

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

June 13, 2017

This meeting of the Public Employees Retirement Board Smart Save Committee was called to order by Chair John Reynolds at approximately 9:00 a.m. on the above-cited date in the PERA Building, Senator Fabian Chavez, Jr. Board Room, 33 Plaza la Prensa, Santa Fe, New Mexico.

Roll was called and a quorum established as follows:

Members Present:

John Reynolds, Chair
Jackie Kohlasch, Vice Chair
Loretta Naranjo Lopez
Patty French

Member(s) Absent:

Tim Eichenberg
Maggie Toulouse Oliver

Other Member(s) Present:

James Maxon
John Melia

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Greg Trujillo, Deputy Director
Jude Pérez, Interim CIO
Karen Risku, Deputy General Counsel
Renada Peery-Galon, ASD Director
Dana David, Assistant General Counsel
Trish Winter, Executive Assistant
Joaquin Lujan, Director of Rates and Credit
Karyn Lujan, Deferred Compensation Plan Manager
Christine Ortega, Portfolio Manager
Mark Montoya, Financial Analyst
Isaac Olaoye, Financial Analyst
Emily Lopez, Financial Specialist
Marlena Riggs, Financial Budget Manager

Others Present:

2. APPROVAL OF AGENDA

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

3. APPROVAL OF CONSENT AGENDA

Ms. French said she reviewed the minutes and found them accurate and in order and moved approval. Ms. Naranjo Lopez seconded and the motion passed by unanimous [4-0] voice vote.

4. CURRENT BUSINESS

A. Recommendation to adopt Section 845 of the Pension Protection Act into the PERA Smart Save Deferred Compensation Plan [Exhibit 1: Staff Memo]

Karyn Lujan, Smart Save Plan Manager, said that Section 845 allows retired public safety officers to pay up to \$3,000 a year in qualified health premiums with distributions from a deferred compensation plan and exclude this amount from federal income taxes. The Pension Protection Act (PPA) defined a “retired public safety officer” as an individual serving a public agency in an official capacity as a law enforcement officer, firefighter, chaplain or a member or a rescue squad of ambulance crew. She identified the criteria the premiums must meet to qualify for the exemption.

The New Mexico public safety community is aware of this provision and Ms. Lujan said she worked with Nationwide, who already administers Section 845 for several of their plan sponsors, to incorporate it. Once adopted by PERA it can be incorporated into the plan. The required form is available and Nationwide’s payroll system is set up to reflect this distribution on the 1099-R. The responsibility lies with the participants to initiate this benefit by completing the form and claiming the exemption on their taxes.

Ms. Lujan stated that if the Board approves participation in Section 845, Smart Save will notify the participants on the Smart Save website, the quarterly statements, through outreach and employer publications.

Ms. French said she was aware of this program and asked whether corrections officers are included in the public safety definition. Ms. Lujan responded no; the PPA defines retired public safety officers as “law enforcement officer, firefighter, chaplain or a member of a rescue squad of ambulance crew.” She offered to conduct additional research regarding corrections adding that the IRS website did not include department of corrections.

In response to Ms. French’s question, Ms. Lujan said “chaplain” refers to a designated chaplain in law enforcement or public safety.

Ms. French said she has heard from retirees that they want to join the Smart Save program and she suggested staff clarify that one must be an active PERA member to participate.

Ms. French moved to adopt Section 845 of the Pension Protection Act for the PERA Smart Save Deferred Compensation Plan. Ms. Kohlasch and Ms. Naranjo Lopez seconded and the motion passed by unanimous voice vote.

B. Revision of standards for the Unforeseeable Emergency option within the PERA Smart Save Plan [Exhibit 2: Staff Memo]

Ms. Lujan referred to this as a housekeeping item. A DC plan is more flexible than a DB plan in that the IRS and the US Treasury Department allow DC participants to borrow a general purpose or residential loan and/or take an Unforeseeable Emergency (UE) withdrawal from their DC accounts. Loans are paid back with interest and the residential has a longer payback duration. The minimum loan amount is \$1,000 and the maximum is half of the participant's account balance up to \$50,000. PERA's DC plan currently has 2,200 outstanding loans as of May 2017.

There is no limit to the withdrawal amount with a UE withdrawal; however, the participant is required to provide documentation proving the emergency. Ms. Lujan said this withdrawal is taxable for that calendar year.

Ms. Lujan said the content within the plan document defining loans and UE withdrawals comes from the IRS and US Department of Treasury guidelines. The standards have changed over the years and the revisions will ensure PERA's compliance with the industry guidelines. Nationwide, as the record keeper, has discretion over what constitutes an emergency based on the underlying guidelines. She noted that Nationwide has experts that process unforeseen emergency applications.

Ms. Lujan reviewed the revised standards which no longer recognizes emergency withdrawals for utility disconnection, loss of job and/or vehicle repossession; however the "unforeseeable circumstance" option still allows participants to apply for a UE based on circumstances beyond the participant's control, which are not specifically listed on the UE application. She said Nationwide has implemented the new standards with other Plan Sponsors over the past few years and is prepared to implement the new standards for PERA Smart Save as soon as administratively possible. Participants will be advised of the changes on the Smart Save website and the quarterly statements.

Paul Lium, Nationwide, said Nationwide home office has been implementing the standards and are formalizing them with PERA at this time. When asked about the loan option, Lium said a regular residential loan is 10 years and a first-time home purchase loan is 15 years. The interest rate is prime plus 1 percent.

Mr. Lium pointed out that the allowable UE withdrawals in the past had allowed for car repairs. Every five years or so, the allowable uses change according to the IRS rules and best practices of the industry. Ms. Lujan reminded the Committee that DC

is a retirement account not a savings account.

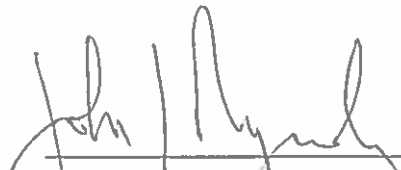
5. **OTHER BUSINESS**

None was presented.

6. **ADJOURNMENT**

Upon motion by Ms. Naranjo Lopez and second by Ms. Kohlasch, Chair Reynolds adjourned this meeting at approximately 9:30 a.m.

Approved by:



John Reynolds, Chair
Smart Save Committee

ATTEST:



Wayne Propst, Executive Director

Exhibit Attached:

Exhibit 1: Staff Memo

Exhibit 2: Staff Memo