

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

**April 11, 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) Excused:**

Tim Eichenberg  
Maggie Toulouse Oliver

**Other Member(s) Present:**

Dan Esquibel  
Dan Mayfield  
James Maxon  
John Melia

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Karen Risku, Deputy General Counsel  
Renada Peery-Galon, ASD Director  
Dana David, Assistant General Counsel  
Jude Pérez, Interim CIO  
Trish Winter, Executive Assistant  
Karyn Lujan, Smart Save Plan Manager  
LeAnne Larrañaga-Ruffy, Director of Equity  
Anna Williams, Chief Financial Officer  
Kristin Varela, Portfolio Manager  
Emily Lopez, Financial Specialist

**Others Present:**

Paul Lium, Nationwide

## **2. APPROVAL OF AGENDA**

Ms. French 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 they appeared accurate and in order, and she introduced a motion to approve the consent agenda. Ms. Kohlasch seconded and that motion passed by unanimous [4-0] voice vote.

## **4. CURRENT BUSINESS**

### **A. FY17 Smart Save Audit Recommendation**

*[Exhibit 1: Staff recommendation]*

Karyn Lujan, Smart Save Plan Manager, said that PERA staff recommends approval to engage Eide Bailly (EB) to conduct the independent audit and provide its report on the financial statements of the PERA Smart Save Deferred Compensation Plan for the fiscal year ending June 30, 2017.

PERA obtained three quotes from auditors on the NM Office of the State Auditor's list of approved auditors. EB's quote was reasonable and they have experience with supplemental 457b government plans. She noted that this will be the third year of a three year IPA recommendation that EB has conducted an audit for the plan. Nationwide supports the recommendation.

Ms. Naranjo Lopez asked a series of questions:

*Were there any major changes this year?* Ms. Lujan responded no.

*Are there any areas that require special attention due to high business or financial risk?*

Ms. Lujan responded no.

*What are the organization policies or procedures to deter conflicts of interest and illegal acts and how are they being monitored?* Ms. Lujan responded that PERA has internal controls that are reviewed quarterly. The plan is administered by Nationwide and EB reviews those records to ensure conformance with GASB and GAAP standards.

*How does the organization minimize the risk of fraudulent financial reporting?* Ms. Lujan responded that PERA follows the NM State Procurement Code, GAAP and GASB procedures and standards as they apply to the Smart Save plan. Interim CIO Pérez noted that the underlying assets for these funds are mutual funds and ETFs which are SEC registered and heavily monitored by federal agencies.

*What are the organization's revenue recognition policies?* Mr. Pérez said they follow requirements as established by the state and the 457 plan has its internal investment policy. Ms. Lujan pointed out that PERA does not make revenue from the Smart Save program.

*Are there any major write-downs or other significant transactions that will affect the financial statements?* Mr. Pérez responded no.

*Were there any significant changes in the accounting estimates or models used in making*

accounting estimates? Mr. Pérez responded no.

*Is the organization contemplating any changes in the accounting methods?* Ms. Lujan responded no.

*Should the Audit Committee be aware of any problems, tax or legal difficulties?* Ms. Lujan responded no.

*How is management remaining current with respect to changes in accounting and financial and reporting requirements, and are there appropriate training mechanisms in place?* Ms. Lujan responded that if something comes up and training is required it will be addressed.

Ms. Naranjo Lopez said she also had questions for the auditor, and asked whether she would have an opportunity to ask them. Ms. Lujan said the EB representative, Eric Berman, is available for questions once the contract is in place. She reminded the Board that Mr. Berman has conducted the exit interviews for the past four years. She confirmed that there will be opportunities for questions.

Ms. Naranjo Lopez moved to approve the FY17 Smart Save audit recommendation. Her motion was seconded by Ms. Kohlasch and passed by unanimous [4-0] voice vote.

## **B. Smart Save Administrative Fee Restructure Status – Review**

*[Exhibit 2: Staff memo]*

Ms. Lujan said this item reviews the recently approved fee structure for the Smart Save plan. The new structure consists of a flat rate of \$30 per participants plus 0.135 percent of the participant's assets. There is a cap of \$104. She noted that the fee is neutral to both PERA and Nationwide. The new fee structure lowers the cost for 2/3s of the participants, creates a more equitable cost sharing, and is more competitive with other 457b plan options offered to city and county employees.

The new fee will be effective July 1, 2017 and are applied to the balance at the end of the quarter. The participant will see the new fee on the 3<sup>rd</sup> quarter statement. She outlined how the new fee will be communicated with the participants through quarterly statements, messages on the Smart Save website and individual participant letters based on the participant's balance as of July 31, 2017. Approximately 2,500 participants' fees will increase, approximately 4,000 participants' fees will have a modest increase or decrease and approximately 12,400 participants' fees will decrease. The communications will emphasize the plan's fiduciary oversight. Those participants with \$75,000 and greater will see the greatest increase of approximately \$50.

Ms. Naranjo Lopez asked whether staff considered that those with increased fees may leave the plan. Ms. Lujan said they have and PERA is lower than most of the competitors. She noted that Nationwide has begun discussing the new fees with participants and to date there has been no backlash. Mr. Pérez said the participants will be educated that PERA has less expensive share classes; however, PERA Smart Save is competitive and the best option.

Ms. Lujan referred to a chart that PERA developed showing comparative fees. She reviewed the different fees at different balance amounts which demonstrated that PERA's

Smart Save was very competitive with generally better fees. Mr. Pérez said the chart is on the BoardPortal.

Ms. Lujan said Nationwide is absorbing the cost for the letters that are going out to participants.

Ms. French asked Paul Lium, Nationwide, how the participants are responding to the new fee structure. He said they discuss the fees and he noted that participants with large accounts recognize the value they receive and have not complained.

Ms. Lujan confirmed Mr. Melia's observation that the largest administrative fee increase will be \$52.

Mr. Naranjo Lopez thanked staff for their work on this issue.

Chair Reynolds commended staff for their thoughtful process on the fee restructure and associated communications.

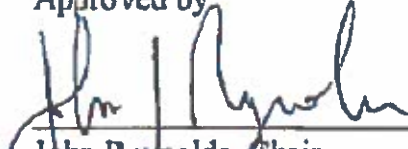
**5. OTHER BUSINESS**

None was presented.

**6. ADJOURNMENT**

Upon motion by Ms. Naranjo Lopez and second by Ms. French, Chair Reynolds adjourned this meeting at approximately 9:45 a.m.

Approved by:

  
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John Reynolds, Chair  
Smart Save Committee

ATTEST:

  
\_\_\_\_\_  
Wayne Propst, Executive Director

Attached Exhibits:

*Exhibit 1: Staff recommendation*

*Exhibit 2: Staff memo*