

**New Mexico  
Public Employees Retirement Association  
SmartSave Committee Meeting  
June 14, 2022**

**1. Call to Order**

This meeting of the New Mexico PERA SmartSave Committee was held on the date cited above via Zoom tele/video conferencing. Chair, Lawrence Davis, called the meeting to order at approximately 9:11am.

**2. Pledge of Allegiance**

Loretta Naranjo Lopez led the Pledge of Allegiance.

**3. Roll Call**

The meeting attendance met quorum with the following members present;

**Committee Members Present**

Lawrence Davis, Committee Chair  
Loretta Naranjo Lopez  
Francis Page  
Claudia Armijo (temporarily appointed)

**Committee Members Absent**

Shirley Ragin  
Roberto Ramirez  
Maggie Toulouse Oliver

**Other Board Members Present**

Tim Eichenberg  
Paula Fisher [at 9:30am]  
Diana Rosales Ortiz [at 9:33am]  
Valerie Barela [at 9:37am]

**Staff**

Greg Trujillo, Executive Director  
Trish Winter, Executive Assistant  
Anna Williams, Deputy Director  
Kristin Varela, Interim CIO  
Misty Schoeppner, Deputy General Counsel  
Karyn Lujan, SmartSave Plan Manager  
Lynette Kennard, CFO  
LeAnne Larranaga-Ruffy, Interim Deputy CIO  
Geraldine Garduno, Assistant General Counsel  
Loretta Lopez, Assistant General Counsel  
Sara Hume, Investments

**Others in Attendance**

Paul Cowie, Meketa

Charles Burciaga, Voya  
Caitlin Gutierrez, REDW

**4. Approval of the Agenda.**

Francis Page moved to approve the agenda. Claudia Armijo seconded. The motion passed by a unanimous roll call vote as follows;

Lawrence Davis	Yes
Loretta Naranjo Lopez	Yes
Francis Page	Yes
Claudia Armijo	Yes

**5. Approval of the Consent Agenda**

Francis Page moved to approve the Consent Agenda. Claudia Armijo seconded. The motion passed by a unanimous roll call vote as follows;

Lawrence Davis	Yes
Loretta Naranjo Lopez	Yes
Francis Page	Yes
Claudia Armijo	Yes

**6. New Business**

**A. Q3 FY22 (December 2021) Investment Performance Review**

PERA SmartSave Plan Manager, Ms. Karyn Lujan, invited Paul Cowie from Meketa to discuss the performance review of the funds for Q1, which is January through March. Meketa is the Plan's investment consultant.

Mr. Cowie thanked the Committee members and indicated that while there had been some losses in the first quarter, things had picked up in the last several months. According to Mr. Cowie, the assets were just over \$801 million at the end of the first quarter. This was a \$42 million decrease from the previous year. The dip was primarily due to market losses, and it represented a 5% reduction in Plan assets. There were also small net outflows of roughly \$2.5 million.

At the end of the quarter, around 23,000 participants had an average balance of approximately \$35,000.

The LifeCycle portfolios continued to hold the highest percentage of assets in the Plan's largest options, accounting for around 27% of total assets. The S&P 500 came in second at around 17%, followed by the New Mexico stable value fund at 16%. The Target Date Funds accounted for around 27% of assets across asset classes and tiers. The passively managed funds, Tier II, accounted for 28% of the total. Actively managed funds account for a considerable portion of assets, with the steady value fund accounting for the majority. The target date funds continued to have positive net cash flows of roughly \$1.2 million. In the active funds, there was a net outflow of almost \$3 million.

For the quarter, conservative portfolios were in the 12th percentile, and for the 1-year horizon, they were in the 28th percentile. They are in the 4th percentile for the quarter and the 27th percentile for the trailing year in the 2035 portfolio. This indicated that the funds had outperformed their peers during the recent market turmoil.

Several reasons why the funds performed better included;

- The funds are more conservatively positioned.
- Funds are exposed to inflation hedging assets, e.g., real estate funds. This is not a meaningful allocation in many other target date funds.
- Significant stable value exposure in the shorter-dated funds. Stable value fund is not significantly impacted by rising interest rates in the short term.

Mr. Cowie stated that the economy is currently in a bear market. As a result, the S&P 500 was down almost 20% year to date to today, indicating that additional losses are expected in the second quarter.

Mr. Cowie further stated that the Plan has about 20% and 13% in inflation-protected assets with the Prudential real estate fund and the diversified real assets. Both had positive returns in the current environment, which helped offset a lot of the losses seen in the equity funds and some of the fixed income funds.

## **B. Q3 FY22 (December 2021) – Plan Activity Review**

Ms. Lujan gave a brief review of the Plan's activity for Q1. She reported that the net asset value of the Plan is just above \$800 million. The participation rate of the Plan is just under 23,000. The numbers have been stagnant over the last two years because even though there are new enrollments, people are still leaving the plan.

She stated that there have been challenges with new enrollments in the post-COVID environment. There were 422 new enrolments. The enrollments are being done both online and on paper. People have embraced online enrollment more as there were 321 online enrollments versus 100 on paper form. The plan is currently operating at 75% of pre-COVID numbers, but things are expected to change if employees physically go back to work.

Regarding outreach, Ms. Lujan presented information showing the three regional reps and their activity throughout the quarter. Ms. Lujan further reported that for the past two years, she had been reporting that agencies and entities continued to be closed due to the pandemic. She stated that she recently reached out to employers to find out who was still closed. Ms. Lujan discovered that for the most part, all local government and state agencies are open to the public. However, the staff is on a hybrid structure. They are not all present at their offices at one time like they would have been pre-COVID.

Ms. Lujan pointed out that if the hybrid structure continues, it will affect outreach efforts as they cannot reach as many people at one time, like before.

Ms. Armijo asked if the reps hold some of the meetings via video conferencing. Ms. Lujan answered in the affirmative, adding that the reps hold in-person meetings in locations that allow them. Some locations are only allowing one on one meetings for employees who request deferred comp. Other entities are allowing large group meetings, but the number of people attending are not as large as before. Zoom meetings are also used wherever applicable.

Ms. Armijo also inquired about the turn-out for Zoom meetings and wondered if the staff was thinking of ways of increasing attendance. Ms. Lujan stated that Zoom attendance is usually up and down. She indicated many people might register for a meeting but only half will show up. Those who log on to the Zoom meetings might turn off their cameras and mute the sound. They could be listening in the background while doing their regular work but the overall participation can be low. Ms. Lujan stated this might be due to Zoom fatigue. She remarked that there are people who want to go back to in-person meetings which will be possible if the employer allows them.

Ms. Lujan stated she will discuss with Mr. Trujillo some ideas she has on how to solve the issue of low turnout in this hybrid work structure.

Mr. Burciaga offered to reach out to some of the other government agencies to find out how they were dealing with the issues that Ms. Lujan had outlined. He stated many other employer-sponsored plans were dealing with the same challenges caused by the hybrid structures. He added that the VOYA marketing coordinator will work with Ms. Lujan to come up with more ideas.

He also recounted that one of his peers who works with a large government entity had the same challenges with the hybrid structures. To get people re-engaged in the program, they offered things like a family movie pass if they substantiated that they had a one-on-one counseling session. Such methods could be employed to get people interested in PERA's programs as well.

Mr. Burciaga also stated that the fires had caused a lot of consternation around the state. He stated that the communication consultant should be engaged to ensure that the current realities are being addressed. He believed that the potential impact of the fire on people and the unprecedented inflation might be making them reluctant to enroll or to continue to contribute. He stated that the economy was now in a bear market but added that it presented a buying opportunity for people who are in the program.

Mr. Burciaga stated that people should be reminded of the dollar-cost averaging concept that would help them in the future if they are persistent in a down market. He added that several lanes of communication can be rolled out in addition to Ms. Lujan's ideas to get people back on board.

Mr. Trujillo clarified that the PERA offices are open to the public and that staff were available. Any member can walk in and get served.

Mr. Burciaga informed the Committee that increases were seen in people who were opting for e-delivery. These people were getting automated messages from VOYA on various topics. Other people had opted for texting so they receive texts from VOYA.

Over 50% of participants registered their accounts with VOYA. This makes sure that they are covered with the VOYA Safe Guarantee which guarantees that if anything happens to their accounts or any fraud on their accounts by any action other than what they would take, VOYA will make them whole.

With automated messages, about 11,500 messages were sent out to participants in the last year. About 96% of people who received the messages opened them indicating that people are engaging online more. VOYA is also enhancing its online capabilities.

About 850 participants used the VOYA loan modeling facility. About 26% or 218 people chose not to take a loan because the model showed them that there are a lot of additional costs involved in borrowing from their retirement account. This also indicated that people were engaged online.

Mr. Burciaga noted that with the new normal, the natural disasters, and the current economy, PERA should be prepared to constantly discuss such topics with people.

Ms. Rosales Ortiz commended Ms. Lujan for providing a more accurate report and for taking up the challenge of looking for a different approach for outreach. She reiterated that it was important to come up with different ways of thinking in this hybrid environment. She also acknowledged that more people had embraced text messaging as a way of communication.

Ms. Rosales Ortiz also asked if the one-on-one meetings resulted in people signing up for SmartSave. Ms. Lujan stated that the one-on-one meetings vary. They could be existing members requesting to meet one on one for investment option advice. It could also be new employees requesting one on one counseling about the Plan.

### **C. PERA SmartSave Plan Updates**

Ms. Lujan gave a brief recap of the plan's budget structure, highlighting that the plan is 100% funded by Plan participants. It does not receive any funding from the PERA pension fund.

Three components of expenses are tied to the SmartSave Plan:

1. VOYA's contract
2. PERA's operating expenses
3. Investment's consultant contract, i.e., Meketa.

Currently, the only fee that participants are being charged is the VOYA fee. The fee is deducted from their account balances. The Plan pays for the other two expenses through mutual fund revenue shares. The fund has five funds that offer revenue shares.

In March, Ms. Lujan outlined the following reasons why the Plan should move away from the practice of using the mutual fund revenue share for expenses.

1. Not all the participants were in all the five funds that are offering revenue share. This means that only a portion of participants were generating the revenue.
2. In case any of the funds fall below the performance benchmark, according to PERA's Investment Policy Statement, PERA must have the flexibility to be able to replace any one of the funds without impacting the incoming revenue to pay the other two expenses.

Ms. Lujan reminded The Committee that it had agreed that the reasons were valid to enable the Plan to move away from the practice of using revenue share. They had concluded that a new fee should be introduced, a PERA SmartSave operating fee. Every participant would be charged the new fee, not just a certain population. The fee also enables PERA to make changes to the fund lineup without being reliant on revenue shares. The Plan would also be more conducive to industry best practice instead of using the outdated practice of revenue shares.

Ms. Lujan indicated that she had reached out to the Plan's resources and had done some research on SmartSave. From her research, she discovered an official fee policy statement would provide the Board with a structure around fee discussions. She will work with other staff members and Meketa and VOYA to come up with the contents of the fee policy. She will also involve PERA's legal team to ensure that the policy statement drafted will be within the governance parameters.

The fee policy statement will include;

- A purpose.
- Guidelines on what to do when the plan has funds that offer revenue share source funding.
- Usage of funding.
- The procedures to follow a minimum or a maximum collection amount is met.
- An appendix section documenting the actual fee being charged.

Ms. Lujan stated that the fee policy statement will be ready for recommendation at the next SmartSave Committee meeting.

### **Unforeseen Emergency Withdrawals**

Ms. Lujan stated that with the wildfires impacting the people of New Mexico, VOYA had noticed an increase in unforeseen emergency withdrawal requests. 457b plans allow participants to take an unforeseen emergency withdrawal. This is a taxable distribution based on an unforeseen emergency, something that the insurance won't cover, or a catastrophic event.

A participant is required to provide supporting documentation when requesting an unforeseen emergency withdrawal. For instance, if a member has a \$500 medical bill, they must provide that bill that shows \$500 and the plan will only release \$500. The supporting documentation must match the amount being requested.

Ms. Lujan mentioned that she was recently working with an individual whose whole family had been evacuated because of the fires in Northern New Mexico. The family had been moving from one hotel to the next. The individual had tried taking the unforeseen emergency withdrawals but had encountered some challenges when he was asked to provide supporting documentation.

Since the Governor had recently applied for the Presidential Disaster Declaration, Ms. Lujan believed that PERA could use the Declaration to help alleviate some of the challenges the participants were facing of having to provide supporting documentation. She indicated that PERA staff had worked with VOYA to release funds to participants who came in with unforeseen emergency withdrawal requests related to the wildfires.

Six participants had already taken advantage of that directive as of May. Ms. Lujan stated that the directive will stop when the State of New Mexico stops using the Disaster Declaration.

Items, such as the Disaster Declaration, must be addressed in the Plan document, according to Ms. Lujan. The SmartSave Plan has two governing documents;

1. The Deferred Compensation Act – statute that allows the Plan to exist.
2. The Plan document - outlines all administrative aspects of the Plan.

The items must eventually be formally adopted into the Plan document to allow the Plan's record keeper to build the record-keeping infrastructure.

Ms. Lujan stated that the U.S. Congress had passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act over the last few years. Congress was now working on SECURE Act 2.0. According to Ms. Lujan, the acts contain several things that the PERA board should consider adopting. These include things that have to do with required minimum distributions, allowing the funds to be used for personal events, et cetera.

The PERA Board must decide on what should be formally adopted to the Plan Document and the record keeper will carry out transactions accordingly. Ms. Lujan stated she will work with Mr. Burciaga on what options are available in 457b once SECURE Act 2.0 passes. The options will eventually be brought before the Committee to determine if they are fit to be adopted into the Plan.

Chair Davis asked if an email blast will be sent out to inform people of the available options once they are adopted into the Plan. Ms. Lujan stated that most people use the Plan as a savings account rather than a retirement plan. She further stated that even though people need to have access to their money in time of need, the Plan should be reserved as a retirement account. She indicated that several subtle ways could be used to let people know of the available options without encouraging withdrawals.

### **Investment Advice Outreach Update**

Ms. Lujan reported that it's the season when the Plan does its annual investment advice outreach communication campaign. Two kinds of advice are offered by the Plan; one is free advice where a participant can log into their account, enter their risk profile, and their retirement time horizon, then the system gives them a recommended set of investment advice options.

The second is a professionally managed account at an additional fee. This is when a licensed VOYA retirement advisor will manage a participant's funds. It is completely optional and a participant can opt-out at any time.

Ms. Lujan informed the Committee that the purpose of a professionally managed account is not to time the market. It is to have a healthy retirement fund at the time of retirement.

The outreach campaign is scheduled to start in late July. Participants who have an email on record will start with an email. Everyone who has a balance of \$5 or more will get a postcard.

Following the postcard, the participants will get a customized retirement evaluation that will consider their balance, age, and investment options. It will then generate a retirement assessment and where the participant will stand at a certain age. Participants will then get an action email or an action postcard.

#### **D. PERA SmartSave Outreach Review**

Ms. Lujan noted that it had been a while since the Board has been exposed to the outreach reps. Being that the Board has new members, Ms. Lujan believed that the SmartSave outreach review will be a good refresher.

Ms. Lujan stated that the outreach is structured with three regional plan reps; Northern New Mexico, Central New Mexico, and Southern New Mexico. In addition to the three plan reps, there is one administrative support position located in Santa Fe. Outreach covers all state agencies, cities, counties in all other local governments, like villages, towns, or any other kind of smaller entity. It also covers schools that participate in the plan.

The Northern rep position, which had been vacant for about one year had been filled. The new rep is Peter Rappmund who started in late April. The Central New Mexico rep is Paul Liam and the Southern New Mexico is Linda Miller. Both have been with the Plan for over 20 years.

All three reps have FINRA licenses and SEC licenses series 6, 63, and 65. They are all local New Mexicans. Peter lives in Santa Fe, Paul in Albuquerque, and Linda in Las Cruces. They should not be seen as corporate VOYA employees, they are licensed under VOYA, but they work for the Plan. The reps are not financial planners. They cannot look at a person's finances and give advice. Their FINRA licenses allow them to provide education and awareness on the investment options that are available in the Plan.

They can provide investment education on risk tolerance and identify objectives considering one's retirement goals. They can offer guidance and education on the online tools available for Plan participants. Their licenses also allow them to guide the managed account service. In the end, it is the participant who decides what to do with their investment options.

As for the Plan's outreach process, all reps contact all their respective employers in January. They schedule group presentations or one on one meetings with employees with the goal of covering all their respective entities within the calendar year.

Some employers respond immediately and schedule events quickly. As for the less responsive employers, the outreach team persistently reaches out until an event is scheduled. Some proactive employers reach out on their own and routinely get events scheduled.



The reps participate in any organized event like new employee orientations, ad hoc requests for presentations, benefit fairs, open enrollment events, and any kind of all-staff events. The SmartSave reps are usually invited to the PERA pension retirement seminars. Someone from deferred comp is always there representing the Plan for any PERA scheduled events.

The reps are also available for administrative requests. Participants can reach out to them with a variety of questions, not just for counseling on investment options. They also maintain a high level of flexibility to accommodate employees that have irregular working schedules, such as law enforcement and first responders.

Ms. Lujan recognized the administrative support position, Ms. Phyllis Gurule. Ms. Gurule has been with the Plan since 2012. When the Plan was with Nationwide, all forms had to go through Ms. Gurule before they got processed. Now with VOYA, Ms. Gurule does not have to be a middleman. Her role has changed to an administrative support position for employers. She has been training new employees on how to use the VOYA system. Her other roles include troubleshooting the VOYA portal and employer support for contribution accounting. Ms. Lujan also recognized Ms. Gurule as a counselor and a friendly ear who has a knack for dealing with irate customers.

Ms. Lujan hoped that with the three reps in place working together with Ms. Gurule, and with buildings opening, the numbers will start getting back to normal.

Chair Davis thanked all the SmartSave employees for their hard work.

## 7. Adjournment

With no further business to discuss, Chair Davis adjourned the meeting at approximately 10:25am.

Approved by:



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Lawrence Davis,  
SmartSave Committee Chair

ATTEST:



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Greg Trujillo, Executive Director