

## The Education Trust Board of New Mexico

THE HONORABLE MICHELLE LUJAN  
GRISHAM  
GOVERNOR OF NEW MEXICO

STEPHANIE RODRIGUEZ  
CABINET SECRETARY  
NEW MEXICO HIGHER EDUCATION DEPARTMENT



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EXECUTIVE DIRECTOR  
NATALIE CORDOVA

**Meeting Minutes of  
January 29, 2024  
33 Plaza La Prensa  
Santa Fe, New Mexico 87507**

### **Board Members**

Gary L. Gordon, Chair  
Robert J. Desiderio, Vice Chair (remote)  
Mont Green, Member  
Chamiza Pacheco de Alas, Member (remote)

### **ETB Staff**

Natalie Cordova, Executive Director  
Carolyn Fittipaldi, Marketing Director  
Natalie Zamora, Financial Coordinator

### **Meketa Investment Group**

Kay Ceserani, Managing Principal  
Kevin McLaughlin, Investment Analyst (remote)

### **Hogan Lovells**

Helen Atkeson, Partner

### **Sommer, Udall**

Kurt Sommer, Partner

### **Ascensus**

Tom Lowe, VP Investment Management  
Khalel Pritchard, Director, Relationship  
Management

### **Morton Accounting Services**

Janet Pacheco-Morton, CPA

### **Esparza Advertising**

Del Esparza, CEO

Lindsey Lubenow, VP of Accounts & Media

### **Sunny505**

Dezaree Vega-Garcia, President

Jerry Matthews, Senior Account Executive

### **Principal**

Randy Welch, Managing Director, Portfolio  
Manager

James Fennessey, Portfolio Manager

Paul Schieber, Managing Director, 529  
Distribution

Jori Horn, 529 Marketing Director

## 1) CALL TO ORDER

The meeting was called to order at 8:30 AM by Mr. Gordon. Mr. Gordon and Mr. Green were present. Ms. Pacheco De Alas and Mr. Desiderio attended the meeting via Zoom. Mr. Davis provided prior notice he would not be present at the meeting.

2) APPROVAL OF AGENDA

The agenda was approved unanimously.

3) APPROVAL OF MINUTES 11/8/23

There were no additions or changes to the minutes. The minutes were approved unanimously.

4) PUBLIC COMMENT

There was no public comment.

5) EXECUTIVE DIRECTOR'S REPORT – Natalie Cordova, Executive Director

Ms. Cordova noted that the State Legislature is now in session, and we have had a few fiscal impact reports to review. The Education Trust Board recently appeared before the Investment and Pension Committee and LFC. The Saving for Success Award has been launched and television and radio interviews have occurred promoting the program with New Mexico Community Trust. She additionally noted that they are working on a trademark filing with Hogan Lovells for The Education Plan. Breakthrough NM is working with ETB to award scholarships to first generation college students for 9<sup>th</sup> graders. We have an upcoming training with the NMSCPA where she will be presenting to her fellow accountants. Expenses are being closely monitored with nothing considered too small to change. For example, the recent copy machine lease renewal resulted in a savings. The cost of the office lease is also under examination. She noted that Ms. Fittipaldi reached out and spoke with the Early Childhood Education and Care Department communications director regarding the potential for future collaboration. Ms. Cordova also noted updates are available on Secure 2.0 as the rollout has begun.

a) FY 2023 Annual Audit Report – Matt Bone, CLA

Mr. Bone provided a summary and noted that the FY23 audit is final and public. Mr. Bone discussed the scope of the audit, the responsibilities of the parties involved, and other items discussed during the exit conference. He then explained the audit plan overview. The 2023 audit report was released by the State Auditor on November 6, 2023. Mr. Bone then discussed the audit results which consisted of an unmodified opinion (clean opinion).

b) FY 2023 Q2 Financial Report – Janet Pacheco-Morton, Morton Accounting Services

Ms. Pacheco-Morton presented the quarterly financial report for the period ending December 31, 2023. She presented the fiduciary funds and noted there are still net redemptions for Scholar's Edge. She noted an increase in net redemptions for both plans. Ms. Pacheco-Morton then discussed the operating funds. She noted a positive return in investment income. Program fees were slightly under through quarter end. No reserves in the operating fund have been used through quarter. She noted that ETB is within budget for contractual services, except the audit services line item. Ms. Cordova noted that audit services are only slightly over budget as this is due to the RFP, which was after the budget was submitted. Line item expenses can exceed projected budget as long as the program total does not. Additionally, Mr. Gordon added that ETB is analyzing whether the current office building is meeting ETB's needs, or if there is a space that meets business needs and is more cost-effective. Mr. Green asked if marketing items are reflected. Ms. Cordova noted that the expenses do not reflect all months reported as invoices are

generally processed after month's end and expect those to appear in total at year's end. The motion to accept the unaudited quarterly financial statements was approved unanimously.

6) SCHOLAR'S EDGE MARKETING, SALES AND DISTRIBUTION PLAN – Jori Horn and Paul Schieber, Principal

Ms. Horn provided a marketing review from the quarter. She noted they look to update their media every few months. She noted that this year they focused on a holiday campaign around traditions for different families. The Scholar's Edge website metrics have increased from last year. Mr. Gordon asked about the range of pages per session and session duration. Ms. Horn noted that it is an average, and some items are not included in website metrics (i.e. website calculators, website may redirect to other pages). She noted that the online calculator has been updated with the new tax rates for the year. Ms. Horn then discussed the creative and digital developments. She noted in summer and fall they did an audit of their own website and spent the winter months reviewing this information. Mr. Gordon and Ms. Horn had additional discussions on paid searches. Mr. Green asked about LinkedIn and if this is still something individuals use to look for a 529 plan. Ms. Horn noted that it is dependent on the audience they are trying to reach. She noted some of the items that they are working on such as the Evergreen Campaign and utilizing the Edge, as well as discussing how to make tax season less taxing. She also noted that they have an upcoming March Madness campaign. Ms. Horn provided an update on digital developments and discussed their website plan for the remainder of the fiscal year.

Mr. Schieber highlighted account specifics in the prior quarter and also discussed the rollovers. He then discussed industry trends and demographics data. Mr. Schieber noted the Top 10 SE Distributions. He also noted the "Great 8" focus states, and they represent SE priority markets to augment NM's footprint. Mr. Gordon and Mr. Schieber had additional discussions regarding leverage other factors (locations).

7) THE EDUCATION PLAN QUARTERLY MARKETING PLAN – Carolyn Fittipaldi, ETB – Dezaree Vega-Garcia and Jerry Matthews, Sunny 505 – Del Esparza and Lindsey Lubenow, Esparza Advertising

Ms. Fittipaldi noted 455 new accounts in the month of December for TEP, which may be the highest month on record. She discussed contributions from New Mexicans. She noted an increase in accounts in Santa Fe and Las Cruces during the last quarter. Ms. Fittipaldi noted 348 new accounts in TEP for January with three days left in the month. There is a 30 percent increase in accounts from last year for the months of October-December. Several small cities in NM that have been reached. As of last week, 136 applications were started for the Saving for Success Award. There have been several radio and TV interviews regarding the award. She noted upcoming meetings with financial institutions and other potential partners to discuss financial literacy education for the scholarship program. Ms. Fittipaldi mentioned several recent and upcoming events, including the Public Charter Schools of New Mexico School Choice Fair on January 20<sup>th</sup>, the NMPTA State Conference on February 9<sup>th</sup>, Higher Education Day with the State Legislature on February 13<sup>th</sup>, as well as Rotary Club presentations in Albuquerque, Los Alamos and Taos.

Mr. Matthews provided a FY24 YTD Summary on total new accounts and the FY24 goal of accounts. They then displayed charts on the enrollments by area and the media spend. Ms. Vega Garcia discussed the public relations side and various news releases from the months of October-December. Mr. Matthews discussed the traditional media side and the new tax message. They also showed the gifting print ads. Mr. Matthews discussed metrics for the FY 24 Q2 media spend

breakout, overall spend by market, for broadcast/cable television, radio, printing, outdoor, and video pre roll.

Mr. Esparza discussed the goals and marketing objectives for FY24. These goals include - increase awareness, drive enrollment, establish trust and credibility, and provide educational resources. He discussed the new accounts in FY24 and noted that TEP is already at 1,595 new accounts through the first six months of FY24. Ms. Lubenow then discussed the open and closed accounts based on a calendar year. She noted we are at a 25% increase from the prior year. She also discussed accounts in other states as well as NM. Ms. Lubenow outlined various website insights and some of the top pages, as well as landing page insights and those top pages. She noted the top five articles and top organic search inquiries. She updated the digital marketing channels overview and also noted the digital display click through rate in comparison with industry average. Mr. Green asked for clarification on financial click through rates and whether it was directly related to 529s. Ms. Lubenow noted that these metrics were related to financial click through rates as a whole. She also discussed email marketing, social media, and influencer marketing. Mr. Green noted that the Instagram numbers are lower than expected. Ms. Fittipaldi noted that Instagram was added more recently than others such as Facebook. Ms. Lubenow followed up and discussed several FY24 takeaways to complete their presentation.

The Board was in recess from 9:59 AM until 10:05 AM.

**8) PROGRAM MANAGER'S QUARTERLY OPERATIONS AND INVESTMENT REPORTS – Khalel Pritchard and Tom Lowe, Ascensus – Randy Welch and James Fennessey Principal**

Mr. Pritchard provided an update on Fidelity Omnibus accounts and Roth rollovers and discussed upcoming universal enrollment. He then discussed a plan snapshot for TEP with key statistics noted. They presented a new slide outlining assets and accounts by age group. The overall TEP is looking strong. He then outlined some of the 529 industry trends and challenges/roadblocks that Scholar's Edge runs into, such as paper processing. He noted the importance of targeting specific channels and audiences. They are continuously working on doing away with the use of paper. He then provided a snapshot of Scholar's Edge and the key statistics. Mr. Pritchard then discussed the contribution summary report and charts. They launched automatic callbacks with the call center. This gives individuals the option to receive a call back if they do not want to wait for the predicted wait time.

Mr. Lowe discussed the TEP Q4 Performance Summary. It was good on the inflation front and there was a strong equity market during the quarter. Passive allocation portfolios are in line with benchmarks and active portfolios of underlying funds were mixed.

Mr. Welch began by discussing the market review. It was a good quarter for the SE portfolios. There is still a lot of money sitting in the money market. Mr. Fennessey discussed Principal's watch list summary. Mr. Green asked about fiscal policy and where we are headed. Mr. Fennessey noted that it is an election year, and the course of action will be dictated a lot more by that.

Mr. Welch then went on to discuss watch list items. He then discussed some of the advantages of Principal Blue Chip. 62% of the time, Principal Blue Chip was in the upper half of its peer group over the last ten years. They then outlined a performance update including actual vs excluding Magnificent 7 stock holdings. Their recommendation is to retain Principal Blue Chip and they outlined some of their reasoning. They also provided other alternatives as well. Mr. Green noted the question is the length of time this fund has been on the watch list. He noted a comparative chart rather than just alternatives may have been more helpful to have. Ms. Ceserani commented on the watch list process.

Ms. Ceserani provided a review of the funds. Mr. Green added additional commentary regarding the watch list process.

Mr. Welch moved to the next watch list item, Principal Equity Income. Mr. Welch discussed performance and made a recommendation to retain. He also provided three alternatives. Ms. Ceserani joined in the discussion and shared analysis. Mr. Gordon noted the chart with three-year rolling performance was helpful.

Mr. Fennessey began discussion on the third fund on watch, JP Morgan Emerging Markets. He then outlined advantages, rolling peer ranks and other data. He recommended retaining JP Morgan Emerging Markets and explained the reasoning for doing so. Ms. Ceserani presented their analysis and noted that this fund is the best option of the candidates, and it is the cheapest option. Mr. Gordon noted his concern with this fund and requested close watch on the JP Morgan fund.

**9) INVESTMENT CONSULTANT'S QUARTERLY REPORT AND WATCH LIST RECOMMENDATIONS – Kay Ceserani, Meketa Consulting**

Ms. Ceserani provided an economic and market update with some additional data along with a rolling one-year account growth by plan type percentage. She also noted the quarterly performance for TEP (passive) and SE (active). Mr. Green asked Meketa to add additional data (number of months) to summary of fund performance status. Ms. Ceserani then moved onto the watch memo. Meketa recommended five funds be placed on Watch Status using the monitoring framework: TIAA-CREF Social Choice Equity, PGIM Global Total Return, Principal Blue Chip, Principal Equity Income, and JP Morgan Emerging Markets. A motion was made to adopt the watch list and was approved unanimously.

**10) ANNUAL ASSET ALLOCATION REVIEW AND RECOMMENDATIONS –Tom Lowe, Ascensus and Randy Welch, Principal, Kay Ceserani, Meketa**

a) The Education Plan

Mr. Lowe discussed two proposals. The first proposal, was informational only regarding adding language to the plan description to enable more efficient implementation of asset allocation updates. He noted there would be no changes to NMETB or Meketa approval process. This would allow portfolios to take advantage of infrequent, longer-term market trends. He noted that major changes, i.e. asset class changes, underlying fund changes would still require additional or amended disclosure. Mr. Gordon noted our lawyers need to be more on board with suggested changes and updates before any action is taken.

Mr. Lowe then discussed NM TEP 529 Asset Allocation Adjustment recommendation. He noted they hope to keep equity allocations as they currently are in the glidepath. Fixed income markets have changed dramatically over the course of 2022/2023, and changes to the glidepath would be beneficial. Additionally, capital preservation has seen increased yields and an inverted yield curve in the past year which is expected to peak in 2024. The proposed changes cause minor increases in all portfolios; however, they improve the return versus risk characteristics to provide improved investment experience. Mr. Green had some additional questions regarding different impacts to interest rates. Ms. Ceserani provided Meketa's review of Ascensus' proposed change. She noted Meketa concurs with Ascensus' proposal. A motion was made to approve Ascensus's recommended asset allocation proposal, and it was approved unanimously.

b) Scholar's Edge

Mr. Fennessey provided analysis regarding the annual asset allocation review and noted they are not recommending any changes. Ms. Ceserani provided their analysis and review with no recommended changes. A motion was made to approve Principal's recommendation and was approved unanimously.

**11) ADJOURNMENT**

The motion to adjourn was approved unanimously at 12:08 PM.