

State of New Mexico 457b PERA SmartSave Deferred Compensation Plan
RFP No. NM DC-001-FY23
Answers to Questions

Q1: Can you share some detail on the current plan fees? The plan is using both a fixed dollar and bps point fee (\$40 + 13.5bps) to pay for record keeping. Can you explain the philosophy having two fee structures? Additionally, can you detail what the \$2.96 administrative fee is used for?

A1: In 2017, the Plan changed from a flat rate to a hybrid fee structure in efforts to apply a fee that would be more equitable across all balances, this was only the recordkeeping fee.

The Plan was using revenue shares to cover internal plan expenses; some of these revenue sharing funds were replaced due to policy so the Plan needed a new source of income to cover internal plan expenses – the PERA Board adopted a fee policy that would charge all participants a flat rate to cover these expenses. This new \$2.96 starts in Q2 2023 and is only to be charged as needed.

Q2: Can you share any fund changes/additions to the lineup and/or asset allocation funds over the last few years?

A2:

- Replaced DFA US Small Cap with Fidelity Small Cap Index in core line up and Target Date Funds (TDFs).
- Replaced Invesco Global REIT with Vanguard REIT Index in core line up.
- Replaced Aberdeen EME with Fidelity EME Index in core line up and TDFs.
- Removed Fidelity Contrafund, mapped assets to Vanguard S&P 500.
- Removed Oakmark Equity & Income Fund, mapped assts to age appropriate TDF.
- Replaced Templeton Global Bond Fund with Wellington EMD in core line up and TDFs.

Q3: The RFP specifically mentions “selecting a stable value fund manager”, is this the result of a periodic review of stable value managers or issues with the current stable value provider (Galliard)?

A3: This would be the result of a periodic review of stable value managers.

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Q4: Can you please provide the most recent plan report from Voya?

A4: All quarterly Plan Activity Reports can be accessed on the PERA website here:
<https://www.nmpera.org/deferred-compensation/deferred-compensation-performance/>.

Q5: Can you provide the fee for the current consultant? Is the fee based on the scope of services being requested with this RFP? Are any services charged a-la-carte?

A5: The current fee is \$100,000 for year 8 of 8 of the incumbent consultant contract.

Q6: Part IV, Minimum Qualification D requests audited financial statements. It states that no exceptions will be made and provides specific language in Part VII, Paragraph E if this information should be confidential. Would PERA be willing to execute a Non-Disclosure Agreement as well regarding financial statements?

A6: The offeror can submit an NDA to PERA for review; PERA may execute the NDA if the terms are acceptable and limited. However, an NDA is not required if confidentiality is desired, the Offeror must simply include in its response to this RFP such confidentiality request in writing. (See Part VII, Paragraph E of the RFP, for instructions on confidentiality requests.)

Q7: Have there been any fund changes to the investment lineup within the past two years? If so, can details be provided on those changes.

A7: See A2.

Q8: How frequently is the glidepath and underlying asset allocation of the custom target date funds reviewed and rebalanced? When was the last time the asset allocation of custom target date funds was revised?

A8: The incumbent consultant reviews and directs the recordkeeper to rebalance/adjust once a year, according to the glidepath; the underlying funds get rebalanced back to target once a quarter.

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Q9: What are the top three priorities/initiatives for the plan over the next year?

A9: A comprehensive cleanup of the investment structure and review of individual funds is priority, along with Plan Design updates from SECURE Act 2.0.

Q10: Are there any pending manager searches? Or managers on watch?

A10: There are no pending manager searches at this time; and there is not a formal watch list; funds are removed/replaced according to policy.

Q11: Please indicate the amount you are currently paying the incumbent on an annual basis.

A11: See A5.

Q12: Will the Plan consider a response that includes delegation of the implementation decisions to the Consultant (manager selection, structure, rebalancing, operations) if it can be shown that delegation would be expected to save the Plan significant costs? The Plan in this case would retain its most important asset allocation and policy decisions.

A12: It is unlikely PERA would delegate implementation decisions, which would require Board approval and amended investment policy. Nevertheless, the respondent may submit a proposal that assumes delegation. However, if the selected consultant was given delegated authority, the selected consultant would be prohibited from receiving any remuneration from the investment funds or managers selected to the participant lineup, and the selected consultant would be prohibited from selecting any investment fund or manager that was affiliated in any way with the selected consultant. Nor would the selected consultant be allowed to charge the participants additional fees.

Q13: Please clarify how the Plan defines "Subject Product" referenced in item B of section "IV. Minimum Qualifications" in the RFP.

A13: "Subject Product" is Investment Consulting Services.