

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
DR. JOSE Z. GARCIA
LAWTON DAVIS
MONT GREEN

NATALIE CORDOVA
EXECUTIVE DIRECTOR

Meeting Minutes of
February 1, 2023
33 Plaza la Prensa
Santa Fe, New Mexico 87507

Board Members

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

ETB Staff

Natalie Cordova, Executive Director
Carolyn Fittipaldi, Director of Marketing
Vera Lyons, Board Secretary

Meketa Investment Group

Kay Ceserani, Managing Principal
Kevin McLaughlin, Investment
Analyst

Hogan Lovells

Helen Atkeson, Partner (remotely)

Sommer, Udall

Cullen Hallmark, Partner

Ascensus

Tom Hewitt, VP Relationship
Management
Tom Lowe, VP Investment
Management

Morton Accounting Services

Janet Pacheco-Morton, CPA

Esparza Advertising

Ashley Sterling, Account Executive
Del Esparza, CEO

Sunny505

Dezaree Vega-Garcia, President
Jerry Matthews, Senior Account Manager

Principal

Randy Welch, Managing Director
Scott Smith, Portfolio Manager
Paul Schieber, Managing Director
Jori Horn, 529 Marketing Director

CLA

Matt Bone, Managing Principal

1) CALL TO ORDER

The meeting was called to order at 8:46 AM. Mr. Gordon, Mr. Green, and Mr. Davis were present. There was a quorum with three of the five board members present. Mr. Desiderio and Dr. Garcia provided notice prior to the meeting of inability to attend.

2) APPROVAL OF AGENDA

The agenda was approved unanimously.

3) APPROVAL OF MINUTES

A motion to approve the minutes of the November 2, 2022, board meeting was unanimously approved.

4) PUBLIC COMMENT

Mr. Gordon then called for any public comment. There being none, he moved to the next item.

5) EXECUTIVE DIRECTOR'S REPORT

Ms. Cordova provided an update regarding the Savings for Success Award. She noted that the escheatment analysis and action is in process. She also mentioned that we are currently working on the Audit RFP.

Ms. Fittipaldi gave some outreach highlights. She mentioned that the KRQE Fox New Mexico interview went well. She provided updates regarding the Saving for Success Award program. She noted that it closed on 1/11 with 160 applications from 18 counties. Final review of the completed applications is in progress and awards will be announced sometime in late February or March. She noted TEP's recent participation in several outreach activities including presentations at the NM Counties Legislative Conference, NMDOT District 3, La Esperanza Child Development Center and a booth at the School Choice Fair.

Mr. Bone presented an overview of the scope of the audit. He mentioned the parties involved and their responsibilities. He discussed the timing of the audit and mentioned the audit results, including an unmodified opinion and no findings.

Ms. Pacheco-Morton first presented the quarterly financial statements for the Board's program administrative fund, mentioning again the changes to the administrative fund due to GASB 87, and then presented the financial statements for the fiduciary funds, pointing out losses due to market downturns and the impact to the financial statement amounts. Mr. Gordon called for a motion to accept the unaudited financial statements as presented. Mr. Green so moved. Mr. Davis seconded the motion. The vote to approve the motion was unanimous.

Ms. Cordova introduced the informational material regarding a provision contained within the Ascensus contract. Ms. Atkeson provided background regarding the provision. Ms. Cordova mentioned ETB has been working with Ascensus and Principal regarding ways to bring more interest to Scholar's Edge, including account and asset growth.

6) PROGRAM MANAGER’S QUARTERLY OPERATIONS AND INVESTMENT REPORTS

Mr. Hewitt presented the FY23 Q2 program manager’s operations report, noting assets are down across the nation due to the market. Mr. Lowe presented the FY23 Q2 investment report for The Education Plan with discussion of the current market environment and performance. Mr. Green asked Mr. Lowe about future market concerns and Mr. Lowe noted national and individual debt limits may have an impact. Mr. Welch and Mr. Smith with Principal presented the FY23 Q2 investment report for Scholar’s Edge with discussion of the current market environment and performance.

7) INVESTMENT CONSULTANT’S QUARTERLY REPORT AND WATCH LIST RECOMMENDATIONS

Ms. Cesarani presented the FY23 Q2 investment consultant’s report and watch list recommendations. Mr. Gordon requested a motion to accept the watch list recommendations. Mr. Green so moved. Mr. Davis seconded. The vote to approve the motion was unanimous.

Mr. Gordon requested a brief break at 10:07 AM. The meeting reconvened at 10:20 AM

8) ANNUAL ASSET ALLOCATION REVIEW AND RECOMMENDATIONS

Ms. Cesarani, Mr. Welch and Mr. Lowe, each respectively, discussed their respective review of the asset allocation, including analysis and process. There were no changes recommended to the current asset allocation for The Education Plan and Scholar’s Edge. Ms. Cesarani noted concurrence on no recommended changes to the current asset allocation. Mr. Gordon called for a motion to accept the recommendations as presented. Mr. Davis so moved. Mr. Green seconded the motion. The vote to approve the motion was unanimous.

9) OMNIBUS ARRANGEMENT FOR SCHOLAR’S EDGE

Ms. Atkeson discussed the omnibus agreement between Ascensus and Fidelity. She also mentioned the amendment between ETB and Ascensus would include provisions related to the omnibus agreement. Mr. Hewitt also mentioned he did not expect changes from Fidelity regarding the draft agreement. Mr. Gordon called for a motion to move forward to adopt the resolution as presented “RESOLVED, that the Board hereby authorizes and directs Ascensus to enter into an omnibus agreement with Fidelity Capital Markets in substantially the form as presented to the Board at this meeting, with changes thereto as may be approved by the Executive Director to the extent consistent with such approved form, and to enter agreements and documents as necessary to effectuate such omnibus agreement; and

FURTHER RESOLVED, that the First Amendment to 529 Program Management Agreement (the "First Amendment"), in substantially the form presented to the Board at this meeting, is hereby approved, and the Executive Director is hereby authorized to execute and deliver the First Amendment, in substantially such form with changes thereto as the Executive Director may determine are necessary or appropriate in order to carry out the purposes of this resolution”. Mr. Davis so moved. Mr. Green seconded the motion. The vote to approve the motion was unanimous.

10) SCHOLAR’S EDGE MARKETING, SALES AND DISTRIBUTION PLAN

Mr. Schieber and Ms. Horn presented the FY23 Q2 sales report and the marketing report. Mr. Green asked Mr. Schieber if there were any changes to the number of advisors, and Mr. Schieber

noted there has not been any pullback in staffing.

11) THE EDUCATION PLAN MARKETING REPORT

Ms. Vega-Garcia presented the FY23 Q2 Public Relations report for Sunny 505. Mr. Matthews presented the FY23 Q2 Sunny 505 traditional marketing report. Mr. Esparza and Ms. Sterling presented the FY23 Q2 Esparza digital marketing report. Discussion was had amongst board members regarding TEP presence in rural areas of NM.

12) ADJOURNMENT

Mr. Gordon called for a motion to adjourn. The meeting adjourned at 11:52 am.