

SmartSave Committee Meeting

PERA Building 33 Plaza La Prensa,
 Santa Fe, NM 87507

August 31, 2023
 9:00 am

Committee Members:

Valerie Barela – Chair Roberto Ramirez Maggie Toulouse Oliver
 Tony Garcia – Vice Chair Augustine Romero

AGENDA

- 1. **Call to Order**
- 2. **Pledge of Allegiance**
- 3. **Roll Call**
- 4. **Approval of Agenda**
- 5. **New Business**

ITEM			Presenter
A.	Recommendation for Investment Consultant Contract for the PERA SmartSave Deferred Compensation Plan	Action	Karyn Lujan, DC Plan Manager

- 6. **Adjournment**

Any person with a disability who needs a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact Trish Winter at 476-9305 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact Ms. Winter if a summary or other type of accessible format is needed.



PERA

Recommendation for PERA SmartSave Investment Consultant

RFP No. NM DC-001-FY23

August 31, 2023

RFP Evaluation Committee

Valerie Barela, Municipal PERA Board Member

Anna Williams, PERA Deputy Director

Michael Shackelford, PERA Chief Investment Officer

Karyn Lujan, PERA SmartSave Plan Manager

Recommendation

The PERA SmartSave 457b Deferred Compensation Plan (the Plan) Investment Consultant RFP Evaluation Committee recommends Meketa as the Plan's Investment Consultant, subject to legal review and successful negotiations of an eight-year contract effective October 1, 2023.

History

- Meketa is the Plan's incumbent investment consultant
- Meketa's current contract term dates are Oct. 1, 2015 to Sept. 30, 2023
- In accordance with PERA Procurement Policies:
 - Maximum term for contracts shall not exceed eight years without being competitively bid through an RFP process.

Scope of Services

- The successful Offeror shall serve as the exclusive Investment Consultant of the voluntary PERA SmartSave Deferred Compensation State of New Mexico Deferred Compensation Plan.
- The Investment Consultant shall undertake the following obligations and duties:
 - Investment Policy Recommendations
 - On-going Performance Monitoring
 - Investment Fund Selection
 - Asset Allocation Development for Custom Target Date Funds
 - Ad hoc Consulting

Minimum Qualifications

- Offeror must be an SEC-registered investment advisor or exempt from registration.
- Offeror has provided investment consulting services to a US tax exempt client for at least five years.
- Offeror has at least three state or municipal public retirement plan clients with at least \$250 million in defined contribution assets or \$1 billion in defined benefit assets.
- Offeror's firm must have a positive net worth.
- Investment advisory services are Offeror's primary source of business.
- Offeror has no interest that would conflict in any manner with performance of service required; and warrants that it agrees to terms, conditions, warranties of PERA's contract.

Request for Proposal Process

RFP Evaluation Committee

PERA Board Members

- Valerie Barela, Municipal Member
(assigned by PERA Board Chair in April 2023)

PERA Staff Members

- Michael Shackelford, Chief Investment Officer
- Anna Williams, Deputy Director
- Karyn Lujan, Deferred Compensation Plan Manager

RFP Evaluation Timeline

Issuance of RFP by PERA Board
April 27, 2023

Release of RFP
May 3, 2023

Submission Deadline:
Seven Respondents
June 16, 2023

Evaluation Committee Meeting:
Evaluation Committee deliberated
over the proposals.
July 12, 2023

Finalist Interviews:
Evaluation Committee
conducted interviews virtually.
July 20, 2023

Best and Final Offer Meeting:
CIO and DC Plan Manager
conducted this meeting virtually.
August 2, 2023

Selection of Finalists: Overview

- The proposals were reviewed for compliance with the RFP's Minimum Qualifications
 - all met MQs
- Proposals were submitted by:
 - Callan
 - Hyas Group
 - Innovest
 - Meketa
 - NEPC
 - Sage View
 - Wilshire
- The Evaluation Committee reviewed the proposals individually in preparation of the July 12 selection of finalists meeting.

Selection of Finalists: Conclusion

- The Evaluation Committee performed both a quantitative and qualitative review of the Offeror's:
 - background and organizational structure
 - investment philosophy and analytic procedures
 - experience in providing investment advisory services
 - proposed fee
 - delivery of client services
- The evaluation committee scored and deliberated their top selections; the committee unanimously agreed on the top two – which would be invited to finalist interviews:
 - Meketa
 - NEPC

Semi-Finalists Interviews: Overview

- The Evaluation Committee conducted virtual finalist interviews on July 20, 2023.
- Attendees included: Valerie Barela(Trustee), Anna Williams (staff), Michael Shackelford (staff), and Karyn Lujan (staff).
- Respondents were asked to discuss:
 - Firm overview and introduction of proposed service team for New Mexico.
 - Approaches to improving the Plan’s fund lineup, investment policy, best practices from other clients and consultant transition plan.
 - Public manager service process
 - Databases and reporting capabilities
 - Improvements to the Plan’s Target Date Funds
 - Input on recordkeeper relationship

Finalists Interviews: Conclusion

- The Evaluation Committee was introduced to proposed team members from both firms.
- Both finalists provided a detailed overview of the topics they were asked to discuss.
- The top two finalists were chosen because their investment philosophy was inline with PERA's philosophy; and both firms had similar insight on how to improve the Plan's fund lineup.
- Because the two firms were very similar, the evaluation committee concluded it would be in the Plan's best interest to retain with the Plan's incumbent consultant, pending a best and final offer of their proposed fee.
- A best and final offer meeting took place on August 2, 2023 with Meketa, Michael Shackelford and Karyn Lujan.

Recommendation Considerations

Why Meketa?

- Meketa's initial proposal ranked highest out of the seven respondents.
- The Evaluation Committee unanimously selected Meketa for the following reasons:
 - Investment philosophy on Active vs. Passive investment selections are in line with PERA's philosophy as it relates to a DC plan.
 - There would be no break in productivity from changing consultants.
 - PERA has been fully satisfied with Meketa's performance during the first contract cycle and would like to continue the momentum.
 - Meketa's best and final proposed fee was acceptable to PERA and the Plan's newly adopted fee policy.

Meketa Overview

➤ Organization

Meketa is a full-service investment advisory firm and has been providing investment consulting services to institutional investors for 45 years. Meketa consults on over \$1.7 trillion in assets for 243 clients. They provide services from offices located in Boston (headquarters), San Diego, Chicago, Miami, Portland, New York and London.

➤ Defined Contribution Experience

Meketa Investment Group has been providing investment consulting services to institutional investors for over 45 years. The business originally focused on working with defined benefit clients, but over the past twenty-five years+, the firm's client base has expanded to include defined contribution plans.

Meketa began working with their first defined contribution plan in 1990, and currently serves as an investment consultant for over 70 defined contribution plans with \$68 billion in assets. Some of their specialties are: investment policy development, asset allocation and rebalancing, investment menu design, thorough and documented research, record keeper oversight and trustee education and communication.

Meketa Service Team for New Mexico

➤ **Paul F. Cowie, III – Managing Principal/Consultant**

Paul Cowie joined Meketa in 2005 and has been in the industry for 20 years. He is based out of the San Diego office and works directly with several of our West Coast clients. Mr. Cowie serves as a consultant on various defined benefit, defined contribution, annuity, and health & welfare funds with public, Taft-Hartley, and corporate plan sponsors. His consulting work includes investment policy design, asset allocation modeling, public manager due diligence, and fund performance analysis. Mr. Cowie is also the Chair of Meketa's Profit Sharing Plan Committee and a member of the Defined Contribution Practice Group.

Prior to joining the firm, he was employed by Standish Mellon Asset Management and State Street Corporation as a portfolio accountant. Mr. Cowie graduated from Bucknell University with a bachelor's degree in Economics and a minor in Political Science. He has completed

Levels I and II of the CFA Program and is a member of the CFA Society San Diego.

Meketa Service Team for New Mexico

➤ **Ted G. Benedict, CFA, CAIA – Managing Principal/Consultant**

Ted Benedict joined Meketa in 2007 and has been in the financial services industry for over 25 years. Mr. Benedict serves as the lead consultant on various defined benefit and defined contribution funds, foundations and endowments. His consulting work includes investment policy design, asset allocation modeling, governance, and manager research. Prior to joining the firm, Mr. Benedict was employed at Pacific Life, performing investment management research, fund coordination, and implementation of the firm's asset allocation program. Outside of the office, Mr. Benedict enjoys spending time with his family.

He received his undergraduate degree in Economics from St. Lawrence University. Mr. Benedict holds the Chartered Financial Analyst® designation from the CFA Institute and is a member of the CFA Institute, as well as the CFA Society San Diego. Mr. Benedict also holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association®.

Meketa Service Team for New Mexico

➤ **Jared Pratt, CFA, CAIA – Vice President/Senior Investment Analyst**

Jared Pratt joined Meketa in 2020 after spending 12 years in the asset management industry. He is an investment analyst on a variety of defined benefit, endowment, foundation, and health & welfare funds. His responsibilities include assisting with the development of asset allocation and investment policies, analyzing manager performance and positioning, and providing oversight of client portfolios.

Prior to joining the firm, Mr. Pratt was a Portfolio Analyst at Nuveen Investments where he collaborated with advisor consultants and financial advisors on portfolio positioning and manager selection. Prior to that, he worked in the National Accounts group at Thornburg Investment Management.

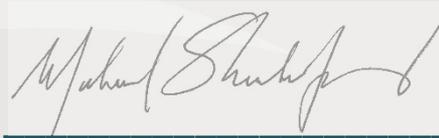
Mr. Pratt received his bachelor's degree from the University of New Mexico with a concentration in Finance. He holds the Chartered Financial Analyst® and the Chartered Alternative Investment Analyst (CAIA) designations, and is a member of the CAIA Association®.

Final Recommendation Conclusion

The RFP evaluation committee confirms that we have vetted the recommended investment consultant and, based on the information presented to us, we believe the services offered would not only support existing operations, but would provide opportunities to implement a more efficient fund line up which can result in enhanced customer service and increase in participation.



Valerie Barela, Municipal Board Member



Michael Shackelford, PERA CIO



Anna Williams, PERA Deputy Director



Karyn Lujan, DC Plan Manager