

NEW MEXICO
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SMARTSAVE
COMMITTEE MEETING

June 11, 2019

This meeting of the Public Employees Retirement Board SmartSave Committee was called to order by Vice Chair Lawrence Davis at approximately 9:15 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.

Following the Pledge of Allegiance, roll was called and a quorum was confirmed as follows:

Members Present:

Lawrence Davis, Vice Chair
Dan Mayfield [appointed]
John Melia [appointed]

Member(s) Absent:

Claudia Armijo, Chair
Jackie Kohlasch

Other Member(s) Present:

Loretta Naranjo Lopez
David Roybal

Staff Members Present:

Wayne Propst, Executive Director
Susan Pittard, Chief of Staff/General Counsel
Greg Trujillo, Deputy Director
Renada Peery-Galon, Administrator Services Director
Trish Winter, Executive Assistant
Karyn Lujan, Smart Save Plan Manager
Anna Williams, Chief Financial Officer
LeAnne Larrañaga-Ruffy, Director of Equity
Emily Lopez, Financial Specialist

Others Present:

Jessica Bundy, REDW
Cait Gutierrez, REDW
Paul Cowie, Meketa
Charles A. Burciaga, Voya

2. APPROVAL OF AGENDA

Mr. Mayfield moved to approve the agenda as presented. His motion was seconded by Mr. Melia and passed by unanimous voice vote.

3. APPROVAL OF CONSENT AGENDA

Mr. Melia moved approval. Mr. Mayfield seconded and the motion passed.

4. CURRENT BUSINESS

A. Recommendation to Adopt a Roth Feature into the PERA SmartSave Deferred Compensation Plan

Karen Lujan, SmartSave Plan Manager, said staff is recommending the adoption of a Roth feature into the PERA SmartSave 457b Deferred Compensation Plan. She reminded the Committee that effective October 1, 2019, Voya will serve as the PERA's 457b plan record keeper. Voya recommended adding this feature and it would be appropriate to integrate it during the early stages of the transition.

Ms. Lujan defined the Roth as a retirement savings vehicle that allows for after-tax contributions while qualified investment earnings and distributions in retirement are generally tax free. Adding the Roth option during this record keeper transition period, will be cost neutral as it can be built into the infrastructure. The option may increase plan participation and is considered a common employer sponsored plan feature. She outlined the benefits of a Roth, the IRS contribution limits and qualified distributions.

Ms. Lujan said as the transition to Voya moves forward the employer payroll systems will be evaluated. The state payroll appears able to support this.

Mr. Mayfield moved to approve the recommendation to adopt Roth as a feature of the SmartSave 457b plan. Mr. Melia seconded and the motion passed without opposition.

B. Update on SmartSave Plan Transition from Nationwide to Voya

Ms. Lujan provided an update of the transition highlighting that Voya is building the infrastructure, reviewing test files from Nationwide, and compiling a master employer contact list. She offered to include any of the Board members that wanted to participate in the twice weekly phone meetings with Voya, Nationwide and staff. The blackout period is scheduled from September 23rd through October 1st. During that period no participant transactions can occur and the live date for Voya is October 1st. She reviewed a timetable and noted the communications timeline with participants.

Ms. Lujan said a 403B is designated for private non-profits and not available for government.

Mr. Davis recalled that the governor had mentioned closing down the State Personnel Office and asked whether that would complicate the transition process. Ms.

Lujan said she as of June 17th all individual state agencies will have their own HR.

B. Q3 FY19 Investment Performance Review

Ms. Lujan noted that a supplement showing the May performance was added to the packet.

Paul Cowie, Meketa, reviewed the plan structure: Tier I, lifecycle funds; Tier II, core array/passive; Tier III, core array/active; and Tier IV, extended choice array. Tier I contains 27 percent of the participants; Tier II, 18 percent; Tier III, 52 percent, and Tier IV, 2 percent. The assets at the end of the quarter were \$623.2 million, up from \$574.4 million at the end of the prior quarter. The plan experienced net cash inflows of \$2,034.646 during the quarter. There were 22,602 participants at quarter-end. The total contributed were \$14.2 million compared to \$12.2 million in withdrawals for the quarter. He mentioned that stable value had been the default mapping fund and it has only been in the past few years that it is no longer the largest asset category.

Mr. Cowie reviewed the quarterly performance and allocation by the tiers. The reversal of the course regarding interest rates had an impact on the quarter. Domestic equity saw strong returns up from 10 percent to 19 percent. With 2009 dropping out of the 10-year return, the returns are looking very strong. He noted Fidelity low-priced stock has not performed well compared to its peers and will be considered for elimination.

The international equity options had strong returns although lower than the domestic equities. All of PERA's strategies outperformed in this category. The bond options showed strong returns which he attributed to the Fed activity regarding rates and noted that Columbia high yield did particularly well. REITs bounced back from the previous quarter. Prudential Retirement Real Estate, a private real estate fund, did well and is available within the lifecycle fund. The lifecycle funds all beat their benchmark demonstrating that the actively managed funds did well.

Mr. Melia asked about the Invesco Global REITs and whether it would be mapped out. Mr. Cowie said that fund makes up a very small portion of the plan and will likely be removed.

Referring to the May results, Mr. Cowie said while there was drop there is a strong rally occurring in the equity markets during June. In May, most of the equity market options were down between 1 percent and 5 percent. The bond asset classes did well.

D. Q3 FY19 Plan Activity Review

Ms. Lujan said Paul Lium was covering a benefit fair in Albuquerque. The participant count continues to increase. Nationwide enrolled 640 new employees, conducted 228 workshops, and held 481 individual meetings. The governor and her new cabinet enrolled in the plan. The contribution limits were increased and Nationwide provided a website notice of that.

Ms. Lujan noted that this will be the last year the Eide Bailly can serve as the independent auditor for SmartSave.

5. **OTHER BUSINESS**

None was presented.

6. **ADJOURNMENT**

Having completed the agenda, Vice Chair Davis adjourned this meeting at approximately 10:00 a.m.

Approved by:



Lawrence Davis, Vice Chair
SmartSave Committee

ATTEST:



Wayne Propst, Executive Director