

The Education Trust Board of New Mexico

THE HONORABLE MICHELLE LUJAN GRISHAM
MEMBERS
GOVERNOR OF NEW MEXICO

STEPHANIE RODRIGUEZ, CABINET SECRETARY
NEW MEXICO HIGHER EDUCATION DEPARTMENT



BOARD

GARY L. GORDON, CHAIR
ROBERT J. DESIDERIO, VICE-CHAIR
DR. JOSE Z. GARCIA
LAWTON DAVIS
MONT GREEN

NATALIE CORDOVA
EXECUTIVE DIRECTOR

**Meeting Minutes of
April 28, 2023
33 Plaza La Prensa
Santa Fe, New Mexico 87507**

Board Members

Gary L. Gordon, Chair (remote)
Robert Desiderio, Vice-Chair
Dr. Jose Garcia, Member
Mont Green, Member

ETB Staff

Natalie Cordova, Executive Director
Carolyn Fittipaldi, Marketing Director
Vera Lyons, Board Secretary
Natalie Zamora, Financial Coordinator

Meketa Investment Group

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

Hogan Lovells

Helen Atkeson, Partner

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

Del Esparza, CEO
Ashley Sterling, Account Executive

Sunny505

Joanie Griffin, CEO
Jerry Mathews, Senior Account Executive

Principal

Randy Welch, Managing Director, Portfolio Manager
James Fennessey, 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 8:32 AM by Mr. Desiderio. Dr. Garcia and Mr. Green were present in person and Mr. Gordon attended remotely via Zoom due to COVID exposure. Mr. Davis did provide notice that he would not be in attendance. Mr. Desiderio chaired the entire meeting.

2) APPROVAL OF AGENDA

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Santa Fe, New Mexico 87501
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The agenda was approved unanimously.

3) APPROVAL OF MINUTES

A motion was made by Mr. Green to amend the February 1, 2023, draft minutes in order to update the list of attendees, to properly record Cullen Hallmark with Sommer Udall in the attendance list. The motion was seconded by Dr. Garcia and unanimously approved as amended.

4) PUBLIC COMMENT

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

5) EXECUTIVE DIRECTOR'S REPORT

Ms. Cordova provided an update, including noting the passage of House Bill 342, which was passed with no opposition, and it has an effective date of June 16, 2023. Ms. Cordova additionally noted that rural outreach and analysis is continuing and ongoing and continuing to see new accounts in rural areas of New Mexico.

a) *FY2023 Q3 Financial Report - Janet Pacheco-Morton, Morton Accounting Services - discussion and possible action*

Ms. Pacheco-Morton presented the quarterly financial report for the Administrative Fund. She mentioned lease liability and the implementation of the new GASB standard. She noted a budget adjustment request (BAR) for twenty thousand (\$20,000) in order to double fill the position for financial coordinator. Ms. Pacheco-Morton then presented the financial statements for the fiduciary fund. She noted an increase in investment income at quarter end. Additionally, there was a positive change in net position from the previous year due to net investment income. Mr. Desiderio called for a motion to accept the unaudited financial statements as presented. Dr. Garcia so moved. Mr. Green seconded the motion. The vote to approve the motion was unanimous.

b) *FY2024 Budget Review*

Ms. Cordova discussed and provided information on the FY24 budget as a reminder of what the Board previously adopted.

c) *External Audit RFP*

Ms. Cordova discussed the RFP (Request for Proposal) from qualified firms for the external audit process and reviewed the memo from the evaluation committee. Mr. Desiderio brought up a question regarding the matter. He asked if it is normal to only have one company provide an RFP response. Ms. Cordova noted that some firms do not have the capacity and investment experience. Mr. Desiderio called for a motion to accept the RFP. Dr. Garcia so moved, and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

d) *Small Contract Update and Contract Approvals*

Ms. Cordova reviewed FY 24 contracts that require board action. Ms. Cordova noted that all the items were built from the budget that the board approved.

The Board elected to review each listed contract and take action separately on each:

Audit contract – Mr. Desiderio called for a motion to accept the contract. Dr. Garcia so moved. and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

Hogan Lovells – Mr. Desiderio called for a motion to accept the contract. Dr. Garcia so moved. and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

Esparza – Mr. Desiderio called for a motion to accept the contract. Dr. Garcia so moved. and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

Sunny 505 - Mr. Desiderio called for a motion to accept the contract. Dr. Garcia so moved. and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

Meketa - Mr. Desiderio called for a motion to accept the contract. Dr. Garcia so moved, and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

e) *PMA Subcontractor Consent for O'Neil Services*

Ms. Cordova discussed potential Board consent related to a subcontract through Ascensus related to digital and printing services. Mr. Gordon raised a question regarding the services and Mr. Hewitt clarified they (Ascensus) subcontract out all statements and contracts. Ms. Atkeson provided more detail on a noted letter of understanding related to the subcontract. Mr. Desiderio called for a motion to accept the contract. Mr. Gordon so moved, and the motion was seconded by Mr. Green. The vote to approve the motion was unanimous.

6) PROGRAM MANAGER'S QUARTERLY OPERATIONS AND INVESTMENT REPORTS

Mr. Hewitt provided the quarterly operations update for The Education Plan (TEP Dr. Garcia asked if there was anything unexpected between TEP and Scholar's Edge (SE) activity. Mr. Hewitt responded no, there were not any changes with these plans that were alarming or unexpected. Mr. Green asked what happened in the past -and if accounts dropped in 2008 and 2009. Mr. Hewitt noted that new accounts slowed down, but recurring contributions were not necessarily discontinued.

Mr. Lowe provided the quarterly investment report for TEP. Dr Garcia asked if there is an analysis on the 529 plans and how inflation affects them. Tom Lowe noted that from an investing standpoint, they have inflation protective bonds.

Mr. Welch provided the quarterly investment report for SE. He also noted that the Blue Chip fund lagged their benchmark.

Mr. Fennessey commented on the evaluation of underlying managers. He also noted that Principal Blue Chip is scoring less favorable. Tech heavy names are impacting this (Apple and Microsoft).

Mr. Green raised a question on portfolio management. Mr. Welch and Mr. Fennessey provided a discussion in response.

Mr. Desiderio called for a motion to accept the reports presented. Dr. Garcia so moved and the motion was seconded by Mr. Green.

7) ECONOMIC UPDATE AND 2023 CAPITAL MARKET EXPECTATIONS

Mr. White provided an economic update and the 2023 capital market expectations.

8) INVESTMENT CONSULTANT'S QUARTERLY REPORT AND WATCH LIST RECOMMENDATIONS

Ms. Ceserani provided the quarterly report and watch list recommendations.

Mr. Gordon commented on the report and requested a more detailed review of Blue Chip. Dr. Garcia noted that there have been a lot of negative comments about Blue Chip. He asked why it was only on the "1" concern level. Ms. Ceserani explained the level assessment. Mr. Green asked if they should have something with a broader-based group portfolio. Ms. Ceserani noted there will be periods of underperformance.

Mr. Desiderio requested a motion to accept the watch list recommendations. Mr. Gordon so moved, and Dr. Garcia seconded. The vote to approve the motion was unanimous.

Mr. Desiderio requested a brief break at 10:34 AM. The meeting reconvened at 10:47 AM.

9) THE EDUCATION PLAN QUARTERLY MARKETING REPORT AND FY 24 MARKETING PLAN OVERVIEW

Ms. Fittipaldi provided an update on outreach. She noted that award letters were sent to 22 (twenty-two) qualified applicants from 9 counties for the Saving for Success Award and 19 students accepted the award. Additionally, she noted that in March, there was new account activity of about 210 new accounts, which is higher than has been seen in the last year. Additionally, she noted that there is a new outreach coordinator that will focus on the employer channel. She mentioned several TEP events, such as the Family Friendly New Mexico Event, the NMPTA conference, and the State HR conference.

Mr. Matthews presented the quarterly marketing report and FY 24 Marketing Plan Overview for Sunny 505.

Mr. Esparza presented the quarterly marketing report and FY 24 Marketing Plan Overview for Esparza. The mascot will make its grand debut in July 2023. Dr. Garcia asks if there are any insights or surprises in what they are doing, or what they are getting out of it? Mr. Esparza noted they made a large investment in the new website. He noted that the economy is playing a role. Ms. Griffin notes that the partnership between Sunny 505 and Esparza is working and helping. Ms. Sterling noted they are working to utilize social media more and encourage stronger engagement. Ms. Fittipaldi pointed out that TEP is doing more in person events and meetings which has had a positive impact on growth.

10) SCHOLAR'S EDGE MARKETING, SALES AND DISTRIBUTUION REPORT AND FY 24 MARKETING BUDGET AND MARKETING PLAN OVERVIEW

Ms. Horn and Mr. Schieber provided the marketing, sales and distribution report and the FY 24 Marketing Budget/Plan overview.

Ms. Horn discussed Q1 digital developments and noted their website was redesigned and updated. She also discussed the budget recap for Q1 of 2023. There will be an audit completed for key components of the

website in 5 phases.

Ms. Horn discussed the budget for approval for FY24. She noted that the costs are similar to what they have spent in past fiscal years. There was a motion to accept the FY 24 Budget for SE by Mr. Gordon and it was seconded by Dr. Garcia.

11) PROCLAMATION

Proclamation to Ms. Vera Lyons to recognize her service to the Education Trust Board and state of New Mexico. The ETB of NM formally and with gratitude thanks Vera for her hard work and dedication. This is dated April 28, 2023. Ms. Lyons is retiring from government service.

12) ADJOURNMENT

Mr. Desiderio called for a motion to adjourn that was approved unanimously. The meeting was adjourned at 12:09 PM on April 28, 2023.