

**NEW MEXICO**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**SMARTSAVE**  
**COMMITTEE MEETING**

**May 10, 2016**

This third meeting of the Public Employees Retirement Board SmartSave Committee was called to order by Chair John Reynolds at approximately 9:35 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 by Executive Director Wayne Propst and a quorum was established:

**Members Present:**

John Reynolds, Chair  
Jackie Kohlasch, Vice Chair  
Dan Mayfield  
Loretta Naranjo Lopez  
Brad Winter

**Member(s) Excused:**

Tim Eichenberg

**Other Member(s) Present:**

Patty French  
Dan Esquibel  
James Maxon  
Paula Fisher  
John Melia

**Staff Members Present:**

Wayne Propst, Executive Director  
Susan Pittard, Chief of Staff-General Counsel  
Jon Grabel, Chief Investment Officer  
Greg Trujillo, Deputy Director/Chief Information Officer  
Karen Risku, Deputy General Counsel  
Renada Peery-Galon, ASD Director  
Natalie Cordova, Chief Financial Officer  
Dana David, Assistant General Counsel

Misty Braswell, Assistant General Counsel  
Jude Perez, Deputy CIO  
LeAnne Larrañaga-Ruffy, Portfolio Manager  
Kristin Varela, Portfolio Manager  
Emily Lopez, Financial Specialist  
Karyn Lujan, Deferred Compensation Plan Manager  
Christine Ortega, Portfolio Manager  
Lalleh Dayeny, Investment Division

**Others Present:**

Paul Lium, Nationwide  
Ted Benedict, Meketa Investment Group  
Paul Cowie, Meketa Investment Group

**2. APPROVAL OF AGENDA**

Mr. Mayfield moved to approve the agenda as presented. His motion was seconded by Ms. Kohlasch and passed by unanimous [5-0] voice vote.

**3. APPROVAL OF CONSENT AGENDA**

Chair Reynolds indicated he reviewed the April 12<sup>th</sup> minutes.

Ms. Naranjo Lopez moved approval. Ms. Kohlasch seconded and that motion passed by unanimous [5-0] voice vote.

**4. CURRENT BUSINESS**

**A. Review of Third Party Administrator**

Jon Grabel, Chief Investment Officer, commended Karyn Lujan, Deferred Comp Plan Manager, stating she has elevated this program with a focus on retired maturity and options afforded to the PERA membership. Rebranding has brought this program to the forefront. Ms. Lujan and Ted Benedict from Meketa reviewed the “nuts and bolts” of third party administration at Nationwide’s headquarters.

Ms. Lujan said Eide Bailey and Maketa recommended conducting a due diligence on Nationwide in order to uphold PERA’s fiduciary responsibilities to the plan. The meeting at Nationwide at its home office in Columbus, Ohio occurred on April 27<sup>th</sup> and those items reviewed included operations overview, day-to-day transactions, employee training, call center agents’ qualifications, valuation procedures, cyber security, and participant education initiatives for 2016.

Nationwide has a local office in Santa Fe and Phyllis Gurule is the administrative assistant.

Mr. Benedict reviewed Nationwide's mutual fund accounting system and said Galliard will provide additional data regarding their valuation procedures.

Ms. Lujan said Nationwide has a very sophisticated cyber security system which reduces the likelihood that a single event can take down the system.

Mr. Benedict noted that Nationwide scans all paperwork into a record file and all phone calls are recorded to resolve any transaction disputes.

Nationwide has some interesting marketing campaigns that staff will continue to review. Chair Reynolds suggested educating the employers could boost the program. Ms. Lujan agreed and said timely enrollment is an important component to member retirement. She is interested in getting all employers to utilize Nationwide's electronic contribution accounting system. Mr. Grabel said it is the onset of the member's career when SmartSave should be initiated and Ms. Lujan has reached out to the employers in an effort to convey that information.

PERA wants to reduce the participant's annual fee for those with lower balances. Nationwide is working on that issue as is Meketa. Nationwide is preparing fund fact sheets on the lifecycle portfolios Ms. Lujan said Nationwide will be stepping up their marketing efforts.

PERA Board Chair French said she was pleased with the internal processes at Nationwide and asked whether they were using PERA's new logo and whether they were promoting the SmartSave programs. Paul Lium, Nationwide, said they are implementing the new logo –.

Mr. Grabel said as fiduciaries it is important to consider the timeframe between when the employee gets paid and when that money is invested. To the extent PERA has affiliates mailing checks weeks later it's PERA's job to not only monitor the alacrity in which Nationwide invests but to make sure the PERA employers are forwarding the funds immediately.

Ms. Kohlasch requested date data on remittance from PERA's employers to Nationwide that can be used for comparison purposes.

Mr. Melia observed that when reviewing his lifecycle fund online there is what he referred to as a lack of transparency regarding the investments and the expense ratios are not available, which could be construed as deceptive. Ms. Lujan said the fund facts sheet should clear up those issues. Mr. Benedict said a fact sheet for each portfolio will be a great improvement and Nationwide will be making that information accessible through the Mfact Mutual Fund accounting software.

Referring to the debate about passive or managed funds, Mr. Melia advocated that the participants have a choice between active or passive management. He noted

that out of the 20 mutual funds there are only three indexed funds. The fiduciaries need to make those choices, stated Mr. Grabel adding anything in the portfolio comes through the Board. With 93 percent of the plan depending on asset allocation and 7 percent from implementation, 3 percent of the variance return comes from manager selection. He agreed there should be a more robust offering in the dimension of indexing.

Mr. Mayfield commended staff and the third party consultant for breathing life into the SmartSave program. Mr. Esquibel concurred and encouraged Nationwide to consider how-to videos for the members to educate themselves.

Chair Reynolds acknowledged Board Chair French and Mr. Grabel for creating this committee.

Ms. Lujan said educating the employers is PERA's burden and Nationwide has been very accommodating in reaching out to the employers. She noted there were 53 employers that mail checks to Nationwide and they are not all small rural communities.

**B. Q3 FY 16 Investment Performance Report**  
*[Exhibit 1: Q3 FY 16 Report]*

Mr. Benedict, Meketa, provided an update on Meketa noting they are 100 percent employee-owned which adds stability to employee retention.

Paul Cowie, Meketa, reviewed the organization of the four different investment tiers from conservative to aggressive. At the end of March the assets were at \$484.1 million, an increase of \$4.1 million from the prior quarter end. There were 19,052 participants at quarter end with an average account balance of just under \$26,000. Contributions totaled \$9.2 million, compared to \$8.1 million in withdrawals. A breakdown showed 27 percent of the assets were in the stable value fund, 21 percent in the lifecycle funds, 14 percent in Vanguard Institutional Index fund and the remaining 12 percent in Fidelity and T. Rowe Price Mid-Cap Growth.

Mr. Cowie reviewed the market activities during that quarter. In general, active managers struggled. This was one of the worst quarters on record for mutual funds with large cap funds having a particularly difficult time. The lifecycle funds did well with returns between 1.5 and 2 percent. He offered observations regarding each of the strategies. Mr. Benedict said even though active management had a tough quarter most of PERA's managers are ahead of their peer group.

Referring the expense analysis, Mr. Cowie said PERA is below the median in almost all groups versus the peer median.

**C. Q3 FY 16 Plan Activity Report**  
*[Exhibit 2: Q3 FY 16 Plan Review -Nationwide]*

In terms of transparency, Ms. Lujan noted that these 3<sup>rd</sup> quarter reports are posted on the website under the SmartSave page.

Ms. Lujan announced that during this quarter the plan exceeded 19,000 participants, up 800 from this time last year. The Town of Peralta and City of Lordsburg joined the plan this quarter. Rebranding is approximately 99 percent completed. She noted that the four new lifecycle portfolios have been implemented as the 2020, 2030, 2040 and 2050 portfolios. The group meeting activity report has been updated to better identify with whom the meeting occurred.

Paul Lium, Nationwide, said there has been a change in staff and he hopes to introduce the new employee at a future meeting. As a point of information, Mr. Lium said this was the first quarter that the number of roll-ins equaled the number of roll-outs.

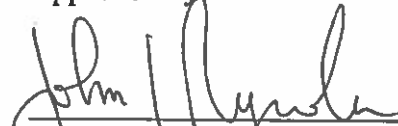
**5. OTHER BUSINESS**

Ms. French commended staff and the Board members working on the SmartSave issue.

**6. ADJOURNMENT**

Upon motion by Mr. Mayfield and second by Mr. Winter, Chair Reynolds adjourned this meeting at approximately 10:35 a.m.

Approved by:

  
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John Reynolds, Chair  
SmartSave Committee

ATTEST:

  
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Wayne Propst, Executive Director

**Attached Exhibit(s)**

*Exhibit 1: Review of Third Party Administrator*

*Exhibit 2: Q3 FY 16 Investment Performance Report - Meketa*

*Exhibit 3: Q3 FY 16 Plan Activity Report - Nationwide*

