

The Education Trust Board of New Mexico

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NEW MEXICO HIGHER EDUCATION DEPARTMENT



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ROBERT J. DESIDERIO, VICE CHAIR
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CHAMIZA PACHECO DE ALAS

EXECUTIVE DIRECTOR
NATALIE CORDOVA

**Meeting Minutes of
May 1, 2024
33 Plaza La Prensa
Santa Fe, New Mexico
87507**

Board Members

Gary L. Gordon, Chair
Robert J. Desiderio, Vice Chair
Lawton Davis, Member
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
Aysun Kilic, Managing Principal/Consultant
Kevin McLaughlin, CFA Inv. Analyst (remote)
Heather Bedont, Performance Analyst (remote)

Hogan Lovells

Helen Atkeson, Partner (remote)

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

Lindsey Lubenow, VP of Accounts & Media
Heather Apodaca, Vice President of Strategy
Jamie Rushad Gros, President of Innovation

Sunny505

Joanie Griffin, CEO
Jerry Matthews, Senior Account Executive

Principal

Randy Welch, Managing Director, Portfolio
Manager
James Fennessey, Portfolio Manager, Director of
Research
Scott Smith, Portfolio Manager
Jori Horn, 529 Marketing Director
Brandon Miller, Director of Operations

1) CALL TO ORDER

The meeting was called to order at 8:37 AM by Mr. Gordon. Mr. Gordon and Mr. Green, and Ms.

Pacheco De Alas (virtually via Zoom) were present. Mr. Gordon wished everyone a happy “529 Day”. Mr. Desiderio arrived at the meeting at 8:55am and Mr. Davis arrived at 8:57AM.

2) APPROVAL OF AGENDA

The agenda was approved unanimously.

3) APPROVAL OF MINUTES 1/29/2024

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 provided informative updates, including, the 2024 legislative session, TEP trademark filing, plan escheatment status, and professional trainings for the Certified Public Accountants on 529 Plans.

Ms. Cordova discussed a memorandum that was created in collaboration with Meketa. This memorandum detailed the upcoming year and a draft agenda and timeline for various investment topics and related analysis.

a) FY 2024 Q3 FINANCIAL REPORT

Ms. Pacheco-Morton presented and discussed the FY 2024 Q3 Financial Report for the administrative fund and the fiduciary funds.

The motion to accept the unaudited quarterly financial statements was approved unanimously.

b) FY 2025 APPROVED BUDGET REVIEW

Ms. Cordova provided a review of the FY 2025 budget that was approved last August by the board. Mr. Green asked Ms. Cordova if she felt good about the budgeted amounts as nearly a year had passed. She noted she felt the amounts are still within range and also noted the budget can be adjusted through a budget adjustment request if need be, during the fiscal year.

c) SMALL CONTRACT UPDATE AND CONTRACT APPROVALS – discussion and possible action

Ms. Cordova presented a listing of the FY25 contracts and anticipated dollar amounts. Mr. Gordon called for a motion to approve the contracts subject to board approval. The motion to approve the FY25 contracts was approved unanimously.

6) a) PROGRAM MANAGER’S QUARTERLY OPERATION AND INVESTMENT REPORTS
Khalel Pritchard and Tom Lowe, Ascensus – Randy Welch, Scott Smith and James Fennessey, Principal – discussion and possible action

Mr. Pritchard did an overview of the prior quarter for both plans. He noted favorable market conditions during the quarter for both plans. Overall, it was a positive quarter for TEP in account growth. SE's funded account totals were down compared to prior quarter and annual amounts. Mr. Pritchard discussed a few updates for Fidelity Omnibus and Secure Act 2.0. Mr. Pritchard discussed a process update related to Roth IRA rollover requests. For reference, Ms. Cordova noted the total Roth rollovers thus far by plan are included in the presentation material. Mr. Davis asked about the requirement of using the Plan's form for Roth IRA rollovers. Ms. Cordova noted the form conveys important information to the account owner regarding the eligible criteria.

Mr. Lowe provided an overview of the investments and noted that the economy was good during the quarter, equity markets were up. He discussed the impacts of inflation and perspective on potential rate cuts. He noted that some of the job numbers are staying strong and a number of those jobs are part time jobs. Mr. Lowe noted housing numbers have been very strong and discussed underlying weaknesses as well. He discussed how the debt has gone up, including federal debt and could potentially be bad for the market. TEP's passive portfolios have performed well versus peer groups over the 1- and 3-year periods. He noted the active portfolios are all ahead of benchmark. Three underlying funds gained a star, and one lost a star.

Mr. Lowe introduced a new topic about the NY Life guarantee product, which would increase returns/performance. Ms. Cordova provided more background and noted they met on this early last week. She noted there is more information to come, and it would potentially be brought back to the Board as an action item in a virtual special meeting. Ms. Atkeson questioned if they would need to do a disclosure to account owners about this. Mr. Pritchard said yes. He noted it would be added into the year-end performance supplement. Mr. Gordon asks if a contingent motion can be made. Mr. Sommer agreed that it would be okay to do a contingent motion. Mr. Gordon called for a contingent motion to approve the proposal concerning NY Life and authorize the Executive Director to work with relative partners to implement the new offering from NY Life. The motion was approved unanimously.

Mr. Welch discussed the SE performance review. He noted growth outperformed value for the quarter and the S&P was up. He noted bonds did not provide any boosts to stocks. He noted the SE portfolios had a very good quarter and are doing well in comparison to their peers. Mr. Welch noted that overall, it was a good quarter for performance.

Mr. Smith further discussed performance and the underlying strategy performance for YOE portfolios. He then discussed blue chip and equity income, noting blue chip is off their watch list. He then moved onto equity income, which is focused on dividends and dividend growth. There was an addition to portfolio managers in a fund that he wanted to bring to the board's attention. He noted that there are no concerns on the passive strategies. Mr. Welch made a comment about qualitative events.

b) Investment Policy Statement – Tom Lowe, Ascensus

Ms. Cordova presented the revised draft Investment Policy Statement (IPS) and noted proposed updates on pages 10 and 11. She noted Mr. Lowe introduced consideration on efficiencies that may be gained during the prior board meeting. Mr. Lowe added additional commentary regarding the changes and noted they are implemented in different ways in different states. He noted this language formalizes that when they speak to the board and have changes approved, they would work with Ms. Cordova on whether it requires a supplement prior to changes being

implemented. Mr. Davis raised a question about the process. Ms. Atkeson noted that this language leaves the ultimate determination to Ms. Cordova. Ms. Cordova added with the proposed language, account owners will be notified either way, it's a matter of when (before or after implementation). The website also includes updates. Mr. Davis asked the opinion of Mr. Gordon. Mr. Gordon added some additional commentary and Mr. Lowe clarified these items. Ms. Cordova noted the paragraph is related to the process in which the board is approving. The board approves these items beforehand. Mr. Gordon let Mr. Davis know that it is a technical change, and he doesn't have any concerns. Mr. Sommer asked Ms. Atkeson if counsel should be reviewing these items beforehand as well and whether this language should be added. Ms. Cordova noted that this language can be added. Ms. Atkeson noted that it could say, "and ETB counsel". Mr. Gordon called for a motion to approve the amended language to the IPS. The motion to approve the amended language was unanimously approved.

- c) JP MORGAN EMERGING MARKETS EQUITY FUND REVIEW – Randy Welch, Scott Smith and James Fennessey, Principal and Kay Ceserani, Meketa – discussion and possible action

Mr. Fennessey discussed the material presented and noted the advantages of the JP Morgan Emerging Markets. He noted Principal's recommendation is to retain JP Morgan Emerging Markets. Mr. Welch provided additional commentary. Mr. Green noted that the 3-year annualized return was so much worse than the others and noted that this is where his main concern lies. Mr. Davis suggested waiting another quarter and Mr. Welch noted that's what they are recommending as well. Mr. Green noted that there were changes from 2016-2017 and it seems to show more volatility. Mr. Welch noted that with less volatility, there may be less opportunity.

Ms. Ceserani presented Meketa's analysis and list of options. She noted that they recognize the timing may not be right to switch funds and discussed further details of comparative funds. Mr. Desiderio asked for more detail on the DFA fund versus Avantis fund according to Meketa. She noted concern with Avantis' shorter term and style tilt. Mr. Green identified additional questions and concerns and what is best for the account owners. Ms. Ceserani noted that it has a small impact on the account owners. Mr. Green thanked the Meketa team for the analysis. Ms. Ceserani noted Mr. Davis made a good point in waiting for the next quarter to see more performance. Mr. Davis made a motion to defer action until the next quarter, and the motion to approve was unanimous.

The Board was in recess from 10:32 AM until 10:40 AM.

- 7) ECONOMIC UPDATE AND 2024 CAPITAL MARKET EXPECTATIONS– Aysun Kilic, Meketa

Ms. Kilic pointed out that last year was a strong year in the market. In terms of the first quarter, there was a continuation of the strong markets. She provided an overall summary of the economic and market update.

Ms. Kilic then moved onto the capital market expectations. She noted there are very small modest changes from 2023 to 2024. We had a strong market and prices increased more than the earnings. She noted some quick refreshers on the process. As the consultant, they updated capital market expectations in January. Ms. Kilic noted they have a dedicated team that works on this every year with the oversight of a committee as well.

**8) INVESTMENT CONSULTANT’S QUARTERLY REPORT AND WATCH LIST
RECOMMENDATIONS – Kay Ceserani and Aysun Kilic, Meketa Consulting – discussion and possible action**

Ms. Ceserani provided an update and showed the rolling one-year account growth by plan type. She also provided fund performance by quarter for funds in the plans.

Ms. Ceserani then discussed the watch memo and provided an overview of performance for the funds on watch. Meketa recommends that the Principal Blue Chip be removed from Watch, the Vanguard Ultra-Short-Term Bond and TIAA-CREF Real Estate funds be added to watch status and four funds on watch status remain to watch. Mr. Gordon called for a motion to accept the recommendations. The motion was approved unanimously.

**9) THE EDUCATION PLAN QUARTERLY MARKETING REPORT AND FY25 MARKETING
PLAN OVERVIEW – Carolyn Fittipaldi, ETB, Joanie Griffin and Jerry Matthews, Sunny 505 – Del Esparza and Lindsey Lubenow, Esparza – discussion and possible action**

Ms. Fittipaldi provided marketing updates. There were 611 new accounts (TEP) in April and 336 of these are the NJHS awards. That is a 47% increase from last year’s numbers in April. Some highlights from January-March are that there was a 52% increase in accounts from the same quarter last year. 71% of the accounts are from NM account holders. She also noted that several accounts are from smaller population/rural areas in NM. She provided an update on the Saving for Success award. 25 winners were selected by an independent review committee -15 female, and 11 male award winners. She provided outreach updates, including Rotary Club and Kiwanis Club Presentations in Los Alamos, Taos, Las Vegas, and Albuquerque; and events with NMCC, Hispano Chamber, SF Chamber, City of ABQ, Town of Bernalillo, City of Belen, NM United, Dona Ana County, La Fonda Hotels, and Los Alamos Chamber. Some employer events include Family Friendly New Mexico Awards, GAMA, and State SHRM Conference.

Mr. Matthews began the traditional marketing update and discussed the FY24 Q3 marketing results. Ms. Griffin noted they sent out four press releases in the last quarter. She noted that they are working on showcasing younger children, encouraging parents to start contributing at a younger age. Mr. Matthews then discussed how the FY25 budget will be allocated.

Ms. Lubenow provided the digital marketing update. She discussed goals, marketing objectives and the new account numbers for FY24. There are 31,329 accounts across the US. She also provided some information regarding website insights and top pages as well as landing page insights and top pages. Mr. Gordon noted that display ads seem much more successful than email marketing. Ms. Lubenow noted that this may be contributed to shifts in their strategies and less emails were sent Q3 compared to Q2 when holiday messages were sent. Ms. Apodaca discussed their FY25 strategy. She noted some challenges and ways they can make them opportunities. She also discussed the marketing funnel and their objectives to drive new account sign ups, grow contributions in existing accounts, and increase the number of employers and organizations. Mr. Rushad Gros provided information regarding website updates. He noted some of those updates include future-proof website presence, improved performance and security, better file management and admin user interface, improved taxonomy organization, and improved editing capabilities. Ms. Lubenow noted they have seen a lot of out of state engagement.

10) SCHOLAR’S EDGE – PRINCIPAL TEAM UPDATE – Jori Horn, Principal

Ms. Horn and Mr. Miller discussed the org chart presented and some updates that have been made to the team and resources for SE. Mr. Miller noted there are more benefits for the 529s with the new structure. Ms. Horn noted efficiencies and increasing the number of resources for SE. Mr. Green asked Mr. Miller about growth projections. Mr. Miller noted they have momentum on the way in, but also challenges on the way out. He said each quarter it should get a little bit better.

11) SCHOLAR'S EDGE MARKETING, SALES AND DISTRIBUTION REPORT AND FY25 MARKETING BUDGET AND MARKETING PLAN OVERVIEW – Jori Horn and Brandon Miller Principal – discussion and possible action

Ms. Horn discussed some of the campaigns they have in marketing. She noted one of their focuses was around tax season. Additionally, Ms. Horn discussed a March Madness campaign. She discussed several ads and media marketing. Ms. Horn also discussed metrics from the website in 2023 in comparison to 2024. The year-over-year increase in the calculator traffic was 121% and it continues to bring a lot of traffic onto the website. Ms. Horn then moved on to discuss budget review and noted that they will meet the spending goals by June 30th. She noted their goals and expanded resources include, rebranding presentations, inflation whitepaper, conversation starters, May Playbook newsletter, Omnibus communications, and content targeting beneficiary age. She also showed the budget overview for FY 2025. Mr. Miller discussed distribution and sales strategy. He noted they are working to engage strategic client groups to increase firm-level footprint and platform availability.

12) EXECUTIVE CLOSED SESSION PURSUANT TO SECTION 10-15-1 (H)(2) OF THE OPEN MEETINGS ACT TO DISCUSS PERSONNEL MATTERS

A motion was made to move into closed session at 12:27 PM. The motion was approved unanimously. Mr. Gordon called for a roll call. Each member was polled, and all agreed to be in closed session.

13) ADJOURNMENT

Each member was polled and agreed to return to open session at 12:47 PM. The Board then unanimously adjourned the meeting.