Answers to Questions:

Q1: The second paragraph under Part I. Introduction and General Information, E. Description of the Plan on page 2 states: There are 165 payroll centers that consist of local government (and some public school) employers; the State of New Mexico consists of about 145 agencies that make up one payroll center. How many different file layouts will be sent to the new record keeper on a regular basis? Are the various payroll centers open to using our file layouts for transmitting contribution and indicative data?

A1: Please refer to Appendix M of the RFP – List of Payroll Centers and Modes of Transmission; this list shows the different file layouts each entity currently uses to send contributions. The various payroll centers should be open to using the chosen TPA's file layout for transmitting contribution and indicative data, provided the payroll centers' systems are capable of the implementation. We expect the chosen TPA to work with those entities that may not have such capabilities.

Q2: The first paragraph under Part I. Introduction and General Information, E. Description of the Plan, Plan Expenses on page 5 states: In addition to the annual TPA fee, expenses include PERA's operating costs and the Plan's investment consultant fee. PERA currently utilizes Mutual Fund Revenue (MFR) to cover the combined PERA and Investment Consultant expenses; when the MFR is insufficient, the difference is charged to applicable participant accounts; historically this is typically not more than $1 per participant. PERA is currently considering discontinuing the use of the MFR for these costs and instead, crediting the MFR to those participants who generated it. Should this be implemented, the PERA and Investment Consultant costs would need to be accounted for in the quarterly participant fee. When will a decision be made regarding discontinuing the use of the MFR to cover PERA's operating costs and the Plan's investment consultant fee, and instead, crediting the MFR to those participants who generated it?

A2: Ideally, the PERA SmartSave Plan would like make a decision on this issue in early 2019 in order to implement it at the start of the new TPA contract. However, at this time, there is not a set schedule to address this issue. This could be a discussion point between the Plan and the chosen TPA, so the Plan is open to ideas on how to best implement this.

Q3: Paragraph/Item 4, under Part II. Scope of Services, B. Marketing and Communications on page 6 states: Provide investment performance information summaries with participant quarterly statements of account. Would it be acceptable to provide an Insert containing information about fund performance and fees with the quarterly Account Statements, rather than provide this information as part of the Statement itself?

A3: The PERA SmartSave Plan believes in providing the participant with the most efficient types of information possible. It is preferable that fund performance information is embedded into the statements as this seems more efficient. However, Respondents welcome to provide your methods for the Plan's consideration.

Q4: Under Appendix J, Fund Investments Assets and Contributions Summaries, the Contributions by Investment Carrier table on page 31 states that total contributions from 3Q17 to 2Q18 totals were $33,422,458. However, under Appendix J, on page 4 of the Independent Auditor's Report, Management's Discussion and Analysis, Contributions to the Plan in paragraph one (1) indicates that employee contributions for 2017 were $47.8 million. This represents a 30% decrease in employee contributions. Please confirm that this is correct.

A4: The PERA SmartSave Plan assumes you are referring to Appendix K, page 31 when referring to total contributions of $33.4 million. Please note that the audited financial statements included in Appendix J of the RFP are for Fiscal Year 2017 – July 1, 2016 to June 30, 2017. The information on page 31 of Appendix K is as of June 30, 2018. Both are correct, different time frames.

Q5: On Page 2 of the RFP, Part I, Introduction and General Information, Description of the Plan, paragraph five, the RFP states that as of September 30, 2018, assets in the Plan are approximately $624 million. However, under Appendix K, on page 1 of the 2Q 2018 Executive Summary, Important Plan Stats & Demographics, the current assets are listed as $605,783,238. Please confirm the total number of assets as of 9/30/2018.

A5: Appendix K is the quarterly Plan Activity Report as of June 30, 2018 as this was the most recent public report available as of the launch date of this RFP. As of Sept. 30, 2018, total number of assets were $624 million.

Q6: Managed Accounts services are not mentioned in the RFP. Does the plan currently utilize managed accounts services? If yes, please provide total assets and participants as of 9/30/18.

A6: The Plan does not currently offer managed account services. Respondents are welcome to provide information on their capabilities in this area and any impact offering such a service may have on the pricing of the overall relationship.

Q7. Under Part I. Introduction and General Information, E. Description of the Plan, the table on page 3 lists the investment lineup currently offered by the PERA SmartSave Plan. Regarding these funds, please provide the following information:

1) New Mexico Portfolios
   - Are these unitized funds or non-unitized asset allocations?
   - If unitized, who is calculating the daily unitized price?
   - Who is calculating performance?
   - Who creates the fund fact sheets?
2) Columbia High Yield Bond Fund

- Please provide the ticker and share class information for this fund.

3) Prudential PRREF II

- Please provide a ticker or CUSIP.
- How is this fund traded and settled? Via NSCC or manually?
- Would a daily price be provided?
- Who is calculating performance?
- Who creates the fund fact sheets?

4) New Mexico Stable Value Fund

- How is this fund traded and settled? Via NSCC or manually?
- Would we be provided with a periodic rate or a daily price?
- Who creates the fund fact sheet?

A7: 1) The New Mexico Lifecycle Portfolios are unitized funds. The current TPA calculates the daily unitized price and performance. The TPA creates the fund fact sheets with the assistance of the Investment Consultant and PERA Staff.

2) The Columbia High Yield Bond Fund is the institutional share class, ticker: CHYYX

3) The CUSIP for PRREF II is 744366436. The funds trades via the NSCC. The manager provides the daily NAV and calculates performance. The fund is only utilized as an underlying component of the New Mexico Lifecyle Portfolios; therefore a factsheet is not required.

4) The New Mexico Stable Value Fund trades daily via the NSCC. The fund's manager, Galliard, provides the NAV and fact sheet.

Q8. Part II Scope of Services, D. Recordkeeping, c. Plan Level Responsibilities, paragraph/item 1 page 9 states: 1) The TPA shall establish a master custodial account arrangement, as authorized by PERA, for the Plan to hold custody of the assets of the Plan. Stable Value Fund Assets may be held in custody elsewhere as determined by PERA. Please provide more information regarding the master custodial account arrangement and what it would entail. Would passive-directed trustee and custodial services be sufficient?

A8: The PERA SmartSave Plan is accustomed to the TPA having a master custodial account arrangement where the TPA has the direct relationship with the custody entity; the Plan would like to continue with this method. However, Respondents are welcome to provide your custody methods for the Plan's consideration.

Q9. PDF 42, Marked 3, Appendix D – Cost Proposal Form
Is the State willing to look at enhanced pricing that includes a proprietary stable value option in addition to an open architecture proposal? If so, please provide any termination provisions including the current market to book value.

A9: No.

Q10: PDF 6, Marked Page 2, E. Description of the plan
Please provide a list of any ancillary fees that are currently being charged to the plan and or its participants. i.e. QDRO's, financial advice, etc.

A10: The following is a list of additional fees charged to participants for optional services:

- $50 set up fee for SDO
- $50 annual admin fee for SDO
- $45 annual fee for online investment advice
- $50 application fee for loan option
- $50 annual fee for loan option
- $50 default fee for loan option
- $25 insufficient funds fee for loan option

The other fee charged to the plan is the cost of the annual audit. The TPA pays this fee directly, it is not taken from participant accounts. See answer to Question 21.

Q11: PDF 7, Marked Page 3, E. Description of the plan
Please provide the total assets in the managed account program. Is the State willing to map those assets to the managed account program of the new provider?

A11: The Plan currently has no assets in a managed account program and as a result, there would be no assets to map.

Q12: PDF 9, Marked page 5, A. Employer Service and Enrollment Outreach, Paragraph1
Is the State willing to mandate a standard payroll process for all political subdivisions?

A12: The PERA SmartSave Plan cannot *mandate* a standard payroll process for the individual pay centers. Please see answer to Question 1.

Q13: Is PERA open to changing SDB providers from Charles Schwab?

A13: Yes, the PERA SmartSave Plan is open to utilizing whatever SDO provider the chosen TPA utilizes provided that SDO funds from existing Schwab accounts can be transferred to the new SDO provider with no incident.

Q14: Please provide the record keeping requirements of the life insurance policies and the number of impacted participants.

A14: Life insurance premiums for these legacy policies are paid from applicable participant accounts. These legacy life insurance policies are mostly handled on a case by case basis. Typically, participants need help cashing out these policies and the TPA acts as the middle man that provides the participant with the necessary forms. The current TPA would need to train the chosen TPA on these processes during the transition phase. There are approximately 300 participants with these legacy policies.

Q15: Is the State interested in converting from hard copy and diskette remittances to electronic methods?

A15: The PERA SmartSave Plan is interested in implementing more electronic methods for remittances. Please see answer to Question 1.

Q16: Is the State interested in reducing the amount of paper transactions in favor of electronic participant requests?

A16: Yes. However, we'd need to continue to allow paper transactions for those participants who do not have electronic compatibilities.

Q17: Is PERA open to converting to an on-line advice provider such as MorningStar?

A17: PERA would convert, subject to review, to whatever online advice provider the chosen TPA utilizes.

Q18: Please provide the requirements for the Spanish version of the VRU and website.

A18: The Spanish versions of the VRU and website should provide essentially the same services as the English VRU; see Part II, F, 2 of the Scope of Services. You may also visit the current Spanish website here: https://www.newmexico457dc.com/iApp/tcm/newmexico457dc/espanol/acerca/index.jsp.

Q19. How many meetings do the regional representatives conduct on a yearly basis?

A19: Please see Appendix K of the RFP, page 7 for a detailed list of regional rep meetings for the quarter. Ideally, each state agency and local government entity should be visited at least once per year. Some entities hold reoccurring New Employee Orientations year round. The PERA

SmartSave Plan is currently researching methods for implementing active enrollment. Should active enrollment happen, it may be possible to phase out the high volume of entity visits.

Q20: Is PERA open to a proprietary Stable Value bid?

A20: No

Q21: Appendix D – Cost Proposal Form: We noted the historical costs associated with the required Annual Independent Audit have ranged from $30,000 - $41,000. Please provide the cost associated with the most recent required Annual Independent Audit of the Plan.

A21: Every three years, the PERA SmartSave Plan is required to solicit quotes for three years from various approved auditors. NM State agencies are allowed to utilize the same auditor for six consecutive years. Naturally, the auditor increases its cost year after year until it's time to solicit new quotes. The following is a list of past costs for the annual audit:

- FY18 $36,000
- FY17 $41,100
- FY16 $39,500
- FY15 $38,000

Q22: Part I, Introduction and General Information, Regional Outreach Representatives and Local Administrative Office section, page 4: Will we be required to maintain a physical office in Santa Fe or other locations throughout NM?

A22: The current TPA contract requires a Santa Fe office. The individual in this office plays a vital role in systematically processing new enrollments and contribution changes. Through the years, the individual in this office also provides general customer service to walk-ins and/or participants on the phone. The chosen TPA must continue to accomplish these services; however, PERA is open to seeing proposals that will accomplish these services with or without an office in New Mexico. If the Offeror believes an office in New Mexico is necessary, it is ideal for this office to be located in Santa Fe or Albuquerque.