

## 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



BOARD MEMBERS  
GARY L. GORDON, CHAIR  
ROBERT J. DESIDERIO, VICE CHAIR  
MONT GREEN  
LAWTON DAVIS  
CHAMIZA PACHECO DE ALAS

EXECUTIVE DIRECTOR  
NATALIE CORDOVA

Meeting Minutes of  
November 8, 2023  
33 Plaza La Prensa  
Santa Fe, New Mexico 87507

### Board Members

Gary L. Gordon, Chair  
Lawton Davis, Member  
Mont Green, Member  
Chamiza Pacheco de Alas, Member

### 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 (remote)  
Khalel Pritchard, Director Relationship  
Management

### Morton Accounting Services

Janet Pacheco-Morton, CPA

### Esparza Advertising

Del Esparza, CEO  
Lindsey Lubenow, VP of Accounts & Media

### Sunny505

Joanie Griffin, CEO  
Jerry Matthews, Senior Account Executive

### Principal

Scott Smith, Portfolio Manager, Director of  
Research  
Paul Schieber, Managing Director, 529  
Distribution  
Jori Horn, 529 Marketing Director

## 1) CALL TO ORDER

The meeting was called to order at 8:29 AM by Mr. Gordon. Mr. Gordon, Mr. Green, Mr. Davis and Ms. Pacheco De Alas were present. Mr. Desiderio provided prior notice he would not be present at the meeting. Mr. Gordon read a letter he wrote and mailed to Dr. Garcia, thanking him for his service to the Education Trust Board. Mr. Gordon introduced board member Ms. Pacheco De Alas who was

appointed by the Pro Tem of the Senate. He then gave a background on Ms. Pacheco De Alas and her related experience.

**2) APPROVAL OF AGENDA**

The agenda was approved unanimously.

**3) APPROVAL OF MINUTES August 2, 2023**

There were no changes or additions 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 ETB presented to the Investment and Pension Oversight Committee on October 2, 2023, and on November 16, 2023, ETB's FY 25 budget request will be presented to the Legislative Finance Committee. She also provided an update on the escheatment process, noting most of the initial lost checks in the amount of \$2.5 Million is down to nearly \$15,000 after due diligence and recent escheatment cycles. Ms. Cordova updated the Board on the 2023 Morningstar ratings issued for each plan. Another item mentioned is the FY 2023 audit report was released on the OSA website, which consisted of an unmodified opinion and no findings.

Ms. Cordova discussed a recap of the FY 25 budget and the state administrative fees charged to account owners. Ms. Ceserani worked with Ms. Cordova to review the state admin fee information. Ms. Cordova provided a review of the budget related items and outlined the FY 23 revenues and FY 25 expense split. Ms. Ceserani discussed the fees and how they work for The Education Plan and Scholar's Edge. She discussed how Morningstar evaluates fees. Mr. Gordon added additional commentary regarding the information presented. Ms. Cordova presented additional information regarding plan fees v. 529 industry by distribution channel. Mr. Gordon noted concern regarding the use of reserves in the ETB operational fund. Mr. Davis provided input on the information presented. Ms. Cordova noted she will bring more information on this topic for further analysis in future meetings.

**A) FY 2024 1<sup>st</sup> Quarter Financial Report -- Janet Pacheco-Morton, Morton Accounting Services -- discussion and possible action.**

Ms. Pacheco-Morton presented the quarterly financial report for the period ending September 30, 2023. Ms. Pacheco-Morton presented the financial statements for the fiduciary funds and noted that there was a market decline for this quarter. Mr. Davis asked a follow-up question regarding the fiduciary fund and the board had additional discussion. Ms. Pacheco-Morton then discussed the operating fund including review of the budget to actual comparison. The motion to approve the quarterly financial statements was approved unanimously.

**B) Open Meeting Resolution for Calendar 2024 – discussion and possible action**

The Open Meeting Resolution for Calendar 2024 was discussed. The motion to approve the Open Meeting Resolution for 2024 was approved unanimously.

**6) PROGRAM MANAGER’S QUARTERLY REPORT AND WATCH LIST  
RECOMMENDATIONS –Khalel Pritchard and Tom Lowe, Ascensus – Scott Smith, Principal  
– discussion and possible action**

Mr. Pritchard provided a plan snapshot on The Education Plan (TEP) and an update on Scholar’s Edge. He noted both plans were similar to the national trend regarding account growth. Additionally, he noted that Fidelity Omnibus has been live as of October 2, 2023.

Mr. Pritchard discussed Secure 2.0 industry approach and Ascensus specific approach. Mr. Pritchard and the board discussed various aspects of this nearing rollout.

Mr. Lowe provided a quarterly investment report for TEP. Mr. Lowe discusses the impact of the economy during this quarter and noted that two underlying funds were downgraded by Morningstar, Vanguard High Yield Corporate Fund and Vanguard Ultra Short-Term Bond Fund. Ascensus noted that they will monitor these items. Mr. Green provided some additional commentary regarding the items presented.

Mr. Smith provided an update on Scholar’s Edge. He discussed the underlying strategy performance for YOE portfolios and stand-alone options and noted that Principal Blue Chip Fund is the only flagged item scoring less favorable. Mr. Smith discussed that they have seen an upward trend with the Blue Chip fund over the last 3 months. Mr. Green asked the presenters about the use of artificial intelligence.

**7) INVESTMENT CONSULTANTS QUARTERLY REPORT AND WATCH LIST  
RECOMMENDATIONS – Kay Ceserani, Meketa Consulting – discussion and possible action**

Ms. Ceserani discussed the performance of TEP and SE and provided a summary of fund performance status. She noted the Principal Blue Chip Fund is on the watch list and discussed the analysis. She discussed the watch memo and recommended that the principal Blue Chip fund still be kept on watch. Mr. Gordon added additional commentary regarding these items. Mr. Gordon asked if there was a motion to adopt that watch list recommendation. Mr. Davis so moved, and Ms. Pacheco De Alas seconded. Mr. Green voted nay.

The annual update to the Investment Policy Statement and Monitoring Procedures were discussed by Ms. Cesarani at the request of Ms. Cordova. Ms. Cesarani discussed factors that determine whether a fund is eligible for watch. Mr. Green asked how Blue Chip would fall into the updated watch category. She noted a passive and active split in the review process. Mr. Gordon and Mr. Davis added additional commentary and discussion to the matter at hand. Mr. Gordon requested a motion to accept the updated Monitoring Procedures and Criteria. Mr. Davis so moved, and Mr. Green seconded the motion. The motion to approve was unanimous. Ms. Cordova discussed the updates made to the Investment Policy Statement (IPS). Mr. Gordon asked for a motion to approve the updated IPS. Mr. Green so moved, and Mr. Davis seconded. The motion to approve the motion was unanimously approved.

A brief break was taken at 10:39, the meeting resumed at 10:45.

Following the break, Mr. Green discussed the process related to the watch list. Mr. Green then introduced a motion that a resolution be adopted by the board related to funds on the watch list. The resolution would require any funds on the watch list identify prospective replacement funds and

bring them to the Board for discussion at any quarterly meeting in which a fund has been on the watch list for 12 months. The motion to adopt the resolution was approved unanimously.

**8) SCHOLAR'S EDGE FY24 1<sup>ST</sup> QUARTER MARKETING, SALES AND DISTRIBUTION REPORT – Jori Horn and Paul Schieber, Principal – discussion and possible action**

Ms. Horn and Mr. Schieber provided the Scholar's Edge FY24 1st quarter marketing, sales, and distribution report. Ms. Horn discussed various campaigns and other highlights. She discussed Scholars Edge's participation at the ISS 529 conference.

Ms. Horn then discussed the website and calculator traffic. Ms. Horn revisited the collateral and digital developments that were discussed in the last meeting. A budget review was provided and a budget to actual comparison was made. Ms. Pacheco De Alas asked where most people spend their time on the website. Ms. Horn noted that yes, they can see the time spent on pages and the number of people who viewed the website. Ms. Pacheco De Alas said that this may help with ROI understanding. Ms. Horn noted that their website traffic may not correlate directly to accounts opened. Ms. Horn discussed the holiday campaign, creative development, and digital developments.

Mr. Schieber discussed the distribution review. He noted that on the accounts page, Q3 2023, was stronger than expected. Mr. Schieber discussed the July-September 2023 cash flow.

**9) THE EDUCATION PLAN FY24 1<sup>ST</sup> QUARTER MARKETING REPORT – Carolyn Fittipaldi ETB – Joannie Griffin and Jerry Matthews, Sunny 505 – Del Esparza and Lindsey Lubenow, Esparza Advertising – discussion and possible action**

Ms. Fittipaldi provided updates regarding new accounts for October and Q1 for The Education Plan. She noted that there was a 17% increase in new accounts over last October, and 73% of the accounts are from NM. She also noted there was a 30% increase in new accounts in Q1 over FY23 Q1, and there were higher than average contributions. Ms. Fittipaldi noted continued participation from many rural communities. She highlighted several recent events and outreach activities: Opportunities for All Kids NM Conference presentation, Science Fiesta at Explora, Family Friendly NM education workshop panel, Flamenco Works presentation, Rio Rancho Chamber quarterly meeting, health and benefits fairs at Albuquerque Public Schools, City of Albuquerque, CNM, Bernalillo County, Albuquerque Publishing, and TLC Plumbing. She noted the Conference on Aging and Public Charters Schools of NM conference are upcoming events. As far as media exposure, this includes a TV interview with KRQE and Fox NM, and radio interviews on KDSK, KDNF and KMIN.

Ms. Griffin highlighted an award that was recently received and given to Sunny 505 based on work done for The Education Trust Board. Mr. Matthews discussed the FY24 Q1 marketing results. He noted that direct traffic new sessions are a strong source of website traffic. Ms. Griffin noted three press releases went out nationally. Additionally, recent commercials for the plan were shown. Mr. Matthews discussed the back-to-school campaign and ads. They discussed the partnership with NM United and provided stats. Mr. Matthews presented the FY24 Q1 media spend breakout and various impressions.

Mr. Esparza noted that Esparza does all digital advertising. He then discussed the goals and marketing objectives for FY24 and noted that they are working to increase awareness, drive enrollment, establish trust and credibility, and provide educational resources. Ms. Lubenow then discussed the new accounts and numbers on an annual and quarterly basis. She then went over information for website insights, landing page insights, and top pages. Ms. Cordova and Mr. Green

added additional commentary regarding the statistics. Ms. Lubenow discussed the digital marketing channels overview. She then moved on to discuss email and social media marketing. Ms. Pacheco De Alas offered insight regarding the Early Childhood Education and Care Department and potential collaboration with The Education Plan.

#### **10) ADJOURNMENT**

The meeting adjourned at 11:50 AM on November 8, 2023.