

## PERA Smart Save Plan to Adjust Administrative Fee Structure

By Karyn Lujan

One of the benefits of the PERA Smart Save Deferred Compensation Plan is the aspect of fiduciary oversight. The PERA Smart Save Committee, a committee of the PERA Board, is always looking for ways to provide PERA members with a high quality supplemental retirement plan.

A recent initiative of the Smart Save Committee is to deliver a more equitable distribution of annual administrative fees for the benefit of the Plan and its participants. In January 2017, the

PERA Smart Save Committee and Board adopted a new annual administrative hybrid fee of \$30 per participant plus 0.135% of the participant's assets, with a cap of \$104. This new hybrid fee will replace the \$52 flat fee per participant, lowering the administrative fee for 75% of the Plan's participants.

PERA Smart Save			
Fee Examples		\$30 flat + 0.135% of Account Balance	
Account Balance	\$5,000	Admin Fee	\$36.75/year
Account Balance	\$25,000	Admin Fee	\$63.75/year
Account Balance	\$100,000	Admin Fee	\$104.00/year

Smart Save Plan demographics and statistics are reviewed on a quarterly basis. Plan reports indicate that the average participant balance is \$25,000. However in late 2016, PERA conducted a more detailed administrative fee analysis and discovered that the *median* account balance was only \$6,000 among the Plan's approximately 20,000 participants. PERA looked further into industry data as well as 457b plan competitors in New Mexico and recognized an opportunity for improvement on the makeup of Plan's annual administrative fee.

PERA worked closely with the Plan's administrator and tested six different fee scenarios that proved to be more equitable across the plan, while still fulfilling contract requirements between PERA and the administrator – the aforementioned fee scenario was believed to best meet the goals and objectives of the Plan.

In order to effectively construct a more equitable fee schedule, an increase must occur somewhere in the execution of the new structure. PERA took into consideration the Plan's *savvy savers* and was able to include a cap for those with higher account balances. As a result, the new hybrid fee structure now allows PERA Smart Save to become comparable to its competitors for those with low account balances while still remaining less expensive for those with high account balances.

The new fee structure was effective July 1, 2017. PERA Smart Save Plan participants can see their new fee on their third quarter participant statements, which become available in late October. For more information, email [PERA-smartsave@state.nm.us](mailto:PERA-smartsave@state.nm.us) or call 1-866-827-6639.