additionally, approved benchmarks should be those commonly employed by PERA's peers. Recommended benchmarks should be consistent with the benchmark proxy used in the asset allocation policy development process. The preference is for benchmarks with transparent construction and rebalancing methodologies and that are investable. Benchmarks should be representative of the relevant opportunity set for the asset class, sub-asset class or strategy.

B. Benchmarking Goals

The overarching goal of PERA benchmarks is to provide the Board a measurement tool in order to evaluate and understand the degree to which the Fund is successful in meeting policy objectives over both the short term (i.e., 3 or less years) and long term (i.e., 5 or more years). Benchmarks provide insight into how capital markets are performing, in general, and help the Board understand how individual asset classes, sub-asset classes and strategies are contributing to overall results. A

secondary goal of benchmarks is to ascertain the relative skill of PERA staff in their implementation decisions regarding individual strategy and external manager selection. Lastly, PERA benchmarks should meet industry standards for benchmark quality and that these benchmarks fairly and accurately represent the asset classes and strategies employed in the Fund.

C. Benchmarking Framework

The Board will establish benchmarks for each asset class and sub-asset class that contributes to the total fund benchmark. Benchmarks will be reflective of the market opportunity set intended to be captured by the asset class or sub-asset class. For long-only, public markets portfolio strategies, only published, widely recognized benchmarks will be employed that have been deemed to represent the investment characteristics and risk profile objective of the asset class or sub-asset class. Benchmarks will be reviewed at least every two years, and PERA takes a long-term view, i.e., five (5) years or more, in evaluating progress towards meeting stated investment goals.

D. Total Fund Benchmark

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are referred to as the “Policy Index” and are identified in Appendix B, which is separately adopted by the Committee. The Board may use the Policy Index to compare the Fund’s actual performance to its Total Fund Benchmark, and to measure the contributions of active investment management and policy adherence.

E. Mandate-Level Benchmarks

Benchmarks relevant to an investment shall be used as standards to measure the performance of Investment Managers. Acceptable benchmarks include but are not limited to:

- the appropriate market indices on a nominal and risk-adjusted basis;
- the performance of peers within their style group;
- adherence of the Investment Manager to the stated investment philosophy and style; and
- adherence to this Policy and the guidelines established in the investment contract.

The Board will work with Staff and the Investment Consultants to identify appropriate sub-asset class benchmarks. Staff and Investment Consultants will review the appropriateness of these benchmarks and report to the Committee on a regular basis.

VI. INVESTMENT GUIDELINES

Recognizing that capital markets are global in nature, the Board shall consider asset classes that represent all investment opportunities appropriate for PERA, as long as such investments comply with the UPIA. The terms and conditions of investment contracts are subject to legal review for compliance with applicable law and applicable investment standards.

A. Investments

Global Equity

An appropriately diversified Fund should include, commensurate with market conditions, global equity investments, both public and private. This allocation is structured to help the Fund meet its total return goals and will be implemented through strategies that include both liquid and illiquid mandates.

- **Public Equity.** The objective of public equity investments is to provide exposure to global

economic growth opportunities and seek to capture capital appreciation and current income. The public equity allocation must anticipate long-term capital appreciation as it targets economic growth with an acceptable exposure to price volatility and the risk of loss.

- Private Equity. The objective of the private equity allocation is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded equity securities. In making private equity investments, PERA shall consider that private equity Investment Managers typically have concentrated portfolios and generate returns by making operational changes to the acquired businesses and often employ leverage to generate superior returns.

Core Fixed Income

An appropriately diversified Fund should include, bonds, notes or other obligations of the U.S. government, its agencies, government-sponsored enterprises, corporations, or collateralized obligations, including but not limited to mortgages are targeted to achieve risk reduction and mitigation. In addition, these portfolios may include debt obligations of non-U.S. governmental or quasi- governmental entities and corporations with an investment grade rating, which may be denominated in foreign currencies.

Credit

An appropriately diversified Fund should include, commensurate with market conditions, global credit investments to deliver positive returns over a complete market cycle while maintaining sufficient liquidity. Credit investments shall be targeted to provide current income and total return with a strong focus on preservation of capital. In making these investments, PERA shall consider the potential volatility as compared to the Core Fixed Income allocation. PERA shall also consider credit investments that utilize leverage, shorting, derivatives, and illiquidity to generate greater risk-adjusted returns. Credit investments include similar types of securities as those in the Core Fixed Income allocation but may have different credit characteristics at the time of purchase.

Absolute Return

An appropriately diversified Fund should include, commensurate with market conditions, an allocation of assets for absolute return investments to provide diversification and downside protection. PERA shall consider the absolute return allocation as a component of the total investment portfolio that provides lower expected volatility and a greater expectation for capital preservation through a more stable pattern of total returns. The absolute return allocation includes, but is not limited to, hedge fund strategies and other public markets investments that may utilize leverage and/or derivatives to generate a risk-adjusted return commensurate with investments employed within the Core Fixed Income and Credit allocations.

Real Assets

An appropriately diversified Fund should include, commensurate with market conditions, investments in real assets to generate current income and provide capital appreciation. In making such investments, PERA shall consider the benefits of diversification that these investments provide as a hedge against inflation. Real assets investments may include but are not limited to liquid and illiquid securities in real estate, infrastructure, commodities, natural resources, timber, agriculture and farmland. The real assets portfolio includes market-neutral strategies—these portfolios seek to avoid elevated exposure to broad market risk through the use of hedges. Market-neutral strategies shall target a zero correlation with broad market movements and provide diversification benefits for the total fund.

B. Other Investment Considerations

The Board may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost and administrative complexity, authorize any investment except as otherwise expressly prohibited.

- Operating Cash Management. In order to mitigate risk and ensure liquidity, commensurate with market conditions, the services of the State Treasurer may be used for overnight investment of short-term assets. Use of a separate or commingled short-term investment fund administered by the Custodian Bank may be considered.
- Currency. As means to mitigate risk while realizing returns, PERA may consider active currency strategies that do not necessarily hedge existing international holdings, but instead, seek absolute return which may include leverage, cross-hedging, emerging markets, and interest- rate futures.
- Securities Lending with the Custodian Bank: The Board has authorized a securities lending program for all or any portion of the assets held as investments by PERA. Securities may only be loaned by the designated agent(s) by contracting for the temporary exchange of securities, for a specified fee or consideration for periods not to exceed one year, with broker-dealers, banks or other recognized institutional investors.
- Cash Overlay: Overlay strategies may be used to manage risk, asset allocation, and market exposures through futures, options, swap agreements, or forward agreements.

Securities Regulations

PERA shall consider, based on market considerations, whether engagement of Investment Managers registered under the Investment Company Act of 1940 is appropriate. This Act governs the operations of investment companies and their managers. PERA should work with its Investment Consultants and Investment Managers to ensure compliance with all federal and state securities laws including, but not limited to, the Securities Act of 1933 and the Investment Advisers Act of 1940. PERA recognizes that such registration is not applicable to all investment strategies or to investment opportunities located outside the United States.

Leverage

Leverage is implicit in many investment strategies and leverage in and of itself is not strictly prohibited so long as activities do not materially increase the risk level of the Plan. Leverage will be considered when deciding to retain an Investment Manager, and the Board, in conjunction with Staff, Investment Consultants, and Investment Managers, will avoid managers who employ unreasonable levels of leverage.

Liquidity

The Fund must maintain an easily accessible balance of cash equivalents and other reasonably liquid assets for the purposes of meeting the financial obligations of the Fund. The Board will govern these liquidity requirements through the utilization of a structural hierarchy, which will classify asset classes according to liquidity availability and pricing sensitivity during market stress. Convertible Liquidity is defined as a level of access from asset classes that can be liquidated in a relatively short amount of time with minimal pricing impact. Delayed Liquidity will capture all remaining asset classes that can be sold, but at a greater expense and/or over a longer time frame. Within these two classifications asset classes will be further classified across tiered availability. Liquidity guidelines are listed in Appendix C, which is separately adopted by the Board.

Derivatives

Investment Managers may use derivative instruments such as futures, options, swaps, and forwards, to implement investment strategies in a low cost, efficient manner or construct portfolios with risk and return characteristics that cannot be created with cash market securities. Derivatives may also be used

within the context of a cash overlay program. The cash overlay program, administered by an Investment Manager, may buy, sell, and hold exchanged-traded derivative instruments and exchange-traded funds.

Reporting

Total Fund performance reporting will be formally presented to the Investment Committee quarterly and shall include comparative peer performance data, compiled by the Board Investment Strategic Consultant. Illiquid_asset class performance reporting will be provided to the Investment Committee quarterly and formally presented no less than twice a year, reviewing the fiscal year end and calendar year end results. All reporting shall be published on the PERA website for public reference, on a timely basis, following quarterly review.

C. Prohibited Investments

In accordance with UPIA guidelines, the Board, Staff, Investment Consultants, and Investment Managers are expected to perform their fiduciary duties as a prudent investor would and to conform to all applicable federal and state statutes governing the investment of retirement funds for a qualified government plan. Accordingly, the following investments are prohibited:

Investments precluded by law or regulation:

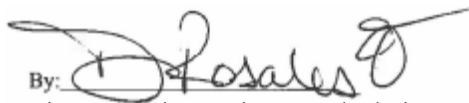
- Transactions that involve a broker acting as a "principal" where such broker is also the Investment Manager who is making the transaction are prohibited unless otherwise approved in each manager's respective PSA.
- Any other investments as specified in each Investment Manager's respective contract.
- An investment that violates the placement agent limitations set forth in the PERA Act.

VII. REVIEW AND APPROVAL OF INVESTMENT POLICY

The Board shall review the Policy on an annual basis to determine if modifications are necessary or desirable. It is expected that PERA Staff will review the Policy on an annual basis. Staff will recommend modifications as warranted. When modifications are made and approved by the Board, they shall be promptly communicated to all Investment Managers and other interested persons, as well as updated on the PERA website.

By signing this Investment Policy, the Board, through its Chair, indicates its agreement therewith.

Adopted: June 25, 1992
Amended: September 14, 1993
April 28, 1994
September 28, 1995
January 29, 1998
March 23, 1998
January 27, 2000
September 26, 2002
July 31, 2003
October 31, 2003
July 1, 2005
September 28, 2005
December 29, 2005
July 27, 2006
August 31, 2006
September 28, 2006
June 1, 2007
August 30, 2007
July 31, 2008
June 24, 2010
November 29, 2012
August 28, 2014
December 18, 2014
September 24, 2015
April 28, 2016
December 14, 2017
July 26, 2018
April 30, 2020
December 14, 2021
October 27, 2022
October 26, 2023
December 12, 2023

By: 

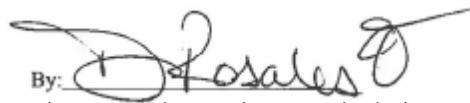
Diana Rosales Ortiz, Board Chair
Public Employees' Retirement Association of New Mexico

APPENDIX A. ASSET ALLOCATION TARGETS AND REBALANCING RANGES

Effective: April 1, 2024

| Asset Class | Lower Limit | Strategic Asset Allocation Target | Upper Limit |
|-------------------|-------------|-----------------------------------|-------------|
| Global Equity | 41% | 46% | 51% |
| Core Fixed Income | 10% | 13% | 16% |
| Credit | 13% | 17% | 21% |
| Absolute Return | 3% | 6% | 9% |
| Real Assets | 14% | 18% | 22% |

Adopted: December 12, 2023

By: 

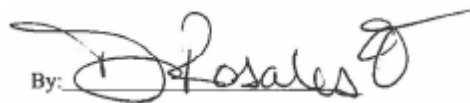
Diana Rosales Ortiz, Board Chair
Public Employees' Retirement Association of New Mexico

APPENDIX B. BENCHMARKS

Effective: April 1, 2024

| | |
|--------------------------|--|
| Global Equity | Weighted Benchmark |
| Global Public Stock | MSCI ACWI IMI (\$net) |
| Private Equity | MSCI ACWI IMI (\$net) |
| | |
| Core Fixed Income | Bloomberg U.S. Aggregate Bond Index |
| Core Fixed Income | Bloomberg U.S. Aggregate Bond Index |
| | |
| Credit | Weighted Benchmark |
| Liquid Credit | Bloomberg High Yield 2% Issuer Constrained |
| Illiquid Credit | Morningstar LSTA Leveraged Loan Index |
| | |
| Absolute Return | SOFR + 2.5% |
| Hedge Funds | SOFR + 2.5% |
| | |
| Real Assets | Weighted Benchmark |
| Illiquid Real Estate | FTSE EPRA Nareit Global Equity Index |
| Illiquid Real Assets | S&P / Dow Jones Brookfield Global Infrastructure Index |

Adopted: December 12, 2023

By: 

Diana Rosales Ortiz, Board Chair
Public Employees' Retirement Association of New Mexico

APPENDIX C. LIQUIDITY GUIDELINES

Effective: April 1, 2024

At no time shall Tier 1 assets fall below 10% of the total fund market value. For the purposes of liquidity, tier classifications and their corresponding asset classes are as follows:

| Convertible Liquidity | | |
|-----------------------|-------------------------|---|
| Tier 1 | 1-5 Day Liquidity | Core Fixed Income Cash and Cash Overlay |
| Tier 2 | 5-90 Day Liquidity | Global Public Stock Liquid Credit |
| Delayed Liquidity | | |
| Tier 3 | 90-365 Day Liquidity | Hedge Funds |
| Tier 4 | 1 Year + Liquidity | Private Equity Illiquid Credit Illiquid Real Estate Illiquid Real Assets |

Adopted: ~~December 12, 2023~~

By: 

Diana Rosales Ortiz, Board Chair
Public Employees' Retirement Association of New Mexico