

Dear Plan Participant:

The New Mexico Public Employees Retirement Association Board (PERA), in November 2022, formally adopted an official Fee Policy for the voluntary PERA SmartSave 457b Deferred Compensation Plan (the Plan). The purpose of the policy is to implement Section 10-7A-10 of the New Mexico Deferred Compensation Act and Sections 4.1 and 5.3(a) of the Plan Document as they relate to Plan fees and expense remittances.

What to expect.

Effective June 30, 2023, a new \$2.96 quarterly fee will be deducted from your account balance to cover the Plan's internal administrative costs. This new quarterly fee will only be deducted from your balance as needed, to maintain the necessary funding of the Plan's approved annual budget. There are no changes to the current Recordkeeping fee of \$10 flat rate + .139% of assets capped at \$26; this fee will continue to deduct from your account balance each quarter.

Understanding the details.

There are three cost components to the Plan: the Recordkeeping fee (currently Voya), the Plan's Investment Consultant fee (currently Meketa Investment Group), and PERA's one Full Time Employee (FTE) for this Plan. Although PERA oversees this Plan, it does not receive any funding from the pension fund. The Plan is 100% participant funded, which is common in voluntary, supplemental, defined contribution plans. The quarterly Recordkeeping fee that currently deducts from your account balance is Voya's fee. The cost for the Plan's Investment Consultant and PERA's FTE was paid from revenue shares of five funds from the Plan's fund lineup, another common practice in defined contribution plans.

The Plan recently experienced fund changes within its fund lineup. Two of the five revenue sharing funds were part of the fund removal/replacement that took place in March and April 2023; this led PERA to establish a new source of revenue for its internal Plan administrative costs.

Additional Information.

The implementation of this new fee policy enables the Plan to fund its necessary expenses and be fair and equitable across all account balances. Not all Plan participants were invested in the revenue sharing funds, so only a small population was generating income to cover internal Plan administration costs.

Now, all account balances will pay the same additional fee and the revenue sharing income will be applied to those participant accounts that generate it. The new fee policy also allows PERA the needed flexibility to remove or replace funds, in accordance with the Plan's Investment Policy, without being reliant on any of them for income. Further, more and more defined contribution plans are moving away from using revenue shares to cover plan expenses, which helps PERA SmartSave evolve into a new and modern class of best practices.

We're here to help.

The PERA Board is proud of the voluntary PERA SmartSave Plan and makes decisions with the utmost consideration and care of the Plan participants. PERA strives to provide a low-cost, high quality Plan that can possibly supplement your PERA pension for many years into your retirement.

If you have any questions about this notice, please contact me at PERA-SmartSave@state.nm.us or at 505-476-9386.

Sincerely,

Karyn Lujan, Deferred Compensation Plan Manager
New Mexico Public Employees Retirement Association

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CN1192599_0523