



**REQUEST FOR PROPOSALS FOR:**

**THIRD PARTY ADMINISTRATOR for 457b PLAN**

**RFP No. NM DC-001-FY19**

**RELEASE DATE:**

**November 28, 2018**

**DEADLINE FOR CERTIFICATION OF MINIMUM QUALIFICATIONS and  
DEADLINE FOR OFFERORS QUESTIONS:**

**December 12, 2018, 12:00 p.m. MST**

**DEADLINE FOR SUBMISSION OF RESPONSES:**

**January 18, 2019, 12:00 p.m. MST**

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## **PART I. INTRODUCTION AND GENERAL INFORMATION**

### **A. SUMMARY OF SOLICITATION**

Public Employees Retirement Association of New Mexico ("PERA") invites submittal of responsive proposals from qualified Offerors for Third-Party Administrator ("TPA") services for the PERA SmartSave Deferred Compensation Plan. ("the Plan") As explained in more detail in this Request for Proposals ("RFP"), PERA requests that Offerors respond to this solicitation by submitting formal acknowledgements of Minimum Qualifications ("MQs") and a proposal for services in accordance with the deadlines described in the Procurement Schedule that is set forth in Part IV (E) of this RFP. PERA expects to select one proposal by March 28, 2019, and execute a Professional Services Agreement ("Agreement") shortly thereafter, with TPA services to commence on the Effective Date of on or about October 1, 2019. All work during the transition period, from execution of the Agreement until the Effective Date, shall be on the Contractor's account. PERA, in its discretion, may reject all proposals.

### **B. STRUCTURE AND CONTRACTING AUTHORITY OF REQUESTING PARTY**

PERA is the public body of the State of New Mexico that is responsible for administering and managing the investment of all monies constituting the assets of the Public Employees Retirement Fund, the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund (together "the Fund"). PERA is a qualified plan under Section 401(a) of the Internal Revenue Code. The Fund's assets were valued in excess of \$15.4 billion as of May 31, 2017.

PERA is governed by the Public Employees Retirement Board (the "Board"). Article XX, Section 22 of the New Mexico Constitution obligates the Board to administer and invest the Fund for the sole and exclusive benefit of the members, retirees and other beneficiaries of PERA. The Board administers the Plan under the authority of the State of New Mexico Deferred Compensation Act, NMSA 1978, Sections 10-7A-1 through 10-7A-12.

NMSA 1978, §§ 10-11-130(A) (7), and 10-11-133(E) authorize the Board to make and execute contracts for investment management services. NMSA 1978, § 13-1-98(CC) exempts PERA from compliance with the New Mexico Procurement Code for all contracts for investment advisory services, investment management services or other investment-related services. PERA has adopted its Procurement Policy for Investment-Related Services. *See* Appendix G.

The Board has adopted its Investment Policy for the Plan (revised July 2018). *See* Appendix F. The Investment Policy provides that selection of TPAs are approved by and accountable to the Board through the authority of PERA's Executive Director. The service provider selected under this RFP shall serve the Plan in accordance with the Deferred Compensation Act (*see* Appendix I (1)), the Deferred Compensation Rules (*see* Appendix I (2)), and the Plan Document (*see* Appendix H, and Section 457(b) of the Internal Revenue Code. The service provider selected under this RFP shall serve in a fiduciary capacity to PERA and the Board and must agree to the indemnification and other provisions set forth in PERA's Professional Services Agreement (*see* Form of Professional Services Agreement attached as Appendix E to this RFP).

### **C. ETHICAL DISCLOSURES AND CONFLICTS OF INTEREST**

Members of the Board and PERA employees are subject to NMSA 1978, § 10-11-130.1, which prohibits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, Offeror or contractor of services to PERA, or from a person who is authorized to invest public funds pursuant to state or federal law. For purposes of this Policy, potential bidder means any person or entity that may provide services to PERA within the next twelve months.

All Offerors or incumbent providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and incumbent providers shall certify that the requirements of the Governmental Conduct Act,

NMSA 1978, §§ 10-16-1 through 10-16-18, regarding contracting with a public officer or state employee have been followed.

**D. OBJECTIVES OF THIS SOLICITATION**

As further described below, the purpose of this RFP is to invite responsible Offerors to submit competitive sealed proposals to provide TPA Services for the Plan.

**E. DESCRIPTION OF THE PLAN**

The Deferred Compensation Plan was established in 1981. The Internal Revenue Service has ruled that the Plan is an “eligible deferred compensation plan” under Section 457 of the Code. As such, amounts of compensation deferred under the Plan, including any income attributable thereto, will not be included in the gross income of Plan participants until the taxable year or years in which such amounts are actually distributed or made available to the participant or the participant’s beneficiary. A copy of the current Plan Document is attached as Appendix H.

Participants are currently given a choice of directing their contributions to any or all of the following investment options: (i) various no-load mutual funds managed by independent investment managers, (ii) a Stable Value Fund, (iii) custom target date portfolios, (iv) self-directed brokerage window (minimum account balance applies). Rollover contributions from eligible plans into and out of the plan are allowed.

Participants are 100 percent vested at all times in accordance with the terms of the Plan. The benefits provided to any participant under the Plan depend upon the aggregate amount deferred and the investment results achieved by the investment managers and investment options approved for the Plan by the Chief Investment Officer in consultation with the investment consultant and coordination with the TPA to verify fund availability. Plan participants may direct their future contributions to any of the investment options which are offered, may change their investment direction as to future contributions, and, subject to certain restrictions, may transfer their accumulated contributions and earnings from one investment option to another on a daily basis without transfer fees.

There are approximately 60,000 state and local active employees who are eligible to participate in the Plan. 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. Deferred compensation enrollment and contribution documents must be processed through the respective human resources/payroll departments within the individual local governments and individual state agencies.

As of September 30, 2018, assets in the Plan are approximately \$624 million and there were approximately 22,050 participants with an account balance. Currently, contributions are being deferred at a rate of approximately \$3.3 million per month. Deferrals are a fixed dollar amount of at least \$10 per pay period, up to the allowable limits. There are typically no employer contributions, however there is a small number of employers who offer a match. Loans and hardship withdrawals are permitted in the Plan. Currently, there are approximately 2,304 outstanding loans. An automatic increase option is available to participants, there are 31 participants using this option.

The following organizations currently provide administrative, custodian and investment services to the Plan:

|  |  |
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| <b>Plan Website</b>                      | <a href="http://www.newmexico457dc.com">www.newmexico457dc.com</a> |
| <b>TPA</b>                               | Nationwide Retirement Solutions                                    |
| <b>Custodian</b>                         | Nationwide Trust Co.   |
| <b>Independent Investment Consultant</b> | Meketa Investment Group  |

|  |  |
|--|--|
| <b>Financial Organizations</b>   |  |
| <i>No-Load Mutual Funds</i>  | American Funds-EuroPacific Growth Fund – Class R6  |
|  | Fidelity Diversified International Fund  |
|  | Aberdeen Emerging Markets Equity Fund Instl Class  |
|  | Vanguard Total International Stock Index Fund  |
|  | DFA US Small Cap Fund  |
|  | T. Rowe Price Mid-Cap Growth Fund  |
|  | Principal MidCap Blend Institutional Fund  |
|  | Fidelity Low Priced Stock Fund   |
|  | Dodge & Cox Stock Fund   |
|  | Fidelity Contrafund  |
|  | Vanguard Institutional Index Fund  |
|  | Vanguard Total Bond Market Index Fund  |
|  | Vanguard Inflation Protected Securities Fund   |
|  | Templeton Global Bond Fund   |
|  | Oakmark Equity and Income Fund   |
|  | Principal Diversified Real Asset Fund  |
|  | Invesco Global REIT  |
| <b>New Mexico Stable Value Fund</b>  | Galliard Capital Management  |
| <b>Nine Custom Target Date Portfolios</b>                                  | Fund of funds with the following underlying components:<br><i>New Mexico Stable Value Fund</i><br><i>Vanguard Total Bond Market Index Fund</i><br><i>Vanguard Inflation-Protected Securities</i><br><i>Templeton Global Bond Fund</i><br><i>Columbia High Yield Bond Fund</i><br><i>Vanguard Institutional Index Fund</i><br><i>Principal MidCap Blend Institutional Fund</i><br><i>T. Rowe Price Mid Cap Growth Fund</i><br><i>DFA US Small Cap Fund</i><br><i>Vanguard Total International Stock Index</i><br><i>American Funds EuroPacific Growth</i><br><i>Aberdeen Emerging Markets Equity Fund Instl Prudential</i><br><i>Retirement Private Real Estate Fund II</i><br><i>Principal Diversified Real Asset Fund</i> |
| <b>Universal Life Products</b><br>(inactive option; legacy accounts exist) | Monumental Universal Life Insurance<br>Transamerica Universal Life Insurance   |
| <b>Self-Directed Brokerage Window</b>                                      | Charles Schwab through the TPA   |
| <b>Guidance Online Services</b>  | Wilshire through the TPA   |
| <b>Advisory Online Services</b>  | Wilshire through the TPA   |

As of September 30, 2018, approximately \$318 million was invested in 17 no-load mutual funds, \$159 million was invested custom target date portfolios, \$4 million was invested in the Universal Life products

and approximately \$130 million was invested in the New Mexico Stable Value Fund, \$6 million was invested in the self-directed brokerage option, and \$12 million in outstanding plan loans.

All payroll deductions are transmitted via check, wire, debit ACH, and electronically directly to the TPA by the state and local employers. The TPA then remits such funds among the Plan's investment options based on allocation data provided to the TPA. In accordance with the Board's Rules and Regulations, all funds received by the TPA are posted to the appropriate investment options within twenty-four (24) hours after receipt.

The current TPA processes 165 different payrolls consisting of bi-weekly and monthly payrolls. These payrolls accounted for approximately \$40 million in contributions for FY18. All records are valued and reconciled on a daily basis. As of September 30, 2018, approximately 22,050 quarterly participant statements were issued. Live representatives from the Call Center are available to respond to participant calls. The voice response unit receives approximately 300 calls per month. The website receives approximately 14,000 hits per month. (*See Appendix K for plan statistics.*)

### **Regional Outreach Representatives and Local Administrative Office**

In addition to the typical administrative duties of participant account processing, the current TPA also maintains one field office, located in Santa Fe, NM and provides four (4) regional outreach representatives.

Currently, all plan transactions, such as: enrollment, contribution changes, distribution requests, etc., are initiated through paper forms. The instructions on all forms direct participants to submit the form via USPS to the TPA's home office or via fax to the TPA's Santa Fe office. The individual at the Santa Fe office completes a quality control process and submits correctly completed forms to the home office for processing. If the form is completed incorrectly, the Santa Fe office individual contacts the participant to remedy the error.

Regarding new enrollments and contribution changes, the individual at the Santa Fe office serves as the communication link between the state/local government payroll centers and the home office. Currently, all new enrollment and contribution change forms must be submitted to the Santa Fe TPA office; when these forms are received, the individual at the Santa Fe office systematically notifies the individual state/local government payroll centers to enter the deduction in their respective payroll systems. The corresponding forms are eventually submitted to home office for processing. If home office finds a discrepancy or if a contribution is being held in suspense, the individual at the Santa Fe office is notified; this individual then contacts the affected payroll center or participant to remedy the discrepancy.

The State of New Mexico is the nation's fifth largest state and the sixth-least densely populated state. Because the Plan is supplemental, it currently requires approximately 122,000 square miles of public outreach; this serves the purpose of the four, TPA provided regional outreach representatives. These representatives are responsible for Plan outreach which includes coordinating with their respective area state agencies and local governments to: schedule group presentations and/or individual participant retirement or Plan counseling, represent the plan at employee sponsored benefit fairs, and present Plan information at systematic New Employee Orientations. It is mostly at these events where actual Plan enrollment is achieved. (*See Appendix K, page 7 for detail on these events.*)

Additionally, the current TPA is responsible for initially contacting or responding to non-participating employers and educating them about the Plan as well as incorporating them into the Plan if so desired.

### **Recent Plan Design Enhancements**

PERA has utilized the current TPA for approximately the last 20 years. As a result, most participants were unaware that PERA owned the Plan. In 2015, PERA rebranded the Plan in efforts to communicate that the Plan is overseen by PERA. The Plan was renamed to The PERA SmartSave Deferred Compensation Plan. Included in the rebrand was a new Plan logo that coincided with PERA's logo. The current TPA was directed to update all forms and marketing and communication material with the new name and logo. It is

very important to PERA that the TPA's messaging is always SmartSave branded to ensure participants can distinguish the roles of the TPA and PERA.

Effective July 1, 2017, the PERA Board approved a new fee structure in efforts to implement administrative fees that are more equitable across all account balances. The annual fee structure was changed from a flat rate of \$52 per participant to a hybrid of \$30 + 0.135% of assets with a cap of \$104 per participant. The hybrid structure was intended to be fee neutral for the TPA and is supposed to equate to \$52 per participant.

### **Plan Expenses**

The Plan is 100% participant funded. As an incentive for participants to enroll in the Plan, the annual administrative fee is waived for the first two quarters or until account balances reach \$1,000, whichever comes first; this is a practice that PERA will continue to implement. 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.

### **Governance Structure**

The PERA Board has fiduciary oversight of the PERA SmartSave Plan. As such, the PERA SmartSave Committee/Board are responsible for setting policies and establishing the Plan's investment structure. The CIO/PERA Investment Division is responsible for implementing those policies and selecting and deselecting investment options within the structure. The CIO/Investment Division, along with the Plan's investment consultant, monitors investment options and the effectiveness of the investment structure, which results in analysis and recommendations back to the PERA SmartSave Committee/Board to approve any changes to the investment structure.

### **Plan Goals**

Like all plans of this type, the main goal of the Plan is to increase enrollment and initiate successful retirement outcomes through investment education. To achieve this goal, it is PERA's desire to enhance efficiencies through better use of technology and modern communication tools such as, online capabilities, mobile apps, and even social media. (Auto enrollment is currently not an option; active enrollment is currently being researched.) PERA would also like to utilize modern reporting capabilities available to the Plan Sponsor to analyze participant behavior for the purpose of developing appropriate enrollment strategies. PERA is excited to be presented with opportunities that could eventually phase out old models and methodologies of administering the plan and achieving goals.

## **PART II. SCOPE OF SERVICES**

The successful Offeror shall serve as the exclusive TPA of the State of New Mexico Deferred Compensation Plan ("Plan"), and shall be PERA's agent of record for administration of the Plan. The TPA shall undertake the obligations and duties described in this Part.

### **A. EMPLOYER SERVICE AND ENROLLMENT OUTREACH**

1. The TPA shall provide adequate personnel and/or methods dedicated exclusively to the Plan to act as point of contact between the individual employers/payroll centers and TPA headquarters for processing new enrollments and contribution changes and provide customer service to local employers/payroll centers, as needed.

2. The TPA shall provide regional outreach representatives, not to exceed four, to complete statewide outreach to eligible employees with the intention to enroll new Plan participants and counsel existing participants; representatives shall also be available by appointment at an agreed upon location.
3. The regional outreach representatives shall seek to enroll approximately 500 – 700 or more new participants each quarter by visiting individual employers and conducting group education meetings, participating in employer sponsored benefits fairs, presenting Plan information at New Employee Orientations, and taking advantage of any other ad hoc enrollment opportunities. Plan representatives shall seek to visit every Plan employer at least once per year. Communication information shall include initial enrollment information, ongoing investment education, general asset allocation models, estimating the amount of assets needed at retirement, education and counseling on website and Call Center features and capabilities, and all administrative features that the Plan offers.
4. The TPA shall ensure that the personnel conducting the group education meetings are trained to provide information on the investment offerings under the Plan and to discuss investment concepts and retirement planning considerations and that such information shall be provided in a manner consistent with the requisite insurance and securities laws and all personnel who conduct such meetings shall be properly licensed with all required regulatory agencies, if applicable.
5. The TPA shall facilitate the entry of eligible employers that have elected to participate in the Plan.
6. Maintain availability to attend PERA's Board and/or Committee meetings for the purpose of answering ad hoc questions on the operations of the Plan, at PERA's discretion.

## **B. MARKETING AND COMMUNICATIONS**

1. Design, print and make available all marketing, communication and outreach material, subject to PERA's review and approval prior to use; all material shall be branded with the PERA SmartSave logo. Such materials shall educate employees regarding all aspects of the Plan such as investment education, retirement planning, asset allocation models, investment selection based on risks and returns, and payout selection. Material shall be presented in an accurate and clear manner; it should fully disclose to each employee all plan features, costs, and market risk education so that each employee may determine whether to participate in the Plan.
2. Create easily understood, standard self-enrollment documents and corresponding communication material on all aspects of enrollment, subject to PERA's approval.
3. Develop and execute all communication strategies, subject to PERA's review and approval, to communicate possible plan(s) changes. These strategies should include communication to all applicable Plan stakeholders. Communication strategies shall also include one mass mailing via USPS and unlimited email blasts.
4. Provide investment performance information summaries with participant quarterly statements of account as well as mutually agreed upon information that shall include updates on the Plan and retirement laws and/or communication from PERA. TPA's obligation under this paragraph shall be contingent upon timely receipt of investment performance information from the plan investment providers.
5. Develop and distribute communication and education material for retired employees with balances held in the Plan, subject to PERA's review and approval prior to use.

## **C. ENROLLMENT**

1. Process enrollment for all eligible employees who desire to participate in the Plan. Coordinate payroll authorization with the appropriate payroll department and establish a participant record.
2. Verify participant enrollment eligibility and obtain enrollment agreements.
3. Assist employees in the completion of enrollment applications. Ensure completeness of the forms, process and provide participant confirmation of enrollment.
4. Offer participant enrollment consultations through the Call Center and/or online, for completion of enrollment process.
5. Provide ongoing production of enrollment material to distribute to participating employers and/or directly to employees.
6. Provide online enrollment services.
7. Provide assistance and resolution of enrollment errors and omissions within five (5) business days of discovery of the enrollment error or omission.
8. Open a participant account within five (5) business days for each employee who elects to participate in the Plan, and who completes the enrollment process in good order. Notify interested employees, if the employee is not eligible to participate in the Plan.

**D. RECORDKEEPING**

1. During the term of this Agreement, the TPA shall maintain records providing daily information associated with an individual's account, including but not limited to investment balances; salary deferral contributions; distributions; earnings; administrative costs; payroll center; address; beneficiary designation(s); and any other information necessary for the proper administration of a participant's account.
  - a. Amounts, which are not guaranteed as to principal or interest, will be valued at their net asset value as of the close of each business day, and/or in accordance with any applicable contract with an investment provider or in accordance with the fund prospectus.
  - b. Plan assets invested in the stable value option, shall be valued at book value unless otherwise required by generally accepted accounting principles. Interest shall be accounted for on a daily effective method in accordance with the contract with the stable value investment providers. The TPA shall be responsible for applying the crediting interest rate factor to participant accounts on a daily basis as provided by the valuation agent on the account through the daily NAV.
2. The TPA shall retain source documents/records from the Effective Date in an electronic form mutually agreed to by the TPA and PERA. Recordkeeping services shall include information provided by participant, but are not limited to:
  - a. Individual Participant Records
    - 1) Status active and inactive participants
      - (i) Plan Date of Entry
      - (ii) Date of Birth
      - (iii) Contribution Fields
      - (iv) Field for non-taxable contributions, if necessary
      - (v) Payroll Center
      - (vi) SSN
      - (vii) Investment Allocation

- (viii) Separate accounting as required for certain investment types, as applicable
  - (ix) Rollover Accounts: rollover amounts must be segregated and accounted for separately by type of rollover to determine withdrawal eligibility, penalty and tax withholding amounts.
- 2) Status terminated participants
    - (i) As above and:
    - (ii) Termination Date
    - (iii) Termination/Distribution Code under the TPA's recordkeeping system
  - 3) Participant Name - maintain participant name data and process name changes
  - 4) Beneficiaries of Participant - maintain participant beneficiary data and process beneficiary changes received from the Participant
  - 5) The TPA is the primary record holder for retention purposes
  - 6) Domestic Relations Orders (DRO)
    - (i) Determine qualification of Order
    - (ii) Place a distribution restriction on account, sufficient to preserve alternate payee's interest
    - (iii) Calculate distribution (when eligible) in accordance with DRO
    - (iv) Make distributions to alternate payee(s)
- b. Plan Level Reports
- 1) The TPA shall prepare and provide to PERA separate quarterly reports on all Plan demographics and activities, *see* Appendix K. The format of such reports shall be subject to PERA review and approval and shall include, but not be limited, to the following information:
    - (i) The total number of participants in the Plan.
    - (ii) The number of new participants in the Plan broken down for the period and cumulative for the year.
    - (iii) Total employee salary deferrals, employer basic contributions (where applicable) and withdrawals broken down for the period and cumulative for the year to and from each investment provider.
    - (iv) Assets in the Plan broken down by investment provider, including the number of participants in each investment, at the end of the reporting period and cumulative since the beginning of the year. Differences between the monthly allocation of investment funds and deposits for each investment option shown on the requested report herein shall also be explained by a footnote.
    - (v) A statement of the rate of return broken down by investment provider for the reporting period and cumulative for the year.
    - (vi) Distribution reports based on regular benefit payouts, hardship withdrawals and loans.
    - (vii) Amounts deducted from participant accounts by the TPA for administrative fees.
  - 2) The TPA shall report quarterly on Service Center quality and performance including but not limited to activity, abandoned and aborted calls.

- 3) The TPA must provide PERA with all necessary reports and information, as mutually agreed upon, to be able to account for the Plan in accordance with generally accepted accounting principles.
  - 4) The TPA shall develop or otherwise make available a plan sponsor website, which will allow access to mutually agreed upon plan level reports.
- c. Plan Level Responsibilities
- 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.
  - 2) The TPA shall collect administrative fees from individual participant accounts and disburse the appropriate amounts to the TPA, PERA, PERA's Investment Consultant, including separate contractual fees for products or services as disclosed to the participants, if applicable, for expenses related to maintaining the Plan or, fees for personal investment advice, if applicable. Prepare a reconciliation report detailing fees collected and disbursed. For new accounts, the TPA shall waive the administrative first two quarters or until account balances reach \$1,000, whichever comes first.
  - 3) The TPA shall assure, on PERA's behalf that the investment providers compensate the Plan or participants for not conducting individual participant account recordkeeping. Collect any payments negotiated by PERA or the TPA and use these product fees to reduce the fees charged to PERA participant accounts or credit back to applicable participants, as determined by PERA.
  - 4) The TPA shall reconcile investment accounts for the Plan with investment providers monthly. Annual Plan audit will include written confirmation of the balances with the investment providers or custodian.
  - 5) The TPA shall reconcile individual participant accounts to the general ledger account balances monthly.
  - 6) The TPA shall compute the amount of transfers between investment options, adjust the amounts allocated to each investment option, and make these transfers effective on the day instructions received in good order prior to market close from the participant.
  - 7) The TPA shall: 1) process contributions received in good order directly from the various payroll centers; perform the split among the investment products, post contributions to the participant accounts and wire the money to the Investment Product Providers within one (1) business day following the date of receipt; 2) monitor timely receipt of contribution reporting file and contributions received from the payroll centers; and, 3) reconcile each contribution report to the current participant contribution authorization form. PERA agrees to use reasonable best efforts to assist the TPA to develop and implement procedures for dealing with situations where the payroll centers cannot provide accurate, timely or complete data. Each failure to meet a posting deadline, unless due to a failure beyond the TPA's control, shall be subject to reimbursement of the amount of earnings/gains that would have been received by participants if the posting had occurred as scheduled and which will be used to make participant accounts whole for the delay.
  - 8) The TPA shall use reasonable best efforts to resolve, within five (5) business days or less, situations where amounts are received by the TPA for which the TPA has no valid corresponding participation agreement on file. PERA agrees to provide reasonable assistance as necessary to resolve such situations. The TPA shall provide PERA with a report on any such situations not resolved within five (5) business days. Amounts received by the TPA shall be invested on the date determined to be in good order. The TPA shall not be responsible for errors

- outside its control, such as failures by payroll centers, participants or investment managers to provide information in a timely manner.
- 9) The TPA shall develop a system for corrections due to erroneous deductions, participant check cancellations, administrative errors, or participant misunderstandings. Any errors made by the TPA shall be corrected at its expense so that the value of the participant's account is not less than it would have been had the error not occurred. Such system shall provide for prompt repayment or credit of any refunds within five (5) business days following the date on which the reason for such refund or credit is brought to the TPA's attention.
  - 10) The TPA shall make payments within five (5) business days of receipt of a fully completed and accurate withdrawal application in good order and within four (4) business days for a fully completed and approved unforeseeable emergency withdrawal application in good order. Payment distributions shall be a combined amount from all investment products, or as specified by the participant.
  - 11) The TPA shall provide and implement disbursement of funds by check, electronic direct deposit or electronic fund transfer for benefit payouts.
  - 12) The TPA shall furnish to participants on a quarterly basis a statement of account activity. The statement shall be in a mutually agreed upon format and shall include account balance or other information provided by investment companies maintaining allocated participant account records.
  - 13) The TPA shall transmit the participant's statements of account activity to participants' communication preference no later than twenty (20) business days following the quarter's end date. Reasonable efforts shall be implemented to attempt to obtain correct contact information for statements that are returned. Statements shall include investment performance information. The summary of the investment performance of the Plan's investment option will be prepared by the TPA. The TPA will be responsible for obtaining the variable fund investment performance directly from the fund providers or from an industry standard data source acceptable to PERA. The performance for the stable value option will be the quarterly return resulting from the application of the daily interest rate factor.
  - 14) All participant fees and charges will be clearly identified and detailed on the statement. At a minimum, the participant's statement of account activity must include the participant's name, address, all activity in the past three months broken down by investment provider, the participant's contribution amount, all fees and charges to the participant, the period earnings or losses for the participant on his investment broken down by investment fund, account balance broken down by investment provider at the end of the reporting period, inception and period to date information on salary deferrals, as well as all information provided on the sample participant statement included in the Appendix section.
  - 15) The TPA shall provide all services described herein without cost to PERA unless otherwise provided herein. All fees shall be paid by Plan participants through deduction from said participants' accounts.
  - 16) The TPA shall provide participant federal and state income tax withholding and reporting for each benefit payment from the Plan. The TPA shall be solely responsible for any tax penalties and/or interest that may arise due to errors it made in tax reporting or forwarding of funds to the appropriate government authorities.
  - 17) The TPA shall keep duplicate or back-up computer data files maintained in connection with the Plan in a place of safekeeping. All computer data files of the Plan as maintained by the TPA shall at all times remain the property of PERA notwithstanding the fact that such records may

be stored upon or within one or more computer or data retention systems owned, operated or leased by the TPA. The State, PERA or its representatives shall, at all reasonable times and upon reasonable notice to the TPA, have access to the records. To the extent that any such records are to be maintained upon a computer system or any other data retention system which is not owned by the TPA, the TPA agrees to ensure that the continued availability and security of the records and information stored on such computer facilities are satisfactory to PERA.

- 18) The TPA shall provide access to PERA to all back-up source materials, reports, books, records, and all other information and documentation relating to the plan, as reasonably required so that PERA and/or its designated officers, agents and accountants, can conduct a financial examination and/or audit of the Plan.

## **E. ADMINISTRATION**

1. Communicate on a regular basis with PERA SmartSave Plan Manager and any other company involved with the Plan for the purpose of reviewing the Plan's operational status, resolving any problems and discussing any relevant issues.
2. The TPA shall provide a manual of tasks, rules, and procedures for operation of the Plan, including a description for the TPA's employees of how all services which are to be provided hereunder the Agreement are to be performed. The TPA shall review this manual and update it if necessary, and shall submit such changes to PERA for its review and approval.
3. The TPA shall perform all administrative functions necessary to ensure thorough and accurate financial accounting.
4. PERA agrees to use reasonable best efforts to assist the TPA to research and attempt to resolve any participant statement of account not received by the participant but returned to the TPA. The TPA shall provide a summary report to PERA within thirty (30) days of mailing of statements.
5. The TPA shall inform PERA, as soon as practicable, of recently enacted federal tax laws and regulations, and all present or future federal tax legislation or other changes in the tax laws, which may have an impact upon the recordkeeping and administration requirements of the Plan. Describe the nature of any amendments to the Plan that may be required by changing conditions, federal tax laws or regulations. The TPA shall work with PERA's General Counsel to evaluate and implement any amendments.
6. The TPA shall ensure that each participant account complies with the applicable plan regulations including individual and Plan level contribution limits and that all forms and authorizations received on or after the Effective Date are complete and on file, except that the TPA shall not be responsible for monitoring contributions or deferrals made on behalf of or by each participant to any other plan.
7. The TPA shall receive all applications of financial hardship withdrawals of benefits due to "unforeseeable emergencies." The TPA shall determine whether each application received in good order meets the guidelines established by the plan and the Internal Revenue Code and interpretations for such withdrawals within three (3) business days. Once the TPA has approved an application for withdrawal due to an "unforeseeable emergency" the TPA shall make payments within one (1) business day. If the TPA denies an application for withdrawal due to "unforeseeable emergency," the TPA shall issue a detailed written response of the reasons for the denial, and shall furnish the applicant, upon request, with a copy of the guidelines used in consideration of such an application.
8. The TPA shall distribute all disbursements of Plan benefits and perform all required state and federal tax withholding and reporting for such distributions. Such distribution shall include coordination with all investment providers under the Plan, including companies maintaining allocated participant records. A

participant's account shall not be closed until all amounts in the account have been distributed to the participant or his beneficiaries.

9. The TPA shall report quarterly to PERA fee calculations and the reconciliation of all charges to participant accounts.

10. The TPA shall provide written information to participants considering Eligible Rollover Distributions and assist participants with such distributions.

11. The TPA shall prepare and maintain mutually agreed upon special purpose reports as determined by PERA as necessary for the proper administration of the Plan.

12. The TPA may enter into servicing agreements with investment providers on PERA's behalf. The TPA shall disclose all compensation and/or reimbursement to the TPA relating to the Plan from investment providers and shall provide all such compensation and/or reimbursement to PERA.

13. The TPA shall administer, at the direction of PERA, a series of custom target date portfolios and calculate the Net Asset Value (NAV). The TPA, in consultation with PERA and the Investment Consultant shall rebalance the portfolios quarterly, make allocation changes and coordinate the addition of new portfolios.

14. The TPA shall provide general education materials and account balances for a self-directed brokerage option approved by PERA. The self-directed brokerage option provider will provide the administrative, communication and recordkeeping services.

15. The TPA shall provide all services associated with a participant loan program for general purpose and residential loans from the Plan.

16. The Universal Life Products are an inactive option, however there are legacy accounts that still exist. The TPA shall continue to administer contributions related to these products and serve as an information center between the product and the participant to the best of the TPA's ability.

#### **F. PARTICIPANT SERVICE**

1. The TPA shall offer a toll-free Call Center for participants to use for obtaining forms and account or investment information and conducting transactions. The system must provide for TDD. This telephone line must have a voice response capabilities system. However, the participants must have a choice between a voice response system and communication with a live customer service representative (CSR). Live CSRs shall be available from 7:00 a.m. to 7:00 p.m., Mountain Standard Time, Monday through Friday.

2. Participants shall have toll-free access to a Voice Response Unit (VRU) and website access, which shall provide the following information and services to the participant:

- a. Current account balance, in total, broken down by investment option, and broken down by each plan type (if applicable)
- b. Quarterly Yield interest rates
- c. Current share prices
- d. Inquire about current investment election (allocation of contributions)
- e. Change allocation of future contributions and deferrals
- f. Transfer existing assets between investment options
- g. Change PIN (Personal Identification Number)
- h. Access fund performance (ie: 1 year, 5 year, 10 year return)
- i. Request forms mutually agreed to by the parties.

Inquiry services available from the VRU and the website will utilize most currently available share prices, unit values and account balances as of the previous business day.

A Spanish version of the VRU shall be available to provide the same functionality as the English version and availability of the Spanish website that provides educational content. The Spanish website shall be provided as a link from the Plan's website.

Changes to investment allocations received in good order will be made to the participant's record the date they are requested. Transactions received prior to 2:00 p.m. Mountain Standard Time (close of the New York Stock Exchange) will receive that day's closing fund(s) price. Transactions received after 2:00 p.m. Mountain Standard Time will reflect the price of the fund(s) at the close of the NYSE on the next business day using that next business day's NAV or value.

3. The TPA shall make available Call Center representatives to answer participant questions during normal business hours. Participants initiating transactions via Call Center representatives shall receive verbal confirmation followed by a written confirmation, which shall be distributed directly to the communication method on file for the participant within five (5) business days. The VRU system must be available 24 hours a day, except for routine maintenance of the system, which must take place after 9:00 p.m. and before 6:00 a.m. Mountain Standard Time.

4. The TPA shall ensure that the personnel answering the Call Center phones are trained to provide information on the investment offerings under the Plan and that such information shall be provided in a manner consistent with the requisite insurance and securities laws and all personnel who provide such information shall be properly licensed with all required regulatory agencies, if applicable. At the request of a participant, review and explain plan features and past investment returns. At the request of a participant, the participant shall be directed to one of the TPA's regional outreach representatives dedicated to the Plan who can discuss investment concepts, retirement planning considerations, and investment alternatives. If unavailable at the time of a phone call, the TPA's representative shall call back a participant no later than the next business day.

5. The TPA shall be responsible for all settlements among the investment providers due to changes in participant directed investments.

6. The TPA shall establish a system with PERA's approval to ensure separated participants are informed of plan updates or changes.

7. The TPA shall respond to participant questions and complaints. Any complaints not resolved within thirty (30) business days will be brought to PERA's attention.

8. Participant Investment Adviser Services:

- a. The TPA shall retain an Investment Adviser service for the plan to provide the participant education, planning and investment advisory services outlined below. The Investment Advisor shall assume fiduciary responsibility for guidance services and investment advisory services. The TPA shall enter into such arrangements with the Investment Adviser, shall design its systems and protocols and shall offer the related services in such a manner as shall be reasonably necessary or advisable to permit the Investment Adviser to offer the Investment Adviser Service contemplated hereby.
- b. The Investment Adviser shall make available to all participants through the Plan website. The Investment Adviser Service shall provide Participants with retirement planning, investment education and investment guidance related to the accumulation of assets for retirement and the investment and allocation of the assets in a Participant's account. Employee participation in the online retirement advice service shall be optional. The TPA shall coordinate and direct the activities

of the Participant Investment Adviser so that the services provided by the Participant Investment Adviser are integrated with the services offered to Participants hereunder.

### **PART III. MINIMUM QUALIFICATIONS**

#### **A. CERTIFICATION REQUIREMENT**

Each Offeror must certify, by no later than the deadline set forth in the Procurement Schedule, that it meets all of the following minimum qualifications as of the date its proposal is submitted to PERA. In order to certify, the Offeror shall complete, sign, and submit all forms required by this RFP. These documents include: Appendix A (Certification of Minimum Qualifications), Appendix B (Signature Page), Appendix C (Questionnaire), and Appendix D (Fee Proposal Form).

**FAILURE TO MEET AND CERTIFY TO THE FOLLOWING SHALL RESULT IN THE REJECTION OF THE PROPOSAL FOR NON-RESPONSIVENESS.**

#### **B. LIST OF MINIMUM QUALIFICATIONS**

Potential Respondents must certify to the following:

1. Offeror has at least five (5) years of experience in providing the proposed services.
2. As of the date of this RFP, the Offeror currently provides third party defined contribution services to at least ten (10) public sector plans of which:
  - a. at least three (3) must be 457(b) plans;
  - b. at least three (3) must have a minimum of 20,000 or more participants; and,
  - c. at least three (3) must have a minimum of \$500 million in total defined contribution assets under administration.
3. Offeror must respond to Item #2 in Appendix C and provide its audited financial statement as of December 31, 2017, or more recently if available, as required by such question.
4. The Offeror must be able to administer and record keep the investment lineup currently offered by the PERA SmartSave Plan as indicated in Part I(E) of this RFP.

### **PART IV. THE COMPETITIVE PROCESS**

#### **A. GENERAL INFORMATION**

In order to qualify for award of a contract, an Offeror must comply with all of the requirements set forth in this RFP, including without limitation submittal of proposals by no later than the deadlines set forth in the Procurement Schedule.

This RFP may be canceled and any and all proposals may be rejected in whole or in part when it is in the best interests of PERA. This RFP shall not be modified except by written amendment.

#### **B. WRITTEN QUESTIONS**

PERA will accept and respond to written questions about this RFP and the procurement process within the period described in the Procurement Schedule.

Written questions shall be submitted to PERA via email to: [PERA-smartsave@state.nm.us](mailto:PERA-smartsave@state.nm.us).

PERA will only respond to written questions submitted to the email address set forth above by Offerors that submit the Acknowledgment of Minimum Qualifications Compliance (Appendix A) to PERA by the deadline set forth in the Procurement Schedule. Potential Offerors shall clearly identify the subject matter

of questions by referring to the appropriate section, paragraph, and page of the RFP. PERA is not obligated to answer inappropriately labeled questions.

No written response to the questions shall be construed as a modification of the RFP unless PERA amends the RFP in accordance with New Mexico PERA's Investment-Related Services Procurement Policy.

PERA will post written questions and responses by the deadline set forth in the Procurement Schedule on its website at: <http://www.nmpera.org/investments/rfps>.

### **C. COMMUNICATIONS WITH PERA**

PERA will only communicate with Offerors by means of written questions and answers, as explained above. After the deadline for submitting written questions passes, PERA will no longer communicate with Offerors about the substance or process of this procurement.

### **D. QUALIFICATIONS FOR AWARD**

In order to qualify for consideration, an Offeror must demonstrate that it meets all of the requirements of this RFP including, without limitation, formal acknowledgement that the Offeror meets all of the MQs set forth in Part III, above. PERA will only consider proposals submitted by Offerors that meet the MQs. All formal acknowledgements and proposals shall become the property of PERA.

### **E. PROCUREMENT SCHEDULE**

A proposal may be withdrawn or modified prior to the time and date of the submittal deadline described in the Procurement Schedule. Proposals withdrawn after the submittal deadline may not be reconsidered. PERA may refuse to consider any proposal submitted or modified after the deadline for submittal. Offerors shall bear in mind that PERA will consider solicitations submitted or modified after the submittal deadline only under very limited circumstances.

The following schedule governs procurement under this RFP. In the event of any discrepancy between the dates in the Procurement Schedule and dates listed in other parts of the RFP, those referenced in the Procurement Schedule shall prevail. Please note that the exact dates for items No. 6-9, and the dates for negotiations, if any, shall be set at PERA's discretion without the need to amend the RFP.

| <b>Procurement Schedule</b>  |                       |                                  |
|--|-----------------------|----------------------------------|
| <b>Action</b>  | <b>Responsibility</b> | <b>Date/Time</b>                 |
| 1. Release of RFP  | PERA                  | November 28, 2018 by 5 pm MST    |
| 2. Return Acknowledgement of Compliance with Minimum Qualifications<br>3. Deadline for Submission of Written Questions | OFFEROR               | December 12, 2018 by 12 pm MST   |
| 4. Response to Written Questions   | PERA                  | December 17, 2018 by 3:00 pm MST |
| 5. Deadline for Submission of Proposals  | OFFEROR               | January 18, 2019 by 12 pm MST    |
| 6. Evaluation of Proposals, Oral Presentations of Finalists  | PERA                  | TBD                              |
| 7. Due Diligence   | PERA                  | TBD                              |

|   |      |                 |
|---|------|-----------------|
| 8. Contract Award                       | PERA | March 28, 2019  |
| 9. New Contract Proposed Effective Date | PERA | October 1, 2019 |

## **PART V. SUBMISSION REQUIREMENTS**

### **A. METHOD FOR SUBMISSION OF PROPOSALS**

Offerors shall submit two (2) hard copies and one (1) electronic PDF of their proposal to PERA. The two hard copies must be delivered to the following address: NM PERA 33 Plaza La Prensa Santa Fe, NM 87507 Attention: Karyn Lujan, Deferred Compensation Plan Manager.

The one (1) electronic PDF shall be submitted via email to: [PERA-smartsave@state.nm.us](mailto:PERA-smartsave@state.nm.us).

PERA may require additional copies of the proposal from Offerors selected for oral presentations.

**No facsimile transmissions shall be accepted.**

Proposals must be submitted and received by the submission deadline set forth in the Procurement Schedule in Part IV above.

### **B. FORMAT AND CONTENT OF PROPOSALS**

Proposals submitted in response to this RFP must be organized and submitted in the format described below, using the forms attached in the appendices to the RFP and following the applicable instructions. All proposals must be formatted (and printed) on standard 8 ½ x 11 paper. Hard copies should be neatly bound. Within each section of the proposal, Offeror should address the items in the RFP in the order in which they appear in the RFP. Furthermore, for each form that is attached to the proposal, as required, each question should be repeated in its entirety before the answer. Proposals should stress completeness, clarity, and succinctness.

**ANY PROPOSAL THAT DOES NOT STRICTLY ADHERE TO THE FOLLOWING FORMAT, AND DOES NOT ADDRESS EACH SPECIFICATION AND REQUIREMENT WITHIN THE RFP AND THE APPLICABLE FORMS MAY BE DEEMED NON-RESPONSIVE.**

Each proposal shall contain an index or table of contents near the front of the proposal, listing the materials included in the proposal. Please include headings and page numbers in all deliverables.

Offerors shall complete, sign and attach to the proposal a completed and signed Signature Page (Appendix B). By signing the Signature Page contained in Appendix B, the Offeror agrees to accept and comply with all the terms and conditions of the RFP.

Any proposals not bearing the appropriate signatures on the Signature Page contained in Appendix B, referenced above, will not meet the minimum qualification requirements of the RFP and will not be considered further in the evaluation process.

The Offeror may attach such other supplementary material as it sees fit to explain its proposal and any additional contractual terms and conditions that the Offeror may suggest.

All proposals submitted will be considered public records. The Offeror may request in writing the nondisclosure of confidential information contained in the proposal. Such data shall be clearly marked and identified as “confidential”. If the submission contains material that the Offeror considers confidential, the Offeror shall provide a separate redacted version of the proposal in order to facilitate any eventual public inspection of the non-confidential portions of the proposal. After contract award, each proposal, except those portions for which the Offeror has made a valid written request for confidentiality, shall be open to

public inspection. PERA reserves the right to review the appropriateness and validity of a request for confidentiality.

## **PART VI. EVALUATION OF PROPOSALS**

PERA may terminate this solicitation at any time upon providing notice to Offerors. PERA may award multiple contracts under this RFP for the Scope of Services described in Part II, above. The contract award shall be made to the responsible Offeror or Offerors whose proposal is deemed most advantageous to PERA, taking into consideration the applicable evaluation factors set forth below. Please note that the listing of fees as an evaluation factor does not require PERA to select the Offeror with the lowest fee proposal. In addition, a serious deficiency in the score for any one factor may be grounds for rejection of a proposal regardless of the Offeror's overall score.

The evaluation of proposals will be conducted by an evaluation committee appointed by the Board Chair and the Chief Investment Officer. The Board Chair may designate Board members to attend any proceedings, meetings, and deliberations of the evaluation committee, including but not limited to oral presentations of the short-listed Offerors and preparation of the final evaluation report.

Proposals that are non-responsive due to failure to meet the Minimum Qualifications (*See* Part III), or otherwise, shall be eliminated from further consideration. PERA will notify all Offerors of its decision at the time award is made. Also, at its sole discretion, PERA may at any time during the evaluation process eliminate from further consideration proposals whose performance does not rank favorably relative to others responding to the RFP.

As part of the evaluation process, PERA may, in its sole discretion, invite selected Offerors to appear for interviews, discussions, or negotiations. It should be clearly understood, however, that PERA reserves the right to accept proposals and make contract awards without conducting interviews, discussions or negotiations.

If PERA elects to conduct interviews, discussions or negotiations with Offerors, PERA may establish a common date for submissions of best and final fee offers, if appropriate. Offerors shall bear any and all costs incurred by them in the conduct of any discussions or negotiations, including travel to Santa Fe for oral presentations or their costs associated with due diligence visits made by members of the PERA staff. Any additional terms and conditions which may be the subject of interview, discussion or negotiation will be discussed only between PERA and the Offeror who suggests them and shall not be deemed an opportunity to amend the Offeror's proposal in any other respect.

The evaluation committee shall recommend the successful Offeror to the SmartSave Committee. The SmartSave Committee recommends a successful Offer for Board approval. The final contract award shall be made by the Executive Director. PERA is not obligated to award any contract or fund any mandate described in this RFP.

The evaluation committee shall create a record, including but not limited to uniform evaluation sheets, showing the basis for its recommendation, and shall prepare a written report and its recommendation to the SmartSave Committee of the successful Offeror and runners up, if any. PERA Staff shall retain the evaluation sheets and report for at least the stated term of the resulting contract.

As further described below, PERA will apply the following evaluation factors and assigned points to the proposals received for the subject product included in this RFP:

1. Offeror's background and experience in providing services as a third party administrator for the deferred compensation plan proposed. Includes consideration of years in business, experience of firm and people in management of deferred compensation plans and specifically Section 457 plans, stability of organization and people, turnover, references and number of plans as a third party administrator.

**5 points**

2. Offeror’s capability to provide innovative and creative marketing, communication and outreach material for all types of plan participants who are at different levels of their career. This shall include publications, brochures, website content and communications strategies and methods. This shall also include how the Offeror incorporates the PERA SmartSave brand and flexibility in customization in ad hoc Plan Sponsor messaging in all communication material and methods. (any samples included in the proposals shall be considered).

**20 Points**

3. Offeror’s capability to provide participants with modern, efficient methods of initiating transactions as outlined in the Scope of Services, Plan Document and current administrative manual. This will include paperless capabilities, website capabilities, VRU capabilities, and any other features that makes the participant experience efficient and convenient.

**25 Points**

4. Offeror’s capabilities and efficiencies to administer the Scope of Services in accordance to the Plan Document and current administrative manual. This shall include the Offeror’s backend processes, such as paperless capabilities, online transactions, and communication methods with employers and Plan Sponsor.

**25 Points**

5. The Offeror’s services that are available to the Plan Sponsor. This will include types of reporting and analytical features through a Plan Sponsor website.

**10 Points**

6. Offeror’s demonstrated ability to be a thought leader in the industry and provide innovations and efficiencies as detailed in questions 88 – 91 of the company questionnaire.

**5 Points**

7. Offeror’s cost proposal is competitive and fair.

**10 Points**

**Total Possible Points .....100 Points**

Finalists will make oral presentations to the evaluation committee, and the evaluation committee shall arrive at final recommendations for the PERA Board. The final contract award(s) shall be made by the PERA Board, subject to such conditions as the PERA Board deems appropriate.

The procedure for protesting award of a contract under this RFP is set forth in Part VIII.

## **PART VII. SAMPLE PROFESSIONAL SERVICES AGREEMENT**

By submitting a proposal, an Offerors warrants that it has the resources and capacity to provide the services described in this RFP and comply with to the requirements, specifications, terms, and conditions of this RFP and the terms and provision of the Sample Professional Services Agreement attached to this RFP as Appendix E. For these reasons, PERA strongly recommends that Offerors review the RFP with their legal counsel in advance of submitting a proposal. (See *also* Part V, Submission Requirements, and the Signature Page located in Appendix B.)

The contract between PERA and the successful Offeror shall contain substantially the same terms and provisions set forth in the Sample Professional Services Agreement. Offerors that have concerns about the terms and provisions set forth in the Sample Professional Services Agreement must explain those concerns in the proposal and provide proposed alternate language.

While Offerors may suggest additional contractual terms and conditions, PERA will not accept any terms and conditions that materially change the terms and conditions set forth by PERA in the Sample Professional Services Agreement attached hereto at Appendix E. Any additional terms and conditions that PERA may, at PERA's sole discretion, accept will be incorporated into any final contract.

Offerors should be aware that PERA will not accept material changes to the provisions that address placement agent fees, campaign contributions and gifts, indemnification or jurisdiction in the Form of Professional Services Agreement (*see* Appendix E).

## **PART VIII. PROTEST PROCEDURE**

1. PERA's procurement of investment-related services is exempt from the New Mexico Procurement Code (NMSA 1978, Sections 13-1-1 et seq.) and offerors have no access to the protest procedures set out in the New Mexico Procurement Code (NMSA 1978, Sections 13-1-172 through 176) or related portions of the New Mexico Administrative Code involving investment-related services procurement. As a trust fund, PERA has no authority to award money damages, costs or attorneys' fees. In the interest of providing a fair, open and competitive procurement process for investment-related services, the following protest procedure is provided.

2. An offeror who is not awarded an investment-related services contract may file a Notice of Protest with PERA.

3. A Notice of Protest must be in writing and received or post-marked within ten (10) calendar days of the award by the Board that gives rise to the protest.

4. A Notice of Protest shall state the full factual basis for the protest

5. A Notice of Protest shall be sent or delivered to: PERA Office of General Counsel (Attention: Award of Contract Protest), P.O. Box 21231 33 Plaza La Prensa, Santa Fe, New Mexico 87504.

6. The filing and receipt of a Notice of Protest shall not stop or delay the execution of an investment-related services contract between PERA and the successful offeror.

7. The PERA General Counsel or his or her designee shall conduct an interview with the protestor, either in person or telephonically and may, in his or her sole discretion, conduct interviews with others who have or may have information relating to the award and/or the protest.

8. The PERA General Counsel shall promptly issue a written recommendation to the Board. The written recommendation shall state whether or not the General Counsel recommends that the contract whose award gave rise to the protest process should be terminated, and whether or not the General Counsel recommends an alternative contract award to the protester or whether the RFI or RFP should be cancelled

and competitively rebid. The written recommendation shall state the full factual basis for the recommendation.

9. The PERA Office of General Counsel shall mail the written recommendation to the protestor and shall provide written notice of the scheduled Board vote on the recommendation.

10. The Board shall vote on the recommendation at its first normally scheduled meeting following the issuance of the written recommendation.

11. The Office of General Counsel shall notify the protestor, in writing, of the Board vote.

**APPENDIX A**

**ACKNOWLEDGMENT AND CERTIFICATION OF  
COMPLIANCE WITH MINIMUM QUALIFICATIONS**

INSTRUCTIONS FOR SUBMISSION:

COMPLETE, SIGN AND SUBMIT AN ELECTRONIC COPY OF THIS FORM AS FOLLOWS:

VIA EMAIL: [PERA-smartsave@state.nm.us](mailto:PERA-smartsave@state.nm.us)

**NO LATER THAN DECEMBER 12, 2018 at 12:00 PM MST**

ONLY POTENTIAL OFFERORS WHO MEET THE MINIMUM QUALIFICATIONS SET FORTH IN PART III OF THIS REQUEST FOR PROPOSAL AND RETURN THIS FORM BY THE ABOVE DEADLINE ARE ENTITLED TO RECEIVE COPIES OF PERA'S WRITTEN RESPONSES TO OFFERORS' WRITTEN QUESTIONS.

**ACKNOWLEDGMENT AND CERTIFICATION OF COMPLIANCE WITH MINIMUM QUALIFICATIONS**

THE OFFEROR HEREBY ACKNOWLEDGES AND CERTIFIES THAT:

- It has received, reviewed in its entirety, and understands the text and appendices attached to Request for Proposal No. NM INV-001-FY19 for Third Party Administrator Services for the PERA SmartSave Deferred Compensation Plan, which begins with a cover page and ends with the last page of Appendix N.
- It meets all of the minimum qualifications set forth in Part III of the RFP above as of the date of submission of the RFP response.

RFP #: \_\_\_\_\_ TYPE: \_\_\_\_\_

FIRM: \_\_\_\_\_

REPRESENTED BY (CONTACT PERSON): \_\_\_\_\_

TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL: \_\_\_\_\_ PHONE NUMBER: \_\_\_\_\_

**This page has been signed by an authorized signatory with the authority to certify that the Offeror meets the above-stated minimum qualifications.**

SIGNED BY: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX B**

**RFP RESPONSE SIGNATURE PAGE**

INSTRUCTIONS FOR SUBMISSION:

RETURN AN ELECTRONIC PDF OF THIS FORM TOGETHER WITH THE COMPLETE PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) AS FOLLOWS:

VIA EMAIL: [PERA-smartsave@state.nm.us](mailto:PERA-smartsave@state.nm.us)

RETURN TWO (2) BOUND, HARD COPIES OF THIS FORM TOGETHER WITH THE COMPLETE PROPOSAL (INCLUDING EXECUTABLE APPENDICES AND ATTACHMENTS) TO:

KARYN LUJAN, DEFERRED COMPENSATION PLAN MANAGER  
33 PLAZA LA PRENSA  
SANTA FE, NM 87507

**SUBMISSION DEADLINE: JANUARY 18, 2019 at 12:00 PM MST**

**RFP RESPONSE SIGNATURE PAGE**

By signing below Offeror acknowledges and affirms the following:

- Receipt of a complete copy of the RFP for Third Party Administrator Services for the PERA SmartSave Deferred Compensation Plan, beginning with the cover page and ending with Appendix N.
- The Offeror hereby certifies that it meets all of the minimum qualifications set forth in Part III of the RFP and incorporated in Appendix A, Acknowledgment and Certification of Compliance with Minimum Qualifications.
- The Offeror has answered all questions in Appendix C, Company Questionnaire, accurately and completely and submitted all attachments requested in the RFP.
- The Offeror has completed and provided a fee proposal that conforms to the guidelines set forth in Appendix D, Fee Proposal Form.

OFFEROR NAME: \_\_\_\_\_

STREET ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

E-MAIL ADDRESS: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

FEIN: \_\_\_\_\_ CONTACT PERSON: \_\_\_\_\_

This page has been signed by a signatory with the authority to bind the Offeror. By signing this Signature Page, Offeror represents that the undersigned representative has the authority to bind the Offeror, and by submitting a proposal in response to this RFP, Offeror agrees to perform the services proposed in accordance with the RFP and to adhere to all requirements, specifications, terms and conditions of the RFP. Offeror further agrees to be bound by this proposal for a minimum of 180 days from the date the RFP was issued.

**SIGNED BY:** \_\_\_\_\_

**Name (print):** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## COMPANY QUESTIONNAIRE

### Company Background and Experience

All RFP questions should be answered clearly and completely. Please respond based on EXISTING functionality. However if there are plans for upgrades, please include prospective functionality where applicable.

1. Please provide a brief overview of your company and history of your organization including an organizational chart. Please describe any parent/subsidiary/affiliate relationships.
2. The Offeror must have a positive net worth as of the date of its proposal and shall agree to maintain a positive net worth for the duration of any contract entered into with PERA. Please disclose your company's financial condition by enclosing, as an attachment, your company's financial report audited by an independent CPA firm. If you wish this item be treated as confidential, please refer to Part V(B)(4) of the RFP.
3. What percentage of your firm's revenue is derived from providing administrative and record keeping services?
4. Please detail any major improvements/enhancements your company has made to defined contribution administrative and record keeping services over the past three years? What enhancements do you have planned for the next three years, if any?
5. Indicate how many years your company has been active in the 457 defined contribution business.
6. Provide the following information:
  - a. Indicate how many defined contribution plans for which you currently provide services substantially similar to or included in the Scope of Services let forth in this RFP, along with the total value of assets and total number of participants, in the following categories:

| Number Of Plans | Number of Participants | Daily Valuation | Other Valuations (Monthly/Quarterly) |
|-----------------|------------------------|-----------------|--------------------------------------|
|                 | Under 1000             |                 |                                      |
|                 | 1,000 – 9,999          |                 |                                      |
|                 | 10,000 – 19,999        |                 |                                      |
|                 | 20,000 – 49,999        |                 |                                      |
|                 | 50,000 or more         |                 |                                      |

- b. Indicate how many 457 deferred compensation plans for which you currently provide services substantially similar to or included in the Scope of Services let forth in this RFP, along with the total value of assets and total number of participants, in the following categories:

| Number Of Plans | Number of Participants | Daily Valuation | Other Valuations (Monthly/Quarterly) |
|-----------------|------------------------|-----------------|--------------------------------------|
|                 | Under 1000             |                 |                                      |
|                 | 1,000 – 9,999          |                 |                                      |
|                 | 10,000 – 19,999        |                 |                                      |
|                 | 20,000 – 49,999        |                 |                                      |
|                 | 50,000 or more         |                 |                                      |

7. Does your company currently provide services substantially similar to or included in the Scope of Services let forth in this RFP or other retirement plans to state or local government entities in New Mexico? If so, will any individuals of the proposed team provide services for all plans that are represented by your company?
  
8. From the date of this RFP, please indicate the number of public defined contribution plans have you gained and lost in the last:
  - a. 1 year
  - b. 3 years
  - c. 5 years
  - d. 10 years
  
9. Please explain the circumstances surrounding public defined contribution plan clients lost in the past 3 years, to the date of this RFP, and describe any service model changes made as a result of lost clients.

**Team Information**

10. Is the organization willing to provide dedicated resources to our account? If so, please describe the nature and characteristics of those resources.
  
11. Please provide the following information for those individuals who would be responsible for servicing the PERA SmartSave Plan for the term of the contract. Include all relevant functions and areas ie: administrative services, call center, outreach, marketing/communication, conversion, etc. For each, please provide the following information:
  - a. Name, title, role, required certification or licensing
  - b. Work location
  - c. Total years with company
  - d. Total industry years and brief BIO
  - e. Current client assignments; please indicate number of plans served
  - f. Additional, pertinent information
  
12. What standard professional qualifications and/or licensing do you require for personnel who provide services substantially similar to or included in the Scope of Services let forth in this RFP?
  
13. What is your policy for initial training and licensing of your team? Include a description of your licensing program, continuing education program for all relevant team members to stay current of

program changes, changes in the law, investments, etc.

14. Does your firm have a written code of conduct and standards for professional behavior? If so, how are they monitored or enforced?

### **Administrative Services and Record Keeping**

15. Please confirm your company's ability to administer the PERA SmartSave Plan according to the existing Plan Document and Administrative Manual included in Appendix H of this RFP.
16. Describe the custodian/trustee services you propose. Does your organization have a single custody/trust relationship? If so, what is the name of your trust company and the total number of years that they have been in operation?
17. Will the PERA SmartSave Plan be required to execute a custodial/trust agreement with your custodial trustee or will the custodial trustee services be part of the contract?

*Questions 18-39 are about general defined contribution participant account processing. Please indicate any paperless capabilities and convenient, secure methods for transmitting confidential documents, ie: secure email address or portal for participants to send forms.*

18. The PERA SmartSave Plan has local and state government employers that participate in the Plan. Local governments process their own respective payrolls while one entity processes one large payroll on behalf of hundreds of state agencies. Describe your back end, step by step process for establishing accounts for new participants, ie: receiving the initial enrollment form, processing contributions, reconciliation process with employers, beneficiary designation, and communication to the new participant.
19. Describe your process for correcting payroll data and performing edits on incomplete or missing data.
20. Describe your back end, step by step processes for:
  - a. Accrual deferral contributions
  - b. Age 50 Catch Up and Special Catch Up contributions and eligibility
  - c. USERRA related contributions
21. What methods are available for participants to initiate deferral changes and portfolio changes?
22. Describe your back end, step by step processes when participants initiate the following:
  - a. deferral changes
  - b. investment allocation changes
  - c. Investment exchanges
23. Describe your capabilities, time frames and processes for monitoring maximum deferral limits.
24. Describe your back end, step by step processes/requirements for employer change requests/notifications.

25. Describe your back end, step by step processes for the following types of distributions:
  - a. Regular distributions due to separation from service for all types of distribution options
  - b. Required Minimum Distributions
  - c. Distributions due to participant death and beneficiary distributions
  - d. Alternate payee distributions
  - e. Diminimus withdrawals
  - f. Permissible service credit purchases
26. Describe how your system processes:
  - a. rollovers to/from another plan
  - b. plan-to-plan transfers
27. Describe your back end, step by step processes for evaluating and issuing an Unforeseeable Emergency distribution.
28. Describe your back end, step by step processes for issuing general purpose and residential loans. Please include system and recordkeeping details on:
  - a. Loan eligibility
  - b. Loan repayment
  - c. Loan default, delinquencies and associated fees
  - d. How all associated fees are charged
  - e. flexibility in your loan repayment processing (ie: additional payments, missed payments).
29. Describe your back end, step by step processes for administering Qualified Domestic Relations Orders.
30. Do any of your clients require a notary public certification for distribution requests? If no, how does your company guard against fraud for completed, signed distribution requests that arrive by US mail? Would the PERA SmartSave Plan be able to implement this requirement to the distribution process? Please include any administrative challenges you foresee with this type of fee structure, if any.
31. The current annual TPA fee structure for the PERA SmartSave Plan is a hybrid of a *flat rate + 0.135% of assets with a cap of \$104*; please confirm your company's ability to administer this type of fee structure.
32. If we continue the hybrid fee structure, what is your administrative process for this type of fee structure? How and when in the quarter will the fee be applied to participant accounts? When in the quarter would a reconciliation report be provided to PERA?
33. The PERA SmartSave Plan currently allows participants to select distributions solely from specific funds, if they wish. Is your company able to administer this functionality?

34. For participants with an account balance less than \$5,000 and no contributions in 24 months, participants may make an in-service withdrawal provided they have never taken this type of payment before. Is your system able to administer this provision?
35. Retired public safety officer participants may request a distribution of up to \$3,000 annually to pay for health insurance or qualified long-term care premiums. Is your system able to administer this provision?
36. Describe your capabilities, procedures, and methodology for processing a system of automatic increases.
37. Describe how your system processes fund transfers including whether participants receive confirmations.
38. Describe your recordkeeping system. Include information on all elements including the Voice Response Unit (VRU), internet and reporting systems. Please explain how they link to the recordkeeping system.
39. Describe your process for searching for missing participants and participants who have not cashed their distribution payment checks.
40. Describe your process for maintaining separate accounts for non-participant alternate payees. ie: related to QDROs and/or death beneficiaries, etc.
41. What procedures do you have in place to assure plan administration integrity, transactional integrity, and accuracy including participant account data?
42. How do you address violations for any of the testing covered in question 41?
43. Describe your system's maximum limits with regards to the following:
  - a. investment funds
  - b. money types
  - c. transfers
  - d. other
44. Describe your methodology for enforcing any equity wash and/or participant/aggregate level transfer restrictions. Indicate whether restrictions are monitored by your recordkeeping system or manually.
45. Describe the valuation methods offered by your system.
46. The PERA SmartSave Plan currently employs several custom target date portfolios that are comprised of mutual funds and private investment vehicles (daily valued). Please detail your process for administering these portfolios and any associated costs. Please confirm your ability to unitize these portfolios, calculate daily performance, and conduct periodic rebalancing.
47. Please confirm that you have a servicing agreement in place with the PGIM Real Estate PRRF II Fund (an underlying component of the custom target date portfolios).

48. The Plan currently utilizes a customized stable value portfolio managed by Galliard Capital Management. Please describe your process for administering stable value portfolios, including providing the stable value manager with semi-annual demographics, cash flows and plan option balances for the stable value option and the plan.
49. How do you handle mutual fund proxy voting for your other clients? How would you propose handling mutual fund proxy voting for the PERA SmartSave Plan?
50. Please confirm that your system can accommodate Collective Investment Trusts. Please detail any requirements or limitations with regard to this type of investment vehicle.
51. The Board receives a quarterly report that provides a variety of Plan data, see Appendix K. Please confirm you can produce a similar quarterly report.
52. What is the standard timeframe for providing performance reports and/or other related information after the reporting period ends?
53. Describe your capabilities to calculate a participant's personal rate of return and your flexibility/limitations for inclusion on quarterly statements.
54. Describe in detail how your system handles Federal and State tax reporting. Please confirm that your company prepares and issues 1099R tax forms for participants.
55. Do you provide a custom administration manual? If so, explain how often you intend to update the manual? Please provide a sample.
56. What is your company's records retention policy?

**Call Center, Customer Service Reps (CSR) and Voice Response Unit (VRU)**

57. Currently, the PERA SmartSave Plan offers a toll free call center that handles all customer service needs. Please confirm your company's ability to continue this type of call center.
58. What is your company's standard call center and VRU hours of operation? What CSR and/or VRU services are available on typical holidays?
59. What is your company's standard voice response menu? What is the level of customization available within your VRU?
60. What transactions can be processed through the VRU? Please explain any transactions that cannot be processed through the VRU. Please explain whether those transactions are automatically directed to a live CSR?
61. How are VRU participant-initiated transactions processed? How are transactions documented? Are confirmations sent?

62. Please identify your toll-free service center standards, including response time, percentage of calls handled without subsequent follow-up, etc. Please include, for each of the last three calendar quarters, statistics related to actual performance.
  - a. Number of calls
  - b. Average length of calls
  - c. Average response time
  - d. Percentage of calls requiring follow-up
  - e. Call abort rate
  - f. Percentage of incoming calls totally handled via VRU versus CSR
  - g. Percentage of service requests handled via website versus call center and VRU
63. Can a participant elect to move from the VRU to a CSR? When and what services are available?
64. What are your case management procedures for calls that have service issues?
65. Please explain your practice for monitoring and/or recording Call Center calls? Describe the percentage of CSR calls are monitored by a supervisor.
66. Explain your practice for training CSR's on the service needs of a new client. Please provide a sample of the type of training manual that you would propose to use.
67. How does your company ensure that it provides plan participants with impartial and balanced information about the plan's investment options without any conflicts of interest?
68. Describe your customer service staffing plan to deal with peak volume, ie: after the issuance of participant statements or a plan change.
69. Describe the services available to callers with special needs, ie: TDD, etc.
70. Describe services available to non-English speaking callers, ie: Spanish language VRU.

**Plan Website**

71. Describe how a customized website would be created for the PERA SmartSave Plan.
72. Describe all online capabilities that your system provides for participants.
73. Is there be chat feature that connects to a live CSR? If not, would this be a future possibility?
74. How often is the data on the VRU and website updated? How do the VRU and website interface with the administrative and record keeping system?
75. What is the level of customization that PERA can expect to have over the website? For example, can text be customized by the plan sponsor? Is there ad-hoc text flexibility whereby the plan sponsor could post a message to participants on the website? If so, how?

76. What types of retirement, investment, and other educational materials would be available on the website?
77. The PERA is interested in allowing participants to start the enrollment process online whereby the enrollment form would be completed and submitted online, but would still need to be coordinated with the various state and local government payroll entities to get processed. Please describe your backend, step by step processes to support this option.
78. Do you offer a mobile version or an app of your participant website that can be used with a smart phone or tablet? If yes, please explain which services are available for such devices. In addition, please list the devices that are compatible with these services.
79. Does the plan sponsor have participant account/plan statistic access through the participant website? If so, please provide a list and explanation of the types of tools or report capabilities that are available to the plan sponsor.

### **Marketing, Communication and Outreach**

80. Provide samples of initial enrollment, on-going communication, education, and outreach materials your company currently has available that would be relevant to the PERA SmartSave Plan.
81. Does your company have the flexibility to customize typical forms to accommodate processes that might be exclusive to pay center or NM processes?
82. Provide a sample of your standard participant statements. Does your company have the flexibility to include a section for customized messages from PERA on the quarterly participant statement? Please verify that this service is available at no additional cost.
83. Does your organization provide any services (ie: personal questionnaires, software) that would help participants with financial planning in conjunction with management of their investment portfolios? Describe each component of the information provided, including those related to asset allocation time horizons, to future retirement income needs, and to assessing the impact of different asset allocations on retirement income.
84. Does your company have an outreach program or material for all levels of participants, ie: beginning, mid-career, retirement, post retirement?
85. Does your company have outreach programs to achieve an increase in enrollments, deferrals, and/or a decrease in plan leakage at retirement?
86. Is your company required to or does your company desire to brand or co-brand marketing and communication material, website and mobile apps? If so, what is your approach to co-branding and how do you distinguish the role of the TPA vs. PERA?

87. Will the PERA SmartSave Plan be required to adhere to your company's letter and email templates with regards to content? Is there any flexibility with Plan Sponsor messaging in the content? Please explain.

### **Innovations and Efficiencies**

88. What do you believe are your key differentiators for defined contribution plan administration and record keeping services?
89. Please detail any forward thinking innovations and efficiencies that your company offers from which the PERA SmartSave Plan could possibly benefit. Please list all that applies to the following areas:
- a. marketing and communication
  - b. participant outreach
  - c. processing participant initiated transactions that require payroll modification
  - d. processing participant initiated transactions that require communication to the TPA
  - e. other
90. As indicated in the RFP, PERA currently utilizes a local office and four (4) regional representatives that serve a vital role in Plan operations. Please detail any alternate approaches that your company may offer that would accomplish the items in Part II(A) of the RFP's scope of services. This alternate approach should be something that can be implemented immediately and/or eventually be phased in to Plan operations.
91. Please detail any other innovations and efficiencies you believe would apply to the PERA SmartSave Plan that would make transactions efficient and convenient for participants, employers and PERA.

### **System Security and Maintenance**

92. Describe security procedures and/or features for the VRU, CSR's and the website. Describe, if any, the processes that apply to Personal Identification Numbers (PIN), audit trail, confirmations, and encryption.
93. Describe your routine maintenance process for the VRU and website. Explain how the maintenance process impacts the availability of customer service.
94. Explain the measures and systems that you use to protect the confidentiality of customer data and prevent unauthorized access to client information in both your company's internal system and the website.
95. Explain any instances in which websites developed for a client has experienced a security breach.
96. Identify and describe the hardware platform and software system you use to record keep, administer and maintain defined contribution plans.
97. Was the software developed internally, leased, or bought from another provider? Who has the ultimate responsibility/authority to make sure the software remains current to laws, regulations,

client needs, etc.? How often is the system upgraded?

98. Describe the method of maintaining plan sponsor and participant history on the system.

### **Compliance and Legal Considerations**

99. Describe your errors and omissions insurance and any fiduciary or professional liability insurance that you carry for the Scope of Services described in this RFP. Describe the various types of insurance coverage and indemnification provided to protect clients including:

- a. Risk covered
- b. Carriers
- c. Levels
- d. Limits
- e. Deductibles

95. Describe any past (concluded within the past five years) or pending litigation.

96. Please provide a current SAS70 audit of your recordkeeping system, or any other audit you have performed.

97. How do you keep Plan Sponsors informed and updated on any regulatory and legislative changes?

98. Describe the type of legal support included in your proposal and any fees that apply.

99. Explain measures that you will take to ensure that the PERA SmartSave Plan remains in compliance with applicable law.

100. Explain measures that you will take to ensure that your recordkeeping system is in compliance with applicable laws and regulations.

101. What is your company's compliance policy with regards to Plan Sponsor messaging in marketing and communication material provided to participants?

### **Self-Directed Brokerage Service**

102. Confirm that you will be able to implement an in-kind brokerage transfer of existing self-directed brokerage account assets.

103. How many clients are currently utilizing these services?

104. Fully describe the self-directed brokerage option features, program design requirements, and all related fees including annual account fees and/or brokerage transaction/commission fees.

105. Describe the steps your company went through to select the self-directed brokerage service provider. What continuing due diligence is performed regarding the self-directed brokerage service provider? Do you have or anticipate having any plans to change the provider?

### Guidance Services

106. Do you offer guidance services? Describe the guidance services that you will be providing to the PERA SmartSave Plan, ie: Morningstar, ClearFuture, Financial Engines, etc.
107. How many clients are currently utilizing these services?
108. Describe the steps your company went through to select the guidance service provider. What continuing due diligence is performed regarding the guidance provider? Do you have or anticipate having any plans to change the provider?
109. Is there a fee associated with providing this service? If any, is it assessed at the plan level for all participants or only charged to those participants who elect this service?

### Advice Services

110. Do you offer investment advice? Does your organization provide services (ie: questionnaires, worksheets, software) that would help individual participants with financial planning in conjunction with their portfolio? With non-Plan assets?
111. How many clients are currently utilizing these services?
112. Do you use software to provide participants advice? If yes, what software is it? Is the software priced separately?
113. Do you provide the advice in-house or via a third party? Describe your process, mode and scope of advice.
114. Describe the investment advisor associated with the advice. Provide a copy of its Form ADV.
115. Describe the steps your company went through to select the investment advisor. What continuing due diligence is performed regarding the investment advisor? Do you have or anticipate having any plans to change the advisor?
116. Describe your experience with offering advice to defined contribution plans.
117. Identify all the channels through which investment advice is provided (ie: internet, service representative, over the phone, face to face).
118. How does your program ensure that it provides plan participants with impartial and balanced information about the plan's investment options without any conflicts of interest between the advice provider and the investment providers under the Plan?
119. Describe each component of the information and advice provided, including those related to asset allocation time horizons and risk profiles, to future retirement income needs, and to assessing the impact of different asset allocations on retirement income.
120. Describe your approach to participant follow-up after investment advice has been provided.

121. Provide the qualifications and employment status of the individuals who will provide the advice, ie: employees, independent contractors, etc.
122. Is your investment advisory fee, if any, assessed at the plan level for all participants or only charged to those participants who elect this service?

### Conversion

123. Describe your experience managing the conversion of large plans from one service provider to another.
124. Describe the conversion plan you would use for the PERA SmartSave Plan, including time frames, based on the options available, ie: mapping, etc. Confirm your ability to implement a conversion within the date the contract is awarded and the date the contract is executed.
125. Describe the “blackout” period that would be required to complete the conversion.
126. Describe documentation that would be provided to PERA that would enable us to monitor the progress of the transition.
127. What involvement will be required from PERA during the conversion process?
128. Do you have limitations as to the format/media of conversion records?
129. How will the investment of current and new contributions be handled during the conversion process? How are distributions handled to accommodate the continuity of payments to retirees during the conversion period? Fully describe any restrictions or limitations that may apply.
130. Describe your procedures during the conversion period to communicate with all Plan participants with an account balance.
131. How will you manage the implementation process to keep it on schedule? Identify risks and the contingencies you have in place to handle them.
132. How do you monitor the effectiveness and quality of your conversion process and team?

### References

133. Please provide 3 references of *current* clients who have similar plan demographics, ie: size and plan design. At least 1 of the 3 should have converted within the last year. Please provide client name, contact name, address, phone number, services provided, and year they became a client.

STATE OF NEW MEXICO  
DEFERRED COMPENSATION PLAN

COST PROPOSAL FORM

THIRD PARTY ADMINISTRATOR

It is PERA's desire to enter into a per participant price contract with a Third Party Administrator (TPA) that clearly defines the direct and overhead charges required to provide the services requested in its RFP.

Effective July 1, 2017, PERA adopted an annual TPA hybrid fee structure of *\$30 flat rate + 0.135% of participant assets with a cap of \$104*. The intent of the new fee structure was to allow for more equitable cost sharing among all account balances. The new structure lowered the annual fee for 2/3 of plan participants.

This new fee structure was also intended to equate to the historical flat rate of \$52 per participant, however in down markets, the asset component of the fee structure has not been sufficient to cover costs. In these instances, applicable participants are charged the difference which is typically no more than \$1. (In up markets, the overage is used to offset costs.) PERA is not opposed to a different fee structure. PERA will accept alternate fee structure(s) that might be more efficient, yet continue to be equitable for account balances of varying amounts.

The TPA shall cooperate with and facilitate the annual audit of the entire Plan conducted by an independent Certified Public Accountant approved by the PERA. All costs associated with the annual audit must be included as part of the Offeror's fee proposal and shall be paid directly from the TPA to the independent Certified Public Accountant. Historically, the cost for these audits have ranged from \$30,000 to \$41,000.

The fees must be over an eight-year contract. The price quoted should assume the provision of all the activities outlined in RFP No. NM DC-001-FY19. Instructions for submitting your fee quote are provided on the cost proposal form.

**The Offeror shall receive no other compensation for acting as TPA other than the fees set forth in its proposal. The Offeror can receive no compensation or fees from investment products offered under the Plan. All 12b-1 revenue and all other revenue or rebates will be paid to the Plan. All such revenue will be used to offset plan costs or credited to applicable participants and will be disclosed separately to the participants on each quarterly statement. Fees quoted cannot assume that funds with which the Offeror has any relationship, ownership or otherwise, would be offered at any time under the Plan.**

STATE OF NEW MEXICO  
DEFERRED COMPENSATION PLAN

COST PROPOSAL FORM

THIRD PARTY ADMINISTRATOR SERVICES

FIRM NAME: \_\_\_\_\_

**Proposed Fee**

Using the format of this pricing form, list the per-participant based fee that you propose for each of the eight years of the contract. The cost proposal must be submitted with the model you are proposing in order to achieve the requirements in Part II(A) of the Scope of Services. The per-participant based fee will be used for evaluation purposes.

**Pricing Assumptions**

No representations or warranties of any type or kind are made as part of this RFP as to the specific type or kind of investment products, which may in the future be approved by the Board nor are any representations or warranties made as to the number of employees of the State or eligible entities which will participate in the Plans or the amount of assets that will constitute the Plan.

**Cost Proposals must assume that no other agreements for compensation and reimbursements other than those disclosed will be established for payment to the Offeror or any third party for the State of New Mexico's account.**

**Program Fees**

| Contract Year                        | Per-Participant Fee | Total # of Participants* | Total Fees |
|--------------------------------------|---------------------|--------------------------|------------|
| October 1, 2019 – September 30, 2020 |                     | 23,000                   | \$         |
| October 1, 2020 – September 30, 2021 |                     | 24,150                   | \$         |
| October 1, 2021– September 30, 2022  |                     | 25,357                   | \$         |
| October 1, 2022 – September 30, 2023 |                     | 26,625                   | \$         |
| October 1, 2023 – September 30, 2024 |                     | 27,956                   | \$         |
| October 1, 2024 – September 30, 2025 |                     | 29,354                   | \$         |
| October 1, 2025 – September 30, 2026 |                     | 30,822                   | \$         |

|   |  |        |    |
|---|--|--------|----|
| October 1, 2026 –<br>September 30, 2027 |  | 32,363 | \$ |
| Total                                   |  |        | \$ |

\* For purposes of obtaining comparable fee data, assumes a 5% participation growth rate per contract year for evaluation purposes only. Includes active, inactive and participants on payout status. The compensation will be based on a per-participant fee times the number of participants in the plan (See Appendix E, Model Professional Services Contract).

**Additional Participant Fees**

List any fees, in addition to the proposed participant fees, that will be charged directly to the individual plan participant that may select any of the following services:

1. **Self-Directed Brokerage Window** \$ \_\_\_\_\_
2. **Participant Loan Services** \$ \_\_\_\_\_
3. **Advisory Services** \$ \_\_\_\_\_
4. **List any fees, if applicable, that will be charged in relation to the ongoing administration of the Custom Target Date Portfolios or the New Mexico Stable Value Fund** \$ \_\_\_\_\_
5. **Other Services:**  
\$ \_\_\_\_\_  
\$ \_\_\_\_\_

**Annual Audit**

Identify the amount included in your proposal assumed for payment of annual independent audit services. Confirm that the Offeror will pay the cost of the audit, and that the cost is included in the fees quoted in the Cost Proposal.

\$ \_\_\_\_\_  
\_\_\_\_\_

**Rate Guarantee**

Indicate for what period of time your fee proposal is available. The minimum offer period accepted will be three (3) months. If you are able to offer a longer rate guarantee, please indicate.

**Conditions or Exceptions**

Describe any conditions or exceptions that your company must impose. Note that it is not expected that any significant required conditions or exceptions to the services required under the RFP will be accepted.

**Contract No. XXXXXXXXXXXX**

**Term: XXX, through XXX**

**STATE OF NEW MEXICO**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO**  
**PROFESSIONAL SERVICES AGREEMENT**  
**FOR**  
**THIRD-PARTY ADMINISTRATOR SERVICES FOR**  
**THE PERA SMARTSAVE DEFERRED COMPENSATION PLAN**

This Agreement ("Agreement") is made and entered into by and between the Public Employees' Retirement Association of New Mexico ("PERA"), and [name] ("Contractor" or "TPA"). PERA and the Contractor are referred to herein singularly as a "Party" and collectively as the "Parties."

WHEREAS, the State has enacted the "Deferred Compensation Act", NMSA 1978, Sections 10-7A-1 to 10-7A-12 (hereinafter referred to as the "Act"), which directs the PERA Board to review and approve a deferred compensation plan or plans which meet the requirements of Section 457 of the Internal Revenue Code of 1986, as amended ("the Code"); and

WHEREAS, the Act authorizes and empowers the PERA Board to enter into such agreements as may be necessary to implement the Act; and

WHEREAS, the Board desires to appoint an administrator for the deferred compensation plan who shall serve as its agent for administering the plan and who shall perform certain consulting, administrative and service functions in connection with the plan, subject to the terms of this Agreement and the Deferred Compensation Act;

THEREFORE, The Parties agree as follows:

**1. SCOPE OF SERVICES**

Refer to RFP, Part III, Scope of Services (to be added after award).

**2. COMPENSATION**

A. THE CONTRACTOR SHALL RECEIVE NO COMPENSATION OR REMUNERATION FROM PERA FOR ITS PERFORMANCE UNDER THIS AGREEMENT. Pursuant to NMSA 1978, Section 10-7A-10, any expenditure necessary for performing the services described herein shall be charged to participating employees. The Contractor shall have no other agreements for compensation and reimbursement other than those provided for in this Agreement.

The compensation of the Contractor is an amount or schedule of charges to participant accounts based on the Fee Proposals and negotiations with Offerors.

The Contractor will waive the fees for new participants enrolling in the Plan for the first two quarters or as long as the new participant account balances are equal to or less than \$1,000, whichever event occurs first.

Costs incurred by the Contractor before the Effective Date of the Agreement shall be on the Contractor's account.

B. Payment of Taxes: The Contractor is responsible for determining whether it is required to register with the Taxation & Revenue Department of the State of New Mexico for payment gross receipt and compensating taxes, and whether it is entitled to an exemption from payment of those taxes for the services rendered under this Agreement. The Contractor shall pay all state and federal taxes properly assessed on the compensation received under this Agreement and shall identify and pay those taxes under the Contractor's federal and state identification number(s).

### 3. TERM OF AGREEMENT

The initial term of this Agreement shall commence when executed by PERA, \_\_\_\_\_, 2019, and terminate after a period of eight (8) years after the Effective Date, October 1, 2019. Notwithstanding the foregoing or any other provision of this Agreement, at any time during the term of this Agreement, this Agreement is subject to early termination or termination for lack of appropriations in accordance with Paragraph 4(A) or Paragraph 4(B), below.

### 4. TERMINATION

A. Termination. Notwithstanding any other provision of this Agreement, this Agreement may be terminated as follows: by PERA delivering to the Contractor a notice of the intent to terminate at least thirty (90) days prior to the intended date of termination and by the Contractor delivering to PERA a notice of the intent to terminate at least one hundred eighty (180) days prior to the intended date of termination. In the event the termination date does not coincide with the last day of a calendar quarter, the Contractor shall be entitled to a prorated portion of the compensation described in Paragraph 3 of this Agreement for the calendar quarter during which termination occurs. By such termination, neither PERA nor the Contractor may nullify obligations, if any, already incurred for performance or failure to perform prior to the date of termination. Termination under this Paragraph 4(A) may be made with or without cause. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT CONSTITUTE A WAIVER OF ANY OTHER LEGAL RIGHTS AND REMEDIES AFFORDED EITHER PARTY IN SUCH CIRCUMSTANCES AS DEFAULT OR BREACH OF CONTRACT BY THE OTHER PARTY.

B. Transition.

Upon termination of this Agreement, the Contractor shall:

- 1) facilitate transition of the Plan to the successor TPA by cooperating fully with any successor TPA and shall exercise its best efforts to ensure a smooth transition; and
- 2) cooperate with PERA to effectuate an orderly transfer of administrative responsibilities, data, records and other information to PERA or its representatives.
- 3) **Transfer of Data**. For the purposes paragraph 4(B)(2), the Contractor shall facilitate transfer of "data" which includes the following:
  - (i) for the purpose of this subparagraph, file descriptions and narratives for input and output files as will be mutually agreed to between the Contractor and PERA;
  - (ii) all information that resides in the Contractor's computer files relating to PERA participant accounts, including individual participant account history and the permanent records of the Plan as may be in the Contractor's custody;

- (iii) all source documents, records, and disclosures of participant selections or investments in the custody of the Contractor and any subcontractor; and,
  - (iv) a list of any subcontractors along with copies of the subcontracts, statements of protocols and procedures, and all correspondence between the Contractor and subcontractors for a period beginning three (3) years prior to the “close out” date.
- 4) **Reports and Information.** For the purposes paragraph 4(B)(2), the Contractor shall facilitate transfer of “reports and information” by:
- (i) Providing a final financial report for the Plan including the latest activity by each investment manager (deposits, transfers in and out, withdrawals, fee/charges, earnings and adjustments) that includes a full reconciliation of total Plan assets as of the "close out" date;
  - (ii) Providing a report that identifies and explains the items that are incomplete or in suspense including new items (participant name and account number, month, amount, and proposed disposition) as of the "close out" date;
  - (iii) Providing a report that lists the items requiring adjustment/correction as of the "close-out" date;
  - (iv) Providing a report that identifies and explains items cleared in during the last full and partial month ending on the “close out” date;
  - (v) Providing a report that lists the details and information regarding any unforeseeable emergency withdrawal requests presented during the last full and partial month ending on the “close out” date; and
  - (vi) Making available staff to answer questions and provide technical assistance and provide records as may be reasonably necessary to permit timely completion of the annual audit described in Paragraph 14(b) for the Plan year ending after the “close out” date.

## **5. CONTRACTOR’S ACKNOWLEDGEMENTS, WARRANTIES, AND REPRESENTATIONS**

The Contractor acknowledges, warrants, and represents to PERA that the following statements are true as of the effective date of this Agreement and agrees that the same are incorporated and made part of this Agreement:

- A. As of the time the Contractor undertakes performance under this Agreement, the Contractor shall have in place the necessary and appropriate personnel to carry out the Scope of Services.
- B. All of the Contractor’s personnel who take action in performance the Scope of Services possess the certifications and licenses required by state and federal law, including but not limited to, any licenses required to sell such insurance, mutual funds, and related securities within the State of New Mexico as may be offered under the Plan.
- C. The Contractor holds itself out as an expert in third party administration of deferred compensation or similar plans. The Contractor represents itself as being possessed of greater knowledge and skill in this area than the average person. Accordingly, the Contractor is under a duty to exercise a skill greater than that of an ordinary person, and the manner in which advice is handled or services are rendered will be evaluated in light of the Contractor's superior skill.

D. The Contractor represents and warrants to PERA that it can and shall provide necessary data processing systems and programs needed to carry out the record-keeping and reporting requirements of the Plan as defined herein. The Contractor warrants that neither the Contractor nor any officer, stockholder, director or employee of the Contractor, its presently subject to any litigation or administrative proceeding before any court or administrative body which would have an adverse effect on the Contractor's ability to perform under this Agreement, nor to the best knowledge of the Contractor is any such litigation or proceeding presently threatened against it or any of its officers, stockholders, directors or employees. If any such proceeding is initiated or threatened during the term of this Agreement, the Contractor shall immediately disclose such fact to PERA. The Contractor agrees and warrants to provide PERA representatives with access, upon reasonable notice and at reasonable times and intervals, to the Contractor's operational headquarters or such other offices where the Contractor services PERA's account for the purpose of making site visits and inspections.

E. The Contractor shall at all times represent with impartiality the investment products offered under the Plan. The Contractor shall establish and follow written procedures designed to ensure such impartial representation to eligible public employees, and shall provide a copy of such procedures to PERA within sixty (60) days of execution of this Agreement. These procedures must include directives to the Contractor's agents and employees that such agents and employees must present information concerning the available investment products in a fair and equal manner, allowing Plan participants to make individual choices based on their specific investment needs or desires.

F. The Contractor shall not, without the prior written consent of the PERA Board, employ any PERA Board member or employee as an employee or consultant to the Contractor for compensation of any kind for a period of two years after that Board member has ceased to serve or that employee has ceased employment with PERA.

G. No representations or warranties of any type or kind have been made to the Contractor as to the investment providers or the specific type or kind of investment products, which may in the future be approved by the PERA Board.

H. No representations or warranties of any type or kind have been made to the Contractor as to the number of eligible public employees who may join or continue participation in the Plan.

I. The Contractor warrants and represents that all work performed under this Agreement must conform to applicable government laws, regulations, and codes (including but not limited to tax, securities, and insurance laws which affect the operation of the Plan), as well as generally accepted industry standards and practices.

J. The Contractor substantially meets or will substantially meet before the Effective Date of this Agreement the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond applicable to the Contractor's actions under this Agreement. PERA will consider reasonable proposals by Offerors explaining why the bonding requirement is not advantageous to PERA or proposing other facilities for financial responsibility;

K. The Contractor has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations, required by a government or governmental authority, including the State of New Mexico, for acts contemplated by this Agreement; and,

L. The Contractor warrants that it has positive net worth as of the effective date of this Agreement and shall maintain a positive net worth for the entire term of this Agreement, including any and all extensions of this Agreement.

## **6. PERA'S ACKNOWLEDGEMENTS, WARRANTIES, AND REPRESENTATIONS**

A. PERA has authority to enter into and undertake all of its respective duties and obligations under this Agreement.

B. The signatory on behalf of PERA is duly authorized to execute this Agreement and bind PERA under its terms.

C. PERA agrees to use commercially reasonable efforts to obtain the cooperation of any and all investment service providers to the Plan in order to allow the Contractor to perform its duties and obligations under this Agreement.

## **7. CONTRACTOR PERSONNEL**

A. **Personnel Providing Regional Outreach Services.** By no later than 60 days prior to the Effective Date of this Agreement, Contractor shall identify to PERA the personnel who will be responsible for providing regional outreach services and provide copies of statements of their relevant abilities, experience, and qualifications. PERA may reject any such personnel so identified, if in its reasonable determination, the stated abilities, experience, and qualifications of such personnel are not satisfactory to PERA. The principal duties of the personnel so identified shall be delivering the regional outreach services described in the Scope of Services and they shall not be diverted from those services without the prior written approval of PERA.

B. **Personnel Changes.** Replacement of any personnel primarily responsible for performance of the services identified in Paragraph 7(a), above, shall be made with personnel of equal ability, experience, and qualification. PERA may reject any such replacement personnel, if in its reasonable determination, the stated abilities, experience, and qualifications of such personnel are not satisfactory to PERA. For all such personnel, PERA may require submission statements of their relevant abilities, experience, and qualifications prior to approval. If the number of Contractor's regional outreach personnel is reduced for any reason, Contractor shall, within ten (10) Business Days of the reduction, replace with the same or greater number of personnel with equal ability, experience, and qualifications, subject to PERA approval. PERA, in its sole discretion, may approve additional time beyond the ten (10) Business Days for replacement of such personnel. The Contractor shall include status reports of its efforts and progress in finding replacements and the effect of the absence of the personnel on the performance of the regional outreach services. The Contractor shall also make interim arrangements to assure that the loss of personnel does not materially adversely affect the performance of the regional outreach services. PERA reserves the right to require a change in Contractor's personnel if the assigned personnel are not, in the sole opinion of PERA, meeting PERA's expectations.

## **8. STANDARDS OF PERFORMANCE**

A. The Contractor acknowledges that PERA, as a Plan Sponsor under Section 457(b) of the Code, acts as a fiduciary to and for the exclusive benefit of the participants in the Plan. Accordingly, as PERA's agent, the Contractor shall abide by the same standard of care with regard to PERA and the participants in the Plan with respect to the Contractor's discretionary duties under this Agreement.

B. The Contractor warrants that it will not delegate its fiduciary responsibilities assumed pursuant to this Agreement;

C. All services performed by the Contractor under this Agreement must conform to all state and federal laws and regulations applicable to the Contractor. The Contractor shall acquire and hold during the term of this Agreement, including any renewals, all licenses and permits required of the Contractor to perform the services called for in this Agreement;

D. During the performance of all services by the Contractor, PERA will retain all final decision-making authority with respect to the management and administration of the retirement plan(s) funded thereby and investments related thereto, subject to the Contractor's obligations as provided for in this Agreement.

## **9. INDEMNIFICATION**

A. In addition to the Contractor's liability as provided for in this Agreement, the Contractor shall indemnify, defend, and hold harmless PERA, the PERA Board, and their officers and employees from and against any and all claims, demands, liability, suits, causes of action, losses, damages, fines, fees, attorney fees, penalties, costs, expenses, injuries to property, judgments (including defense costs and attorney fees) that occur or arise out of or in connection with: (1) the Contractor's material failure to perform under any provision of this Agreement; (2) the Contractor's material breach of any term, condition, warranty or representation contained in this Agreement; (3) the Contractor's provision of services that are not in accordance with any applicable law, rule, regulation, or provision of this Agreement; (4) the Contractor's failure to perform in accordance with the standard of care contained in Paragraph 8 of this Agreement; or (5) any fraud, embezzlement, theft or negligence of the Contractor. It is understood, however, that the Contractor's obligations under this Paragraph do not extend to liabilities resulting from causes beyond the control and without the fault or negligence of the Contractor, including acts of God, war or civil commotion, fire, earthquake, or other natural disaster, and unforeseeable acts of any federal, state, or local government or agency thereof. The Contractor's obligations to indemnify PERA under this Paragraph shall continue until the expiration or termination of this Agreement, or any extension thereof, or until such time as the Contractor's duties under this Agreement are satisfied, whichever is later.

B. In the event that any action, suit or proceeding related to the services performed by the Contractor under this Agreement the Contractor shall, to the extent legally permissible, as soon as reasonably practicable after it receives notice thereof, notify PERA.

## **10. LIABILITY INSURANCE**

The Contractor shall execute and deliver to PERA contemporaneously with the signing of this Agreement and prior to the Agreement's effective date, a fidelity and guaranty bond, and a policy of fidelity and guaranty insurance on the Contractor's officers and key employees directly involved in the administration of the Plan payable to PERA as named beneficiary in an amount of not less than \$1 million for each occurrence, \$5 million annual aggregate giving rise to payment of any part of such bond or policy.

The bond(s) or policy must be executed by an admitted company licensed to do business in the State of New Mexico possessing a Best's Insurance Report policy holder's current rating of "A++", "A+", "A", or "A-", with a financial rating of Class VIII or better. The bond(s) or policy must be endorsed to give PERA 30 days' notice of cancellation of coverage.

The Contractor will notify PERA of the current A.M. Best Rating for Insurance Company twice a year. If the A.M. Best Rating falls below A-, the Contractor must immediately notify PERA and replace Insurance Company with an unaffiliated surety bond provider.

## **11. STATUS OF CONTRACTOR**

The Contractor and its agents and employees are independent contractors performing professional services for the PERA and are not employees of PERA or the State of New Mexico. The Contractor and its agents and employees shall not, by virtue of this Agreement, accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of PERA or the State of New Mexico. The Contractor acknowledges that all sums received hereunder are reportable by the Contractor for income tax purposes as self-employment income or business income.

## **12. ASSIGNMENT**

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without prior written approval of PERA.

## **13. SUBCONTRACTING**

The Contractor shall not subcontract any portion of the services to be performed under this Agreement to a non-affiliated third party without prior written approval of PERA. No such subcontracting shall relieve the Contractor from its obligations and liabilities under this Agreement. Without the prior written consent of PERA, the Contractor may engage third-party service providers that provide ancillary and administrative services to the Contractor.

## **14. RECORDS AND AUDIT**

A. The Contractor shall maintain such detailed records as may be necessary to demonstrate its performance of the duties required by this Agreement, including the date, time and nature of services rendered. The Contractor shall maintain such time records for a period of three (3) years from the date of the final payment under this Agreement. Such records also shall be subject to inspection by PERA, the New Mexico Department of Finance and Administration, and the State Auditor. PERA, the New Mexico Department of Finance and Administration, and the State Auditor shall have the right to audit billings both before and after payment; payment under this Agreement shall not foreclose the right of PERA to recover excessive or illegal payments.

B. The Contractor agrees to reasonably cooperate and facilitate an annual audit of the entire Plan conducted by an independent Certified Public Accounting firm selected by PERA. The Contractor acknowledges that PERA is required to submit the audit report to NM Office of the State Auditor (OSA) and PERA's Board by the audit report due set by OSA for the Plan's fiscal year ending June 30. All fees related to the annual audit will be paid by the Contractor. In addition, the contractor will provide PERA with a copy of its audit report as conducted under the SSAE No. 16. Unless otherwise provided herein, all financial statements, reports and audits shall be furnished to PERA within a reasonable time upon demand and without expense to PERA.

## **15. RELEASE**

The Contractor's acceptance of payment of the final amount due under this Agreement shall operate as a release of PERA, the State of New Mexico, and their officers and employees, from all liabilities, claims and obligations whatsoever arising from or under this Agreement, provided that the obligation to pay fees for services rendered prior to the termination of this Agreement, and the confidentiality provisions under Paragraph 16 shall survive the termination of this Agreement. The

Contractor agrees not to purport to bind the State of New Mexico or PERA to any obligations not assumed herein by the State of New Mexico or PERA, unless the Contractor has express written authority from PERA to do so, and then only within the strict limits of that authority.

## **16. CONFIDENTIALITY**

A. The Contractor acknowledges that PERA is a public body organized under and subject to the laws, regulations, and policies of the State of New Mexico, including, without limitation, the New Mexico Public Records Act (Chapter 14, Article 3 NMSA 1978) (the “Public Records Act”), the New Mexico Inspection of Public Records Act (Chapter 14, Article 2 NMSA 1978) (the “Inspection of Public Records Act”) and the New Mexico Open Meetings Act (Chapter 10, Article 15 NMSA 1978) (the “Open Meetings Act”) (together the “Open Government Acts”), each as amended from time to time, which could result in the disclosure of information deemed Confidential Information by the Contractor. The Contractor shall not make any claim against PERA if it makes available to the public Confidential Information received from the Contractor which was required to be made public by PERA pursuant to the Open Government Acts. In the event PERA receives a request to disclose Confidential Information, pursuant to the Open Government Acts and, unless PERA does not intend to disclose information pursuant to such request, PERA, to the fullest extent permitted by law, shall use reasonable efforts to (i) promptly, and in any event prior to making such disclosure, notify the Contractor of the request for disclosure so that the Contractor may seek a protective order or other remedy to protect the confidentiality of Confidential Information and (ii) provide the Contractor a reasonable opportunity to consult with PERA regarding the response to such request.

B. Confidential Information (as defined below) given to or developed by either Party in the performance of this Agreement shall be kept confidential and shall not be made available by such Party to any individual or organization by such Party without the prior written approval of the other Party, except as required by law or as otherwise permitted herein.

C. For the purposes of this Agreement, “Confidential Information” shall mean all written information of any kind, type or nature, together with all documents whether created or maintained by electronic means, which relate to (i) information that qualifies as exempt from disclosure pursuant to NMSA 1978, § 10-11-130(I) (certain information provided by PERA members), (ii) other confidential personally identifying information or confidential financial information of Plan participants; (iii) any proprietary, intellectual property or trade secret which either Party or any of its Board members, officers, employees or agents identifies as confidential at the time of disclosure.

D. Notwithstanding the provisions of paragraph (B), above:

- (i) Confidential information shall not include, and the Contractor waives trade-secret confidentiality for the following:
  - 1) the identity of the Contractor and the Contractor’s principal business address;
  - 2) the terms and provisions of Agreement and any Exhibits, Attachments, or Appendices;
  - 3) the minutes and audio or video recordings of each open portion of a meeting of PERA at which an item described by this paragraph was discussed; and,
  - 4) the names of PERA’s principal contacts with the Contractor the amount of compensation, including fees and expenses, paid by PERA to the Contractor under the terms of this Agreement.

- (ii) In addition, Confidential Information shall not include any data or Confidential Information that is:
- 1) publicly known or becomes publicly known through no unauthorized act of the Contractor;
  - 2) rightfully received from a third party without being identified as confidential;
  - 3) disclosed by the Contractor or PERA to a third party without restrictions on use or disclosure similar to those contained herein (such disclosure not to include inadvertent disclosure of Confidential Information and reasonable efforts to correct the disclosure);  
or
  - 4) approved by the Contractor and PERA for disclosure to the public.
- (iii) PERA consents to the disclosure by the Contractor of PERA's identity as a client of the Contractor, and PERA authorizes the disclosure by the Contractor of PERA's Confidential Information to:
- (I) affiliates of the Contractor, or the Contractor's or its affiliates' legal, accounting or other professional advisors, in each case, for legal, compliance and business supervisory purposes;
  - (II) affiliates of the Contractor and/or third parties, on a confidential basis, solely in order to perform administrative, systems or support services in relation to the performance of the services hereunder with respect to PERA; or
  - (III) any governmental or regulatory agency or other self-regulatory organization which has regulatory or supervisory authority over the Contractor or its affiliates.

## **17. NO SOLICITATION**

The Contractor shall not use information obtained under the Plan to directly solicit participants with respect to any product of the Contractor that is not part of the Plan.

## **18. PRODUCT OF SERVICES AND COPYRIGHT**

All materials or products developed or produced by the Contractor solely for PERA under the terms of this Agreement (excluding any proprietary information, method or materials independently developed by the Contractor) shall become the property of PERA and shall be delivered to PERA no later than the termination date of this Agreement. Nothing produced or developed, in whole or in part, by the Contractor specifically under this Agreement shall be the subject of an application for copyright, or any other claim of ownership, by or on behalf of the Contractor.

## **19. CONFLICT OF INTEREST AND ACTING FOR OTHER ACCOUNTS**

The Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under this Agreement. With respect to PERA, The Contractor shall not engage in transactions with either itself, including any affiliates or parent companies of the Contractor, or, to its knowledge, other firms that provide investment management services or investment options to the Plan except upon prior written approval of PERA. The Contractor certifies that the requirements of the Governmental Conduct Act, NMSA 1978, §§ 10-16-1 to 10-16-18, regarding contracting with a public officer or state employee, have been followed, if applicable.

## **20. GRATUITIES AND CAMPAIGN CONTRIBUTIONS**

The Contractor and its officers and employees are prohibited from soliciting or receiving campaign contributions, for or on behalf of any PERA Board member, or any political candidate in the State of New Mexico, from any investment company or brokerage firm, including its officers and employees, which has engaged in any financial transaction with PERA within the preceding twelve (12) months prior to the solicitation or receipt of the contribution or which reasonably expects within the next twelve (12) months to engage in financial transactions with the PERA. In addition, the Contractor shall comply with the prohibitions and restrictions upon making campaign contribution to PERA Board members and candidates for the position of PERA Board member, and giving gratuities to PERA Board members and PERA employees, contained in NMSA 1978, § 10-11-130.1. The Contractor shall annually certify to PERA compliance with NMSA 1978, § 10-11-130.1, regarding restrictions on gratuities to PERA Board members and PERA employees. Violation of this Paragraph constitutes a breach by the Contractor of its Agreement with PERA.

## **21. AMENDMENT**

This Agreement shall not be altered, changed or amended except by instrument, in writing, executed by the Parties hereto.

## **22. MERGER AND SCOPE OF AGREEMENT**

This Agreement incorporates all of the agreements, covenants and understandings between the Parties hereto concerning the subject matter hereof. No prior agreement or understanding, oral or otherwise, of the Parties or their agents shall be valid or enforceable unless embodied in this written Agreement or written amendment to this Agreement.

This Agreement shall be understood and construed in conjunction with the following documents:

1. Plan Document for the PERA SmartSave Deferred Compensation Plan
2. PERA Smart Save Deferred Compensation Plan Investment Policy

## **23. APPLICABLE LAW**

This Agreement shall be governed by applicable federal laws and the laws of the State of New Mexico.

## **24. WAIVER**

No waiver of any breach of this Agreement or any terms or conditions hereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid, alleged or binding unless the same is in writing and signed by the Party alleged to have granted the waiver.

## **25. EQUAL OPPORTUNITY COMPLIANCE**

The Contractor agrees to abide by all Federal and State laws and rules and regulations, and executive orders of the Governor of the State of New Mexico applicable to the Contractor, pertaining to equal employment opportunity. In accordance with all such laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, the Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If the Contractor is found not to be in compliance with these requirements during the life of this Agreement, the Contractor agrees to take appropriate steps to correct these deficiencies and if the Contractor is not able to correct such deficiencies, PERA may immediately terminate this Agreement.

## **26. NOTICES**

All notices, requests, demands or other communications provided for or required by this Agreement shall be in writing and shall be deemed to have been given when sent by registered or certified mail, return receipt requested; when sent by overnight carrier; or upon telephone confirmation to sender of receipt of a facsimile communication which is followed by a mailed hard copy from sender. Notices shall be addressed to:

PERA:  
Public Employees Retirement Association of New Mexico  
33 Plaza La Prensa  
Santa Fe, NM 87507  
Attn: Deferred Compensation Plan Program Manager

Contractor:

**27. NOTICE OF PENALTIES**

The New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

Signature page follows.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date approved below.

**PUBLIC EMPLOYEES' RETIREMENT  
ASSOCIATION OF NEW MEXICO**

By: \_\_\_\_\_  
Wayne Propst  
Executive Director

Date: \_\_\_\_\_

**[contractor]**

By: \_\_\_\_\_

Date: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

**Approved as to Legal Sufficiency for PERA:**

By: \_\_\_\_\_  
Susan Pittard  
General Counsel

**STATE OF NEW MEXICO**

**PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION OF NEW MEXICO**

**INVESTMENT POLICY**

**for the**

**PERA** *SmartSave*  
Deferred Compensation Plan 

Revised July 26, 2018

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## **I. SCOPE**

This Investment Policy (“Policy”) applies to investment of the income deferred and any gains arising from such income entrusted to the State of New Mexico SmartSave Deferred Compensation Plan (“the Plan”) administered by the Public Employees Retirement Association of New Mexico (“PERA”).

**DISCLAIMER:** The Plan is a voluntary, participant-directed, deferred compensation plan. The Plan Participants are responsible for developing and monitoring a strategy for the investment of their accounts. Nothing in this Policy is intended to or should be understood as a guarantee of returns or protection of losses by PERA from participation in the Investment Options selected for the Plan under authority of this Policy.

## **II. DEFINITIONS**

As used in this Policy:

“the Act” means the State of New Mexico Deferred Compensation Act, NMSA 1978, sections 10-7A-1 through 10-7A-12, as it may be amended from time to time;

“Board” means the same as the term defined in the Act, and refers to the PERA Board;

“CIO” means the PERA Chief Investment Officer;

“the Code” means section 457 of the Internal Revenue Code and its implementing regulations, as they may be amended from time to time;

“Deferred Compensation Carrier” means the same as the term defined in the Act;

“Investment Consultant” means the principal investment consultant selected by the Board from time to time to advise the Board about the investment functions of the Plan;

“Investment Manager” means an entity that offers or manages one or more Investment Options proposed or selected for the Plan.

“Investment Option” means an investment, including a Core Investment Option, available to Plan Participants with specific investment objectives, targeted returns, and risk parameters;

“Plan Document” means the governing document of the same name that the Board adopted for the Plan in compliance with the Code and the Act, as it may be amended from time to time;

“Plan Participant” means a person who is eligible and has elected to invest through the Plan;

“Structure” means the composition of Investment Options for the Plan; and,

“Third-Party Administrator” is a Deferred Compensation Carrier that performs recordkeeping and other functions of the Third-Party Administrator described in the Plan Document.

## **III. LEGAL AUTHORITY AND PURPOSE OF THE PLAN**

The Board administers the Plan under the authority of the Act. For the purposes of this Policy, section 10-7A-3 of the Act authorizes the Board to “review and approve deferred compensation plans for participation by state and local public employees” in accordance

with the Code, as amended, and other federal laws. The Board adopts this Policy, in part, to comply with its responsibilities to Plan Participants under applicable provisions of the Uniform Prudent Investor Act, NMSA 1978, § 5-7-601 to 45-7-612.

The Board established the SmartSave Committee to assist the Board in administering the Plan.

This Policy shall compliment the Act, the Plan Document, and other applicable laws. The PERA Investment Procurement Policy governs selection of the Investment Consultant, Investment Managers, the Third-Party Administrator, and such other consultants as may be necessary from time to time, that are delegated authority to advise the Board and administer the Plan and the Investment Options made available through the Plan.

#### **IV. PURPOSE OF THE POLICY**

In administering the Plan, the Board acts as a trustee for the exclusive benefit of the Plan Participants and their beneficiaries by providing a voluntary, participant-directed, supplemental, eligible tax-deferred retirement program that is understandable, transparent, and offers competitive fees. Accordingly, the Board adopts this Policy to implement section 10-7A-8(A) of the Act which authorizes the Board to review proposals providing Investment Options to participants of a deferred compensation plan and approve proposals that are consistent with the goals of providing state or local public employees with an investment that is safe and will provide a reasonable return to the employees upon their reaching the appropriate age or date at which they may begin receiving funds from the deferred compensation plan.

This Policy describes the relative responsibilities and processes for structuring investment opportunities for the Plan as well as selection of the Investment Options that the Plan makes available to participants. This Policy shall guide the Board, the SmartSave Committee, the CIO, and contractors in their mission to ensure that these objectives will be met in a prudent manner and consistent with governing rules and regulations.

#### **V. ROLES AND RESPONSIBILITIES**

##### **A. The PERA Board**

The Board relies on the SmartSave Committee, the CIO, the Investment Consultant, and the Third-Party Administrator to administer the Plan. As described below, the Board sets forth their respective roles and responsibilities in accordance with the Plan Document, applicable rules, and the SmartSave Committee Charter. The Board oversees administration of the Plan as described in this Policy in accordance with its fiduciary duty to Plan Participants.

The Board has the final authority to:

1. approve revisions and amendments to this Policy, including, but not limited to:
  - a. the Structure of the investments available through the Plan;
  - b. the qualifications and selection criteria for Investment Managers and Investment Options;

- c. the considerations for monitoring the performance of the investment Structure, Investment Options, the Investment Consultant, Investment Managers, the Third-Party Administrator, and other consultants;
2. select the Investment Consultant and other consultants;
3. select the Third-Party Administrator; and
4. establish and reestablish schedules for reporting and recommendation under this Policy.

**B. SmartSave Committee**

The Board adopted NMAC Rule 2.80.200.50(A) to establish the PERA SmartSave Committee to “review and monitor the administration of the deferred compensation plan investment policy adopted by the Board.” Accordingly, the PERA SmartSave Committee shall periodically report and recommend to the Board about:

1. improvements to the Structure of the investments in the Plan that will optimize the potential deferred compensation benefits available to Plan Participants;
2. the performance of Investment Managers and the Investment Options selected for the Plan including comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees to Plan Participants;
3. the market for Investment Options appropriate for deferred compensation plans that may be beneficial to Plan Participants;
4. the selection process and recommendation to the Board of the Investment Consultant and the Third-Party Administrator based on the selection procedures administered under the authority of the CIO;
5. monitoring the performance of the Investment Consultant and the Third-Party Administrator; and,
6. monitoring the Structure of investments and the Investment Options for compliance with the Code and IRS guidelines, the Act, and other applicable law, this Policy, the Plan Document, and industry best practices.

**C. CIO**

The CIO is responsible for implementing the policies and objectives established by the Board and the SmartSave Committee. Specifically, the CIO is responsible for and shall periodically report to the SmartSave Committee about:

1. selection and termination of Investment Managers and specific Investment Options that shall be made available to Plan Participants through the Plan with the advice of the Investment Consultant and in consultation with the Third-Party Administrator;
2. monitoring the performance of consultants and Investment Managers and the Investment Options selected for the Plan including comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees;

3. changes in the market for Investment Options appropriate for deferred compensation plans;
4. administration of selection procedures for the Investment Consultant, the Third-Party Administrator, and other consultants in accordance with the PERA Investment Procurement Policy for recommendation to the SmartSave Committee and approval by the Board;
5. whether investment objectives and guidelines remain appropriate and effective for the Plan;
6. whether other revisions or amendments to this Policy are prudent and consistent with industry best practices; and,
7. action taken and the progress made to achieve the directions of the SmartSave Committee and the Board about the Structure of the investments and Investment Options provided by the Plan.

**D. The Investment Consultant**

The Investment Consultant advises and reports to the SmartSave Committee, the Board, and the CIO on the investment Structure and Investment Options provided to Plan Participants.

1. Specifically, the Investment Consultant periodically advises the SmartSave Committee and the Board in conjunction with the CIO about:
  - (a) the performance of Investment Managers and the individual Investment Options selected for Plan Participants including the objectives of the Investment Option, comparative performance against applicable benchmarks and other investments, and the competitiveness of their fees as compared to comparable investment strategies;
  - (b) evaluation of the investment Structure and asset allocation portfolios including the Plan's existing Investment Options from which participants may choose in order to in order to optimize, on a risk-adjusted basis, the potential benefits available to Plan Participants;
  - (c) the market for Investment Options appropriate for deferred compensation plans;
  - (d) selection of any new or replacement Investment Manager or Investment Option;
  - (e) whether investment objectives and guidelines remain appropriate and effective for the Plan;
  - (f) annual rebalancing recommendations for the asset allocation (mixes) of the Target Date Maturity Lifecycle Funds; and,
  - (g) the Plan's compliance with this Policy and industry best practices.
2. In rendering advice and other services to the Plan, the Investment Consultant shall:

- (a) act in a fiduciary capacity to PERA with respect to those services for which it exercises discretion and with respect to investment advice that is fiduciary in nature under ERISA; and,
- (b) exercise skill superior to that of an ordinary person.

**E. Investment Managers**

An Investment Manager provides one or more Investment Options to Plan Participants in accordance with its contractual agreement and the requirements of the Third-Party Administrator. In rendering services to the Plan, an Investment Manager shall:

1. serve as a fiduciary to the Plan as required by law;
2. manage their Investment Options according to the requirements of applicable securities laws, the terms and conditions of their contracts, the relevant prospectuses, and other offering materials;
3. report investment performance and fees as directed by the Investment Consultant, the CIO, the SmartSave Committee, and the Board; and,
4. promptly notify the Investment Consultant and the CIO in writing of any changes in an Investment Option, an Investment Manager's strategy, operation, organization, or personnel that may materially, adversely impact the performance of an Investment Option provided by the Investment Manager for the Plan.

**F. The Third-Party Administrator**

The responsibilities of the Third-Party Administrator are described in the Plan Document and its contract with PERA and principally involves record keeping, enrollment, education services, and other administrative duties for the Plan as required by section 457(b) of the Code and applicable regulations.

## **VI. POLICIES FOR INVESTMENTS**

**A. Considerations and Criteria for Structuring of Investment Options**

The Board recognizes that the appropriate investment strategy for an individual Plan Participant is a function of multiple personal factors, including age, income, time horizon, risk tolerance, return and accumulation objectives, and the availability of assets outside of the Plan. In order to provide participants with the opportunity to identify investment alternatives that meet their individual needs, the Plan shall provide a tiered Structure of Investment Options in which participants may invest. The Structure of investments approved by the Board is memorialized in Appendix A of this Policy.

The Board relies on the Investment Consultant and the CIO to identify and recommend for consideration by the SmartSave Committee and the Board an investment Structure tailored to meet a reasonably inclusive, representative menu of the multiple personal factors identified in the previous paragraph. The Investment Consultant and the CIO shall consult and coordinate with the Third-Party Administrator to ensure that the investment Structures recommended to the SmartSave Committee and the Board are compatible with the Code, the Act, and the duties of the Third-Party Administrator based on its contract and the Plan Document.

## **B. ERISA Considerations**

Although the Plan is not subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), the Board recognizes that ERISA section 404(c) provides, in principal part, the appropriate criteria for evaluating the investment Structure of the Plan for the purpose of protecting Plan Participants and allowing PERA and other fiduciaries to minimize potential liability arising from administering Investment Options under the Plan. Accordingly, the following considerations are appropriate to the determination and reconsideration of the investment Structure for the Plan:

1. There should be at least three diversified Core Investment Options representing a broad range of investment alternatives.
2. Each Investment Option identified as a Core Investment Option must itself be a diversified portfolio of investments.
3. The Plan should provide participants with the opportunity to switch investments as frequently as “appropriate in light of the market volatility of the investment alternatives.”
4. The Plan should permit transfers of the Investment Options identified as Core Investment Options on a quarterly basis, meaning at least once in any three-month period.
5. The Plan should ensure Plan Participants may readily obtain information sufficient to permit efficient and confident investment decisions about each Investment Option, including fees.
6. The Plan should ensure that Plan Participants are notified of the Board’s intention to comply with ERISA section 404(c).

In addition to the foregoing, in the event that a Plan Participant fails to provide investment instructions regarding either his or her balance in or future contributions to the Plan, such balances and contributions shall be invested in a Qualified Default Investment Alternative (QDIA). The QDIA selected for a Plan Participant shall be the Target Maturity Lifecycle Fund (*see* the references to Target Maturity Lifestyle Fund in Appendices A, B, and C) that is identified for the period of time remaining before Plan Participant’s 65<sup>th</sup> birthday.

## **C. Selection of Investment Managers and Investment Options for the Plan**

Investment Options must advance the purpose of this Policy and fit the investment Structure adopted by the Board as set forth in Section V (A), above. The Board identifies the following additional qualifications and criteria to be considered by the Investment Consultant and the CIO when evaluating proposals for Investment Managers and Investment Options for the Plan.

### **1. General Selection Criteria**

- (a) An Investment Manager must have all necessary licenses and have been engaged in the business of managing institutional assets.

- (b) An Investment Manager must be a well-established firm with a history of running its business in the interest of its investors.
- (c) An Investment Manager must demonstrate a well-defined investment process compatible with the investment objectives of the Plan.
- (d) An Investment Manager must demonstrate a verifiable track record of consistent adherence to the stated objectives and restrictions of an Investment Option that has been offered generally for at least three years.
- (e) An Investment Manager, or as appropriate and an Investment Option, shall have sufficient assets under management to maintain the Investment Manager's commitment to supporting the strategy and avoid exposure of the Plan to an unreasonable risk of loss,
- (f) An Investment Option must be managed by an investment team with the capacity and resources to implement a proven, consistent, and repeatable investment process.
- (g) An Investment Option must be available through an investment vehicle that is appropriate for the Plan with competitive fees charged to the Plan Participants.
- (h) An Investment Option must demonstrate historical risk and return characteristics that are consistent with the specified role of the Investment Option in the Structure the Plan.

## **2. Selection criteria for actively managed Investment Options**

- (a) An Investment Option must demonstrate a record of net-of-fee excess performance relative to the strategy's stated benchmark and/or peer group over a period of 3 to 5 years or greater, unless the Investment Manager can justify, to the satisfaction of the Investment Consultant and the CIO, that this criteria is not applicable due to unique circumstances or objectives.
- (b) An Investment Option must demonstrate risk-adjusted performance that is superior to the benchmark and/or peer group as judged by the strategy's Return/Risk Ratio or Information Ratio (average annualized excess return divided by annualized standard deviation of excess returns) over a period of 3 to 5 years or greater, unless the Investment Manager can justify, to the satisfaction of the Investment Consultant and the CIO, that this criteria is not applicable due to unique circumstances or objectives.

## **3. Selection criteria for passively managed Investment Options**

- (a) A passively managed Investment Option must demonstrate a tracking history against its stated benchmark within a reasonable range.
- (b) A passively managed Investment Option must demonstrate competitive costs relative to comparable investments.

#### 4. Selection Process

- (a) The Investment Consultant is responsible for initial screening of potential Investment Options against the aforementioned selection criteria and selects no less than two finalists for referral to the CIO, if there are at least two suitable candidates that meet the selection criteria.
- (b) The CIO with the advice of the Investment Consultant, selects one or more Investment Options that are appropriate for the investment Structure adopted by the Board, other provisions of this Policy.
- (c) The CIO and the Investment Consultant shall report selection of Investment Managers and Investment Options to the SmartSave Committee and the Board.

Individual Investment Options are listed in Appendix B, brief explanatory profiles of those Investment Options are listed in Appendix C, and target maturities and the asset allocation for the LifeCycle Funds are set forth in Appendix D.

### VII. MONITORING INVESTMENT OPTIONS

As directed by the Board, the Investment Consultant and the CIO shall report to the SmartSave Committee and the Board the results of monitoring of the Investment Managers and the Investment Options based on quantitative and qualitative criteria set forth below. The Investment Consultant and the CIO shall explain to the SmartSave Committee and the Board whether Investment Managers and Investment Options are retained or terminated based on the results of monitoring and the condition of the markets.

It is expected that an Investment Option designated for an investment category will meet or exceed the following considerations:

#### A. Considerations for Qualitative Monitoring

1. In the case of separate accounts, compliance of the Investment Manager and the Investment Option with stated investment guidelines, contract terms, and/or state and applicable federal laws and rules.
2. Adherence to stated investment style and philosophy.
3. Ownership stability and alignment of interests with investors.
4. Retention and attraction of key investment professionals associated with the management of the Investment Option.
5. Absence of litigation or regulatory action that may have a material adverse effect on future investment performance and investor confidence.
6. Disclosure of relevant information that may have a material adverse impact on performance.

#### B. Considerations for Quantitative Monitoring

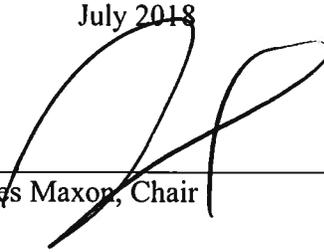
1. Evaluation of total time-weighted rates of return of the Investment Option net of investment management fees and all Investment Option expenses, but gross of

Plan expenses (based on an explicit statement of fees or other Plan costs to participants).

2. Evaluation of performance of the option against a respective market index and peer group median over a rolling three- and five-year periods. Volatility will be measured by the standard deviation of quarterly returns and should be reasonably comparable to each Investment Option's respective market index and the respective peer group averages. Investment Options with greater volatility than their indices should earn higher returns than those indices.

By signing this Investment Policy, the Board through its Chair, adopts this revised Policy along with Appendices A, B, C, and D, that are attached to this Policy.

Adopted: June 24, 2004  
Revised: August 2010  
Revised: August 2012  
Revised: April 2015  
Revised: July 2018

By:   
James Maxon, Chair

## APPENDIX A—INVESTMENT STRUCTURE

The Board has approved the following investment Structure for the Plan:

| Tier  | Philosophy  |
|---|---|
| <b>Tier 1 – Target Maturity Lifecycle Funds</b> | Allows participants to choose the diversified investment portfolio that best fits their time horizon, risk tolerance and investment goals. As the target date of each fund approaches, the asset allocation progresses to a more conservative risk-return profile. Designed for investors who want a ‘streamlined’ approach to investing and a professionally managed asset allocation. |
| <b>Tier 2 – Core Fund Array (Passive)</b>       | Allows participants to create their own portfolios without active management risk based on the asset classes (or types of investments) that best fit their time horizon, risk tolerance and investment goals.   |
| <b>Tier 3 – Core Fund Array (Active)</b>        | Allows participants to create and complement their portfolios using active managers based on the asset classes (or types of investments) that best fit their time horizon, risk tolerance and investment goals.   |
| <b>Tier 4 – Extended Choice Array</b>           | Affords participants with diversification opportunities outside the traditional asset classes of stocks, bonds, and cash. Participants may use Tier 4 options to further diversify their holdings in other investment Tiers.  |
| <b>Tier 5 – Brokerage Window</b>                | Allows participants to supplement Tier 1, 2, 3, and/or 4 investments with additional mutual funds or other diversified investments based on their time horizon, risk tolerance, investment goals and/or fund manager preferences.   |

## APPENDIX B— INVESTMENT OPTIONS

The following Investment Options have been approved for Plan Participant-directed investment:

| Investment Option                                      | Comparative Manager Peer Group Universe Median 3 and 5 Years               | Relative Market Index 3 and 5 Years   |
|--|--|---|
| <b>Target Maturity Lifecycle Funds</b>                 | Target Date Fund Universe  | Each Option Will Be Evaluated Compared to Customized Indices Based on Asset Allocation Mixes    |
| <b>Stable Value Fund</b>                               | Stable Value Fund Universe   | 3-year Constant Maturity Treasury yield over a full interest rate/market cycle                  |
| <b>Inflation Protected Bond</b>                        | Inflation Protected Mutual Fund Universe                                   | Barclays Capital US TIPS Index  |
| <b>Diversified Inflation Hedge</b>                     | Diversified Inflation Hedge Mutual Fund Universe                           | Customized Indices Based on Asset Allocation  |
| <b>Market Duration Bond Fund (Passive)</b>             | Core Fixed Income Mutual Fund Universe                                     | Barclays Capital Aggregate Bond Float Adjusted Index (Tracking Error +/- 20 basis points)<br>†† |
| <b>Global Bond Fund</b>                                | Global Fixed Income Mutual Fund Universe                                   | Citigroup World Gov't Bond Index  |
| <b>Balanced Fund</b>                                   | Balanced Manager Mutual Fund Universe                                      | 60% S&P 500 Index/40% Barclays Capital Aggregate Bond Index                                     |
| <b>Global Real Estate Investment Trust Fund</b>        | Global Real Estate Mutual Fund Universe                                    | FTSE EPRA/NAREIT Developed Index  |
| <b>Large Capitalization Value Equity Fund</b>          | Large Cap Value Equity Mutual Fund Universe                                | Russell 1000 Value Index  |
| <b>Large Capitalization Core Equity Fund (Passive)</b> | Large Cap Core Equity Mutual Fund Universe                                 | S&P 500 Index (Tracking Error +/- 30 basis points)<br>††  |
| <b>Large Capitalization Growth Equity Fund</b>         | Large Cap Growth Equity Mutual Fund Universe                               | Russell 1000 Growth Index   |
| <b>International Equity Fund (Passive)</b>             | International (All Country World ex-US ) Equity Index Mutual Fund Universe | FTSE Global All Cap ex US Index (Tracking Error +/- 30 basis points)<br>††                      |
| <b>International Large Cap Equity Fund (Active)</b>    | International Equity Mutual Fund Universe                                  | MSCI EAFE (Net) Index   |
| <b>Mid Capitalization Core Equity Fund</b>             | Mid Cap Core Equity Mutual Fund Universe                                   | Russell Midcap Index  |
| <b>Mid Capitalization Growth Equity Fund</b>           | Mid Cap Growth Equity Mutual Fund Universe                                 | Russell Midcap Growth Index   |
| <b>Small+Mid Capitalization Value Equity Fund</b>      | Small+Mid Cap Value Equity Mutual Fund Universe                            | Russell 2500 Value Index  |
| <b>Small Capitalization Core Equity Fund</b>           | Small Cap Core Equity Mutual Fund Universe                                 | Russell 2000 Index  |
| <b>Emerging Markets Equity Fund</b>                    | Emerging Markets Equity Mutual Fund Universe                               | MSCI EM (Net) Index   |
| <b>Self-Directed Brokerage Account</b>                 | N/A  | N/A   |

† Target Maturity Lifecycle Funds will also be evaluated based on their asset allocation mixes, ability to span the risk/return spectrum, and the underlying funds that comprise each lifecycle fund.

†† Tracking error is defined as the return of the Fund minus the return of the index. When evaluating the performance of the Fund relative to the respective index, the tracking error should fall within the stated amount of basis points relative to the index on an annualized basis over the 3 and 5 year periods.

## APPENDIX C— INVESTMENT OPTION PROFILES

Appendix C provides brief profiles of each Investment Option offered by the Plan.

| Option                     | Targeted Maturity Lifecycle Funds  |
|----------------------------|--|
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Provide an array of Investment Options diversified by varying asset allocation mixes (between stocks, bonds and cash) for participants who wish to accumulate wealth based on their risk tolerances and time horizons through single Investment Options. The asset allocation of each Investment Option shall become more conservative as the target date nears.</li> <li>▪ Total return of each target maturity lifecycle fund shall correspond to the asset allocation (between stocks, bonds, cash, and other asset classes) at any given point time.</li> <li>▪ Offset the higher volatility of stock returns with the stability of income-generating bonds and cash</li> </ul>   |
| <b>Primary Investments</b> | <p><b>Asset Allocation:</b></p> <p>The asset allocation mix of each target maturity fund shall be determined by the Board based on direction from the Investment Consultant, Plan Administrator and Trustee. It is expected, however, that each target maturity fund will be appropriately diversified among various asset classes based on the fund's stated investment objectives. It is also expected that the entire array of targeted maturity funds will be differentiated by asset allocation so that each fund has its own differentiated risk/return characteristics. Please refer to Appendix D for the current allocation targets</p> <p><b>Equity Segment:</b></p> <p>The equity portfolio shall be invested in a diversified array of US and international equity mutual/commingled funds that are differentiated by investment objective, security selection methodology, style (value, core and growth) and market capitalization (large, medium and small), as appropriate.</p> <p><b>Fixed Income Segment:</b></p> <p>The fixed income portfolio shall be invested in a diversified array of fixed income mutual/commingled funds. These funds shall be differentiated by investment objective, security selection methodology, maturity focus (long, intermediate and short), sector concentration and quality, as appropriate.</p> <p><b>Stable Value Segment:</b></p> <p>The stable value segment shall be invested in a high quality stable value fund(s) with an average yield consistent with the 3-year Constant Maturity Treasury over a full interest rate/market cycle.</p> <p><b>Other asset classes:</b></p> <p>The Plan may elect to use other asset classes within the funds. The alternative assets section shall be invested in asset classes that offer relatively low correlation of returns relative to the stocks, bonds, and cash.</p> |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest and dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Expected Return</b>     | Low to high based on asset allocation mix/time horizon   |
| <b>Expected Risk</b>       | Low to high based on asset allocation mix/time horizon   |
| <b>Investment Vehicle</b>  | Unitized fund of funds   |

## APPENDIX C— INVESTMENT OPTION PROFILES

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Stable Value Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ No principal loss</li> <li>▪ Provide a stable crediting rate with an average yield consistent with the 3-year Constant Maturity Treasury yield over a full interest rate/market cycle</li> </ul>            |
| <b>Primary Investments</b> | Traditional investment contracts issued by banks and insurance companies, synthetic contracts, money market instruments, short-duration fixed income securities or commingled vehicles investing in such securities, and separate account contracts. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Contract income</li> <li>▪ Interest income</li> </ul>   |
| <b>Expected Return</b>     | Low  |
| <b>Expected Risk</b>       | Low  |
| <b>Investment Vehicle</b>  | Separately managed account   |

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Inflation Protected Bond</b>  |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Interest Income</li> <li>▪ Capital Appreciation in inflationary conditions</li> <li>▪ Total return equal to or greater than inflation</li> </ul>  |
| <b>Primary Investments</b> | Treasury inflation-protected securities. May also invest in nominal treasury bonds, international inflation protected bonds, and other types of fixed income securities with a modest portion of the Portfolio. Typically, the dollar-weighted average maturity of the portfolio will be five to 10 years. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest income</li> <li>▪ Capital appreciation through inflation step-up of TIPS</li> </ul>  |
| <b>Expected Return</b>     | Low/Moderate   |
| <b>Expected Risk</b>       | Low/Moderate   |
| <b>Investment Vehicle</b>  | Mutual Fund  |

|                            |   |
|----------------------------|---|
| <b>Option</b>              | <b>Inflation Hedge Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Interest Income</li> <li>▪ Inflation protection</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Primary Investments</b> | The Fund may invest in inflation-indexed bonds, real estate investment trusts, commodities, fixed income securities, securities of natural resource companies, and master limited partnerships. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest income adjusted for inflation</li> <li>▪ Dividend Income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>                            |
| <b>Expected Return</b>     | Moderate  |
| <b>Expected Risk</b>       | Moderate/High   |
| <b>Investment Vehicles</b> | Mutual Funds, Collective Trusts or Separately Managed Accounts  |

## APPENDIX C— INVESTMENT OPTION PROFILES

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Market Duration Bond (Passive) Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Principal preservation</li> <li>▪ Modest total return that outpaces inflation</li> </ul>  |
| <b>Primary Investments</b> | Government, corporate and mortgage-backed fixed income securities with a average portfolio duration between three and six years; high-yield and international issues may be used opportunistically up to 15% and 20%, respectively, in each asset class. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>   |
| <b>Expected Return</b>     | Low/Moderate   |
| <b>Expected Risk</b>       | Low/Moderate   |
| <b>Investment Vehicle</b>  | Mutual fund  |

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Global Bond</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Geographical diversification</li> <li>▪ Capital preservation</li> <li>▪ Current income</li> </ul>   |
| <b>Primary Investments</b> | Foreign-developed, foreign non-developed and domestic investment grade and non-investment grade sovereign and corporate debt securities. Currency exposure may be hedged or unhedged versus the domestic currency. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>   |
| <b>Expected Return</b>     | Moderate   |
| <b>Expected Risk</b>       | Moderate   |
| <b>Investment Vehicle</b>  | Mutual fund  |

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Balanced Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Moderate total return</li> <li>▪ Offset the higher volatility of stock returns with the stability of Income-generating bonds</li> </ul>   |
| <b>Primary Investments</b> | <p><b>Asset Allocation:</b></p> <p>Invests approximately 60% of assets in domestic equity and the remainder in fixed income debt securities.</p> <p><b>Equity Segment:</b></p> <p>Predominantly US stocks with a modest amount of total assets (generally not in excess of 20%) possibly allocated to non-US stocks.</p> <p><b>Fixed Income Segment:</b></p> <p>Government, corporate and mortgage-backed fixed income securities with an average portfolio duration between three and six years; high-yield and international issues may be used opportunistically in each asset class.</p> |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest and Dividend Income</li> <li>▪ Capital Appreciation/(Depreciation)</li> </ul>  |
| <b>Expected Return</b>     | Moderate   |
| <b>Expected Risk</b>       | Moderate   |
| <b>Investment Vehicle</b>  | Mutual Fund  |

## APPENDIX C— INVESTMENT OPTION PROFILES

|                            |   |
|----------------------------|---|
| <b>Option</b>              | <b>Global Real Estate Securities Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Asset class diversification</li> <li>▪ REIT diversification across the US and non-US markets</li> </ul> |
| <b>Primary Investments</b> | Global stocks of entities that own, operate, develop or manage real estate. These stocks span small, mid and large market capitalizations.                                    |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Expected Return</b>     | Very High   |
| <b>Expected Risk</b>       | Very High   |
| <b>Investment Vehicle</b>  | Mutual fund   |

|                            |   |
|----------------------------|---|
| <b>Option</b>              | <b>Large Capitalization Value Equity Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the large cap equity market segment</li> </ul>   |
| <b>Primary Investments</b> | Domestic stocks with market capitalizations that are similar to those of stocks found in Russell 1000 Index. The total portfolio should exhibit characteristics representative of a value equity investment style, including price/earnings and price/book ratios less than the Russell 1000 Index. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Expected Return</b>     | High  |
| <b>Expected Risk</b>       | High  |
| <b>Investment Vehicle</b>  | Mutual fund   |

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Large Capitalization Core Equity (Passive) Fund</b>   |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Track the return of the S&amp;P 500 Index</li> <li>▪ High total return</li> </ul> |
| <b>Primary Investments</b> | All the stocks comprising the S&P 500 Index and in the same proportion as the Index.                                       |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>         |
| <b>Expected Return</b>     | High   |
| <b>Expected Risk</b>       | High   |
| <b>Investment Vehicle</b>  | Mutual fund  |

|                            |   |
|----------------------------|---|
| <b>Option</b>              | <b>Large Capitalization Growth Equity Fund</b>  |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the large cap equity market segment</li> </ul>   |
| <b>Primary Investments</b> | Domestic stocks with market capitalizations that are similar to those of stocks found in Russell 1000 Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios greater than the Russell 1000 Index. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Capital appreciation/(depreciation)</li> <li>▪ Dividend income (modest or none)</li> </ul>   |
| <b>Expected Return</b>     | High  |
| <b>Expected Risk</b>       | High  |
| <b>Investment Vehicle</b>  | Mutual fund   |

## APPENDIX C— INVESTMENT OPTION PROFILES

| Option                     | International Equity Fund (Passive)  |
|----------------------------|--|
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ Track the return of the MSCI ACWI ex US IMI Net Index</li> <li>▪ High total return</li> <li>▪ Provide non-U.S. equity exposure thereby enhancing participant diversification opportunities</li> </ul> |
| <b>Primary Investments</b> | All the stocks comprising the MSCI ACWI ex US IMI Net Index and in the same proportion as the Index.   |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Capital appreciation/(depreciation)</li> <li>▪ Dividend income</li> </ul>   |
| <b>Expected Return</b>     | High   |
| <b>Expected Risk</b>       | Very High  |
| <b>Investment Vehicle</b>  | Mutual fund  |

| Option                     | International Large Cap Equity Fund (Active)  |
|----------------------------|---|
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Provide non-U.S. equity exposure thereby enhancing participant diversification opportunities</li> </ul> |
| <b>Primary Investments</b> | International stocks with market capitalizations that are similar to those of stocks found in the MSCI ACWI ex US Index.  |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Capital appreciation/(depreciation)</li> <li>▪ Dividend income</li> </ul>  |
| <b>Expected Return</b>     | High  |
| <b>Expected Risk</b>       | Very High   |
| <b>Investment Vehicle</b>  | Mutual fund   |

| Option                     | Mid Capitalization Core Equity Fund   |
|----------------------------|---|
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the mid/small cap equity market segment</li> </ul>   |
| <b>Primary Investments</b> | Domestic stocks with market capitalizations that are similar to those of stocks found in Russell Midcap Index. The total portfolio should exhibit characteristics representative of a core equity investment style, including price/earnings and price/book ratios in line with that of the Russell Midcap Index. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Expected Return</b>     | Very High   |
| <b>Expected Risk</b>       | Very High   |
| <b>Investment Vehicle</b>  | Mutual fund   |

| Option                     | Mid Capitalization Growth Equity Fund   |
|----------------------------|---|
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the mid/small cap equity market segment</li> </ul>   |
| <b>Primary Investments</b> | Domestic stocks with market capitalizations that are similar to those of stocks found in Russell Midcap Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios greater than the Russell Midcap Index. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Expected Return</b>     | Very High   |
| <b>Expected Risk</b>       | Very High   |
| <b>Investment Vehicle</b>  | Mutual fund   |

## APPENDIX C— INVESTMENT OPTION PROFILES

|                            |   |
|----------------------------|---|
| <b>Option</b>              | <b>Small Capitalization Core Equity Fund</b>  |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification within the mid/small cap equity market segment</li> </ul>   |
| <b>Primary Investments</b> | Domestic stocks with market capitalizations that are similar to those of stocks found in Russell 2000 Index. The total portfolio should exhibit characteristics representative of a growth equity investment style, including price/earnings and price/book ratios in line with the Russell 2000 Index. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>  |
| <b>Expected Return</b>     | Very High   |
| <b>Expected Risk</b>       | Very High   |
| <b>Investment Vehicle</b>  | Mutual fund   |

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Emerging Markets Equity Fund</b>  |
| <b>Objectives</b>          | <ul style="list-style-type: none"> <li>▪ High total return</li> <li>▪ Diversification among international markets</li> </ul>               |
| <b>Primary Investments</b> | Emerging market stocks invested in companies that are domiciled in or derive the majority of their revenue from emerging market countries. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Dividend Income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>                         |
| <b>Expected Return</b>     | Very High  |
| <b>Expected Risk</b>       | Very High  |
| <b>Investment Vehicle</b>  | Mutual fund  |

|                            |  |
|----------------------------|--|
| <b>Option</b>              | <b>Self-Directed Brokerage Account</b>   |
| <b>Objectives</b>          | Provide participants with an additional Investment Options beyond the lifecycle funds and core option array.                               |
| <b>Primary Investments</b> | Mutual funds or other diversified investments with varying risk/return characteristics accessed through a self-directed brokerage account. |
| <b>Source of Return</b>    | <ul style="list-style-type: none"> <li>▪ Interest and/or dividend income</li> <li>▪ Capital appreciation/(depreciation)</li> </ul>         |
| <b>Expected Return</b>     | Varies   |
| <b>Expected Risk</b>       | Varies   |

## APPENDIX D—TARGET MATURITY LIFECYCLE FUNDS

Asset Allocation as of 12/31/2017<sup>1</sup>

|   | 2055<br>Portfolio<br>(%) | 2050<br>Portfolio<br>(%) | 2045<br>Portfolio<br>(%) | 2040<br>Portfolio<br>(%) | 2035<br>Portfolio<br>(%) | 2030<br>Portfolio<br>(%) | 2025<br>Portfolio<br>(%) | 2020<br>Portfolio<br>(%) | Conservative<br>Portfolio<br>(%) |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------------|
| <b>Total Fixed Income</b>                 | <b>7.5</b>               | <b>10.0</b>              | <b>12.7</b>              | <b>16.2</b>              | <b>20.8</b>              | <b>29.8</b>              | <b>39.9</b>              | <b>54.4</b>              | <b>66.0</b>                      |
| <b>Total Stable Value</b>                 | <b>0.0</b>               | <b>0.0</b>               | <b>0.2</b>               | <b>1.2</b>               | <b>2.3</b>               | <b>3.8</b>               | <b>6.7</b>               | <b>15.2</b>              | <b>22.0</b>                      |
| NM Stable Value Fund (Galliard)           | 0.0                      | 0.0                      | 0.2                      | 1.2                      | 2.3                      | 3.8                      | 6.7                      | 15.2                     | 22.0                             |
| <b>Total Investment Grade Bonds</b>       | <b>2.8</b>               | <b>4.3</b>               | <b>5.8</b>               | <b>7.2</b>               | <b>9.3</b>               | <b>15.8</b>              | <b>22.0</b>              | <b>27.0</b>              | <b>31.0</b>                      |
| Vanguard Inflation-Protected Sec.         | 0.2                      | 1.1                      | 1.7                      | 2.6                      | 3.2                      | 4.2                      | 5.7                      | 9.2                      | 12.0                             |
| Vanguard Total Bond Market Index          | 2.6                      | 3.2                      | 4.1                      | 4.6                      | 6.1                      | 11.6                     | 16.3                     | 17.8                     | 19.0                             |
| <b>Total Global Bonds</b>                 | <b>4.7</b>               | <b>5.7</b>               | <b>6.7</b>               | <b>7.8</b>               | <b>9.2</b>               | <b>10.2</b>              | <b>11.2</b>              | <b>12.2</b>              | <b>13.0</b>                      |
| Templeton Global Bond Fund                | 2.1                      | 2.6                      | 3.1                      | 3.6                      | 4.1                      | 4.6                      | 5.0                      | 5.0                      | 5.0                              |
| Columbia High Yield Bonds                 | 2.6                      | 3.1                      | 3.6                      | 4.2                      | 5.1                      | 5.6                      | 6.2                      | 7.2                      | 8.0                              |
| <b>Total Equity</b>                       | <b>72.7</b>              | <b>71.2</b>              | <b>69.3</b>              | <b>65.8</b>              | <b>61.6</b>              | <b>54.6</b>              | <b>46.2</b>              | <b>32.2</b>              | <b>21.0</b>                      |
| <b>Total Domestic Equity</b>              | <b>35.9</b>              | <b>35.4</b>              | <b>34.7</b>              | <b>33.2</b>              | <b>31.4</b>              | <b>28.4</b>              | <b>24.5</b>              | <b>17.0</b>              | <b>11.0</b>                      |
| Vanguard Institutional Index Fund         | 25.4                     | 24.8                     | 23.8                     | 22.8                     | 21.7                     | 20.1                     | 17.4                     | 12.0                     | 8.0                              |
| Principal Mid Cap Equity                  | 3.5                      | 3.6                      | 3.7                      | 3.5                      | 3.4                      | 2.9                      | 2.4                      | 1.8                      | 1.0                              |
| T. Rowe Price Mid Cap Growth              | 3.5                      | 3.6                      | 3.7                      | 3.5                      | 3.4                      | 2.9                      | 2.4                      | 1.8                      | 1.0                              |
| DFA US Small Cap Portfolio                | 3.5                      | 3.5                      | 3.5                      | 3.4                      | 2.9                      | 2.5                      | 2.3                      | 1.4                      | 1.0                              |
| <b>Total International Equity</b>         | <b>36.8</b>              | <b>35.8</b>              | <b>34.6</b>              | <b>32.6</b>              | <b>30.2</b>              | <b>26.2</b>              | <b>21.7</b>              | <b>15.2</b>              | <b>10.0</b>                      |
| Vanguard Total Int'l Stock Index          | 19.8                     | 18.8                     | 17.8                     | 16.8                     | 15.6                     | 13.6                     | 11.3                     | 7.8                      | 5.0                              |
| American Funds EuroPacific Growth         | 7.0                      | 7.0                      | 6.8                      | 5.9                      | 5.4                      | 5.0                      | 4.6                      | 2.8                      | 2.0                              |
| Aberdeen Emerging Markets                 | 10.0                     | 10.0                     | 10.0                     | 9.9                      | 9.2                      | 7.6                      | 5.8                      | 4.6                      | 3.0                              |
| <b>Total Other</b>                        | <b>19.8</b>              | <b>18.8</b>              | <b>18.0</b>              | <b>18.0</b>              | <b>17.6</b>              | <b>15.6</b>              | <b>13.9</b>              | <b>13.4</b>              | <b>13.0</b>                      |
| <b>Total Core Private Real Estate</b>     | <b>11.9</b>              | <b>11.4</b>              | <b>11.0</b>              | <b>11.0</b>              | <b>10.8</b>              | <b>9.8</b>               | <b>8.9</b>               | <b>8.4</b>               | <b>8.0</b>                       |
| Prudential Retirement Real Estate Fund II | 11.9                     | 11.4                     | 11.0                     | 11.0                     | 10.8                     | 9.8                      | 8.9                      | 8.4                      | 8.0                              |
| <b>Total Diversified Inflation Hedge</b>  | <b>7.9</b>               | <b>7.4</b>               | <b>7.0</b>               | <b>7.0</b>               | <b>6.8</b>               | <b>5.8</b>               | <b>5.0</b>               | <b>5.0</b>               | <b>5.0</b>                       |
| Principal Diversified Real Asset Fund     | 7.9                      | 7.4                      | 7.0                      | 7.0                      | 6.8                      | 5.8                      | 5.0                      | 5.0                      | 5.0                              |

<sup>1</sup> The above portfolio allocations are dynamic and subject to an annual “roll down” schedule. When a portfolio’s target date is reached, assets are rolled into the Conservative Portfolio and a new longer dated portfolio is created (e.g., In the year 2020, the 2020 Portfolio will be eliminated and a new 2060 Portfolio will be created)

**THE PUBLIC EMPLOYEES RETIREMENT  
ASSOCIATION  
OF  
NEW MEXICO**



INVESTED IN TOMORROW.

**PROCUREMENT POLICY FOR  
INVESTMENT-RELATED SERVICES**

Revised: August 25, 2016

# Procurement Policy for Investment-Related Services

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## **1. Scope**

This Procurement Policy for Investment-Related Services ("Policy") sets forth the procedures and guidelines by which Public Employees Retirement Association of New Mexico ("PERA") shall procure investment-related services. Pursuant to NMSA 1978, Section 13-1-98(CC) (2015), PERA is exempt from the Procurement Code (NMSA 1978, Sections 13-1-28 through 13-1-199) for all contracts for investment advisory services, investment management services or other investment-related services including the services of outside legal counsel that relate to these services. Accordingly, this Policy shall not apply to the procurement activities that are not specifically exempt from the Procurement Code.

Although this Policy applies to tangible goods that are ancillary to investment services, it does not apply to the procurement of tangible goods and services purchased through State of New Mexico statewide purchasing agreements or otherwise required for the administration of PERA investments.

## **2. Purpose**

The purpose of this Policy is: 1) to provide an open and fair competitive process to acquire competent and qualified investment-related services for liquid and illiquid investments; 2) to allow PERA to respond to unacceptable performance and market changes in a flexible, efficient and timely manner; and 3) to comply with all relevant laws, statutes and ethical codes of conduct and other applicable policies adopted by PERA's governing body, the Public Employees Retirement Board ("the Board").

## **3. Legal Authority**

PERA operates under the authority of the Public Employees Retirement Act of New Mexico, NMSA 1978, Sections 10-11-1 to 10-11-142, as amended, 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 New Mexico laws relating to public employees' retirement systems.

The Board's Policies and Procedures also apply to procurement subject to this Policy.

#### **4. Roles and Responsibilities**

This Policy applies to the procurement of investment-related services and investment-related legal services for liquid and illiquid investments authorized by PERA in accordance with the Investment Policy adopted by the Board. The Investment Policy provides that the Board, the Chief Investment Officer, PERA staff, and the investment consultant procured under this Policy shall be disciplined in adhering to the Investment Policy including applicable investment criteria. An investment consultant or investment manager selected pursuant to this Policy serves PERA and the Board as a fiduciary.

This Policy also governs procurement of the services of outside investment legal counsel through the General Counsel. PERA retains the services of outside legal counsel to review and negotiate terms of the complex documents for liquid and illiquid investments. The use of outside counsel is prudent and necessary due to rapid changes in regulation of global liquid and illiquid investments and the knowledge and experience of outside counsel regarding the legal issues arising from global liquid and illiquid investments.

Members of the Board and PERA staff are subject to the Governmental Conduct Act, NMSA 1978, Sections 10-16-1 through 10-16-18.

#### **5. Definitions**

"corrupt practice" is defined as offering, giving, soliciting, or receiving anything of value to influence the action of a public official or employee, or threatening injury or harm to any person or their property, position or reputation in connection with any procurement in order to obtain or retain business or any other advantage in the conduct of business.

"emergency" means unexpected circumstance(s) that require a rapid decision to prevent a significant financial loss to the Fund where the normal processes required in this Policy would not prevent or avoid such loss. Poor performance by a contractor is not to be considered an "emergency." By way of example, "emergency" can include, although it is not limited to, the departure of a portfolio manager or other key personnel from a contractor firm without notice, SEC investigation or action against a contractor firm or individuals within the firm, or a contractor firm's unexpected loss of its organizational capabilities.

"fraudulent practice" means misrepresenting any fact in order to influence any procurement.

“Fund” means the same as the term as used in the Investment Policy.

“illiquid investments” means global securities or other assets that cannot easily be sold or exchanged for cash without a substantial loss in value. These investment strategies per the Investment Policy include illiquid equities (hedged and private equity), illiquid credit (private and distressed debt and hedged credit) and illiquid real assets (illiquid real estate, illiquid real assets and market-neutral strategies). These assets are designed to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. Illiquid investments were typically referred to as alternative assets in prior versions of this Policy.

"incumbent provider" means a service provider that is a party to a valid contractual relationship for providing investment-related services under a professional services agreement with the Board through the PERA staff.

“Investment Committee” means the same as the term used in the Investment Policy.

“liquid investments” are those securities and other assets that can be converted into cash quickly and with minimal impact to the price received. These assets are determined by the Board and identified in the Investment Policy. These assets include global equities (public equities and low volatility equities), risk reduction and mitigation strategies, credit (liquid credit such as high yield bonds and emerging market debt) and real assets (liquid real estate and liquid real assets). Liquid investments were typically referred to as traditional assets in prior versions of this Policy.

"offeror" means any person or persons responding to a Request for Proposal or a Request for Information.

“PERA staff” means PERA employees who are responsible for investment-related activities.

"runner-up" means one or more RFP offerors not initially selected for award but qualified for award by meeting or complying with all mandatory criteria and formally designated as a runner-up by the evaluation committee.

"small purchase" means the procurement of investment-related services for flat-fee compensation that does not exceed fifty-thousand dollars (\$50,000.00). For purposes of this Policy, a small purchase procurement includes professional services or investment-related services or tangible property ancillary to investment services, but does not include performance-fee compensation contracts for investment management services.

“strategic asset allocation” means the apportionment of the Fund across broad asset categories as defined in the Investment Policy and the associated appendices therein.

## **6. Selection of Solicitation Process**

All procurement of PERA investment services and investment management services in liquid assets by PERA shall be achieved by a competitive Request for Proposals process ("RFP") or Request for Information process ("RFI") in accordance with this Policy.

Subject to the exceptions set forth below, PERA shall use the RFP process for procurement under this Policy unless the Investment Committee recommends, based on input from the Chief Investment Officer, and the Board approves procurement through the RFI or another process.

An RFP for an investment consultant shall be issued by the Chief Investment Officer upon approval by the Board. An RFI shall be issued by the Chief Investment Officer, or in the case of investment-related legal services by the General Counsel, upon approval by the Board.

When making a determination regarding the appropriate procurement process, the Investment Committee and the Board may consider among other things: 1) the number of service providers that could provide the service; 2) the mandate being considered for procurement; and 3) advancements in internet-based or analytic software and comprehensive databases (as defined in Section 11, Selection Criteria). PERA shall maintain written documentation of each procurement consistent with applicable record retention policies and procedures.

The exceptions justifying departure from the RFP or RFI processes are as follows:

- a. A supermajority (9 of the 12 members) of the Board votes that an incumbent provider, currently providing satisfactory service under a contract for a given mandate that is the result of an RFP or RFI, should be given the opportunity to negotiate a new contract in connection with the expiring term of the current contract for the same or substantially similar mandate on the equivalent or better terms to PERA. In no event, however, shall the term of the contract awarded under this subsection, including any and all extensions, exceed eight (8) years without being competitively bid through an RFP or RFI process. This exemption shall be exercised by PERA at least thirty (30) days prior to the expiring term of the current contract;

- b. After termination of an investment manager contract for performance reasons, a supermajority (9 of the 12 members) of the Board votes that it is necessary to transition the assets subject to the terminated contract to another incumbent provider who 1) is currently providing any investment management services under a contract that is the result of an RFP or RFI process; and 2) is qualified to serve as a replacement for the asset class under consideration. A new or amended contract should be negotiated in connection with the transitioning of assets on the equivalent or better terms to PERA. In no event, however, shall the term of the contract awarded under this subsection, including any and all extensions, exceed eight (8) years without being competitively bid through an RFP or RFI process;
- c. A supermajority (9 of the 12 members) of the Board votes that an incumbent provider currently providing satisfactory service under a contract that is the result of a RFP or RFI process, should be given the opportunity to negotiate a new or amended contract in connection with the provision of new services or a new mandate not provided by that incumbent under the existing contract. In no event, however, shall the term of the contract awarded under this subsection exceed eight (8) years without being competitively bid;
- d. The procurement is a small purchase procurement as defined in this Policy;
- e. The procurement is an illiquid investment as defined in this Policy; or
- f. Procurement meets the requirements of an emergency procurement as defined in this Policy. Performance under any contract awarded under this subsection shall be reviewed by the Board within twelve (12) months. In no event, however, shall the term of the contract awarded under this subsection, including any and all extensions, exceed two (2) years without being competitively bid.

## **7. Illiquid Investments**

### **a. Categories of Illiquid Investments**

For the purposes of the exceptions identified in Section 6, "illiquid investments" are defined as provided in Section 5 of this Policy and in the Investment Policy, include the following categories:

- **Illiquid Global Equities** – Illiquid forms of global equities include private equity and hedge 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. Hedged equity investments look to reduce broad market risks to isolate security-specific returns. These vehicles will utilize long and short positions along with leverage to accomplish their investment objectives.

- Illiquid Credit – Illiquid forms of credit include strategies in which the underlying debt securities trade infrequently or with a negotiated price as well as hedged credit strategies. The objective of illiquid credit strategies (such as distressed and private debt) is to capture a premium from making long-term, illiquid investments through non-public or negotiated transactions. Hedged credit strategies use leverage, shorting, and derivatives to generate greater risk-adjusted returns.
- Illiquid Real Assets – Illiquid forms of real assets include private real assets, private real estate and market neutral strategies. The objective of private real assets and private real estate strategies is to capture a premium from making long-term, illiquid investments in predominantly non-publicly traded securities. Market neutral strategies target a zero correlation with broad market movements.

**b. Considerations and Criteria for Identification of Illiquid Investments**

Illiquid investments are typically made through an interest in a limited partnership or a limited liability company but also may be made through another vehicle (e.g., fund of one, separate account, dedicated managed account, commingled fund, offshore entity, etc.), as appropriate for the individual investment. Illiquid investments generally target long-term return objectives.

An illiquid investment consultant and PERA staff shall consider, at a minimum, the following criteria when recommending illiquid investments:

- Firm organization and stability
- Quality and stability of the investment team
- Proposed investment strategy
- Investment track record
- Portfolio fit/diversification
- Legal and economic terms governing the investment

Consistently applying the investment criteria listed above, the investment consultant and PERA staff shall review and analyze the most appropriate investments from a comprehensive universe of investment opportunities.

Investments that meet the criteria set forth above shall be subject to an extensive due diligence analysis by PERA staff and the illiquid investment consultant that is set forth in a detailed due diligence report and recommendations that shall be reviewed by the Investment Committee of the Board for completeness and cogency. PERA staff and the illiquid investment consultant shall, prepare and present to the Board a detailed recommendation for the Board's evaluation and final approval. All Board decisions on recommendations to invest shall be subject to satisfactory review by the General Counsel with the assistance of outside investment counsel as the General Counsel may deem appropriate, who shall review, negotiate, and approve investment documents for legal sufficiency in accordance with the Investment Policy.

## **8. Public Notice**

Notice of an RFP shall be published at least twenty-one (21) calendar days prior to the date set for opening of responses. All notices referred to in this Policy may be published or furnished electronically, in print, or both at the Chief Investment Officer's discretion. Notice shall be posted on PERA's website and disseminated through media and other channels as and in a manner necessary to reasonably attract a sufficient number of qualified offerors to ensure competitive bidding. Notice may be published in newspapers and/or trade journals in this or any other state, and internationally. PERA may also provide notice to persons or businesses identified through independent investment services databases.

## **9. Procurement Processes**

### **a. Requests for Proposals**

All RFPs shall be issued by the Chief Investment Officer, or in the case of investment-related legal services by the General Counsel, upon approval by the Board, and shall contain as appropriate:

- i. specifications of the services to be procured including clearly identified "minimum" and "preferred" (discretionary) criteria and/or minimum mandatory qualifications for prospective offerors;
- ii. the proposed term of the anticipated contract, not to exceed eight (8) years;
- iii. description of any mandatory contract terms including but not limited to a term stating that the contractor accepts fiduciary status with respect to assets managed on behalf of PERA;
- iv. a uniform proposed compensation form for the services to be procured;
- v. the location and method where responses shall be delivered and a secure

- method for receipt and safeguarding of the proposals. Each RFP shall state that PERA shall have no responsibility or obligation to accept incorrectly delivered proposals or to provide for redelivery of incorrectly sent proposals;
- vi. the deadline for receipt of proposals including the calendar date and the time. Deadlines may only be extended by the Board on the request of the Chief Investment Officer, for good cause shown. Any extension must be requested and approved, with notice given to prospective offerors, prior to the original dead line;
  - vii. a proposal cover sheet, to be completed and signed by the offeror and submitted electronically;
  - viii. a description of a formal question and answer process;
  - ix. the relative weight to be given to the selection criteria and/or qualifications in the evaluation of the responses;
  - x. citation to applicable statutes, rules and policies; and
  - xi. any other information the Chief Investment Officer or the General Counsel believes will be useful in procuring the services sought to be procured.

Subject to appropriate and timely notification of offerors, RFPs may be modified or amended prior to the recommendation for contract award for the limited purposes of:

- i. clarifying or correcting errors or defects; or
- ii. modifying the schedule for the submission of responses and the deadline for receipt of responses.

The requirement for notice of amendment of an RFP shall:

- i. be the same as for the initial RFP if it occurs before the deadline for receipt of responses; and
- ii. be achieved by written notice to all offerors if it occurs after the deadline for receipt of responses.

**b. Request for Information with Negotiated Price**

The Chief Investment Officer or General Counsel may identify independent firms having experience and knowledge with regard to specific services or a list of service providers, best suited to accomplish the Board's objective.

Analytical software and comprehensive databases will be used in an unbiased and

fair manner to research, evaluate and compare potential service providers.

Identified offerors may reply to the RFI by submitting information about the services they supply and the price at which those services would be provided.

Once identified, the evaluation committee may review proposals and negotiate with one or more of the potential service providers to obtain the highest quality of services at the most reasonable price.

#### **10. Sufficiency of Responses—Receipt, Acceptance and Rejection**

Proposals received after the deadline will be rejected.

Timely responses meeting all mandatory requirements shall be accepted for consideration without the opportunity for correction or modification.

Responses must include a proposal cover sheet, which has been fully completed, signed and submitted electronically on or before the deadline for responses to the RFP.

Telephone and other types of inquiries concerning the proposal, outside the formal question and answer process, shall be discouraged.

Successful offerors and runners up will meet or comply with all minimum criteria and/or qualifications. Failure to meet or comply with the minimum criteria, requirements and/or qualifications shall be cause for rejection of the proposal.

#### **11. Selection Criteria**

The selection criteria to be used in selecting successful offerors will be fully and specifically described in each RFP. PERA may use internet-based or analytic software applications and comprehensive databases to research, evaluate, compare and select investment products across asset classes and vehicle types.

#### **12. Evaluation of Proposals**

The Board Chair, with the advice of the Investment Committee Chair and the Chief Investment Officer, shall appoint an evaluation committee for each RFP or RFI. The designation of the evaluation committee is at the discretion of the Board Chair and may include members of the Board, the Director, the Chief Investment Officer, the General Counsel, and PERA staff.

The evaluation committee in whole or in part may, in its sole discretion, conduct interviews, discussions or negotiations with some or all offerors whose proposals have been accepted by PERA staff for the purpose of clarifying the terms of the proposals.

The evaluation committee may, but need not, provide offerors who have participated in interviews, discussions or negotiations the opportunity to submit best and final offers.

There is no right to an interview, discussion, negotiation, or the opportunity for best and final offers and the evaluation committee may recommend contract awards without these activities.

The evaluation committee shall create a record, including but not limited to uniform evaluation sheets that explain the basis for its recommendation to the Board and shall prepare a written report identifying a runner-up, if any, and its recommendation to the Board of the successful offeror or offerors. PERA shall retain the evaluation sheets and evaluation committee report in accordance with applicable document retention requirements, but in no case for a period of less than the stated term of the contract procured pursuant to this Policy.

The evaluation committee may evaluate a proposal based on a variety of factors including but not limited to the offeror's business approach and methodology, consistency of key personnel, philosophy and process, references, experience with the asset class under consideration, verified or verifiable performance and portfolio data of a sufficient duration to include a variety of economic and market environments, and a history of consistently strong and successful performance versus peers and relevant benchmarks.

The Board shall approve the successful offeror or offerors under the RFI or RFP process based on the recommendation of the evaluation committee.

### **13. Award**

Following approval by the Board, a successful offeror shall be promptly notified in writing of the award, subject to due diligence and successful contract negotiations conducted by the Chief Investment Officer or the General Counsel.

Contracts may be awarded to more than one successful offeror as a result of a single RFP or RFI process.

Contracts may be awarded to one or more offerors designated as runners-up by the

evaluation committee within two (2) years of the initial deadline set for receipt of RFP or RFI responses subject to due diligence and successful contract negotiations conducted by the Chief Investment Officer or the General Counsel.

#### **14. Public Disclosure**

After award of a contract under this Policy, any written determination of award, any evaluation committee report, and all proposals are subject to public inspection in accordance with applicable public record laws including the New Mexico Inspection of Public Records Act, NMSA 1978, Sections 14-2-1 through 14-2-12. Any material claimed to be privileged, confidential, proprietary, or a trade secret must be clearly designated as such in advance and provided on separate pages.

#### **15. Protest Procedure**

PERA's procurement of the investment-related services is exempt from the New Mexico Procurement Code (NMSA 1978, Sections 13-1-1 *et seq.*) and offerors have no resort to the protest procedures set out in the New Mexico Procurement Code (NMSA 1978, Sections 13-1-172 through 176) or related options of the New Mexico Administrative Code involving procurement of investment-related services. As a trust fund, PERA has no authority to award money damages, costs or attorney fees to a party asserting a grievance under this Policy. In the interest of providing a fair, open and competitive procurement process for investment-related services, the following protest procedure is provided.

An offeror who is not awarded an investment-related services contract may file a Notice of Protest with PERA.

A Notice of Protest must be in writing and received or post-marked within ten (10) calendar days of the award by the Board that gives rise to the protest.

A Notice of Protest shall state the full factual basis for the protest.

A Notice of Protest shall be sent or delivered to:

NMPERA  
General Counsel  
33 Plaza La Prensa  
Santa Fe, New Mexico 87507  
Attention: Notice of Protest

The filing and receipt of a Notice of Protest shall not stop or delay the execution of

an investment-related services contract between and the successful offeror.

The General Counsel or his or her designee shall conduct an interview with the protestor, either in person or telephonically and may, in his or her sole discretion, conduct interviews with others who have or may have information relating to the award and/or the protest.

The General Counsel shall promptly issue a written recommendation to the Board. The written recommendation shall state whether or not the General Counsel recommends that the contract whose award gave rise to the protest process should be terminated, and whether or not the General Counsel recommends an alternative contract award to the protestor or whether the RFP or RFI should be cancelled and competitively rebid. The written recommendation shall state the full factual basis for the recommendation.

The General Counsel shall mail the written recommendation to the protestor and shall provide written notice of the scheduled Board vote on the recommendation.

The Board shall vote on the recommendation at its first normally scheduled meeting following the issuance of the written recommendation.

The General Counsel shall notify the protestor in writing of the Board vote.

## **16. Emergency and Small Procurements**

In the case of emergency and small purchase procurements, as defined in this Policy, the Chief Investment Officer may, with the prior approval of the Board, preselect or invite a provider of investment-related services to present an offer. The Chief Investment Officer, in his or her discretion, may negotiate a contract with that provider if the offer is deemed acceptable and subject to the following conditions:

The small purchase procurement for investment-related professional services must have a value not exceeding fifty thousand dollars (\$50,000), excluding applicable state and local gross receipts taxes in accordance with applicable professional services contract procedures promulgated by the department of finance and administration.

Chief Investment Officer may procure investment-related tangible property or services having a value of not more than fifty thousand dollars (\$50,000.00) by issuing a direct purchase order to a contractor based upon the best obtainable price.

Procurements shall not be artificially divided to fall within the small purchase

procurement exemption;

Performance under emergency procurements shall be reviewed by the Board within twelve (12) months of the effective date of the emergency contract.

#### **17. Research and Information**

At any time and irrespective of any existing contracts, PERA may conduct independent research or may issue an informal request for information to survey the marketplace about the availability, quality, and price of investment-related services.

#### **18. Penalties for Corrupt and Fraudulent Practices**

Upon discovery of any corrupt or fraudulent practice as defined in this Policy, the Board may reject a proposal, reject a recommendation for an award or declare an individual or firm ineligible for a stated period of time or the Board may impose any combination of these measures.

In addition, corrupt and fraudulent practices relating to activities that are subject to this Policy may constitute fraud, bribery, and illegal gratuities and kickbacks that are crimes classified as felonies under New Mexico law.

Civil and criminal penalties are imposed for violation of the Governmental Conduct Act, NMSA 1978, Sections 10-16-17, 18.

Civil penalties are imposed for antitrust violations of the Trade Practices and Regulation Act, NMSA 1978, Sections 57-1-1, 6.

#### **19. Ethical Disclosures and Conflicts of Interest.**

Members of the Board and PERA employees are subject to NMSA 1978, Section 10-11-130.1, which prohibits acceptance of anything of value directly or indirectly from a person or organization that has a current contract with PERA, is a potential bidder, offeror, or contractor of services to PERA, or is authorized to invest public funds pursuant to state or federal law. For purposes of this Policy, potential bidder means any person or entity that may provide services to PERA within the next twelve months.

All offerors or incumbent providers are required to disclose any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under any contract with PERA. Offerors and incumbent providers

shall certify compliance with the requirements of the Governmental Conduct Act, NMSA 1978, Sections 10-16-1 through 10-16-18. Contracts executed in accordance with this Policy shall provide for the prohibitions and disclosures explained in this section.

**Approval by the Retirement Board**

By signing this Procurement Policy for Investment-Related Services, the Board, through its Chair, approves the statements contained in this Policy.

Adopted: January 26, 2006  
Amended: August 31, 2006  
Amended: November 30, 2006  
Amended: October 30, 2014  
Amended: August 25, 2016

By:



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Patricia French  
Retirement Board Chair

**PERA** *SmartSave*  
Deferred Compensation Plan 

Plan Document

for the

**DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF  
THE STATE OF NEW MEXICO**

**Amended and Restated**

**as of August 31, 2017**

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## STATE OF NEW MEXICO

### PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

#### **Introduction:**

In accordance with the provisions of the State of New Mexico Deferred Compensation Act, NMSA 1978, Section 10-7A-1 through 10-7A-12 (2017), the Public Employees Retirement Board hereby amends the Public Employees Deferred Compensation Plan ("Plan") pursuant to Section 457(b) of the Internal Revenue Code of 1986, as amended ("Code"). The purpose of the Plan is to provide a voluntary, supplemental tax-deferred retirement program for eligible Employees with a convenient way to save on a regular and long-term basis and thereby provide for their retirement as set forth herein. The State and other local bodies can elect to provide their eligible Employees with such a savings mechanism by adopting the Plan. The benefits provided to any Participant under the Plan will be based upon the aggregate Plan Benefit and will depend upon the investment results achieved by the Deferred Compensation Carriers appointed to invest the assets of the Plan allocated to each of the Plan's Investment Options hereunder and the Participant's individual investment choices among the Plan's Investment Options. Each Participant shall be 100 percent vested at all times in his or her Plan Benefit in accordance with the terms of the Plan.

In accordance with amendments made to Section 457 of the Code and other federal laws by the Small Business Job Protection Act of 1996, the Economic Growth and Tax Relief Reconciliation Act of 2001, the Job Creation and Workers Assistance Act of 2002, the Pension Protection Act of 2006, the Heroes Earnings Assistance and Relief Act of 2008, and the Worker, Retiree & Employer Recovery Act of 2008, all amounts of Compensation deferred under the Plan, all property and rights purchased with such amounts and all income attributable to such amounts, property and rights are held in trust as of the Effective Date for the exclusive benefit of Participants and their Beneficiaries and Alternate Payees pursuant to the Trust Declaration, as it may be amended from time to time. The terms and provisions of the Plan in effect prior to the Effective Date shall govern with respect to periods prior to the Effective Date.

The Plan and the Trust Declaration are intended to satisfy the requirements for an "eligible deferred compensation plan" under Section 457 of the Code.

Nothing contained in this Plan shall be deemed to constitute an employment contract or agreement for services between the Participants and the State or Local Public Body nor shall it be deemed to give a Participant any right to be retained in the employ of the State or Local Public Body.

## SECTION 1. DEFINITIONS

When used herein the following terms shall have the following meanings:

**1.1 "Account"** means the account established and maintained on behalf of a Participant, Alternate Payee or Designated Beneficiary pursuant to Section 5.1(a). The Account shall include all Amounts Deferred and Section 457 Transfers.

**1.2 "Agent"** means a person or organization as selected by the Board to provide services with respect to Investment Options held under the Plan or to provide record keeping and administration services for certain Accounts under the Plan including, but not limited to, the Third Party Administrator, Deferred Compensation Carriers providing Investment Options, and the Investment Consultant.

**1.3 "Alternate Payee"** means any spouse, former spouse, child or other dependent of a Participant who is recognized by a domestic relations order as having a right to receive all, or a portion of, the benefit payable under the Plan with respect to such Participant.

**1.4 "Alternate Payee Account"** means the account established for an Alternate Payee pursuant to a domestic relations order, *provided, however*, that the Alternate Payee Account shall separately account for all amounts received from the Participant's Rollover Account.

**1.5 "Amount Deferred"** means Compensation deferred by a Participant pursuant to Section 3.1.

**1.6 "Board"** means the New Mexico Public Employees Retirement Board, established by NMSA 1978, Section 10-11-130 (1995) of the Public Employees Retirement Act.

**1.7 "Business Day"** means any day the New York Stock Exchange (NYSE) is open for regular trading. A Business Day ends at 4 p.m. New York time, or, if earlier, the time that regular trading closes on the NYSE.

**1.8 "Code"** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.

**1.9 "Compensation"** means all compensation for services rendered to the State and Local Public Body, including salary, wages, fees, overtime pay, and lump-sum payments for accumulated sick pay, accumulated vacation pay or back pay that is includible in the Employee's gross income for each Plan Year under the Code.

**1.10 "Deferred Compensation Carrier"** means any corporation, partnership or persons who provide Investment Options to Participants in the Plan pursuant to funding arrangements selected by the Board as provided for by NMSA 1978, Section 10-7A-5 (2017) to provide services in respect of the Plan. If the Trust Declaration so provides, the financial services provided by a Deferred Compensation Carrier may be performed by the Third Party Administrator, provided that the Third Party Administrator otherwise qualifies as a Deferred Compensation Carrier.

**1.11 "Deferred Compensation Manager"** means the person employed by the Public Employees Retirement Association (PERA) to serve as the manager of the Plan.

**1.12 "Deferred Compensation Rules and Regulations"** means the rules and regulations promulgated by the Board pursuant to the Deferred Compensation Act, as amended from time to time.

**1.13 "Designated Beneficiary"** means the individual who is designated as the beneficiary under Section 11 of the plan and is the designated beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

**1.14 "Distributee"** means (a) an Employee or former Employee, (b) a Designated Beneficiary, and (c) the spouse or former spouse of an Employee or former Employee, but only to the extent such spouse or former spouse is an Alternate Payee under a Qualified Domestic Relations Order and only with regard to the interest of such spouse or former spouse.

**1.15 "Distribution Calendar Year"** means a Plan Year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the Plan Year immediately preceding the Plan Year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the Plan Year in which distributions are required to begin under Section 8.6(b)(ii). The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.

**1.16 "Effective Date"** means January 1, 2002, unless otherwise stated.

**1.17 "Eligible Retired Public Safety Officer"** for purposes of the exclusion under Code Section 402, is an individual who, by reason of disability or attainment of normal retirement age, has experienced a Severance from Employment as a Public Safety Officer with the Employer.

**1.18 "Eligible Retirement Plan"** as defined under Code Section 402(c)(8)(B), means: (1) an individual retirement account described in Code Section 408(a); (2) an individual retirement annuity (other than an endowment contract) described in Code Section 408(b); (3) an annuity plan described in Code Section 403(a); (4) an annuity contract described in Code Section 403(b); (5) a qualified plan described in Code Section 401(a); and (6) an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A), that accepts the distributee's eligible rollover distribution. Effective for distributions prior to January 1, 2002, notwithstanding the above, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is only an individual retirement account or individual retirement annuity.

**1.19 "Eligible Rollover Distribution"** means all or any portion of the pretax contributions and earnings thereon to the credit of a Distributee, except that an Eligible Rollover Distribution shall not include (a) any distribution that is (i) one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's Designated Beneficiary or (ii) for a

specified period of ten years or more, (b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, (c) any distribution due to a hardship of the Distributee, including, without limitation, an Unforeseeable Emergency pursuant to Section 6.1, and (d) the portion of any distribution that is not includible in gross income.

**1.20 "Employee"** means any individual who receives compensation for services from the State or Local Public Body, including any elected or appointed officer or employee of the State or Local Public Body. An Employee shall not include an independent contractor, a consultant or any other individual classified by the State or Local Public Body as not eligible to participate in the Plan.

**1.21 "Employer"** means the State of New Mexico or Local Public Body, within the meaning of Section 457(e)(1)(A) of the Code.

**1.22 "Enrollment Date"** means, with respect to Participant, any payroll date on which such Employee receives Compensation.

**1.23 "Includible Compensation"** as determined in accordance with Code Sections 457(e)(5) and 415(c)(3) and the regulations promulgated thereunder, means the Participant's compensation for a taxable year for services performed for the State or Local Public Body, including the amount of any elective deferral, as defined in Code Section 402(g)(3), and any amount contributed or deferred by the Participating Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Sections 125, 132(f)(4), or 457.

**1.24 "Investment Option"** means one of the available alternatives for crediting investment earnings to a Participant's Account, which shall be based upon the performance of one or a combination of the investment portfolios maintained under the Trust Fund.

**1.25 "Investment Consultant"** means any corporation, partnership or persons who provide investment consultation services to the Board on behalf of the Plan.

**1.26 "Life Expectancy"** means Life Expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

**1.27 "Local Public Body"** means all political subdivisions of the State, their agencies, instrumentalities and institutions.

**1.28 "Normal Retirement Age"** means, for purposes of Section 3.2(b), the age designated by the Participant between:

(a) any age that is on or after the earlier of age 65 or the earliest age at which a Participant has the right to retire under the Participating Employer's basic pension plan, if any, without the Participating Employer's consent and to receive immediate retirement benefits without actuarial or similar reduction because of early retirement, and

(b) that is not later than age 70½.

In the case of a Participant who continues to work beyond age 70½ and who, upon the attainment of age 70½, had not made the catch-up election provided for under Section 3.2(b), the Normal Retirement

Age shall be the age at which the Participant Severs from Employment with the Employer. Notwithstanding anything in the Plan to the contrary, the Participant's designation of a Normal Retirement Age under Section 3.2(b) shall not control the date that payment of such Participant's benefits shall commence pursuant to Section 8.

**1.29 "Participant"** means an Employee or former Employee who has given an investment direction under Section 4 and who continues to have an Account or Rollover Account under the Plan.

**1.30 "Participant's Account Balance"** means the account balance as of the last valuation date in the Plan Year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

**1.31 "Participating Employer"** means the State or any Local Public Body, the governing body of which has adopted the Plan by appropriate resolution and has filed such resolution with the Deferred Compensation Manager and approved by the Board pursuant to 2 NMAC 85.400.8 (A). Any Participating Employer that so adopts this Plan shall be deemed thereby to appoint the Board its exclusive agent to exercise on its behalf all of the power and authority conferred hereby upon the Board. The authority of the Board to act as such agent shall continue until the Participating Employer has withdrawn from the Plan pursuant to Section 13 and 2 NMAC 85.400.8 (B) and the value of the Plan Benefits attributable to such Participating Employer's Employees have been distributed or transferred to another eligible deferred compensation plan under Section 457 of the Code, as provided in the Plan.

**1.32 "Participation Agreement"** means a written or electronic agreement between a Participant and the Participating Employer, pursuant to which the Participant elects to reduce his or her Compensation and to have the Amount Deferred contributed to the Plan on his or her behalf in accordance with the terms of the Plan.

**1.33 "Plan"** means the State of New Mexico Deferred Compensation Plan, as amended from time to time.

**1.34 "Plan Benefit"** means, with respect to a Participant, the interest of such Participant in the Trust Fund, excluding any portion of such interest payable to an Alternate Payee pursuant to a Qualified Domestic Relations Order.

**1.35 "Plan Trustee"** means the Public Employees Retirement Board of New Mexico in its role as fiduciary to the Plan. The Plan Trustee's only duty under the Plan is to ensure that all investments, amounts, property and rights held under the Plan trust are held for the exclusive benefit of the Participants and their beneficiaries.

**1.36 "Plan Year"** means the calendar year in which the Plan becomes effective, and each successive calendar year.

**1.37 "Public Safety Officer"** for purposes of Code Section 402, is an individual servicing a public agency in an official capacity as a law enforcement officer, firefighter, chaplain, or a member of a rescue squad or ambulance crew as defined in Section 1204(9)(A) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 USC §3796b(9)(A)).

**1.38 "Qualified Domestic Relations Order"** means any judgment, decree or order, including, but not limited to, approval of a property settlement agreement or withholding of a child support obligation, which has been determined by the Third Party Administrator to meet the requirements of a qualified domestic relations order within the meaning of Section 414(p) of the Code.

**1.39 "Qualified Health Insurance Premiums"** means premiums for coverage for the Eligible Retired Public Safety Officer, his/her spouse, and dependents, by an accident or health plan or qualified long-term care insurance contract as defined in Code Section 7702B(b).

**1.40 "Required Beginning Date"** means April 1 of the Plan Year following the later of (i) the Plan Year in which the Participant reaches age seventy and one-half (70½), or (ii) the Plan Year in which the Participant retires.

**1.41 "Rollover Account"** means the account established and maintained on behalf of a Participant pursuant to Section 5.1(a) that may consist of one or more of the following: a 401(a) Rollover Account (that should include any 401(k) rollovers), an IRA Rollover Account, a 403(b) Rollover Account, a 457 Rollover Account, and a 403(b) Rollover Account.

**1.42 "Rollover Contribution"** means a cash amount contributed by a Participant to a Rollover Account which the Third Party Administrator has determined qualifies as an Eligible Rollover Distribution and which the Third Party Administrator, in accordance with guidelines promulgated by the Board, has determined may be contributed; *provided* that the distributing Eligible Retirement Plan shall have separately accounted for all amounts included in the Rollover Contribution.

**1.43 "Section 457 Transfer"** means a transfer made into an Account pursuant to Section 9.3(a).

**1.44 "Severance from Employment "** means the Participant dies, retires, or otherwise has a severance from employment with the Participating Employer within the meaning of Code Section 457(d)(1)(A)(ii). A Participant shall be deemed to have severed employment for purposes of the Plan when, in accordance with the established personnel practices of the Participating Employer, the employment relationship is considered terminated. For purposes of distributions to an individual in the uniformed services, such individual will be treated as incurring a Severance from Employment during any period the individual is performing service in the uniformed services described in Code § 3401(h)(2)(A). However, the Plan will not distribute the benefit to such an individual without that individual's consent, so long as the individual is receiving differential wage payments.

**1.45 "Service"** means any period of time the Employee is in the employ of the Employer, including any qualified military service the Plan must credit for contributions and benefits in order to satisfy the crediting of Service requirements of Code §414(u).

**1.46 "State"** means the State of New Mexico.

**1.47 "Surviving Spouse"** means the survivor of a deceased Participant to whom such Participant

was legally married on the date of the Participant's death.

**1.48 "Third Party Administrator"** means the contract administrator that performs record keeping, enrollment, education services and other administrative duties for the Plan.

**1.49 "Treasury Regulations"** means the regulations promulgated by the Treasury Department under the Code, as now in effect or as hereafter amended. All citations to sections of the Treasury Regulations are to such sections as they may from time to time be amended or renumbered.

**1.50 "Trust Declaration"** means the written agreement made between the Board and the Third Party Administrator for the purposes of the Plan, as may be amended from time to time pursuant to which all cash and other rights and properties and all income attributable to such cash and rights and properties are held in trust for the exclusive benefit of Participants and their Beneficiaries and Alternate Payees, as such agreement may be amended from time to time.

**1.51 "Trust Fund"** means the assets of the Plan, including cash and other rights and properties arising from Amounts Deferred, Section 457 Transfers, and Rollover Contributions which are held and administered by the Plan Trustee pursuant to the Trust Declaration.

**1.52 "Unit"** means a unit measuring the value of a Participant's proportionate interest in an Investment Option.

**1.53 "Unforeseeable Emergency"** means a severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant, of the Designated Beneficiary, or of a spouse, or of a dependent of the participant or a Designated Beneficiary, as defined by Section 152(a) of the Code, loss of the Participant's or Designated Beneficiary's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Withdrawals for foreseeable expenditures normally budgetable shall not constitute Unforeseeable Emergencies. The Third Party Administrator shall determine in its sole discretion whether a hardship to a Participant constitutes an Unforeseeable Emergency.

**1.54 "USERRA"** means the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 contained in chapter 43 of title 38 of the United States Code.

**1.55 "Valuation Date"** means each Business Day, except that for purposes of an Investment Option invested primarily in guaranteed investment contracts and synthetic guaranteed investment contracts, Valuation Date shall mean the last Business Day of each month of each Plan Year unless the Board shall, in its discretion, determine that the Valuation Date of such Investment Option shall occur more frequently.

## **SECTION 2. PARTICIPATION**

**2.1 (a)** Each Employee shall be eligible to participate in the Plan as of any Enrollment Date following the date he or she becomes an Employee, and shall commence such participation in the Plan by duly filing with their Employer and the Third Party Administrator, in a manner prescribed by the Third Party Administrator, a Participation Agreement and any enrollment forms or other pertinent information concerning the Employee and his or her Designated Beneficiary which the Third Party

Administrator may require; *provided, however*, that in no event shall any deferral be accepted until the first Enrollment Date following the date on which such Participation Agreement is filed.

(b) Each Employee enrolling in the Plan shall provide the Third Party Administrator, at the time of initial enrollment and thereafter if there are any changes, with such information as may be required by the Third Party Administrator.

**2.2** Participation in the Plan by Employees shall be wholly voluntary. The participation of a Participant shall cease upon payment to the Participant of the entire value of his or her Plan Benefit or upon the Participant's death prior to such payment.

### **SECTION 3. AMOUNTS DEFERRED**

**3.1** (a) A Participant may elect to defer Compensation under the Plan by authorizing, on his or her Participation Agreement, regular payroll deductions that do not in the aggregate exceed the limitations of Section 3.2.

(b) A participant may increase or decrease the rate of deferral of his or her Compensation, within the limitations of Section 3.2, by duly filing a new Participation Agreement, or such other form authorized for such purpose by the Third Party Administrator, with the Employer and the Third Party Administrator in the manner prescribed by the Third Party Administrator.

(c) A participant may discontinue, or temporarily suspend, his or her deferral of Compensation as of any Enrollment Date by giving written notice thereof to the employer and the Third Party Administrator in the manner prescribed by the Third Party Administrator prior to such date.

**3.2** (a) The amount that may be deferred by a Participant for any Plan Year shall be a minimum of \$260 and shall not exceed the lesser of: (i) the maximum allowable amount as may be permitted pursuant to Section 457(e)(15) of the Code, and (ii) 100% of the Participants Includible Compensation for the Plan Year.

(b) Notwithstanding the limitation provided for in Section 3.2(a), a Participant may file an election in the manner prescribed by the Third Party Administrator to have the catch-up limitation set forth in this Section 3.2(b) apply to the determination of the maximum amount that may be deferred during one or more of the last three Plan Years ending before attainment of the Participant's Normal Retirement Age. If the catch-up limitation is elected, the maximum amount that may be deferred for each of the Plan Years covered by the election shall not exceed the lesser of:

(i) twice the dollar amount in effect under Code Section 457(b)(2)(A) and as set forth in Section 3.2(a)(i); and

(ii) the sum of the maximum elective deferral amount established for purposes of Code Section 457(b)(2) for the taxable year (determined without regard to Code Section 457(b)(3)) and as set forth in Section 3.2(a), plus so much of the maximum elective deferral amount established for purposes of Code Section 457(b)(2) for taxable years before the taxable year as has not previously been used under Code Section 457(b)(2) or Code Section 457(b)(3). For years prior to 2002, the underutilized amounts must be reduced by salary reductions or elective contributions under any eligible

Code Section 457(b) plan, any Code Section 401(k) plan, any Code Section 402(h)(1)(B) arrangement, any Code Section 403(b) annuity, any Code Section 408(p) account or any contribution to a Code Section 501(c)(8) organization. For taxable years beginning in or after 2002, the underutilized amount must be reduced by the annual deferrals under this Plan. A Participant may not elect to have this Section 3.2(b) apply more than once, whether or not the Participant rejoins the Plan after Severance from Employment.

(c) All Participants who have attained age 50 before the close of a Plan Year and who are not permitted to defer additional Compensation pursuant to Section 3.2(a) for such Plan (or other applicable) Year, due to the application of any limitation imposed by the Code or the Plan, shall be eligible to make additional catch-up contributions in accordance with, and subject to, the limitations of this Section 3.2(c) and Section 414(v) of the Code and the Treasury Regulations thereunder; *provided, however*, that Participants who are eligible to make catch-up contributions under Section 3.2(b) shall not be eligible to make additional catch-up contributions under this Section 3.2(c). Additional catch-up contributions pursuant to this Section 3.2(c) shall not exceed the lesser of: (i) the excess if 100% of Participant's Includible Compensation for the Plan Year, over the sum of any other Amounts Deferred by the Participant for such Plan Year; and (ii) such allowable amount as may be permitted by Section 414(v)(2)(B) of the Code.

(d) The Third Party Administrator shall disallow disallow deferral of compensation under the Plan in excess of the limitations stated above. In the event that the limit on deferral of compensation is exceeded as a result of a failure to apply the Code Section 457 limitations (without regard to a Participant's individual limitation under Code Section 457(c)), the Third Party Administrator shall distribute such excess deferrals to the Participant, with allocable net income, as soon as administratively practicable after the Third Party Administrator determines that the amount is an excess deferral. The Third Party Administrator shall have no liability to a Participant if the Third Party Administrator fails to disallow a deferral in excess of such limitations, if the Participant's Participation Agreement directed such deferral.

(e) Notwithstanding any provisions of this Plan to the contrary, if the Participant is rehired following qualified military service, as defined in the Uniformed Services Employment and Reemployment Rights Act, the Participant shall be entitled to make contributions to the Plan from his or her current earnings attributable to the period of time contributions were not otherwise allowable due to military service. Such contributions shall be in addition to contributions otherwise permitted under the Plan, and will be made as permitted under the Plan and Internal Revenue Code Section 414(u). Such additional contributions shall be based on the amount of Compensation and employer contribution amounts that the Participant would have received from the Employer but for the military service, and such contributions shall be subject to the Plan's terms and conditions in effect during the applicable period of military service. Such contributions may be made during the period that begins upon reemployment and extends for the lesser of five years or the Participant's period of military service multiplied by three.

(f) Effective January 1, 2002, the maximum amount of the compensation of any one individual which may be deferred under Code Section 457(a) during any taxable year shall not exceed the amount in effect under Code Section 457(b)(2)(A) (as modified by any adjustment provided under Code Section 457(b)(3)).

(g) The amount of compensation deferred under an eligible 457 plan, whether by salary

reduction, is taken into account as an annual deferral in the taxable year of the participant in which deferred, or, if later, the year in which the amount of compensation deferred is no longer subject to a substantial risk of forfeiture.

(h) The Participating Employer and the Participant are responsible for ensuring coordinator of these limits with all other 457 plan in which the Participant participates.

#### **SECTION 4. INVESTMENT OF AMOUNTS DEFERRED AND ROLLOVER CONTRIBUTIONS**

**4.1** All amounts of Compensation deferred in accordance with Section 3 shall be paid by the Employer as promptly as possible, but in no event later than two Business Days from the applicable payroll date, to the Third Party Administrator and shall be invested promptly in accordance with the investment directions of the Participant by the Third Party Administrator (but in no event later than one Business Day following receipt thereof by the Third Party Administrator) in the Investment Options provided by one or more Deferred Compensation Carriers appointed by the Board in accordance with NMSA 1978, Section 10-7A-5 (2017). The Board shall have the right in its sole discretion to replace any Deferred Compensation Carrier or Investment Option with a successor Deferred Compensation Carrier or Investment Option or to select any additional Deferred Compensation Carrier or Investment Option and to incur any and all reasonable fees and expenses on behalf of the Plan and to allocate such fees and expenses among Accounts and Rollover Accounts in connection with such replacement or addition.

**4.2** An Employee who has enrolled in the Plan pursuant to Section 2 shall, by filing an investment direction on such manner as prescribed by the Third Party Administrator, specify the percentage (in multiples of one percent or such other percentage as may be prescribed by the Third Party Administrator from time to time) of the amount of his or her Amounts Deferred, Section 457 Transfers, and Rollover Contributions that shall be allocated to each Investment Option made available by the Board; *provided, however*, that the same percentages shall apply to the Rollover Account, as apply to the Account.

**4.3** Any investment direction given by a Participant shall be deemed to be a continuing direction until changed. A Participant may change his or her investment direction with respect to future Amounts Deferred, future Section 457 Transfers, and future Rollover Contributions by giving notice on such manner as prescribed by the Third Party Administrator; *provided, however*, that the same percentages shall apply to the Rollover Account, as apply to the Account. All future Amounts Deferred, future Section 457 Transfers, and future Rollover Contributions shall be invested by the Third Party Administrator in the Investment Options in accordance with such changed direction.

**4.4** (a) As of any Valuation Date during a Plan Year, a Participant may direct, by giving notice in the manner prescribed by the Third Party Administrator, to the Third Party Administrator that all, or any multiple of one percent (or such other percentage as may be prescribed by the Third Party Administrator from time to time), of his or her interest in any of the Investment Options be liquidated and the proceeds thereof transferred to one or more other Investment Options in the proportions directed by such Participant.

(b) If the Third Party Administrator, Investment Consultant, or any Deferred

Compensation Carrier appointed by the Board shall advise the Board that it is not reasonably able to prudently liquidate the necessary amount and transfer it from one of the Investment Options to another, the amount to be transferred with respect to each Participant who duly requested such a transfer may be reduced in proportion to the ratio which the aggregate amount that the Third Party Administrator, Investment Consultant, or the Deferred Compensation Carrier has advised the Board may not prudently be so transferred bears to the aggregate amount that all Participants have duly requested be so transferred. Regardless of any Participant's investment direction, no transfer between Investment Options may be made in violation of any restriction imposed by the terms of the agreement between the Board or the Third Party Administrator and a Deferred Compensation Carrier providing any Investment Option or of any applicable law. Notwithstanding anything in this Section 4.4(b) to the contrary, the Third Party Administrator or the Deferred Compensation Carrier may have the right, without prior notice to any Participant, to suspend for a limited period of time daily transfers between and among Investment Options for one or more days if the Third Party Administrator or the Deferred Compensation Carrier determines that such action is necessary or advisable (i) in light of unusual market conditions, (ii) in response to technical or mechanical problems with the Plan's automated system, if any, or the Plan's Third Party Administrator and (iii) in connection with any suspension of normal trading activity on the New York Stock Exchange.

**4.5** The TPA shall have the right to decline to implement any investment direction upon determination that: (i) the person giving the direction is legally incompetent to do so; (ii) implementation of the investment direction would be contrary to the Plan or applicable law or governmental ruling or regulation including, but not limited to, Treasury Regulations; or (iii) implementation of the investment direction would be contrary to a court order, including, but not limited to, a Qualified Domestic Relations Order.

**4.6** Each Participant is solely responsible for the investment and allocation of his or her Plan Benefit in and among the Investment Options and shall assume all risk in connection with any decrease in the value of any or all of the Options. The fact that a particular Investment Option is available to Participants for investment under the Plan shall not be construed as a recommendation for investment in such Investment Option.

**4.7** The entire value of each Participant's Account and Rollover Account and each Alternate Payee Account under the Plan shall be set aside and held in the Trust Fund pursuant to the Trust Declaration for the exclusive benefit of Participants and their Designated Beneficiaries and Alternate Payees and defraying reasonable expenses of the Plan and of the Trust Fund pursuant to Section 5.3.

(a) Each Participant shall be 100% vested at all times in his or her Plan Benefit in accordance with the terms of the Plan. Each Alternate Payee shall be 100% vested at all times in his or her Alternate Payee Account in accordance to the terms of the Plan.

**4.8** (a) Notwithstanding any other provision of the Plan, during any period when an Alternate Payee Account is created and the corresponding interest in the Trust Fund is segregated on behalf of an Alternate Payee pursuant to a Qualified Domestic Relations Order as provided in Section 15.4(b), the Alternate Payee may be entitled to direct the investment of such interest in accordance with this Section 4 as if he or she were the Participant, to the extent provided in such order. In the event that an Alternate Payee fails to specify an investment direction, such Alternate Payee's interest in the Trust Fund shall be invested in the same manner as the relevant Participant's Plan Benefit as of the date of creation of the Alternate Payee Account.

(b) Notwithstanding any other provision of the Plan, during any period following the death of a Participant and prior to distribution of the entire Plan Benefit of such Participant, such Participant's Designated Beneficiary shall be entitled to direct the investment of such Plan Benefit, or, as applicable, his or her proportional interest in such Plan Benefit, in accordance with this Section 4 as if he or she were the Participant.

**4.9** No power of attorney, other than one properly executed in accordance with the Uniform Statutory Power of Attorney Act, NMSA 1978, Sections 45-5-601 through 45-5-617 (1995), as such may be amended from time to time, shall be effective to permit an attorney-in-fact to make any investment direction on behalf of a Participant except upon specific determination by the Third Party Administrator that the instrument expressly grants the power to act on behalf of the Participant regarding investment direction under this Plan.

## **SECTION 5. ACCOUNTS AND RECORDS OF THE PLAN**

**5.1** (a) The Third Party Administrator shall establish and maintain an Account and, as necessary, a Rollover Account on behalf of each Participant and, to the extent his or her entire Plan Benefit has not been distributed, each former Participant showing the value of his or her Plan Benefit, the value of the portion of his or her Plan Benefit, if any, which is invested in each Investment Option and other relevant data pertaining thereto. Each Account and Rollover Account shall be adjusted as of each Valuation Date to reflect all Units or dollars credited thereto and valued as provided in Section 5.2(b) less all Units or dollars distributed, withdrawn or deducted therefrom in accordance with the terms of the Plan. With respect to each Participant all Amounts Deferred, all Section 457 Transfers in accordance with Section 9.3(a) and all Rollover Contributions in accordance with Section 9.2(a) shall be credited to his or her Account or Rollover Account, as applicable.

(b) Each Participant, and, for any period following the death of a Participant and prior to distribution of the entire Plan Benefit of such Participant, each Designated Beneficiary, shall be furnished with a written statement of his or her Account and Rollover Account (including the value of the interest he or she has, if any, in each Investment Option and the amount of and explanation for each allocation to or deduction from his or her Account and Rollover Account since the last statement provided) at least quarterly. During the period prior to distribution of his or her entire interest under the Plan, each Alternate Payee shall be furnished with a written statement of his or her Alternate Payee Account (including the value of the interest he or she has, if any, in each Investment Option and the amount of and explanation for each allocation to or deduction from his or her Alternate Payee Account since the last statement provided) at least quarterly.

(c) The establishment and maintenance of, or allocations and credit to, the Account and Rollover Account of any Participant shall not vest in such Participant or his or her Designated Beneficiary any right, title or interest in and to any Trust Fund assets or Plan benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Plan and the Trust Declaration. The establishment and maintenance of, or allocations and credit to, the Alternate Payee Account of any Alternate Payee shall not vest in such Alternate Payee any right, title or interest in and to any Trust Fund assets or Plan benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Qualified Domestic Relations Order, the Plan and the Trust Declaration.

**5.2** (a) The Plan Benefit shall equal the value of a Participant's Account and Rollover

Account, which shall be determined by aggregating the value of his or her separate interests, if any, in each Investment Option.

(b) The Trust Fund shall consist of the Investment Options. The aggregate value of the Accounts and the Rollover Accounts, the Alternate Payee Accounts and any reserve for expenses and suspense accounts, if any, shall be equal to the value of the Trust Fund. Each Investment Option shall be valued pursuant to the Trust Declaration and the agreements between the Board or the Third Party Administrator and the Deferred Compensation Carriers to reflect the effect of income received and accrued, realized, and unrealized profits and losses, and all other transactions of the preceding period.

**5.3** (a) The expenses of administering the Plan, including (i) the fees and expenses of the Deferred Compensation Carriers and Third Party Administrator for the performance of their duties under the Plan, (ii) the fees and expenses, if any, incurred by Public Employees Retirement Association in the performance of its duties under the Plan (including reasonable compensation for any legal counsel, settlements of claims or legal actions approved by counsel to the Plan, certified public accountants, consultants, and agents and cost of services rendered in respect of the Plan and the Trust Declaration (as provided therein), and (iii) all other proper charges and disbursements of the Deferred Compensation Carriers, Third Party Administrator, shall be paid out of the Trust Fund, and allocated to and deducted from the Accounts, Rollover Accounts, and Alternate Payee Accounts as of each Valuation Date.

(b) Brokerage fees, transfer taxes and any other expenses incident to the purchase or sale of securities by the Deferred Compensation Carriers for the Investment Options shall be deemed to be part of the cost of such securities, or deducted in computing the proceeds therefrom, as the case may be. Taxes, if any, of any and all kinds whatsoever which are levied or assessed on any assets held or income received by the Trust Fund shall be allocated to and deducted from the Accounts and Alternate Payee Accounts in accordance with the provisions of this Section 5.

## **SECTION 6. WITHDRAWALS FOR UNFORESEEABLE EMERGENCIES; WITHDRAWALS OF SMALL ACCOUNTS**

**6.1** Upon determination of an Unforeseeable Emergency, the Third Party Administrator may, in its sole discretion, permit a payment to be made to the Participant in an amount which does not exceed the lesser of (i) the amount reasonably needed to satisfy the emergency need, which may include any amounts necessary to pay any federal, state, or local taxes, or (ii) an amount which, together with any prior distribution or withdrawal, does not exceed the value of the Participant's Plan Benefit determined as of the most recent Valuation Date. Any such payment shall be made from the Trust Fund by the Third Party Administrator and shall be withdrawn by the Third Party Administrator pro rata from the Investment Options in which the Participant has an interest. Such payment shall first be charged to the Account of the Participant and, if necessary, then to the Rollover Account. All payments shall be made in one lump cash sum within the servicing time as provided in the Plan Services Agreement, or such other time period the Board shall determine, after approval of the request.

**6.2** (a) For purposes of the Section 6, an Unforeseeable Emergency is defined, as required by the Treasury Regulations promulgated under Section 457 of the Code, as a severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant, of the Designated Beneficiary, or of a spouse, or of a dependent of the participant or a Designated Beneficiary, as defined in Section 152(a) of the Code, of the Participant, loss of the Participant's or

Designated Beneficiary's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Treasury Regulations provide that, "except in extraordinary circumstances," the need to send a Participant's child to college or the desire to purchase a home does not constitute an Unforeseeable Emergency. In accordance with Deferred Compensation Rules and Regulations, divorce does not constitute an Unforeseeable Emergency.

(b) For purposes of this Section 6, an amount will not be considered to be reasonably needed to meet the financial need created by an Unforeseeable Emergency to the extent that such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of a Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (iii) by cessation of deferrals under the Plan.

**6.3** A Participant with respect to whom his or her Account, irrespective of the amount in the Participant's Rollover Account, does not exceed \$5,000 (or such greater amount as may be permitted by Section 401(a)(11) of the Code) may elect at any time to receive a lump sum distribution of the entire balance to the credit of his or her Account and Rollover Account within the servicing time as provided in the Plan Services Agreement, or such other time period the Board shall determine, following such election, *provided* that:

(a) There has been no Amount Deferred by such Participant during the two-year period ending on the date of distribution; and

(b) There has been no prior distribution elected by such Participant pursuant to this Section 6.3.

## **SECTION 7. LOANS TO PARTICIPANTS**

**7.1** A Participant may apply for and receive a loan from his or her account as provided for in this Section 7.

**7.2** Any loan by the Plan to a Participant under this Section 7 shall be subject to the loan administrative procedures established by the Third Party Administrator as well as the following requirements:

(a) Any participant may apply for a loan from the Plan. A participant who has defaulted on a previous loan from the Plan shall not be eligible for another loan from the Plan until the defaulted loan is repaid in full, including accrued interest and fees.

(b) A Participant must complete and return to the Third Party Administrator a loan application. A non-refundable application fee established by the Third Party Administrator will be deducted from the Participant's Account(s) at the time of loan origination. Before a loan is issued, the Participant must enter into a legally enforceable loan agreement as provided for by the Third Party Administrator.

(c) The Participant receiving a loan shall be required to furnish to the Third Party Administrator any information and authorization necessary to effectuate repayment of the loan prior to the commencement of the loan.

(d) The maximum term over which a loan may be repaid is five (5) years, unless the Participant certifies in writing to the Third Party Administrator that the loan is to be used to acquire a dwelling unit which, within a reasonable time, is to be used as a principal residence of the Participant, in which case the maximum term shall be fifteen (15) years.

(e) Each loan shall be amortized in substantially equal payments consisting of principal and interest during the term of the loan, except that the amount of the final payment may be higher or lower.

(f) In the event that a payment cannot be processed because of lack of sufficient funds, the Third Party Administrator shall assess an insufficient funds charge, which will be deducted from the Participant's Account(s).

(g) The interest rate shall be equal to one (1) percentage point above the prime rate as published in the Wall Street Journal two weeks prior to the end of the most recent calendar-year quarter. The interest rate shall be determined at the time the loan is made and shall be fixed for the duration of the loan.

(h) Each Participant may have only one (1) Plan loan outstanding at any given time. A Plan loan which is in default, even if the defaulted loan was treated as a "deemed distribution" under federal regulations, shall be treated as an outstanding loan until such participant's account balance is offset by the amount of principal and accrued interest under the loan.

(i) The Participant must pay the full amount of each loan payment (principal and interest) on the date that it is due. Failure to make such a payment by the due date, or within any cure period established by the Third Party administrator, shall cause the Participant to be in default for the entire amount of the loan, including any accrued interest. A loan will also be in default if the Participant either refuses to execute, revoke, or rescind any agreement necessary to comply with the provisions of this Section 7 or the loan administrative procedures established by the Third Party Administrator, commences or has commenced against Participant a bankruptcy case, or upon the death of the Participant. Notwithstanding anything elsewhere in the Plan to the contrary, in the event a loan is outstanding hereunder on the date of a Participant's death, his or her estate shall be his or her Beneficiary as to the portion of his or her interest in the Plan invested in such loan, with the Beneficiary or Beneficiaries as to the remainder of his or her interest in the Plan to be determined in accordance with otherwise applicable provisions of the Plan.

(j) By accepting a loan, the Participant is giving a security interest in their vested Plan balance as of the loan process date, together with all additions thereof, to the Plan that shall at all times be equal to one hundred percent (100%) of the unpaid principal balance of the loan together with accrued interest.

(k) The maximum amount of any loan permitted under the plan is the lesser of: (i) fifty percent (50%) of the Participant's vested account balance less any outstanding loan balances under the Plan, or (ii) \$50,000.00 less the highest outstanding loan balance during the preceding one-year period. The Third Party Administrator shall establish the minimum loan amount. The Participant and not the Third Party administrator shall at all times remain responsible for ensuring that any loan received under the Plan is in accordance with these limits with regard to any other loans received by the Participant under any other plans of the Participant's employer.

(l) Until a loan is repaid in full, an annual loan maintenance fee established by the Third Party Administrator will be deducted from the Participant's Account(s).

(m) At the time when a default occurs and for each year thereafter until the defaulted loan is paid in full, a loan default fee established by the Third Party Administrator will be deducted from the Participant's Account(s).

**7.3** The Third Party Administrator shall fix such other terms and conditions necessary to the administrative maintenance of the provisions of this Section 7 and as necessary to comply with the Internal Revenue Code and Regulations thereunder.

## **SECTION 8. DISTRIBUTIONS FROM THE PLAN AND OTHER ELIGIBLE RETIREMENT PLANS**

**8.1** (a) Except as otherwise provided in Section 6 and 9, a Participant may not receive a distribution of his or her Plan Benefit earlier than: (i) the Plan Year in which the Participant attains age 70½; or (ii) when the Participant has a severance from employment with the Employer.

Upon a Participant's Severance from Employment with the Participating Employer for any reason other than death, at the beginning of the Plan Year in which he or she attains age 70½, the Participant shall be entitled to receive an amount equal to the value of his or her Plan Benefit, which shall be paid in accordance with Section 8.3 as of the commencement date elected by the Participant in accordance under Section 8.4(a), so long as the commencement date is in compliance with Code Section 401(a)(9).

(b) In the case of a Participant who continues in service with the Employer following his or her attainment of age 70½, such Participant may elect to commence the distribution of his or her Plan Benefit and such election shall designate a method of payment in accordance with Section 8.3.

(c) Notwithstanding anything in this Section 8.1 to the contrary, in accordance with the requirements of Section 401(a)(9) of the Code, distributions shall commence no later than the April 1<sup>st</sup> following the Plan Year in which (i) the Participant attains age 70½ or (ii) the Participant Severs from Employment, whichever is later.

**8.2** If a Participant dies before receiving final distribution of his or her Plan Benefit, an amount equal to the value of the unpaid portion thereof as of the date of death shall be paid in cash by the Third Party Administrator from the Trust Fund to the Participant's Designated Beneficiary by one of the methods described in Section 8.3; *provided, however*, that if the Participant dies after payments have commenced then payment to the Participant's Designated Beneficiary must be made at least as rapidly as under the method of distribution in effect at the time of the Participant's death.

**8.3** (a) Subject to the following provisions of this Section 8.3, any payment made under this Section 8 shall be made in one of the following methods, as the Participant (or, in the case of the death of a Participant, his or her Designated Beneficiary) may elect pursuant to Section 8.4 hereof:

(i) One cash lump sum payment; or

(ii) With respect to such Participant's Account and Rollover Account, monthly, quarterly, semi-annual or annual installment payments

(iii) A Participant who elects to receive installment payments or who is currently

receiving installment payments pursuant to Section 8.3(a)(ii) may elect, subject to any limitations set forth by the Board and in accordance with procedures established by the Third Party Administrator to receive a portion of his or her Account and Rollover Account distributed in a lump sum; *provided, however,* that no lump sum payment shall be less than an amount determined by the Third Party Administrator, and *provided further,* that such elections shall not be made more than twelve times per Plan Year, or such other number as the Third Party Administrator shall determine. Such lump sum payment shall not result in a discontinuation of subsequent installment payments.

(b) If a Participant (or, in the case of death of a Participant, his or her Designated Beneficiary) elects a lump sum payment to Sections 8.3(a)(i) or 8.3(a)(iii), the value of the Participant's Plan Benefit shall be determined as of the Valuation Date coincident with or last preceding the date on which the Plan Benefit is withdrawn from the Investment Options and liquidated for distribution.

(c) If a participant (or, in the case of death of a Participant, his or her Designated Beneficiary) elects to receive installment payments subject to Section 8.3(a)(ii), such Participant's Account shall continue to participate in the investment performance of the Investment Option in which such amounts are invested and to bear its allocable share of administrative and investment expenses, until the Valuation Date coincident with or last preceding the date on which such Plan Benefit amounts are withdrawn from the Investment Options and liquidated for distribution.

**8.4** (a) In the case of the Participant's Severance from Employment with the Employer or the Participant's death, a distribution election may be made by the Participant or his or her Designated Beneficiary prior to, or after, payments commence pursuant to the provisions of this Section 8. Such election shall specify the form of payment described in Section 8.3 elected and the date on which payments shall commence. A Participant or his or her Designated Beneficiary, including a Participant or his or her Designated Beneficiary who is currently receiving distributions under the Plan, irrespective of the date on which such distributions commenced, may change both the timing and the form of payment elected in accordance with procedures established by the Third Party Administrator, subject to Section 8.6.

(b) If a Participant dies before distribution of his or her Plan Benefit has commenced, a distribution will be made to the Designated Beneficiary pursuant to the Designated Beneficiary's election duly filed with the Third Party Administrator in accordance with the provisions of Section 8.4(a); *provided, however,* any distribution to a Designated Beneficiary shall be made in accordance with the provisions of Section 401(a)(9) of the Code. All distributions shall commence not later than the close of the Plan Year immediately following the Plan Year in which the Participant died, or, in the event such Designated Beneficiary is the Participant's Surviving Spouse, on or before the close of the Plan Year in which such Participant would have attained age 70½, if later (or, in either case, on any later date prescribed by the Treasury Regulations). If such Designated Beneficiary who is also the Surviving Spouse dies after the Participant's death but before distributions to such Designated Beneficiary commence, this provision shall be applied to require payment of any further benefits as if such Surviving Spouse were the Participant.

**8.5** The Third Party Administrator shall withhold or cause to be withheld from any amounts distributed in respect of a Participant's Plan Benefit or in respect of a Qualified Domestic Relations Order, all federal, state, city or other taxes as shall be required pursuant to any law or governmental ruling or regulation, including, but not limited to, Treasury Regulations.

## **8.6** Minimum Distribution Requirements

(a) General Rules.

(i) The provisions of this Section will apply for purposes of determining required minimum distributions for Plan Years beginning with the 2003 Plan Year.

(ii) The requirements of this Section will take precedence over any inconsistent provisions of the plan.

(iii) All distributions required under this Section will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).

(b) Time and Manner of Distribution.

(i) The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(ii) If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary, then distributions to the Surviving Spouse will begin by December 31 of the Plan Year immediately following the Plan Year in which the Participant died, or by December 31 of the Plan Year in which the Participant would have attained age 70 1/2, if later.

(B) If the Participant's Surviving Spouse is not the Participant's sole Designated Beneficiary, then distributions to the Designated Beneficiary will begin by December 31 of the Plan Year immediately following the Plan Year in which the Participant died.

(C) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the Plan Year containing the fifth anniversary of the Participant's death.

(D) If the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary and the Surviving Spouse dies after the Participant but before distributions to the Surviving Spouse begin, this Section (except for Section 8.6(b)(ii)(A), will apply as if the Surviving Spouse were the Participant.

For purposes of this Section, unless Section 8.6(b)(ii)(D) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 8.6(b)(ii)(D) applies, distributions are considered to begin on the date distributions are required to begin to the Surviving Spouse under Section 8.6(b)(ii)(A).

(c) Required Minimum Distributions During Participant's Lifetime.

(i) During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(A) If the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary, then distributions to the Surviving Spouse will begin by December 31 of the Plan Year immediately following the Plan Year in which the Participant died, or by December 31 of the Plan Year in which the Participant would have attained age 70 1/2, if later.

(B) If the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

(ii) Required minimum distributions will be determined under this Subsection (c) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

(d) Required Minimum Distributions After Participant's Death.

(i) Death On or After Date Distributions Begin

(A) If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

(1) The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the Surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the Surviving Spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the Surviving Spouse's death, the remaining Life Expectancy of the Surviving Spouse is calculated using the age of the Surviving Spouse as of the spouse's birthday in the Plan Year of the spouse's death, reduced by one for each subsequent Plan Year.

(3) If the Participant's Surviving Spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(4) If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) Death Before Date Distributions Begin.

(A) If the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in Section 8.6(d)(i).

(B) If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the Plan Year containing the fifth anniversary of the Participant's death.

(C) If the Participant dies before the date distributions begin, the Participant's Surviving Spouse is the Participant's sole Designated Beneficiary, and the Surviving Spouse dies before distributions are required to begin to the Surviving Spouse under Section 8.6(b)(ii)(A), this Section 8.6(d)(ii) will apply as if the Surviving Spouse were the Participant.

**8.7** General 2009 Waiver. The requirements of Code Section 401(a)(9) and the provisions of the Plan relating thereto, will not apply for the distribution calendar year 2009.

(a) Special rule regarding waiver period. For purposes of Code Section 401(a)(9) and the provisions of the Plan relating thereto: (a) the required beginning date with respect to any individual will be determined without regard to Section 8.6 for purposes of applying Code Section 401(a)(9) for distribution calendar years other than 2009; and (b) if the 5- year rule of Code Section 401(a)(9)(B)(ii) applies, the 5-year period described therein shall be determined without regard to calendar year 2009.

(b) Eligible rollover distributions. If all or any portion of a distribution during 2009 is treated as an eligible rollover distribution but would not be so treated if the minimum distribution requirements under Code Section 401(a)(9) had applied during 2009, then the Plan will not treat such distribution as an eligible rollover distribution for purposes of the direct rollover rules of Code Section 401(a)(31), the notice requirements of Code Section 402(f), or the 20% withholding requirement of Code Section 3405(c).

(c) Participant may elect. The Plan will permit an affected Participant to elect whether to receive his/her RMD distribution for 2009. If the Participant fails to notify the Third Party Administrator of his/her waiver, the Plan will distribute the 2009 RMD to the Participant.

## **SECTION 9. ELIGIBLE ROLLOVERS AND PLAN TRANSFERS**

**9.1** In connection with a Participant's Severance from Employment, the Distributee may elect, at the time and in the manner prescribed by the Third Party Administrator to have all or any portion of the Participant's Account and Rollover Account that qualifies as an Eligible Rollover Distribution paid directly to the trustee of an Eligible Retirement Plan, *provided* that such other plan provides for the acceptance of such amounts by the trustee. The Plan shall provide written information to Distributees regarding Eligible Rollover Distributions to the extent required by Section 402(f) of the Code.

**9.2** (a) A Participant's accrued benefit under an Eligible Retirement Plan that is distributed to the Participant as an Eligible Rollover Distribution may be accepted as a Rollover Contribution by the Third Party Administrator in the manner specified by the Third Party Administrator; *provided, however,* that such Participant has made an Investment Option direction pursuant to Sections 4.2 or 4.3, whichever is applicable, and filed a written request with the Third Party Administrator requesting that such transfer be accepted.

(b) The Third Party Administrator, in accordance with the Code and procedures

established by the Plan Trustee, shall, as soon as practicable following its receipt of the Participant's written request, determine whether the Rollover Contribution shall be accepted by the Plan. Any written request filed by a Participant pursuant to this Section 9.2(b) shall set forth the fair market value of such Rollover Contribution and a statement satisfactory to the Third Party Administrator that the amount to be transferred constitutes a Rollover Contribution. In the event the Third Party Administrator permits the transfer of the Rollover Contribution, the Third Party Administrator shall accept such Rollover Contribution and the transfer of such Rollover Contribution shall be deemed to have been made on the Valuation Date next following the date on which it was paid over to the Third Party Administrator. The Rollover Contribution shall be maintained in a separate, fully vested Rollover Account for the benefit of the contributing Participant and shall be invested in accordance with the Participant's investment direction, pursuant to Sections 4.2 or 4.3, whichever is applicable.

(c) All amounts so transferred shall be credited to the Participant's Rollover Account and shall be available for distribution in no event later than two Business Days following receipt thereof and in the manner prescribed by the Third Party Administrator, following the date on which such amounts are credited to the Rollover Account. No other contributions shall be allocated to the Rollover Account.

(d) A Participant may, at any time, elect to receive a distribution of all or any portion of the amount held in the Participant's Rollover Account.

**9.3** (a) Compensation previously deferred by a Participant pursuant to another eligible deferred compensation plan under Section 457 of the Code maintained by another employer shall be accepted for transfer by the Third Party Administrator in the form and in the manner specified by the Third Party Administrator. All such Section 457 Transfers shall be credited to the Participant's Account within 24 hours of receipt by the Third Party Administrator and shall be invested in accordance with the Participant's investment direction pursuant to Sections 4.2 or 4.3, whichever is applicable; such Section 457 Transfers are subject to all of the terms and conditions of the Plan.

(b) A transfer from an eligible governmental plan to another eligible governmental plan shall be permitted only if:

(i) The transferor plan provides for transfers;

(ii) The receiving plan provides for the receipt of transfers;

(iii) The Participant or Designated Beneficiary whose amounts deferred are being transferred shall have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that Participant or Designated Beneficiary immediately before the transfer; and

(iv) The Participant or Designated Beneficiary whose amounts deferred are being transferred has had a Severance from Employment with the transferring employer and is performing services for the entity maintaining the receiving plan. Subsection (iv) shall not be required to be satisfied if:

(A) All of the assets held by the eligible governmental plan are transferred;

(B) The transfer is to another eligible governmental plan maintained by an eligible employer that is a state entity within the same state; and

(C) The Participants whose deferred amounts are being transferred are not eligible for additional annual deferrals in the receiving plan unless they are performing services for the entity maintaining the receiving plan.

(c) With respect to trustee-to-trustee transfers, a Participant may elect, in accordance with procedures established by the Third Party Administrator, to have all or any portion of the value of his or her Account and Rollover Account transferred to the trustee of a defined benefit governmental plan as described in Section 414(d) of the Code; *provided, however*, that such transfer is for the purchase of permissive service credit (as defined in Section 415(n)(3)(A) of the Code) under such plan or a repayment of contributions and earnings with respect to a forfeiture of service under such plan.

## **SECTION 10. ELECTION TO DEDUCT FROM DISTRIBUTION**

**10.1** For distributions in taxable years beginning after December 31, 2006, an Eligible Retired Public Safety Officer may elect annually for that taxable year to have the Plan deduct an amount from a distribution which the Eligible Retired Public Safety Officer otherwise would receive and include in income. The plan will pay such deducted amounts directly to the provider as described in Section 10.2.

**10.2** The Plan will pay directly to the to the provider of the health insurance plan or qualified long-term care insurance contract the amounts the Eligible Retired Public Safety Officer has elected to have deducted from the distribution. Such amounts may not exceed the lesser of \$3,000 or the amount the Participant paid for such taxable year for qualified healthcare premiums, and which otherwise complies with the Code.

## **SECTION 11. DESIGNATION OF BENEFICIARIES**

**11.1** Each Participant shall file with the Third Party Administrator a written designation of one or more persons, or a trust, as the Designated Beneficiary who shall be entitled to receive the Plan Benefit, if any, payable under the Plan upon his or her death. A Participant may from time to time revoke or change his or her Designated Beneficiary designation without the consent of any prior Designated Beneficiary by filing a new designation with the Third Party Administrator. Any beneficiary designation or any change in Designated Beneficiary shall take effect when accepted by the Third Party Administrator. The last such designation received by the Third Party Administrator shall be controlling; *provided, however*, that no designation or change or revocation thereof shall be effective unless received and accepted by the Third Party Administrator prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

**11.2 (a)** If no such Designated Beneficiary designation is in effect at the time of a Participant's death, or if no Designated Beneficiary survives the Participant, or if no Designated Beneficiary can be located with reasonable diligence by the Third Party Administrator, the payment of the Plan Benefit, if any, payable under the Plan upon his or her death shall be made by the Third Party Administrator from the Trust Fund to his or her estate.

(b) If the Third Party Administrator is in doubt as to the right of any person to receive such amount, it shall inform the Plan Trustee and the Third Party Administrator may retain such amount, without liability for any interest thereon, until the rights thereto are determined, or the Third Party Administrator may pay such amount into any court of appropriate jurisdiction or to any other person

pursuant to applicable law and such payment shall be a complete discharge of the liability of the Third Party Administrator, Plan, Plan Trustee, Employer, Deferred Compensation Manager and Deferred Compensation Carriers.

(c) If the primary Beneficiary so designated by the Participant shall die after the death of the Participant but prior to receiving a complete distribution of the amount that would have been paid to such Designated Beneficiary had such Beneficiary's death not then occurred, then, for purposes of the Plan, the distribution that would otherwise have been received by such Designated Beneficiary shall be paid to the Participant's contingent Beneficiary, if any, in accordance with the provisions of the Plan, or, if none, then to the primary Beneficiary's estate.

**11.3** No power of attorney, other than one properly executed in accordance with the Uniform Statutory Power of Attorney Act, NMSA 1978, Sections 45-5-601 through 45-5-617 (1995), as such may be amended from time to time, shall be effective to permit an attorney-in-fact to make or change a Beneficiary designation on behalf of a Participant except upon specific determination by the Third Party Administrator that the instrument expressly grants the power to act on behalf of the Participant regarding Beneficiary designation under this Plan.

## **SECTION 12. ADMINISTRATION**

**12.1** Except as otherwise provided herein, the operation and administration of the Plan shall be the responsibility of the Board. The Board shall have the power and the duty to take all action and to make all decisions necessary or proper to carry out its responsibilities under the Plan. All determinations of the Board as to any question involving its responsibilities under the Plan, including, but not limited to, interpretation of the Plan or as to any discretionary actions to be taken under the Plan, shall be solely in the Board's discretion and shall be final, conclusive and binding on all parties.

**12.2** Without limiting the generality of the foregoing, the Board shall have the following powers and duties:

(a) To require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefit under the Plan;

(b) To make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;

(c) To interpret the Plan and to resolve ambiguities, inconsistencies and omissions;

(d) To decide all questions concerning the Plan and the eligibility of any Employee to participate in the Plan;

(e) To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan;

(f) To permit more lenient time periods than otherwise may be specified in Sections 2.1, 3.1(b), 3.1(c), 4.3, 6.1, 6.3, 12.5 or 13.1 of the Plan; *provided, however*, in no case may a Participant's election to commence Compensation deferrals, or to modify existing Compensation deferrals, be effective until written notice of such election is filed with the Third Party Administrator and the

Employer; and

(g) To determine the methods and procedures for the implementation and use of any automated telephone, computer, internet, intranet or other electronic or automated system adopted by the Board for purposes of Plan administration, including, without limitation, for receiving and processing enrollments and instructions with respect to the investment of assets allocated to a Participant's Account or Rollover Account and for such other purposes as may be designated from time to time.

**12.3** Except as may be prohibited by applicable law, neither the Board, nor the Third Party Administrator, nor any person, firm or corporation to whom may be delegated any duty or power in connection with administering, managing or supervising the administration or management of the Plan or Trust Fund, shall be liable for anything done or omitted to be done by it or by them unless the act or omission claimed to be the basis for liability amounted to a failure to act in good faith or was due to gross negligence or willful misconduct; nor for the payment of any amount under the Plan; nor for any mistake of judgment made by it or on its behalf by the Board; nor for the neglect, omission or wrongdoing of the Board. Neither the Board, nor any delegate, shall be personally liable under any contract, agreement, bond or other instrument made or executed by him or her or on his or her behalf in connection with the Plan or Trust Fund.

**12.4** Except as otherwise provided in the Plan and the Trust Declaration, the Third Party Administrator shall have responsibility with respect to the control or management of the assets of the Plan and the Trust Fund. The Board shall periodically review the performance and methods of the Third Party Administrator and may remove or change the Third Party Administrator. The Board shall have the power to remove one or more Deferred Compensation Carriers and to delegate to such Deferred Compensation Carrier(s) authority and discretion to manage (including the power to acquire and dispose of) the assets of the Plan and Trust Fund in accordance with the NMSA 10-7A-1 et. seq. (2017), as it may be amended from time to time, and Deferred Compensation Rules and Regulations. The Board shall periodically review the performance and methods of the Deferred Compensation Carrier(s), may remove or change one or more such Deferred Compensation Carrier(s), and may direct the acquisition or disposition of the assets in any Investment Option.

**12.5** (a) The Board shall have general authority under the Plan. The decisions of the Board shall be final, binding, and conclusive on all interested persons for all purposes. The Board may delegate its general authority as it deems appropriate in accordance with the terms of the Plan and all applicable Code sections and Treasury Regulations; *provided, however*, that such delegation shall be subject to revocation at any time at the discretion of the Board. Notwithstanding any other provision of the Plan, the Board's general authority shall include the right to review, revise, modify, revoke, or vacate any decision made or action taken by any party under the Plan which right includes, but is not limited to, the right to review, revise, modify, revoke, or vacate any decision of the Agent at any time upon reasonable notice to the claimant.

(b) Any claim to rights or benefits under the Plan, including, without limitation, any purported Qualified Domestic Relations Order, or request for Unforeseeable Emergency Withdrawal under Section 6 must be filed in writing with the Third Party Administrator, or with such other entity as the Board may designate. Upon determination of such claim, the Third Party Administrator, or such other entity designated by the Board, shall notify the claimant and, if such claimant is not the Participant, any Participant against whose Plan Benefit the claim is made, that the claim has been granted or denied, in whole or in part. Notice of denial of any claim in whole or in part by the Third

Party Administrator, or by such other entity designated by the Board, shall include the specific reasons for denial and notice of the rights of appeal, if any.

**12.6** The Board shall arrange for the engagement of legal counsel, Investment Consultants, and certified public accountants, which may be counsel or accountants for the Employer, and other consultants, and make use of Agents and clerical or other personnel, for purposes of this Plan. The Board may rely upon the written opinions of the New Mexico Attorney General and of such counsel, accountants and Investment Consultants, and upon any information supplied by the Third Party Administrator, a Deferred Compensation Carrier, or Deferred Compensation Manager, and delegate to any Agent or to any member of the Board its authority or the authority of the Employer to perform any act hereunder, including without limitation those matters involving the exercise of discretion; *provided, however*, that such delegation shall be subject to revocation at any time at the discretion of the Board.

**12.7** No member of the Board shall be entitled to act on or decide any matters relating solely to such member or any of his or her rights or benefits under the Plan.

**12.8** Any action of the Board may be taken in compliance with the Open Meetings Act, NMSA 1978, Section 10-15-1 through 10-15-3 at a meeting. The Board shall establish its own procedures and the time and place for its meetings and provide for the keeping of minutes of all meetings.

### **SECTION 13. WITHDRAWALS OF PARTICIPATING EMPLOYERS**

**13.1** Any Participating Employer may terminate its adoption of the Plan, not less than two years after the date its participation became effective, by filing with the Deferred Compensation Manager for adoption by the Board a certified copy of a resolution or other legal action, adopted in the same manner as the resolution or other legal action adopted pursuant to Section 1, specifying a termination date which shall be the last Business Day of a month subsequent to the date such notice is received by the Deferred Compensation Manager and the Board. The Board may terminate any Participating Employer's adoption of the Plan, as of any termination date specified by the Board, for the failure of the Participating Employer to comply with any provision of the Plan or the Regulations and shall terminate a Participating Employer's adoption of the Plan upon complete and final discontinuance of deferrals.

**13.2** Upon termination of the Plan as to any Employer which was formerly a Participating Employer, such Employer shall not permit any further deferrals of Compensation under the Plan and all Plan Benefits of Participants who are or were Employees of such Employer shall thereafter be payable to or in respect of such Participants as provided in the Plan. Any distributions, transfers or other dispositions of such Plan Benefits as provided in the Plan shall constitute a complete discharge of all liabilities under the Plan with respect to such Employer's previous adoption of the Plan and any Participant who is or was an Employee of such Participating Employer. The rights of such Participants and their Beneficiaries and Alternate Payees under the Plan shall be unaffected by the termination of the Plan as to such Employer.

### **SECTION 14. AMENDMENT OR TERMINATION**

**14.1** (a) Subject to 14.1(b) and any requirements of State or federal law, the Board reserves the

right at any time and with or without prior notice to amend, suspend or terminate the Plan, any deferrals thereunder, the Trust Declaration and any Investment Option, in whole or in part and for any reason and without the consent of any Participating Employer, Employee, Participant, Designated Beneficiary or other person. The Plan shall be terminated automatically upon complete and final discontinuance of all deferrals thereunder.

(b) No amendment or modification shall be made which would retroactively impair any individual's rights to any benefits under the Plan, except as provided in Section 14.1(c).

(c) Any amendment, suspension or termination of any provisions of the Plan, any deferrals thereunder, the Trust Declaration or any Investment Option may be made retroactively if required to meet any applicable requirements of the Code or any other applicable law,

**14.2** The Board shall give notice on a reasonably timely basis of any amendment, suspension or termination pursuant to Section 14.1 to all Participating Employers.

**14.3** Upon termination of the Plan, no Participating Employer shall permit any further deferrals of Compensation under the Plan and all Plan Benefits and other interests in the Trust Fund shall thereafter be payable as provided in the Plan. Any distributions, transfers or other dispositions of the Plan Benefits as provided in the Plan shall constitute a complete discharge of all liabilities under the Plan. The Board and the Third Party Administrator shall remain in existence and the Trust Declaration and all of the provisions of the Plan, which in the opinion of the Board are necessary for the execution of the Plan and the administration and distribution, transfer or other disposition of interests in the Trust Fund shall remain in force.

## **SECTION 15. GENERAL LIMITATIONS AND PROVISIONS**

**15.1** The Plan, as duly amended from time to time, shall be binding on each Participant and Surviving Spouse, heirs, administrators, trustees, successors, assigns, and Designated Beneficiaries and all other interested persons.

**15.2** Nothing contained herein shall give any individual the right to be retained in the employment of the Employer or affect the right of the Employer to terminate any individual's employment. The adoption and maintenance of the Plan shall not constitute a contract between the Employer and any individual or consideration for, or an inducement to or condition of, the employment of any individual.

**15.3** If the Third Party Administrator shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs, is a minor, or has died, then it shall so notify the Board, and any payment due him or her or his or her estate (unless a prior claim therefore has been made by a Designated Beneficiary, Surviving Spouse or duly appointed legal representative or the time period during which a Designated Beneficiary or Surviving Spouse could make a claim under the Plan has not elapsed) may, if the Board so elects, be paid to his or her spouse, a child, a relative, or any other person maintaining or having custody of such person otherwise entitled to payment or deemed by the Board to be a proper recipient on behalf of such person. Any such payment shall be a complete discharge of all liability under the Plan therefor.

**15.4** (a) Except insofar as may otherwise be required by law or in accordance with this Section 15.4, no amount payable at any time under the Plan shall be subject in any manner to alienation by

anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, garnishment, charge or encumbrance of any kind, and any attempt to so alienate such amount, whether presently or thereafter payable, shall be void. If any person shall attempt to, or shall, so alienate any amount payable under the Plan, or any part thereof, or if by reason of bankruptcy or other event happening at any time such amount would not be enjoyed by the person to whom it is payable under the Plan, then the Third Party Administrator shall notify the Board and, if the Board so elects, may direct that such amount be withheld and that the same or any part thereof be paid to or for the benefit of such person, his or her spouse, children or other dependents, or any of them, in such manner and proportion as the Board may deem proper.

(b) Payments with respect to a Participant's Plan Benefit may be made by the Third Party Administrator from the Trust Fund to one or more Alternate Payees pursuant to the terms of a Qualified Domestic Relations Order; *provided however*, that such Qualified Domestic Relations Order shall not create any rights greater than the Participant's rights under the Plan. Notwithstanding any provisions of the Plan to the contrary, any distribution due to an Alternate Payee may be paid in accordance with Section 414(p) of the Code following the qualification of the order if the Alternate Payee consents thereto. Upon receipt of a Qualified Domestic Relations Order by the Plan, portion of the Participant's Account and Rollover Account, which portion shall be determined in accordance with the Qualified Domestic Relations Order, shall be segregated and maintained on behalf of each Alternate Payee designated under such Qualified Domestic Relations Order until payment is made to the Alternate Payee in accordance with this Section 15.4 and the terms of the Plan. No liability whatsoever shall be incurred by the Board, Participating Employer, Third Party Administrator, or any Deferred Compensation Carrier solely by reason of any action taken in accordance with this Section 15.4 pursuant to the terms of a Qualified Domestic Relations Order.

(c) The Third Party Administrator may pay from a Participant's, Beneficiary's, or Alternate Payee's Account Balance the amount that the Administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service with respect to that Participant, Beneficiary, or Alternate Payee or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant, Beneficiary, or Alternate Payee.

**15.5** Each Participant shall file with the Third Party Administrator such pertinent information concerning himself or herself and his or her Designated Beneficiary or Alternate Payee as the Board may specify, and no Participant, Designated Beneficiary, Alternate Payee or other person shall have any rights or be entitled to any benefits under the Plan unless such information is filed by or with respect to him or her.

**15.6** All elections, designations, requests, notices, instructions, and other communications from a Participating Employer, Employee, Participant, Designated Beneficiary, Surviving Spouse, Alternate Payee or other person to the Board, Third Party Administrator, Deferred Compensation Manager, or the Employer required or permitted under the Plan shall be in such form as is prescribed from time to time by the Board, shall be mailed by first class mail, emailed to the address currently on record, or delivered to such location as shall be specified by the Board and shall be deemed to have been given and delivered only upon actual receipt thereof at such location. Copies of all elections, designations, requests, notices, instructions and other communications from an Employee, Participant, Designated Beneficiary, Surviving Spouse, Alternate Payee or other person to the Employer shall be promptly filed with the Third Party Administrator.

**15.7** All notices, statements, reports and other communications from a Participating Employer, the

Third Party Administrator or the Board to any Employee, Participant, Designated Beneficiary, Surviving Spouse, Alternate Payee, or other person required or permitted under the Plan shall be deemed to have been duly given when delivered to, or when mailed by first class mail, emailed, postage prepaid and addressed to such Employee, Participant, Designated Beneficiary, Surviving Spouse, Alternate Payee, or other person at his or her mailing address or email address last appearing on the records of the Board, the Third Party Administrator, or the Participating Employer.

**15.8** The Board may, upon the recommendation of the Third Party Administrator enlarge or diminish any time periods set forth in Sections 2.1, 3.1(b), 3.1(c), 4.3, 6.1, 6.3, 12.5 and 13.1; *provided* it determines that such action is necessary or desirable to facilitate the proper administration of the Plan and, *provided further* that in no case may a Participant's election to commence Compensation deferrals, or to modify existing Compensation deferrals, be effective until written notice of such election is filed with the Third Party Administrator and the Employer.

**15.9** The amounts set aside and held in the Trust Fund shall be for the exclusive purpose of providing benefits to the Participants and their Designated Beneficiaries and Alternate Payees and defraying expenses of Plan and Trust Fund administration and no part of the Trust Fund shall revert to any Employer; *provided, however*, that the setting-aside of any amounts to be held in the Trust Fund is expressly conditioned upon the following: If an amount is set aside to be held in the Trust Fund by an Employer in a manner which is inconsistent with any of the requirements of Section 457(b) of the Code, such amount shall be returned to such Employer prior to the first day of the first Plan Year commencing more than 180 days after the date of notification of such inconsistency by the Secretary of the Treasury. Any amounts so returned to the Employer, and the earnings thereon, shall be distributed to the Participants on whose behalf such amounts were set aside.

**15.10** The Trust Fund shall be the sole source of benefits under the Plan and, except as otherwise required by applicable law, the Board, the Employer, and the Third Party Administrator assume no liability or responsibility for payment of such benefits, and each Participant, his or her spouse or Designated Beneficiary, or other person who shall claim the right to any payment under the Plan shall be entitled to look only to the Trust Fund for such payment and shall not have any right, claim or demand therefore against the Board, or any member thereof, the Employer, the Third Party Administrator, or any employee or director thereof.

**15.11** Any and all rights or benefits accruing to any persons under the Plan shall be subject to the terms of the Trust Declaration or any other funding instrument that is part of the Plan and the Trust Fund.

**15.12** The duties and responsibilities allocated to each person under the Plan and the Trust Declaration shall be the several and not joint responsibility of each, and no such person shall be liable for the act or omission of any other person.

**15.13** The captions preceding the Sections hereof have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provisions hereof.

**15.14** The Plan and all rights thereunder shall be governed by and construed in accordance with the Code and the Treasury Regulations promulgated thereunder and the laws of the State.

NATIONWIDE RETIREMENT SOLUTIONS

# State of New Mexico Administrative Manual

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2014

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## **About this Manual**

This manual describes the administrative procedures the State of New Mexico follows in performing services for the State of New Mexico Deferred Compensation Plan. The manual is general in nature and does not describe all Plan administration tasks. For those tasks that are described, it may not describe the task completely. Also, to make this manual easier to understand we've tried to avoid technical and legal language. Nothing in this manual can change the provisions of the Plan, any Plan Investment Option, the terms of the Administration Service Agreement, or New Mexico Law.

# Nationwide Retirement Solutions

## Home Office Contacts

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Retirement Services Program Director  
Toll Free 1-866-827-NMEX, (1-866-827-6639)  
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Ext. 4355676

### **Mailing Address**

Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus OH 43272-5450  
PW-04-08

### **Overnight Mailing Address**

Nationwide Retirement Solutions  
3400 Southpark Pl, Suite A  
Grove City OH 43123-4856  
DSPF-F2

### **Mailing Address Local Office**

Nationwide Retirement Solutions  
P.O. Box 28580  
Santa Fe NM 87592-9900

### **Santa Fe Office**

Nationwide Retirement Solutions  
3600 Rodeo Lane, Suite B1  
Santa Fe NM 87507  
Phone: (505) 989-4992

# Definitions

Throughout this manual, each of the following words or terms has the meaning stated or provided below.

**457 Plan** means an eligible deferred compensation plan as defined under Section 457(b) of the Code.

**Account** means the individual account of a Participant, Designated Beneficiary or Alternate Payee.

**Alternate Payee** means any spouse, former spouse, child or other dependent of a Participant who is recognized by a domestic relations order as having a right to receive all, or a portion of, the benefit payable under the Plan with respect to such Participant.

**Business Day** means a day that is not Saturday, Sunday or other day on which the New York Stock Exchange is closed, except Good Friday.

**Code** means the Internal Revenue Code of 1986 as it may be amended from time to time.

**Conduit IRA** means a separate IRA established pursuant to a rollover from a Qualified Retirement Plan.

**Designated Beneficiary** means the person (or persons) designated by a Participant to receive the amount payable on the Participant's death.

**Eligible Employee** means an individual employed either by the State of New Mexico or a participating Employer. An employee shall not include an independent contractor, a consultant or any other individual classified by the State as not eligible to participate in the Plan.

**Investment Option** means investment alternative selected by the Public Employees Retirement Board that is available to Participants for investment of some or all of the assets allocated to their accounts.

**Participant** means each individual with a Plan account.

**Participation Agreement** means an agreement, in written format, between an employee and an Employer in which the employee elects to reduce his or her compensation and to have the amount deferred contributed to the Plan.

**Plan** means the Deferred Compensation Plan for the State of New Mexico and other Participating Employers.

**Qualified Domestic Relations Order** means any judgment, decree or order including but not limited to approval of a property settlement agreement that has been determined by Nationwide Retirement Solutions to meet the requirements of a qualified domestic relations order within the meaning of Section 414(p) of the Code.

**State** means the State of New Mexico.

**Tax Sheltered Annuity** means a retirement plan that qualifies under Section 403(b) of the Code and includes both annuity and custodial arrangements.

**USERRA** means the Uniformed Services Employment and Reemployment Rights Act of 1994.

# Employee Eligibility and Enrollment

## Eligibility

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An individual employed either by the State of New Mexico or a participating Employer is eligible to participate in the Deferred Compensation Plan. An employee shall not include an independent contractor, a consultant or any other individual classified by the State as not eligible to participate in the Plan.

## New Enrollment Process

---

Eligible employees may elect to enroll in the Deferred Compensation Plan by contacting their local Retirement Specialist by calling 1-866-827-NMEX (6639) or by contacting the local State of New Mexico office by calling (505) 989-4992.

In addition, eligible employees have the ability to set up an appointment to meet personally with a Retirement Specialist to discuss their enrollment on an individual basis by calling 1-866-827-NMEX (6639) or by contacting the local State of New Mexico office by calling (505) 989-4992.

## Participation Agreement

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As part of the enrollment process, employees will complete a State of New Mexico Participation Agreement that will indicate their elected deferral amount to be contributed to the Plan. Participation Agreements may be sent directly to the following address:

**Nationwide Retirement Solutions  
P.O. Box 2007  
Santa Fe NM 87504-2007**

Or, for those eligible employees who live in the area, Participation Agreements may also be dropped off in person at the Santa Fe office located at:

**Nationwide Retirement Solutions  
3600 Rodeo Lane, Suite B1  
Santa Fe NM 87507**

The elected deferral amount will be logged into a tracking system and will be forwarded to the appropriate payroll center every Tuesday and Friday. It is then the responsibility of each payroll center to update the employee's payroll record to accurately reflect the deferral information for the next appropriate payroll cycle.

## **Beneficiary Designation**

---

As part of the enrollment process, Participants may designate a beneficiary(ies) who will receive, in the event of the Participant's death, all or a portion of the Participant's Deferred Compensation Account based on the Participant's designation. The designated beneficiary may be an individual, an institution, a trust or an Estate. If the Participant does not designate a beneficiary or NRS does not have beneficiary information on file, the proceeds of the account will be paid to the Participant's estate in the event of the Participant's death.

The Participant will include the complete name, relationship, social security number, date of birth, mailing address, and percentage for each designated primary and contingent beneficiary. The Participant may designate one or more primary beneficiary(ies). If a Participant designates more than one primary beneficiary, the proceeds of the Deferred Compensation Account will be divided equally among all living primary beneficiaries unless otherwise specified. If necessary, additional pages may be attached to the Participation Agreement or Beneficiary Change Form noting ***'Additional beneficiary information attached'*** on the page.

Designated contingent (secondary) beneficiaries receive the proceeds of the Participant's Deferred Compensation Account only in the event that the primary beneficiary(ies) does not survive the Participant. If none of the designated beneficiaries are living or if no primary or contingent beneficiaries can be located, the proceeds of the Deferred Compensation Account will be paid to the Participant's Estate.

Beneficiary designations are valid only when they are submitted in writing and signed by the Participant. If the Participant is unable to sign his/her name, his/her mark must be witnessed by two persons other than the designated beneficiary(ies).

Beneficiary information is for internal use.

## **Beneficiary Changes**

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Participants commonly change their beneficiary designation as a result of marriage, divorce, the death of a primary and/or contingent beneficiary or changes in financial circumstances.

Participants may change their previous beneficiary designation by completing a Beneficiary Update Form. The Beneficiary Update Form may be obtained by calling the Customer Service Center at 1-866-827-NMEX (6639) or by visiting the New Mexico Website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM) and clicking on the Beneficiary Designation link under the Forms tab. The Participant will send the completed Beneficiary Update Form to the following address:

**Nationwide Retirement Solutions  
P. O. Box 182797  
Columbus, OH 43272-5450**

Any beneficiary designation or any change in designated beneficiary shall take effect when accepted by Nationwide Retirement Solutions. The last such designation received by Nationwide Retirement Solutions prior to the Participant's death shall be controlling; provided, however, that no designation or change or revocation thereof shall be effective unless received and accepted by Nationwide Retirement Solutions prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

# Contribution Processing

## Remittance of Funds and Payroll Detail

---

An important part of Plan Administration is the investment of participant contributions to this Plan. On a regular basis, usually associated with each payroll date, each payroll center will forward their Plan contribution data directly to Nationwide Retirement Solutions in accordance with established procedures for the remittance of this information. The timeliness and accuracy of the information provided is of utmost importance to ensure Participant Contributions to the Plan are invested accurately and expeditiously.

Funds may be remitted to Nationwide Retirement Solutions in accordance with the Employer's payroll schedule either by electronic transfer or check.

Checks are made payable to "Nationwide Retirement Solutions" and are mailed to the following address:

**Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus, OH 43272-5450**

Nationwide Retirement Solutions can receive payroll details using diskette, electronic transfer or hard copy.

If a hard copy and a check are to be submitted together, both should be mailed to the following address:

**Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus, OH 43272-5450**

Hard copy may be faxed to **1-877-677-4329**. Payroll detail should be sent before or at the same time funds are mailed or electronically transferred.

## General Processing

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Nationwide Retirement Solutions correlates the receipt of payroll detail and the remittance of funds from each Employer for each payroll period. If either is received without the other, an inquiry is made to the Employer and further processing is suspended until the missing item is received.

Upon receipt of payroll detail, Nationwide Retirement Solutions audits the Participant data versus the data on the system for quality control. This involves verifying that the individual Participant data supplied by the Employer matches the Participant data previously captured on the system through the enrollment process. The data verified includes items such as Employer name, Participant name, social security number, etc. Nationwide Retirement Solutions contacts the Employer for assistance with any discrepancies.

Once the payroll has been edited and reconciled, it is processed through the system. The contribution file will be posted to Participant accounts on the day both the funds and the data

match, providing both are received in “good order” prior to the 2 P.M., MT close of the New York Stock Exchange on any day that the New York Stock Exchange is open for business. Requests received after the 2 P.M., MT close of the New York Stock Exchange and/or on any day that the New York Stock Exchange is closed will be processed on the next business day the New York Stock Exchange is open. Every Participant’s deferral is allocated to the appropriate investment options based on the allocation information stored on the system.

### **Return of Contribution**

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When a remittance is received and does not balance due to an employee not having an active State of New Mexico Deferred Compensation Account, a Financial Services Analyst will work with the local Retirement Specialist to establish an account. If an account is not established, Nationwide Retirement Solutions will obtain direction from the Plan Sponsor to hold the money in a suspense account for a total of five days. Money in the suspense account must be researched and identified, and final resolution must be made by day six. On day six, money held in the suspense account will be returned directly to the Employer.

### **Refund of an Investment in Error/Overdeferral**

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Nationwide produces a monthly report detailing participants that are close to or have over deferred. These participants are contacted by the NRS Office Manager in the local office and then an investment in error/over deferral form is submitted to Nationwide. A deferral stop is also submitted to the payroll center. Nationwide then completes the corrective maintenance, refunding the over deferral amount. Corrective maintenance is typically a 2 to 3 day process depending on the amount of the deferral and/or the corrective maintenance involved. A check is then processed and sent to the employer. The employer then issues a check of the over deferral amount to the participant. An amended W-2 is issued only if the over deferral isn't corrected prior to the W-2 being issued. Typically, these corrections are made prior to that happening.

Please note, if payments are received by Nationwide Retirement Solutions in error and the money has been applied to a Participant’s Deferred Compensation Account, the money will be refunded as of the current processing date and returned to the Participant’s Payroll Center directly.

# Contribution Limits

## Regular Contributions

---

Participants in the Plan are allowed to make regular contributions up to 100% of salary after required salary deductions such as FICA taxes, other pre-tax deductions, retirement system contributions, health insurance premiums, union dues, etc, are made.

The maximum dollar contribution is \$17,500 in 2014.

## Retirement Catch-up Contributions

---

A Participant may make Retirement Catch-up contributions to the Plan during any three consecutive years prior to a year in which the Participant may retire without a reduction in retirement benefits. Retirement Catch-up contributions are in addition to regular contributions.

The maximum Retirement Catch-up contribution that may be made in 2014 is \$17,500 for a combined total of \$35,000 between regular contributions and Retirement Catch-up contributions.

The Retirement Catch-up provision cannot be used at the same time as the Age 50 and Over Catch-up provision. However, if the maximum deferral permitted under the Age 50 and Over Catch-up provision is greater than his/her Retirement Catch-up amount, deferrals up to the Age 50 and Over Catch-up maximum deferral may be made.

## Retirement Catch-up Eligibility

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To be eligible to make Retirement Catch-up contributions, the Participant must determine the amount by which contributions to the Plan in previous years was less than the maximum annual contribution limit that the Participant was eligible to defer. (Underutilization)

A Participant wishing to elect the Retirement Catch-up provision and determine his/her underutilization of the prior years' contribution limits should contact their local Retirement Specialist to obtain an Increase Deferral form or Participation Agreement and a 457 Catch-up Provision Form. The Participant must complete, sign and return the forms to their local Retirement Specialist.

## Retirement Catch-up Limits

---

In each of the three Retirement Catch-up years, a Participant's Retirement Catch-up contributions are limited to the lesser of (a) the maximum permissible amount for that year (\$17,500 in 2014) or (b) is the amount by which contributions to the Plan in previous years were less than the maximum that the Participant was eligible to contribute. (Underutilization)

**Example:**

A Plan Participant requests to make Retirement Catch-up contributions. It is determined that during the years he was eligible to participate in the Plan he could have contributed a maximum amount of \$38,000, but only contributed a total amount of \$20,000. The underutilization of maximum contributions to his Plan is \$18,000.  
(\$38,000 – \$20,000 = \$18,000)

By using the Retirement Catch-up provision, the Participant has the ability to increase his contributions to make up for the underutilization for three consecutive years prior to his normal retirement.

The Retirement Catch-up provision cannot be used at the same time as the Age 50 and Over Catch-up provision. The Retirement Catch-up amount may not exceed the amount allowable in that year (\$17,500 in 2014) and may not exceed the total underutilization amount over the three-year period. (\$18,000 from the example provided above).

**Age 50 and Over Catch-up Contributions**

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In the calendar year in which a Participant reaches age 50 and each year thereafter, a Participant may make Age 50 and Over Catch-up Contributions. For the calendar year 2014, the Age 50 and Over Catch-up contribution limit is \$5,500. Therefore, a Participant who will be age 50 or over during 2014, may contribute a combined maximum of \$23,000 between regular contributions and Age 50 and Over Catch-up contributions.

The Age 50 and Over Catch-up provision cannot be used at the same time as the Retirement Catch-up provision.

**Minimum Contributions**

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A Participant may contribute a minimum annual amount of \$260 or \$10 per biweekly pay.

**USERRA Restoration Deferrals**

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A former Participant who is re-employed after a period of qualified military service as that term is defined in USERRA may make restoration deferrals in excess of the regular and catch-up limits. The maximum amount of restoration deferrals is the amount of deferral the Participant could have made during his or her period of qualified military service if the Participant had continued employment with the Employer.

For the purpose of calculating the maximum restoration deferral, the Participant's average compensation during the 12-month period preceding the qualified military service is used.

The time limit for making restoration deferrals is the lesser of (a) the period of qualified military service times three or (b) 5 years.

A Participant who believes he or she is eligible to make restoration deferrals should contact their local Retirement Specialist. The Retirement Specialist will review the eligibility requirements and request the information needed to calculate the restoration deferral limit. After receipt of the needed information, the restoration limit is calculated and a written confirmation of the limit and timeframe for making the restoration deferrals is mailed to the Participant. Although the local Retirement Specialist may assist the Participant in calculating his or her restoration deferral limit, the Participant remains solely responsible for ensuring that such contributions comply with the applicable limitations.

### **Investing Sick and Vacation Days at Retirement**

---

If a Participant has unused sick and vacation days in a particular year and has separated from service as a result of retirement or termination, the Participant may invest these amounts into their State of New Mexico Deferred Compensation Plan. These contributions are subject to applicable IRS limits. To change their contribution amount or to set up a one-time contribution of unused sick and vacation days, Participants must call 1-866-827-6639 to speak with their local Retirement Specialist.

Participants must be currently enrolled in the plan. If they are not, then they can enroll prior to separation from service and invest their unused vacation and sick days into their account.

# Portability of Deferred Compensation Assets

## Employer Change Request

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If an employee was previously employed with another employer that was part of the State of New Mexico Deferred Compensation Plan they may complete an Employer Change Request Form and a new Participation Agreement if they want to consolidate their old employer account with their new employer account (consolidation is a choice and personal preference). Participants can obtain the Employer Change Request Form and Participation Agreement by accessing the Website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM) or by contacting their local Retirement Specialist. Once the forms have been completed they should be mailed to the following address:

Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus OH 43272

- The Employer Change Form is screened for former and new employer information as well as Participant and enroller signature.
- A new Participant account is established on the NRS System. (If the Participant Agreement was forwarded previously, the new Participant account is referenced on the NRS System).
- In the event a Participant Agreement does not accompany the Employer Change Form nor is the new Participant account established on the NRS System, our records will be scanned to ensure a Participant Agreement is on file. If so, the new Participant account will be established.
- NRS will process the Employer Change within 2 business days of receipt.
- Participant allocations will remain the same as the old account, in regards to transfer monies, unless the new Participation Agreement for the new account indicates a different fund selection.
- Within one processing day, both the existing Participant account will be surrendered and the value deposited into the newly established account. Both transactions will be effective as of the previous business day.
- The Employer Change Form and Participation Agreement are quality checked for accuracy.
- During the second business day, the account is again quality checked to ensure that no errors occurred in processing or in the nightly system flow.

## Transfers and Rollovers into the Plan

---

A Plan Participant may transfer or rollover all or part of an account established under another 457(b) plan, 401(a), 401(k), 403(b) or traditional IRA into the Plan. The Participant is solely responsible for ensuring that the amount to be transferred or rolled over into the Plan was deferred under a governmental 457(b) Plan or contributed pursuant to the 401(a), 401(k), 403(b) or traditional IRA pursuant to Internal Revenue Code guidelines as appropriate.

The Participant may request the appropriate transfer or rollover request forms from their local Retirement Specialist, through the Website at WWW.NEWMEXICO457DC.COM or by contacting the Customer Service Center by calling 1-866-827-NMEX (6639).

The completed form and check from the other Plan should be made out to the State of New Mexico Deferred Compensation Plan, for the benefit of (FBO) the Participant and mailed to:

**Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus, OH 43272-5450**

### **Transfers and Rollovers out of the Plan**\_\_\_\_\_

A Participant who is eligible for a distribution of benefits and enrolls in another governmental 457(b) plan or 401(a), 401(k), 403(b) or traditional IRA, may transfer or rollover all or part of their State of New Mexico Deferred Compensation Plan account to the other Plan.

The Participant may request the appropriate transfer or rollover request forms and materials from their local Retirement Specialist by contacting the local Santa Fe Office at (505) 989-4992. The Plan to which Plan assets are being transferred or rolled into may also require the Participant to complete a transfer request form.

The Participant is not liable for the payment of income taxes on assets that are transferred provided that the assets are transferred directly from the plan to the other governmental 457(b) plan, a 401(a), 401(k), 403(b) or traditional IRA.

If the Participant has attained age 70 ½ or older, a Required Minimum Distribution (RMD) may be required before the transfer or rollover request is processed.

### **Pension Protection Act Rollover Options**\_\_\_\_\_

Section 824 of the Pension Protection Act allows for a direct rollover distribution from eligible retirement plans (as defined in IRC 402c(8)(b) which includes governmental 457(b) plans into a Roth IRA.

Section 829 of the Pension Protection Act allows non-spousal beneficiaries to execute a direct rollover distribution from eligible retirement plans (as defined in IRC 402c(8)(b) which includes governmental 457(b) to an IRA.

# Distributions

Distributions may occur under the following circumstances: separation from service, attainment of age 70 ½, death, unforeseeable emergency or, if the Participant's account qualifies, a Diminimus withdrawal (In Service Withdrawal).

## Separation from Service

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A Participant becomes eligible to elect to receive distributions as of the date the Participant voluntarily or involuntarily separates from service with his/her employer. Retirement is considered as separation from service for these purposes.

## Age 70 ½

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A Participant who continues employment after attaining age 70 ½ may elect to begin to receive distributions from their Plan benefits at any time, but no later than separation from service. Once a Participant begins their distribution, no additional contributions may be made to their account.

## Procedures to Begin Distribution

---

Prior to or upon separation from service or attainment of age 70 ½, a Participant may request a benefit distribution package by calling the Customer Service Center at 1-866-827-NMEX (6639), by using the Automated Voice Response Unit or through the Plan's Website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM). This package outlines the payment options, includes the necessary distribution forms and will be mailed to the Participant within two business days following the request. In addition, a local Retirement Specialist will be available to assist the Participant in choosing which payout option best fits the Participant's individual needs.

Nationwide Retirement Solutions reviews the documents for completeness and accuracy.

Nationwide Retirement Solutions notifies the Participant in writing if a form is incomplete within three business days of the receipt date.

## Distribution Payment Options

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A Participant or Designated Beneficiary/Beneficiaries may choose to have distributions paid as a one-time lump sum payment, a partial lump sum payment or establish a regular periodic payment of benefits. The selected payment option may be changed as long as there is a balance in the Participant's account. The following is a brief description of each benefit payment option.

### **Full Withdrawal**

This option provides that the Participant's account will be paid in one lump sum. After receiving payment, the individual will no longer be a Participant in the Plan.

### **Partial Withdrawal**

This option provides for a partial lump sum payment of a portion of the Participant's account. The remainder may be paid out as additional partial lump sum payments at the Participant's request or paid as regular periodic payments such as monthly, quarterly, semi-annually or annually.

### **Fixed Amount**

This option allows the participant to choose a fixed payment amount (minimum of \$25.00) until the account is exhausted. Participants may elect to apply the Cost of Living Adjustment (COLA) to the payment amount. COLA rates are declared annually by the federal government and the rate applied to the payment will also update annually. COLA can be 0% for a given year and would not impact the payment amount in this instance. The final payment will be the account balance. In the year the participant turns 70 ½, if the payment is less than the minimum amount required under Federal regulations, the payment amount will be increased. Exchanges are permitted, subject to annual exchange limitations.

### **Fixed Period**

This option allows participants to choose the number of years they will receive payments. The participant may elect to include an assumed growth rate equal to the Cost of Living Adjustment (COLA) or between 3-9% in the calculation. With an assumed growth rate, the growth rate is applied to the participant's account balance when processing the initial withdrawal each year. This balance is divided by the number of years remaining on the participant's withdrawal to determine withdrawal amount for the current calendar year. The participant may also elect the frequency at which the payments are recalculated, annually or per payment. The participant's payment may fluctuate if some or all of the money is invested in the Variable Accounts or Mutual Fund Options. Exchanges are permitted, subject to annual exchange limitations.

### **Single Life Expectancy**

This option provides payments to last through the participant's calculated life expectancy at the time the payments are initiated. The number of payments is not recalculated after the payments are initiated. The payment amount is recalculated annually. The payment may fluctuate if some or all of the money is invested in the Variable Accounts or Mutual Fund options.

### **Joint Life Expectancy**

This option allows payments to last through the participant's and the participant's beneficiary's calculated life expectancy at the time the payments are initiated. The number of payments is not recalculated after the payments are initiated. The payment

amount is recalculated annually. The payment may fluctuate if some or all of the money is invested in the Variable Accounts or Mutual Fund options.

### **Single Lifetime**

This option provides payments to last through the participant's calculated life expectancy at the time the payments are initiated. The payment amount and number of payments is recalculated annually based on updated life expectancy tables. The payment may fluctuate if some or all of the money is invested in the Variable Accounts or Mutual Fund options.

### **Joint Lifetime**

This option provides payments to last through the participant's and the participant's beneficiary's calculated life expectancy at the time payments are initiated. The payment amount and number of payments is recalculated annually based on updated life expectancy tables. The payment may fluctuate if some or all of the money is invested in the Variable Accounts or Mutual Fund options.

### **Ability to Change Options**

Participants in the Plan may change their benefit payment schedule at any time. The schedule and/or amount of payments can be increased or decreased at any time.

If the Participant's account has more than one fund, the withdrawal amount is pro-rated against all funds.

The Participant's account will continue to receive the investment return associated with each Plan investment. The Participant may continue to transfer the remaining amounts among the eligible investment options. The remaining account balance will remain in the investment options available under the Plan and is subject to any applicable administrative charges.

Periodic payments may be paid, at the recipient's option, directly to the recipient's home address or by automatic electronic transfer to the recipient's bank account. The Participant may obtain the appropriate form for automatic electronic transfers by calling the Customer Service Center at 1-866-827-NMEX (6639) and speaking to a Financial Services Representative or by accessing the website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM).

## **Required Minimum Distribution**

---

The Internal Revenue Service, (IRS), states that Plan Participants must take their first minimum distribution by April 1 of the year following the year in which the Participant achieves age 70½, or the year in which they retire, whichever is later. Participants who elect to continue to work past age 70½ may continue to defer into the Plan, however upon retirement or separation from service, the Participant must begin their required minimum distribution.

Participants must take a minimum distribution from each Non-qualified Retirement Plan in which they participate.

If the appropriate minimum distribution is not made, the Plan may be disqualified and the Participant may be required to pay a 50% excise penalty tax on the required minimum amount that was not disbursed.

**Example:**

The required 70½ minimum distribution amount is \$1,000 and the Participant only received \$300, the excise penalty tax would be \$350. ( $\$1,000 - \$300 = \$700$ .  
 $50\% \text{ of } \$700 = \$350$ )

In October of each year, Nationwide Retirement Solutions will run a report of all Required Minimum Distribution affected Participants. The report will list each Participant, the Required Minimum Distribution amount, less any payments to the Participant. Nationwide Retirement Solutions will notify by mail those Participants who are in jeopardy of not meeting the Required Minimum Distribution requirements.

**Procedures for Distribution after a Participant's Death**

---

Upon a Participant's death, the designated primary beneficiary(ies) may elect to receive distributions of the Participant's account balance. If the primary beneficiary(ies) of record predeceased the Participant, the contingent beneficiary(ies) is entitled to receive distributions from the Participant's account. If there is no living primary or contingent beneficiary(ies), the Participant's estate will receive the distribution from the Participant's account.

If a Participant dies before receiving final distribution of his or her Plan Benefit, an amount equal to the value of the unpaid portion thereof as of the date of death shall be paid in cash by Nationwide Retirement Solutions from the Trust Fund to the Participant's beneficiary by one of the methods described, however, if the Participant dies after payments have commenced then payment to the Participant's beneficiary must be made at least as rapidly as under the method of distribution in effect at the time of the Participant's death.

Subject to the following provisions, any payment made shall be made in one of the following methods, as the Participant (or, in the case of the death of a Participant, his or her beneficiary) may elect, such as one cash lump sum payment, with respect to such Participant's account and rollover account, monthly, quarterly, semi-annually or annual installment payments.

In the case of the death of a Participant, if his or her beneficiary elects a lump sum payment, the value of the Participant's Plan Benefit shall be determined as of the Valuation Date coincident with or last preceding the date on which the Plan Benefit is withdrawn from the Investment Options and liquidated for distribution.

In the case of the Participants death a distribution election may be made by his beneficiary prior to, or after payments commence. Such election shall specify the form of payment elected and the date on which payments shall commence; A beneficiary, including a beneficiary who is currently receiving distributions under the Plan, irrespective of the date on which such distributions commenced, may change both the timing and the form of payment elected in accordance with procedures established by Nationwide Retirement Solutions.

If a Participant dies before distribution of his/her Plan Benefit has commenced, a distribution will be made to the beneficiary pursuant to the beneficiary's election duly filed with Nationwide Retirement Solutions, however, any distribution to a beneficiary shall be made in accordance with the provisions of Section 401(a)(9) of the Internal Revenue Code. All distributions shall commence not later than the close of the Plan year immediately following the Plan year in which the Participant died, or in the event such beneficiary is the Participant's surviving spouse, on or before the close of the Plan year in which such Participant would have attained age 70½, if later (or, in either case, on any later date prescribed by the Treasury Regulations). If such beneficiary who is also the surviving spouse dies after the Participant's death but before distributions to such beneficiary commence, this provision shall be applied to the required payment of any further benefits as if such surviving spouse were the Participant.

When a Participant dies, the beneficiary may contact the Customer Service Center by calling toll free 1-866-827-NMEX (6639) and speak to a Financial Services Representative to discuss the distribution options available.

The Financial Services Representative will confirm the name and social security number of the individual contacting the Customer Service Center to ensure it is the beneficiary designated by the Participant. No account information will be provided should the individual not be the Participant's designated beneficiary.

A certified copy of the death certificate of the Participant and other forms are required to exercise beneficiary distribution options.

## **Unforeseeable Emergency Withdrawals**

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Financial hardship withdrawals are paid only to Participants in the case of an unforeseeable emergency. The Plan defines an unforeseeable emergency as:

***“severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant, of the Designated Beneficiary, or of a spouse, or of a dependent of the participant or a Designated Beneficiary....loss of the Participant’s or Designated Beneficiary’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowners insurance, e.g., as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.***

***For example, the imminent foreclosure of or eviction from the Participant’s primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as, for the cost of prescription drug medication, may constitute an unforeseeable emergency.***

***Finally, the need to pay for the funeral expenses of a spouse or a dependent....may also constitute an unforeseeable emergency. Except as otherwise specifically provided in this paragraph....the purchase of a home and the payment of college tuition are not unforeseeable emergencies under this paragraph.***

***....Whether a Participant is faced with an unforeseeable emergency permitting a distribution....is to be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under the Plan.***

***....Distributions because of an unforeseeable emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any federal, state, or local incomes taxes or penalties reasonably anticipated to result from the distribution)."***

The circumstances that will constitute a financial hardship will depend upon the facts of each case. But in any case, the Participant may have to submit written proof of the financial loss, and confirm that the emergency will not be relieved through insurance reimbursement or compensation or by ending deferrals to the Plan.

Withdrawals because of a financial hardship are only permitted to the extent reasonably needed to satisfy the emergency need.

College tuition, routine monthly expenses, car repairs, divorce and/or separation and the purchase of a home are not considered to be a financial hardship.

Participants located in the Santa Fe area can obtain a financial hardship withdrawal packet from their Retirement Specialist at the local Santa Fe office. The Retirement Specialist will discuss the financial hardship requirements with the Participant. If the Participant qualifies for the financial hardship withdrawal, the Retirement Specialist will forward the paperwork to NRS by fax or mail for processing.

If a Participant located outside of the Santa Fe area wishes to make a financial hardship withdrawal, he/she contacts the Customer Service Center by calling 1-866-827-NMEX (6639). The Financial Services Representative will again discuss the financial hardship withdrawal requirements with the Participant. If the Participant qualifies for a financial hardship withdrawal, the Financial Services Representative will provide him/her with the appropriate paperwork.

After completing the requested information, the Participant returns the forms to Nationwide Retirement Solutions via fax at 1-877-677-4329, or by mail at the address provided below, where they are reviewed:

**Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus, OH 43272**

Nationwide Retirement Solutions will complete its review of the financial hardship withdrawal request within three business days of receipt. If the financial hardship withdrawal request is approved, a check will be mailed to the Participant's home address within two business days of the approval.

If the financial hardship withdrawal application form is incomplete, the Participant will receive a rejection letter requesting the required documentation. If the Participant's request does not qualify as an Unforeseeable Emergency under the IRS guidelines, the request will be denied. The Participant will receive a letter indicating why the financial hardship withdrawal request was denied.

### **Diminimus Withdrawals (In-Service Withdrawals)**\_\_\_\_\_

A Participant with an account balance of \$5,000 or less, excluding rollover contributions, may withdraw the entire account balance, provided the Participant has not made any contributions to the Plan in the two years preceding the distribution date and the Participant has never before used the Withdrawal for Small Account provision.

A Participant who wishes to request a distribution under this section may contact the Customer Service Center by calling 1-866-827-NMEX (6639). A Financial Services Representative will review the eligibility requirements and mail a form to the Participant no later than the third business day following the request date. A form received in good order is processed within five business days from the date of receipt.

### **Permissible Service Credit**\_\_\_\_\_

A Participant in the State of New Mexico Deferred Compensation Plan is permitted to use his/her Plan assets to purchase service credit towards retirement.

- Allows the participant the option of using 457 assets to buy time in the employer's defined benefit plan.
- Participants do not need to meet a distributable event in order to purchase service credit using 457 assets.
- Distributions for purchase of service credits are not taxable or tax reportable.

The Participant is required to obtain documentation from their retirement system affirming their eligibility to purchase service credit and the amount of monies necessary to purchase that service credit. Upon receipt of the required documentation from a Plan Participant in good order, the Plan's Administrator will transmit the requested amount of assets to the Trustee of the relevant retirement system. The transfer of assets will not be subject to the imposition of state or federal income taxes.

### **Plan Loans**\_\_\_\_\_

Any Plan Participant in the State of New Mexico Deferred Compensation Program may be eligible to take a loan from their Plan account. Participants are obligated to repay the loan plus interest to their Plan account in monthly installments within a specified period of time. Before considering a loan, Participants should carefully examine all of their options and/or consult with a financial planner or tax advisor.

Features of the Plan’s loan program are as follows:

|                                     |   |
|-------------------------------------|---|
| <b>Types of Loans Permitted:</b>    | General Purpose and Primary Residence.  |
| <b>Maximum Loan Period:</b>         | 5 Years, General Purpose Loan<br>15 Years, Primary Residence Loan   |
| <b>Maximum Number of Loans:</b>     | Only one outstanding loan at one time.  |
| <b>Maximum Loan Amount:</b>         | ½ the account value up to \$50,000.   |
| <b>Minimum Loan Amount:</b>         | \$1,000.00  |
| <b>Interest Rate:</b>               | The interest rate is the prime rate published in the Wall Street Journal, plus one percent, at the time of the loan application. The rate is set quarterly. |
| <b>Annual Loan Maintenance Fee:</b> | \$50.00   |
| <b>Loan Default Fee:</b>            | \$50.00 annually until the loan is repaid.  |
| <b>Insufficient Funds Fee:</b>      | \$25.00   |

**\*\*\*Please Note:** Interest that is collected on loans taken by the participant is paid back to the participant.

**Loan Eligibility**

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Any Plan Participant may apply for a loan if they meet the minimum loan qualification. Each Participant is entitled to one (1) loan at a time.

**Loan Repayment**

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Loan repayments will be automatically deducted from the Participant’s checking or savings account on a monthly basis with after-tax dollars and re-invested in the Participant’s Plan account according to the Participant’s current investment allocation.

A Participant may pay the entire amount of a loan, including outstanding principal and any accrued interest, without penalty prior to the end of the term of the loan.

**Loan Default**

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Participants must pay the full amount of each payment (principal and interest) on the date that it is due, as provided in the repayment schedule. If the Participant fails to make a full payment on the date due, Nationwide Retirement Solutions will send written notification to the Participant of the missed payment. Thereafter, the Participant must arrange with Nationwide Retirement Solutions to pay the missed payment, plus interest which continues to be accrued after the payment date, within 30 days after the date that the missed payment was due.

Failure to do so will cause the entire loan, including any accrued interest, to be due and payable on the 30<sup>th</sup> day following the Participant’s failure to make a payment when due. The entire loan, including any accrued interest, will also be due and payable immediately in the event the Participant refuses to execute, revokes or rescinds any agreement necessary to comply with the repayment schedule, commences (or has commenced against him/her) a case of bankruptcy, upon the Participant’s separation from service or upon the Participant’s death.

Once a loan has been defaulted, the entire amount outstanding (principal and interest) will be reported to the IRS as a deemed distribution as required by law. Once the loan is in default, no future loans may be granted from the Plan until the defaulted loan has been repaid, including accrued interest and fees.

### **Default Fee**

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On the 30<sup>th</sup> day following the Participant's failure to make a payment when due, or at such other time as the Participant fails for 30 days to repay a loan that is due and payable in full, a \$50.00 loan default fee will be assessed and deducted annually from the Participant's Plan account(s) until the loan is repaid. This charge will only affect Participants who fail to make a required loan payment.

# Qualified Domestic Relations Orders

A Qualified Domestic Relations Order, QDRO, is an order executed by a Court that allows a portion of a Participant's account pursuant to the property settlement of a divorce or legal separation of a Participant.

A QDRO must be certified before it can be adopted and implemented by the Plan. Starting on the date that the QDRO is received by Nationwide Retirement Solutions, distributions from the Participant's account will be placed in an administrative hold until the QDRO is certified. While the administrative hold is in effect, distributions to the Participant cannot exceed the Required Minimum Distribution under Section 401(a)(9) of the Internal Revenue Code. The Participant may continue to provide investment direction to the Customer Service Center while the distribution limitation is in effect.

When a QDRO is received, Nationwide Retirement Solutions will send an acknowledgement letter and a copy of the QDRO requirements to the Participant, the Alternate Payee and their lawyers. An initial determination to approve or deny the QDRO will be made by Nationwide Retirement Solutions based on the guidelines provided by the Plan Document.

The domestic relations order should:

- Be directed to the deferred compensation plan and not directed to the administrator of the plan;
- Create or recognize the existence of the right of an Alternate Payee to all or a portion of the benefits payable with respect to a Participant under the Plan;
- Clearly specify the names, last known addresses, and social security numbers of the Participant and Alternate Payee; please include date of birth for alternate payee
- Clearly specify the amount or percentage of the Participant's benefits which are to be segregated for the Alternate Payee with a specific "as of" date for the segregation;
- If applicable, clearly specify the rate of accrual of interest or earnings on the Alternate Payee's benefits from the "as of" date to the actual date of segregation. (The administrator will not perform hypothetical calculations to adjust for market fluctuations);
- Not provide for any actions to be taken by the Plan which are inconsistent with the Plan document;
  
- Not provide for any form of payment to the Alternate Payee that is not permitted by the Plan; and
- Not require the payment of benefits to an Alternate Payee, which is required by a prior domestic relations order to be paid to another Alternate Payee.

The following items also should be considered:

- Distributions made to an Alternate Payee are reported as taxable income to the Alternate Payee. Taxes will be withheld from any distributions to the Alternate Payee's account based upon the tax withholding elections of the Alternate Payee.
- The Alternate Payee may not make any contributions to the separate account.
- The Alternate Payee is permitted to designate beneficiaries for his or her account and to exercise exchanges among the funding options as permitted by the Plan and the investment providers under the plan. The Alternate Payee will receive quarterly statements on his or her account which will be sent to their address.

If the Order is approved, Nationwide Retirement Solutions will inform the Participant, the Alternate Payee and their lawyers, by letter, of the approval.

If the Order is denied, Nationwide Retirement Solutions will inform the Participant, the Alternate Payee and their lawyers, by letter, the reason(s) for the denial.

### **Accounts for Alternate Payees**

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Upon approval of the Order, an account for the Alternate Payee will be established and the dollar amount awarded by the Order will be transferred to the account. If the Order specifies the Alternate Payee's share as a percentage, the percentage will be withdrawn from the balance of the Participant's account as of the business day preceeding the day the account is established for the Alternate Payee.

The Alternate Payee is entitled to direct the account's investment as if the Alternate Payee is a Participant. If the Alternate Payee does not provide investment instructions, the Alternate Payee's account will be invested on the day it is established in the same manner as the Participant's account. If the Alternate Payee is a minor, the minor's guardian will direct the account's investments.

While the account is maintained, the Alternate Payee will receive a quarterly statement. The Alternate Payee may request distribution once the account has been transferred into their name but will not be eligible for an Unforeseeable Emergency Withdrawal or a Plan loan.

### **Assistance to Lawyers**

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Nationwide Retirement Solutions will supply items required for Good Order Review if a lawyer requests assistance in preparing an Order. At a lawyer's request, Nationwide Retirement Solutions will review a draft of a QDRO to determine if the Order would be approved if executed and directed to the Plan. Any such review will provide that the review is not binding on the Plan.

# Quarterly Statements

**Mailing Date** \_\_\_\_\_

Nationwide Retirement Solutions mails an individual account statement to each Participant's address of record no later than 20 business days following the last day of each calendar quarter.

**Information on the Statements** \_\_\_\_\_

The statement will, among other items, list beginning and ending balances that occurred during that quarter. The statement includes a performance summary and description of the Plan's investment options, the disclosure of fees and reimbursements to Participants, and other materials of interest to Participants.

# Administrative Processing

## Deferral Changes

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A Participant may increase, decrease, suspend or discontinue deferrals by contacting their local Retirement Specialist or through the Plan Website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM). Nationwide Retirement Solutions will advise the Participant's employer of the deferral change so that it will be reflected on the Participant's paycheck.

All increases, decreases and suspensions will be implemented as quickly as administratively possible but should be effective within two pay periods from the date that the deferral change request is received.

## Allocation Changes (Investment of Future Contributions)

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A Participant may change the allocation of future deferrals by contacting the Customer Service Center by calling 1-866-827-NMEX (6639) and speaking to a Financial Services Representative, by using the Automated Voice Response Unit or through the Plan Website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM). A request for an allocation change received prior to 2 P.M. Mountain Time (MT) or the time that the New York Stock Exchange closes, whichever is earlier, is processed as of the same day with that day's closing fund share price. Requests received after 2 P.M. MT will be processed at the close of the next business day.

A written confirmation of the allocation change is mailed to the Participant's address of record by the second business day following the request. The Participant is solely responsible for reviewing the confirmation and ensuring that the allocation change is in accordance with the Participant's instructions.

## Exchanges Between Existing Investment Options

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A Participant may exchange investment options by contacting the Customer Service Center by calling 1-866-827-NMEX (6639) and speaking to a Financial Services Representative, by using the Automated Voice Response Unit or through the Plan Website at [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM). A request for an exchange between investment options received prior to 2 P.M. Mountain Time (MT) or the time that the New York Stock Exchange closes, whichever is earlier, is processed as of the same day with that day's closing fund share price. Requests received after 2 P.M. MT will be processed at the close of the next business day.

A written confirmation of an exchange transaction is mailed to the Participant's address of record by the second business day following the date of exchange. The Participant is solely responsible for reviewing the confirmation and ensuring that the exchange transaction is in accordance with the Participant's instructions.

## **LifeCycle Portfolios**

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LifeCycle Portfolios have been custom designed for the State of New Mexico Plan and are each made up of several funds from the core investment options already available within the Plan. By merely selecting one investment option, Participants can fully diversify their accounts. In addition, LifeCycle Portfolios are matched to a Participant's intended retirement date. Normally, one would alter the allocation of assets among different asset classes to reduce risk as he or she approaches retirement. With the LifeCycle Portfolios, the portfolio asset allocation mix changes over time, resulting in a more hands-off and hassle-free option to retirement investing. LifeCycle Portfolio fact sheets are available for Participants to read before investing in these portfolios.

## **Morningstar ClearFuture**

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State of New Mexico Plan Participants can obtain online retirement education from Morningstar Associates, LLC a leading provider of investment advisory services for the retirement industry. This helpful online service is optional to plan participants and provides free investment guidance, planning and education all directed at helping Participants to formulate the most appropriate investment strategy specifically designed for the Participant's individual situation.

Guidance Online uses a goal-based approach allowing Participants to examine the relationships between asset mixes, risk and expected retirement income. It provides specific investment information – helping Participants to create a diversified portfolio using the investment options in the Plan, with information tailored to their financial goals.

Morningstar Advice Online is an additional online tool that helps participants set and keep goals and provides participants investment advice and portfolio diversification. For individuals utilizing the Morningstar Advice service, a \$45 annual fee is charged to the participant's account.

## **Name Changes**

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If a Participant would like to update and/or change the name on their State of New Mexico Deferred Compensation Account, the Participant must send a signed written request, including a copy of their social security card or valid driver's license to verify the change, to the Customer Service Center at the address provided below:

**Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus OH 43272**

A confirmation will be mailed to the Participant for all name updates within two business days of the change.

# State of New Mexico Self Directed Brokerage Option

## Schwab Personal Choice Retirement Account (PCRA)

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The State of New Mexico authorizes the investment of a portion of Plan account assets in over 3,200 mutual funds offered through Schwab PCRA. Investment options available through the Self-Directed Brokerage account (SDBA) include: Taxable and tax-exempt mutual funds, equities, publicly-traded limited partnerships, taxable and tax-exempt fixed income products, foreign securities, and options. All exchange-traded funds are also available through the SDBA. Alternative investments are not permitted.

Because the PCRA is not a basic Plan service, a \$50.00 annual maintenance fee to utilize the PCRA will be deducted from the Plan account once the PCRA has been established. In addition to these fees, an additional transaction fee may apply, and would be imposed by Schwab for the purchase and sale of mutual funds with “loads” or for short-term redemptions.

To open the Schwab PCRA account, a transfer of assets is initiated from the core investment options in the Plan account to the PCRA account. This transfer is similar to exchanging assets between the Plan’s core investment options.

However, the following guidelines apply:

- The processing of a transfer of funds from the Plan account to the PCRA takes two business days. Once the funds are transferred to the PCRA the funds must be invested in a Schwab Money Market Sweep account for one business day.
- A minimum balance in a Plan account of \$7,500 is required to establish a PCRA.
- A \$2,500 minimum initial transfer to the PCRA is required.
- A \$5,000 minimum dollar amount must be maintained in the core investment options.
- Subsequent transfers from the Plan account will be permitted to the extent that the aggregate balance of your core investment options equals or exceeds the balance in the PCRA at the time of the requested transfer. For example, if the balance in the core investment options is \$20,000 and the balance of the PCRA is \$15,000, a transfer up to \$2,500 to PCRA may be made leaving a \$17,500 balance in each account.
- A \$500 minimum transfer is required for subsequent transfers to the PCRA.

State of New Mexico Plan Participants who would like to open a Schwab PCRA account must contact the Customer Service Center by calling 1-866-827-NMEX (6639) or contact the Santa Fe office by calling 1-505-989-4992 to obtain the required paperwork.

# Retirement Specialists

## Personal Counseling, Enrollment and Servicing

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Retirement Specialists conduct individual and group counseling sessions for enrolling eligible employees at various State and participating employer work locations. During the counseling sessions, Retirement Specialists work with the employees to help them complete the necessary forms to Participate in the Plan.

During individual counseling sessions, Retirement Specialists are supported through the use of laptop computers which allow the Retirement Specialist to:

- Complete a paycheck illustration.
- Complete an accumulation illustration.
- Complete a retirement needs illustration.

Additionally, Retirement Specialists make outreach efforts in accordance with the Marketing Plan to increase Plan participation among the eligible employees and to bring more eligible employees into the Plan.

Retirement Specialists provide, on an ongoing basis, information about the Plan, account information, counseling on Plan transactions and assistance with administrative policies and procedures.

Retirement Specialists provide employer on-site education workshops for employees in line with Nationwide Retirement Solutions “Join It, Learn It, Live It” campaign.

## Certification and Training

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Except for those exempted under the Administrative Service Agreement between Nationwide Retirement Solutions and the State of New Mexico, Retirement Specialists are required to meet the following certification and training requirements:

- Successful completion of National Association of Securities Dealers Series 6 and 63 examinations within 120 days of employment.
- Prior experience in the financial services industry or in the field of defined contribution plan administration.
- Working knowledge of the terms and provisions of the Plan, the investment options, the Code provisions applicable to the Plan, the procedures for accessing account information and initiating transactions, the automated systems and all other Plan information.

## Local Retirement Specialist Contact List

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Linda Miller  
Retirement Specialist (Southern Territory)  
Toll Free 1-866-827-NMEX, (1-866-827-6639)  
Cell Phone: (575) 520-2660

Jocelyn Hodes  
Retirement Specialist (Northern Territory)  
Toll Free 1-866-827-NMEX, (1-866-827-6639)  
Cell Phone: (505) 321-2239

Clayton Puckett  
Retirement Specialist (Central Territory)  
Toll Free 1-866-827-NMEX, (1-866-827-6639)  
Cell Phone: (505) 362-8814

Phyllis Gurule  
Sr Financial Services Tech  
Toll Free 1-866-827-NMEX, (1-866-827-6639)  
Santa Fe Office Phone: (505) 989-4992

# Customer Service Center

**1-866-827-NMEX (6639)**

## **Staff**

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The Customer Service Center is staffed with full-time, licensed and NASD registered Financial Services Representatives and managers.

## **Services**

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- Researching and rectifying Participant inquiries.
- Responding to Participant complaints and inquiries.
- Documenting Participant complaints and inquiries.
- Spanish language availability.

## **Explanations of**

- Plan design and structure.
- Statements and statement timeframes.
- Investment allocations.
- Procedures for decreasing and increasing deferrals.
- Separation from service procedures.
- Plan account distribution procedures.
- Fund performance results.
- Loan process.
- LifeCycle Portfolios
- Schwab Personal Choice Retirement Account (PCRA)

## Requests for

- Deferral change forms.
- Emergency withdrawal request forms.
- Transfers of existing balances.
- Allocation changes and deferral changes.
- Plan loan requests.
- LifeCycle Portfolio requests.
- Schwab Personal Choice Retirement Account (PCRA) requests.

## Availability and Response Times

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Financial Services Representatives are available Monday through Friday from 6:00 A.M. to 9:00 P.M., Mountain Time. Financial Services Representatives are not available on weekends or weekdays on which the New York Stock Exchange is closed.

Our service goal is that 75 percent of the incoming calls in any month are answered in 20 seconds or less.

“Abandoned calls”, those calls that are terminated before being answered by a Financial Services Representative, are at a rate of less than five percent, excluding calls terminated during the first 20 seconds.

# Automated Voice Response Unit (VRU)

## VRU Services

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Nationwide Retirement Solutions provides Participants with an automated method of receiving Plan account information. When Participants call the Customer Service Center number, 1-866-827-NMEX (6639), they are given the option of utilizing the Automated Voice Response Unit (VRU) or speaking directly to a Financial Services Representative. For security purposes, Participants must enter their social security number followed by their personal identification number (PIN) to obtain Plan account information through the VRU.

Through the VRU, Participants may:

- Obtain total Plan account balances.
- Obtain account balances by individual funds.
- Obtain the most recent fund share prices or yields for the investment products within the Plan.
- Execute transfers of existing assets between investment options.
- Change the allocation of future deferrals.
- Order Plan materials.
- Access the Spanish language line.

## Availability and Response Times

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Except for scheduled maintenance, the VRU is available 24 hours a day, seven days a week.

## Establishing Personal Identification Numbers (PIN)

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Personal Identification Numbers, PIN, protect a Participant's account information. Participants must establish their PIN number prior to accessing account information through the Voice Response Unit, (VRU). Participants may receive specific information about establishing their PIN number by contacting the Customer Service Center by calling 1-866-827-NMEX (6639) and speaking to a Financial Services Representative.

## Lost PIN Numbers

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If a Participant forgets or loses his/her PIN number, or, should a Participant wish to change their PIN number for any reason, the Participant may have their PIN number re-set by contacting the Customer Service Center by calling 1-866-827-NMEX (6639) and speaking to a Financial Services Representative.

# State of New Mexico Website

## Website

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A customized Website dedicated to the State of New Mexico's Deferred Compensation Plan is available to Participants, to eligible employees interested in enrolling in the Plan, participating employers and to employers considering adopting the Plan.

The site provides general information about the Plan and also allows Participants to download and print many Plan resources.

The Espanol tab displayed on the Website's Home Page allows Participants to access information about Deferred Compensation on-line in Spanish.

A Participant has the ability to view all of the following:

- Account balance.
- Current investment allocation.
- Current contribution amount.
- Fund descriptions.
- Fund performance.
- Fund prospectuses and annual reports (also available for download).
- Access to Morningstar Clearfuture Advice.
- Initiate transfers to Schwab Personal Choice Retirement Account (PCRA).

In addition, Participants have the ability to access basic account information, Plan forms and materials, to exchange existing assets between investment options and to reallocate future deferrals among the Plan's investment options via the Website. Please note, information regarding Plan Loans must be initiated through the Customer Service Center.

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The Website can be accessed at:

**WWW.NEWMEXICO457DC.COM**

## Availability and Response Times

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Except for scheduled maintenance, the Website is available 24 hours a day, 7 days a week.

## **ARTICLE 7A**

### **Deferred Compensation**

#### **10-7A-1. Short title.**

Sections 1 through 10 [10-7A-1 through 10-7A-10 NMSA 1978] of this act may be cited as the "Deferred Compensation Act".

**History:** Laws 1981, ch. 155, § 1.

#### **10-7A-2. Definitions.**

As used in the Deferred Compensation Act:

- A. "board" means the public employees retirement board;
- B. "local public body" means all political subdivisions of the state, their agencies, instrumentalities and institutions;
- C. "local public employee" means any officer or employee to whom a local public body pays a salary for services rendered;
- D. "deferred compensation carriers" means any corporation, partnership or persons providing administrative, recordkeeping or investment consulting services to participants in deferred compensation plans pursuant to funding agreements; and
- E. "state employee" means any officer or employee to whom the state pays a salary for services rendered.

**History:** Laws 1981, ch. 155, § 2; 1985, ch. 161, § 1; 2017, ch. 20, § 1.

#### **10-7A-3. Deferred compensation plan; state and local public employees.**

A. After the effective date of the Deferred Compensation Act, the board shall review and approve deferred compensation plans for participation by state and local public employees. A deferred compensation plan shall provide for the method of transfer of funds to a plan through written or electronic salary reduction agreements with state and local public employees and shall provide for deferral of only those salary amounts upon which income taxes are eligible for deferral pursuant to federal law.

B. Compensation deferred under any deferred compensation plan shall be included with current income for purposes of computing retirement contributions and benefits.

C. Amounts by which salary is reduced shall be transmitted to the approved deferred compensation carrier.

D. Local public employees may participate in a deferred compensation plan selected by their local public body employer after it takes formal action conforming to board requirements. If the plan selected is different from the plan approved by the board, the board shall have no responsibility concerning the plan. If the plan selected is that approved by the board pursuant to Section [10-7A-5](#) NMSA 1978, the provisions of Section [10-7A-8](#) NMSA 1978 shall apply.

**History:** 1978 Comp., § 10-7A-3, enacted by Laws 1984, ch. 127, § 988.1; 1985, ch. 161, § 2; 2017, ch. 20, § 2.

#### **10-7A-4. Deferred compensation plan; other participants.**

The deferred compensation plan may allow persons other than public employees, who provide services to the state or any local public body, to participate in the plan to the extent permitted by federal law.

**History:** Laws 1981, ch. 155, § 4.

#### **10-7A-5. Deferred compensation plan; approval.**

A. The board shall review proposals providing investment options to participants of a deferred compensation plan submitted by deferred compensation carriers that have been engaged for a minimum of three years in the business of funding public employee deferred compensation plans authorized by 26 U.S.C. Section 457 and approve proposals that are consistent with the goals of providing state or local public employees with an investment that, in the opinion of the board, is safe and will provide a reasonable return to the employees upon their reaching the appropriate age or date at which they may begin receiving funds from the deferred compensation plan.

B. The type of deferred compensation investment options that may be approved include mutual funds, including stock, bond or capital preservation funds or any other investments determined by the board to fulfill the goals of providing viable deferred compensation for state or local public employees.

**History:** 1978 Comp., § 10-7A-5, enacted by Laws 1984, ch. 127, § 988.2; 1985, ch. 161, § 3; 2017, ch. 20, § 3.

#### **10-7A-6. Deferred compensation plans; investment options.**

The board may select a deferred compensation plan that offers varied investment options to participating employees.

**History:** Laws 1981, ch. 155, § 6; 1985, ch. 161, § 4.

#### **10-7A-7. Deferred compensation plan; state tax deferral.**

Income deferred pursuant to the Deferred Compensation Act and any gains arising from such income, shall be subject to New Mexico income tax and other applicable taxes in the same year or years in which the income is subject to federal income tax pursuant to federal law.

**History:** Laws 1981, ch. 155, § 7.

#### **10-7A-8. Deferred compensation plan; local public employee participation.**

A. Local public employees shall be eligible to participate in a deferred compensation plan approved by the board upon the filing of a local public body's participation agreement, conforming to board requirements, applicable to its local public employees and such other participants permitted by the plan as the local public body may elect. Such filing shall be made at such dates and places and in such manner as the board requires.

B. A local public body may terminate its local public employees' and other qualified participants' future participation in a board-approved plan any time not less than two years after the date participation has become effective, upon the local public body's filing of written or electronic notice conforming to board requirements.

**History:** Laws 1981, ch. 155, § 8; 1985, ch. 161, § 5; 2017, ch. 20, § 4.

#### **10-7A-9. Existing deferred compensation plans.**

Any state or local public body deferred compensation plan in existence on the effective date of the Deferred Compensation Act shall not be affected and may be made available to employees and other persons of the state agency or local public body which had adopted said deferred compensation plan on the same basis as on the effective date of the Deferred Compensation Act. Funds of existing plans may be invested in all or any combination of the investments set forth in Subsection B of Section 10-7A-5 NMSA 1978.

**History:** Laws 1981, ch. 155, § 9; 1983, ch. 251, § 3.

#### **10-7A-10. Expenditure.**

Any expenditure necessary to implement the Deferred Compensation Act shall be charged to participating employees or to deferred compensation carriers including those submitting proposals.

**History:** Laws 1981, ch. 155, § 10; 1985, ch. 161, § 6.

**10-7A-11. Rulemaking; agreements.**

The board may adopt such rules and enter into such agreements as may be necessary to implement the Deferred Compensation Act; provided, however, that any expenditures associated therewith are charged as provided in Section 10-7A-10 NMSA 1978.

**History:** 1978 Comp., § 10-7A-11, enacted by Laws 1985, ch. 161, § 7.

**10-7A-12. Division of funds as community property; notice requirement.**

A court of competent jurisdiction, solely for the purposes of effecting a division of community property, may provide by appropriate order for a determination and division of a community interest in the deferred compensation plan provided for in the Deferred Compensation Act. Pursuant to such a court order a deferred compensation administrator shall provide notice, within ten days after a participating public employee files an application for a disbursement from the deferred compensation plan, to a former spouse who has a court-determined interest in a participating public employee's deferred compensation plan. The notice shall be sent to the last name and address the former spouse has filed with the administrator of the deferred compensation plan and shall include the schedule for and amounts of the disbursement and the address to which the participating public employee's disbursement will be sent.

**History:** 1978 Comp., § 10-7A-12, enacted by Laws 1991, ch. 22, § 1.

**TITLE 2 PUBLIC FINANCE**  
**CHAPTER 85 DEFERRED COMPENSATION**  
**PART 100 GENERAL PROVISIONS**

**2.85.100.1 ISSUING AGENCY:** Public Employees Retirement Association  
[10-15-97; 2.85.100.1 NMAC - Rn, 2 NMAC 85-100.1, 12-28-00]

**2.85.100.2 SCOPE:** This rule affects participants and the deferred compensation third party administrator under the Deferred Compensation Act.  
[10-15-97; 2.85.100.2 NMAC - Rn, 2 NMAC 85-100.2, 12-28-00; A, 1-31-02]

**2.85.100.3 STATUTORY AUTHORITY:** This rule is authorized by NMSA 1978, Section 10-7A-11.  
[10-15-97; 2.85.100.3 NMAC - Rn, 2 NMAC 85-100.3, 12-28-00]

**2.85.100.4 DURATION:** Permanent.  
[10-15-97; 2.85.100.4 NMAC - Rn, 2 NMAC 85-100.4, 12-28-00]

**2.85.100.5 EFFECTIVE DATE:** December 29, 1989 unless a different date is cited at the end of a section.  
[10-15-97; 2.85.100.5 NMAC - Rn, 2 NMAC 85-100.5, 12-28-00]

**2.85.100.6 OBJECTIVE:** The objective of this rule is to establish standards and procedures for handling withdrawal applications for financial hardship.  
[10-15-97; 2.85.100.6 NMAC - Rn, 2 NMAC 85-100.6, 12-28-00]

**2.85.100.7 DEFINITIONS:** [Reserved]  
[2.85.100.7 NMAC - Rn, 2 NMAC 85-100.7, 12-28-00]

**2.85.100.8 GENERAL PROVISIONS**

A. Unforeseeable emergency withdrawal applications. The deferred compensation third party administrator shall handle the processing of unforeseeable emergency withdrawal applications including, but not limited to:

- (1) sending out withdrawal applications;
- (2) answering questions on the process and rules;
- (3) reviewing applications for completeness and compliance;
- (4) making decisions concerning whether or not withdrawal applications are approved;
- (5) sending appropriate notices to participants (approved or denied);
- (6) sending detailed denial letters explaining specific reason(s) why application was denied and

instructions for reapplication and notice of the right to appeal, if any.

B. Appeals. Appeals of denials of applications for unforeseeable emergency withdrawals, if any, shall be handled by the deferred compensation third party administrator. The deferred compensation third party administrator shall also maintain files on approvals/denials and provide regular reports to the board on unforeseeable emergency activity.

C. Unforeseeable emergency. In the event of an unforeseeable emergency, a participant may request that benefits be paid to him or her immediately, provided, however, that payment of any such benefits after the elected or mandatory commencement date shall be subject to any limitations specified by an investment carrier. Such request shall be filed with the third party administrator. If the third party administrator determines that the application for unforeseeable emergency meets the standards of the internal revenue service guidelines and the plan document, payment will be made within twenty-four (24) hours of such approval. Benefits to be paid shall not exceed the lesser of (i) the amount reasonably needed to satisfy the emergency need, which may include any amounts necessary to pay any federal, state, or local taxes, or (ii) an amount which, together with any prior distribution or withdrawal, does not exceed the value of the participant's plan benefit determined as of the most recent valuation date. An amount will not be considered to be reasonably needed to meet the financial need created by an unforeseeable emergency to the extent that such need is or may be relieved:

- (1) through reimbursement or compensation by insurance or otherwise;

(2) by liquidation of the participant's assets, to the extent the liquidation of such assets would not itself cause financial hardship; or

(3) by cessation of deferrals under the plan.

D. Matters not constituting unforeseeable emergencies. Divorce or foreseeable personal expenditures normally budgetable, such as a down payment on a home, the purchase of an automobile, college or other educational expenses, etc., will not constitute an unforeseeable emergency.

[10-15-97; 2.85.100.8 NMAC - Rn, 2 NMAC 85.100.8, 12-28-00; A, 8-15-01; A, 1-31-02; A, 9-30-03]

**2.85.100.9 ADOPTION OF PLAN:** In accordance with the Deferred Compensation Act, the board shall adopt and amend a deferred compensation plan. The plan shall comply with the requirements of Internal Revenue Code Section 457, as amended, and may be amended to include provisions that allow for trustee-to-trustee transfers and rollovers into and out of the plan.

[2.85.100.9 NMAC - N, 12-28-01]

**HISTORY of 2.85.100 NMAC:**

**Pre-NMAC History:** The material in this part was derived from that previously filed with the State Records Center and Archives under:

DC Rule 100, Financial Hardship, filed on 12-29-89.

**TITLE 2 PUBLIC FINANCE**  
**CHAPTER 85 DEFERRED COMPENSATION**  
**PART 200 DOMESTIC RELATIONS ORDERS FOR DIVISION OF DEFERRED COMPENSATION**  
**ACCOUNTS AT DIVORCE/ WITHHOLDING OF CHILD SUPPORT OBLIGATIONS**

**2.85.200.1 ISSUING AGENCY:** Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico 87503-2123  
[10-15-97; 2.85.200.1 NMAC - Rn, 2 NMAC 85.200.1, 8-15-01]

**2.85.200.2 SCOPE:** This rule affects participants, ex-spouses of participants, former participants, ex-spouses of former participants, and the deferred compensation third party administrator under the Deferred Compensation Act.  
[10-15-97; 2.85.200.2 NMAC - Rn, 2 NMAC 85.200.2, 8-15-01; A, 1-31-02]

**2.85.200.3 STATUTORY AUTHORITY:** This rule is authorized by NMSA 1978, Sections 10-7A-11 and 10-7A-12.  
[10-15-97; 2.85.200.3 NMAC - Rn, 2 NMAC 85.200.3, 8-15-01]

**2.85.200.4 DURATION:** Permanent.  
[10-15-97; 2.85.200.4 NMAC - Rn, 2 NMAC 85.200.4, 8-15-01]

**2.85.200.5 EFFECTIVE DATE:** July 1, 1991 unless a different date is cited at the end of a section.  
[10-15-97; 2.85.200.5 NMAC - Rn, 2 NMAC 85.200.5, 8-15-01]

**2.85.200.6 OBJECTIVE:** The objective of this rule is to establish standards and procedures for dividing the community interest in deferred compensation plans.  
[10-15-97; 2.85.200.6 NMAC - Rn, 2 NMAC 85.200.6, 8-15-01]

**2.85.200.7 DEFINITIONS:** [Reserved]  
[2.85.200.7 NMAC - Rn, 2 NMAC 85.200.7, 8-15-01]

**2.85.200.8 GENERAL PROVISIONS**

A. Funds from a deferred compensation account may be paid to an alternate payee upon submission of a domestic relations order that conforms to the requirements of this rule and the deferred compensation plan. Funds may also be paid as a result of an approved unforeseen emergency as defined in 26 C.F.R. Section 1.457-2(h)(4). Divorce is not an unforeseeable emergency.

B. A conformed copy of a plan-approved domestic relations court order which determines the community interest in or child support obligation from a participating employee's state of New Mexico deferred compensation plan ["plan"] and assigns a separate interest to the participating employee's spouse, former spouse, child or other dependent shall be provided to the deferred compensation third party administrator ["administrator"] within a reasonable time after entry of the order.

C. The following information must be contained in the domestic relations order:

- (1) the name, social security number and last known mailing address of the participating employee and the alternate payee;
- (2) the amount or percentage of the participating employee's benefit to be paid to the alternate payee, or the manner in which such amount is to be determined;
- (3) the relationship of the alternate payee to the participating employee;
- (4) the number of payments or the period to which the domestic relations order applies;
- (5) the specific name of each plan covered by the domestic relations order;
- (6) all required signatures must be signed by the court.

D. Upon receipt of an appropriate court order, the administrator will provide notice by certified mail, return receipt requested, to a spouse, former spouse or child or other dependent who has a court determined interest in a participating public employee's plan when an application from the participating employee requesting disbursement is received by the administrator.

E. The administrator's files must contain current names and addresses for persons having an interest in plan accounts. Any person who has an interest in a plan account must provide the administrator with a written, notarized

statement of any change of name or address made after entry of the court order. If a notice is returned as undeliverable because of incorrect name or address, the administrator will not be responsible for further attempts at notification.  
[10-15-97; 2.85.200.8 NMAC - Rn & A, 2 NMAC 85.200.8, 8-15-01; A, 12-28-01]

**HISTORY of 2.85.200 NMAC:**

**Pre-NMAC History:** The material in this part was derived from that previously filed with the State Records Center and Archives under:

DC Rule 200, Division of Deferred Compensation Accounts at Divorce, filed on 12-29-89;

DC Rule 200, Division of Deferred Compensation Accounts at Divorce, filed on 7-1-91.

**TITLE 2           PUBLIC FINANCE**  
**CHAPTER 85   DEFERRED COMPENSATION**  
**PART 300       DISTRIBUTION**

**2.85.300.1       ISSUING AGENCY:** Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico 87504-2123  
[10-15-97; 2.85.300.1 NMAC - Rn, 2 NMAC 85.300.1, 8-15-01]

**2.85.300.2       SCOPE:** This rule affects participants, former participants, beneficiaries, and the deferred compensation third party administrator under the Deferred Compensation Act.  
[10-15-97; 2.85.300.2 NMAC - Rn, 2 NMAC 85.300.2, 8-15-01; A, 12-28-01]

**2.85.300.3       STATUTORY AUTHORITY:** This rule is authorized by NMSA 1978, Section 10-7A-11.  
[10-15-97; 2.85.300.3 NMAC - Rn, 2 NMAC 85.300.3, 8-15-01]

**2.85.300.4       DURATION:** Permanent.  
[10-15-97; 2.85.300.4 NMAC - Rn, 2 NMAC 85.300.4, 8-15-01]

**2.85.300.5       EFFECTIVE DATE:** December 29, 1989 unless a different date is cited at the end of a section.  
[10-15-97; 2.85.300.5 NMAC - Rn, 2 NMAC 85.300.5, 8-15-01]

**2.85.300.6       OBJECTIVE:** The objective of this rule is to establish standards and procedures for distribution after the participant terminates employment.  
[10-15-97; 2.85.300.6 NMAC - Rn, 2 NMAC 85.300.6, 8-15-01; A, 12-28-01]

**2.85.300.7       DEFINITIONS:** [Reserved]  
[2.85.300.7 NMAC - Rn, 2 NMAC 85.300.7, 8-15-01]

**2.85.300.8       GENERAL PROVISIONS:** A participant shall make a distribution election or determination as provided for in the deferred compensation plan and as allowed by in the Internal Revenue Code, Section 457, as amended. The election shall be filed with the deferred compensation third party administrator by the participant.  
[10-15-97; 2.85.300.8 NMAC - Rn & A, 2 NMAC 85.300.8, 8-15-01; A, 12-28-01]

**HISTORY of 2.85.300 NMAC:**

**Pre-NMAC History:** The material in this part was derived from that previously filed with the State Records Center and Archives under:  
DC Rule 300, Default, filed on 12-29-89.

**TITLE 2 PUBLIC FINANCE**  
**CHAPTER 85 DEFERRED COMPENSATION**  
**PART 400 PARTICIPATION**

**2.85.400.1 ISSUING AGENCY:** Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico 87504-2123  
[11-15-97; 2.85.400.1 NMAC - Rn, 2 NMAC 85.400.1, 8-15-01]

**2.85.400.2 SCOPE:** This rule affects participants, former participants, local public bodies, the retirement board and the deferred compensation administrator under the Deferred Compensation Act.  
[11-15-97; 2.85.400.2 NMAC - Rn, 2 NMAC 85.400.2, 8-15-01]

**2.85.400.3 STATUTORY AUTHORITY:** This rule is authorized by NMSA 1978, Sections 10-7A-8 and 10-7A-11, as amended.  
[11-15-97; 2.85.400.3 NMAC - Rn, 2 NMAC 85.400.3, 8-15-01]

**2.85.400.4 DURATION:** Permanent.  
[11-15-97; 2.85.400.4 NMAC - Rn, 2 NMAC 85.400.4, 8-15-01]

**2.85.400.5 EFFECTIVE DATE:** November 15, 1997 unless a different date is cited at the end of a section.  
[11-15-97; 2.85.400.5 NMAC - Rn, 2 NMAC 85.400.5, 8-15-01]

**2.85.400.6 OBJECTIVE:** The objective of this rule is to set forth standards and procedures for establishing and terminating local public employee participation in the deferred compensation plan.  
[11-15-97; 2.85.400.6 NMAC - Rn, 2 NMAC 85.400.6, 8-15-01]

**2.85.400.7 DEFINITIONS:** [Reserved]  
[2.85.400.7 NMAC - Rn, 2 NMAC 85.400.7, 8-15-01]

**2.85.400.8 GENERAL PROVISIONS**

A. A local public body electing to participate in the deferred compensation plan shall file an agreement, in a form acceptable to the board, with the deferred compensation administrator and the board within fifteen (15) working days of approval by the governing authority of the local public body. Such agreement shall state the local public body agrees to be bound by the association's deferred compensation rules and regulations and that it shall remain in effect not less than two years from its effective date participation. A model notice of participation shall be available upon request from the deferred compensation administrator.

B. A local public body electing to terminate participation in the deferred compensation plan shall file a certified copy of its written notice of termination with the deferred compensation administrator and the board within fifteen (15) working days of approval by the governing body of the local public body. A model notice of termination shall be available upon request from the deferred compensation administrator. A local body may terminate its participation in the deferred compensation plan not less than two years after the date its participation became effective.

C. A local public body electing to participate in the deferred compensation plan shall submit payment data and contributions electronically. The third party administrator shall assist the local public body on the selection of a method for electronic submission for the local public body and provide specific submission requirements.  
[11-15-97; 2.85.400.8 NMAC - Rn & A, 2 NMAC 85.400.8, 8-15-01]

**HISTORY of 2.85.400 NMAC: [RESERVED]**

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS  
June 30, 2017 and 2016**



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## Independent Auditor's Report

To the State Auditor, Board of Directors, and PERA  
The State of New Mexico Public Employees'  
Deferred Compensation Plan  
Santa Fe, New Mexico

### Report on the Financial Statements

We have audited the accompanying statements of net position held in trust for plan benefits of the State of New Mexico Public Employees' Deferred Compensation Plan (the Plan) as of June 30, 2017 and 2016 and the related statements of changes in net position held in trust for plan benefits for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the accompanying table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of June 30, 2017 and 2016, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basis financial statements that collectively comprise the Plan's financial statements. The Memorandums of Understanding, Officials Roster and Exit Conference are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Boise, Idaho  
October 27, 2017

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

This discussion and analysis of the State of New Mexico Deferred Compensation Plan's ("the Plan" also known as "SmartSave") financial performance provides an overview of the Plan's financial activities for the fiscal years ended June 30, 2017, 2016 and 2015. This section should be read in conjunction with the Plan's financial statements.

**Using This Annual Financial Report**

This annual financial report consists of two parts: (1) management's discussion and analysis (this section) and (2) the Plan's basic financial statements. The financial statements also include notes that explain information in the financial statements and provide more detailed data.

**Condensed Financial Information**

The table below compares key financial information in a condensed format between the current and prior years:

|  | Fiscal Years Ended June 30 |                |                |
|--|----------------------------|----------------|----------------|
|  | 2017                       | 2016           | 2015           |
| <b>Plan Net Position Held in Trust for<br/>Plan Participants</b> | \$ 568,832,783             | \$ 502,840,009 | \$ 501,346,267 |
| Employee Contributions   | \$ 47,752,984              | \$ 35,261,360  | \$ 34,628,217  |
| Variable Earnings Investment Income                              | 58,477,246                 | 994,163        | 18,933,171     |
| Interest Income  | 480,123                    | 502,112        | 449,843        |
| Benefits Paid  | (39,510,967)               | (34,153,732)   | (38,954,562)   |
| Administrative Expenses  | (1,164,518)                | (1,055,123)    | (996,178)      |
| Life Insurance Premiums  | (42,094)                   | (55,038)       | (61,779)       |
| <b>Net Increase in Plan Net Position</b>                         | \$ 65,992,774              | \$ 1,493,742   | \$ 13,998,712  |

**Financial Highlights**

The net position held in trust for plan benefits increased by approximately \$66 million during the current period from \$502.8 million at June 30, 2016 to \$568.8 million at June 30, 2017. This increase is primarily due to: investment income earned during the current year, reflecting the overall market's strong performance, interest income from the Stable Value Option, the conversion of Bernalillo County from plans managed by the International City / County Management Association (ICMA) and a private vendor to SmartSave, as well as an increase in participants. The net position held in trust for plan benefits increased only by approximately \$1.5 million from \$501.3 million at June 30, 2015 to \$502.8 million at June 30, 2016, primarily due to investment income earned during that period.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

*Contributions to the Plan*

Employee contributions were \$47.8, \$35.2 and \$34.6 million for the years ending June 30, 2017, 2016 and 2015, respectively. Employee contributions increased by \$12.5 million from June 30, 2016 to June 30, 2017 and increased by \$0.6 million from June 30, 2015 to June 30, 2016, primarily due to the new participants from Bernalillo County. Fluctuations in employee contributions are primarily due to differences in the number of actively contributing participants from year to year as well as changes in the average contributions per participant. The average contribution per participant was \$3,590, \$2,829, and \$2,909 for the year ended June 30, 2017, 2016 and 2015, respectively, reflecting a stronger economy (as discussed in the Market Environment Overview section) and a wider understanding of the importance of saving for the future in SmartSave. There were 13,300, 12,462, and 11,902 actively contributing participants at June 30, 2017, 2016 and 2015, respectively. In accordance with the Internal Revenue Code, employees could voluntarily contribute up to a maximum amount of \$18,000 in 2017 unless over age 50, which allows an additional \$6,000. However, participants' contributions are not always at maximum, causing uneven annual contribution changes in relation to participant changes.

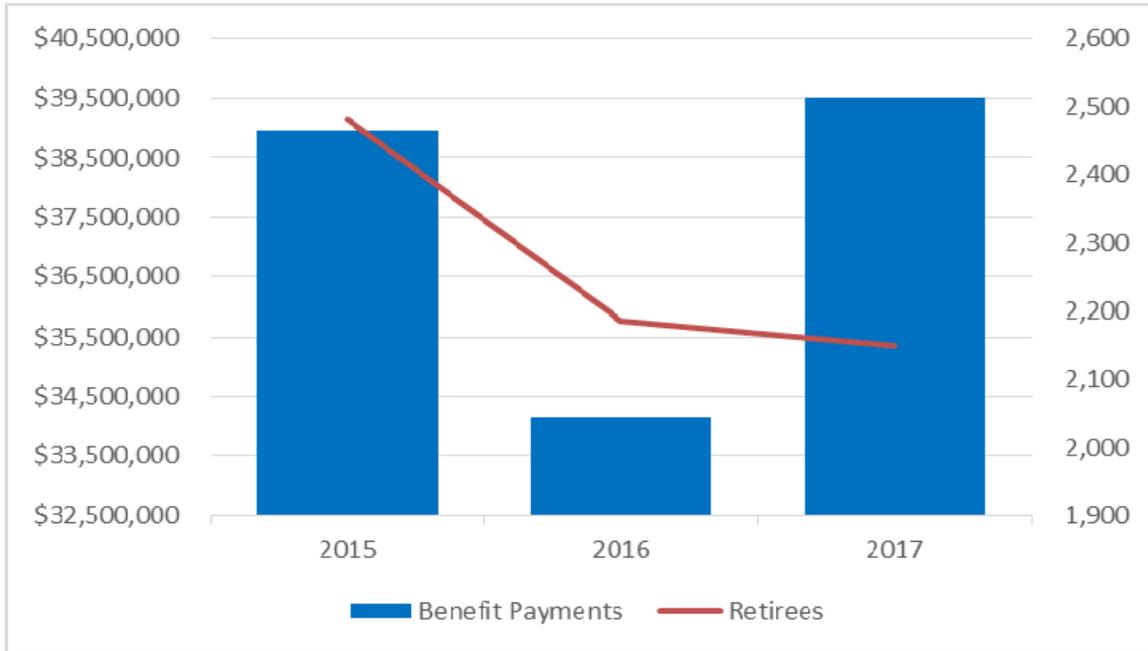


*Beneficiaries of the Plan*

Benefits paid to participants increased from just over \$34.2 million for the year ended June 30, 2016 to \$39.5 million for year ended June 30, 2017. This was due to an increase in assets being requested despite a slightly lowering number of retirees in 2017. 2,153 retirees received benefits this year compared to 2,192 in 2016. During the previous period, benefits paid to participants decreased from \$39.0 million for the year ended June 30, 2015 to \$34.2 million for year ended June 30, 2016. This decrease was primarily due to a decrease in the number of retirees, from 2,482 in 2015 to 2,192 in 2016, as well as minimal change in average distribution. The average distribution per participant was \$18,369, \$15,617, and \$15,695 for the years ended 2017, 2016 and 2015, respectively, some of which may be reflective of the economy and the use of funds to fund long-term purchases such as housing or a college education for a family member. The number of participants who withdraw funds from the plan due to termination of employment on an annual basis fluctuates. The number of participants who withdraw

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funds has risen from 796 in 2015, 1,130 in 2016 and 1,305 in 2017. Participants who withdraw funds may be reflective of demographics as well as personal need.



**Overall Fund Structure and Objectives**

The Plan was established in accordance with the provisions of the State of New Mexico Deferred Compensation Act, NMSA 1978, Section 10-7A-1 through 10-7A-12 (2017). The Plan complies with the requirements of Internal Revenue Code Section 457, as amended. The Plan provides a voluntary, supplemental tax-deferred retirement program, which provides employees a convenient means to save for retirement. The Public Employees Retirement Association (“PERA”) of New Mexico is the Trustee of the Plan. PERA is directed by the Public Employees Retirement Board (the “Board”) which consists of twelve members.

After an employer has adopted the Plan and the PERA Board has approved the adoption, an employee is eligible to participate in the Plan as of the first day of employment and may voluntarily contribute a portion of their compensation up to the annually established Internal Revenue Service limits. Under Plan provisions, employees of the State, its cities and counties, special districts and educational institutions are eligible to contribute to the Plan through payroll deductions. An employee participating in the Plan may discontinue, or temporarily suspend, contributions at any time. Employees can increase or decrease contribution amounts at any time. If the participant elects to contribute, the minimum amount that may be contributed for any Plan year is \$260 and shall not exceed the amount permitted pursuant to Section 457 of the Internal Revenue Code.

**Costs of the Plan**

The Plan seeks to maintain low costs for employees that elect to participate. For the year ended June 30, 2017 and 2016, the cost of providing recordkeeping, enrollment, education, and other administrative services to participants in the Plan was \$13.00 per quarter, per participant. Investment consulting services were provided at an average cost of \$1.13 and \$1.12, respectively per quarter, per participant. For the year ended June 30, 2017 and 2016, PERA operating fees averaged \$1.06 and \$.048, respectively

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per quarter, per participant. Additional fees and other charges may be assessed for optional options available in the Plan. In addition, the Plan seeks to provide the best possible investment vehicles at the lowest cost.

**Asset Allocation**

All participants have the ability to direct the investments of their accounts under the Plan, in accordance with the investment choices as are made available and those policies or procedures as are determined by the Board and the administration from time to time. The Plan has no control over investment decisions made by the participants. Plan assets may be invested and reinvested in various instruments as deemed appropriate by the Board and Plan management. Several investment tiers have been developed and made available to participants. A summary of the types of investments is listed in Note 3 in the notes to the financial statements.

**Market Environment Overview**

Equity markets across the globe posted strong returns for the fiscal year ending June 30, 2017. The Russell 3000, a broad reflection of the domestic U.S. equity market, returned +18.5% for the trailing 1-year. Foreign markets, as represented by the MSCI EAFE and the MSCI Emerging Markets, returned +20.3% and 23.7%, respectively. With regard to style and market capitalization, U.S. growth stocks tended to outperform value stocks, and both large capitalization and small capitalization stocks tended to outperform mid-capitalization stocks.

Global fixed income, with the exception of high yield bonds and global emerging market bonds, had more muted performance. The Barclays Aggregate returned -0.3% for the year ending June 30, 2017, with U.S. Treasury Inflation Protected Securities returning -0.6% over the same time period. High yield bonds, as represented by the Barclays High Yield index, which tend to be more closely correlated with equities than higher-grade fixed income instruments, returned +12.7% over trailing 1-year, and global emerging market bonds (as represented by JPM GBI-EM Global Diversified – Local Currency) returned +6.7% for the year.

Within other asset classes, performance was mixed. Real Estate, approximated by the NAREIT Equity Index, was down slightly for the twelve months ending June 30, 2017, with a return of -1.7%. While commodities, as represented by the Bloomberg Commodity index, was down -6.5%.

The beginning of the 2016/2017 fiscal year was a strong start for most risk assets. Major asset classes rallied during the third quarter 2016, and were highly correlated. Emerging markets and high yield bonds outperformed, in response to continued quantitative easing from the foreign central banks (the current level of the central bank asset purchases exceeded the level directly following the Global Financial Crisis) and record low interest rates. In the wake of the Brexit, the British Pound fell to new historical lows. As the quarter ended, many of the same macroeconomic themes occurring throughout the year remained at the forefront. Interest rates remained at record lows and were still negative in several countries, such as Europe and Japan. In the U.S., the Federal Reserve had continued to hold rates steady since December 2015, but expectations for future rate hikes increased.

The end of 2016 was more eventful than the third quarter 2016, which resulted in the major asset classes producing mixed returns. U.S. equity and high yield bond markets rallied after the U.S. presidential election, however most other asset classes declined. As the quarter ended, global interest

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rates remain at record lows and were still negative in several countries. In the U.S., interest rates moved higher post-election, in response to expected fiscal stimulus from the new administration and inflationary concerns. The Fed also approved a long awaited rate increase at their December meeting.

The first quarter of 2017 was stronger than 2016, as the majority of major asset classes produced positive returns. As the quarter ended, global interest rates remained negative in several countries, as developed and emerging market central banks continued to stimulate growth. International stocks were undervalued due to Sovereign debt concerns and the slow pace of economic growth in Europe. In the U.S., the Fed raised rates in March to 1.00% from 0.75%, and were projected to approve two more rate increases in 2017. The 10 Year Treasury Yield increased slightly, but remained historically low, at 2.2%.

The end of the 2016/2017 fiscal year saw another rally in emerging and international markets. The MSCI Emerging Markets Index posted a return of +6.3%, with the MSCI EAFE returning +6.1%. Domestic U.S. markets lagged, with the Russell 3000 returning +3.0% over the same time period. Fixed income instruments produced positive returns, with the exception of U.S. Treasury Inflation Protected Securities, which were down slightly. The Federal Reserve hiked interest rates in mid-June for the third time in six months. This increased the Fed Funds borrowing rate from 1.0% to 1.25%, the highest rate since September 2008. Commodities took another hit, with the Bloomberg Commodity Index down -3.0% in the second quarter of 2017.

Looking forward, four primary concerns face the global economy. First, the potential for simultaneous monetary tightening globally; second, uncertainty related to the U.S. economy and policies; third, declining growth in China, along with uncertain fiscal and monetary policies; and fourth, risks related to the U.K.'s exit from the European Union.

Since the Global Financial Crisis, central banks world-wide have attempted to support markets and the economy through low interest rates and bond-purchasing programs (i.e., quantitative easing). Total balance sheets have nearly doubled since the GFC and are near 40% of aggregate GDP. If we move into a period of a collective reduction in the global central bank balance sheet, we could see higher interest rates, less liquidity, and overall slower economic activity.

The U.S. has experienced largely stable growth since the end of the global financial crisis, but at levels below prior recoveries. The Federal Reserve has continued to increase interest rates and discuss plans of reducing its balance sheet, possibly to create room for easing if the economy were to enter another recession. The primary risk is that the Fed's actions could push the economy back into recession early, before they have significant policy tools at their disposal.

Given China's size and contribution to global growth, a slowing of its economy could have a meaningful impact, particularly on countries that depend on its trade. The growing debt, particularly in the corporate sector, remains a key concern. Another devaluation of the yuan could disrupt capital markets, weigh on domestic demand, and hurt countries with competing exports.

The decision of the U.K. to leave the EU further weighs on the fragile recovery in Europe. The U.K.'s negotiation of trade deals will be a key issue, with a wide range of potential outcomes. Uncertainty related to the outcome of negotiations should weigh on foreign investment and consumption. Any additional moves to leave the EU, or the Eurozone, could be disruptive to markets and growth.

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**Contacting Management**

This report is designed to provide the Board, Smart Save Committee, Plan participants, investors and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the Plan's funds. For additional information, contact the NM PERA Deferred Compensation Plan Manager at 33 Plaza La Prensa, Santa Fe, New Mexico 87507 or 1-800-342-3422.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
STATEMENTS OF NET POSITION HELD IN TRUST FOR PLAN BENEFITS  
June 30, 2017 and 2016**

|   | <u>2017</u>                      | <u>2016</u>                      |
|---|----------------------------------|----------------------------------|
| <b>INVESTMENTS</b>                                      |                                  |                                  |
| Annuities   | \$ 1,197,477                     | \$ 1,345,131                     |
| Stable value option                                     | 131,884,328                      | 132,815,809                      |
| Variable earnings investments                           | 418,943,401                      | 354,519,687                      |
| Self-directed option                                    | <u>4,629,288</u>                 | <u>3,899,093</u>                 |
| <br>Total investments                                   | <br>556,654,494                  | <br>492,579,720                  |
| <b>RECEIVABLES</b>                                      |                                  |                                  |
| Participant contributions receivable                    | 860,212                          | 173,754                          |
| Participant loans receivable                            | <u>11,318,077</u>                | <u>10,086,535</u>                |
| <br><b>NET POSITION HELD IN TRUST FOR PLAN BENEFITS</b> | <br><u><u>\$ 568,832,783</u></u> | <br><u><u>\$ 502,840,009</u></u> |

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
STATEMENTS OF CHANGES IN NET POSITION HELD IN TRUST FOR PLAN BENEFITS  
Years Ended June 30, 2017 and 2016**

|  | <u>2017</u>                  | <u>2016</u>                  |
|--|------------------------------|------------------------------|
| <b>ADDITIONS TO NET POSITION ATTRIBUTED TO</b>                             |                              |                              |
| Employee contributions   | \$ 47,752,984                | \$ 35,261,360                |
| Investment income:   |                              |                              |
| Variable earnings investment income  | 58,477,246                   | 994,163                      |
| Interest on fixed annuity payout   | 19,467                       | 87,081                       |
| Interest income on participant loans                                       | <u>460,656</u>               | <u>415,031</u>               |
| Total additions  | <u>106,710,353</u>           | <u>36,757,635</u>            |
| <b>DEDUCTIONS FROM NET POSITION ATTRIBUTED TO</b>                          |                              |                              |
| Benefits paid to participants  | 39,510,967                   | 34,153,732                   |
| Administrative expenses  | 1,164,518                    | 1,055,123                    |
| Life insurance premiums  | <u>42,094</u>                | <u>55,038</u>                |
| Total deductions   | <u>40,717,579</u>            | <u>35,263,893</u>            |
| <b>NET INCREASE</b>  | 65,992,774                   | 1,493,742                    |
| <b>NET POSITION HELD IN TRUST FOR PLAN BENEFITS,<br/>BEGINNING OF YEAR</b> | <u>502,840,009</u>           | <u>501,346,267</u>           |
| <b>NET POSITION HELD IN TRUST FOR PLAN BENEFITS,<br/>END OF YEAR</b>       | <u><u>\$ 568,832,783</u></u> | <u><u>\$ 502,840,009</u></u> |

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

**NOTE 1 – DESCRIPTION OF PLAN**

**General**

The State of New Mexico (the State) Public Employees’ Deferred Compensation Plan (the Plan), a defined contribution plan, was established pursuant to the Deferred Compensation Act of New Mexico, which was passed on April 6, 1981. The Plan was approved by the State Department of Finance and Administration on January 6, 1982, and is sponsored by the State. The Plan is administered by the New Mexico Public Employees’ Retirement Association (NMPERA).

**Contributions**

Under Plan provisions, employees of the State, its cities and counties, special districts and educational institutions that have completed the Plan adoption process, are eligible to contribute into the Plan through payroll deductions. There were approximately 80,000 and 78,500 employees eligible to participate in the Plan as of June 30, 2017 and 2016, respectively. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual’s annual contribution to 100% of annual gross includable compensation, not to exceed \$18,000 for calendar years 2017 and 2016. Additionally, in each of the three Retirement Catch-up years, a participant’s Retirement Catch-up contribution is limited to the lesser of (a) the maximum amount for that year, \$18,000 in 2017 and in 2016 or (b) the amount by which contributions to the Plan in previous years were less than the maximum that the participant was eligible to contribute. An additional \$6,000 in 2017 and in 2016 can apply to a participant reaching the age 50 and each year thereafter. This catch-up provision is referred to as the Age 50 and Over Catch-up contribution. Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. Participant employers do not make any contributions to the Plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for Plan years beginning after December 31, 1996, assets of the IRC Section 457 Plan must be held in a trust, custodial account, or annuity contract, for the exclusive benefit of employees and beneficiaries and will no longer be solely the property of the employer and subject only to claims of the employer’s general creditors. At June 30, 2017 and 2016, the Plan met the requirements of the SBJPA.

Although this is no longer offered as an option for new participants, at retirement or termination of employment, employees already investing in universal life insurance contracts may continue to make premium payments directly to the insurance carrier or they may receive the cash surrender value of the policies. In the case of the death of an employee, the face value of the insurance contract is payable to the policy beneficiary.

**Investment Options**

Employees electing to participate in the Plan may contribute to any of the following options:

- Variable earnings investments consisting of various publicly-traded mutual funds;
- Stable value option managed by Galliard Capital Management; and
- Self-directed brokerage account option administered by Charles Schwab.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
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**NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)**

**Participant Loans**

The Plan allows participants to take loans from their account balances. Any participant is eligible to receive a loan. Each participant is entitled to one outstanding loan at a time. Participants are charged a nonrefundable loan set-up fee of \$50. An additional annual fee of \$50 is assessed on the anniversary date of the loan while the loan is outstanding. Repayments of loans are to be made automatically from a participant-specified account with a financial institution. The maximum term permitted on a loan is five years or 15 years if the loan is for the purchase of a principal residence. The minimum loan amount permitted is \$1,000 and the maximum amount of any loan under the Plan is the lesser of 50% of the participant’s vested account balance or \$50,000. The total balance of loans outstanding to participants was \$11,318,077 and \$10,086,535 at June 30, 2017 and 2016, respectively and is listed as participant loans receivable on the Statement of Net Position Held in Trust for Plan Benefits. Interest rates range between 3.75% and 9.25% for all loans outstanding. The interest rate is based on market conditions at the time the loan is processed. Generally, the rate is the “Prime Rate” + 1%.

**Payment of Benefits**

A Plan distribution can become available only after the participant reaches the age of 70½ years old, the participant’s death, separation-from-service, retirement, upon the participant’s severe financial emergency, or if a participant’s account balance does not exceed \$5,000 and no amount was deferred during a 2-year period and there was no prior distribution. Participants may select various payout options, including lump sum payments or payments over various periods.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies followed by the Plan are as follows:

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES’  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Valuation and Income Recognition**

Investments in the fixed annuity payout option are valued based upon the fixed earnings rates as reported by the investment carriers or manager, which approximate fair value. Investments in the Stable Value Option are valued based upon the daily net asset value reported daily by Galliard Capital Management, which approximates fair value. The investment valuation includes contributions received, plus investment income earned to date less applicable charges and amounts withdrawn.

Variable earnings investments in publicly-traded mutual funds are presented at fair value based upon published quotations. All purchases and sales of investments are recorded on a trade-date basis.

Assets held in fixed and variable annuity payout investments are for discontinued annuity payout options in the Plan. The Plan held \$1,197,477 and \$1,345,131 at June 30, 2017 and 2016, respectively, which represents assets transferred to a product provider for investment in fixed and variable group annuity contracts. Periodic payments are made to retired participants of the Plan as provided by these purchased annuity contracts. The contract valuation of these assets is based upon an actuarial valuation of the present value of future retirement benefits to be paid under the contracts, which approximates fair value. Annuity payout investments are no longer available as options in the Plan.

**Contributions and Contributions Receivable**

Contributions are recognized when amounts are withheld from employees. Contributions receivable represents amounts withheld from employees, but not remitted to the investment carriers at June 30, 2017 and 2016. The Plan requires that contributions received “in good order” by the Plan Administrator from the various Plan payroll centers be applied to the respective participant account within one business day following the date of receipt.

**Interest Income**

Interest income for the fixed annuity payout option and participant loans is recorded as earned on the accrual basis.

The annual crediting interest rate for the stable value investment option, net of fees, ranged from 1.65% to 1.78% for the year ended June 30, 2017, and 1.64 % to 1.72% for the year ended June 30, 2016. Interest income for the stable value investment option is recorded as earned on the accrual basis.

**Variable Earnings Investment Income**

Variable earnings investment income consists of dividends earned and realized and unrealized gains and losses attributed to the mutual funds supporting the variable earnings investments. Dividends are recorded on the ex-dividend date.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
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**NOTE 3 – INVESTMENTS AND DEPOSITS (GASB 72)**

The State of New Mexico Public Employees' Deferred Compensation Plan categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.

Self-directed investments: Valued at the daily closing price as reported by the fund and reported as Level 1. These represent investments that are actively traded on an open market.

Lifecycle funds: Valued at carrying value based on the NAV of the observable market prices of the underlying assets within that account less liabilities.

|  | June 30, 2017         | Fair Value Measurements Using:   |  |  |
|--|-----------------------|--|--|--|
|  |                       | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Investments at Fair Value:               |                       |  |  |  |
| Mutual funds                             | \$ 282,812,855        | \$ 282,812,855   | \$ -   | \$ -   |
| Self-directed investments                | 4,629,288             | 4,629,288  | -  | -  |
| Total Investments at Fair Value          | 287,442,143           | \$ 287,442,143   | \$ -   | \$ -   |
| Investments at Net Asset Value:          |                       |  |  |  |
| Lifecycle Funds                          | 136,211,881           |  |  |  |
| Investments at Contract Value:           |                       |  |  |  |
| Stable value option                      | 131,884,328           |  |  |  |
| Annuities, net of payments in<br>transit | 1,116,142             |  |  |  |
| Total Investments                        | <u>\$ 556,654,494</u> |  |  |  |

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

**NOTE 3 – INVESTMENTS AND DEPOSITS (GASB 72) (CONTINUED)**

|                                       | Fair Value Measurements Using: |  |  |  |
|---------------------------------------|--------------------------------|--|--|--|
|                                       | June 30, 2016                  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Investments at Fair Value:            |                                |  |  |  |
| Mutual funds                          | \$ 248,030,255                 | \$ 248,030,255   | \$ -   | \$ -   |
| Self-directed investments             | 3,899,093                      | 3,899,093  | -  | -  |
| Total Investments at Fair Value       | <u>251,929,348</u>             | <u>\$ 251,929,348</u>  | <u>\$ -</u>                                      | <u>\$ -</u>  |
| Investments at Net Asset Value:       |                                |  |  |  |
| Lifecycle Funds                       | 106,519,092                    |  |  |  |
| Investments at Contract Value:        |                                |  |  |  |
| Stable value option                   | 132,815,809                    |  |  |  |
| Annuities, net of payments in transit | <u>1,315,471</u>               |  |  |  |
| Total Investments                     | <u><u>\$ 492,579,720</u></u>   |  |  |  |

| Investments measured at the net asset value (NAV): | Fair Value     | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|--|----------------|----------------------|----------------------|-------------------|
| June 30, 2017                                      |                |                      |                      |                   |
| Lifecycle Funds                                    | \$ 136,211,881 | \$ -                 | Daily                | None              |
| June 30, 2016                                      |                |                      |                      |                   |
| Lifecycle Funds                                    | \$ 106,519,092 | \$ -                 | Daily                | None              |

Lifecycle Funds: This asset class is generally comprised of a combination of fixed income and equity investment options. These investment options may include balanced, asset allocation, target-date, and target –risk investment options. Although typically lower risk than investment options that invest solely in equities, all investment options in this category have the potential to lose value.

Stable value option and annuities: The plan invests in annuities that represent guaranteed investment contracts that represent a fixed-income security portfolio of fixed-income securities and a value guarantee (wrapper) provided by a third party and are reported at contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses.

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June 30, 2017 and 2016**

**NOTE 3 – INVESTMENTS AND DEPOSITS (GASB 72) (CONTINUED)**

At June 30, 2017 and 2016, investments were as follows. Investments marked with an asterisk (\*) represent investments exceeding 5% or more of net position available for Plan benefits as of June 30, 2017 and 2016. Investments marked with two asterisks (\*\*) represent international mutual funds.

|   | <b>2017</b>     |    | <b>2016</b>   |
|---|-----------------|----|---------------|
| <b>Investments:</b>   |                 |    |               |
| Aberdeen Emerging Markets Fund - Institutional Class                        | \$ 2,664,292 ** | \$ | 1,513,006 **  |
| EuroPacific Growth Fund® - Class R6   | 9,232,195 **    |    | 7,709,085 **  |
| Blackrock Inflation Protected Bond  | -               |    | 4,224,652     |
| Dodge & Cox Stock Fund  | 30,880,849 *    |    | 23,955,902    |
| DFA U.S. Small Cap Portfolio  | 12,955,162      |    | 9,872,933     |
| The SEI Stable Asset Fund   | 131,884,327 *   |    | 132,815,809 * |
| Fidelity® Low-Priced Stock Fund - Class K                                   | 8,369,432       |    | 7,979,470     |
| Fidelity® Diversified International Fund - Class K                          | 10,963,620 **   |    | 10,716,126 ** |
| Invesco Global Real Estate - Institutional Class                            | 1,639,112 **    |    | 1,662,887 **  |
| Life Cycle 2045 Portfolio   | 14,249,186      |    | 10,218,726    |
| Life Cycle 2035 Portfolio   | 25,604,863      |    | 19,263,382    |
| Life Cycle 2025 Portfolio   | 45,311,209 *    |    | 38,592,105 *  |
| Conservative Portfolio  | 38,187,781 *    |    | 33,912,260 *  |
| Life Cycle 2055 Portfolio   | 6,066,221       |    | 4,421,550     |
| Life Cycle 2020 Portfolio   | 1,711,248       |    | 75,987        |
| Life Cycle 2030 Portfolio   | 1,961,495       |    | 2,980         |
| Life Cycle 2040 Portfolio   | 2,348,931       |    | 31,547        |
| Life Cycle 2050 Portfolio   | 770,947         |    | 555           |
| Vanguard Inflation Protected Securities Fund-Institutional Shares           | 5,014,054       |    | -             |
| Oakmark Equity and Income Fund (The) - Class I                              | 20,506,932      |    | 19,202,434    |
| Principal Investors Fund, Inc. - MidCap Blend Fund -<br>Institutional Class | 12,304,374      |    | 9,651,791     |
| Principal Diversified Real Asset Fund - Institutional Class                 | 399,070         |    | 341,028       |
| Templeton Global Bond Fund - Class R6                                       | 1,868,902       |    | 1,632,320     |
| Fidelity® Contrafund - Class K  | 38,263,005 *    |    | 34,442,359 *  |
| T. Rowe Price Institutional Mid-Cap Equity Growth Fund                      | 26,713,104      |    | 25,321,253 *  |
| Vanguard Institutional Index Fund - Institutional Shares                    | 81,346,646 *    |    | 70,549,165 *  |
| Vanguard Total Bond Market Index Fund - Institutional<br>Shares             | 16,798,883      |    | 17,619,960    |
| Institutional Shares  | 2,893,223 **    |    | 1,635,884 **  |
|   | 550,909,063     |    | 487,365,156   |

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

**NOTE 3 – INVESTMENTS AND DEPOSITS (GASB 72) (CONTINUED)**

|  | <u>2017</u>           | <u>2016</u>           |
|--|-----------------------|-----------------------|
| <b>Suspense:</b>   |                       |                       |
| Monies held pending investment                             | (108,136)             | (53,775)              |
| <b>Payouts:</b>  |                       |                       |
| Nationwide Fixed Annuity Payout Option (at contract value) | 1,197,477             | 1,345,131             |
| Nationwide Variable Annuity Payout Option                  | 26,802                | 24,115                |
| <b>Self Directed Option:</b>                               |                       |                       |
| Investments Held at Charles Schwab                         | <u>4,629,288</u>      | <u>3,899,093</u>      |
| <b>Total investments at fair value</b>                     | <u>\$ 556,654,494</u> | <u>\$ 492,579,720</u> |

The Plan has a formal investment policy that allows the Plan to select investment options that offer the best prospects to meet the participant's financial goals. The Policies allow for different tiers of investments that provide options for the participant to choose from. These are participant directed accounts, thus there are no limitations on concentration, credit and interest rate risk aside from the Plan's evaluation of the appropriate investment options to offer. The policy and investment offerings are reviewed and evaluated to ensure appropriate funds are available to the participant.

**Custodial credit risk** is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

Investments in the stable value option are held in the Plan's name by Galliard Capital Management, Inc., agent of the Plan. The remaining investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

**Credit risk** is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Committee. The investments that exceed 5% are indicated in the previous table.

**Foreign currency risk** is the risk that changes in exchange rates could adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$27,392,441 and \$23,236,988 as of June 30, 2017 and 2016, respectively. The individual funds are identified in the previous table.

**Interest rate risk** is the risk that changes in interest rates that will adversely affect the value of an investment.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

**NOTE 3 – INVESTMENTS AND DEPOSITS (GASB 72) (CONTINUED)**

As of June 30, 2017 and 2016, the Plan had the following investments and maturities in its fixed earnings investments, stable asset investments and its mutual funds, which include investments in bonds. Weighted average maturities will vary annually based on the underlying investments of funds

|   | 2017           |                                 | 2016           |                                 |
|---|----------------|---------------------------------|----------------|---------------------------------|
|   | Fair Value     | Weighted<br>Average<br>Maturity | Fair Value     | Weighted<br>Average<br>Maturity |
| <b>Stable Value Option:</b>                       |                |                                 |                |                                 |
| Stable Value Fund                                 | \$ 131,884,327 | 3.47                            | \$ 132,815,809 | 3.60                            |
| <b>Variable Earnings Investments:</b>             |                |                                 |                |                                 |
| Life Cycle 2025 Portfolio                         | 45,311,209     | 2.41                            | 38,592,105     | 2.16                            |
| Life Cycle 2035 Portfolio                         | 25,604,863     | 1.44                            | 19,263,382     | 1.20                            |
| Life Cycle 2045 Portfolio                         | 14,249,186     | 1.10                            | 10,218,726     | 0.70                            |
| Life Cycle 2055 Portfolio                         | 6,066,221      | 0.94                            | 4,421,550      | 0.49                            |
| Life Cycle 2020 Portfolio                         | 1,711,248      | 2.88                            | 75,987         | 2.19                            |
| Life Cycle 2030 Portfolio                         | 1,961,495      | 1.92                            | 2,980          | 2.17                            |
| Life Cycle 2040 Portfolio                         | 2,348,931      | 1.23                            | 31,547         | 2.29                            |
| Life Cycle 2050 Portfolio                         | 770,947        | 1.00                            | 555            | 2.29                            |
| Oakmark Equity and Income Fund (The) -<br>Class I | 20,506,932     | -                               | 19,202,434     | -                               |
| Vanguard Total Bond<br>Market Index Instl         | 16,798,883     | 8.30                            | 17,619,960     | 8.00                            |
| Life Cycle Conservative Portfolio                 | 38,187,781     | 3.25                            | 33,912,260     | 1.94                            |
| Blackrock Inflation Protected Bond                | -              | 9.92                            | 4,224,652      | 10.58                           |
| Templeton Global Bond Fund - Class R6             | 1,868,902      | 3.80                            | 1,632,320      | 3.26                            |

Since all investments are participant directed, all risks exist at the participant level. Each individual within the Plan has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

**NOTE 4 – ALLOCATED LIFE INSURANCE CONTRACTS**

Contracts in a participant's name are excluded from the face of the financial statements. This product was closed to new participants in 2001. The values of insurance contracts change daily due to premiums paid, investment return and settlements of cash surrender value. Due to the actual cash surrender value being significantly less than the policyholder account value in the early years of universal life insurance contracts, a participant may receive substantially less than the value of their account upon the withdrawal of funds from their universal life insurance contract. The total amount of life insurance in force at June 30, 2017 and 2016 was \$12,789,021 and \$13,977,873, respectively. The cash surrender value of policies in force as of June 30, 2017 and 2016 was \$1,559,744 and \$1,642,535, respectively.

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

**NOTE 5 – PLAN ADMINISTRATOR AND ADMINISTRATIVE EXPENSES**

The Plan's third-party administrator is Nationwide Retirement Solutions, Inc. (NRS). For services performed, NRS receives an annual per participant account administrative fee; this fee is charged at an average cost of \$13.00 per quarter per participant. NRS and Nationwide are subsidiaries of Nationwide Financial Services, Inc.

The Plan's independent investment consultant is Meketa Investment Group (MIG). For services performed by MIG an annual fee is charged at an average cost of \$1.13 per quarter per participant.

The New Mexico Public Employees Retirement Association (PERA) receives an annual per participant fee to cover the direct expenses of administering the Plan; this fee is charged at an average cost of \$1.06 per quarter per participant.

**NOTE 6 – TAX STATUS**

In the opinion of the legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 to the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

**NOTE 7 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Position Held in Trust for Plan Benefits.

**NOTE 8 – RELATED PARTIES**

Certain Board members of the Public Employees' Retirement Association are active participants in the Plan.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
SCHEDULE OF MEMORANDUMS OF UNDERSTANDING  
Year Ended June 30, 2017**

| <b><i>Participants</i></b>  | <b><i>Party Responsible for Operations</i></b> | <b><i>Beginning and Ending Dates</i></b>   | <b><i>Total Estimated Amount of Project</i></b>                 | <b><i>Portion Applicable to the Agency</i></b> | <b><i>Amount Agency Contributed in the Current Fiscal Year</i></b> | <b><i>Audit Responsibility</i></b>    | <b><i>Fiscal Agent</i></b> | <b><i>Government Agency Where Revenues and Expenditures are Reported</i></b> |
|---|--|--|---|--|--|---------------------------------------|----------------------------|--|
| Nationwide Retirement Solutions, Inc. Public Employees Retirement Board | Nationwide Retirement Solutions, Inc.          | October 1, 2011 through September 30, 2019 | Annual fee assessed quarterly \$45-\$52 per participant account | \$ -   | \$ -   | Nationwide Retirement Solutions, Inc. | N/A                        | State of New Mexico Deferred Compensation Plan                               |

See Independent Auditor's Report



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Investment Committee and PERA Board Members  
The State of New Mexico Public Employees’  
Deferred Compensation Plan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of State of New Mexico Public Employees’ Deferred Compensation Plan (the Plan) as of and for the year ended June 30, 2017, and have issued our report thereon dated October 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered State of New Mexico Public Employees' Deferred Compensation Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of State of New Mexico Public Employees' Deferred Compensation Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of State of New Mexico Public Employees' Deferred Compensation Plan’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether State of New Mexico Public Employees' Deferred Compensation Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 27, 2017

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
SCHEDULE OF OFFICIALS ROSTER  
June 30, 2017**

|                            |            |                    |
|----------------------------|------------|--------------------|
| Mr. Daniel Mayfield        | Chair      | Retiree Member     |
| Mr. James Maxon            | Vice-Chair | County Member      |
| Ms. Maggie Toulouse Oliver | Ex-Officio | Secretary of State |
| Mr. Tim Eichenberg         | Ex-Officio | State Treasurer    |
| Ms. Jackie Kohlasch        |            | State Member       |
| Mr. John Reynolds          |            | State Member       |
| Ms. Cathy Townes           |            | State Member       |
| Ms. Claudia Armijo         |            | State Member       |
| Ms. Patricia French        |            | Municipal Member   |
| Mr. Dan Esquibel           |            | Municipal Member   |
| Mr. John Melia             |            | Municipal Member   |
| Ms. Loretta Naranjo-Lopez  |            | Retiree Member     |

**STATE OF NEW MEXICO PUBLIC EMPLOYEES'  
DEFERRED COMPENSATION PLAN  
SCHEDULE OF EXIT CONFERENCE ATTENDEES  
June 30, 2017**

The exit conference was held on October 26, 2017 in a closed executive session and was attended by the following individuals:

**Members Present:**

|                        |                   |                    |
|------------------------|-------------------|--------------------|
| Daniel Mayfield        | Chair             | Retiree Member     |
| Maggie Toulouse Oliver | Ex-Officio Member | Secretary of State |
| Jackie Kohlasch        |                   | State Member       |
| John Reynolds          |                   | State Member       |
| Claudia Armijo         |                   | State Member       |
| Patricia French        |                   | Municipal Member   |
| Dan Esquibel           |                   | Municipal Member   |
| John Melia             |                   | Municipal Member   |
| Loretta Naranjo-Lopez  |                   | Retiree Member     |

**Members Excused:**

|                |                   |                 |
|----------------|-------------------|-----------------|
| James Maxon    | Vice-Chair        | County Member   |
| Tim Eichenberg | Ex-Officio Member | State Treasurer |
| Cathy Townes   |                   | State Member    |

**Eide Bailly LLP**

Eric Berman - Partner

# PERA *SmartSave*

## Deferred Compensation Plan

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Second Quarter 2018  
Plan Review June 30, 2018

## Public Employees Retirement Association for the Deferred Compensation Plan

**Administered by:**  
Nationwide Retirement Solutions  
10 W. Nationwide Boulevard  
5-05-115X  
Columbus, OH 43215

**Local Address:**  
3600 Rodeo Lane, Suite B1  
Santa Fe, NM 87507

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# **Executive Summary**

### Important Plan Stats & Demographics

- Current Assets: \$605,783,238 (see page 30)
- Total Participants: 21,692 (see page 26)
- Median Account Balance: \$6,308
- Increased Contributions: 586 (see page 2)
- Reinstatements: 25 (see page 2)
- Rollovers-In Activity: 33 new rollovers in representing \$935,203 (see page 14)
- Rollovers-Out Activity: 58 new rollovers out representing \$4,367,635 (see page 15)
- Loan Activity: 270 loans totaling \$1,793,725 approved (see page 16)
- UE Activity: 57 unforeseeable emergency requests totaling \$145,669 approved. (see page 11)
- Lifecycle Funds: 617 new participants enrolled in the lifecycle portfolios. (see page 5)  
68.04% of participants are diversified in 5 or more asset classes. (see page 39)  
66.64% of participants use Lifecycle Funds to achieve this diversification.  
(see page 40)

### Enrollment Activities

- Nationwide representatives enrolled 733 employees during the quarter, conducted 250 workshops and held 485 individual meetings reaching approximately 3,410 employees.

### Achievements

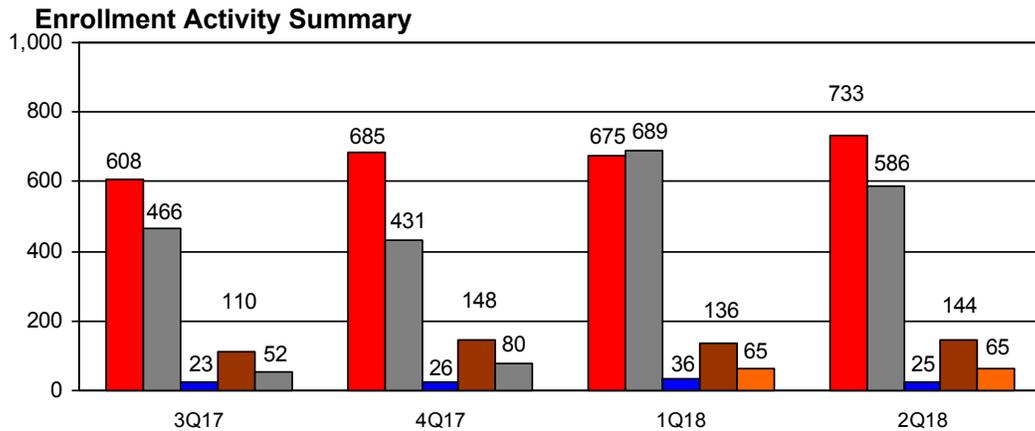
- Completed the engagement letter process with Nationwide and Eide Bailly for the Fiscal Year plan audit
- Began pilot program toward an easier online contribution change and enrollment process for select cities and counties
- Throughout market challenges, enrollment numbers and assets in the plan continue to rise

### Upcoming Items

- Continued review and adjustments of pilot program via pay center feedback for submitting contribution changes and enrollments online
- Review of the Investment Policy Statement is currently underway
- Letter to select Stable Value participants is being developed to help educate more on diverse investment options

# **Participant Education Services**

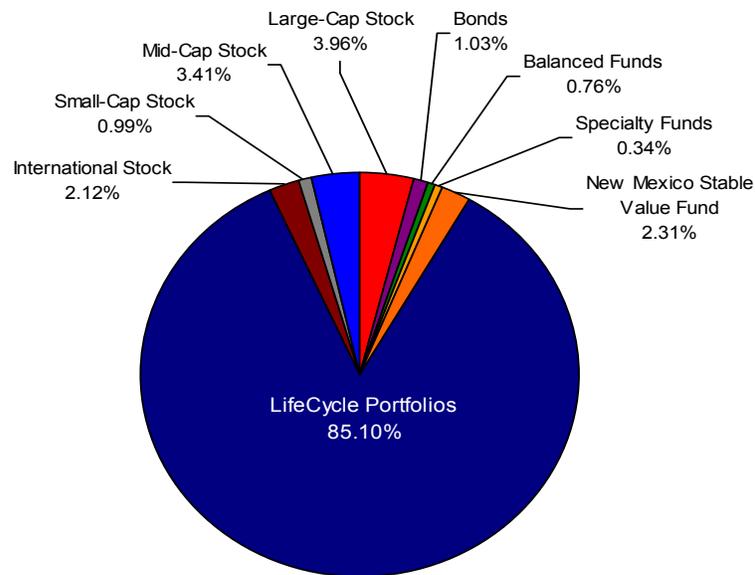
## Enrollment Activity



|                                | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--------------------------------|------|------|------|------|
| <b>New Enrollments</b>         | 608  | 685  | 675  | 733  |
| <b>Increased Contributions</b> | 466  | 431  | 689  | 586  |
| <b>Reinstatements</b>          | 23   | 26   | 36   | 25   |
| <b>Decreases</b>               | 110  | 148  | 136  | 144  |
| <b>Stops</b>                   | 52   | 80   | 65   | 65   |

\*There were 733 new enrollments signed and 652 new accounts that received first deferral by quarter end.

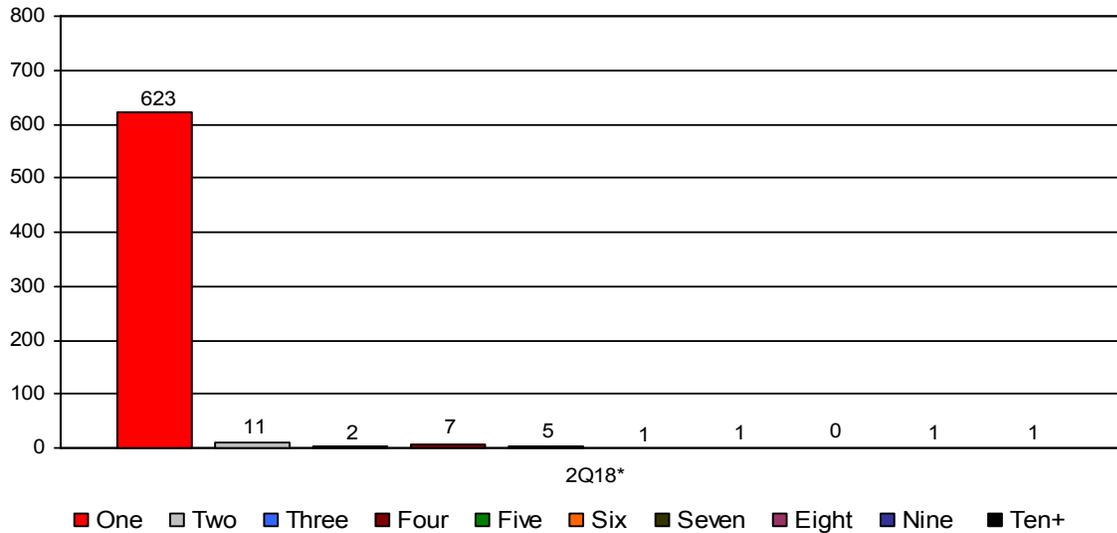
## New Enrollment Contributions by Investment Class



| Investment Option            | 2Q18 New Enrollment Contributions | %           |
|------------------------------|-----------------------------------|-------------|
| LifeCycle Portfolios         | \$237,879                         | 85.10%      |
| International Stock          | \$5,921                           | 2.12%       |
| Small-Cap Stock              | \$2,771                           | 0.99%       |
| Mid-Cap Stock                | \$9,528                           | 3.41%       |
| Large-Cap Stock              | \$11,057                          | 3.96%       |
| Bonds                        | \$2,866                           | 1.03%       |
| Balanced Funds               | \$2,111                           | 0.76%       |
| Specialty                    | \$945                             | 0.34%       |
| New Mexico Stable Value Fund | \$6,451                           | 2.31%       |
| <b>Total Investments</b>     | <b>\$279,531</b>                  | <b>100%</b> |

## Enrollment Activity (continued)

### Investment Diversification - New Participants by Number of Funds



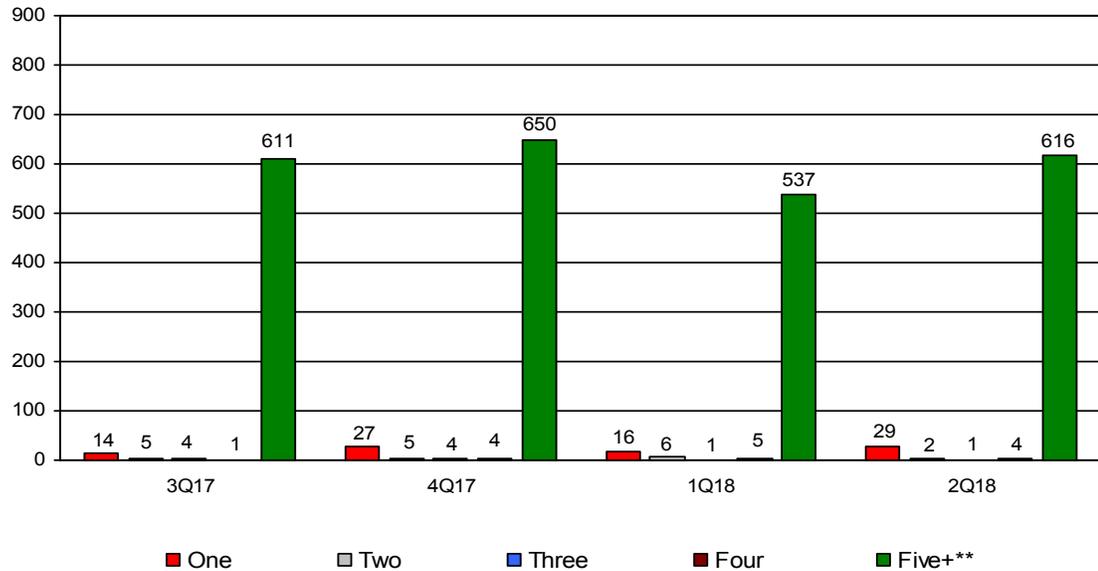
| Number of Funds                      | # of Participants 3Q17 | # of Participants 4Q17 | # of Participants 1Q18 | # of Participants 2Q18* |
|--------------------------------------|------------------------|------------------------|------------------------|-------------------------|
| One                                  | 602                    | 643                    | 530                    | 623                     |
| Two                                  | 10                     | 17                     | 12                     | 11                      |
| Three                                | 14                     | 11                     | 3                      | 2                       |
| Four                                 | 4                      | 6                      | 8                      | 7                       |
| Five                                 | 1                      | 7                      | 3                      | 5                       |
| Six                                  | 1                      | 1                      | 2                      | 1                       |
| Seven                                | 1                      | 0                      | 1                      | 1                       |
| Eight                                | 0                      | 0                      | 2                      | 0                       |
| Nine                                 | 0                      | 3                      | 3                      | 1                       |
| Ten+                                 | 2                      | 2                      | 1                      | 1                       |
| <b>Total # of New Participants**</b> | <b>635</b>             | <b>690</b>             | <b>565</b>             | <b>652</b>              |

\*These numbers represent the new participants who deferred into the plan by June 30, 2018.

\*\*Total # of participants includes those using one or more LifeCycle Portfolios. One LifeCycle Portfolio equals one fund.

## Enrollment Activity (continued)

### Investment Diversification - New Participants by Number of Asset Classes



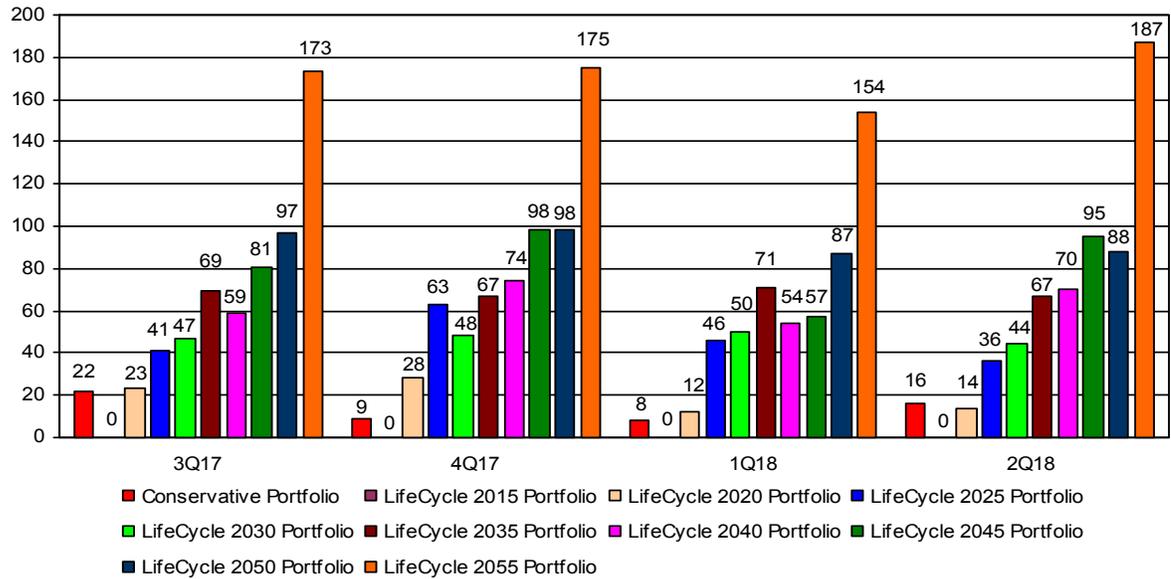
| Number of Asset Classes              | # of Participants 3Q17 | # of Participants 4Q17 | # of Participants 1Q18 | # of Participants 2Q18 |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| One                                  | 14                     | 27                     | 16                     | 29                     |
| Two                                  | 5                      | 5                      | 6                      | 2                      |
| Three                                | 4                      | 4                      | 1                      | 1                      |
| Four                                 | 1                      | 4                      | 5                      | 4                      |
| Five+                                | 611                    | 650                    | 537                    | 616                    |
| <b>Total # of New Participants**</b> | <b>635</b>             | <b>690</b>             | <b>565</b>             | <b>652</b>             |

\*These numbers represent new participants who deferred into the plan by June 30, 2018.

\*\*Participants taking advantage of LifeCycle Portfolios are captured as investing in 5+ asset classes.

## Enrollment Activity (continued)

### Investment Diversification - New Participants Using LifeCycle Portfolios to Achieve Diversification

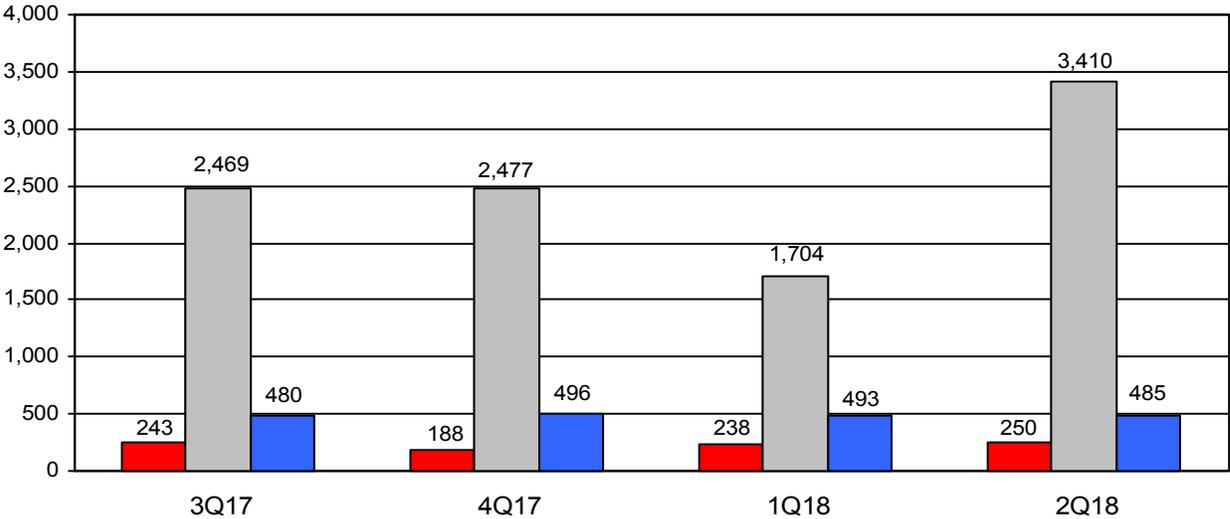


| Fund                                | # of Participants 3Q17 | # of Participants 4Q17 | # of Participants 1Q18 | # of Participants 2Q18 |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|
| Conservative Portfolio              | 22                     | 9                      | 8                      | 16                     |
| LifeCycle 2015 Portfolio            | 0                      | 0                      | 0                      | 0                      |
| LifeCycle 2020 Portfolio            | 23                     | 28                     | 12                     | 14                     |
| LifeCycle 2025 Portfolio            | 41                     | 63                     | 46                     | 36                     |
| LifeCycle 2030 Portfolio            | 47                     | 48                     | 50                     | 44                     |
| LifeCycle 2035 Portfolio            | 69                     | 67                     | 71                     | 67                     |
| LifeCycle 2040 Portfolio            | 59                     | 74                     | 54                     | 70                     |
| LifeCycle 2045 Portfolio            | 81                     | 98                     | 57                     | 95                     |
| LifeCycle 2050 Portfolio            | 97                     | 98                     | 87                     | 88                     |
| LifeCycle 2055 Portfolio            | 173                    | 175                    | 154                    | 187                    |
| <b>Total # of New Participants*</b> | <b>612</b>             | <b>660</b>             | <b>539</b>             | <b>617</b>             |

\* Total reflects duplicate counts for participants invested in more than one LifeCycle Portfolio.

# Group Meeting Activity

## Summary Statistics



|                                      | 3Q17  | 4Q17  | 1Q18  | 2Q18  |
|--------------------------------------|-------|-------|-------|-------|
| Number of Group Meetings*            | 243   | 188   | 238   | 250   |
| Total Attendance at Group Meetings** | 2,469 | 2,477 | 1,704 | 3,410 |
| Number of Individual Meetings        | 480   | 496   | 493   | 485   |

\*Number of Group Meetings has been adjusted to now reflect one meeting for both meeting presentations "Join It" and "Asset Allocation".

\*\*Total Attendance at Group Meetings has been adjusted to reflect the number of individuals attending each meeting which includes both presentations.

## Group Meeting Activity (continued)

### Second Quarter 2018 Scheduled Group Meetings

| Entity/Agency                         | Department/ Meeting type         | Location     | Rep.    | Week Ending | Attended |
|---------------------------------------|----------------------------------|--------------|---------|-------------|----------|
| North Central Solid Waste Authority   |                                  | Alcalde      | Day     | 4/6/2018    | 20       |
| Department of Corrections             | NM State Penitentiary - Training | Santa Fe     | Day     | 4/6/2018    | 10       |
| Department of Corrections             | NM State Penitentiary - Staff    | Santa Fe     | Day     | 4/6/2018    | 2        |
| City of Espanola                      | PERA Retirement Seminar - AM     | Espanola     | Day     | 4/6/2018    | 11       |
| City of Espanola                      | PERA Retirement Seminar - PM     | Espanola     | Day     | 4/6/2018    | 6        |
| City of Las Cruces                    | Utilities                        | Las Cruces   | Miller  | 4/6/2018    | 6        |
| City of Albuquerque                   | Fire Station 14                  | Albuquerque  | Puckett | 4/6/2018    | 5        |
| City of Albuquerque                   | Public Works                     | Albuquerque  | Puckett | 4/6/2018    | 4        |
| Bernalillo County                     | Inventory Control                | Albuquerque  | Puckett | 4/6/2018    | 4        |
| Albuquerque Public Schools            | City Center                      | Albuquerque  | Puckett | 4/6/2018    | 3        |
| City of Albuquerque                   | Planning                         | Albuquerque  | Puckett | 4/6/2018    | 2        |
| Department of Transportation          | New Employee Orientation         | Santa Fe     | Day     | 4/13/2018   | 7        |
| Santa Fe County                       | New Employee Orientation         | Santa Fe     | Day     | 4/13/2018   | 8        |
| City of Santa Fe                      | New Employee Orientation         | Santa Fe     | Day     | 4/13/2018   | 10       |
| Taxation and Revenue Department       | New Employee Orientation         | Santa Fe     | Day     | 4/13/2018   | 15       |
| City of Santa Fe                      | Convention Center                | Santa Fe     | Day     | 4/13/2018   | 2        |
| Division of Vocational Rehabilitation |                                  | Las Cruces   | Miller  | 4/13/2018   | 14       |
| Dona Ana County                       | Administration - AM              | Las Cruces   | Miller  | 4/13/2018   | 9        |
| Dona Ana County                       | Administration - PM              | Las Cruces   | Miller  | 4/13/2018   | 6        |
| City of Las Cruces                    | Public Works                     | Las Cruces   | Miller  | 4/13/2018   | 4        |
| City of Albuquerque                   | Pre-Retirement Seminar           | Albuquerque  | Puckett | 4/13/2018   | 40       |
| PERA                                  | Pre-Retirement Seminar           | Albuquerque  | Puckett | 4/13/2018   | 4        |
| City of Albuquerque                   | Fire Station 1                   | Albuquerque  | Puckett | 4/13/2018   | 4        |
| City of Albuquerque                   | Fire Station 11                  | Albuquerque  | Puckett | 4/13/2018   | 6        |
| City of Albuquerque                   | Fire Station 21                  | Albuquerque  | Puckett | 4/13/2018   | 2        |
| Central NM Community College          | Health Fair                      | Albuquerque  | Puckett | 4/13/2018   | 100      |
| Department of Health                  |                                  | Santa Fe     | Day     | 4/20/2018   | 3        |
| Northern NM College                   | AM                               | Espanola     | Day     | 4/20/2018   | 3        |
| Northern NM College                   | PM                               | Espanola     | Day     | 4/20/2018   | 4        |
| City of Santa Fe                      | Fire Station 3                   | Santa Fe     | Day     | 4/20/2018   | 6        |
| City of Santa Fe                      | Fire Station 16                  | Santa Fe     | Day     | 4/20/2018   | 4        |
| City of Sunland Park                  |                                  | Sunland Park | Miller  | 4/20/2018   | 8        |
| Department of Transportation          |                                  | Las Cruces   | Miller  | 4/20/2018   | 12       |
| Department of Corrections             | Western NM Correctional Facility | Grants       | Puckett | 4/20/2018   | 13       |
| City of Albuquerque                   | Municipal Development            | Albuquerque  | Puckett | 4/20/2018   | 4        |
| City of Albuquerque                   | Fire station 19                  | Albuquerque  | Puckett | 4/20/2018   | 5        |
| Bernalillo County                     | Treasurer                        | Albuquerque  | Puckett | 4/20/2018   | 3        |
| Santa Fe County                       | New Employee Orientation         | Santa Fe     | Day     | 4/27/2018   | 8        |
| City of Santa Fe                      |                                  | Santa Fe     | Day     | 4/27/2018   | 2        |
| Department of Corrections             | NM Penitentiary                  | Santa Fe     | Day     | 4/27/2018   | 9        |
| NM Behavioral Health Institute        | New Employee Orientation         | Las Vegas    | Day     | 4/27/2018   | 27       |
| NM Behavioral Health Institute        | Staff Development                | Las Vegas    | Day     | 4/27/2018   | 6        |
| Highlands University                  | AM                               | Las Vegas    | Day     | 4/27/2018   | 4        |
| Highlands University                  | PM                               | Las Vegas    | Day     | 4/27/2018   | 4        |
| Chaves County                         | PERA Retirement Seminar          | Roswell      | Miller  | 4/27/2018   | 150      |
| City of Artesia                       | PERA Retirement Seminar          | Artesia      | Miller  | 4/27/2018   | 13       |
| City of Hobbs                         | PERA Retirement Seminar          | Hobbs        | Miller  | 4/27/2018   | 50       |
| City of Carlsbad                      | PERA Retirement Seminar          | Carlsbad     | Miller  | 4/27/2018   | 75       |
| City of Las Cruces                    | PERA Retirement Seminar          | Las Cruces   | Miller  | 4/27/2018   | 30       |
| Nuestro Valores Charter School        |                                  | Albuquerque  | Puckett | 4/27/2018   | 3        |
| Bernalillo County                     | Treasurer                        | Albuquerque  | Puckett | 4/27/2018   | 4        |
| City of Albuquerque                   | Human Resources                  | Albuquerque  | Puckett | 4/27/2018   | 5        |
| City of Grants                        | Fire Command                     | Grants       | Puckett | 4/27/2018   | 8        |
| Environment Department                |                                  | Santa Fe     | Day     | 5/4/2018    | 3        |
| Department of Corrections             | NM Penitentiary                  | Santa Fe     | Day     | 5/4/2018    | 9        |
| San Juan County                       | AM                               | Aztec        | Day     | 5/4/2018    | 5        |
| San Juan County                       | PM                               | Aztec        | Day     | 5/4/2018    | 5        |
| City of Farmington                    | Parks and Recreation             | Farmington   | Day     | 5/4/2018    | 5        |
| City of Farmington                    | Municipal Operations Center      | Farmington   | Day     | 5/4/2018    | 8        |
| City of Farmington                    | East Annex                       | Farmington   | Day     | 5/4/2018    | 3        |
| City of Farmington                    | Fire Station 1                   | Farmington   | Day     | 5/4/2018    | 4        |
| City of Farmington                    | Fire Station 4                   | Farmington   | Day     | 5/4/2018    | 4        |
| City of Farmington                    | Fire Station 3                   | Farmington   | Day     | 5/4/2018    | 2        |
| City of Farmington                    | City Hall                        | Farmington   | Day     | 5/4/2018    | 5        |
| City of Farmington                    | West Annex                       | Farmington   | Day     | 5/4/2018    | 5        |
| City of Las Cruces                    | Police Records                   | Las Cruces   | Miller  | 5/4/2018    | 2        |
| Chaves County                         | Administration                   | Roswell      | Miller  | 5/4/2018    | 6        |

|   |   |              |         |           |     |
|---|---|--------------|---------|-----------|-----|
| Chaves County   | Detention                                       | Roswell      | Miller  | 5/4/2018  | 23  |
| Chaves County   | Roads   | Roswell      | Miller  | 5/4/2018  | 18  |
| Department of Corrections                             | Roswell Correctional Facility                   | Roswell      | Miller  | 5/4/2018  | 23  |
| City of Grants  | City Hall                                       | Grants       | Puckett | 5/4/2018  | 7   |
| City of Grants  | Police  | Grants       | Puckett | 5/4/2018  | 6   |
| City of Grants  | Senior Center                                   | Grants       | Puckett | 5/4/2018  | 7   |
| Albuquerque Public Schools                            | Jefferson Middle School                         | Albuquerque  | Puckett | 5/4/2018  | 3   |
| Bernalillo County                                     | Fire Command                                    | Albuquerque  | Puckett | 5/4/2018  | 6   |
| Department of Transportation                          | New Employee Orientation                        | Santa Fe     | Day     | 5/11/2018 | 6   |
| Santa Fe County                                       | New Employee Orientation                        | Santa Fe     | Day     | 5/11/2018 | 14  |
| City of Santa Fe                                      | New Employee Orientation                        | Santa Fe     | Day     | 5/11/2018 | 16  |
| Department of Corrections                             | NM Penitentiary                                 | Santa Fe     | Day     | 5/11/2018 | 8   |
| Department of Health                                  | New Employee Orientation                        | Santa Fe     | Day     | 5/11/2018 | 12  |
| Department of Corrections                             | New Employee Orientation                        | Santa Fe     | Day     | 5/11/2018 | 8   |
| Administrative Office of the Courts                   | 3rd Judicial District Court                     | Las Cruces   | Miller  | 5/11/2018 | 9   |
| Department of Health                                  | Public Health Regional Office                   | Las Cruces   | Miller  | 5/11/2018 | 15  |
| Department of Transportation                          |   | Las Cruces   | Miller  | 5/11/2018 | 4   |
| Department of Corrections                             |   | Las Cruces   | Miller  | 5/11/2018 | 3   |
| Albuquerque Bernalillo County Water Utility Authority | Open Enrollment                                 | Albuquerque  | Puckett | 5/11/2018 | 20  |
| City of Tucumcari                                     | Visitors Center                                 | Albuquerque  | Puckett | 5/11/2018 | 6   |
| PERA  | Retirement Seminar                              | Albuquerque  | Puckett | 5/11/2018 | 6   |
| Taxation and Revenue Department                       | New Employee Orientation                        | Albuquerque  | Puckett | 5/11/2018 | 7   |
| Department of Corrections                             | Central NM Correctional Facility                | Los Lunas    | Puckett | 5/11/2018 | 43  |
| Human Services Department                             |   | Santa Fe     | Day     | 5/18/2018 | 2   |
| Department of Corrections                             | NM Penitentiary                                 | Santa Fe     | Day     | 5/18/2018 | 5   |
| Department of Transportation                          |   | Santa Fe     | Day     | 5/18/2018 | 12  |
| Human Services Department                             | Pollon Plaza                                    | Santa Fe     | Day     | 5/18/2018 | 21  |
| Department of Transportation                          |   | Santa Fe     | Day     | 5/18/2018 | 12  |
| Village of Cimarron                                   |   | Cimarron     | Day     | 5/18/2018 | 2   |
| Office of the State Engineer                          |   | Cimarron     | Day     | 5/18/2018 | 3   |
| Energy Minerals and Natural Resources Department      | Forestry Division                               | Cimarron     | Day     | 5/18/2018 | 2   |
| Village of Eagle Nest                                 |   | Eagle Nest   | Day     | 5/18/2018 | 2   |
| Village of Angel Fire                                 |   | Angel Fire   | Day     | 5/18/2018 | 2   |
| Department of Transportation                          |   | Ojo Caliente | Day     | 5/18/2018 | 2   |
| Department of Transportation                          | Region Design Office                            | Las Cruces   | Miller  | 5/18/2018 | 2   |
| Dona Ana County                                       | Open Enrollment                                 | Las Cruces   | Miller  | 5/18/2018 | 90  |
| Dona Ana County                                       | Open Enrollment                                 | Las Cruces   | Miller  | 5/18/2018 | 15  |
| Bernalillo County                                     | Metropolitan Detention Center - Open Enrollment | Albuquerque  | Puckett | 5/18/2018 | 50  |
| Bernalillo County                                     | Metropolitan Detention Center - Open Enrollment | Albuquerque  | Puckett | 5/18/2018 | 40  |
| Bernalillo County                                     | Youth Services - Open Enrollment                | Albuquerque  | Puckett | 5/18/2018 | 25  |
| Bernalillo County                                     | Civic Plaza - Health Fair                       | Albuquerque  | Puckett | 5/18/2018 | 110 |
| Town of Los Lunas                                     | Police  | Los Lunas    | Puckett | 5/18/2018 | 43  |
| Bernalillo County                                     | Union Station - Open Enrollment                 | Albuquerque  | Puckett | 5/18/2018 | 18  |
| Albuquerque Bernalillo County Water Utility Authority | Reclamation - Open Enrollment                   | Albuquerque  | Puckett | 5/18/2018 | 40  |
| Bernalillo County                                     | Public Works - Open Enrollment                  | Albuquerque  | Puckett | 5/18/2018 | 40  |
| Village of Edgewood                                   | Benefits Fair                                   | Edgewood     | Puckett | 5/18/2018 | 13  |
| Santa Fe County                                       | New Employee Orientation                        | Santa Fe     | Day     | 5/25/2018 | 3   |
| Rio Arriba County                                     | PERA Retirement Seminar                         | Espanola     | Day     | 5/25/2018 | 13  |
| Rio Arriba County                                     | PERA Retirement Seminar                         | Espanola     | Day     | 5/25/2018 | 15  |
| Department of Corrections                             | NM Penitentiary                                 | Santa Fe     | Day     | 5/25/2018 | 13  |
| NM Behavioral Health Institute                        | New Employee Orientation                        | Las Vegas    | Day     | 5/25/2018 | 6   |
| NM Behavioral Health Institute                        | Staff Development                               | Las Vegas    | Day     | 5/25/2018 | 5   |
| Town of Springer                                      | Benefits Fair                                   | Springer     | Day     | 5/25/2018 | 10  |
| Department of Transportation                          |   | Springer     | Day     | 5/25/2018 | 4   |
| Department of Transportation                          |   | Wagon Mound  | Day     | 5/25/2018 | 4   |
| Miners Colfax Medical Center                          | Acute Care                                      | Raton        | Day     | 5/25/2018 | 9   |
| Miners Colfax Medical Center                          | Long Term Care                                  | Raton        | Day     | 5/25/2018 | 4   |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 8   |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 5   |
| Otero County  | Roads   | Alamogordo   | Miller  | 5/25/2018 | 30  |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 8   |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 3   |
| Otero County  | Sheriff   | Alamogordo   | Miller  | 5/25/2018 | 7   |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 6   |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 4   |
| Otero County  | Detention                                       | Alamogordo   | Miller  | 5/25/2018 | 12  |
| Otero County  | Administration                                  | Alamogordo   | Miller  | 5/25/2018 | 3   |
| Department of Transportation                          |   | Socorro      | Miller  | 5/25/2018 | 6   |
| Socorro Soil and Water Conservation District          |   | Socorro      | Miller  | 5/25/2018 | 6   |
| NM Fire Academy                                       |   | Socorro      | Miller  | 5/25/2018 | 2   |
| Energy Minerals and Natural Resources Department      | Forestry Division                               | Socorro      | Miller  | 5/25/2018 | 2   |
| Village of Corona                                     |   | Corona       | Miller  | 5/25/2018 | 2   |
| City of Albuquerque                                   | Pino yards - Open Enrollment                    | Albuquerque  | Puckett | 5/25/2018 | 35  |
| Middle Rio Grande Conservancy District                | Open Enrollment                                 | Socorro      | Puckett | 5/25/2018 | 23  |

|   |   |                 |         |           |     |
|---|---|-----------------|---------|-----------|-----|
| City of Albuquerque                                   | Transit - Open Enrollment                       | Albuquerque     | Puckett | 5/25/2018 | 12  |
| Albuquerque Bernalillo County Water Utility Authority | Reclamation - Open Enrollment                   | Albuquerque     | Puckett | 5/25/2018 | 11  |
| Bernalillo County                                     | Fire Station 35                                 | Albuquerque     | Puckett | 5/25/2018 | 5   |
| City of Albuquerque                                   | Aviation - Open Enrollment                      | Albuquerque     | Puckett | 5/25/2018 | 19  |
| Bernalillo County                                     | Union Station - Open Enrollment                 | Albuquerque     | Puckett | 5/25/2018 | 30  |
| City of Albuquerque                                   | Fire Station 20                                 | Albuquerque     | Puckett | 5/25/2018 | 4   |
| City of Albuquerque                                   | Pino yards - Open Enrollment                    | Albuquerque     | Puckett | 5/25/2018 | 10  |
| Bernalillo County                                     | Public Works - Open Enrollment                  | Albuquerque     | Puckett | 5/25/2018 | 35  |
| City of Albuquerque                                   | Transit Daytona - Open Enrollment               | Albuquerque     | Puckett | 5/25/2018 | 15  |
| Río Arriba County                                     |   | Tierra Amarilla | Day     | 6/1/2018  | 15  |
| Department of Transportation                          |   | Tierra Amarilla | Day     | 6/1/2018  | 3   |
| Department of Transportation                          | AM  | Santa Fe        | Day     | 6/1/2018  | 6   |
| Department of Transportation                          | PM  | Santa Fe        | Day     | 6/1/2018  | 5   |
| Children Youth and Families Department                | Protective Services                             | Roswell         | Miller  | 6/1/2018  | 7   |
| City of Roswell                                       | Streets   | Roswell         | Miller  | 6/1/2018  | 2   |
| Office of the State Engineer                          |   | Roswell         | Miller  | 6/1/2018  | 7   |
| Department of Corrections                             | Probation and Parole                            | Roswell         | Miller  | 6/1/2018  | 8   |
| Children Youth and Families Department                |   | Roswell         | Miller  | 6/1/2018  | 6   |
| Department of Health                                  |   | Roswell         | Miller  | 6/1/2018  | 9   |
| Department of Health                                  | Public Health                                   | Roswell         | Miller  | 6/1/2018  | 6   |
| Human Services Department                             | Income Support                                  | Roswell         | Miller  | 6/1/2018  | 7   |
| Department of Transportation                          |   | Roswell         | Miller  | 6/1/2018  | 5   |
| Department of Health                                  | Sunset  | Roswell         | Miller  | 6/1/2018  | 6   |
| Department of Public Safety                           |   | Roswell         | Miller  | 6/1/2018  | 11  |
| Human Services Department                             | Child Enforcement                               | Roswell         | Miller  | 6/1/2018  | 25  |
| City of Sunland Park                                  |   | Sunland Park    | Miller  | 6/1/2018  | 6   |
| Bernalillo County                                     | Metropolitan Detention Center - Open Enrollment | Albuquerque     | Puckett | 6/1/2018  | 35  |
| Bernalillo County                                     | Youth Services - Open Enrollment                | Albuquerque     | Puckett | 6/1/2018  | 10  |
| Bernalillo County                                     | Metropolitan Detention Center - Open Enrollment | Albuquerque     | Puckett | 6/1/2018  | 40  |
| Middle Rio Grande Conservancy District                | Open Enrollment                                 | Belen           | Puckett | 6/1/2018  | 18  |
| City of Albuquerque                                   | Pino yards - Open Enrollment                    | Albuquerque     | Puckett | 6/1/2018  | 20  |
| Village of Los Lunas                                  | Rail Runner Office                              | Los Lunas       | Puckett | 6/1/2018  | 4   |
| City of Albuquerque                                   | Convention Center - Open Enrollment             | Albuquerque     | Puckett | 6/1/2018  | 70  |
| City of Albuquerque                                   | Solid Waste - Open Enrollment                   | Albuquerque     | Puckett | 6/1/2018  | 13  |
| Department of Transportation                          | New Employee Orientation                        | Santa Fe        | Day     | 6/8/2018  | 4   |
| Santa Fe County                                       | New Employee Orientation                        | Santa Fe        | Day     | 6/8/2018  | 9   |
| City of Santa Fe                                      | New Employee Orientation                        | Santa Fe        | Day     | 6/8/2018  | 8   |
| Department of Corrections                             | NM Penitentiary                                 | Santa Fe        | Day     | 6/8/2018  | 7   |
| Department of Public Safety                           | State Police                                    | Santa Fe        | Day     | 6/8/2018  | 26  |
| Human Services Department                             | AM  | Santa Fe        | Day     | 6/8/2018  | 6   |
| Human Services Department                             | PM  | Santa Fe        | Day     | 6/8/2018  | 3   |
| Department of Corrections                             | Probation and Parole                            | Hobbs           | Miller  | 6/8/2018  | 10  |
| City of Hobbs   | City Hall                                       | Hobbs           | Miller  | 6/8/2018  | 8   |
| Human Services Department                             |   | Hobbs           | Miller  | 6/8/2018  | 10  |
| Children Youth and Families Department                |   | Hobbs           | Miller  | 6/8/2018  | 5   |
| Department of Health                                  |   | Hobbs           | Miller  | 6/8/2018  | 5   |
| Department of Transportation                          |   | Hobbs           | Miller  | 6/8/2018  | 8   |
| City of Alamogordo                                    | PERA Retirement Seminar                         | Alamogordo      | Miller  | 6/8/2018  | 100 |
| Administrative Office of the District Attorney        | 5th Judicial District                           | Artesia         | Miller  | 6/8/2018  | 75  |
| Department of Transportation                          |   | Carrizozo       | Miller  | 6/8/2018  | 3   |
| Village of Ruidoso                                    |   | Ruidoso         | Miller  | 6/8/2018  | 22  |
| Middle Rio Grande Conservancy District                | Open Enrollment                                 | Albuquerque     | Puckett | 6/8/2018  | 25  |
| Middle Rio Grande Conservancy District                | Open Enrollment                                 | Albuquerque     | Puckett | 6/8/2018  | 40  |
| Middle Rio Grande Conservancy District                | Open Enrollment                                 | Cochiti         | Puckett | 6/8/2018  | 16  |
| Guadalupe County                                      | Open Enrollment                                 | Santa Rosa      | Puckett | 6/8/2018  | 10  |
| Sandoval County                                       | Open Enrollment                                 | Bernalillo      | Puckett | 6/8/2018  | 50  |
| City of Albuquerque                                   | Transit - Open Enrollment                       | Albuquerque     | Puckett | 6/8/2018  | 15  |
| City of Albuquerque                                   | Solid Waste - Open Enrollment                   | Albuquerque     | Puckett | 6/8/2018  | 14  |
| City of Albuquerque                                   | Convention Center - Open Enrollment             | Albuquerque     | Puckett | 6/8/2018  | 13  |
| Department of Transportation                          |   | Santa Fe        | Day     | 6/15/2018 | 5   |
| Department of Transportation                          | New Employee Orientation                        | Santa Fe        | Day     | 6/15/2018 | 6   |
| Department of Health                                  | New Employee Orientation                        | Santa Fe        | Day     | 6/15/2018 | 15  |
| City of Bloomfield                                    | Operations Center                               | Bloomfield      | Day     | 6/15/2018 | 3   |
| Village of Aztec                                      |   | Aztec           | Day     | 6/15/2018 | 10  |
| City of Bloomfield                                    | Police  | Bloomfield      | Day     | 6/15/2018 | 2   |
| City of Bloomfield                                    | Municipal Building                              | Bloomfield      | Day     | 6/15/2018 | 6   |
| Taxation and Revenue Department                       | New Employee Orientation                        | Santa Fe        | Day     | 6/15/2018 | 7   |
| City of Santa Fe                                      | Police  | Santa Fe        | Day     | 6/15/2018 | 3   |
| City of Las Cruces                                    | Fleet Maintenance                               | Las Cruces      | Miller  | 6/15/2018 | 15  |
| City of Las Cruces                                    | Transit   | Las Cruces      | Miller  | 6/15/2018 | 12  |
| Workers Compensation Administration                   | Workers Compensation Administration             | Albuquerque     | Puckett | 6/15/2018 | 8   |
| PERA  | Retirement Seminar                              | Albuquerque     | Puckett | 6/15/2018 | 6   |
| Bernalillo County                                     | Information and Technology                      | Albuquerque     | Puckett | 6/15/2018 | 3   |
| Department of Health                                  | Public Health                                   | Rio Rancho      | Puckett | 6/15/2018 | 10  |

|  |                                |             |         |           |     |
|--|--------------------------------|-------------|---------|-----------|-----|
| City of Albuquerque                            | Fire Station 10                | Albuquerque | Puckett | 6/15/2018 | 5   |
| Santa Fe County                                | New Employee Orientation       | Santa Fe    | Day     | 6/22/2018 | 5   |
| NM Behavioral Health Institute                 | New Employee Orientation       | Las Vegas   | Day     | 6/22/2018 | 13  |
| NM Behavioral Health Institute                 | Staff Development              | Las Vegas   | Day     | 6/22/2018 | 3   |
| Administrative Office of the District Attorney | 8th Judicial District Attorney | Taos        | Day     | 6/22/2018 | 6   |
| Children Youth and Families Department         |                                | Taos        | Day     | 6/22/2018 | 12  |
| State of NM                                    | Health and Wellness Fair       | Santa Fe    | Day     | 6/22/2018 | 150 |
| Department of Public Safety                    | State Police                   | Las Cruces  | Miller  | 6/22/2018 | 3   |
| City of Las Vegas                              | Solid Waste                    | Las Cruces  | Miller  | 6/22/2018 | 15  |
| Department of Corrections                      | Probation and Parole           | Las Cruces  | Miller  | 6/22/2018 | 9   |
| City of Las Cruces                             | Parks and Recreation           | Las Cruces  | Miller  | 6/22/2018 | 3   |
| City of Albuquerque                            | Barelas Community Center       | Albuquerque | Puckett | 6/22/2018 | 3   |
| City of Albuquerque                            | Pre-Retirement Seminar         | Albuquerque | Puckett | 6/22/2018 | 50  |
| Bernalillo County                              | New Employee Orientation       | Albuquerque | Puckett | 6/22/2018 | 49  |
| City of Farmington                             | New Employee Orientation       | Farmington  | Day     | 6/29/2018 | 15  |
| City of Farmington                             | Police                         | Farmington  | Day     | 6/29/2018 | 7   |
| Taxation and Revenue Department                |                                | Farmington  | Day     | 6/29/2018 | 3   |
| Taxation and Revenue Department                | Motor Vehicle Division         | Farmington  | Day     | 6/29/2018 | 8   |
| Department of Public Safety                    | State Police                   | Carlsbad    | Miller  | 6/29/2018 | 3   |
| Department of Transportation                   | Construction                   | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Department of Public Safety                    |                                | Carlsbad    | Miller  | 6/29/2018 | 3   |
| Environment Department                         |                                | Carlsbad    | Miller  | 6/29/2018 | 4   |
| Human Services Department                      |                                | Carlsbad    | Miller  | 6/29/2018 | 5   |
| Administrative Office of the District Attorney | 5th Judicial District Attorney | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Department of Public Safety                    | State Police                   | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Town of Loving                                 |                                | Loving      | Miller  | 6/29/2018 | 4   |
| Department of Transportation                   | Patrol                         | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Public Defender                                |                                | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Children Youth and Families Department         | Protective Services            | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Children Youth and Families Department         | Juvenile Justice               | Carlsbad    | Miller  | 6/29/2018 | 2   |
| Bernalillo County                              | Fire Command                   | Albuquerque | Puckett | 6/29/2018 | 3   |
| Bernalillo County                              | Metropolitan Detention Center  | Albuquerque | Puckett | 6/29/2018 | 5   |
| City of Albuquerque                            | Solid Waste                    | Albuquerque | Puckett | 6/29/2018 | 8   |
| Bernalillo County                              | Fire Station 38                | Albuquerque | Puckett | 6/29/2018 | 7   |
| Town of Los Lunas                              | Police                         | Los Lunas   | Puckett | 6/29/2018 | 5   |

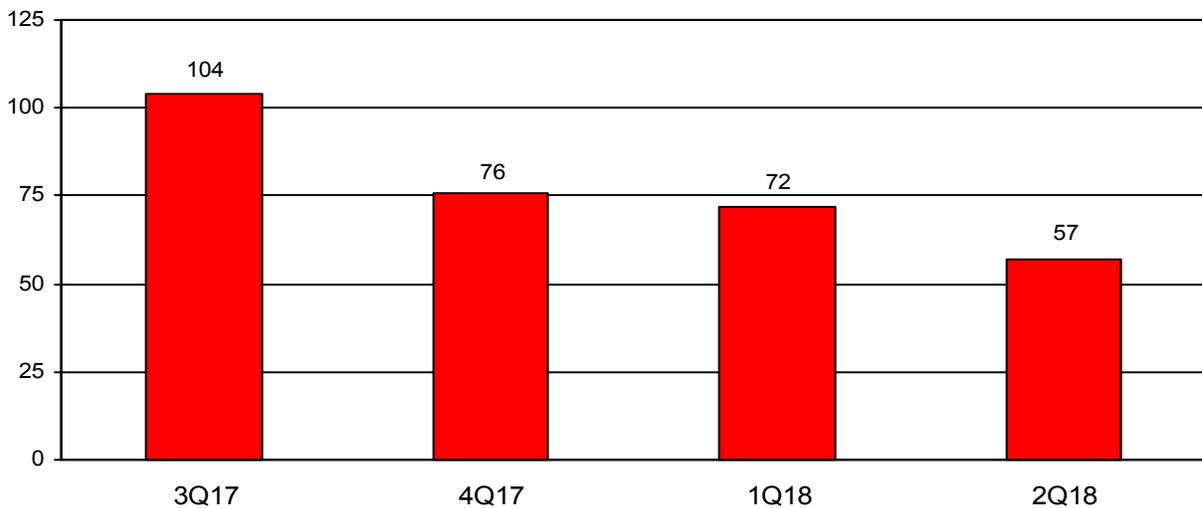
## Payout Activity

### Payout Activity Summary

- Termination Requests Received by the local Santa Fe office due to Retirement or other Separation from Service.

| 3Q17         | # of Payouts | 4Q17         | # of Payouts | 1Q18         | # of Payouts | 2Q18         | # of Payouts |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| July         | 275          | October      | 316          | January      | 315          | April        | 252          |
| August       | 368          | November     | 317          | February     | 308          | May          | 290          |
| September    | 360          | December     | 341          | March        | 359          | June         | 326          |
| <b>Total</b> | <b>1,003</b> | <b>Total</b> | <b>974</b>   | <b>Total</b> | <b>982</b>   | <b>Total</b> | <b>868</b>   |

### Unforeseeable Withdrawal Activity

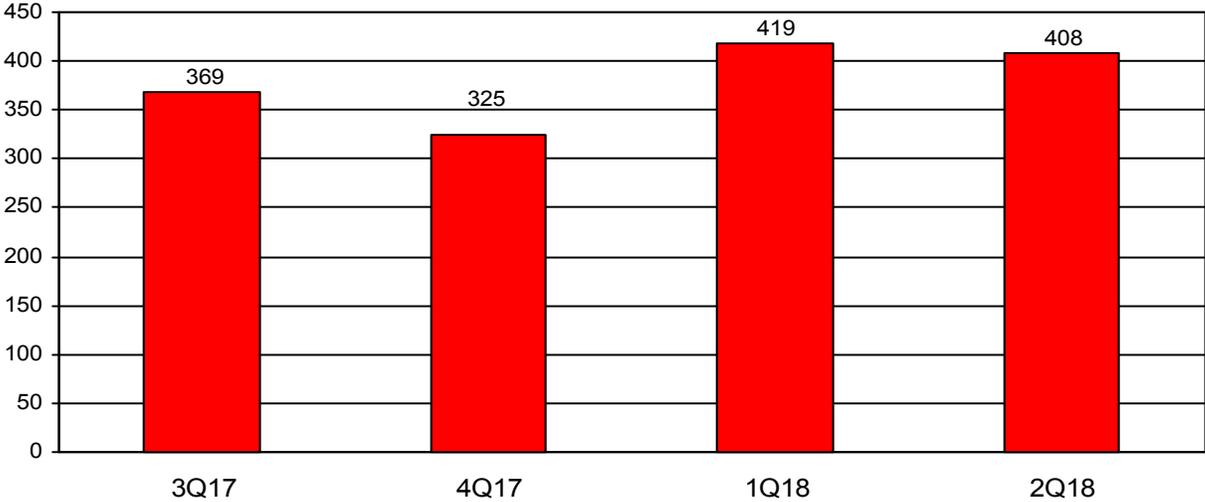


|                     | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---------------------|------|------|------|------|
| <b>New Requests</b> | 104  | 76   | 72   | 57   |

The unforeseeable withdrawal amount approved for 2Q18 is \$145,669.05

# Payout Activity

## Lump Sum/Non-Systematic Withdrawal Activity

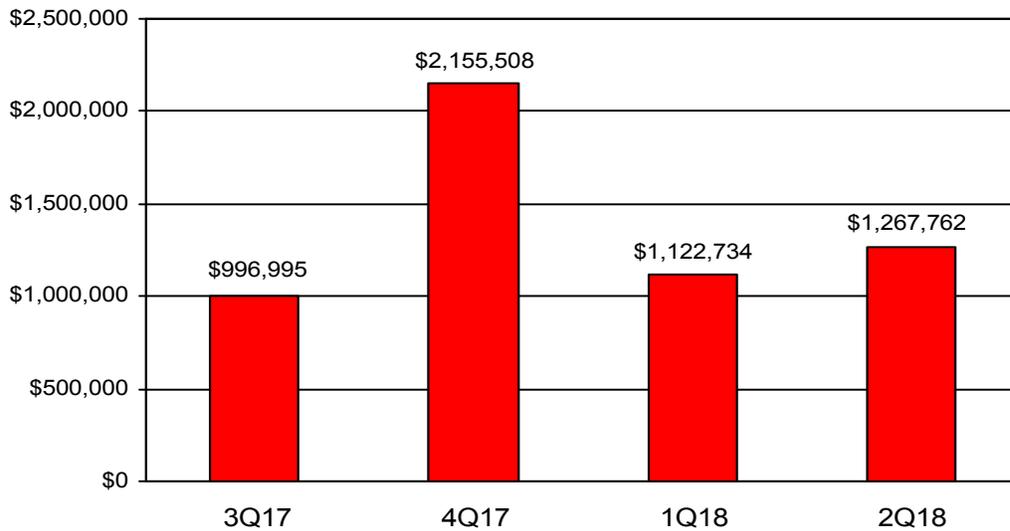


|              | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--------------|------|------|------|------|
| New Requests | 369  | 325  | 419  | 408  |

The lump sum/non-systematic withdrawal amount approved for 2Q18 is \$3,415,517.80.

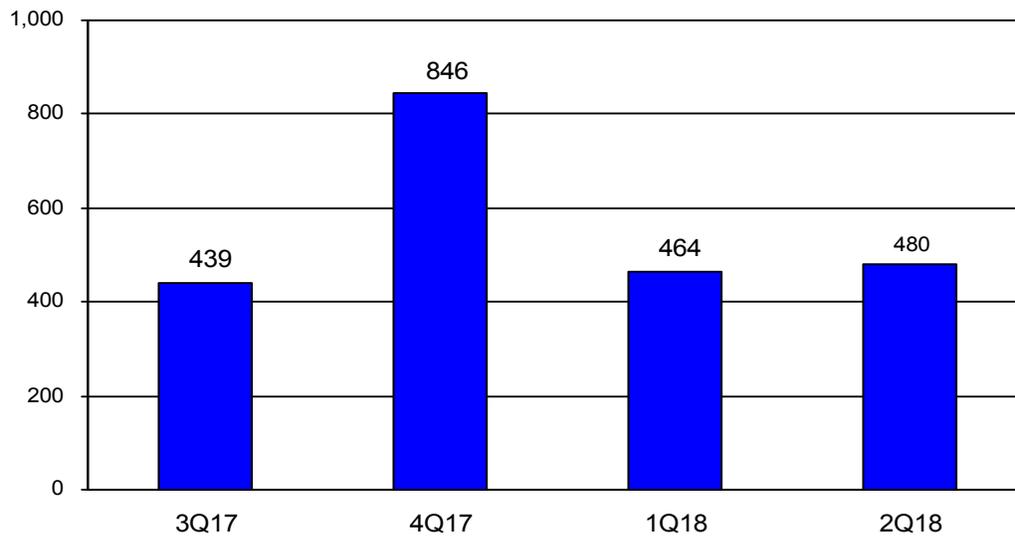
## Payout Activity (continued)

### Systematic Withdrawal Distribution - Total Dollar Amounts



|  | 3Q17      | 4Q17        | 1Q18        | 2Q18        |
|--|-----------|-------------|-------------|-------------|
| Total Amount Distributed to Participants | \$996,995 | \$2,155,508 | \$1,122,734 | \$1,267,762 |

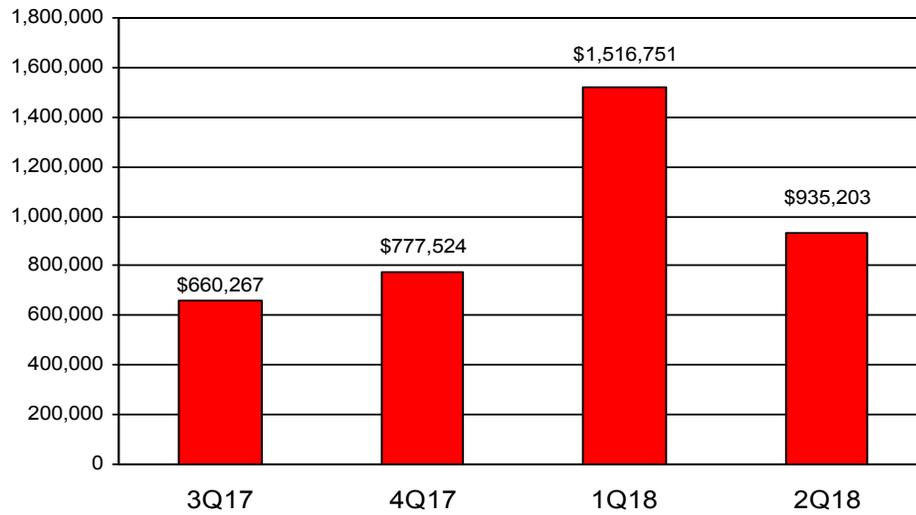
### Systematic Withdrawal Distribution - Total Participants



|                       | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|-----------------------|------|------|------|------|
| Systematic Withdrawal | 439  | 846  | 464  | 480  |

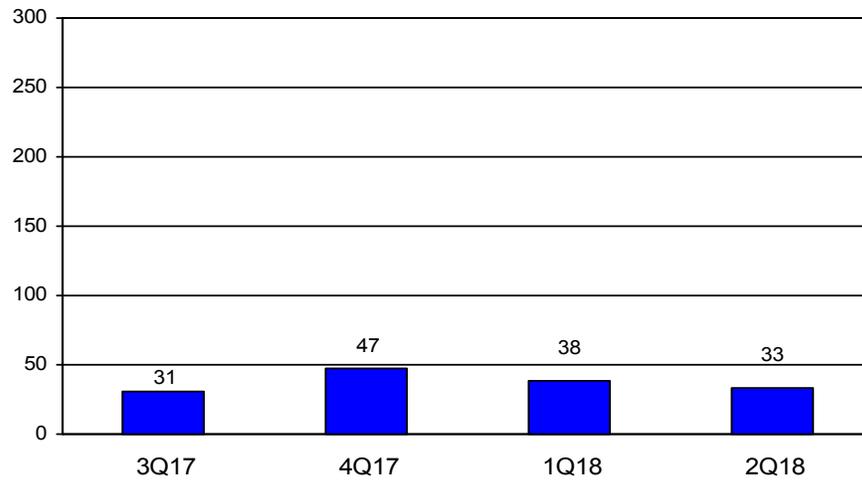
## Payout Activity (continued)

### Rollovers In - Total Dollar Amounts



|                          | 3Q17      | 4Q17      | 1Q18        | 2Q18      |
|--------------------------|-----------|-----------|-------------|-----------|
| Total Amount of Incoming | \$660,267 | \$777,524 | \$1,516,751 | \$935,203 |

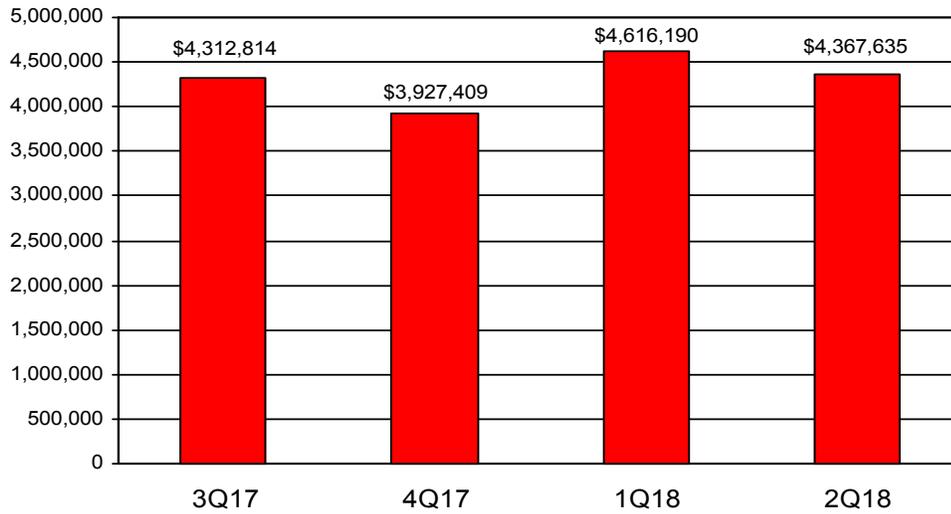
### Rollovers In - Total Participants



|                          | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--------------------------|------|------|------|------|
| Total Number of Incoming | 31   | 47   | 38   | 33   |

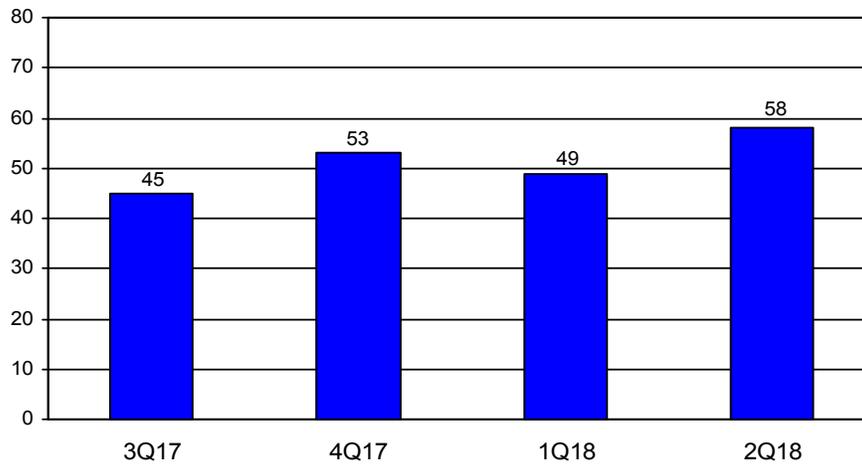
## Payout Activity (continued)

### Rollovers Out - Total Dollar Amounts



|  | 3Q17        | 4Q17        | 1Q18        | 2Q18        |
|--|-------------|-------------|-------------|-------------|
| Total Amount Distributed to Outgoing Rollovers | \$4,312,814 | \$3,927,409 | \$4,616,190 | \$4,367,635 |

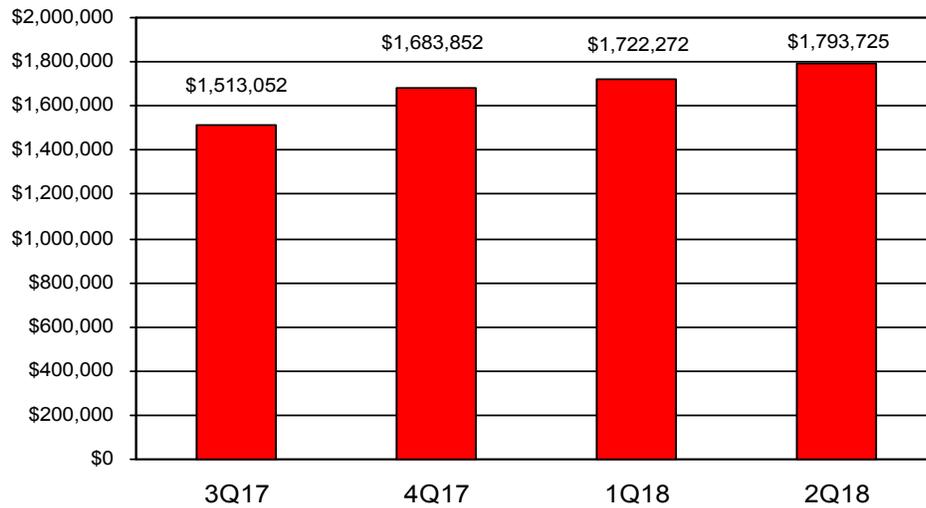
### Rollovers Out - Total Participants



|  | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--|------|------|------|------|
| Total Number of Participants with Outgoing Rollovers | 45   | 53   | 49   | 58   |

## Payout Activity (continued)

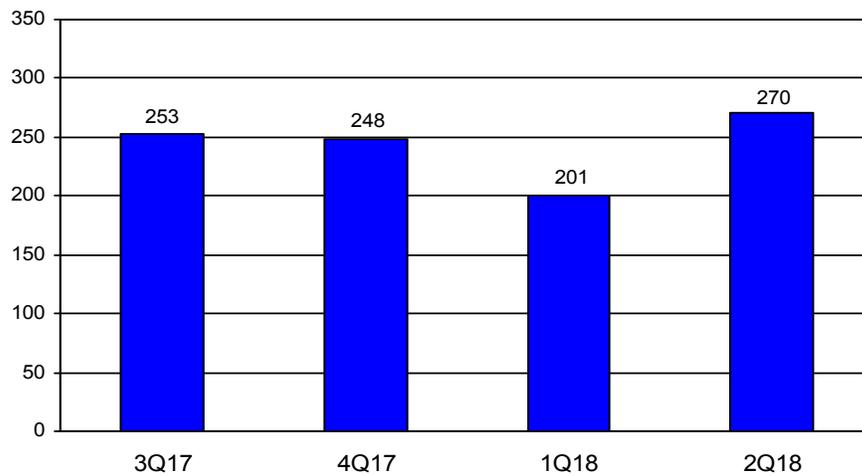
### All Loans - Total Dollar Amounts



|                                       | 3Q17        | 4Q17        | 1Q18        | 2Q18        |
|---------------------------------------|-------------|-------------|-------------|-------------|
| Total Amount Distributed due to Loans | \$1,513,052 | \$1,683,852 | \$1,722,272 | \$1,793,725 |

### All Loans - Total Participants

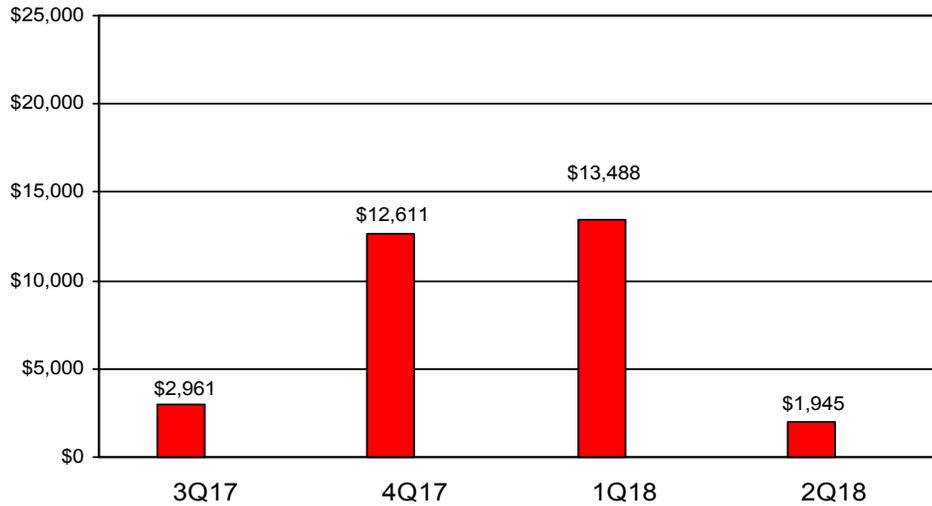
Total Participants With Outstanding Loans = 2,304



|   | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|------|------|------|------|
| Total Number of Participants who Received Loans | 253  | 248  | 201  | 270  |

## Payout Activity (continued)

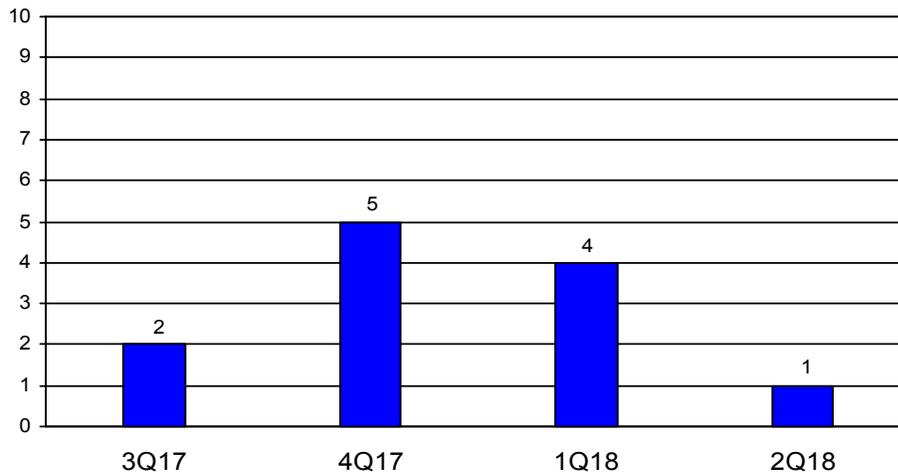
### All Loans - Total Amount of Default Loans



|                               | 3Q17    | 4Q17     | 1Q18     | 2Q18    |
|-------------------------------|---------|----------|----------|---------|
| Total Amount of Default Loans | \$2,961 | \$12,611 | \$13,488 | \$1,945 |

### All Loans - Total Number of Default Loans

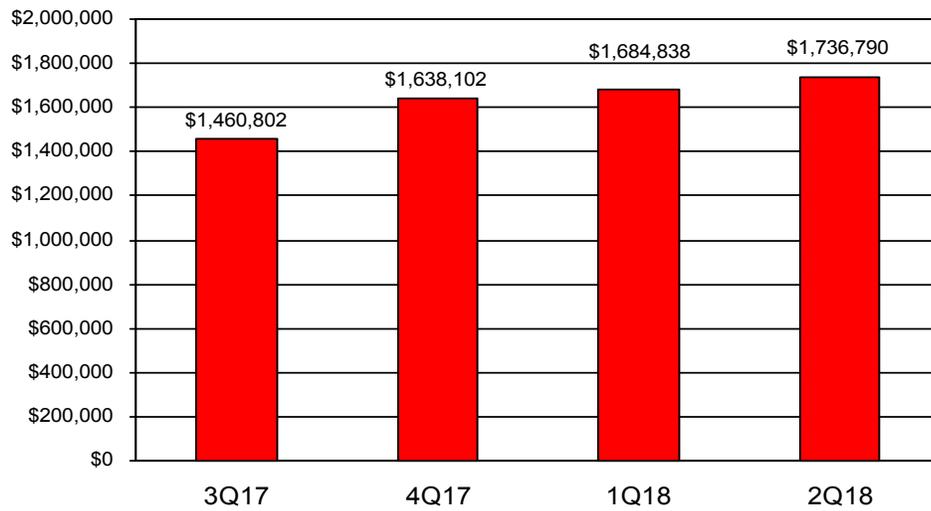
Total Participants With Defaulted Loans = 1,071



|                               | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|-------------------------------|------|------|------|------|
| Total Number of Default Loans | 2    | 5    | 4    | 1    |

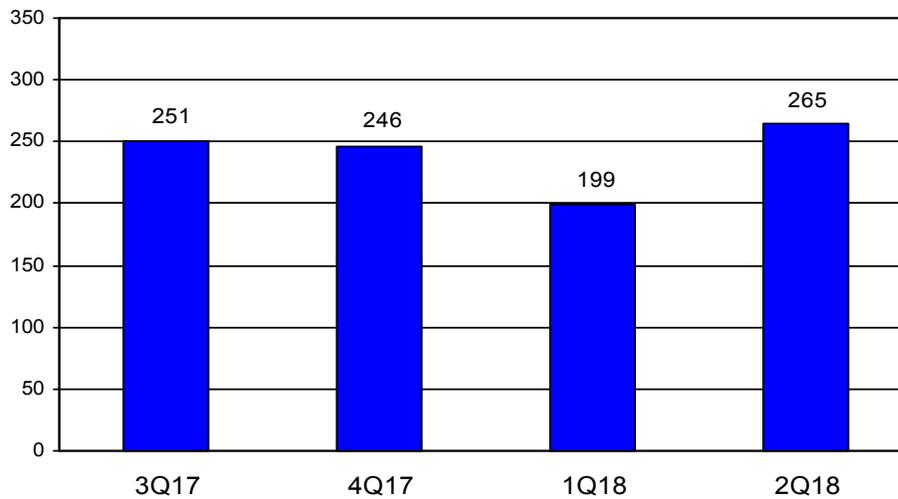
## Payout Activity (continued)

### General Purpose Loans - Total Dollar Amounts



|   | 3Q17        | 4Q17        | 1Q18        | 2Q18        |
|---|-------------|-------------|-------------|-------------|
| Total Amount Distributed due to General Purpose Loans | \$1,460,802 | \$1,638,102 | \$1,684,838 | \$1,736,790 |

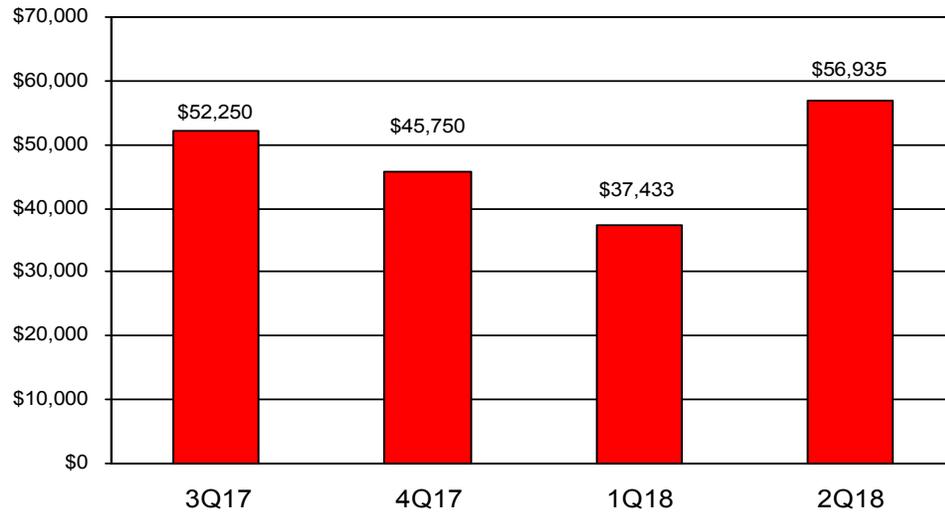
### General Purpose Loans - Total Participants



|   | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|------|------|------|------|
| Total Number of Participants who received General Purpose Loans | 251  | 246  | 199  | 265  |

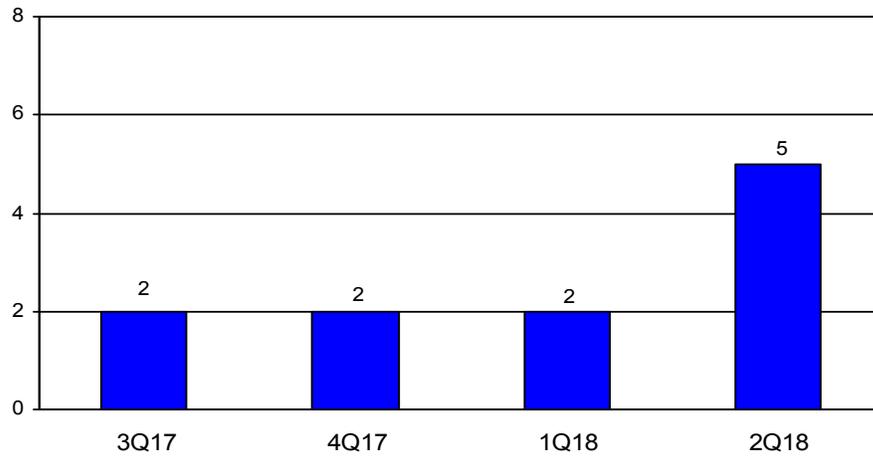
## Payout Activity (continued)

### Residential Purchase Loans - Total Dollar Amounts



|  | 3Q17     | 4Q17     | 1Q18     | 2Q18     |
|--|----------|----------|----------|----------|
| Total Amount Distributed due to Residential Purchase Loans | \$52,250 | \$45,750 | \$37,433 | \$56,935 |

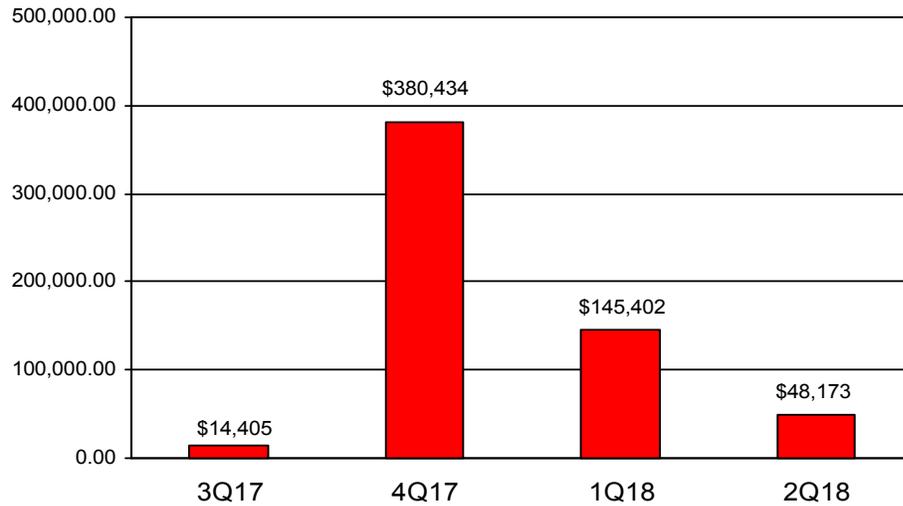
### Residential Purchase Loans - Total Participants



|  | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--|------|------|------|------|
| Total Number of Participants who received Residential Purchase Loans | 2    | 2    | 2    | 5    |

## Payout Activity (continued)

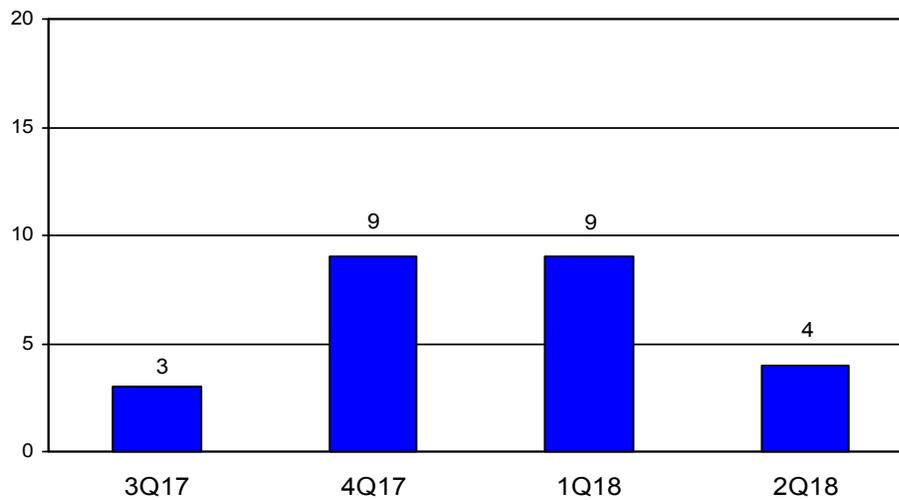
### Self Directed Brokerage Options - Total Dollar Amounts



|   | 3Q17     | 4Q17      | 1Q18      | 2Q18     |
|---|----------|-----------|-----------|----------|
| Total Amount Distributed due to Self Directed Brokerage Options | \$14,405 | \$380,434 | \$145,402 | \$48,173 |

### Self Directed Brokerage Options - Total Participants

Total Participants With Schwab Account = 54



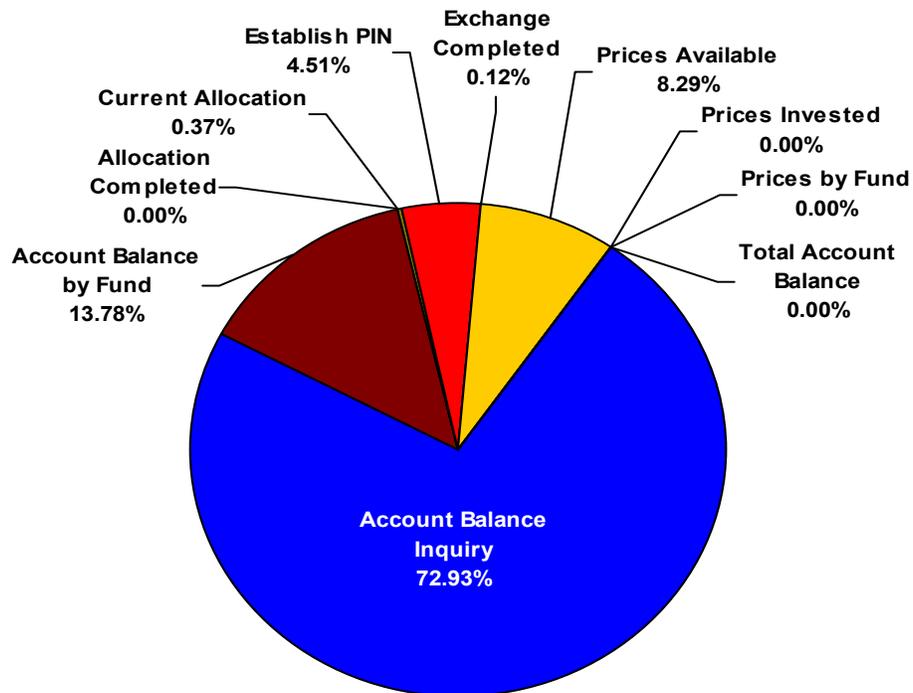
|  | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--|------|------|------|------|
| Total Number of Participants who moved funds into the Self Directed Brokerage Option | 3    | 9    | 9    | 4    |

## Participant Services

### Participant Services Utilization - Participant Statements

-2Q18 statements were mailed on July 20, 2018.

### Participant Services Utilization - VRU

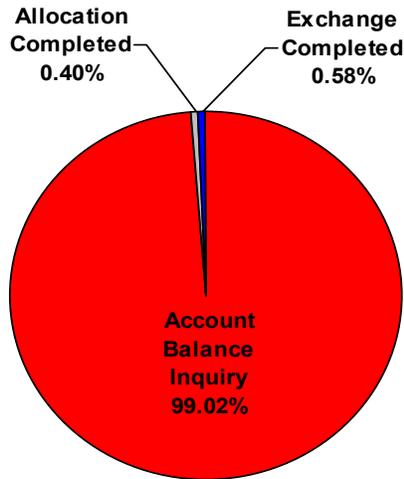


| Activity                | 2Q18 Total | %      |
|-------------------------|------------|--------|
| Account Balance Inquiry | 598        | 72.93% |
| Account Balance by Fund | 113        | 13.78% |
| Allocation Completed    | 0          | 0.00%  |
| Current Allocation      | 3          | 0.37%  |
| Establish Pin           | 37         | 4.51%  |
| Exchange Completed      | 1          | 0.12%  |
| Prices Available*       | 68         | 8.29%  |
| Prices Invested**       | 0          | 0.00%  |
| Prices by Fund          | 0          | 0.00%  |
| Total Account Balance   | 0          | 0.00%  |

\*Prices Available are the share prices for all investment options offered under the plan.

\*\*Prices Invested are the share prices for those investment options that a participant is invested in.

**Participant Services (continued)**  
**Participant Services Utilization - Internet**



| Activity                | 2Q18 Total | %      |
|-------------------------|------------|--------|
| Account Balance Inquiry | 42,720     | 99.02% |
| Allocation Completed    | 173        | 0.40%  |
| Exchange Completed      | 249        | 0.58%  |

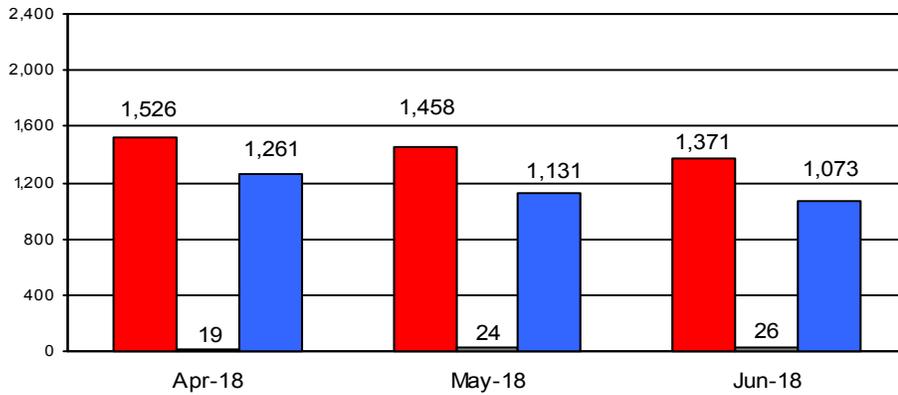
**Participant Services Utilization - Online Advice Tool\***

| Month              | 3Q17 Totals | Month              | 4Q17 Totals | Month              | 1Q18 Totals | Month              | 2Q18 Totals |
|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| July               | 0           | October            | 0           | January            | 0           | April              | 0           |
| August             | 0           | November           | 0           | February           | 0           | May                | 0           |
| September          | 0           | December           | 0           | March              | 0           | June               | 0           |
| <b>Qtrly Total</b> | <b>0</b>    |

\* Reflects total Guidance and Advice log-ins per quarter, not new accounts.

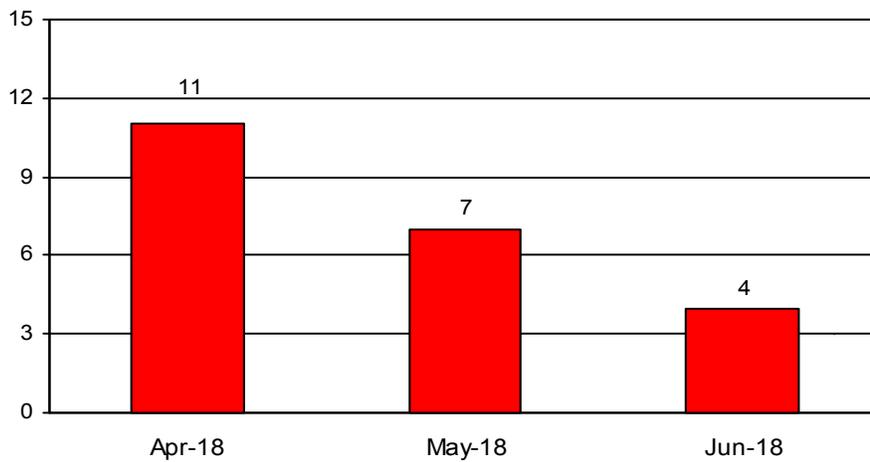
## Participant Services (continued)

### Participant Services Utilization - Customer Service



|                                     | April 2018 | May 2018 | June 2018 |
|-------------------------------------|------------|----------|-----------|
| <b>Calls Received</b>               | 1,526      | 1,458    | 1,371     |
| Calls Abandoned                     | 19         | 24       | 26        |
| <b>Calls Answered in 20 Seconds</b> | 1,261      | 1,131    | 1,073     |
| % in 20 Seconds                     | 82.63%     | 77.57%   | 78.26%    |
| Average Speed of Answer in Seconds  | 00:14      | 00:21    | 00:17     |

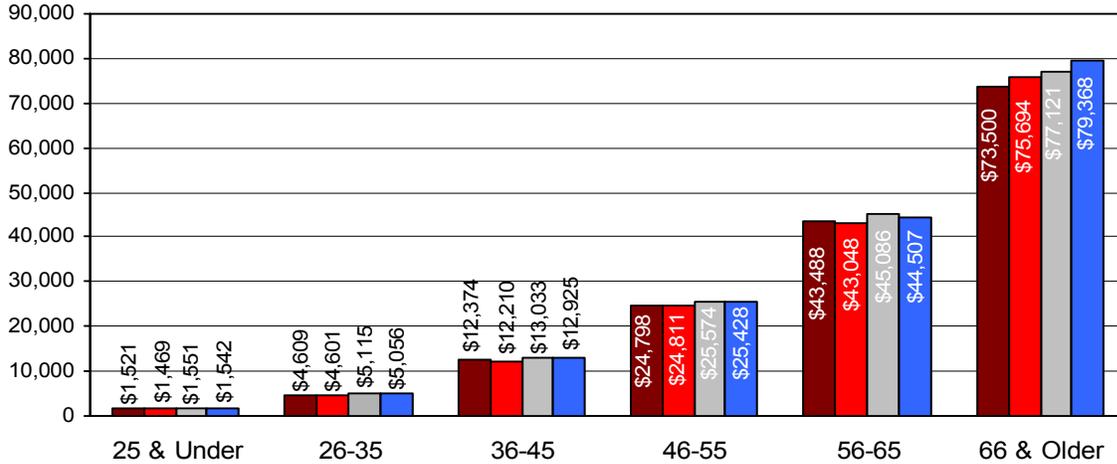
### Participant Services Utilization - Spanish Customer Service



|                       | April 2018 | May 2018 | June 2018 |
|-----------------------|------------|----------|-----------|
| <b>Calls Received</b> | 11         | 7        | 4         |

# Participation Statistics

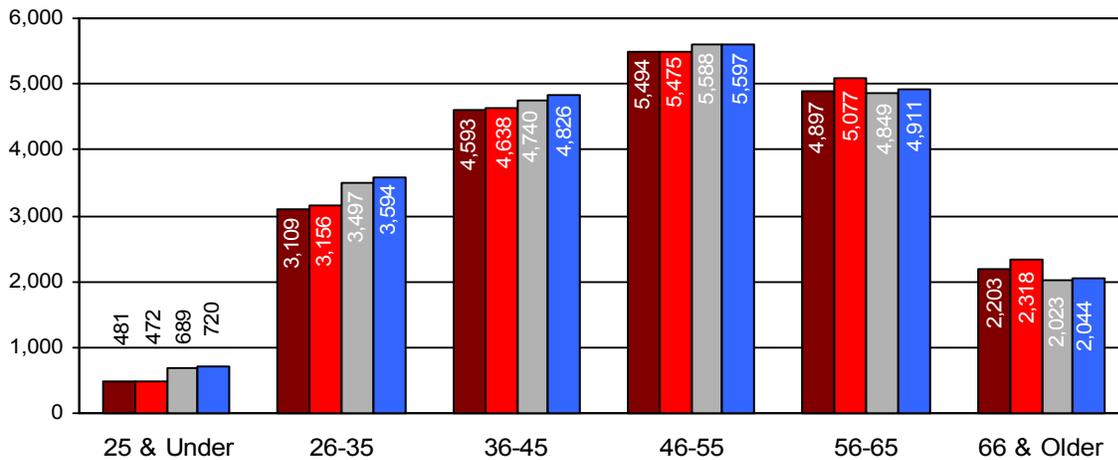
## Average Participant Account Balance by Age Group



| Age Group  | 3Q17     | 4Q17     | 1Q18     | 2Q18     |
|------------|----------|----------|----------|----------|
| 25 & Under | \$1,521  | \$1,469  | \$1,551  | \$1,542  |
| 26-35      | \$4,609  | \$4,601  | \$5,115  | \$5,056  |
| 36-45      | \$12,374 | \$12,210 | \$13,033 | \$12,925 |
| 46-55      | \$24,798 | \$24,811 | \$25,574 | \$25,428 |
| 56-65      | \$43,488 | \$43,048 | \$45,086 | \$44,507 |
| 66 & Older | \$73,500 | \$75,694 | \$77,121 | \$79,368 |

## Participants with a Balance by Age Group

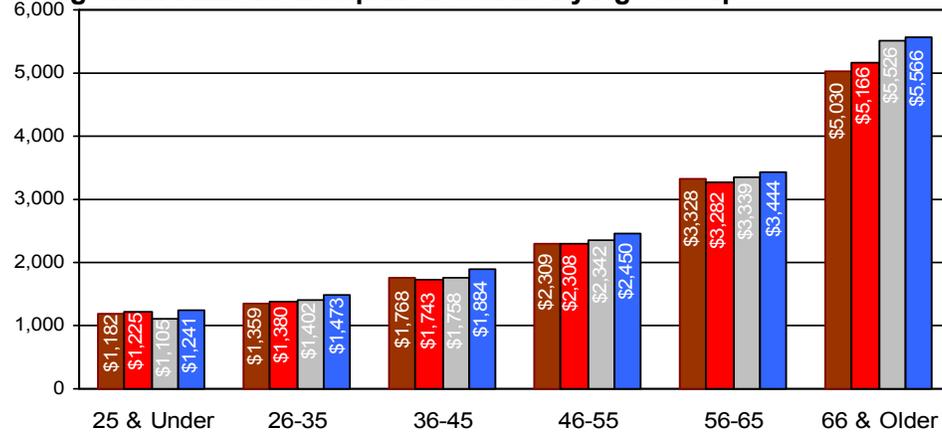
The average account balance per participant is \$27,880.



| Age Group  | 3Q17  | 4Q17  | 1Q18  | 2Q18  |
|------------|-------|-------|-------|-------|
| 25 & Under | 481   | 472   | 689   | 720   |
| 26-35      | 3,109 | 3,156 | 3,497 | 3,594 |
| 36-45      | 4,593 | 4,638 | 4,740 | 4,826 |
| 46-55      | 5,494 | 5,475 | 5,588 | 5,597 |
| 56-65      | 4,897 | 5,077 | 4,849 | 4,911 |
| 66 & Older | 2,203 | 2,318 | 2,023 | 2,044 |

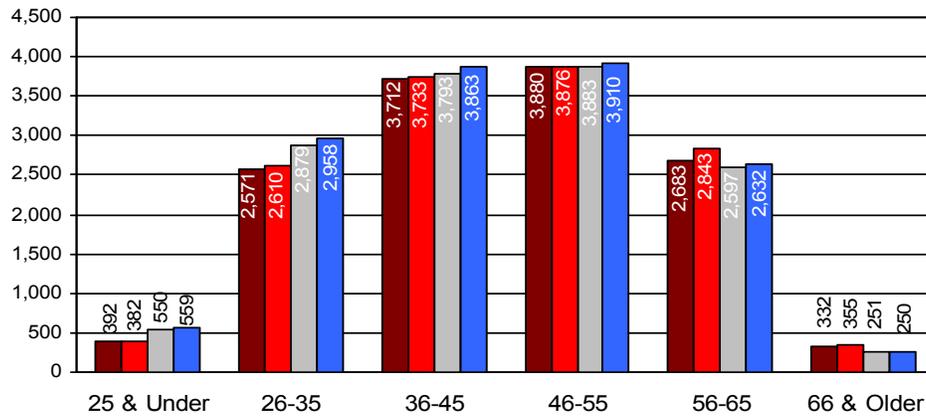
## Participation Statistics (continued)

### Average Annualized Participant Deferrals by Age Group



| Age Group  | 3Q17    | 4Q17    | 1Q18    | 2Q18    |
|------------|---------|---------|---------|---------|
| 25 & Under | \$1,182 | \$1,225 | \$1,105 | \$1,241 |
| 26-35      | \$1,359 | \$1,380 | \$1,402 | \$1,473 |
| 36-45      | \$1,768 | \$1,743 | \$1,758 | \$1,884 |
| 46-55      | \$2,309 | \$2,308 | \$2,342 | \$2,450 |
| 56-65      | \$3,328 | \$3,282 | \$3,339 | \$3,444 |
| 66 & Older | \$5,030 | \$5,166 | \$5,526 | \$5,566 |

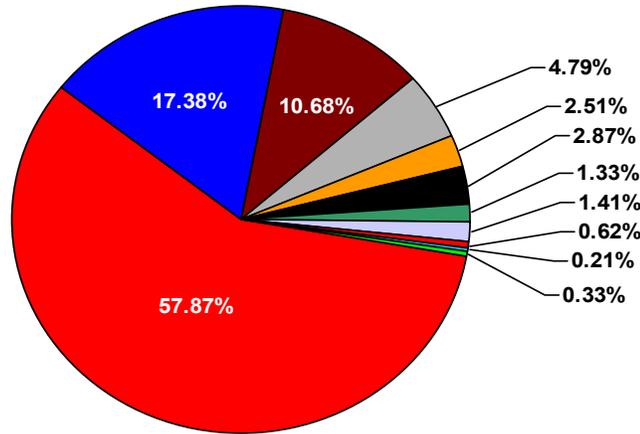
### Participants Actively Deferring by Age Group



| Age Group  | 3Q17  | 4Q17  | 1Q18  | 2Q18  |
|------------|-------|-------|-------|-------|
| 25 & Under | 392   | 382   | 550   | 559   |
| 26-35      | 2,571 | 2,610 | 2,879 | 2,958 |
| 36-45      | 3,712 | 3,733 | 3,793 | 3,863 |
| 46-55      | 3,880 | 3,876 | 3,883 | 3,910 |
| 56-65      | 2,683 | 2,843 | 2,597 | 2,632 |
| 66 & Older | 332   | 355   | 251   | 250   |

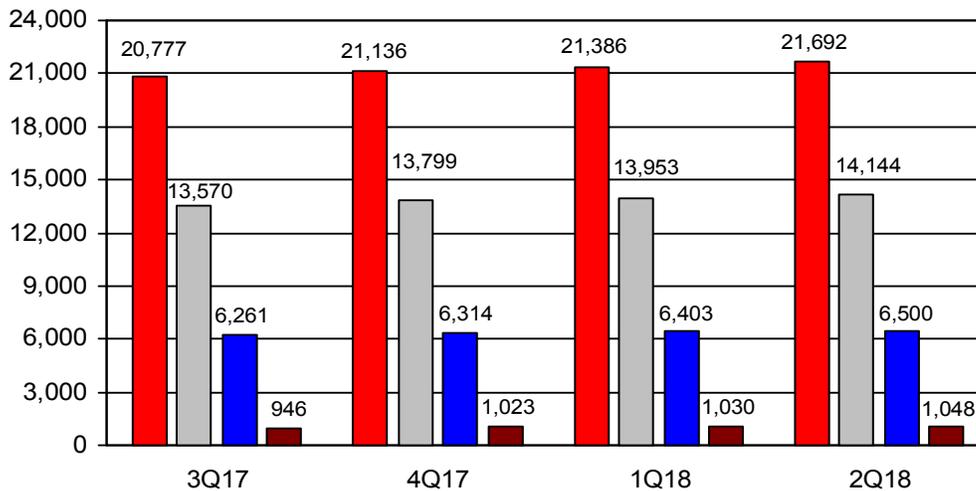
## Participation Statistics (continued)

### Participants with a Balance by Asset Range



|                            | # of Participants | %      |                            | # of Participants | %           |
|----------------------------|-------------------|--------|----------------------------|-------------------|-------------|
| <b>Under \$10,000</b>      | 12,553            | 57.87% | <b>\$150,000-\$199,999</b> | 289               | 1.33%       |
| <b>\$10,000-\$24,999</b>   | 3,770             | 17.38% | <b>\$200,000-\$299,999</b> | 306               | 1.41%       |
| <b>\$25,000-\$49,999</b>   | 2,317             | 10.68% | <b>\$300,000-\$399,999</b> | 135               | 0.62%       |
| <b>\$50,000-\$74,999</b>   | 1,039             | 4.79%  | <b>\$400,000-\$499,999</b> | 46                | 0.21%       |
| <b>\$75,000-\$99,999</b>   | 544               | 2.51%  | <b>Over \$500,000</b>      | 71                | 0.33%       |
| <b>\$100,000-\$149,999</b> | 622               | 2.87%  | <b>Total</b>               | <b>21,692</b>     | <b>100%</b> |

### Participants with Balance



|  | 3Q17   | 4Q17   | 1Q18   | 2Q18   |
|--|--------|--------|--------|--------|
| <b>Total Plan Participants</b>               | 20,777 | 21,136 | 21,386 | 21,692 |
| Currently Contributing                       | 13,570 | 13,799 | 13,953 | 14,144 |
| Not Currently Contributing and not in Payout | 6,261  | 6,314  | 6,403  | 6,500  |
| Currently Receiving a Payout                 | 946    | 1,023  | 1,030  | 1,048  |

| Plan Number | Plan Name                               | Contributing | Non-Contributing | Grand Total |
|-------------|---|--------------|------------------|-------------|
| 0037962001  | NM-PERA NEW MEXICO SCHOOL FOR THE DEAF  | 18           | 16               | 34          |
| 0037986001  | NM-PERA VILLAGE OF CORONA               | 4            | 3                | 7           |
| 0037987001  | NM-PERA COUNTY OF SIERRA                | 27           | 9                | 36          |
| 0037988001  | NM-PERA CATRON COUNTY                   | 3            | 2                | 5           |
| 0037989001  | NM-PERA SAN JUAN COMMUNICATIONS AUTH    | 14           | 4                | 18          |
| 0037990001  | NM-PERA VILLAGE OF MAGDALENA            | 1            | 1                | 2           |
| 0037991001  | NM-PERA REGIONAL HOUSING AUTHORITY IV   | 12           | 3                | 15          |
| 0037992001  | NM-PERA VALENCIA COUNTY                 | 22           | 12               | 34          |
| 0037993001  | NM-PERA RIO ARRIBA COUNTY               | 53           | 10               | 63          |
| 0037994001  | NM-PERA VILLAGE OF COLUMBUS             | 0            | 2                | 2           |
| 0037995001  | NM-PERA CITY OF LAS CRUCES              | 552          | 134              | 686         |
| 0038129001  | NM-PERA CITY OF PORTALES                | 14           | 11               | 25          |
| 0038130001  | NM-PERA CITY OF TUCUMCARI               | 6            | 11               | 17          |
| 0038132001  | NM-PERA DE BACA GENERAL HOSPITAL        | 0            | 1                | 1           |
| 0038133001  | NM-PERA CITY OF GALLUP                  | 141          | 46               | 187         |
| 0038167001  | NM-PERA SAN MIGUEL COUNTY               | 9            | 5                | 14          |
| 0038168001  | NM-PERA GUADALUPE COUNTY                | 13           | 4                | 17          |
| 0038169001  | NM-PERA OTERO COUNTY                    | 46           | 32               | 78          |
| 0038170001  | NM-PERA COUNTY OF SOUTHERN SANDOVAL     | 0            | 2                | 2           |
| 0038171001  | NM-PERA TRUTH-CONSEQUENCES HOUSING AUTH | 0            | 1                | 1           |
| 0038172001  | NM-PERA CURRY COUNTY                    | 13           | 10               | 23          |
| 0038355001  | NM-PERA CITY OF ALAMOGORDO              | 122          | 49               | 171         |
| 0038356001  | NM-PERA EDDY COUNTY                     | 129          | 34               | 163         |
| 0038383001  | NM-PERA CITY OF LAS VEGAS               | 44           | 16               | 60          |
| 0038384001  | NM-PERA VILLAGE OF JEMEZ SPRINGS        | 1            | 0                | 1           |
| 0038385001  | NM-PERA CITY OF BLOOMFIELD              | 19           | 14               | 33          |
| 0038386001  | NM-PERA CENTRAL REGION EDUCATION CO-OP  | 4            | 6                | 10          |
| 0038389001  | NM-PERA ELEPHANT BUTTE IRRIGATION DIST  | 28           | 11               | 39          |
| 0038390001  | NM-PERA SANTA FE COUNTY                 | 483          | 188              | 671         |
| 0038391001  | NM-PERA CITY OF LOVINGTON               | 2            | 1                | 3           |
| 0038392001  | NM-PERA VILLAGE OF SAN JON              | 3            | 0                | 3           |
| 0038393001  | NM-PERA TOWN OF RED RIVER               | 9            | 2                | 11          |
| 0038394001  | NM-PERA TOWN OF EDGEWOOD                | 5            | 4                | 9           |
| 0038395001  | NM-PERA CHAVES COUNTY                   | 116          | 52               | 168         |
| 0038537001  | NM-PERA LUNA COMMUNITY COLLEGE          | 1            | 2                | 3           |
| 0038562001  | NM-PERA PENASCO INDEPEND SCHOOL SYSTEM  | 0            | 1                | 1           |
| 0038563001  | NM-PERA LAS VEGAS CITY SCHOOLS          | 0            | 3                | 3           |
| 0038564001  | NM-PERA COUNTY OF GRANT                 | 42           | 13               | 55          |
| 0038565001  | NM-PERA LEA COUNTY                      | 84           | 24               | 108         |
| 0038566001  | NM-PERA N.M. INSTITUTE OF MINING & TECH | 24           | 28               | 52          |
| 0038567001  | NM-PERA QUAY COUNTY                     | 11           | 3                | 14          |
| 0038568001  | NM-PERA COUNTY OF LINCOLN               | 31           | 11               | 42          |
| 0038569001  | NM-PERA CITY OF RATON                   | 7            | 2                | 9           |
| 0038570001  | NM-PERA VILLAGE OF LOS RANCHOS          | 0            | 1                | 1           |
| 0038571001  | NM-PERA NEW MEXICO HIGHLANDS UNIVERSITY | 30           | 12               | 42          |
| 0038572001  | NM-PERA CITY OF TRUTH OR CONSEQUENCES   | 8            | 2                | 10          |
| 0038573001  | NM-PERA VILLAGE OF TULAROSA             | 3            | 2                | 5           |
| 0038574001  | NM-PERA CITY OF GRANTS                  | 29           | 14               | 43          |
| 0038710001  | NM-PERA STATE OF NM DEPT OF FIN & ADMIN | 7,327        | 4,653            | 11,980      |
| 0038711001  | NM-PERA CARRIER TINGLEY HOSPITAL        | 0            | 1                | 1           |
| 0038712001  | NM-PERA NEW MEXICO STATE FAIR COMM      | 0            | 17               | 17          |

| Plan Number | Plan Name                                       | Contributing | Non-Contributing | Grand Total |
|-------------|---|--------------|------------------|-------------|
| 0038714001  | NM-PERA SANTA FE PUBLIC SCHOOLS                 | 0            | 11               | 11          |
| 0038716001  | NM-PERA CITY OF CARLSBAD                        | 186          | 72               | 258         |
| 0038744001  | NM-PERA TOWN OF SILVER CITY                     | 67           | 23               | 90          |
| 0038745001  | NM-PERA MORA COUNTY                             | 1            | 1                | 2           |
| 0038746001  | NM-PERA CITY OF HOBBS                           | 161          | 76               | 237         |
| 0038747001  | NM-PERA COLFAX COUNTY                           | 4            | 1                | 5           |
| 0038749001  | NM-PERA HIGH PLAINS REG. COOPERATIVE #3         | 4            | 6                | 10          |
| 0038750001  | NM-PERA CENTRAL NM COMMUNITY COLLEGE CNM        | 85           | 127              | 212         |
| 0038752001  | NM-PERA ROOSEVELT COUNTY                        | 5            | 4                | 9           |
| 0038753001  | NM-PERA VILLAGE OF RUIDOSO                      | 8            | 3                | 11          |
| 0038932001  | NM-PERA SANTA FE COMMUNITY COLLEGE              | 3            | 12               | 15          |
| 0038933001  | NM-PERA TOWN OF TAOS                            | 20           | 10               | 30          |
| 0038934001  | NM-PERA LUNA COUNTY                             | 75           | 34               | 109         |
| 0038935001  | NM-PERA SANTA FE COUNTY HOUSING AUTH            | 0            | 3                | 3           |
| 0038936001  | NM-PERA VILLAGE OF ANGEL FIRE                   | 1            | 1                | 2           |
| 0038937001  | NM-PERA MESILLA VALLEY PUBLIC HOUSING AUTHORITY | 6            | 8                | 14          |
| 0038938001  | NM-PERA NM REGION IX EDUCATION CO-OP            | 21           | 8                | 29          |
| 0038939001  | NM-PERA CITY OF ARTESIA                         | 27           | 15               | 42          |
| 0038940001  | NM-PERA RUIDOSO DOWNS                           | 9            | 4                | 13          |
| 0038943001  | NM-PERA CITY OF SANTA FE                        | 646          | 217              | 863         |
| 0038944001  | NM-PERA VILLAGE OF CUBA                         | 5            | 0                | 5           |
| 0038945001  | NM-PERA VILLAGE OF LOVING                       | 4            | 0                | 4           |
| 0038947001  | NM-PERA ALBUQUERQUE PUBLIC SCHOOLS              | 293          | 196              | 489         |
| 0039093001  | NM-PERA NO CENTRAL N.M. ECON DVPT DEPT          | 2            | 12               | 14          |
| 0039094001  | NM-PERA SAN JUAN COUNTY                         | 119          | 43               | 162         |
| 0039095001  | NM-PERA MCKINLEY COUNTY                         | 36           | 10               | 46          |
| 0039120001  | NM-PERA SOUTHWEST COUNCIL OF GOV                | 1            | 4                | 5           |
| 0039121001  | NM-PERA CITY OF AZTEC                           | 14           | 9                | 23          |
| 0039122001  | NM-PERA CITY OF ALBUQUERQUE                     | 717          | 437              | 1,154       |
| 0039123001  | NM-PERA VILLAGE OF LOS LUNAS                    | 49           | 18               | 67          |
| 0039124001  | NM-PERA TOWN OF ESTANCIA                        | 3            | 2                | 5           |
| 0039127001  | NM-PERA ARCH HURLEY CONSERVANCY DISTRICT        | 0            | 1                | 1           |
| 0039128001  | NM-PERA CITY OF MORIARTY                        | 9            | 4                | 13          |
| 0039129001  | NM-PERA NM REGION IX HEADSTART                  | 0            | 2                | 2           |
| 0039130001  | NM-PERA NEW MEXICO DCP                          | 0            | 3                | 3           |
| 0039131001  | NM-PERA SOCORRO COUNTY                          | 6            | 10               | 16          |
| 0039132001  | NM-PERA CITY OF EUNICE                          | 6            | 2                | 8           |
| 0039133001  | NM-PERA NORTH CENTRAL REG TRANSIT DIST          | 5            | 4                | 9           |
| 0039134001  | NM-PERA TOWN OF MESILLA                         | 7            | 2                | 9           |
| 0039135001  | NM-PERA CITY OF SUNLAND PARK                    | 25           | 9                | 34          |
| 0039287001  | NM-PERA CITY OF SOCORRO                         | 14           | 10               | 24          |
| 0039288001  | NM-PERA CITY OF FARMINGTON                      | 221          | 98               | 319         |
| 0039289001  | NM-PERA CITY OF ESPANOLA                        | 49           | 10               | 59          |
| 0039290001  | NM-PERA SOUTHEASTERN N.M. ECON DEV DIST         | 0            | 4                | 4           |
| 0039315001  | NM-PERA NORTHERN NEW MEXICO COLLEGE             | 13           | 10               | 23          |
| 0039319001  | NM-PERA VILLAGE OF CLOUDCROFT                   | 1            | 0                | 1           |
| 0039320001  | NM-PERA SCHOOL FOR THE BLIND & VIS IMPRD        | 26           | 6                | 32          |
| 0039680001  | NM-PERA HIDALGO COUNTY                          | 3            | 4                | 7           |
| 0040240001  | NM-PERA DONA ANA COUNTY                         | 220          | 65               | 285         |
| 0040900001  | NM-PERA VILLAGE OF QUESTA                       | 2            | 2                | 4           |
| 0041240001  | NM-PERA UNION COUNTY                            | 4            | 0                | 4           |

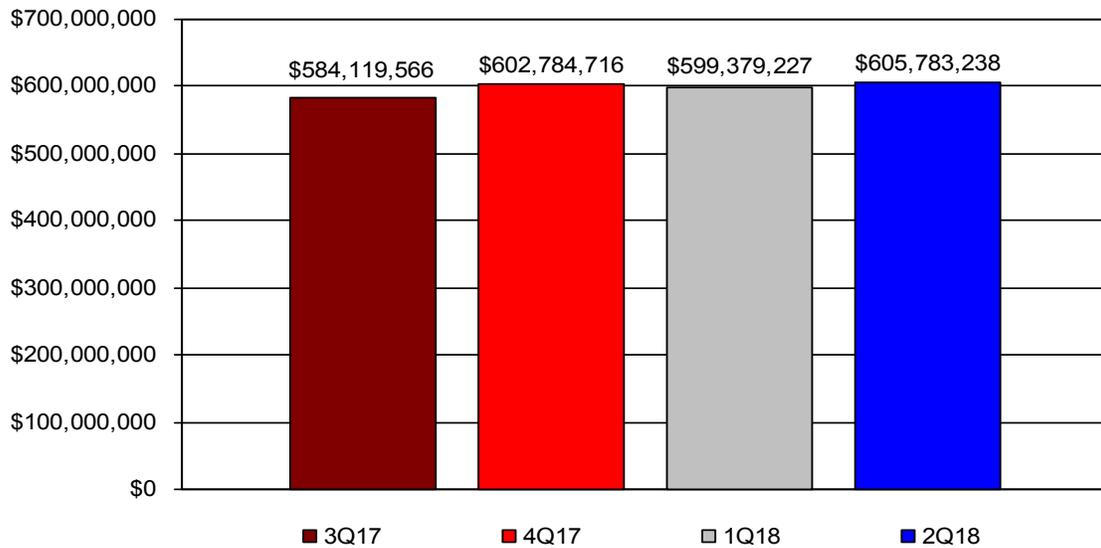
| Plan Number | Plan Name   | Contributing  | Non-Contributing | Grand Total   |
|-------------|---|---------------|------------------|---------------|
| 0042100001  | NM-PERA VILLAGE OF TAOS SKI VALLEY                | 13            | 3                | 16            |
| 0042860001  | NM-PERA SOCORRO SOIL AND WATER CONSERVATION DIST  | 2             | 0                | 2             |
| 0043080001  | NM-PERA TAOS COUNTY                               | 58            | 12               | 70            |
| 0043240001  | NM-PERA SOUTH CENTRAL COUNCIL OF GOVERNMENTS      | 6             | 2                | 8             |
| 0043260001  | NM-PERA NORTH CENTRAL SOLID WASTE AUTHORITY       | 17            | 5                | 22            |
| 0043960001  | NM-PERA CITY OF DEMING                            | 15            | 8                | 23            |
| 0044160001  | NM-PERA TORRANCE COUNTY                           | 11            | 3                | 14            |
| 0044340001  | NM-PERA SANDOVAL COUNTY                           | 28            | 10               | 38            |
| 0045300001  | NM-PERA BERNALILLO COUNTY                         | 913           | 277              | 1,190         |
| 0046584001  | NM-PERA THE DISCIPLINARY BOARD - NM SUPREME COURT | 3             | 0                | 3             |
| 0046830001  | NM-PERA ELDORADO AREA WATER & SANITATION DISTRICT | 1             | 0                | 1             |
| 0046850001  | NM-PERA ALBUQUERQUE BERNALILLO CO WATER UTIL DIST | 120           | 20               | 140           |
| 0046990001  | NM-PERA GRANT COUNTY SOLID WASTE AUTHORITY        | 10            | 3                | 13            |
| 0048430001  | NM-PERA TAOS SOIL & WATER CONSERVATION DIST       | 4             | 1                | 5             |
| 0049710001  | NM-PERA EAST TORRANCE SWCD                        | 1             | 0                | 1             |
| 0050230001  | NM-PERA SANTA CLARA HOUSING AUTHORITY             | 1             | 0                | 1             |
| 0051770001  | NM-PERA EMW GAS ASSOCIATION                       | 6             | 0                | 6             |
| 0051930001  | NM-PERA HARDING COUNTY                            | 3             | 2                | 5             |
| 0052390001  | NM-PERA REGIONAL EMERGENCY DISPATCH AUTHORITY     | 4             | 0                | 4             |
| 0052391001  | NM-PERA VILLAGE OF SANTA CLARA                    | 1             | 2                | 3             |
| 0052690001  | NM-PERA VILLAGE OF MILAN                          | 7             | 5                | 12            |
| 0053950001  | NM-PERA ESTANCIA VALLEY SOLID WASTE AUTHORITY     | 4             | 0                | 4             |
| 0053951001  | NM-PERA CITY OF ROSWELL                           | 184           | 36               | 220           |
| 0054615001  | NM-PERA CITY OF LORDSBURG                         | 6             | 1                | 7             |
| 0054955001  | NM-PERA TOWN OF SPRINGER                          | 1             | 0                | 1             |
| 0054956001  | NM-PERA DE BACA FAMILY PRACTICE CLINIC            | 2             | 0                | 2             |
| 0054994001  | NM-PERA VILLAGE OF EAGLE NEST                     | 1             | 0                | 1             |
| 0055157001  | NM-PERA RATON PUBLIC SERVICE CO                   | 2             | 0                | 2             |
| 0055236001  | NM-PERA ALBUQUERQUE SIGN LANGUAGE ACADEMY         | 1             | 0                | 1             |
| 0055296001  | NM-PERA CITY OF ELEPHANT BUTTE                    | 2             | 1                | 3             |
| 0055855001  | NM-PERA CORAL COMMUNITY CHARTER                   | 1             | 0                | 1             |
| 0056075001  | NM-PERA VILLAGE OF FORT SUMNER                    | 4             | 0                | 4             |
| 0056457001  | NM-PERA NUESTROS VALORES CHARTER SCHOOL           | 1             | 0                | 1             |
| 0056458001  | NM-PERA MIDDLE RIO GRANDE CONSERVANCY DISTRICT    | 50            | 2                | 52            |
| 0056685001  | NM-PERA VILLAGE OF CIMARRON                       | 1             | 0                | 1             |
|             | <b>Grand Total</b>                                | <b>14,177</b> | <b>7,491</b>     | <b>21,668</b> |



# **Fund Investments**

## Assets and Contributions Summaries

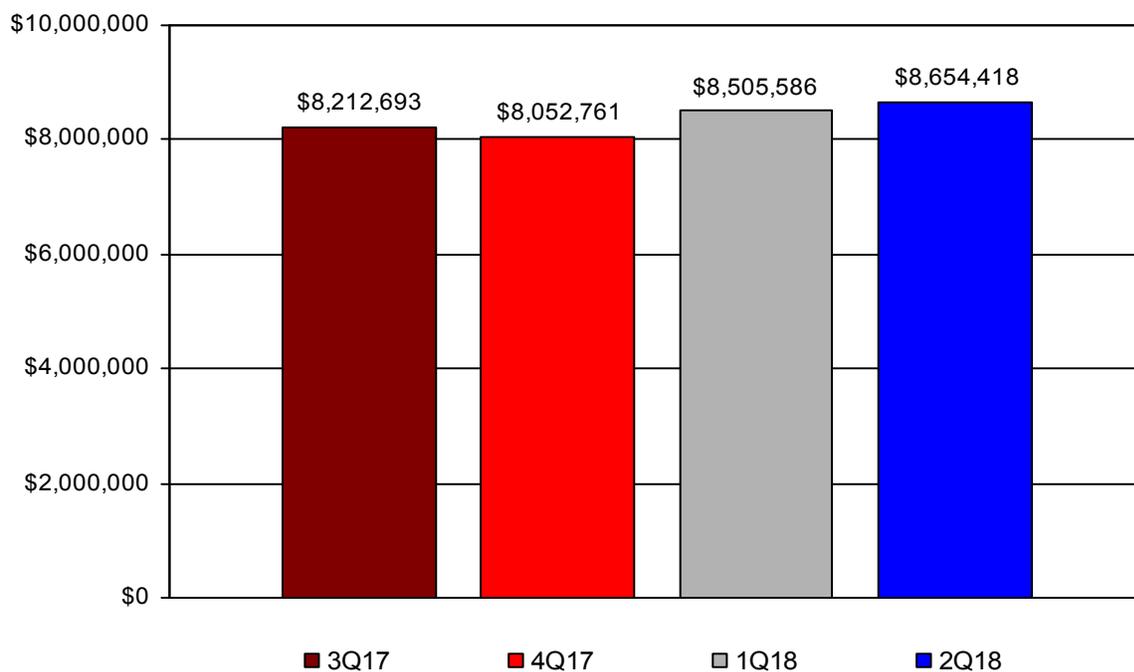
### Assets by Investment Carrier



| Carrier   | 3Q17                 | 4Q17                 | 1Q18                 | 2Q18                 |
|---|----------------------|----------------------|----------------------|----------------------|
| Aegon/Monumental ULI (Cash Value)   | \$427,938            | \$419,634            | \$401,385            | \$377,523            |
| Transamerica Assurance ULI (Cash Value)   | \$678,132            | \$667,249            | \$651,255            | \$628,115            |
| New Mexico Deferred Compensation Mutual Funds, LifeCycle Portfolios, Stable Value Account, SDO, and Loans | \$583,013,496        | \$601,697,833        | \$598,326,587        | \$604,777,599        |
| <b>Total Assets</b>   | <b>\$584,119,566</b> | <b>\$602,784,716</b> | <b>\$599,379,227</b> | <b>\$605,783,238</b> |

## Assets and Contributions Summaries (continued)

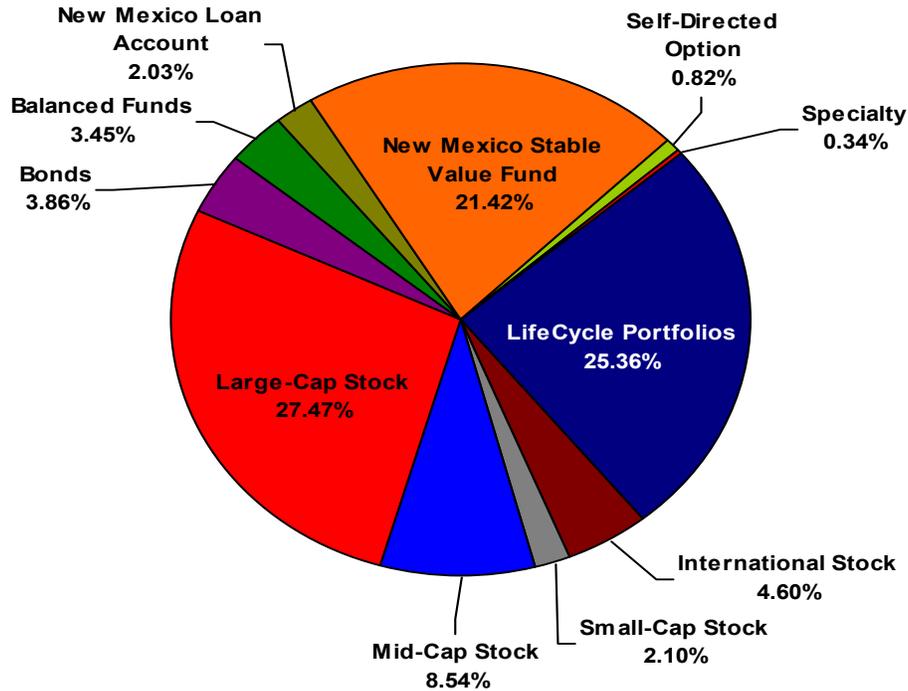
### Contributions by Investment Carrier



| Carrier   | 3Q17               | 4Q17               | 1Q18               | 2Q18               |
|---|--------------------|--------------------|--------------------|--------------------|
| Aegon/Monumental ULI  | \$1,517            | \$1,488            | \$1,451            | \$1,388            |
| Transamerica Life ULI   | \$1,930            | \$1,900            | \$1,863            | \$1,808            |
| New Mexico Deferred Compensation Mutual Funds, LifeCycle Portfolios, Stable Value Account, SDO, and Loans | \$8,209,246        | \$8,049,373        | \$8,502,272        | \$8,651,222        |
| <b>Total Contributions</b>  | <b>\$8,212,693</b> | <b>\$8,052,761</b> | <b>\$8,505,586</b> | <b>\$8,654,418</b> |



## Assets by Asset Class Summary



| Investment Option            | 2Q18                 | %              |
|------------------------------|----------------------|----------------|
| LifeCycle Portfolios         | \$153,377,900        | 25.36%         |
| International Stock          | \$27,844,935         | 4.60%          |
| Small-Cap Stock              | \$12,702,876         | 2.10%          |
| Mid-Cap Stock                | \$51,630,475         | 8.54%          |
| Large-Cap Stock              | \$166,133,922        | 27.47%         |
| Bonds                        | \$23,314,879         | 3.86%          |
| Balanced Funds               | \$20,893,841         | 3.45%          |
| New Mexico Loan Account      | \$12,295,681         | 2.03%          |
| New Mexico Stable Value Fund | \$129,567,328        | 21.42%         |
| Self-Directed Option         | \$4,954,319          | 0.82%          |
| Specialty                    | \$2,061,442          | 0.34%          |
| <b>Total Investments</b>     | <b>\$604,777,598</b> | <b>100.00%</b> |

## Assets and Contributions Summaries (continued)

### Assets by Asset Class Detail

| Asset Class/Fund Name  | 3Q17                 | %             | 4Q17                 | %             | 1Q18                 | %             | 2Q18                 | %             | 2Q18 # of Participants |
|--|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|------------------------|
| <b>Asset Allocation</b>  |                      |               |                      |               |                      |               |                      |               |                        |
| Conservative Portfolio   | \$39,009,226         | 6.69%         | \$39,620,329         | 6.58%         | \$40,063,608         | 6.70%         | \$39,979,984         | 6.61%         | 2,255                  |
| LifeCycle 2020 Portfolio   | \$2,184,912          | 0.37%         | \$2,699,858          | 0.45%         | \$3,174,248          | 0.53%         | \$2,909,595          | 0.48%         | 240                    |
| LifeCycle 2025 Portfolio   | \$47,593,584         | 8.16%         | \$49,751,846         | 8.27%         | \$49,407,024         | 8.26%         | \$49,346,137         | 8.16%         | 3,190                  |
| LifeCycle 2030 Portfolio   | \$2,216,885          | 0.38%         | \$2,565,227          | 0.43%         | \$2,744,388          | 0.46%         | \$3,087,360          | 0.51%         | 479                    |
| LifeCycle 2035 Portfolio   | \$26,852,451         | 4.61%         | \$27,766,563         | 4.61%         | \$28,317,568         | 4.73%         | \$28,593,392         | 4.73%         | 2,847                  |
| LifeCycle 2040 Portfolio   | \$2,516,852          | 0.43%         | \$2,837,465          | 0.47%         | \$2,939,878          | 0.49%         | \$3,391,977          | 0.56%         | 586                    |
| LifeCycle 2045 Portfolio   | \$15,111,115         | 2.59%         | \$16,176,810         | 2.69%         | \$16,381,891         | 2.74%         | \$16,405,046         | 2.71%         | 2,135                  |
| LifeCycle 2050 Portfolio   | \$989,268            | 0.17%         | \$1,232,629          | 0.20%         | \$1,424,215          | 0.24%         | \$1,637,973          | 0.27%         | 714                    |
| LifeCycle 2055 Portfolio   | \$6,635,150          | 1.14%         | \$7,443,525          | 1.24%         | \$7,686,421          | 1.28%         | \$8,026,436          | 1.33%         | 2,009                  |
| <b>Total</b>   | <b>\$143,109,443</b> | <b>24.55%</b> | <b>\$150,094,252</b> | <b>24.95%</b> | <b>\$152,139,242</b> | <b>25.43%</b> | <b>\$153,377,900</b> | <b>25.36%</b> |                        |
| <b>Specialty</b>   |                      |               |                      |               |                      |               |                      |               |                        |
| INVESCO Global Real Estate Fund -R5                                  | \$1,694,892          | 0.29%         | \$1,723,652          | 0.29%         | \$1,542,765          | 0.26%         | \$1,608,850          | 0.27%         | 349                    |
| Principal Diversified Real Asset Fund - Institutional                | \$421,868            | 0.07%         | \$435,203            | 0.07%         | \$424,244            | 0.07%         | \$452,592            | 0.07%         | 110                    |
| <b>Total</b>   | <b>\$2,116,760</b>   | <b>0.36%</b>  | <b>\$2,158,855</b>   | <b>0.36%</b>  | <b>\$1,967,010</b>   | <b>0.33%</b>  | <b>\$2,061,442</b>   | <b>0.34%</b>  |                        |
| <b>International Stock</b>   |                      |               |                      |               |                      |               |                      |               |                        |
| Aberdeen Emerging Markets Equity Fund Instl Class                    | \$3,082,421          | 0.53%         | \$3,310,176          | 0.55%         | \$3,087,085          | 0.52%         | \$2,616,747          | 0.43%         | 441                    |
| American Funds - Europacific Growth Fund - R6                        | \$9,836,326          | 1.69%         | \$10,372,621         | 1.72%         | \$11,030,492         | 1.84%         | \$10,681,994         | 1.77%         | 1,128                  |
| Fidelity Diversified International Fund (Class K)                    | \$11,547,730         | 1.98%         | \$11,954,509         | 1.99%         | \$11,338,369         | 1.90%         | \$11,085,416         | 1.83%         | 1,481                  |
| Vanguard(R) Total International Stock Index Fund - Signal(TM) Shares | \$2,965,522          | 0.51%         | \$3,299,359          | 0.55%         | \$3,659,736          | 0.61%         | \$3,460,779          | 0.57%         | 458                    |
| <b>Total</b>   | <b>\$27,432,000</b>  | <b>4.71%</b>  | <b>\$28,936,664</b>  | <b>4.81%</b>  | <b>\$29,115,682</b>  | <b>4.87%</b>  | <b>\$27,844,935</b>  | <b>4.60%</b>  |                        |
| <b>Small-Cap Stock</b>   |                      |               |                      |               |                      |               |                      |               |                        |
| DFA U.S. Small Cap Portfolio   | \$12,849,424         | 2.20%         | \$13,012,713         | 2.16%         | \$12,324,029         | 2.06%         | \$12,702,876         | 2.10%         | 1,769                  |
| <b>Total</b>   | <b>\$12,849,424</b>  | <b>2.20%</b>  | <b>\$13,012,713</b>  | <b>2.16%</b>  | <b>\$12,324,029</b>  | <b>2.06%</b>  | <b>\$12,702,876</b>  | <b>2.10%</b>  |                        |
| <b>Mid-Cap Stock</b>   |                      |               |                      |               |                      |               |                      |               |                        |
| Fidelity Low-Priced Stock (Class K)                                  | \$8,482,640          | 1.45%         | \$8,794,502          | 1.46%         | \$8,412,400          | 1.41%         | \$8,280,812          | 1.37%         | 889                    |
| Principal Mid Cap Blend Inst Fund                                    | \$12,801,250         | 2.20%         | \$13,305,504         | 2.21%         | \$12,916,989         | 2.16%         | \$12,898,415         | 2.13%         | 1,216                  |
| T. Rowe Price Inst Mid-Cap Equity Growth Fund                        | \$27,621,477         | 4.74%         | \$29,189,123         | 4.85%         | \$29,622,791         | 4.95%         | \$30,451,249         | 5.04%         | 2,208                  |
| <b>Total</b>   | <b>\$48,905,367</b>  | <b>8.39%</b>  | <b>\$51,289,129</b>  | <b>8.52%</b>  | <b>\$50,952,180</b>  | <b>8.52%</b>  | <b>\$51,630,475</b>  | <b>8.54%</b>  |                        |
| <b>Large-Cap Stock</b>   |                      |               |                      |               |                      |               |                      |               |                        |
| Dodge & Cox Stock Fund   | \$31,730,242         | 5.44%         | \$33,116,422         | 5.50%         | \$31,551,258         | 5.27%         | \$31,872,924         | 5.27%         | 2,144                  |
| Fidelity Contrafund (Class K)  | \$41,283,328         | 7.08%         | \$44,195,329         | 7.35%         | \$45,561,171         | 7.61%         | \$49,201,339         | 8.14%         | 2,371                  |
| Vanguard Institutional Index (Instl Shares)                          | \$82,711,335         | 14.19%        | \$86,238,512         | 14.33%        | \$83,718,329         | 13.99%        | \$85,059,659         | 14.06%        | 3,462                  |
| <b>Total</b>   | <b>\$155,724,906</b> | <b>26.71%</b> | <b>\$163,550,263</b> | <b>27.18%</b> | <b>\$160,830,757</b> | <b>26.88%</b> | <b>\$166,133,922</b> | <b>27.47%</b> |                        |

## Total Plan Assets by Asset Class

## Assets and Contributions Summaries (continued)

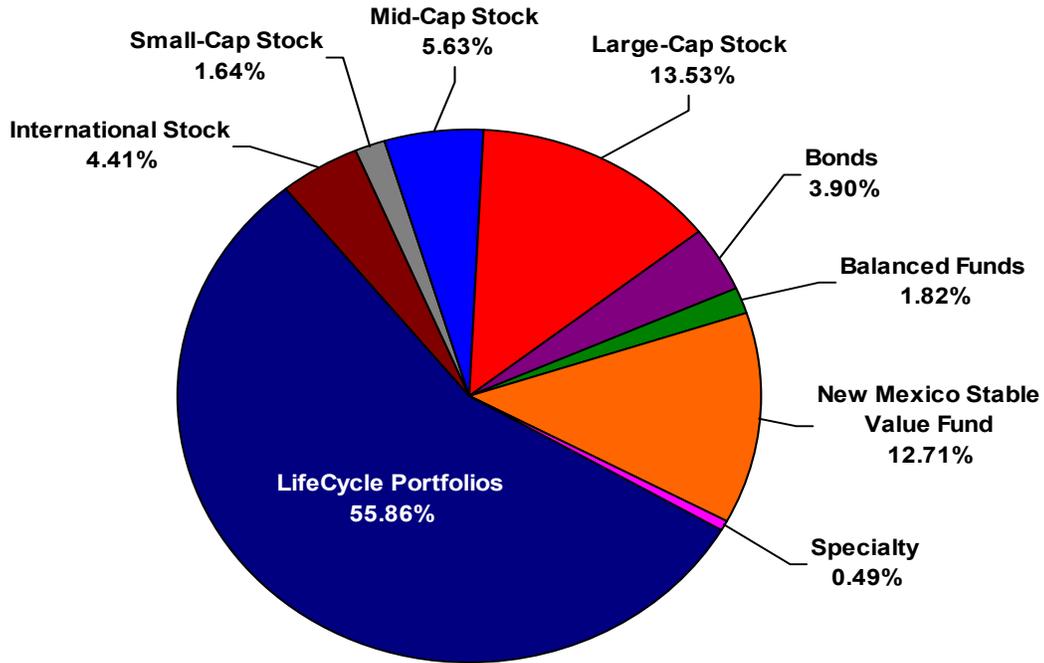
### Assets by Asset Class Detail

| Asset Class/Fund Name  | 3Q17                 | %             | 4Q17                 | %             | 1Q18                 | %             | 2Q18                 | %             | 2Q18 # of Participants |
|--|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|------------------------|
| <b>Bonds</b>   |                      |               |                      |               |                      |               |                      |               |                        |
| Templeton Global Bond Fund - R6                                    | \$2,148,969          | 0.37%         | \$2,368,108          | 0.39%         | \$2,709,120          | 0.45%         | \$2,972,907          | 0.49%         | 334                    |
| Vanguard Inflation Protected Securities Fund -Institutional Shares | \$4,692,364          | 0.80%         | \$4,692,484          | 0.78%         | \$4,228,111          | 0.71%         | \$4,310,152          | 0.71%         | 563                    |
| Vanguard Total Bond Market Index Institutional                     | \$16,428,152         | 2.82%         | \$16,486,894         | 2.74%         | \$15,968,095         | 2.67%         | \$16,031,820         | 2.65%         | 1,524                  |
| <b>Total</b>   | <b>\$23,269,484</b>  | <b>3.99%</b>  | <b>\$23,547,486</b>  | <b>3.91%</b>  | <b>\$22,905,326</b>  | <b>3.83%</b>  | <b>\$23,314,879</b>  | <b>3.86%</b>  |                        |
| <b>Balanced Funds</b>  |                      |               |                      |               |                      |               |                      |               |                        |
| Oakmark Equity Income Inst Fund                                    | \$21,353,789         | 3.66%         | \$21,814,770         | 3.63%         | \$21,064,776         | 3.52%         | \$20,893,841         | 3.45%         | 1,886                  |
| <b>Total</b>   | <b>\$21,353,789</b>  | <b>3.66%</b>  | <b>\$21,814,770</b>  | <b>3.63%</b>  | <b>\$21,064,776</b>  | <b>3.52%</b>  | <b>\$20,893,841</b>  | <b>3.45%</b>  |                        |
| <b>Cash Equivalents</b>  |                      |               |                      |               |                      |               |                      |               |                        |
| New Mexico Loan Account  | \$11,641,631         | 2.00%         | \$11,789,123         | 1.96%         | \$11,996,750         | 2.01%         | \$12,295,681         | 2.03%         | 2,307                  |
| New Mexico Stable Value Fund                                       | \$131,889,751        | 22.62%        | \$130,521,542        | 21.69%        | \$130,058,252        | 21.74%        | \$129,567,328        | 21.42%        | 6,140                  |
| <b>Total</b>   | <b>\$143,531,382</b> | <b>24.62%</b> | <b>\$142,310,665</b> | <b>23.65%</b> | <b>\$142,055,002</b> | <b>23.74%</b> | <b>\$141,863,009</b> | <b>23.46%</b> |                        |
| <b>Self Directed Options</b>                                       |                      |               |                      |               |                      |               |                      |               |                        |
| Self Directed Brokerage Account                                    | \$4,720,941          | 0.81%         | \$4,983,035          | 0.83%         | \$4,972,583          | 0.83%         | \$4,954,319          | 0.82%         | 54                     |
| <b>Total</b>   | <b>\$4,720,941</b>   | <b>0.81%</b>  | <b>\$4,983,035</b>   | <b>0.83%</b>  | <b>\$4,972,583</b>   | <b>0.83%</b>  | <b>\$4,954,319</b>   | <b>0.82%</b>  |                        |
| <b>Grand Total</b>   | <b>\$583,013,496</b> | <b>100%</b>   | <b>\$601,697,833</b> | <b>100%</b>   | <b>\$598,326,587</b> | <b>100%</b>   | <b>\$604,777,599</b> | <b>100%</b>   |                        |

## Total Plan Assets by Asset Class



## Contributions by Asset Class Summary



| Investment Option            | 2Q18               |                |
|------------------------------|--------------------|----------------|
|                              | Contributions      | %              |
| LifeCycle Portfolios         | \$4,832,508        | 55.86%         |
| International Stock          | \$381,830          | 4.41%          |
| Small-Cap Stock              | \$142,163          | 1.64%          |
| Mid-Cap Stock                | \$487,266          | 5.63%          |
| Large-Cap Stock              | \$1,170,550        | 13.53%         |
| Bonds                        | \$337,487          | 3.90%          |
| Balanced Funds               | \$157,600          | 1.82%          |
| New Mexico Stable Value Fund | \$1,099,551        | 12.71%         |
| Specialty                    | \$42,265           | 0.49%          |
| <b>Total Investments</b>     | <b>\$8,651,222</b> | <b>100.00%</b> |

## Assets and Contributions Summaries (continued)

### Contributions by Asset Class Detail

| Asset Class/Fund Name  | 3Q17               | %             | 4Q17               | %             | 1Q18               | %             | 2Q18               | %             | 2Q18 # of Participants |
|--|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|------------------------|
| <b>Asset Allocation</b>  |                    |               |                    |               |                    |               |                    |               |                        |
| Conservative Portfolio   | \$809,242          | 9.86%         | \$735,928          | 9.14%         | \$871,534          | 10.25%        | \$708,027          | 8.18%         | 1,289                  |
| LifeCycle 2015 Portfolio   | \$0                | 0.00%         | \$0                | 0.00%         | \$0                | 0.00%         | \$0                | 0.00%         | 0                      |
| LifeCycle 2020 Portfolio   | \$110,002          | 1.34%         | \$123,140          | 1.53%         | \$160,361          | 1.89%         | \$140,997          | 1.63%         | 179                    |
| LifeCycle 2025 Portfolio   | \$1,178,945        | 14.36%        | \$1,188,960        | 14.77%        | \$1,207,999        | 14.21%        | \$1,271,894        | 14.70%        | 2,345                  |
| LifeCycle 2030 Portfolio   | \$132,808          | 1.62%         | \$129,141          | 1.60%         | \$173,972          | 2.05%         | \$183,398          | 2.12%         | 392                    |
| LifeCycle 2035 Portfolio   | \$873,802          | 10.64%        | \$851,544          | 10.58%        | \$870,681          | 10.24%        | \$948,978          | 10.97%        | 2,122                  |
| LifeCycle 2040 Portfolio   | \$108,428          | 1.32%         | \$123,199          | 1.53%         | \$149,381          | 1.76%         | \$221,170          | 2.56%         | 475                    |
| LifeCycle 2045 Portfolio   | \$547,214          | 6.67%         | \$536,936          | 6.67%         | \$561,346          | 6.60%         | \$619,747          | 7.16%         | 1,608                  |
| LifeCycle 2050 Portfolio   | \$108,166          | 1.32%         | \$132,294          | 1.64%         | \$177,650          | 2.09%         | \$200,252          | 2.31%         | 622                    |
| LifeCycle 2055 Portfolio   | \$408,884          | 4.98%         | \$474,478          | 5.89%         | \$483,438          | 5.69%         | \$538,046          | 6.22%         | 1,577                  |
| <b>Total</b>   | <b>\$4,277,492</b> | <b>52.11%</b> | <b>\$4,295,621</b> | <b>53.37%</b> | <b>\$4,656,364</b> | <b>54.77%</b> | <b>\$4,832,508</b> | <b>55.86%</b> |                        |
| <b>Specialty</b>   |                    |               |                    |               |                    |               |                    |               |                        |
| INVESCO Global Real Estate Fund - R5                                 | \$38,580           | 0.47%         | \$35,026           | 0.44%         | \$40,428           | 0.48%         | \$36,368           | 0.42%         | 175                    |
| Principal Diversified Real Asset Fund - Institutional                | \$5,408            | 0.07%         | \$5,061            | 0.06%         | \$12,666           | 0.15%         | \$5,898            | 0.07%         | 59                     |
| <b>Total</b>   | <b>\$43,988</b>    | <b>0.54%</b>  | <b>\$40,086</b>    | <b>0.50%</b>  | <b>\$53,093</b>    | <b>0.62%</b>  | <b>\$42,265</b>    | <b>0.49%</b>  |                        |
| <b>International Stock</b>   |                    |               |                    |               |                    |               |                    |               |                        |
| Aberdeen Emerging Markets Equity Fund Instnl Class                   | \$52,845           | 0.64%         | \$47,891           | 0.59%         | \$67,389           | 0.79%         | \$62,184           | 0.72%         | 223                    |
| American Funds - Europacific Growth Fund - R6                        | \$90,588           | 1.10%         | \$89,061           | 1.11%         | \$112,442          | 1.32%         | \$117,363          | 1.36%         | 489                    |
| Fidelity Diversified International K                                 | \$118,295          | 1.44%         | \$124,267          | 1.54%         | \$135,434          | 1.59%         | \$120,126          | 1.39%         | 657                    |
| Vanguard(R) Total International Stock Index Fund - Signal(TM) Shares | \$75,692           | 0.92%         | \$78,384           | 0.97%         | \$80,294           | 0.94%         | \$82,157           | 0.95%         | 250                    |
| <b>Total</b>   | <b>\$337,420</b>   | <b>4.11%</b>  | <b>\$339,603</b>   | <b>4.22%</b>  | <b>\$395,560</b>   | <b>4.65%</b>  | <b>\$381,830</b>   | <b>4.41%</b>  |                        |
| <b>Small-Cap Stock</b>   |                    |               |                    |               |                    |               |                    |               |                        |
| DFA U.S. Small Cap Portfolio   | \$155,986          | 1.90%         | \$143,864          | 1.79%         | \$134,753          | 1.58%         | \$142,163          | 1.64%         | 903                    |
| <b>Total</b>   | <b>\$155,986</b>   | <b>1.90%</b>  | <b>\$143,864</b>   | <b>1.79%</b>  | <b>\$134,753</b>   | <b>1.58%</b>  | <b>\$142,163</b>   | <b>1.64%</b>  |                        |
| <b>Mid-Cap Stock</b>   |                    |               |                    |               |                    |               |                    |               |                        |
| Fidelity Low Priced Stock Fund (Class K)                             | \$108,114          | 1.32%         | \$97,183           | 1.21%         | \$103,250          | 1.21%         | \$105,594          | 1.22%         | 442                    |
| Principal Mid Cap Blend Inst Fund                                    | \$120,115          | 1.46%         | \$103,786          | 1.29%         | \$113,341          | 1.33%         | \$109,138          | 1.26%         | 592                    |
| T. Rowe Price Inst Mid-Cap Equity Growth Fund                        | \$267,094          | 3.25%         | \$255,605          | 3.18%         | \$255,784          | 3.01%         | \$272,534          | 3.15%         | 1,047                  |
| <b>Total</b>   | <b>\$495,324</b>   | <b>6.03%</b>  | <b>\$456,574</b>   | <b>5.67%</b>  | <b>\$472,375</b>   | <b>5.56%</b>  | <b>\$487,266</b>   | <b>5.63%</b>  |                        |

## Total Contributions by Asset Class

## Assets and Contributions Summaries (continued)

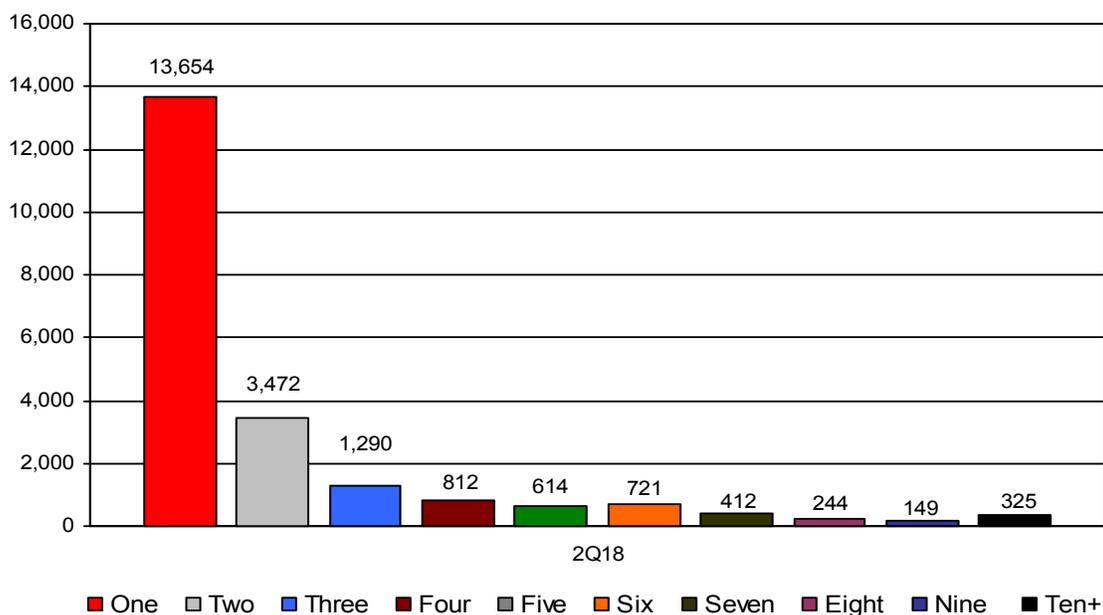
### Contributions by Asset Class Detail

| Asset Class/Fund Name  | 3Q17               | %             | 4Q17               | %             | 1Q18               | %             | 2Q18               | %             | 2Q18 # of Participants |
|--|--------------------|---------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|------------------------|
| <b>Large-Cap Stock</b>   |                    |               |                    |               |                    |               |                    |               |                        |
| Dodge & Cox Stock Fund   | \$279,355          | 3.40%         | \$262,393          | 3.26%         | \$262,164          | 3.08%         | \$268,249          | 3.10%         | 1,004                  |
| Fidelity Contrafund (Class K)                                      | \$283,334          | 3.45%         | \$285,459          | 3.55%         | \$340,245          | 4.00%         | \$347,608          | 4.02%         | 1,036                  |
| Vanguard Institutional Index (Instl Plus Shares)                   | \$0                | 0.00%         | \$0                | 0.00%         | \$91,430           | 1.08%         | \$554,693          | 6.41%         | 1,317                  |
| Vanguard Institutional Index (Instl Shares)                        | \$571,935          | 6.97%         | \$537,631          | 6.68%         | \$441,288          | 5.19%         | \$0                | 0.00%         | 0                      |
| <b>Total</b>   | <b>\$1,134,624</b> | <b>13.82%</b> | <b>\$1,085,483</b> | <b>13.49%</b> | <b>\$1,135,127</b> | <b>13.35%</b> | <b>\$1,170,550</b> | <b>13.53%</b> |                        |
| <b>Bonds</b>   |                    |               |                    |               |                    |               |                    |               |                        |
| Templeton Global Bond Fund - R6                                    | \$35,596           | 0.43%         | \$34,581           | 0.43%         | \$34,157           | 0.40%         | \$40,867           | 0.47%         | 167                    |
| Vanguard Inflation Protected Securities Fund -Institutional Shares | \$59,780           | 0.73%         | \$50,948           | 0.63%         | \$53,341           | 0.63%         | \$57,439           | 0.66%         | 275                    |
| Vanguard Total Bond Market Index Fund Inst                         | \$237,859          | 2.90%         | \$232,110          | 2.88%         | \$223,665          | 2.63%         | \$239,182          | 2.76%         | 717                    |
| <b>Total</b>   | <b>\$333,235</b>   | <b>4.06%</b>  | <b>\$317,639</b>   | <b>3.95%</b>  | <b>\$311,163</b>   | <b>3.66%</b>  | <b>\$337,487</b>   | <b>3.90%</b>  |                        |
| <b>Balanced Funds</b>  |                    |               |                    |               |                    |               |                    |               |                        |
| Oakmark Equity Income Inst Fund                                    | \$181,611          | 2.21%         | \$161,083          | 2.00%         | \$169,315          | 1.99%         | \$157,600          | 1.82%         | 811                    |
| <b>Total</b>   | <b>\$181,611</b>   | <b>2.21%</b>  | <b>\$161,083</b>   | <b>2.00%</b>  | <b>\$169,315</b>   | <b>1.99%</b>  | <b>\$157,600</b>   | <b>1.82%</b>  |                        |
| <b>Cash Equivalents</b>  |                    |               |                    |               |                    |               |                    |               |                        |
| New Mexico Stable Value Fund                                       | \$1,249,566        | 15.22%        | \$1,209,418        | 15.03%        | \$1,174,523        | 13.81%        | \$1,099,551        | 12.71%        | 2,642                  |
| <b>Total</b>   | <b>\$1,249,566</b> | <b>15.22%</b> | <b>\$1,209,418</b> | <b>15.03%</b> | <b>\$1,174,523</b> | <b>13.81%</b> | <b>\$1,099,551</b> | <b>12.71%</b> |                        |
| <b>Grand Total</b>   | <b>\$8,209,246</b> | <b>100%</b>   | <b>\$8,049,373</b> | <b>100%</b>   | <b>\$8,502,272</b> | <b>100%</b>   | <b>\$8,651,222</b> | <b>100%</b>   |                        |

## Total Contributions by Asset Class

## Investment Summary

### Investment Diversification - All Participants by Number of Funds

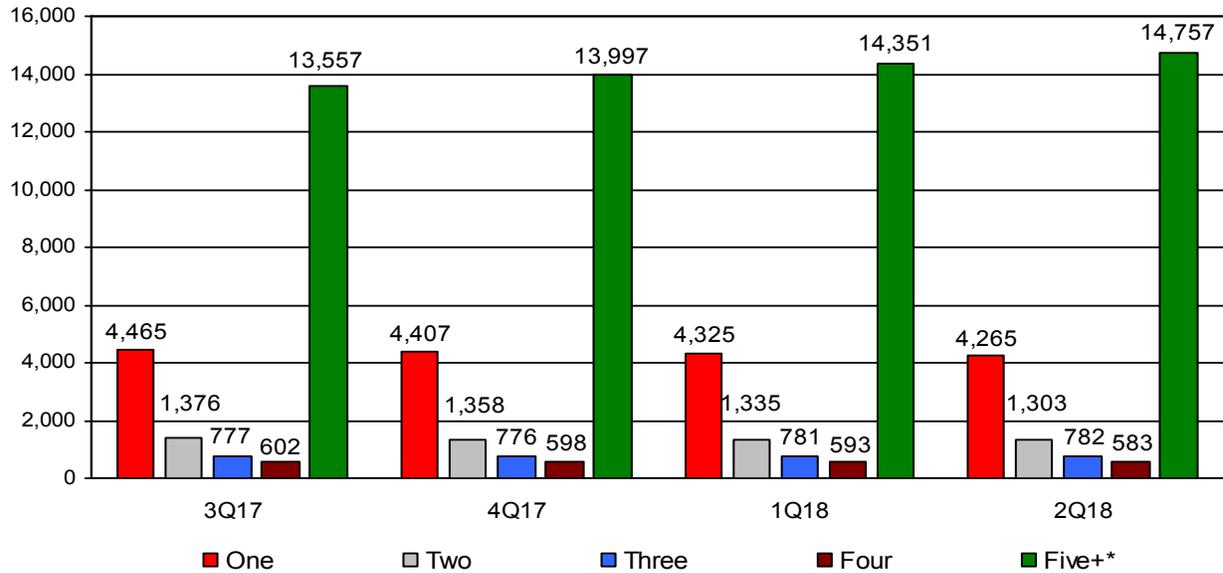


| Number of Funds  | # of Participants 3Q17 | %           | # of Participants 4Q17 | %           | # of Participants 1Q18 | %           | # of Participants 2Q18 | %           |
|--|------------------------|-------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| One  | 12,753                 | 61.38%      | 13,105                 | 62.00%      | 13,346                 | 62.40%      | 13,654                 | 62.94%      |
| Two  | 3,445                  | 16.58%      | 3,459                  | 16.37%      | 3,479                  | 16.27%      | 3,472                  | 16.01%      |
| Three  | 1,328                  | 6.39%       | 1,322                  | 6.25%       | 1,299                  | 6.07%       | 1,290                  | 5.95%       |
| Four   | 802                    | 3.86%       | 812                    | 3.84%       | 812                    | 3.80%       | 812                    | 3.74%       |
| Five   | 618                    | 2.97%       | 603                    | 2.85%       | 618                    | 2.89%       | 614                    | 2.83%       |
| Six  | 736                    | 3.54%       | 732                    | 3.46%       | 726                    | 3.39%       | 721                    | 3.32%       |
| Seven  | 421                    | 2.03%       | 412                    | 1.95%       | 407                    | 1.90%       | 412                    | 1.90%       |
| Eight  | 259                    | 1.25%       | 255                    | 1.21%       | 250                    | 1.17%       | 244                    | 1.12%       |
| Nine   | 145                    | 0.70%       | 155                    | 0.73%       | 150                    | 0.70%       | 149                    | 0.69%       |
| Ten+   | 270                    | 1.30%       | 281                    | 1.33%       | 300                    | 1.40%       | 325                    | 1.50%       |
| Participants with Only Monumental, Transamerica, or any combination of same. | 1                      | 0.00%       | 0                      | 0.00%       | 0                      | 0.00%       | 0                      | 0.00%       |
| <b>Total # of Participants*</b>  | <b>20,778</b>          | <b>100%</b> | <b>21,136</b>          | <b>100%</b> | <b>21,387</b>          | <b>100%</b> | <b>21,693</b>          | <b>100%</b> |

\* Total # of participants includes those using one or more LifeCycle Portfolios. One LifeCycle Portfolio equals one fund.

## Investment Summary

### Investment Diversification - All Participants by Number of Asset Classes

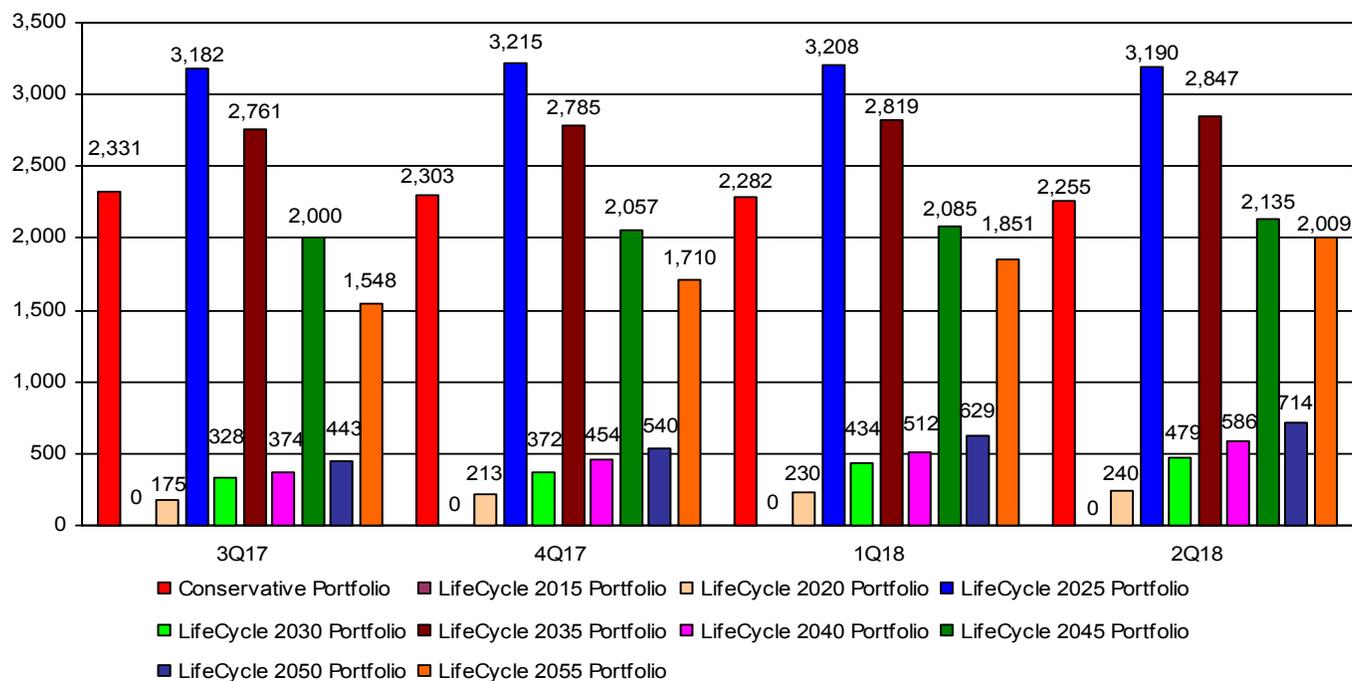


| Number of Asset Classes        | # of Participants 3Q17 | %           | # of Participants 4Q17 | %           | # of Participants 1Q18 | %           | # of Participants 2Q18 | %           |
|--------------------------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| One                            | 4,465                  | 21.49%      | 4,407                  | 20.85%      | 4,325                  | 20.22%      | 4,265                  | 19.66%      |
| Two                            | 1,376                  | 6.62%       | 1,358                  | 6.43%       | 1,335                  | 6.24%       | 1,303                  | 6.01%       |
| Three                          | 777                    | 3.74%       | 776                    | 3.67%       | 781                    | 3.65%       | 782                    | 3.61%       |
| Four                           | 602                    | 2.90%       | 598                    | 2.83%       | 593                    | 2.77%       | 583                    | 2.69%       |
| Five+*                         | 13,557                 | 65.25%      | 13,997                 | 66.22%      | 14,351                 | 67.11%      | 14,757                 | 68.04%      |
| <b>Total # of Participants</b> | <b>20,777</b>          | <b>100%</b> | <b>21,136</b>          | <b>100%</b> | <b>21,385</b>          | <b>100%</b> | <b>21,690</b>          | <b>100%</b> |

\*Participants taking advantage of LifeCycle Portfolios are captured as investing in 5+ asset classes.

## Investment Summary (continued)

### Investment Diversification - Participants Using LifeCycle Portfolios to Achieve Diversification



| Fund                            | # of Participants 3Q17 | # of Participants 4Q17 | # of Participants 1Q18 | # of Participants 2Q18 |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|
| Conservative Portfolio          | 2,331                  | 2,303                  | 2,282                  | 2,255                  |
| LifeCycle 2015 Portfolio        | 0                      | 0                      | 0                      | 0                      |
| LifeCycle 2020 Portfolio        | 175                    | 213                    | 230                    | 240                    |
| LifeCycle 2025 Portfolio        | 3,182                  | 3,215                  | 3,208                  | 3,190                  |
| LifeCycle 2030 Portfolio        | 328                    | 372                    | 434                    | 479                    |
| LifeCycle 2035 Portfolio        | 2,761                  | 2,785                  | 2,819                  | 2,847                  |
| LifeCycle 2040 Portfolio        | 374                    | 454                    | 512                    | 586                    |
| LifeCycle 2045 Portfolio        | 2,000                  | 2,057                  | 2,085                  | 2,135                  |
| LifeCycle 2050 Portfolio        | 443                    | 540                    | 629                    | 714                    |
| LifeCycle 2055 Portfolio        | 1,548                  | 1,710                  | 1,851                  | 2,009                  |
| <b>Total # of Participants*</b> | <b>13,142</b>          | <b>13,649</b>          | <b>14,050</b>          | <b>14,455</b>          |

\* Total reflects duplicate counts for participants invested in more than one LifeCycle Portfolio.



## Investment Performance Report

*Investment returns annualized as of June 30, 2018*

Your employer's deferred compensation plan offers a broad portfolio of investment options. As a participant, you decide how to distribute your deferrals and invested assets among these options.

It's natural to want to know how your investments are doing over time. This performance report shows how the options in the Plan have performed over a series of time periods.

### Fees and Expenses:

**ADMINISTRATOR'S FEE:** If applicable, an annualized \$30 administrator's fee may be charged in addition to a 0.135% annual plan asset fee, which, if reflected, would reduce the performance shown.

**GROSS EXPENSE RATIO:** Gross expense ratios represent the fund's total operating expenses expressed as a percentage of the assets held in the fund. Your expenses may be less than the gross expense ratio. For more information about gross expense ratios, read the fund's prospectus.

**PROVIDER FEES or REIMBURSEMENTS:** Are used to offset administrative expenses.

**SHORT-TERM TRADE FEES:** Some funds may impose a short-term trade fee. Some funds may be subject to a trade-restriction policy. This information is explained in the underlying prospectus.

**INVESTMENT OPTION ("FUND") FEES:** The returns are reported after the fees that the fund manager charges have been applied, but do not reflect plan administration fees.

### Don't count on numbers alone

If you see something you'd like to know more about, ask your Nationwide representative.

Questions?



**866-827-6639**



**[www.newmexico457dc.com](http://www.newmexico457dc.com)**

**State of NM PERA Deferred Compensation Plan**  
Investment returns annualized as of June 30, 2018

**What to look for in this table**

The following are the annualized percentage changes in net assets (with capital gains and income dividends reinvested) for the funds under the Plan, for the respective periods ending June 30, 2018. Investing involves market risk, including the possible loss of principal. Included with each

The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Performance data current to the most recent month-end may be obtained by visiting: [www.newmexico457dc.com](http://www.newmexico457dc.com).

Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. Both the underlying fund prospectuses and informational brochure contain this and other important information, and are available by calling 866-827-6639. Read carefully before investing.

| Ticker  | Investment Options  | YTD     | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date | Gross Expense Ratio | Gross Cost per \$1000 |
|---|---|---------|--------|--------|--------|---------|-----------------|----------------|---------------------|-----------------------|
| <b>Asset Class: Asset Allocation</b>  |   |         |        |        |        |         |                 |                |                     |                       |
| <i>These funds are designed to provide diversification and asset allocation across several types of investments and asset classes. Because they primarily invest in underlying funds, their expense ratio includes a proportionate share of the applicable fees and expenses of the underlying funds. There is no guarantee that target date funds will provide enough income for retirement.</i> |   |         |        |        |        |         |                 |                |                     |                       |
| N/A   | New Mexico Conservative Portfolio                                     | -0.12%  | 3.65%  | 3.62%  | 4.03%  | 4.11%   | 4.19%           | 2/24/2005      | 0.37%               | \$ 3.70               |
| N/A   | New Mexico LifeCycle 2020 Portfolio                                   | -0.26%  | 4.62%  | N/A    | N/A    | N/A     | 7.05%           | 5/13/2016      | 0.38%               | \$ 3.80               |
| N/A   | New Mexico LifeCycle 2025 Portfolio                                   | -0.30%  | 5.95%  | 5.43%  | 6.82%  | 5.38%   | 5.24%           | 2/24/2005      | 0.37%               | \$ 3.70               |
| N/A   | New Mexico Life Cycle 2030 Portfolio                                  | -0.41%  | 6.70%  | N/A    | N/A    | N/A     | 10.09%          | 5/13/2016      | 0.40%               | \$ 4.00               |
| N/A   | New Mexico LifeCycle 2035 Portfolio                                   | -0.41%  | 7.46%  | 6.48%  | 7.84%  | 5.98%   | 5.95%           | 2/24/2005      | 0.43%               | \$ 4.30               |
| N/A   | New Mexico LifeCycle 2040 Portfolio                                   | -0.40%  | 7.90%  | N/A    | N/A    | N/A     | 11.35%          | 5/13/2016      | 0.44%               | \$ 4.40               |
| N/A   | New Mexico LifeCycle 2045 Portfolio                                   | -0.43%  | 8.23%  | 6.91%  | 8.29%  | 6.60%   | 6.58%           | 2/24/2005      | 0.43%               | \$ 4.30               |
| N/A   | New Mexico LifeCycle 2050 Portfolio                                   | -0.40%  | 8.46%  | N/A    | N/A    | N/A     | 11.35%          | 5/13/2016      | 0.43%               | \$ 4.30               |
| N/A   | New Mexico LifeCycle 2055 Portfolio                                   | -0.41%  | 8.64%  | 7.15%  | 8.52%  | 6.48%   | 4.94%           | 5/18/2007      | 0.44%               | \$ 4.40               |
| <b>Asset class: Specialty</b>   |   |         |        |        |        |         |                 |                |                     |                       |
| <i>Funds that invest in a concentrated sector or focus on a relatively small number of securities may be subject to greater volatility than a more diversified investment.</i>  |   |         |        |        |        |         |                 |                |                     |                       |
| <i>Funds that focus on real estate investing are sensitive to economic and business cycles, changing demographic patterns and government actions.</i>   |   |         |        |        |        |         |                 |                |                     |                       |
| IGREX   | Invesco Global Real Estate Fund - Class R5                            | 0.02%   | 6.48%  | 5.18%  | 5.94%  | 4.91%   | 6.13%           | 4/29/2005      | 0.88%               | \$ 8.80               |
| PDRDX   | Principal Diversified Real Asset Fund - Institutional                 | 1.03%   | 6.76%  | 1.48%  | 2.20%  | N/A     | 4.15%           | 03/16/2010     | 0.93%               | \$ 9.30               |
| <b>Asset Class: International</b>   |   |         |        |        |        |         |                 |                |                     |                       |
| <i>International/emerging markets funds involve risks not associated with investing solely in the U.S., such as currency fluctuation, political risk, differences in accounting and the limited availability of information.</i>  |   |         |        |        |        |         |                 |                |                     |                       |
| ABEMX   | Aberdeen Emerging Markets Equity Fund - Institutional Class           | -11.03% | -2.65% | 3.41%  | 2.09%  | 5.06%   | 5.47%           | 5/11/2007      | 1.13%               | \$ 11.30              |
| RERGX   | EuroPacific Growth Fund® - Class R6                                   | -1.82%  | 9.35%  | 6.51%  | 8.34%  | 4.85%   | 11.12%          | 4/16/1984      | 0.50%               | \$ 5.00               |
| FDIKX   | Fidelity® Diversified International Fund - Class K                    | -2.58%  | 6.17%  | 4.17%  | 7.31%  | 3.12%   | 8.32%           | 12/27/1991     | 0.82%               | \$ 8.20               |
| VTSNX   | Vanguard® Total International Stock Index Fund - Institutional Shares | -3.61%  | 7.12%  | 5.35%  | 6.44%  | N/A     | 5.25%           | 11/29/2010     | 0.09%               | \$ 0.90               |

| Ticker   | Investment Options  | YTD    | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date | Gross Expense Ratio | Gross Cost per \$1000 |
|--|---|--------|--------|--------|--------|---------|-----------------|----------------|---------------------|-----------------------|
| <i>Funds investing in stocks of small or emerging companies may have less liquidity than those investing in larger, established companies and may be subject to greater price volatility and risk than the overall</i> |   |        |        |        |        |         |                 |                |                     |                       |
| DFSTX  | DFA U.S. Small Cap Portfolio                                      | 5.37%  | 15.31% | 10.38% | 12.22% | 11.85%  | 10.80%          | 03/19/1992     | 0.37%               | \$ 3.70               |
| <b>Asset Class: Mid-Cap Stocks</b>   |   |        |        |        |        |         |                 |                |                     |                       |
| FLPKX  | Fidelity® Low-Priced Stock Fund - Class K                         | 0.92%  | 13.07% | 8.17%  | 10.66% | 10.30%  | 13.73%          | 12/27/1989     | 0.58%               | \$ 5.80               |
| PCBIX  | Principal Mid-Cap Blend Fund - Institutional Class                | 2.97%  | 14.35% | 11.22% | 13.72% | 11.95%  | 10.73%          | 12/06/2000     | 0.68%               | \$ 6.80               |
| PMEGX  | T. Rowe Price Institutional Mid-Cap Equity Growth Fund            | 5.10%  | 14.98% | 11.88% | 15.57% | 12.52%  | 12.36%          | 7/31/1996      | 0.61%               | \$ 6.10               |
| <b>Asset Class: Large-cap Stocks</b>   |   |        |        |        |        |         |                 |                |                     |                       |
| DODGX  | Dodge & Cox Stock Fund  | 0.96%  | 11.85% | 10.95% | 12.81% | 9.70%   | 11.16%          | 01/04/1965     | 0.52%               | \$ 5.20               |
| FCNKX  | Fidelity Contrafund - Class K                                     | 9.53%  | 24.11% | 14.99% | 16.13% | 11.02%  | 12.67%          | 05/17/1967     | 0.65%               | \$ 6.50               |
| VIIIX  | Vanguard® Institutional Index Fund - Institutional Plus Shares    | 2.63%  | 14.36% | 11.92% | 13.41% | 10.19%  | 7.39%           | 7/7/1997       | 0.02%               | \$ 0.20               |
| <b>Asset Class: Balanced</b>   |   |        |        |        |        |         |                 |                |                     |                       |
| OAKBX  | Oakmark Equity and Income Fund (The) - Class I                    | -1.40% | 6.56%  | 5.77%  | 8.16%  | 6.47%   | 10.08%          | 11/01/1995     | 0.88%               | \$ 8.80               |
| <b>Asset Class: Bonds</b>  |   |        |        |        |        |         |                 |                |                     |                       |
| <i>Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.</i>   |   |        |        |        |        |         |                 |                |                     |                       |
| <i>Funds that invest in high-yield securities are subject to greater credit risk and price fluctuations than funds that invest in higher-quality securities.</i>   |   |        |        |        |        |         |                 |                |                     |                       |
| VIPIX  | Vanguard Inflation Protected Securities Fund-Institutional Shares | -0.09% | 1.92%  | 1.93%  | 1.67%  | 2.87%   | 3.88%           | 12/12/2003     | 0.07%               | \$ 0.70               |
| FBNRX  | Templeton Global Bond Fund - Class R6                             | -1.19% | -1.74% | 1.38%  | 2.00%  | 5.80%   | 7.55%           | 9/18/1986      | 0.63%               | \$ 6.30               |
| VBTIX  | Vanguard® Total Bond Market Index Fund - Institutional Shares     | -1.64% | -0.52% | 1.68%  | 2.21%  | 3.68%   | 5.01%           | 9/18/1995      | 0.04%               | \$ 0.40               |
| <b>Asset Class: Short-term Investments</b>   |   |        |        |        |        |         |                 |                |                     |                       |
| <i>Because the value of the securities held by stable value funds will fluctuate, there is the risk that an investor will lose money investing in stable value funds.</i>  |   |        |        |        |        |         |                 |                |                     |                       |
| N/A  | New Mexico Stable Value Fund                                      | 0.99%  | 1.92%  | 1.73%  | 1.56%  | 1.79%   | 2.58%           | 9/24/2003      | 0.42%               | \$ 4.20               |

#### Ownership Rights

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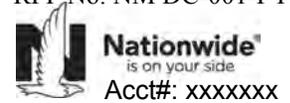
NRX-0319NM-NM.0314

# Fee Summary

## Quarterly Fee Reconciliation - Nationwide

| REVENUES                                   | 3Q17          | 4Q17          | 1Q18           | 2Q18           |
|--|---------------|---------------|----------------|----------------|
| <b>PARTICIPANT REVENUES</b>                |               |               |                |                |
| Asset / Admin Fee Amount Collected*        | \$ 262,121.19 | \$ 266,581.60 | \$ 267,957.82  | \$ 271,602.42  |
| <b>PRODUCT PROVIDER REVENUES</b>           |               |               |                |                |
| Per Participant Rebate                     |               |               |                |                |
| 12b-1 and Sub TA Fees                      | \$ 43,537.38  | \$ 40,544.42  | \$ 31,904.00   | \$ 31,339.19   |
| Fidelity Sub TA Fees                       | \$ -          | \$ -          | \$ -           | \$ -           |
| Total Product Provider Revenues            | \$ 43,537.38  | \$ 40,544.42  | \$ 31,904.00   | \$ 31,339.19   |
| <b>GRAND TOTAL REVENUES</b>                |               |               |                |                |
|  | \$ 305,658.57 | \$ 307,126.02 | \$ 299,861.82  | \$ 302,941.61  |
| <b>PAYMENTS</b>                            |               |               |                |                |
| <b>NATIONWIDE RETIREMENT SOLUTIONS FEE</b> |               |               |                |                |
| <b>Active Participants</b>                 |               |               |                |                |
| Per Participant Fee (Administrator fee)    | \$ 13.00      | \$ 13.00      | \$ 13.00       | \$ 13.00       |
| Number of Participants collected from      | 20,140        | 20,331        | 20,656         | 20,977         |
| Total Administrator fee                    | \$ 261,820.00 | \$ 264,303.00 | \$ 268,528.00  | \$ 272,701.00  |
| <b>Terminated Participants</b>             |               |               |                |                |
| Per Participant Fee (Prorated)             |               |               |                |                |
| Number of Participants collected from      |               |               |                |                |
| Total participant Fees Collected           |               |               |                |                |
| Total Participant Fees Due Nationwide      | \$ 261,820.00 | \$ 264,303.00 | \$ 268,528.00  | \$ 272,701.00  |
| <b>MEKETA CONSULTING FEE</b>               |               |               |                |                |
|  | \$ 20,000.00  | \$ 21,250.00  | \$ 21,250.00   | \$ 21,250.00   |
| <b>PERA PAYMENT FOR EXPENSES</b>           |               |               |                |                |
|  | \$ 20,500.00  | \$ 20,500.00  | \$ 20,500.00   | \$ 20,500.00   |
| <b>GRAND TOTAL PAYMENT</b>                 |               |               |                |                |
|  | \$ 302,320.00 | \$ 306,053.00 | \$ 310,278.00  | \$ 314,451.00  |
| <b>EXCESS REVENUE ACCOUNT</b>              |               |               |                |                |
|  | \$ 3,338.57   | \$ 1,073.02   | \$ (10,416.18) | \$ (11,509.39) |
| <b>SURPLUS/SHORTAGE</b>                    |               |               |                |                |
|  | \$ 3,338.57   | \$ 4,411.59   | \$ (6,004.59)  | \$ (17,513.98) |

\* Asset/Admin fee began 3rd qtr 2017. Admin fee of \$7.50 per quarter and a basis point fee of 13.5 (.135%) not to exceed \$18.50 per quarter per participant.



July 1, 2018 - September 30, 2018

**Quarterly Retirement Report**

**Questions? Contact Us!**

**CUSTOMER SERVICE:** (866)827-6639  
**(ESPAÑOL):** (800)649-9494  
**TTY:** (800)848-0833  
**Website:** www.newmexico457dc.com  
**Write us at:** NATIONWIDE RETIREMENT SOLUTIONS  
 PO BOX 182797  
 COLUMBUS OH 43218-2797

Nationwide Investment Services Corporation, member FINRA, In Michigan Only:  
 Nationwide Investment Svcs. Corporation

Participant Name  
 address  
 city, state zip code

Please review your statement carefully. Corrections may not be accepted more than 45 days after the closing date of the statement.

**The Plan's fees are designed to be lowest possible, shared fairly**

A year ago, New Mexico PERA implemented the new hybrid fee structure to the PERA *SmartSave* Plan. The hybrid fee structure is a \$30 flat rate + .135% of assets with a cap of \$104 per year, charged to your account quarterly. This fee pays for Nationwide's record keeping services, the Plan's investment consultant and NM PERA's operating costs to oversee the Plan. The fee may fluctuate, typically at or within \$1, due to market volatility and variations in NM PERA's administrative costs. The hybrid fee structure will remain in place for the foreseeable future as NM PERA continues to evaluate whether it's meeting the intended objective: a more equitable distribution of fees among various account balances.

You might ask "Why charge fees at all?" The Plan does not receive financial support from the State of New Mexico. The costs of Plan administration, participant services, and investment management must be borne by Plan participant accounts, a standard practice with most deferred compensation plans. We are sensitive to providing services not only at the lowest cost possible, but also **shared so that it's fair to all participants**.

For more information, visit [www.newmexico457dc.com](http://www.newmexico457dc.com) or email [PERA-smartsave@state.nm.us](mailto:PERA-smartsave@state.nm.us). NRO-1291NM-NM (10/2018)

**Quarterly Activity at a Glance**

|                                  |                    |
|----------------------------------|--------------------|
|                                  | <u>457(b) Plan</u> |
| <b>Balance as of 07-01-18</b>    | <b>\$19,705.87</b> |
| Contributions/Transfers In*      | \$963.00           |
| Interest/Dividend/Cap Gain/Reimb | \$292.36           |
| Gain/Loss                        | \$547.86           |
| Withdrawals/Transfers Out**      | \$0.00             |
| Charges/Fees                     | -\$15.90           |
| <b>Balance as of 09-30-18</b>    | <b>\$21,493.19</b> |

\*Including, but not limited to, Employee and Employer Contributions, Rollovers and Transfers In.

\*\*Including, but not limited to, Rollovers and Transfers Out, Partial and Lump Sum Payments.

**Historical Activity at a Glance**

|                  |   |  |                       |   |
|------------------|---|--|-----------------------|---|
| <u>Plan Type</u> | <u>Contributions Since Joining/<br/>Transfers In/Loan Payment</u> | <u>Withdrawals/Transfers<br/>Out/Loan Disbursement</u> | <u>Gain/Loss/Fees</u> | <u>Total Balance as<br/>of 09-30-18</u> |
| 457(b) Plan      | \$16,736.00   | \$0.00   | \$4,757.19            | <b>\$21,493.19</b>                      |

"Since Joining" refers to the period of time your account has been administered by Nationwide. If applicable, the above data is inclusive of Self Directed Option balance. For more information about asset fees, contact your customer service center.

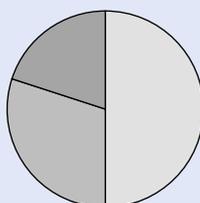
### Contributions and Distributions Summary - July 1, 2018 to September 30, 2018

|             | Last Contribution Amount | Contributions This Period | Contributions Year to Date | Last Distribution Amount | Distributions Year to Date |
|-------------|--------------------------|---------------------------|----------------------------|--------------------------|----------------------------|
| 457(b) Plan | \$150.00                 | \$963.00                  | \$2,486.00                 |                          | \$0.00                     |

### Your Asset Allocation - July 1, 2018 to September 30, 2018

To the right is your Account Allocation. Your Account Allocation is how the money in your account is actually divided among the investment options you have selected.

#### Your Account Allocation



#### Investment Type

|                                 |                    |
|---------------------------------|--------------------|
| 50% Asset Allocation            | \$10,696.27        |
| 30% Large-Cap Stocks            | \$6,501.24         |
| 20% Mid-Cap Stocks              | \$4,295.68         |
| <b>100% Total Percent/Value</b> | <b>\$21,493.19</b> |

For more information on contribution and account allocation, log on to [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM)

\*Percentages and totals may not be exact due to rounding.

### Investment Option Summary - July 1, 2018 to September 30, 2018

Ending Price is as of 9/30/2018

| Investment Option              | Current Investment Election | Ending Price | Units/Shares | Value              |
|--------------------------------|-----------------------------|--------------|--------------|--------------------|
| <b>457(b) Salary Reduction</b> |                             |              |              |                    |
| *DodgeCox Stk                  | 10.00%                      | 214.3100     | 9.9821       | \$2,139.26         |
| *Fid Contra K                  | 20.00%                      | 14.0900      | 309.5801     | \$4,361.98         |
| *Fid Low Priced Stk K          | 20.00%                      | 52.4500      | 81.9004      | \$4,295.68         |
| *POS NewMxco LfCycle 2055      | 50.00%                      | 17.5800      | 608.4343     | \$10,696.27        |
| <b>TOTAL</b>                   | <b>100.00%</b>              |              |              | <b>\$21,493.19</b> |

\* Fund is valued in shares rather than units

### Your Account Values by Investment Option - July 1, 2018 to September 30, 2018

|                                 | Beginning Balance  | Contributions/Transfers In | Exchanges     | Withdrawals/Transfers Out | Charges/Credits/Fees | Interest/Dividend/Cap Gain/Reimb | Gain/Loss       | Ending Balance     |
|---------------------------------|--------------------|----------------------------|---------------|---------------------------|----------------------|----------------------------------|-----------------|--------------------|
| <b>457(b) Plan (0038710001)</b> |                    |                            |               |                           |                      |                                  |                 |                    |
| *DodgeCox Stk                   | \$4,809.36         | \$173.25                   | -\$3,110.50   | \$0.00                    | -\$1.58              | \$6.43                           | \$262.30        | \$2,139.26         |
| *Fid Contra K                   | \$0.00             | \$90.00                    | \$4,129.43    | \$0.00                    | -\$3.23              | \$0.00                           | \$145.78        | \$4,361.98         |
| *Fid Low Priced Stk K           | \$0.00             | \$90.00                    | \$4,129.42    | \$0.00                    | -\$3.18              | \$285.93                         | -\$206.49       | \$4,295.68         |
| *POS NewMxco LfCycle 2055       | \$14,896.51        | \$609.75                   | -\$5,148.35   | \$0.00                    | -\$7.91              | \$0.00                           | \$346.27        | \$10,696.27        |
| <b>TOTAL</b>                    | <b>\$19,705.87</b> | <b>\$963.00</b>            | <b>\$0.00</b> | <b>\$0.00</b>             | <b>-\$15.90</b>      | <b>\$292.36</b>                  | <b>\$547.86</b> | <b>\$21,493.19</b> |

\* Fund is valued in shares rather than units

Gain/Loss is the difference between the account balance on the first and last day of the period, after allowing for the effects of transactions.

### Transaction Details - July 1, 2018 to September 30, 2018

| Pay Period End Date | Effective Date | Total Amount | Transaction Type | Money Source            | Investment Option                        | Price               | Units/Shares     | Amount Per Fund    |
|---------------------|----------------|--------------|------------------|-------------------------|--|---------------------|------------------|--------------------|
| 6/29/2018           | 7/9/2018       | \$121.00     | Deferral         | 457(b) Salary Reduction | DodgeCox Stk<br>POS NewMxco LfCycle 2055 | 207.9800<br>17.3600 | 0.1454<br>5.2275 | \$30.25<br>\$90.75 |

## Transaction Details (continued)

| Pay Period<br>End Date | Effective<br>Date | Total<br>Amount | Transaction<br>Type      | Money<br>Source            | Investment<br>Option   | Price                                     | Units/Shares                                 | Amount<br>Per<br>Fund                                  |
|------------------------|-------------------|-----------------|--------------------------|----------------------------|--|---|--|--|
| 7/13/2018              | 7/20/2018         | \$121.00        | Deferral                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>POS NewMxco LfCycle 2055   | 207.1200<br>17.4100                       | 0.1461<br>5.2125                             | \$30.25<br>\$90.75                                     |
| 7/27/2018              | 8/2/2018          | \$121.00        | Deferral                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>POS NewMxco LfCycle 2055   | 210.4900<br>17.4700                       | 0.1437<br>5.1946                             | \$30.25<br>\$90.75                                     |
| 8/10/2018              | 8/16/2018         | \$150.00        | Deferral                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>POS NewMxco LfCycle 2055   | 211.3100<br>17.2500                       | 0.1775<br>6.5217                             | \$37.50<br>\$112.50                                    |
|                        | 8/17/2018         | \$0.00          | Exchange                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>POS NewMxco LfCycle 2055<br>Fid Contra K<br>Fid Low Priced Stk K | 211.7700<br>17.3200<br>13.6100<br>55.2000 | -14.6881<br>-297.2487<br>303.4112<br>74.8084 | -\$3,110.50<br>-\$5,148.35<br>\$4,129.43<br>\$4,129.42 |
| 8/24/2018              | 8/30/2018         | \$150.00        | Deferral                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>Fid Contra K<br>Fid Low Priced Stk K<br>POS NewMxco LfCycle 2055 | 215.2300<br>14.1000<br>56.0000<br>17.5900 | 0.0697<br>2.1277<br>0.5357<br>4.2638         | \$15.00<br>\$30.00<br>\$30.00<br>\$75.00               |
| 9/7/2018               | 9/13/2018         | \$150.00        | Deferral                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>Fid Contra K<br>Fid Low Priced Stk K<br>POS NewMxco LfCycle 2055 | 213.9600<br>14.0100<br>55.5700<br>17.4200 | 0.0701<br>2.1413<br>0.5399<br>4.3054         | \$15.00<br>\$30.00<br>\$30.00<br>\$75.00               |
|                        | 9/14/2018         | \$251.25        | Capital Gain             | 457(b) Salary<br>Reduction | Fid Low Priced Stk K   | 51.9400                                   | 4.8374                                       | \$251.25   |
|                        | 9/14/2018         | \$34.68         | Dividend                 | 457(b) Salary<br>Reduction | Fid Low Priced Stk K   | 51.9400                                   | 0.6677                                       | \$34.68  |
|                        | 9/25/2018         | \$6.43          | Dividend                 | 457(b) Salary<br>Reduction | DodgeCox Stk   | 215.4600                                  | 0.0298                                       | \$6.43   |
|                        | 9/28/2018         | -\$8.50         | Administrative<br>Charge | 457(b) Salary<br>Reduction | DodgeCox Stk<br>Fid Contra K<br>Fid Low Priced Stk K<br>POS NewMxco LfCycle 2055 | 214.3100<br>14.0900<br>52.4500<br>17.5800 | -0.0039<br>-0.1228<br>-0.0324<br>-0.2406     | -\$0.84<br>-\$1.73<br>-\$1.70<br>-\$4.23               |
|                        | 9/28/2018         | -\$7.40         | Explicit Asset Fee       | 457(b) Salary<br>Reduction | DodgeCox Stk<br>Fid Contra K<br>Fid Low Priced Stk K<br>POS NewMxco LfCycle 2055 | 214.3100<br>14.0900<br>52.4500<br>17.5800 | -0.0034<br>-0.1065<br>-0.0282<br>-0.2093     | -\$0.74<br>-\$1.50<br>-\$1.48<br>-\$3.68               |
| 9/21/2018              | 9/28/2018         | \$150.00        | Deferral                 | 457(b) Salary<br>Reduction | DodgeCox Stk<br>Fid Contra K<br>Fid Low Priced Stk K<br>POS NewMxco LfCycle 2055 | 214.3100<br>14.0900<br>52.4500<br>17.5800 | 0.0700<br>2.1292<br>0.5720<br>4.2662         | \$15.00<br>\$30.00<br>\$30.00<br>\$75.00               |

## Your Beneficiary Information

| 457(b) Plan | Primary Beneficiary |         | Contingent Beneficiary |         |
|-------------|---------------------|---------|------------------------|---------|
|             | NAME                |         | NAME                   |         |
|             |                     | 100.00% |                        | 100.00% |

## Your Personalized Rate of Return

|        | <u>Last 12 Months</u> |
|--------|-----------------------|
| 457(b) | 8.54%                 |

The Personal Rate of Return calculation is an estimated return rate for your defined contribution account for the specified period. The calculation considers your account balance at the beginning of the period, contributions, withdrawals, growth or decline in the value of your account's assets, and the period's ending balance. The calculation reflects your account balance net of fees, but does not include amounts attributable to outstanding participant loan assets or Self Directed Brokerage Account assets, if any. Past performance does not guarantee future investment performance.

## Performance Results

### Investment Performance Information - July 1, 2018 to September 30, 2018

The following are percentage changes in Net Assets (with capital gains and income dividends reinvested) for the funds under the Plan, for the respective periods ended 09/30/2018. The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Performance data current to the most recent month-end may be obtained by visiting: [WWW.NEWMEXICO457DC.COM](http://WWW.NEWMEXICO457DC.COM). Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. The prospectus contains this and other important information about the investment company. Prospectuses are available by calling (866)827-6639. Read the prospectus carefully before investing.

The rates of return do not reflect a maximum deduction of a 0.135% annual plan asset fee, which, if reflected, would reduce the performance shown.

Please see other important disclosures at the end of this report.

Fund names with  symbol indicate a fund in which you were invested as of 9/30/2018.

| VRU #   | Variable Investment Options  | Morningstar Category          | Average Annual Return |        |        |         | Since Inception | Inception Date | Gross Expense Ratio |
|---|------------------------------|-------------------------------|-----------------------|--------|--------|---------|-----------------|----------------|---------------------|
|   |                              |                               | YTD                   | 1 Year | 5 Year | 10 Year |                 |                |                     |
| 889   | Invsco Gbl RealEst R5        | Global Real Estate            | -0.96%                | 2.76%  | 5.21%  | 5.76%   | 5.94%           | 04/29/05       | 0.93%               |
| 939   | Prncpl Divrs RealAsst Inst   | World Allocation              | 0.77%                 | 3.28%  | 1.53%  | N/A     | 4.00%           | 03/16/10       | 0.93%               |
|   | <b>Small-Cap Stocks</b>      |                               |                       |        |        |         |                 |                |                     |
| 902   | DFA US SmCap Inst            | Small Blend                   | 8.80%                 | 12.93% | 10.80% | 12.40%  | 10.83%          | 03/19/92       | 0.37%               |
|   | <b>International Stocks</b>  |                               |                       |        |        |         |                 |                |                     |
| 849   | Abrden Emrg Mkt Inst         | Diversified Emerging Mkts     | -11.65%               | -7.29% | 1.43%  | 6.97%   | 5.28%           | 05/11/07       | 1.13%               |
| 883   | Vngrd Ttl IntlStkIndx Inst   | Foreign Large Blend           | -3.09%                | 1.63%  | 4.49%  | N/A     | 5.15%           | 11/29/10       | 0.09%               |
| 835   | AmFds Euro Pacfc Gr R6       | Foreign Large Growth          | -2.65%                | 1.47%  | 6.20%  | 6.86%   | 11.01%          | 04/16/84       | 0.49%               |
| 1149  | Fid Divrs Intl K             | Foreign Large Growth          | -1.18%                | 2.48%  | 5.55%  | 5.71%   | 8.30%           | 12/27/91       | 0.82%               |
|   | <b>Mid-Cap Stocks</b>        |                               |                       |        |        |         |                 |                |                     |
| 785   | TRowePr Inst MdCap Eq Gr     | Mid-Cap Growth                | 13.31%                | 18.56% | 14.96% | 15.08%  | 12.59%          | 07/31/96       | 0.61%               |
| 838   | Prncpl MdCap Blnd Inst       | Mid-Cap Growth                | 7.62%                 | 12.88% | 12.96% | 13.89%  | 10.85%          | 12/06/00       | 0.68%               |
|  1151 | Fid Low Priced Stk K         | Mid-Cap Value                 | 3.28%                 | 10.17% | 9.47%  | 12.00%  | 13.69%          | 12/27/89       | 0.58%               |
|   | <b>Large-Cap Stocks</b>      |                               |                       |        |        |         |                 |                |                     |
| 740   | Vngrd Inst Indx Inst Pls     | Large Blend                   | 10.54%                | 17.89% | 13.94% | 11.98%  | 7.67%           | 07/07/97       | 0.02%               |
|  1150 | Fid Contra K                 | Large Growth                  | 16.88%                | 24.80% | 15.65% | 13.44%  | 12.75%          | 05/17/67       | 0.65%               |
|  334  | DodgeCox Stk                 | Large Value                   | 7.51%                 | 13.70% | 12.71% | 11.82%  | 11.23%          | 01/04/65       | 0.52%               |
|   | <b>Balanced</b>              |                               |                       |        |        |         |                 |                |                     |
| 837   | Okmrk Eq Inc I               | Allocation--50% to 70% Equity | 1.03%                 | 5.29%  | 6.99%  | 7.51%   | 10.08%          | 11/01/95       | 0.88%               |
|   | <b>Bonds</b>                 |                               |                       |        |        |         |                 |                |                     |
| 1153  | Vngrd Infl Prtch Sec Inst    | Inflation-Protected Bond      | -0.94%                | 0.27%  | 1.32%  | 3.19%   | 3.75%           | 12/12/03       | 0.07%               |
| 786   | Vngrd Ttl Bd Mkt Indx Inst   | Intermediate-Term Bond        | -1.60%                | -1.21% | 2.10%  | 3.73%   | 4.96%           | 09/18/95       | 0.04%               |
| 1044  | FnklnTmp Gbl Bd R6           | World Bond                    | -0.18%                | -1.95% | 1.98%  | 5.85%   | 7.53%           | 09/18/86       | 0.63%               |
|   | <b>Fixed Assets/Cash</b>     |                               |                       |        |        |         |                 |                |                     |
| 328   | New Mexico Stbl Val Fd       | N/A                           | 1.54%                 | 2.02%  | 1.60%  | 1.73%   | 2.57%           | 09/24/03       |                     |
|   | <b>Asset Allocation</b>      |                               |                       |        |        |         |                 |                |                     |
| 462   | POS NewMxco LfCycle 2045 (b) | N/A                           | 2.26%                 | 6.56%  | 7.60%  | 8.40%   | 6.66%           | 02/24/05       |                     |
| 464   | POS NewMxco LfCycle 2035 (b) | N/A                           | 2.07%                 | 5.98%  | 7.18%  | 7.62%   | 6.03%           | 02/24/05       |                     |
| 465   | POS NewMxco LfCycle 2025 (b) | N/A                           | 1.66%                 | 4.73%  | 6.22%  | 6.88%   | 5.29%           | 02/24/05       |                     |
| 472   | POS New Mxco Cnsrv (b)       | N/A                           | 1.10%                 | 2.88%  | 3.82%  | 4.61%   | 4.21%           | 02/24/05       |                     |
|  745  | POS NewMxco LfCycle 2055 (b) | N/A                           | 2.39%                 | 6.93%  | 7.83%  | 8.34%   | 5.09%           | 05/18/07       |                     |
| 1503  | POS NewMxco LfCycle 2020 (b) | N/A                           | 1.21%                 | 3.62%  | N/A    | N/A     | 6.94%           | 05/13/16       |                     |
| 1504  | POS NewMxco LfCycle 2030 (b) | N/A                           | 1.87%                 | 5.37%  | N/A    | N/A     | 10.03%          | 05/13/16       |                     |
| 1505  | POS NewMxco LfCycle 2040 (b) | N/A                           | 2.22%                 | 6.35%  | N/A    | N/A     | 11.31%          | 05/13/16       |                     |
| 1506  | POS NewMxco LfCycle 2050 (b) | N/A                           | 2.38%                 | 6.78%  | N/A    | N/A     | 11.38%          | 05/13/16       |                     |

#### FEE DISCLOSURES

The Standardized illustration represents performance based on a \$10,000 hypothetical investment, and reflects the deduction of the following fees: Gross expense ratios represent the fund's total operating expenses expressed as a percentage of the assets held in the fund. For more information about gross expense ratios, read the fund's prospectus.

Some mutual funds may impose a short term trade fee. Some funds may be subject to a trade restriction policy. Please read the underlying prospectus carefully.

#### FOOTNOTES

b) The LifeCycle portfolios are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying investment strategies that are made available in the Plan on a stand-alone basis. There are no additional fees

## Investment Performance Information - July 1, 2018 to September 30, 2018

associated with the LifeCycle portfolios, but you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying investment strategies in each LifeCycle portfolio. The use of asset allocation does not guarantee returns or insulate you from potential losses.

### RISK DISCLOSURES

**Money market funds:** Money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the goal of a money market is to preserve the value of an investment at \$1 per share, it is still possible to lose money.

**International/emerging markets funds:** Funds that invest in international stocks face risks that funds investing only in U.S. stocks do not. Currency fluctuation, political risk, differences in accounting standards and the limited availability of information may make these funds less stable.

**Small company funds:** Small and emerging companies may have less liquidity than larger, established companies. Therefore, funds investing in stocks of small or emerging companies may face greater price volatility and risk.

**High-yield bond funds:** Funds that invest in high-yield securities may have more credit risk and changes in price than funds that invest in higher-quality securities.

**Non-diversified funds:** Funds that invest in a single industry or small number of securities may be more volatile than those that invest more broadly.

**Government bond funds:** These funds invest mainly in securities of the U.S. government and its agencies; however, these entities do not guarantee the value of the funds.

**Real estate funds:** Funds that invest mainly in real estate are sensitive to economic and business cycles, changing demographic patterns and government actions.

### IMPORTANT DISCLOSURES

"Inception Date" is the date the fund was established. The "Since Inception" column contains performance for the funds if the Inception Date was before the time period indicated.

Performance numbers in the YTD (Year To Date) column are not annualized returns and represent the total percentage change in share value from the beginning of the year to the date of this report.

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| <b>LEGAL_NAME</b>                                 | <b>MTHD_DTL_TYPE</b> | <b>MTHD_OF_PMT_TYPE</b> |
|---|----------------------|-------------------------|
| NM-PERA ALBUQUERQUE BERNALILLO CO WATER UTIL DIST | ELECTRONIC FILE      | CRDACH                  |
| NM-PERA ALBUQUERQUE PUBLIC SCHOOLS                | ELECTRONIC FILE      | WIRE                    |
| NM-PERA ALBUQUERQUE SIGN LANGUAGE ACADEMY         | HRDCPY               | CRDACH                  |
| NM-PERA ARCH HURLEY CONSERVANCY DISTRICT          | ONLINE               | CHECK                   |
| NM-PERA BERNALILLO COUNTY                         | ELECTRONIC FILE      | CHECK / CRDACH          |
| NM-PERA CAREER ACADEMIC & TECHNICAL ACADEMY       | HRDCPY               | CRDACH                  |
| NM-PERA CARRIER TINGLEY HOSPITAL                  | HRDCPY               | CHECK                   |
| NM-PERA CATRON COUNTY                             | ONLINE               | DBTACH                  |
| NM-PERA CENTRAL NM COMMUNITY COLLEGE CNM          | ELECTRONIC FILE      | WIRE                    |
| NM-PERA CENTRAL REGION EDUCATION CO-OP            | ONLINE               | DBTACH                  |
| NM-PERA CHAVES COUNTY                             | ONLINE               | DBTACH                  |
| NM-PERA CITY OF ALAMOGORDO                        | HRDCPY               | CHECK                   |
| NM-PERA CITY OF ALBUQUERQUE                       | ELECTRONIC FILE      | CRDACH                  |
| NM-PERA CITY OF ARTESIA                           | ONLINE               | DBTACH                  |
| NM-PERA CITY OF AZTEC                             | ONLINE               | DBTACH                  |
| NM-PERA CITY OF BLOOMFIELD                        | ONLINE               | DBTACH                  |
| NM-PERA CITY OF CARLSBAD                          | HRDCPY               | CHECK                   |
| NM-PERA CITY OF DEMING                            | ONLINE               | DBTACH                  |
| NM-PERA CITY OF DEXTER INACTIVE EMPLOYER          | HRDCPY               | CHECK                   |
| NM-PERA CITY OF ELEPHANT BUTTE                    | ONLINE               | DBTACH                  |
| NM-PERA CITY OF ESPANOLA                          | ONLINE               | DBTACH                  |
| NM-PERA CITY OF EUNICE                            | HRDCPY               | CHECK                   |
| NM-PERA CITY OF FARMINGTON                        | ELECTRONIC FILE      | CRDACH                  |
| NM-PERA CITY OF GALLUP                            | ONLINE               | DBTACH                  |
| NM-PERA CITY OF GALLUP HOUSING AUTHORITY          | HRDCPY               | CHECK                   |
| NM-PERA CITY OF GRANTS                            | HRDCPY               | CHECK                   |
| NM-PERA CITY OF HOBBS                             | ONLINE               | DBTACH                  |
| NM-PERA CITY OF LAS CRUCES                        | ELECTRONIC FILE      | CRDACH                  |
| NM-PERA CITY OF LAS VEGAS                         | ONLINE               | CRDACH                  |
| NM-PERA CITY OF LAS VEGAS                         | ONLINE               | WIRE                    |
| NM-PERA CITY OF LORDSBURG                         | ONLINE               | WIRE                    |
| NM-PERA CITY OF LOVINGTON                         | HRDCPY               | CHECK                   |
| NM-PERA CITY OF MORIARTY                          | ONLINE               | DBTACH                  |
| NM-PERA CITY OF PORTALES                          | ONLINE               | DBTACH                  |
| NM-PERA CITY OF RATON                             | ONLINE               | DBTACH                  |
| NM-PERA CITY OF ROSWELL                           | ONLINE               | DBTACH                  |
| NM-PERA CITY OF SANTA FE                          | ELECTRONIC FILE      | CRDACH                  |
| NM-PERA CITY OF SANTA ROSA                        | HRDCPY               | CHECK                   |
| NM-PERA CITY OF SOCORRO                           | HRDCPY               | CHECK                   |
| NM-PERA CITY OF SUNLAND PARK                      | ONLINE               | DBTACH                  |
| NM-PERA CITY OF TEXICO                            | HRDCPY               | CHECK                   |
| NM-PERA CITY OF TRUTH OR CONSEQUENCES             | ONLINE               | DBTACH                  |
| NM-PERA CITY OF TUCUMCARI                         | HRDCPY               | CHECK                   |
| NM-PERA CLOVIS HOUSING AUTHORITY                  | HRDCPY               | CHECK                   |
| NM-PERA COLFAX COUNTY                             | ONLINE               | DBTACH                  |
| NM-PERA CORAL COMMUNITY CHARTER                   | HRDCPY               | CHECK                   |
| NM-PERA COUNTY OF CIBOLA                          | HRDCPY               | CRDACH                  |
| NM-PERA COUNTY OF GRANT                           | HRDCPY               | CHECK                   |
| NM-PERA COUNTY OF LINCOLN                         | ONLINE               | CRDACH                  |
| NM-PERA COUNTY OF SIERRA                          | ONLINE               | DBTACH                  |
| NM-PERA COUNTY OF SOUTHERN SANDOVAL               | HRDCPY               | CHECK                   |

|   |        |        |
|---|--------|--------|
| NM-PERA CURRY COUNTY                              | ONLINE | DBTACH |
| NM-PERA DE BACA FAMILY PRACTICE CLINIC            | HRDCPY | CHECK  |
| NM-PERA DE BACA GENERAL HOSPITAL                  | HRDCPY | CHECK  |
| NM-PERA DEBACA COUNTY INACTIVE EMPLOYER           | HRDCPY | CHECK  |
| NM-PERA DONA ANA COUNTY                           | HRDCPY | CHECK  |
| NM-PERA EAST TORRANCE SWCD                        | HRDCPY | CRDACH |
| NM-PERA EDDY COUNTY                               | HRDCPY | CHECK  |
| NM-PERA EL VALLE DE LOS RANCHOS W AND S DIST      | HRDCPY | CHECK  |
| NM-PERA ELDORADO AREA WATER & SANITATION DISTRICT | ONLINE | DBTACH |
| NM-PERA ELEPHANT BUTTE IRRIGATION DIST            | ONLINE | CRDACH |
| NM-PERA EMW GAS ASSOCIATION                       | ONLINE | DBTACH |
| NM-PERA ESTANCIA VALLEY SOLID WASTE AUTHORITY     | ONLINE | DBTACH |
| NM-PERA GALLUP HOUSING AUTHORITY                  | ONLINE | DBTACH |
| NM-PERA GRANT COUNTY SOLID WASTE AUTHORITY        | HRDCPY | CRDACH |
| NM-PERA GUADALUPE COUNTY                          | ONLINE | DBTACH |
| NM-PERA HARDING COUNTY                            | HRDCPY | CRDACH |
| NM-PERA HIDALGO COUNTY                            | HRDCPY | CRDACH |
| NM-PERA HIGH PLAINS REG. COOPERATIVE #3           | ONLINE | DBTACH |
| NM-PERA LAS VEGAS CITY SCHOOLS                    | ONLINE | CHECK  |
| NM-PERA LEA COUNTY                                | ONLINE | DBTACH |
| NM-PERA LUNA COMMUNITY COLLEGE                    | ONLINE | DBTACH |
| NM-PERA LUNA COUNTY                               | ONLINE | DBTACH |
| NM-PERA MCKINLEY COUNTY                           | HRDCPY | CHECK  |
| NM-PERA MESILLA VALLEY PUBLIC HOUSING AUTHORITY   | ONLINE | DBTACH |
| NM-PERA MIDDLE RIO GRANDE CONSERVANCY DISTRICT    | ONLINE | DBTACH |
| NM-PERA MIMBRES MEMORIAL HOSP INACTIVE EMPLOYER   | HRDCPY | CHECK  |
| NM-PERA MORA COUNTY                               | ONLINE | DBTACH |
| NM-PERA N.M. INSTITUTE OF MINING & TECH           | ONLINE | DBTACH |
| NM-PERA NEW MEXICO DCP                            | HRDCPY | CHECK  |
| NM-PERA NEW MEXICO HIGHLANDS UNIVERSITY           | ONLINE | DBTACH |
| NM-PERA NEW MEXICO LIVESTOCK BOARD                | HRDCPY | CHECK  |
| NM-PERA NEW MEXICO SCHOOL FOR THE DEAF            | ONLINE | DBTACH |
| NM-PERA NEW MEXICO STATE FAIR COMM                | HRDCPY | CHECK  |
| NM-PERA NEW MEXICO TECH INACTIVE EMPLOYER         | HRDCPY | CHECK  |
| NM-PERA NM REGION IX EDUCATION CO-OP              | ONLINE | DBTACH |
| NM-PERA NM REGION IX HEADSTART                    | ONLINE | DBTACH |
| NM-PERA NO CENTRAL N.M. ECON DVPT DEPT            | ONLINE | DBTACH |
| NM-PERA NORTH CENTRAL REG TRANSIT DIST            | HRDCPY | CHECK  |
| NM-PERA NORTH CENTRAL SOLID WASTE AUTHORITY       | HRDCPY | CRDACH |
| NM-PERA NORTHERN NEW MEXICO COLLEGE               | ONLINE | CRDACH |
| NM-PERA NUESTROS VALORES CHARTER SCHOOL           | HRDCPY | CHECK  |
| NM-PERA NW NEW MEXICO COUNCIL OF GOVTS            | HRDCPY | CRDACH |
| NM-PERA OTERO COUNTY                              | ONLINE | DBTACH |
| NM-PERA PENASCO INDEPEND SCHOOL SYSTEM            | HRDCPY | CHECK  |
| NM-PERA QUAY COUNTY                               | ONLINE | DBTACH |
| NM-PERA RATON PUBLIC SERVICE                      | HRDCPY | CHECK  |
| NM-PERA RATON PUBLIC SERVICE CO                   | HRDCPY | CRDACH |
| NM-PERA REGION II HOUSING AUTH INACTIVE EMPLOYER  | HRDCPY | CHECK  |
| NM-PERA REGIONAL EMERGENCY DISPATCH AUTHORITY     | ONLINE | DBTACH |
| NM-PERA REGIONAL HOUSING AUTHORITY IV             | ONLINE | DBTACH |
| NM-PERA RIO ARRIBA COUNTY                         | HRDCPY | CHECK  |
| NM-PERA ROOSEVELT COUNTY                          | ONLINE | DBTACH |

|  |                 |        |
|--|-----------------|--------|
| NM-PERA RUIDOSO DOWNS                              | ONLINE          | DBTACH |
| NM-PERA SAN JUAN COMMUNICATIONS AUTH               | ONLINE          | WIRE   |
| NM-PERA SAN JUAN COUNTY                            | ONLINE          | CRDACH |
| NM-PERA SAN JUAN WATER COMMISSION                  | HRDCPY          | CHECK  |
| NM-PERA SAN MIGUEL COUNTY                          | HRDCPY          | CHECK  |
| NM-PERA SANDOVAL COUNTY                            | HRDCPY          | CHECK  |
| NM-PERA SANTA CLARA HOUSING AUTHORITY              | ONLINE          | DBTACH |
| NM-PERA SANTA FE CIVIC HOUSING AUTHORITY           | ONLINE          | DBTACH |
| NM-PERA SANTA FE COMMUNITY COLLEGE                 | ONLINE          | DBTACH |
| NM-PERA SANTA FE COUNTY                            | FAX             | CRDACH |
| NM-PERA SANTA FE COUNTY HOUSING AUTH               | HRDCPY          | CHECK  |
| NM-PERA SANTA FE PUBLIC SCHOOLS                    | HRDCPY          | CHECK  |
| NM-PERA SCHOOL FOR THE BLIND & VIS IMPRD           | ONLINE          | DBTACH |
| NM-PERA SOCORRO COUNTY                             | HRDCPY          | CHECK  |
| NM-PERA SOCORRO SOIL AND WATER CONSERVATION DIST   | ONLINE          | DBTACH |
| NM-PERA SOUTH CENTRAL COUNCIL OF GOVERNMENTS       | ONLINE          | DBTACH |
| NM-PERA SOUTHEASTERN N.M. ECON DEV DIST            | ONLINE          | DBTACH |
| NM-PERA SOUTHWEST COUNCIL OF GOV                   | HRDCPY          | CHECK  |
| NM-PERA STATE OF NM DEPT OF FIN & ADMIN            | ELECTRONIC FILE | CRDACH |
| NM-PERA TAOS COUNTY                                | HRDCPY          | CRDACH |
| NM-PERA TAOS SOIL & WATER CONSERVATION DIST        | ONLINE          | DBTACH |
| NM-PERA THE DISCIPLINARY BOARD - NM SUPREME COURT  | ONLINE          | DBTACH |
| NM-PERA TORRANCE COUNTY                            | HRDCPY          | CRDACH |
| NM-PERA TOWN OF CLAYTON                            | ONLINE          | DBTACH |
| NM-PERA TOWN OF EDGEWOOD                           | HRDCPY          | CHECK  |
| NM-PERA TOWN OF ESTANCIA                           | HRDCPY          | CHECK  |
| NM-PERA TOWN OF MESILLA                            | ONLINE          | DBTACH |
| NM-PERA TOWN OF PERALTA                            | HRDCPY          | CRDACH |
| NM-PERA TOWN OF RED RIVER                          | ONLINE          | DBTACH |
| NM-PERA TOWN OF SILVER CITY                        | ONLINE          | DBTACH |
| NM-PERA TOWN OF SPRINGER                           | ONLINE          | DBTACH |
| NM-PERA TOWN OF TAOS                               | ONLINE          | CRDACH |
| NM-PERA TRUTH-CONSEQUENCES HOUSING AUTH            | ONLINE          | DBTACH |
| NM-PERA UNION COUNTY                               | HRDCPY          | CHECK  |
| NM-PERA UPPER HONDO SOIL & WATER CONSERVATION DIST | HRDCPY          | CRDACH |
| NM-PERA VALENCIA COUNTY                            | HRDCPY          | CRDACH |
| NM-PERA VILLAGE OF ANGEL FIRE                      | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF BOSQUE FARMS                    | HRDCPY          | CRDACH |
| NM-PERA VILLAGE OF CIMARRON                        | ONLINE          | DBTACH |
| NM-PERA VILLAGE OF CLOUDCROFT                      | ONLINE          | DBTACH |
| NM-PERA VILLAGE OF COLUMBUS                        | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF CORONA                          | ONLINE          | DBTACH |
| NM-PERA VILLAGE OF CUBA                            | HRDCPY          | CRDACH |
| NM-PERA VILLAGE OF DES MOINES                      | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF EAGLE NEST                      | HRDCPY          | CRDACH |
| NM-PERA VILLAGE OF FORT SUMNER                     | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF JEMEZ SPRINGS                   | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF LOGAN                           | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF LOS LUNAS                       | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF LOS RANCHOS                     | ONLINE          | DBTACH |
| NM-PERA VILLAGE OF LOVING                          | HRDCPY          | CHECK  |
| NM-PERA VILLAGE OF MAGDALENA                       | ONLINE          | DBTACH |

|   |        |        |
|---|--------|--------|
| NM-PERA VILLAGE OF MILAN                        | ONLINE | DBTACH |
| NM-PERA VILLAGE OF MOSQUERO                     | HRDCPY | CHECK  |
| NM-PERA VILLAGE OF PECOS                        | ONLINE | DBTACH |
| NM-PERA VILLAGE OF QUESTA                       | HRDCPY | CRDACH |
| NM-PERA VILLAGE OF RUIDOSO                      | ONLINE | WIRE   |
| NM-PERA VILLAGE OF SAN JON                      | HRDCPY | CHECK  |
| NM-PERA VILLAGE OF SANTA CLARA                  | HRDCPY | CRDACH |
| NM-PERA VILLAGE OF TAOS SKI VALLEY              | ONLINE | DBTACH |
| NM-PERA VILLAGE OF TULAROSA                     | HRDCPY | CHECK  |
| NM-PERA VILLAGE OF WILLARD                      | HRDCPY | CHECK  |
| NM-PERA WESTERN NM UNIVERSITY INACTIVE EMPLOYER | HRDCPY | CHECK  |

# Schwab Personal Choice Retirement Account® (PCRA) Limited Power of Attorney (LPOA) Form For a Participant

www.schwab.com  
1-888-393-PCRA (7272)

Page 1 of 4

## 1. Introduction

This form is necessary in order to give you the authority to place trade orders in your Schwab PCRA. Please complete **all** sections of this form. This form and your signature must be completed in ink. Please include the date the form was completed in the signature box. Please mail the original form to your Retirement Plan Services Provider.

We respect your privacy and will not sell your application or other personal information to anyone. We may later use the information to work in conjunction with your Retirement Plan Services Provider to open your account and provide you service on the account, as well as to notify you about products and services you may find useful. Read about Schwab's privacy and security policy at [www.schwab.com/privacy](http://www.schwab.com/privacy).

## 2. Your Personal Information

This form is used to complete the account opening process for a PCRA. A separate LPOA form must be completed for each account being established.

Note: Your Plan may or may not allow you to have multiple PCRA's, including a Roth PCRA. If your Plan does not allow you to have more than one PCRA or a Roth PCRA, this form will be declined by your Retirement Plan Services Provider.

Which type of account do you wish to establish with this form?

- Traditional PCRA       Roth PCRA (if your Plan allows)

|  |  |  |   |
|--|--|--|---|
| Retirement Plan Name/Employer*                                     |  |  |   |
| Name (First)   |  | (Middle)   | (Last)  |
| Physical Address (required; no P.O. boxes)                         |  | City   | State      Zip Code                                 |
| Mailing Address (if different from above; P.O. boxes may be used)  |  | City   | State      Zip Code                                 |
| Home Telephone Number  | Business Telephone Number  | Cellular Telephone Number  | Email Address†                                      |
| Date of Birth (mm/dd/yyyy)   |  | Social Security Number   | Mother's Maiden Name                                |
| ID Number  | <input type="checkbox"/> Driver's License <input type="checkbox"/> State <input type="checkbox"/> Passport |  | Place of Issuance      Expiration Date (mm/dd/yyyy) |
| Country(ies) of Citizenship (Must list all.)                       |  | Country of Legal Residence*  |   |
| <input type="checkbox"/> USA <input type="checkbox"/> Other: _____ |  | <input type="checkbox"/> USA <input type="checkbox"/> Other: _____ |   |

Securities industry regulations require that we collect the following information:

|   |  |                      |                     |
|---|--|----------------------|---------------------|
| Check only one:<br><input type="checkbox"/> Employed <input type="checkbox"/> Self-employed <input type="checkbox"/> Retired <input type="checkbox"/> Student <input type="checkbox"/> Not employed   |  |                      |                     |
| Employer  |  | Occupation/Position  |                     |
| Business Street Address   |  | City                 | State      Zip Code |
| Are you affiliated with or employed by a stock exchange or member firm of an exchange or FINRA, or a municipal securities broker-dealer?<br><input type="checkbox"/> No <input type="checkbox"/> Yes (If "yes," you must attach a letter from your employer approving the establishment of your account when submitting this application.)§ |  |                      |                     |
| Are you a director, 10% shareholder, or policy-making officer of a publicly held company?<br><input type="checkbox"/> No <input type="checkbox"/> Yes (If "yes," enter company name _____ and trading symbol _____.)  |  |                      |                     |
| Marital Status<br><input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced  |  | Number of Dependents |                     |

\*If you are unsure about your retirement plan name, please confirm with your human resources or benefits department.

†By providing your email address, you consent to receiving email from Schwab. Information about opting out of certain email communications is provided at [www.schwab.com/privacy](http://www.schwab.com/privacy).

‡If you have indicated your legal residency is outside the U.S., please attach a completed W-9 form (available at [www.irs.gov](http://www.irs.gov)).

§Attach a Rule 3050/407 letter from a company Compliance Officer if licensed by a securities firm.

| FOR CHARLES SCHWAB USE ONLY:           |                |                        |               |
|--|----------------|------------------------|---------------|
| Approved by                            |                | Print Name of Approver | Date Approved |
| Index as Document Number<br><b>280</b> | Plan ID Number | Account Number         |               |



### 3. Create Your Investment Profile Securities industry regulations require that we request this information.

| Overall Investment Objective of Account:*     | Investment Knowledge:              | Investment Experience:             | Federal Income Tax Bracket:           | Annual Income:                             | Liquid Net Worth:                            |
|---|------------------------------------|------------------------------------|---------------------------------------|--|--|
| <input type="checkbox"/> Capital Preservation | <input type="checkbox"/> None      | <input type="checkbox"/> None      | <input type="checkbox"/> 10%          | <input type="checkbox"/> Under \$15,000    | <input type="checkbox"/> Under \$25,000      |
| <input type="checkbox"/> Income               | <input type="checkbox"/> Limited   | <input type="checkbox"/> Limited   | <input type="checkbox"/> 15%          | <input type="checkbox"/> \$15,000–\$24,999 | <input type="checkbox"/> \$25,000–\$49,999   |
| <input type="checkbox"/> Growth               | <input type="checkbox"/> Good      | <input type="checkbox"/> Good      | <input type="checkbox"/> 25%          | <input type="checkbox"/> \$25,000–\$49,999 | <input type="checkbox"/> \$50,000–\$99,999   |
| <input type="checkbox"/> Speculation          | <input type="checkbox"/> Extensive | <input type="checkbox"/> Extensive | <input type="checkbox"/> 28%          | <input type="checkbox"/> \$50,000–\$99,999 | <input type="checkbox"/> \$100,000–\$249,999 |
|   |                                    |                                    | <input type="checkbox"/> 33%          | <input type="checkbox"/> \$100,000 or More | <input type="checkbox"/> \$250,000 or More   |
|   |                                    |                                    | <input type="checkbox"/> 35%          |  | <input type="checkbox"/> Specifiv:           |
|   |                                    |                                    | <input type="checkbox"/> 39.6%        |  |  |
|   |                                    |                                    | <input type="checkbox"/> Other: _____ |  |  |

\*Investment Objective Definitions: **Capital Preservation:** The objective of capital preservation is to protect your initial investment by choosing investments that minimize the potential of any loss of principal. The long-term risk of capital preservation is that the returns may not be adequate to offset inflation. **Income:** The primary objective of an income strategy is to provide current income rather than long-term growth of principal. **Growth:** The objective of a growth strategy is to increase the value of your investment over time while recognizing a high likelihood of volatility. **Speculation:** A speculator's objective is to assume a higher risk of loss in anticipation of potentially higher-than-average gain by taking advantage of expected price changes.

### 4. Agreement

By signing this form, you ("Participant") and Charles Schwab & Co., Inc. ("Schwab") agree that the authority conferred on Participant by the Plan Sponsor, Plan Trustees ("Trustees") or by the Custodial Institution for the Plan (the "Institution"), as the case may be, in accordance with the *Schwab Personal Choice Retirement Account® (PCRA) Limited Power of Attorney (LPOA) Form for a Participant*, shall be exercised according to the following terms and conditions. If you are the beneficiary of a deceased Participant, you will be considered the "Participant" for purposes of this form.

**PCRA Fees.** The Retirement Plan Service Provider, Trustee or Institution may charge additional fees for opening and maintaining Participant's PCRA. Find transaction fees and commissions for trades placed in your PCRA in the *Charles Schwab Pricing Guide for Retirement Plan Accounts*.

**Understanding Our Agreement.** Participant agrees to:

- Read the Schwab One® Account Agreement;
- Read other agreements relating to Participant's PCRA;
- Read amendments to the agreements;
- Contact a Schwab representative if Participant does not receive or understand the agreements or amendments; and
- Be bound by the terms of these agreements and all amendments.

If Participant adds features to Participant's PCRA after it is opened, Participant agrees to be bound by the terms in the agreements relating to these features.

**Electronic Services.** Participant authorizes Schwab to act on Participant's instructions, whether written, oral or provided by Participant through any of Schwab's Electronic Services.

#### Role of Charles Schwab & Co., Inc.

Participant acknowledges that:

- Participant is responsible for determining the nature, potential value and suitability of any particular security, transaction or investment strategy;
- Except as provided in this section, Schwab is not responsible for determining the nature, potential value and suitability of any particular security, transaction or investment strategy;
- Schwab will not give legal or tax advice;
- Schwab is in no way responsible for supervising or monitoring trading in Participant's PCRA;

- Participant understands that no investments will be made with respect to Participant's PCRA except as Participant specifically instructs Schwab; and
- Purchases and sales of securities in Participant's PCRA are subject to commissions and transaction fees.

Schwab agrees that it is responsible for determining the nature, potential value and suitability of any particular security, transaction or investment strategy for Participant **only** (1) if required by applicable law, or (2) if:

- A Schwab representative gives advice directly to Participant; and
- The advice is clearly identified as a Schwab recommendation for Participant to enter into a particular transaction or to buy or sell a particular security.

**Credit Verification.** Participant authorizes Schwab to inquire from any source, including a consumer reporting agency, as to Participant's creditworthiness and ongoing eligibility for the account at any time throughout the life of the account, and thereafter for debt collection or investigative purposes.

**Authorization to Trade for PCRA.** Participant may place trading orders for Participant's PCRA pursuant to the LPOA. The Plan Sponsor, Trustees or Institution may revoke the LPOA at any time by giving written notice to Schwab. Participant agrees not to take any actions that exceed Participant's authority under the LPOA or any other agreement between Participant and the Trustees or Institution or Plan Sponsor with respect to which the PCRA is opened.

**Appointment of Limited Power of Attorney for Third Party.** By execution of a *Schwab Personal Choice Retirement Account Limited Power of Attorney Form to Authorize a Third Party*, including a *Schwab Personal Choice Retirement Account Limited Power of Attorney Form to Authorize an Investment Advisor*, Participant may grant authority to an Attorney-In-Fact to trade in Participant's PCRA but not to make withdrawals. The ability to work with a third party, including a professional money manager, varies by retirement plan.

**Mutual Fund Minimum Investments.** Participant acknowledges that mutual funds require a specified minimum investment, and that until sufficient amounts have been deposited into Participant's PCRA, it will not be possible to invest in such mutual funds.

**Uninvested Funds.** All uninvested funds held within Participant's PCRA will be automatically invested (swept) into the sweep vehicle that your Plan Sponsor has selected. It is the responsibility of Participant to allocate funds into other investments, if so desired, once funds have been invested (swept) into the sweep vehicle.

**Trading Restrictions.** PCRA may not include trading on collectibles, currencies, precious metals, real estate, futures, commodities, private placements, margin accounts or short sales. This list does not apply to shares of mutual funds, exchange-traded funds, or other investment vehicles that may be authorized under the Plan and may offer exposure to futures, commodity markets, or make investments in the types of assets listed above. If specifically allowed by Participant's retirement plan, Participant may be able to write covered calls and buy protective puts. Participant must complete a Schwab Options Application to be approved to trade options. Participant's retirement plan may have other trading restrictions that limit Participant's investment options.

**Compliance With Applicable Law.** Participant will comply with all applicable state and federal securities laws.

**Information.** Participant will provide promptly any information reasonably requested by Schwab concerning the management of Participant's PCRA or compliance with this Agreement. If questions arise concerning compliance with any law, Participant will take any action believed by Schwab to be necessary and proper to ensure compliance with applicable law. Schwab has no duty to supervise or monitor Participant's management of Participant's PCRA or compliance with applicable laws. Schwab may disclose Participant's name, address and share position upon request to companies whose securities are held in Participant's PCRA, unless Participant notifies Schwab in writing not to disclose this information.

**Indemnification.** Participant will indemnify and hold harmless Schwab, its affiliates and their directors, officers and employees from and against all claims, actions, costs and liabilities, including attorneys' fees, arising out of or relating to:

- Any breach by Participant of any provision of this Agreement;
- Any dispute between Participant and Plan Sponsor; and

**4. Agreement** (Continued)

• Any dispute between Participant and the Trustee(s) (or the Institution [if applicable]) except when Charles Schwab Bank, or any of its affiliates, acts as the Trustee(s) (or the Institution [if applicable]) for Participant’s plan assets.

**Trade Confirmations and Account Statements.** Unless the Plan Sponsor, Trustee(s) or Institution direct otherwise, Schwab will send trade confirmations and account statements to Participant and, if requested by the Plan Sponsor, Trustee(s) or Institution, to the Plan Sponsor, Trustee(s) or Institution and other parties as directed.

**Transfers to and From PCRA and Distributions.** Participant is solely responsible for contacting Participant’s Retirement Plan Service Provider to direct transfers between Participant’s PCRA and the core investment options, if applicable, available through Participant’s retirement plan. Transfers into Participant’s PCRA will be automatically invested (swept) into the Schwab Money Market Fund™ until Participant instructs Schwab to allocate funds into other investments. Transfers out of Participant’s PCRA to the core investment options will be made from the Schwab Money Market Fund. Participant is solely responsible for instructing Schwab to liquidate sufficient PCRA assets for a cash distribution from the plan, including a lump-sum distribution, and for ensuring that sufficient funds are held in the Schwab Money Market Fund prior to requesting any cash transfer from PCRA. Participant may be able to make an in-kind transfer or distribution, such as one in the form of a direct rollover to an Individual Retirement Account (IRA). Contact your Retirement Plan Service Provider to determine eligibility for an in-kind transfer or distribution.

**Liquidation.** If for any reason Participant’s PCRA has insufficient funds to cover the purchase price of any trade or a fee, Schwab may take appropriate steps in its discretion to complete, cancel or liquidate one or more transactions or investments. Additionally, Schwab may, on direction from an authorized party, which may include the Plan Sponsor, Trustee(s) or Institution, liquidate one or more transactions or investments in order to address corrections which may be required pursuant to the provisions of the plan document, the Employee Retirement Income Security Act of 1974, as amended (ERISA), or the Internal Revenue Code of 1986, as amended (IRC), including, but not limited to, the correction of excess annual additions pursuant to IRC 415, of excess contributions pursuant to IRC 401(k), of excess aggregate contributions pursuant to IRC 401(m) and of excess deferrals pursuant to IRC 402(g), to the extent that Schwab has either been informed by the authorized party that such correction is required or has the responsibility for the determination of the need for such correction pursuant to the terms of the Schwab One® Account Agreement and any other applicable agreements between Schwab and the authorized party.

**Entire Agreement.** This Agreement contains all of the agreements, representations and understandings made between Participant and Schwab. All modifications and amendments hereto must be in writing and signed by both parties.

**Waivers.** The failure of either party at any time to require performance by the other party of any provision of this Agreement will not affect in any way the right to require such performance at any time thereafter. The waiver by either party of a breach of any provisions hereof will not be taken or held to be a waiver of the provision itself.

**Governing Law.** This Agreement, and all future agreements you shall enter into with Schwab, unless otherwise indicated on such other agreement, shall be governed by the law (but not the choice or law doctrines) of the state of California. This is the case regardless of whether you reside or transact business with Schwab in California or elsewhere, except that the section entitled “Arbitration” shall be governed by the Federal Arbitration Act.

**Required Arbitration Disclosures.** Regulatory authorities require that any brokerage agreement containing a predispute arbitration agreement must disclose that this agreement contains a predispute arbitration clause. This Agreement contains a predispute arbitration clause. By signing an arbitration agreement, the parties agree as follows:

- All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with

respect to any claims encompassed by the putative class action until:

1. the class certification is denied;
2. the class is decertified; or
3. the customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

**Arbitration Agreement.** Any controversy or claim arising out of or relating to (i) this Agreement, any other agreement with Schwab, an instruction or authorization provided to Schwab or the breach of any such agreements, instructions, or authorizations; (ii) the Account, any other Schwab account or Services; (iii) transactions in the Account or any other Schwab account; (iv) or in any way arising from the relationship with Schwab, its parent, subsidiaries, affiliates, officers, directors, employees, agents or service providers (“Related Third Parties”), including any controversy over the arbitrability of a dispute, will be settled by arbitration.

This arbitration agreement will be binding upon and inure to the benefit of the parties hereto and their respective representatives, attorneys-in-fact, heirs, successors, assigns and any other persons having or claiming to have a legal or beneficial interest in the Account, including court-appointed trustees and receivers. This arbitration agreement will also inure to the benefit of third-party service providers that assist Schwab in providing Services (“Third-Party Service Providers”) and such Third-Party Service Providers are deemed to be third-party beneficiaries of this arbitration agreement.

The parties agree that this arbitration agreement will apply even if the application to open the Account is denied and will survive the closure of your Account and/or the termination of services rendered under this Agreement.

Such arbitration will be conducted by, and according to the securities arbitration rules and regulations then in effect of, the Financial Industry Regulatory Authority (FINRA) or any national securities exchange that provides a forum for the arbitration of disputes, provided that Schwab is a member of such national securities exchange at the time the arbitration is initiated. Any party may initiate arbitration by filing a written claim with FINRA or such eligible national securities exchange. If arbitration before FINRA or an eligible national securities exchange is unavailable or impossible for any reason, then such arbitration will be conducted by, and according to the rules and regulations then in effect of, the American Arbitration Association (AAA). If arbitration before the AAA is unavailable or impossible for any reason, the parties agree to have a court of competent jurisdiction appoint three (3) arbitrators to resolve any and all disputes or controversies between or among the parties. Each party shall bear its own initial arbitration costs, which are determined by the rules and regulations of the arbitration forum. In the event of financial hardship, the arbitration

| FOR CHARLES SCHWAB USE ONLY: |                |                |                        |  |  |  |               |  |  |
|------------------------------|----------------|----------------|------------------------|--|--|--|---------------|--|--|
| Approved by                  |                |                | Print Name of Approver |  |  |  | Date Approved |  |  |
| Index as Document Number     | Plan ID Number | Account Number |                        |  |  |  |               |  |  |
| 280                          |                |                |                        |  |  |  |               |  |  |



**4. Agreement** (Continued)

forum may waive certain costs in accordance with such rules. At the conclusion of the hearing, the arbitrators will decide how to assess the costs of the arbitration among the parties.

Any award the arbitrator makes shall be final and binding, and judgment on it may be entered in any court having jurisdiction. This arbitration agreement shall be enforced and interpreted exclusively in accordance with applicable federal laws of the United States, including the Federal Arbitration Act. Any costs, fees or taxes involved in enforcing the award shall be fully assessed against and paid by the party resisting enforcement of said award.

For FINRA arbitrations, FINRA will appoint a single public arbitrator in customer cases decided by one arbitrator. In customer cases decided by three arbitrators, investors have the option of choosing an arbitration panel with two public arbitrators and one non-public arbitrator (Majority-Public Panel Rule) or a panel of all public arbitrators (Optional All-Public Panel Rule). If the customer declines to elect a panel selection method in writing by the applicable deadline, the Majority-Public Panel Rule for selecting arbitrators will apply.

All notices from one party to the other involving arbitration shall be considered to have been fully given when so served, mailed by first-class,

certified or registered mail, or otherwise given by other commercially accepted medium of written notification.

In addition to the above provisions, if a party to this Agreement is or becomes a non-U.S. resident at the time of any controversy subject to this arbitration agreement, such party acknowledges and agrees to the following additional provisions:

- (1) The rules of the organization administering the arbitration specifically provide for the formal designation of the place at which the arbitration is to be held.
- (2) Entering into this Agreement constitutes consent to submit to the personal jurisdiction of the courts of the state of California, U.S.A., to interpret or enforce any or all of these arbitration provisions. Judgment on any arbitration award may be entered in any court having jurisdiction, or application may be made to such court for judicial acceptance of the award and an order of enforcement, as the case may be.
- (3) The exclusive language to be used by the parties and the arbitrators in the arbitration proceedings shall be English. Any party wishing an interpreter shall make all arrangements directly with the interpreter and shall assume all costs of the service.

- (4) If a party is a foreign government or state, state-owned or state-operated enterprise or other instrumentality of a foreign government or state, such party waives all rights of sovereign immunity and neither the Federal Act of State doctrine nor the doctrine of sovereign immunity shall apply insofar as any enforcement in courts located in the U.S.A. is concerned.

**Waiver of Class Action or Representative Action.**

Neither you nor Schwab shall be entitled to arbitrate any claims as a class action or representative action. You and Schwab agree that any actions between us and/or Related Third Parties shall be brought solely in our individual capacities. You and Schwab hereby waive any right to bring a class action, or any type of representative action against each other or any Related Third Parties in court. You and Schwab waive any right to participate as a class member, or in any other capacity, in any class action or representative action brought by any other person, entity or agency against Schwab or you.

THE AGREEMENT WITH SCHWAB INCLUDES A PREDISPUTE ARBITRATION CLAUSE. YOU ACKNOWLEDGE RECEIPT OF THE PREDISPUTE ARBITRATION CLAUSE CONTAINED IN SECTION 4, PAGES 3-4, OF THE SCHWAB PERSONAL CHOICE RETIREMENT ACCOUNT® LIMITED POWER OF ATTORNEY FOR A PARTICIPANT FORM.

BY SIGNING THIS AGREEMENT, I ACKNOWLEDGE THAT I HAVE RECEIVED A COPY OF THE ACCOUNT TERMS TO RETAIN FOR MY RECORDS.

**Signature and Date Required**

|   |                   |             |
|---|-------------------|-------------|
| <p><b>X</b><br/>Participant Signature</p> | <p>Print Name</p> | <p>Date</p> |
|---|-------------------|-------------|

Please return the completed form (pages 1 through 4) with your original signature to your Retirement Plan Services Provider. Please keep a copy for your records.

# Schwab Personal Choice Retirement Account® (PCRA) Limited Power of Attorney (LPOA) Form For a Participant

These terms relate to your account and are part of the Account Agreement between the account holder and Schwab. Please retain for your files.

By signing this form, you ("Participant") and Charles Schwab & Co., Inc. ("Schwab") agree that the authority conferred on Participant by the Plan Sponsor, Plan Trustees ("Trustees") or by the Custodial Institution for the Plan (the "Institution"), as the case may be, in accordance with the *Schwab Personal Choice Retirement Account® (PCRA) Limited Power of Attorney (LPOA) Form for a Participant*, shall be exercised according to the following terms and conditions. If you are the beneficiary of a deceased Participant, you will be considered the "Participant" for purposes of this form.

**PCRA Fees.** The Retirement Plan Service Provider, Trustee or Institution may charge additional fees for opening and maintaining Participant's PCRA. Find transaction fees and commissions for trades placed in your PCRA in the *Charles Schwab Pricing Guide for Retirement Plan Accounts*.

**Understanding Our Agreement.** Participant agrees to:

- Read the Schwab One® Account Agreement;
- Read other agreements relating to Participant's PCRA;
- Read amendments to the agreements;
- Contact a Schwab representative if Participant does not receive or understand the agreements or amendments; and
- Be bound by the terms of these agreements and all amendments.

If Participant adds features to Participant's PCRA after it is opened, Participant agrees to be bound by the terms in the agreements relating to these features.

**Electronic Services.** Participant authorizes Schwab to act on Participant's instructions, whether written, oral or provided by Participant through any of Schwab's Electronic Services.

#### Role of Charles Schwab & Co., Inc.

Participant acknowledges that:

- Participant is responsible for determining the nature, potential value and suitability of any particular security, transaction or investment strategy;
- Except as provided in this section, Schwab is not responsible for determining the nature, potential value and suitability of any particular security, transaction or investment strategy;
- Schwab will not give legal or tax advice;
- Schwab is in no way responsible for supervising or monitoring trading in Participant's PCRA;
- Participant understands that no investments will be made with respect to Participant's PCRA except as Participant specifically instructs Schwab; and
- Purchases and sales of securities in Participant's PCRA are subject to commissions and transaction fees.

Schwab agrees that it is responsible for determining the nature, potential value and suitability

of any particular security, transaction or investment strategy for Participant **only** (1) if required by applicable law, or (2) if:

- A Schwab representative gives advice directly to Participant; and
- The advice is clearly identified as a Schwab recommendation for Participant to enter into a particular transaction or to buy or sell a particular security.

**Credit Verification.** Participant authorizes Schwab to inquire from any source, including a consumer reporting agency, as to Participant's creditworthiness and ongoing eligibility for the account at any time throughout the life of the account, and thereafter for debt collection or investigative purposes.

**Authorization to Trade for PCRA.** Participant may place trading orders for Participant's PCRA pursuant to the LPOA. The Plan Sponsor, Trustees or Institution may revoke the LPOA at any time by giving written notice to Schwab. Participant agrees not to take any actions that exceed Participant's authority under the LPOA or any other agreement between Participant and the Trustees or Institution or Plan Sponsor with respect to which the PCRA is opened.

**Appointment of Limited Power of Attorney for Third Party.** By execution of a *Schwab Personal Choice Retirement Account Limited Power of Attorney Form to Authorize a Third Party*, including a *Schwab Personal Choice Retirement Account Limited Power of Attorney Form to Authorize an Investment Advisor*, Participant may grant authority to an Attorney-In-Fact to trade in Participant's PCRA but not to make withdrawals. The ability to work with a third party, including a professional money manager, varies by retirement plan.

**Mutual Fund Minimum Investments.** Participant acknowledges that mutual funds require a specified minimum investment, and that until sufficient amounts have been deposited into Participant's PCRA, it will not be possible to invest in such mutual funds.

**Uninvested Funds.** All uninvested funds held within Participant's PCRA will be automatically invested (swept) into the sweep vehicle that your Plan Sponsor has selected. It is the responsibility of Participant to allocate funds into other investments, if so desired, once funds have been invested (swept) into the sweep vehicle.

**Trading Restrictions.** PCRA may not include trading on collectibles, currencies, precious metals, real estate, futures, commodities, private placements, margin accounts or short sales. This list does not apply to shares of mutual funds, exchange-traded funds, or other investment vehicles that may be authorized under the Plan and may offer exposure to futures, commodity markets, or make investments in the types of assets listed above. If specifically allowed by Participant's retirement plan, Participant may be able to write covered calls and buy protective puts. Participant must

complete a Schwab Options Application to be approved to trade options. Participant's retirement plan may have other trading restrictions that limit Participant's investment options.

**Compliance With Applicable Law.** Participant will comply with all applicable state and federal securities laws.

**Information.** Participant will provide promptly any information reasonably requested by Schwab concerning the management of Participant's PCRA or compliance with this Agreement. If questions arise concerning compliance with any law, Participant will take any action believed by Schwab to be necessary and proper to ensure compliance with applicable law. Schwab has no duty to supervise or monitor Participant's management of Participant's PCRA or compliance with applicable laws. Schwab may disclose Participant's name, address and share position upon request to companies whose securities are held in Participant's PCRA, unless Participant notifies Schwab in writing not to disclose this information.

**Indemnification.** Participant will indemnify and hold harmless Schwab, its affiliates and their directors, officers and employees from and against all claims, actions, costs and liabilities, including attorneys' fees, arising out of or relating to:

- Any breach by Participant of any provision of this Agreement;
- Any dispute between Participant and Plan Sponsor; and
- Any dispute between Participant and the Trustee(s) (or the Institution [if applicable]) except when Charles Schwab Bank, or any of its affiliates, acts as the Trustee(s) (or the Institution [if applicable]) for Participant's plan assets.

**Trade Confirmations and Account Statements.** Unless the Plan Sponsor, Trustee(s) or Institution direct otherwise, Schwab will send trade confirmations and account statements to Participant and, if requested by the Plan Sponsor, Trustee(s) or Institution, to the Plan Sponsor, Trustee(s) or Institution and other parties as directed.

**Transfers to and From PCRA and Distributions.** Participant is solely responsible for contacting Participant's Retirement Plan Service Provider to direct transfers between Participant's PCRA and the core investment options, if applicable, available through Participant's retirement plan. Transfers into Participant's PCRA will be automatically invested (swept) into the Schwab Money Market Fund until Participant instructs Schwab to allocate funds into other investments. Transfers out of Participant's PCRA to the core investment options will be made from the Schwab Money Market Fund. Participant is solely responsible for instructing Schwab to liquidate sufficient PCRA assets for a cash distribution from the plan, including a lump-sum

distribution, and for ensuring that sufficient funds are held in the Schwab Money Market Fund™ prior to requesting any cash transfer from PCRA. Participant may be able to make an in-kind transfer or distribution, such as one in the form of a direct rollover to an Individual Retirement Account (IRA). Contact your Retirement Plan Service Provider to determine eligibility for an in-kind transfer or distribution.

**Liquidation.** If for any reason Participant's PCRA has insufficient funds to cover the purchase price of any trade or a fee, Schwab may take appropriate steps in its discretion to complete, cancel or liquidate one or more transactions or investments. Additionally, Schwab may, on direction from an authorized party, which may include the Plan Sponsor, Trustee(s) or Institution, liquidate one or more transactions or investments in order to address corrections which may be required pursuant to the provisions of the plan document, the Employee Retirement Income Security Act of 1974, as amended (ERISA), or the Internal Revenue Code of 1986, as amended (IRC), including, but not limited to, the correction of excess annual additions pursuant to IRC 415, of excess contributions pursuant to IRC 401(k), of excess aggregate contributions pursuant to IRC 401(m) and of excess deferrals pursuant to IRC 402(g), to the extent that Schwab has either been informed by the authorized party that such correction is required or has the responsibility for the determination of the need for such correction pursuant to the terms of the Schwab One® Account Agreement and any other applicable agreements between Schwab and the authorized party.

**Entire Agreement.** This Agreement contains all of the agreements, representations and understandings made between Participant and Schwab. All modifications and amendments hereto must be in writing and signed by both parties.

**Waivers.** The failure of either party at any time to require performance by the other party of any provision of this Agreement will not affect in any way the right to require such performance at any time thereafter. The waiver by either party of a breach of any provisions hereof will not be taken or held to be a waiver of the provision itself.

**Governing Law.** This Agreement, and all future agreements you shall enter into with Schwab, unless otherwise indicated on such other agreement, shall be governed by the law (but not the choice or law doctrines) of the state of California. This is the case regardless of whether you reside or transact business with Schwab in California or elsewhere, except that the section entitled "Arbitration" shall be governed by the Federal Arbitration Act.

**Required Arbitration Disclosures.** Regulatory authorities require that any brokerage agreement containing a predispute arbitration agreement must disclose that this agreement contains a predispute arbitration clause. This Agreement contains a predispute arbitration clause. By signing an arbitration agreement, the parties agree as follows:

- All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

1. the class certification is denied;
2. the class is decertified; or
3. the customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

**Arbitration Agreement.** Any controversy or claim arising out of or relating to (i) this Agreement, any other agreement with Schwab, an instruction or authorization provided to Schwab or the breach of any such agreements, instructions, or authorizations; (ii) the Account, any other Schwab account or Services; (iii) transactions in the Account or any other Schwab account; (iv) or in any way arising from the relationship with Schwab, its parent, subsidiaries, affiliates, officers, directors, employees, agents or service providers ("Related Third Parties"), including any controversy over the arbitrability of a dispute, will be settled by arbitration.

This arbitration agreement will be binding upon and inure to the benefit of the parties hereto and their respective representatives, attorneys-in-fact, heirs, successors, assigns and any other persons having or claiming to have a legal or beneficial interest in the Account, including court-appointed trustees and receivers. This arbitration agreement will also inure to the benefit of third-party service providers that assist Schwab in providing Services ("Third-Party Service Providers") and such Third-Party Service Providers are deemed to be third-party beneficiaries of this arbitration agreement.

The parties agree that this arbitration agreement will apply even if the application to open the Account is denied and will survive the closure of your Account and/or the termination of services rendered under this Agreement.

Such arbitration will be conducted by, and according to the securities arbitration rules and regulations then in effect of, the Financial Industry Regulatory Authority (FINRA) or any national securities exchange that provides a forum for the arbitration of disputes, provided that Schwab is a member of such national securities exchange at the time the arbitration is initiated. Any party may initiate arbitration by filing a written claim with FINRA or such eligible national securities exchange. If arbitration before FINRA or an eligible national securities exchange is unavailable or impossible for any reason, then such arbitration will be conducted by, and according to the rules and regulations then in effect of, the American Arbitration Association (AAA). If arbitration before the AAA is unavailable or impossible for any reason, the parties agree to have a court of competent jurisdiction appoint three (3) arbitrators to resolve any and all disputes or controversies between or among the parties. Each party shall bear its own initial arbitration costs, which are determined by the rules and regulations of the arbitration forum. In the event of financial hardship, the arbitration forum may waive certain costs in accordance with such rules. At the conclusion of the hearing, the arbitrators will decide how to assess the costs of the arbitration among the parties.

Any award the arbitrator makes shall be final and binding, and judgment on it may be entered in any court having jurisdiction. This arbitration agreement shall be enforced and interpreted exclusively in accordance with applicable federal laws of the United States, including the Federal Arbitration Act. Any costs, fees or taxes involved in enforcing the award shall be fully assessed against and paid by the party resisting enforcement of said award.

For FINRA arbitrations, FINRA will appoint a single public arbitrator in customer cases decided by one arbitrator. In customer cases decided by three arbitrators, investors have the option of choosing an arbitration panel with two public arbitrators and one non-public arbitrator (Majority-Public Panel Rule) or a panel of all public arbitrators (Optional All-Public Panel Rule). If the customer declines to elect a panel selection method in writing by the applicable deadline, the Majority-Public Panel Rule for selecting arbitrators will apply.

All notices from one party to the other involving arbitration shall be considered to have been fully given when so served, mailed by first-class, certified or registered mail, or otherwise given by other commercially accepted medium of written notification.

In addition to the above provisions, if a party to this Agreement is or becomes a non-U.S. resident at the time of any controversy subject to this arbitration agreement, such party acknowledges and agrees to the following additional provisions:

- (1) The rules of the organization administering the arbitration specifically provide for the formal designation of the place at which the arbitration is to be held.
- (2) Entering into this Agreement constitutes consent to submit to the personal jurisdiction of the courts of the state of California, U.S.A., to interpret or enforce any or all of these arbitration provisions. Judgment on any arbitration award may be entered in any

court having jurisdiction, or application may be made to such court for judicial acceptance of the award and an order of enforcement, as the case may be.

- (3) The exclusive language to be used by the parties and the arbitrators in the arbitration proceedings shall be English. Any party wishing an interpreter shall make all arrangements directly with the interpreter and shall assume all costs of the service.
- (4) If a party is a foreign government or state, state-owned or state-operated enterprise or

other instrumentality of a foreign government or state, such party waives all rights of sovereign immunity and neither the Federal Act of State doctrine nor the doctrine of sovereign immunity shall apply insofar as any enforcement in courts located in the U.S.A. is concerned.

**Waiver of Class Action or Representative Action.**

Neither you nor Schwab shall be entitled to arbitrate any claims as a class action or representative action. You and Schwab agree that any actions between us and/or Related

Third Parties shall be brought solely in our individual capacities. You and Schwab hereby waive any right to bring a class action, or any type of representative action against each other or any Related Third Parties in court. You and Schwab waive any right to participate as a class member, or in any other capacity, in any class action or representative action brought by any other person, entity or agency against Schwab or you.

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