



# PERA

**PERA** *SmartSave*

Deferred Compensation Plan 

## **Investments and Pensions Oversight Committee**

Representative Patricia Roybal Caballero, Chair

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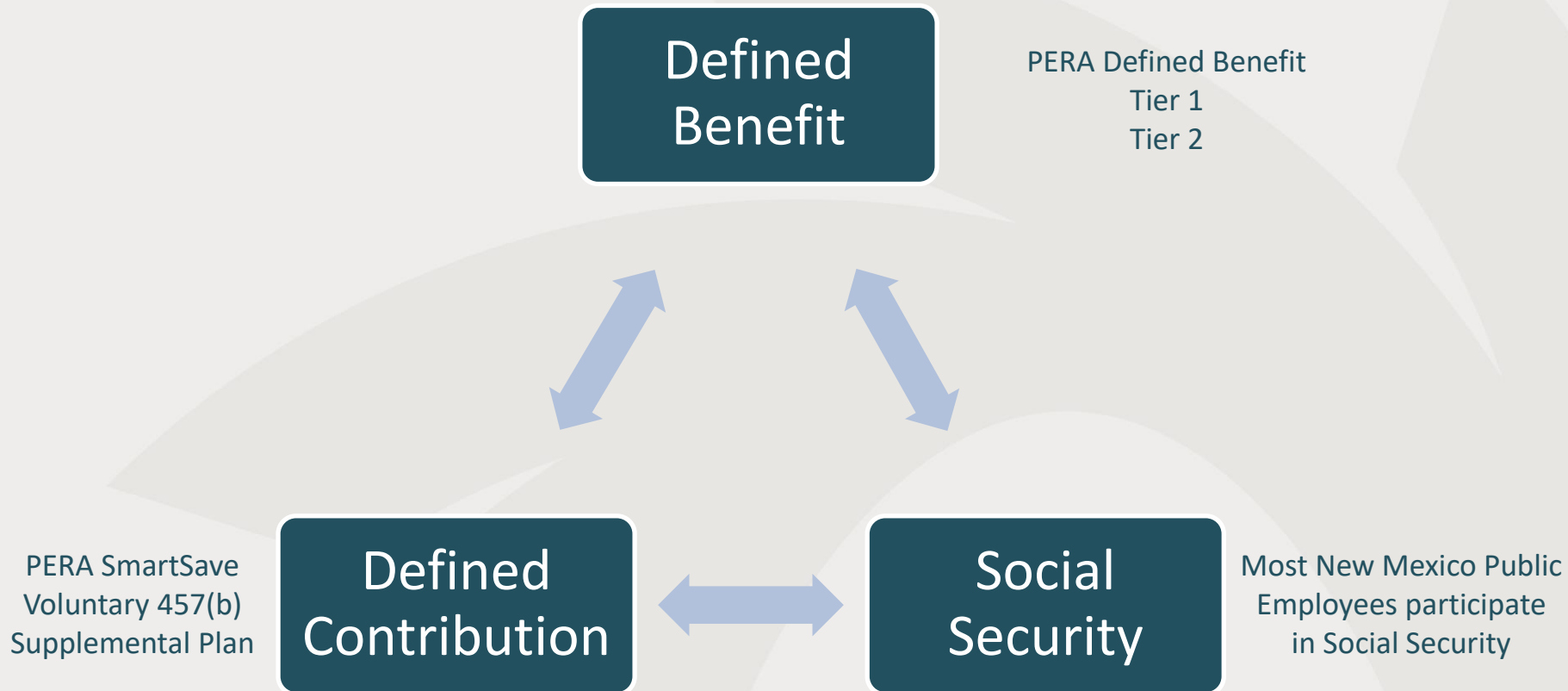
Karyn Lujan, PERA SmartSave Deferred Compensation Plan Manager

**August 15, 2022**

# PERA SmartSave Deferred Compensation Plan

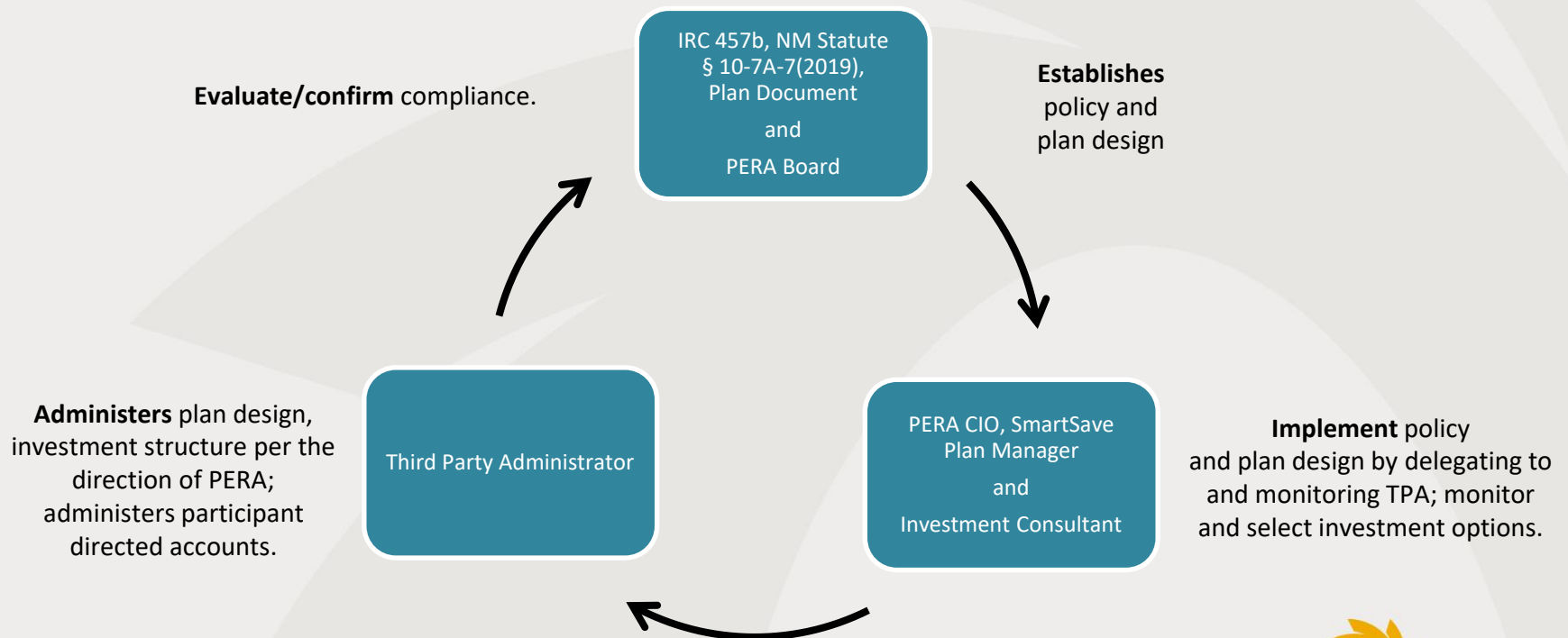
- The PERA SmartSave Deferred Compensation Plan is a voluntary 457b retirement plan.
- A *defined contribution* plan; 100% participant directed, and participant funded.
- Intended to span over one's career for optimal investment results to complement the default PERA defined benefit plan.
- The PERA Board acts as a fiduciary of the Plan.

# A Secure Retirement: the Three-Legged Stool

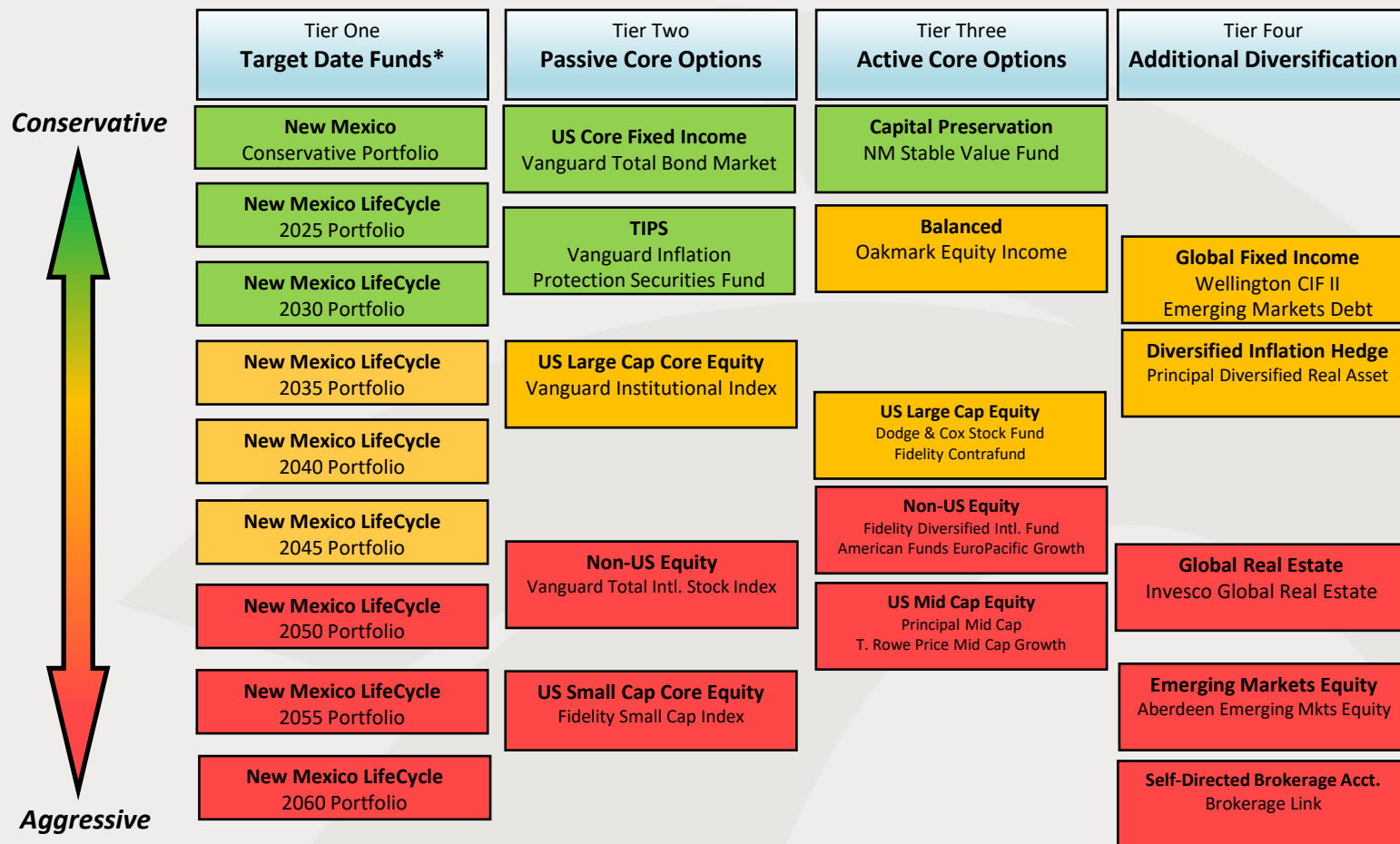


## Overview –Policy and Plan Design

- The PERA SmartSave Plan is governed by IRC 457b, NM Deferred Compensation Act, and the *Plan Document*.
- The PERA Board contracts with a third-party administrator and an investment consultant to provide their respective services for the Plan.



# Investment Structure – Four Tiered Structure



\*Target Date Funds are built with most of the funds in Tiers 2-4.

## Plan Activity as of June 30, 2022

Total Net Asset Value: \$716,561,755		
\$95,624,753 market loss FY22		
	As of June 30, 2022	FY22 additions
Participants	22,998	- 17
Participating Employers	239 local public bodies 200+ state agencies/branches 11 K-12 public schools 5 local colleges	
New Enrollments	2,052 1,355 online enrollment 697 paper enrollment	679

## FY23 Initiatives

### Fee Policy Statement

- Official policy to detail how the Plan is to assess participant fees
- Transparency on how fees are to be utilized
- Improves fee collection method that's fair for all participants
- Removes dependency on fund revenue shares to offset plan expense

### Fund Lineup Improvements

- Add and/or replace individual funds to provide participants with a more cohesive fund menu
- Explore *white label* fund menu

## FY23 Initiatives

...continued

### Unforeseen Emergency Withdrawals

- 2020 Presidential Disaster Declaration initiated by Governor Lujan Grisham
- Flexibility for processing emergency withdrawals for those affected by the recent wildfires throughout New Mexico

### Pending Legislation – SECURE Act 2.0\*

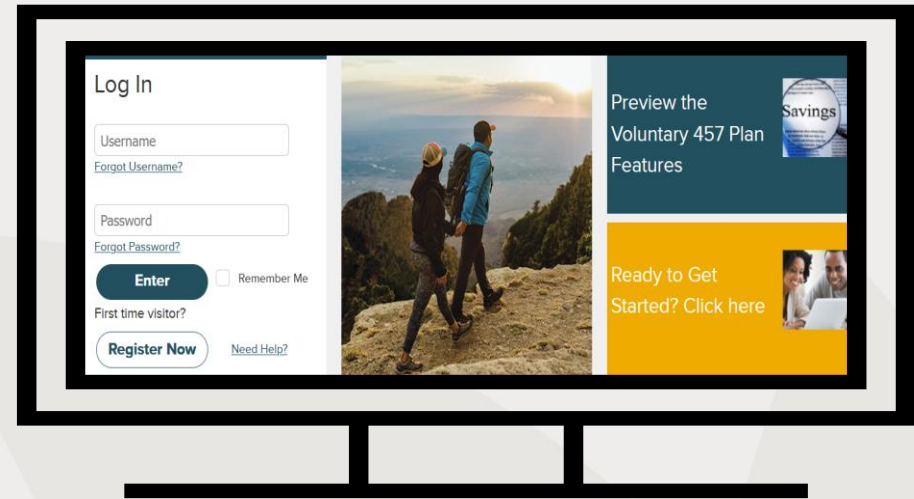
- RMD age increase
- Catch up contribution limit increase for those in early 60s
- Simplify the emergency withdrawal process

*\*These are only summarized samples of pending content of SECURE Act 2.0*



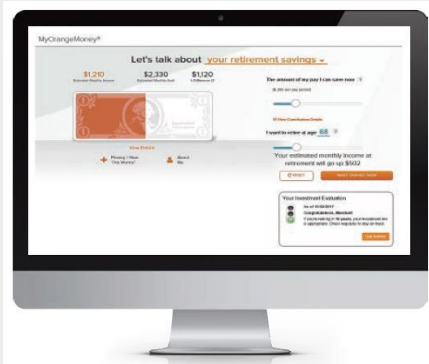
# PERA SmartSave Plan Tools

- **PERASmartSave.Voya.com**
  - online enrollment
  - online contribution changes
  - customer service chat feature
  - loan modeling and emergency withdrawal requests
  - distribution requests
  - direct deposit changes
- **Employer Tools**
  - uniform, contribution uploads through employer portal
  - on demand reporting capabilities
  - Roth contribution option, where applicable



# PERA SmartSave Retirement Planning Tools

- Digital engagement - custom investment and retirement security education



- **myOrangeMoney® Web Experience** - an educational, interactive online experience that shows where participants stand today, highlights areas that need improvement, and lets them take immediate action to improve their retirement readiness.

- **Voya Retire Mobile App** - a fast and easy way to access one's retirement account with most features offered through the traditional online account. (Search “**Voya Retire**” in the app store.)



# PERA SmartSave Financial Wellnes Tools

- **Personal Financial Dashboard** – a web-based tool that enables participants to organize, integrate, and manage all their financial information on one comprehensive and intuitive digital platform.



- **Financial Wellness Experience** – allows participants to take a personal assessment to gain insights that will help them take meaningful actions for their financial future.

# Frequently Asked Questions

**Do I have to wait for open enrollment to enroll in the deferred comp plan?** No, you can enroll anytime. You can enroll online or print out an enrollment form at [PERASmartSave.voya.com](https://PERASmartSave.voya.com).

**How does the deferred comp plan work?** You choose a contribute amount, minimum \$10 each pay period; you choose your own investment options from the funds that are offered by the Plan; and your contributions are invested, accordingly, in the stock market.

**What does “tax deferred” mean?** You don’t pay taxes on that portion of income going toward your deferred comp account until you retire and/or begin to take payments from your account. This can help lower your current taxable income.

**What are Roth contributions?** Instead of having your contributions deducted from your paycheck before taxes, you make Roth 457(b) contributions on an after-tax basis. And, if you meet the 5-year seasoning requirements down the road, the Roth 457(b) earnings you withdraw at retirement should be federal income tax-free.

**What is the least and most I can contribute?** Currently, the minimum contribution amount is \$10 per pay period; the maximum contribution is \$20,500 per calendar year. Those who are age 50 or older may contribute up to \$27,000 per calendar year.

**If I’m close to retirement, is there a way to contribute more?** If you are within three years being eligible to retire with PERA, you may be eligible for the Three Year Special Catch-Up provision. If you have not contributed the maximum in the past, you may be able to increase your deferral amount to up to two times the maximum contribution limit (for example, this calendar year you may be able to contribute as much as \$41,000). The Special Catch-up cannot be used in the same year as Age 50 Catch-up.

**What if I don’t know how to invest my money?** The Plan has default investment portfolios based on one’s age. You can also use the various investment education tools available at [PERASmartSave.voya.com](https://PERASmartSave.voya.com), or you can meet with your local Plan representative for help.

# Frequently Asked Questions

**How often can I change my investment options?** In general, you can make changes to your fund selections at any time. However, each mutual fund has specific rules and guidelines that may restrict frequent transactions in and out of that fund. These rules and guidelines are included in the prospectus of each mutual fund. You can obtain prospectus(es) from the Fund Performance section at [PERASmartSave.voya.com](https://PERASmartSave.voya.com). Additionally, to protect the interests of all participants, your plan may impose plan level restrictions that restrict frequent trading.

**Can I stop my contributions anytime without penalty?** Yes, you can stop your contributions at any time with no penalty. However, you typically\* cannot withdraw your funds until you terminate employment, at which point you will pay the taxes. (\*see loans and emergency withdrawals) You will also continue to pay the quarterly admin fee as long as you have an account balance, so contributing at least the minimum \$10 is encouraged.

**How is PERA affiliated with this plan?** The PERA Board of Trustees is the fiduciary of the Plan; the PERA Board oversees the Plan's investment structure, investment performance and the overall quality of the Plan.

**I work for a NM public school; can I participate in this plan?** Public school employees can contribute to the Plan if your school is a participating employer of the Plan.

**Can I borrow money from my deferred comp plan?** Yes, you can borrow a loan from your deferred comp balance. You must pay back the loan with interest, but all payments (including interest payments) go back to your account.

**What if I default on a loan from my deferred comp plan?** A defaulted loan is treated as taxable income for that calendar year and is reported to the IRS. You can only have one outstanding loan at any given time. You will not qualify for another loan if you have a defaulted loan.

**Can I withdraw my funds before I retire?** If you are still employed, you can withdraw money from your plan if:

- you experience an unforeseeable emergency that is approved by the Plan
- your account balance is \$5,000 or less and you have not deferred into the Plan for at least two years, and you have not made prior withdrawals of this type
- you have reached age 72

**Can I rollover my terminal leave payout into my deferred comp when I retire?** Yes, as long as the amount is within the contribution limits for the calendar year.

# Frequently Asked Questions

**Do I have to withdraw all my deferred comp balance when I retire?** No. You can leave your deferred comp funds on account until you are ready to use them. You may also set up systematic payments, ie: monthly, quarterly. The IRS will require you to take the RMD (Required Minimum Distribution) at age 72 if you have not yet started receiving payments by that age.

**Can I buy retirement service credit with my deferred comp funds?** Yes! You can use your deferred comp funds to purchase additional service credit for NMPERA or NMERB – the transaction is not taxable.

**Can I combine similar retirement accounts?** Yes, you can consolidate any qualified retirement accounts you may have, such as 403(b), 401(k), traditional IRA, to your PERA Deferred Comp account. However, you may want to inquire with your provider on possible surrender charges.

**Is there a fee for the PERA Deferred Comp plan?** Yes, the current annual fee is \$40 flat rate + .135% of the account balance with a cap of \$104; the fee is automatically taken quarterly from your account balance. The fee covers payment to the Plan's record keeper.

For example:

- an account balance of \$5,000 pays a quarterly fee of approx. \$11.68
- an account balance of \$25,000 pays a quarterly fee of approx. \$18.43
- An account balance of \$47,410 and more pays a quarterly fee capped at \$26

This fee is waived for the first two quarters or until your account balance reaches \$1000, whichever comes sooner.