

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SMARTSAVE
COMMITTEE MEETING

July 10, 2018

This meeting of the Public Employees Retirement Board SmartSave Committee was called to order by Chair Dan Mayfield at approximately 9:00 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:

Dan Mayfield, Chair
John Melia, Vice Chair
Natalie Cordova
James Maxon [appointed]

Member(s) Absent:

Tim Eichenberg
Maggie Toulouse Oliver

[Mr. Maxon was appointed in anticipation of Ms. Cordova's early departure.]

Other Member(s) Present:

Claudia Armijo

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Greg Trujillo, Deputy Director
Dominic Garcia, Chief Investment Officer
Karen Risku, Deputy General Counsel
Renada Peery-Galon, Administrator Services Director
Dana David, Assistant General Counsel
Trish Winter, Executive Assistant
Karyn Lujan, Smart Save Plan Manager
Christine Ortega, Portfolio Manager
Emily Lopez, Financial Specialist

Anna Williams, Chief Financial Officer

Others Present:

Paul Lium, Nationwide

Paul Cowie, Meketa

Abby Moser, REDW

Cait Gutierrez, REDW

Jessica Bundy, REDW

2. APPROVAL OF AGENDA

Mr. Maxon moved to approve the agenda as presented. His motion was seconded by Mr. Melia passed by unanimous [4-0] voice vote.

3. APPROVAL OF CONSENT AGENDA

Mr. Maxon moved approval. Mr. Melia seconded and the motion passed by unanimous [4-0] voice vote.

4. CURRENT BUSINESS

A. Approval of the updated PERA SmartSave Investment Policy Statement [*Exhibit 1 – PERA staff recommendation*]

Karyn Lujan, SmartSave Plan Manager, stated that staff recommends approval of the updates to the Investment Policy Statement (IPS). The SmartSave Committee was established in 2016 and has operated since its inception without a charter. The IPS needs to be consistent with the charter. The updated IPS was presented to the committee in March 2018 and there were some issues that the committee identified which provided staff an additional opportunity to re-review the document. The revised definitions are consistent with the New Mexico Deferred Compensation Act as well and the plan document.

Administrative/plan information was removed from the IPS and was placed in the plan document and the record keeper's contract. The IPS identifies the roles and responsibilities for the Board, SmartSave Committee, CIO and Investment Division as well as the investment consultant, investment managers and the third-party administrator/record keeper. The document also delineates the delegated authorities of the Board, SmartSave Committee, CIO and Investment Division.

Ms. Lujan said that Assistant Counsel David reviewed and assisted in drafting the document that was presented for adoption. She noted that the original revised draft was also provided for further clarification of proposed changes.

Mr. David said he concurred with a recommendation offered by Ms. Armijo that under Definitions, page 1: "CIO" means the PERA Chief Investment Officer, ~~and the PERA Investment Division under the direction of the CIO.~~

Mr. Maxon moved to approve the updated policy with the correction as noted. Ms. Cordova seconded and the motion passed by unanimous voice vote.

[Ms. Cordova excused herself from the remainder of the meeting.]

B. Approval of the PERA SmartSave Committee Charter
[Exhibit 2 – PERA staff recommendation]

Ms. Lujan reminded the Committee that they had approved the charter at the March 2018 meeting; however, it was removed from the Board’s consent agenda by Ms. Naranjo Lopez who requested a modification to the statement of purpose to indicate that the Board delegates authority to the committee as well as monitors the committee. Her recommendation was incorporated into the proposed draft and the revised language is reflected in the IPS.

Mr. Maxon moved to approve and Mr. Melia seconded. The motion passed by unanimous voice vote.

C. Q3 FY18 Plan Activity Review *[Exhibit 3 – Nationwide Report]*

Ms. Lujan pointed out that this information reflects the quarter that ended March 2018. Plan assets were \$599,379,227. There were 21,386 participants with a median account balance of \$6,450. She noted that during the quarter various outreach efforts were accomplished and highlighted “donut deferral day” for participants that increased their contributions.

Paul Lium, Nationwide, said his team initiated marketing campaigns to increase deferrals.

Ms. Lujan said approximately one-third of those eligible participate in the plan.

D. Q3 FY18 Investment Performance Review
[Exhibit 4 – Meketa Report]

Paul Cowie, Meketa, reviewed the structure of the plan’s four tiers and the largest plan investment options by assets. The lifecycle portfolios are the largest. There were mixed returns during the quarter with growth stocks outperforming value. PERA’s managers have done very well against benchmarks and peers.

Under international equity, Fidelity Diversified International has beat their benchmark over a longer time period but underperformed their peers over multiple periods. Aberdeen recently had a merger with Standard Life and has also trailed their peers and benchmark. Mr. Cowie said Meketa is monitoring both managers. The newest plan investment is the Prudential Retirement Real Estate Fund which was funded at the end of 2017 and has been a good addition. He discussed the low returns

with bonds and REITs and highlighted that PERA's managers again did well against peers.

E. Update on SmartSave Plan Initiatives for 2018
[Exhibit 5 – PERA staff memo]

Ms. Lujan said in April 2018, PERA and Nationwide launched a pilot project for online enrollment. She identified the nine entities that participated noting that The entities were provided a link for their employees to initiate online activities. Following online enrollment or change in contribution, Nationwide sends a letter to the agency's payroll division advising them of the changes. There were three state agencies within the pilot program. Payroll for these agencies occur via DFA although the information is agency generated and entered into the Share system. The online program works but was complicated by the state agencies.

The system worked but the process is not electronic on Nationwide's side. The system does not generate a paper trail and the pilot entities desired one. Ms. Lujan mentioned that while online is an option, paper forms will continue to be accepted.

Ms. Lujan said Nationwide's contract expires in 2019 and a new RFP will be developed to correspond to the online services PERA wants to develop.

Ms. Lujan reminded the committee that the stable value fund (SVF), which is considered the slowest growth account was the default option until late 2015. A re-enrollment project will be geared toward the 855 participants solely invested in SVF that are early in their working career. A communication campaign to educate the participants will go out and include a reply form, online election information and a phone number to make changes.

Ms. Lujan concluded her report outlining routine and ongoing efforts that included the FY18 annual audit, RFP for the third-party administrator, participation in the NM Retirement Income Security Task Force and enhancement outreach efforts through social media. She noted that the task force was a result of SJM 12 which is the creation of a task force to explore a state run retirement plan for private sector employers. She and CIO Garcia attended a majority of those task force meetings which are chaired by Treasurer Eichenberg.

Ms. Armijo congratulated Ms. Lujan for her work and the new initiatives. She emphasized the importance of drafting a solid all-encompassing RFP for the third-party administrator.


5. OTHER BUSINESS

None was presented.

6. **ADJOURNMENT**

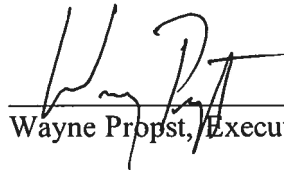
Having completed the agenda, Chair Mayfield adjourned this meeting at approximately 10:10 a.m.

Approved by:



Dan Mayfield, Chair - Current Vice Chair
SmartSave Committee Lawrence Davis

ATTEST:


Wayne Propst, Executive Director

Attached Exhibits:

- Exhibit 1 – PERA staff recommendation*
- Exhibit 2 – PERA staff recommendation*
- Exhibit 3 – Nationwide Report*
- Exhibit 4 – Meketa Report*
- Exhibit 5 – PERA staff memo*