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**NEW MEXICO**

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**SMARTSAVE**

**COMMITTEE MEETING**

**March 13, 2018**

This meeting of the Public Employees Retirement Board SmartSave Committee was called to order by Chair Dan Mayfield at approximately 9:30 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:**

Dan Mayfield, Chair  
Patty French, Vice Chair  
Natalie Cordova  
Loretta Naranjo-Lopez

**Member(s) Absent:**

Tim Eichenberg  
Maggie Toulouse Oliver

**Other Member(s) Present:**

Claudia Armijo  
James Maxon

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff/General Counsel  
Dominic Garcia, Chief Investment Officer  
Greg Trujillo, Deputy Director  
Renada Peery-Galon, ASD Director  
Karyn Lujan, SmartSave Plan Manager  
Dana David, Assistant General Counsel  
Trish Winter, Executive Assistant  
Anna Williams, Chief Financial Officer  
Karen Risku, Deputy General Counsel  
Kristin Varela, Deputy Chief Investment Officer  
Christine Ortega, Portfolio Manager  
Mark Montoya, Investments Division  
Christopher Martinez, Procurement Manager

**Others Present:**

Paul Lium, Nationwide

Gavin Gruenberg, Voya Financial

**2. APPROVAL OF AGENDA**

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

**3. APPROVAL OF CONSENT AGENDA**

Chair Mayfield stated that he reviewed the minutes and they appeared to be in order.

Ms. Naranjo Lopez moved approval. Ms. Cordova seconded and the motion passed by unanimous [4-0] voice vote.

**4. CURRENT BUSINESS**

**A. Approval of the Updates to the PERA SmartSave Investment Policy Statement, pending final legal review [Exhibit 1]**

Dominic Garcia, Chief Investment Officer, said staff is presenting enhancements and housekeeping items to the Investment Policy Statement (IPS) for SmartSave.

Karyn Lujan, SmartSave Plan Manager, reminded the Committee that a charter was necessary which required defining the committee's role and this presented an opportunity to review the plan's IPS. She discussed the evolution of the plan since the last IPS review in 2015. Since the inception of the SmartSave Committee, a quality fund line up, investment structure and strategies have evolved.

IPS updates include defining roles, responsibilities and delegated authority of the Board, SmartSave Committee, staff and the plan's investment consultants. She highlighted the new and updated IPS content. Throughout the SmartSave section of the IPS "Board" has been replaced by "Committee" or "plan." Staff refers to the CIO and deferred compensation plan manager.

Ms. Lujan said the draft has been presented with new language in red and proposed language change or cleanup in green. The policy intends to be consistent with the DB's IPS and procurement policy that were approved in December 2017 as they relate to governance and procedures. The document establishes that this plan is voluntary and does not guarantee returns or prevent loss. A new section (B.2) has been created to define the Committee's duties and specifies that the Committee assists the Board in making the final approval. Section 3 is also new and defines the role of the CIO and staff to make the decisions necessary and appropriate in order to carry out the Committee's direction. Meketa requested the inclusion of 4.d, indicating that the

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consultant monitors fees and reports at least annually regarding fees.

Ms. Lujan noted that when the plan was originally enacted in the 1980s the record keeper was permitted to sell insurance policies. When Nationwide was awarded the RFP they acquired the effective life insurance policies and the Plan stopped offering them in the 1990s. The insurance policy premiums are paid through the participant's deferred compensation account balance. The IPS now identifies that the policies are a legacy product and are no longer offered to new participants.

The plan objectives are contained in the introduction and Section 3 was deemed redundant and thus deleted.

Meketa also recommended that the lifecycle portfolio be clearly defined as the plan's default option or a "Qualified Default Investment Alternative – QDIA." The IPS establishes language authorizing the CIO, with a review from staff and the investment consultant, to select the investment options necessary and appropriate to implement the Committee's policies. All actions shall be disclosed to the Committee.

Ms. Lujan said an Appendix A was added that defined Committee, Plan and Staff as she mentioned earlier, and an Appendix D is included that identifies the target maturity lifecycle asset allocation. She said Meketa provided a statement of support for the updates.

Regarding the life insurance policies, Ms. Lujan said the terms of the policies are between the PERA member and the provider. Nationwide serves as an administrative middleman. Ms. Cordova expressed concern that the new section (I.6) does not adequately address the responsibility issue.

To provide additional clarification to the insurance policy issue, the following language was recommended: "This service is not the responsibility of the SmartSave Committee and/or the Board."

Ms. Naranjo Lopez recommended that I.7.c, and II. Control, refer to the "Board" rather than the "Committee." She suggested that the language state that the Committee will recommend to the Board or merely list the Board as the decision maker on these points. Also, under V.C, last paragraph, she recommended retaining the Investment Committee in that section.

Mr. Lujan said she originally had "Board/Committee" and determined it would be cleaner to use Committee and within the definition section include Board as part of the Committee definition. She repeated that all Committee actions are forwarded to the Board for final action. The Investment Committee was removed because all deferred compensation issues are brought directly to the SmartSave Committee. Individual manager selections are being handled by the CIO, staff and investment consultants,

which is consistent with the DB's IPS. Those decisions are reported to the Committee, stated Ms. Lujan.

Ms. Naranjo Lopez said she disagreed with the process stating it appears to lack oversight and transparency.

Mr. Garcia repeated that every decision made by the Committee will be forwarded to the Board – via consent or as an agenda item – for final review and approval.

I.B.2, PERA SmartSave Committee, this section was discussed at length and Dana David, Assistant General Counsel, explained that the first and second sentences in that section have separate functions. The sentence under question is directly from the administrative rule that the Board adopted establishing what this committee does. Administrative rules have the same weight of law as the statute.

Ms. Naranjo Lopez said she was concerned that I.B.2 delegates the Board's authority to a few. Ms. Armijo said the section directly quotes the rule and the Board could entertain amending the rule in the future.

General Counsel Susan Pittard suggested the following change to the second sentence to address the issue that was raised: The ~~Board~~ Committee's delegated authority ~~to the Committee~~ is to review and monitor the administration of the deferred compensation plan investment policy adopted by the Board.

Ms. French moved to accept the language and Ms. Naranjo Lopez seconded. The motion passed by unanimous voice vote.

The Committee acknowledged and thanked Ms. Lujan for her work on this project.

Ms. Armijo said the definitions appear incorrect and require redrafting. She said definition of "Committee" to include the Board was not acceptable and she recommended against the phrase "as context requires." Definitions should strive for plain meaning because that is how courts interpret them. She recommended careful review of "the staff" definition. Rather than in an appendix the definitions should be in a definitions section.

Ms. French said she was not prepared to vote favorably on the IPS updates until a final draft is presented to this committee. Ms. Naranjo Lopez said she too would prefer reviewing the final version before forwarding it to the Board.

Noting that the next scheduled SmartSave meeting is in June, Mr. Garcia said a special meeting can be scheduled before the next Board meeting to review the IPS

changes.

Ms. French recalled that when the SmartSave Committee was initiated there was discussion to meet every other month but she found the plan to not meet again until June alarming and asked how staff was able to project that far in advance that a meeting was not necessary. Mr. Garcia said a meeting can always be scheduled to address an issue; however, the meeting schedule was approved by the Committee.

**B. Approval of PERA SmartSave Committee Charter [Exhibit 2]**

Ms. Lujan said the charter identifies the Committee's purpose, authority and ethics, organization and membership, and structure of the committee meetings.

Mr. Garcia noted that currently there is not a charter for the committee. He confirmed that once acted on by the Committee it will be forwarded to the Board.

It was noted there were two Section 3s, a typo to be corrected.

Ms. Naranjo Lopez moved to approve the SmartSave Committee Charter. Her motion was seconded by Chair Mayfield and passed by majority [3-1] voice vote with Ms. French voting against.

**5. OTHER BUSINESS**

None was presented.

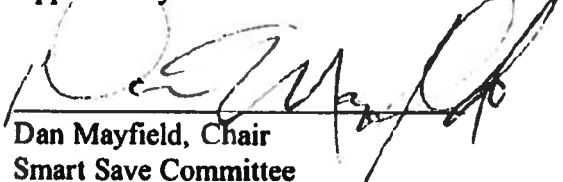
**6. ADJOURNMENT**

Upon motion by Ms. French and second by Ms. Naranjo Lopez, Chair Mayfield adjourned this meeting at approximately 10:20 a.m.

ATTEST:

  
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Wayne Propst, Executive Director

Approved by:

  
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Dan Mayfield, Chair  
Smart Save Committee

*Exhibits:*

*Exhibit 1: Staff Recommendation*

*Exhibit 2: Staff Recommendation*