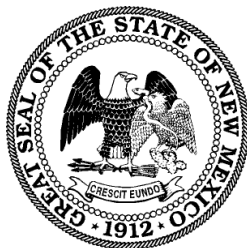


The Education Trust Board of New Mexico

THE HONORABLE MICHELLE LUJAN
GRISHAM
GOVERNOR OF NEW MEXICO

STEPHANIE RODRIGUEZ
CABINET SECRETARY
NEW MEXICO HIGHER EDUCATION DEPARTMENT



BOARD MEMBERS
GARY L. GORDON, CHAIR
MONT GREEN
LAWTON DAVIS
CHAMIZA PACHECO DE ALAS
VALERIE VALLES-PEDROZA

EXECUTIVE DIRECTOR
NATALIE CORDOVA

Meeting Minutes of
February 5, 2025
33 Plaza La Prensa
Santa Fe, New Mexico 87507

Board Members

Gary L. Gordon, Chair
Mont Green, Member
Lawton Davis, Member
Chamiza Pacheco de Alas, Member
Valerie Valles-Pedroza, Member

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
(remote)
Henry Lopez, 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
Paul Souppa, Director, Investment Management
(remote)
Craig Rogan, Investment Analyst (remote)

Morton Accounting Services

Janet Pacheco-Morton, CPA

Esparza Advertising

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

Sunny505

Dezaree Vega-Garcia, 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
Joseph Friedman, Principal Advisor
CliftonLarsonAllen
Matt Bone, Principal

1) CALL TO ORDER

The meeting was called to order at 8:30 AM by Mr. Gordon. Mr. Gordon, Mr. Green, Mr. Davis, and Ms. Valles-Pedroza were present. Mr. Gordon welcomed new board member, Ms. Valles-Pedroza. Ms. Pacheco De Alas joined the meeting at approximately 9:29 AM.

2) APPROVAL OF AGENDA

The agenda was approved unanimously.

3) APPROVAL OF MINUTES 11/6/2024

There were no 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 a few updates, including continued work with Ascensus on the escheatment process and ETB requested an extension to the Office of the State Auditor's (OSA) rotation rule. Given ETB's reasons, OSA granted ETB a one-year extension with CLA for the FY 2025 audit. Mr. Gordon noted that he signed the letter requesting the extension. She also noted planning for an upcoming due diligence meeting with Ascensus.

a) FY 2024 Annual Audit Report – Matt Bone, CLA

Mr. Bone thanked the staff and the board for being cooperative during the audit process and noted there were no difficulties when communicating with management. He provided an overview of the scope of the audit, which included responsibilities of the parties involved; governance, management, and the independent auditor. He noted they provide reasonable and not absolute assurance. Mr. Bone then discussed the audit plan overview, which included audit planning, preliminary procedures, fieldwork and final reporting. The financial statements were submitted to OSA on October 31, 2024, and it was released by the State Auditor on December 21, 2024. He noted they provide two reports, the audit opinion and the internal control over financial reporting. For the financial statements audit, they expressed an unmodified opinion (clean). For the internal control over financial reporting, there were no findings reported. Mr. Davis asked if the notes were typical, and if anything should be brought to their attention and Mr. Bone replied "no". Mr. Gordon stated that he had reviewed the notes carefully.

b) FY 2025 Q2 Financial Report – Janet Pacheco-Morton, Morton Accounting Services

Ms. Pacheco-Morton discussed the administrative fund report and key highlights. Mr. Gordon called for a motion to accept the unaudited financial statements. The motion was approved unanimously.

Ms. Pacheco-Morton discussed the fiduciary funds report. Mr. Gordon called for a motion to accept the unaudited financial statements. The motion was approved unanimously.

6) SCHOLAR'S EDGE MARKETING, SALES AND DISTRIBUTION PLAN – Jori Horn, Brandon Miller, and Joseph Friedman, Principal

Ms. Horn presented the marketing update and provided year-over-year website metrics, reviewed current marketing material and campaigns, including the 5-year Scholar's Edge anniversary with Principal, and reviewed the quarterly budget. The new website was discussed and Jori noted it should be a seamless experience for any user.

Mr. Davis asked for an example of what an event per session is on the website. Ms. Horn discussed an example.

Mr. Miller provided a recap of the distribution model. From new accounts for 2024, we were up 3% from 2023. He noted that 2024 was modestly positive for accounts, but rollovers were a challenge. There is positive growth with Omnibus.

Mr. Friedman discussed SE accounts with NY Life. He is often in the field with NY Life firms. He noted to the positive impact of submitting documents electronically. Mr. Friedman provided some updates on firm level engagement in Q4. Mr. Friedman then discussed an overview of the distribution strategy – geographic and firm. This included an update on large Q4 sales, what they are cultivating, their geographic focus, and some other Q4 highlights. Mr. Gordon asked how many states have tax parity. Ms. Horn responded “nine”. Mr. Friedman noted that there are four things that make the SE plan competitive – investment options, performance, fee structure, and marketing materials.

7) THE EDUCATION PLAN QUARTERLY MARKETING PLAN – Carolyn Fittipaldi, ETB – Dezaree Vega-Garcia and Jerry Matthews, Sunny 505 – Del Esparza and Lindsey Lubenow, Esparza Advertising

Ms. Fittipaldi noted there were 328 new accounts in January. She mentioned account numbers overall are up fiscal YTD with several strong months in the first half of the year. She noted we are still seeing new accounts from small rural cities and are consistently seeing that 70-80% of new accounts are from New Mexico. The application opened for the Saving for Success Award on January 1, 2025, and the deadline is on April 1, 2025. To date, there are 95 applications started from 20 New Mexico cities. Ms. Fittipaldi noted they attended the NM Counties Legislative Conference and made four presentations to county leaders' groups. There was great engagement with statewide county leaders about offering TEP as a benefit to employees. She also noted participating in recent events, including School Choice Fairs in Albuquerque and Las Cruces and a presentation during an AREA webinar titled Tools for Attracting and Retaining Talent.

Ms. Vega-Garcia provided a few updates on public relations. She discussed news releases and the new UTM code placed on web links to track traffic to the website landing pages. Mr. Matthews reviewed current ads and marketing strategies, noting English and Spanish languages in the communications. Sunny 505 provided a media overview and noted the FY25 Q2 total spend on advertising. Mr. Gordon asked about specifics on clicking on links and Mr. Green asked if there were QR codes. Mr. Matthews noted that they have in some instances used QR codes. Mr. Gordon asked what can be done to track or measure outdoor and TV advertising. Mr. Matthews provided some updates on broadcast TV. Mr. Davis asked about whether they are targeting Farmington. Mr. Matthews explained some of their marketing in that area. Mr. Davis also asked about Carlsbad and Hobbs. Mr. Matthews provided an overview of other forms of marketing and advertising around the

state. They went into more detail on why they have been utilizing Peacock streaming. Mr. Matthews discussed some more information regarding programmatic audio as well as related analytics.

Mr. Esparza discussed the goals and marketing objectives for FY25. Ms. Lubenow presented open and closed accounts in the calendar year 2024. She then discussed The Education Plan (TEP) across the U.S. and noted that TEP has a total of 32,456 accounts from every state and territory in the U.S. She also presented TEP across the globe and in NM, specifically. Ms. Lubenow reiterated the efforts that have been put into the SEO strategy, including organic searches and provided an overview of the website traffic sources. Mr. Esparza pointed out that Google organic searches are not paid for and noted that utilizing those that search organically is part of the strategy. Ms. Lubenow also provided an update on website AI traffic sources. She noted that ChatGPT is the eighth most visited site in the world right now. Ms. Lubenow noted that each quarter they conduct an audit of the TEP website, and it is ADA compliant. She discussed influencer marketing as well as email marketing. She also noted that they created a grandparent campaign for FY25 as well as the evergreen campaign. Both campaigns are animated and have videos, which helps with engagement. They shared the video for the California mantra campaign. Ms. Valles-Pedroza asked if we have similar videos for New Mexico (NM) and Ms. Lubenow confirmed they have videos for NM and Texas as well. Mr. Davis asked if they had looked at the website of Edward Jones to see what they have. He noted that Edward Jones has had significant growth and asked them to review it and see what they can take away from it.

Mr. Gordon called the Board to a brief recess at 10:27 AM. The meeting was resumed at 10:35 AM.

8) PROGRAM MANAGER'S QUARTERLY OPERATIONS AND INVESTMENT REPORTS –
Khalel Pritchard and Tom Lowe, Ascensus – Randy Welch, James Fennessey, and Scott Smith,
Principal

Mr. Pritchard presented a plan snapshot for TEP and SE and discussed key statistics. He discussed call center volume for both plans, noting that in December and most of January, they received higher volumes of calls than expected. This resulted in delayed times. He discussed responses to the issue and noted that leadership is working to be ready for next year's busy season. Mr. Gordon asked if the call center is remote or in person. Mr. Pritchard noted that there are remote employees.

Mr. Pritchard discussed TEP investment and Q4 performance and rankings.

In moving to the Nuveen fund review, Ms. Ceserani noted they should discuss the watch list, recommendations, and how those work for our new board member.

Mr. Pritchard then went on to discuss the recommendation for the Nuveen fund. He noted that it is an active fund with a focus on environmental, social and governance (ESG) criteria. He noted that Nuveen's ESG criteria has introduced volatility. He discussed the Calvert U.S. Large Cap Core Responsible Index as a potential replacement fund. Mr. Gordon asked about ESG criteria and Ms. Ceserani provided some additional insight, including Calvert's firm is focused on ESG. Mr. Gordon raised positive points about Calvert and called for a motion. Member Davis made a motion to replace the Nuveen Large Cap Responsible Equity Fund with Calvert US Large Cap Core Responsible Index Fund. The motion unanimously approved.

Mr. Welch provided an overview of performance and the market during the 4th Quarter and Mr. Smith discussed the underlying strategy performance. He noted that Blue Chip continues to be impacted by Magnificent 7 performance. Principal Equity Income (PEIIX) beat the benchmark. Mr.

Smith moved on to review underlying strategy performance. Mr. Fennessey discussed the Principal Equity Income fund on the watch list. He reviewed performance and expectations of the fund and recommended no changes at this time. Mr. Gordon confirmed with Ms. Ceserani that Meketa does not recommend a change. Ms. Ceserani affirmed, noting the expectation is the fund will be removed from the watch list next quarter due to improved 3-year performance. Mr. Green made a motion to maintain the PEIIX fund and the motion passed unanimously.

**9) INVESTMENT CONSULTANT'S QUARTERLY REPORT AND WATCH LIST
RECOMMENDATIONS – Kay Ceserani, Meketa Consulting**

Ms. Ceserani reviewed funds on the watch list. Mr. Davis made a motion to adopt Meketa's watch list recommendations, and the motion was approved unanimously.

**10) ANNUAL ASSET ALLOCATION REVIEW AND RECOMMENDATIONS – Tom Lowe,
Ascensus and Randy Welch, Principal, Kay Ceserani, Meketa**

Mr. Pritchard reviewed the asset allocation proposal for TEP. One of two recommendations is the implementation of a utilities sleeve within U.S. to take advantage of continued AI growth as well as forecasted upgrades to aging infrastructure. The second recommendation is to increase total U.S. allocation from non-U.S. Mr. Lowe noted that they remain comfortable in their growth models in the utility sector. Mr. Green asked Mr. Lowe to provide thoughts on software and portfolio options. Mr. Davis asked about semiconductors regarding AI. Mr. Lowe noted that the volatility of that sector would also play a role, and they are trying to stay more conservative. Ms. Pacheco De Alas asked if, putting AI to the side, some of the stabilizing pieces is the need for more electricity in general? Mr. Lowe noted there is an increase in demand overall.

Ms. Ceserani noted Meketa doesn't view utilities as an asset class. Meketa agrees with Ascensus's first proposal to reallocate between US and non-US. Regarding the utility allocation proposal, five percent of the U.S. Equity Sleeve would be the max Meketa recommends. Mr. Davis asked which recommendation Ms. Ceserani likes best. She said they would be more in favor of alternate allocation 2. Mr. Gordon noted that he would like to be more conservative than the primary proposal. Mr. Green made a motion to adopt the proposed allocation shift to US vs. non-US and to approve alternate proposal 2 (reduce real estate and increase utilities). The motion passed unanimously. Mr. Pritchard noted he will keep Ms. Cordova, and the board updated on timing of the fund changes.

Mr. Welch noted Principal is not recommending changes to the Year-of-Enrollment glide path for SE. They recommend changing the index option in the US SmallCap space from iShares Small Cap ETF (IJR) to SPDR Small Cap ETF (SPSM). Ms. Ceserani noted Meketa agrees with Principal's recommendation. Mr. Gordon asked Ms. Atkeson about legal notice requirements regarding changes to funds and length of time. Mr. Green made a motion to approve Principal's recommendation, and the motion was approved unanimously.

11) EXHIBIT C OF THE PROGRAM MANAGER'S AGREEMENT – Natalie Cordova, ETB, Khalel Pritchard, Ascensus and Helen Atkeson, Hogan Lovells

Ms. Cordova provided a summarized background of Exhibit C to the Program Manager's Agreement (PMA) and noted Ms. Atkeson has been instrumental in helping with the history of the document and noted the intent is to update the exhibit periodically. Mr. Gordon noted the Exhibit helps to make sure that all documents are consistent with how we are operating. Mr. Green made a

motion to accept the updated Exhibit C, and the motion was approved unanimously.

12) CLOSED EXECUTIVE SESSION PURSUANT TO NMSA 10-15-1(H)(7) TO DISCUSS LEGAL MATTERS

A motion was made to move into closed session at 11:50 AM. The motion was approved unanimously. Mr. Gordon called roll. All members agreed to be in closed session.

13) ADJOURNMENT

Each member was polled and agreed to return to open session at 12:06 PM. Mr. Gordon announced that the board took no action in closed executive session. The Board unanimously adjourned the meeting at 12:06 PM.