



**PERA**

## **Deferred Compensation Plan**

*Investments and Pensions Oversight Committee*

*Senator George Muñoz, Chair*

*Representative Monica Youngblood, Vice-Chair*

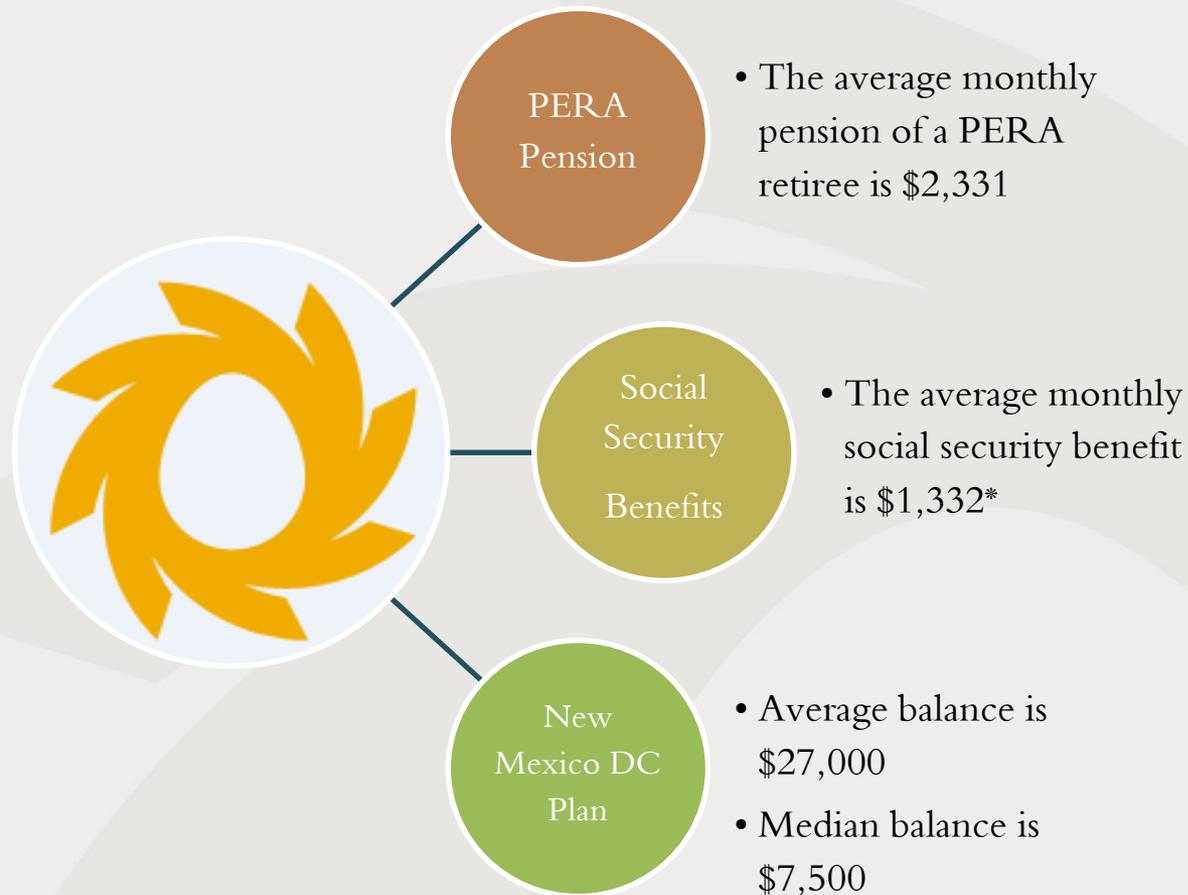
*July 21, 2015*

*Patty French, PERA Board Chair*

*Wayne Propst, Executive Director*

*Jon Grabel, Chief Investment Officer*

# Retirement Security for Public Employees of New Mexico



*\*Most public safety member groups have elected not to participate in Social Security coverage and therefore do not pay the 6.2% FICA tax.*

# What is the PERA New Mexico Deferred Compensation Plan?

- The PERA New Mexico Deferred Compensation Plan is an optional supplemental retirement plan under 457(b) of the Internal Revenue Code
- Administered by the PERA Board of Trustees\*
- Intended to complement and supplement the core PERA defined benefit plan
- The PERA Board utilizes a Third-Party Administrator as record keeper for the Plan:
  - *provides administrative services for the Plan*
  - *provides outreach activities and marketing material*
  - *generates quarterly statement of account for each participant*
  - *administers disbursements*
- All costs related to the Plan are charged to the participating employees

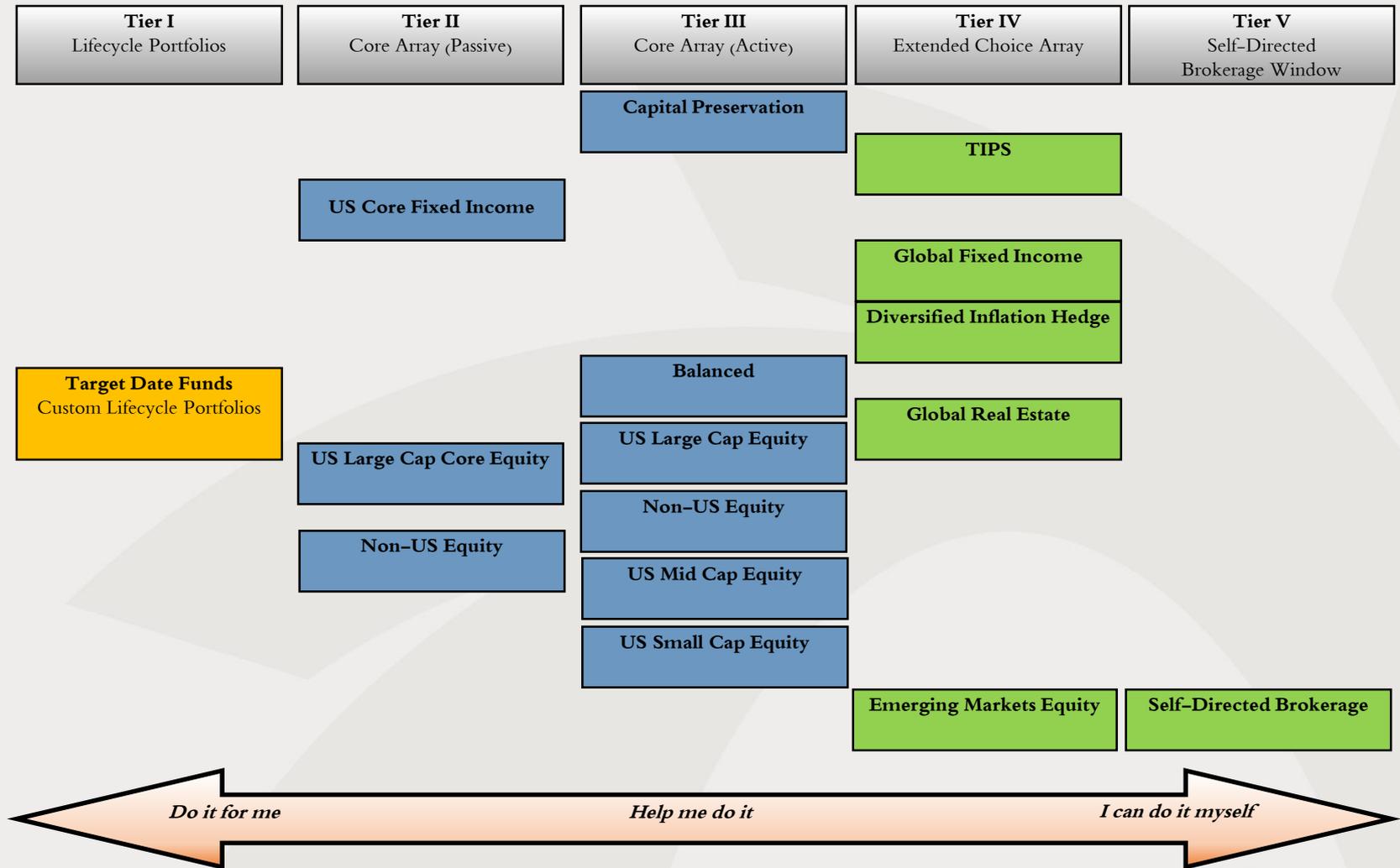
*\*See, Deferred Compensation Act, NMSA 1978, Section 10-7A-1 through 10-7A-12 (1991)*

# What Makes the PERA New Mexico Deferred Compensation Plan Unique?

- The PERA Board acts as a fiduciary of the Plan
- Self-directed investment options
- Participants enjoy tax-deferred contributions through automatic payroll deductions\*
- Any employee whose employer is a participant in the Plan is eligible to contribute
- The Plan is intended to span an employee's career
  - *Contribution amounts are allowed to change at any time – \$10 minimum per pay period*
  - *Participants can remain in the plan post-retirement*
- Low annual administrative fee of \$52
- The 457(b) Plan is consistent with PERA's mission: *Invested in Tomorrow*

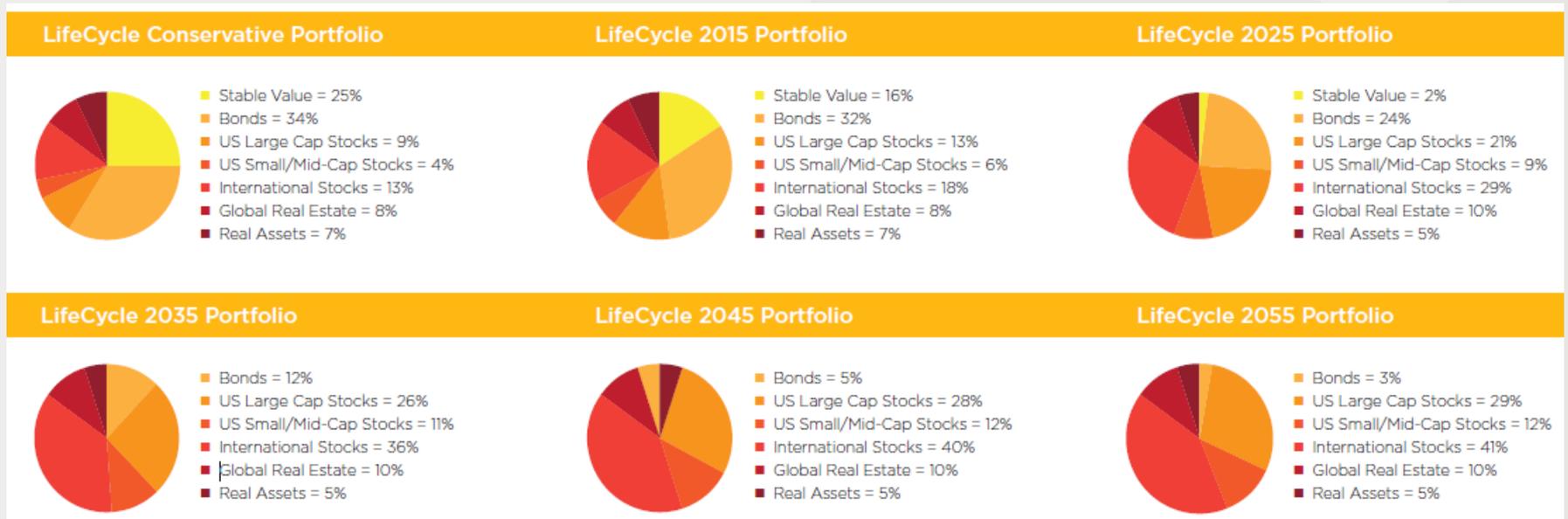
\*The annual IRS standard deferral limits for 2015 is \$18,000; additional catch-up provisions for participants age 50+ apply.

# Investment Option Structure



# Tier One – Lifecycle Portfolios

Lifecycle Portfolios are target date funds designed for a specific retirement date or a participant's age.



# Tiers 2-4 Build your own portfolio

A mixture of 19 active and passive under Tiers Two – Five options in these asset classes:

## Select Portfolio Model

If you're not sure of investment style, [take the questionnaire](#).

Asset Class	Portfolio Models				
	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
International Stocks	5%	10%	15%	25%	30%
Small Cap Stocks	0%	0%	5%	5%	10%
Mid Cap Stocks	5%	10%	10%	15%	15%
Large Cap Stocks	10%	20%	30%	35%	40%
Bonds	40%	35%	25%	15%	5%
Short-Term Investments	40%	25%	15%	5%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Select Model</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

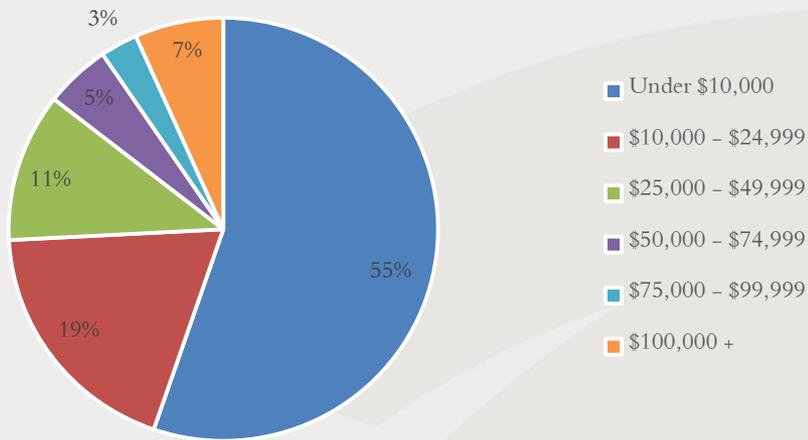
**Tier Five** – Allows the participant to supplement Tier 1, 2, 3 or 4 investments with additional mutual funds or other diversified investments based on their time horizon, risk tolerance, investment goals, and/or fund manager preferences.

# Affordable Savings – 457(b) Plan Fees

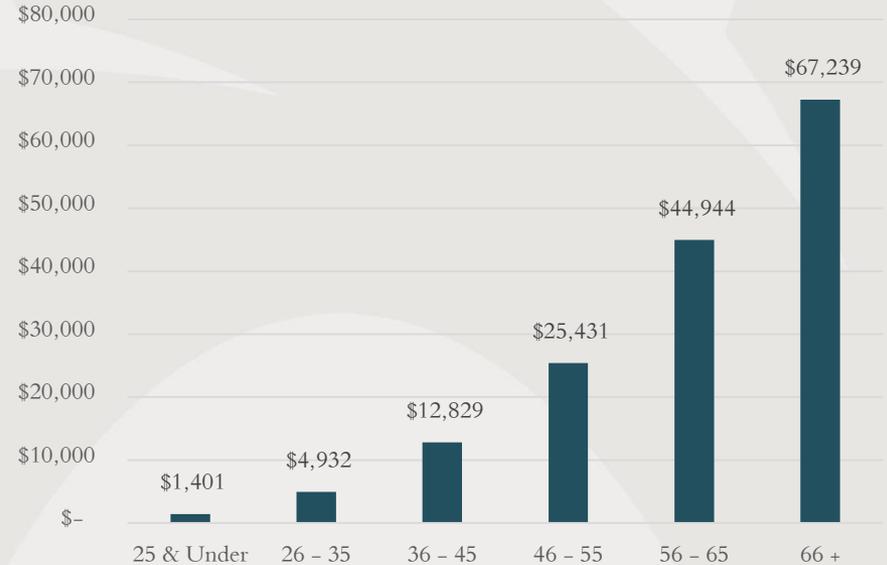
- Low Administrative Fees Encourages Retirement Savings
  - *\$52 annual fee*
  - *Fee holiday for the first two quarters or until the account balance reaches \$1,000 – whichever occurs first*
- Low investment management fees
  - *Participants benefit from institutional share classes*
  - *Fund net expense ratio is 0.42% as of the March 2015 quarter*
  - *All investment options are less expensive than the median net expense ratio*
- Fees are reviewed quarterly by the PERA Board

# NM Deferred Compensation Plan at a Glance

Participants with a Balance by Asset Range



Average Balance by Age Group



# 457(b) Plan Coverage as of 03/31/2015

<b>Assets</b>	<b>\$499,806,757</b>
Participants	18,495
Participating Employers	219 (City, State, County and Public Schools)
Group Meetings Held	1,820
Individual Meetings Held	4,537

# PERA's 457(b) Plan Highlights – FY15

- Participants crossed 18,000 in December 2014
- Assets crossed \$500 million in May 2015
- EZ enrollment form was created
  - *Allows participants to enroll in the Plan under the Lifecycle Portfolio closest to the year the participant reaches age 65*
- Initiated participation with HR manager meetings at SPO
- Plan Rebranding initiative to:
  - *Increase awareness of, and participation in, the Plan*
  - *Clarify that the Plan is offered by PERA*