

The Education Trust Board of New Mexico

THE HONORABLE MICHELLE LUJAN
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STEPHANIE RODRIGUEZ
CABINET SECRETARY
NEW MEXICO HIGHER EDUCATION DEPARTMENT



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

EXECUTIVE DIRECTOR
NATALIE CORDOVA

**Meeting Minutes of
August 2, 2023
33 Plaza La Prensa
Santa Fe, New Mexico 87507**

Board Members

Gary L. Gordon, Chair
Lawton Davis, Member
Mont Green, Member

ETB Staff

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

Meketa Investment Group

Kay Ceserani, Managing Principal
Eric White, Principal (remotely)

Hogan Lovells

Helen Atkeson, Partner

Sommer, Udall

Kurt Sommer, Partner

Ascensus

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

Morton Accounting Services

Janet Pacheco-Morton, CPA

Esparza Advertising

Del Esparza, CEO

Ashley Sterling, Account Executive

Sunny505

Joanie Griffin, CEO

Jerry Mathews, Senior Account Executive

Principal

Randy Welch, Managing Director, Portfolio
Manager

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, and Mr. Davis were present. Mr. Desiderio gave prior notice that he would not be in attendance. Dr. Garcia was not present during the meeting.

2) APPROVAL OF AGENDA

The agenda was approved unanimously.

3) APPROVAL OF MINUTES 4/28/2023

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

4) PUBLIC COMMENT

There were no public comments, therefore the board moved to the next item.

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

Ms. Cordova provided updates to the Board, including effective state legislation (HB 342), Escheatment process update, annual audit status and Fidelity Omnibus progress.

a) *Quarter Ended June 30, 2023 Financial Report - Janet Pacheco-Morton, Morton Accounting Services - discussion and possible action*

Ms. Pacheco-Morton presented the quarterly financial report for the operating fund including review of the budget to actual comparison. Ms. Pacheco-Morton then presented the financial statements for the fiduciary fund. The quarterly financial statements were accepted unanimously.

6) PRINCIPAL BLUE CHIP (SE – Active Equity Portfolios) INFORMATIONAL DISCUSSION – Randy Welch, Principal and Kay Ceserani, Meketa

Mr. Welch and Ms. Ceserani provided discussion regarding the Blue-Chip Fund and noted that at the last meeting, the fund was on the watch list. There was additional discussion with Meketa and the board regarding the fund and its performance in the future. Mr. Gordon noted that this fund will remain on watch and moved on to the next item.

7) PROGRAM MANAGER'S QUARTERLY OPERATIONS AND INVESTMENT REPORTS – Tom Hewitt and Tom Lowe, Ascensus – Randy Welch and Scott Smith, Principal

a) Mr. Hewitt noted that he accepted a new position at Ascensus, and introduced Mr. Khalel Pritchard, the new relationship manager for NM ETB. This meeting will be Mr. Hewitt's last meeting, but he will be overseeing the team for all their plans. Mr. Hewitt thanked everyone for their partnership.

Mr. Hewitt provided the quarterly operations update for The Education Plan (TEP). Mr. Hewitt discussed national metrics regarding new 529 accounts. Mr. Green provided some insight on potential ideas to market to various audiences.

Mr. Pritchard introduced himself to the team. He noted that they are waiting to get the contract fully executed with Fidelity and the date to go live is set for September 17, 2023. He noted that they did identify an account fee issue specific to certain Scholar's Edge accounts. He noted that there are three variables/criteria that allow for an individual's Scholar's Edge fee to be waived. Additionally, Mr. Pritchard discussed the new vendor for account confirmations and statements. He noted that they have a reporting platform called Gold Source, which they plan on launching internally first. It is a

way of data sharing and he noted that it will improve the way information is presented and expects to have a demo set up in the future.

Mr. Lowe provided a quarterly investment report for TEP. He noted that the strong market is driven by the top companies. Mr. Green and Mr. Lowe discussed the “magnificent seven” and concerns regarding interest rates.

- b) Scholar’s Edge – Mr. Welch noted that overall, it was a good quarter on an absolute basis and relative basis. Mr. Gordon asked a question regarding the US Large Value Fund, and asked if they have any comments regarding that fund related to 3- and 5-year results. Mr. Smith noted that this strategy is focused on dividends and noted that those dividends provide a safety net. Mr. Smith discussed their watch list summary and additionally noted that the Blue-Chip Fund is flagged. There were no additional questions from the board, therefore they moved on to the next item.

8) INVESTMENT CONSULTANT’S QUARTERLY REPORT AND WATCH LIST RECOMMENDATIONS – Kay Ceserani and Eric White, Meketa Consulting

Mr. White provided an economic update via Zoom. This led to additional discussion between the board regarding various matters. Ms. Cesarani provided a market update and noted that there were no new funds on the watch list. Meketa recommended that a few funds be removed from watch status and reiterated that they will keep Blue-Chip on the watch list. The motion to accept the watch list items and updates was unanimously approved.

Mr. Gordon called for a brief recess of five minutes.

9) SCHOLAR’S EDGE MARKETING, SALES AND DISTRIBUTION REPORT AND FY24 MARKETING PLAN REVIEW – Jori Horn, Principal – Paul Schieber, Principal

Ms. Horn and Mr. Schieber provided the marketing, sales, and distribution report and the FY24 Marketing Plan Review. Ms. Horn discussed some of the ads and social media items used for the National 529-Day Campaign. She noted that they worked to emphasize the broad range of how 529 plans are used, as they are not just for tuition. Ms. Horn noted that they created two white papers, Secure Act 2.0 and navigating market cycles.

Ms. Horn noted that a Scholar’s Edge playbook was created. Additionally, Ms. Horn noted that they released the benefits of a 529 Plan in New Mexico flyer. She noted they are working to complete an audit of key components of the website in five phases. The board did not have any questions and moved on to the next item.

Ms. Horn discussed the campaigns that would take place throughout the year, such as back to school, holiday gifting, resolution/tax season, and National 529 Day. She noted all the campaigns are run off of having an “edge”. They utilize an orange cube to represent this idea. They have a back to school commercial with the cube utilized to explain to viewers the importance of having an “edge”.

10) THE EDUCATION PLAN MARKETING REPORT AND FY24 MARKETING PLAN REVIEW – Carolyn Fittipaldi ETB – Jerry Matthews, Sunny 505 – Del Esparza and Ashley Sterling, Esparza Advertising

Ms. Fittipaldi provided a marketing update and noted that there are 267 new accounts in the month of

July. She noted that 206 of the accounts are from New Mexico and there are many new accounts from the rural areas of the state. Ms. Fittipaldi noted highlights from the previous quarter of the presentations and events around the state, including Los Alamos ScienceFest, City of Belen, City of Santa Fe, City of Sunland Park, City of Albuquerque, Bernalillo County, Curry County, NM Counties State Conference, Sandia Labs, and several others. She noted that Ms. Cordova will be presenting the Rising Star Award at the New Mexico Society of Association Executives Association Excellence Awards and will speak about TEP. She highlighted some upcoming events, including the State Fair, HRMA Conference, National Civics Bee State Competition, NM DOT, APS, CNM, and others. She also noted there were several radio and TV interviews and podcasts around the state, including two on KRQE/Fox NM, KTRC radio, KDSK radio, and two on KKOB radio.

Mr. Matthews presented the quarterly marketing report and FY24 marketing plan. Ms. Griffin and Mr. Matthews announced two FY24 partnerships. Ms. Griffin announced that Steve Stucker has agreed to be a spokesperson and endorse TEP on statewide media in FY24. Additionally, Mr. Matthews noted there will be a multi-faceted sponsorship package with New Mexico United. He noted they will also be working on a heavy push towards utilizing rural radio in addition to TV, cable, outdoor, and print statewide.

Mr. Esparza and Ms. Sterling presented the quarterly marking report and FY24 marketing plan. Mr. Esparza reiterated that Esparza handles the digital side and works closely with Sunny 505. Ms. Sterling highlighted the “more than tuition” campaign. She noted that their shift will be aligning closer with Ascensus to build and track conversions on a month-to-month basis. Ms. Sterling discussed the use of TEP’s new mascot, Teppie the Turtle, to further engage the audience.

11) FY2025 BUDGET APPROPRIATION REQUEST - Natalie Cordova, Executive Director

Ms. Cordova discussed that the timeline is fitting to have the board’s approval prior to the submission of the FY25 budget request to DFA and LFC on September 1st. Ms. Cordova presented the FY25 appropriation request for the Board’s review and action. She presented source and use details as well as pointing out close monitoring of the reliance on fund balances/reserves and discussed potential depletion rate. Discussion was had regarding reliance on reserves and monitoring of future balances and use. The FY25 budget request was approved unanimously.

12) ADJOURNMENT

The meeting adjourned at 12:09 PM on August 2, 2023.