

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**SMART SAVE**  
**COMMITTEE MEETING**

**November 14, 2017**

This meeting of the Public Employees Retirement Board Smart Save Committee was called to order by Vice Chair Jackie Kohlasch at approximately 9:20 a.m. on the above-cited date at the PERA Building, Senator Fabian Chavez, Jr. Board Room, 33 Plaza La Prensa, Santa Fe, New Mexico.

The Pledge of Allegiance was followed by roll call which confirmed a quorum with the following members present:

**Members Present:**

Jackie Kohlasch, Vice Chair  
Patty French  
Loretta Naranjo-Lopez  
John Melia [appointed]

**Member(s) Absent:**

John Reynolds, Chair  
Tim Eichenberg  
Maggie Toulouse Oliver

**Other Member(s) Present:**

Dan Esquibel  
James Maxon

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Greg Trujillo, Deputy Director  
Dominic Garcia, CIO  
Jude Pérez, Deputy CIO  
Karen Risku, Deputy General Counsel  
Renada Peery-Galon, ASD Director  
Dana David, Assistant General Counsel  
Trish Winter, Executive Assistant  
LeAnne Larrañaga-Ruffy, Director of Equity

Karyn Lujan, Smart Save Plan Manager  
Christine Ortega, Portfolio Manager  
Isaac Olaoye, Financial Analyst  
Emily Lopez, Financial Specialist  
Kristin Varela, Portfolio Manager of Real Returns  
Marlena Riggs, Financial Budget Manager  
Anna Murphy, Compliance Officer

**Others Present:**

Paul Lium, Nationwide  
Lou Moreno, Nationwide  
Sarah Carlo, Nationwide  
Julie Bertone, Nationwide  
Shannon McCarthy, Nationwide  
Ted Benedict, Meketa

**2. APPROVAL OF AGENDA**

Ms. Naranjo Lopez moved to approve the agenda as presented. Her motion was seconded by Ms. French and passed by unanimous [4-0] voice vote.

**3. APPROVAL OF CONSENT AGENDA**

Ms. Naranjo Lopez moved approval. Mr. Melia seconded and the motion passed without opposition and Ms. French abstaining.

**4. CURRENT BUSINESS**

**A. Q1 FY18 Investment Performance Review**

Karyn Lujan, Smart Save Plan Manager, introduced the Nationwide representatives who were present for an afternoon meeting with staff. Mr. Lujan offered the following quarter-end information:

- The quarter ended with over \$583 million in assets
- There are currently 20,777 participants
- There were 608 new enrollees for the quarter
- The new fee structure was implemented
- The plan acquired two new employers

Mr. Melia asked whether the new fee structure could create the possibility of having a surplus or being short of the Nationwide fee. Paul Lium, Nationwide, said this quarter there was a slight surplus which will be carried over to the next quarter. Ms. Lujan said the overpayment is typically less than \$1 per participant which is used to offset the next quarter fees.

A supplemental flyer regarding deferred compensation with an enrollment form was sent out to PERA members and over the course of three payment periods since the flyer went out, Ms. Lujan said there have been 87 new enrollments. Ms. Naranjo Lopez recommended further follow-up. Mr. Lium said additional marketing concepts will be discussed with the home office representatives later today.

Ms. Lujan said the Smart Save focus for 2018 will be implementation of on-line enrollment.

## **B. Q1 FY18 Investment Performance Review**

Ted Benedict, Meketa, reviewed the four tiers in the Smart Save program: lifecycle, core array passive, core array active, and extended choice array. He highlighted that within the passive core array there is no option for the US small/mid cap core equity options because it is more efficient under active management. Within the active core array, US core fixed income is not offered because it is more efficient under passive management. At the end of September 2017, plan assets were at \$583 million, up from \$566.9 million at the end of the prior quarter. The plan experienced net cash outflows of \$1.1 million during the quarter. The top three plan investment options by assets were: NM Lifecycle with 24.5 percent, NM Stable Value with 22.6 percent, and Vanguard Institutional Index fund with 14.2 percent

Mr. Benedict said it “has been a great year for investment markets,” and the equity market continues on a daily rise. Ten of the 15 actively managed portfolios were either matching or ahead of their benchmark for the quarter. The lifecycle funds are outperforming their benchmarks over the trailing one-year period. He reviewed the performance of the managers within their tier groups and compared to peers.

In response to Mr. Equibel’s question of what triggers the termination of a manager, Mr. Benedict said patience is needed with any active manager. Top quartile managers over a 10-year period will spend at least one rolling three-year period in the bottom quartile. Evaluating managers should include a 5- to 10-year period to determine whether they will add value long term. Meketa conducts ongoing evaluations of managers and the key reason to consider change is when there has been change to the investment team, strategy and or philosophy at the firm.

Ms. Lujan pointed out that Investment Policy Statement contains guidelines for manager evaluation and termination.

Referring to the Invesco Global REITs portfolio, Mr. Benedict said it will be replaced by Prudential Core Private Real Estate and Meketa has been working with staff and Nationwide to implement that change which will be effective year-end when the lifecycle funds undergo their quarterly rebalance and updating cycle.

Mr. Benedict noted the Columbia High Yield is a relatively new option only

available within the lifecycle portfolio and because of high yield's volatility is not offered as a standalone choice.

Mr. Melia asked about volatility of the Columbia High Yield versus the Franklin Templeton Global Bond. Mr. Benedict said their volatilities are probably equal. Both managers are offered within fixed income lifecycle portfolios; however, Franklin Templeton was an existing investment option available to plan participants for many years before Meketa's relationship with PERA. Ultimately, Franklin Templeton Global Bond may be removed from direct access and investment from plan participants but that is a disruptive plan shift. Mr. Melia suggested closing access to Franklin Templeton and not permitting new investments. Ms. Lujan said there is consideration that with Committee approval they could move the Franklin Templeton funds to the Vanguard Bond fund. Mr. Benedict said Meketa will work with staff to develop options regarding Franklin.

Concluding his report, Mr. Benedict said the plan expenses are below average relative to peers. The net expense ratio of the total plan is 39 basis points.

Ms. Lujan said the excess over fees this quarter amounted to \$3,000. That money is in an interest bearing account and will be applied to the next quarter fees.

Vice Chair Kohlasch thanked Nationwide for attending today's meeting.

5. **OTHER BUSINESS**

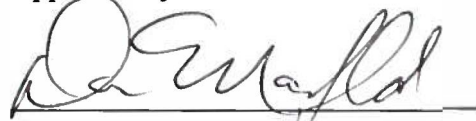
None was presented.

6. **ADJOURNMENT**

Staff noted that the Special Board meeting scheduled to follow this meeting would not occur for lack of a quorum.

Upon motion by Ms. French and second by Ms. Naranjo Lopez, Vice Chair Kohlasch adjourned this meeting at approximately 10:00 a.m.

Approved by:



Dan Mayfield, Chair  
Smart Save Committee

ATTEST:

  
Wayne Propst, Executive Director